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Abstract

A wave of leftist leaders that promote socialist ideologies have gained popularity among the Latin American electorate. The socialist project has endured over the last 15 years, and apparently has resulted into a positive development for the region, evidencing a consistent regional GDP growth of 4.5% per year, and a reduction of unemployment and inflation rates. Furthermore, Latin American governments have lifted more than 64 million people from poverty and 60 million from the absolute poverty line in this same period. Some gramscianist authors have suggested that the autonomy of governments to produce these social policies has been a key factor in achieving such political and economic stability, in contrast to the situation which occurred during the 90s, when the International Financial Institutions prescribed policy reforms for the South-American states. Nevertheless, there are further aspects such as Chinese expansionism that has evidently influenced the progress of the region during the last 15 years. One example is how the Chinese demand for commodities has produced a boom in the international markets, resulting in an economic bonanza for Latin American states. In addition to the financial aid and specialized investment made by China, this has been key factor for the execution and sustainment of the socialist models in Latin America.
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Post-Neoliberal South American Development

How have the on-going power shifts in the global political-economic order shaped the political and economic development of South America over the last 15 years?

Introduction

This study will address the triangular relations between Latin America, Beijing and Washington in the last 15 years. It will specifically focus on the South American development during the post-Washington Consensus era, as well as the expanding influence of China over this region. The aim of this paper is to investigate the means in which the failure of neoliberalism in the 90s together with the expansionism of China have shaped the contemporary political and economic arena among the countries of South America. In addition, it will determine until what point the development of South America over the last 15 years has responded to the implementation of sovereign domestic policies, and consider whether it has merely been a fictitious product of a massive injection of capital from hegemonic powers trying to gain or regain influence over the region.

The new millennium embodied a breakpoint in Latin American politics. After 20 years of adjustment, which was the subtle term used for referring to the neoliberal guidelines imposed by international financial institutions (Williamson, 1990, p. 7), a wave of leftist leaders that promoted anti-neoliberal ideologies gained popularity among the public. The socialist trend started in 1997 with the triumph of Hugo Chavez in Venezuela, followed by the victory of the Workers Party in Brazil led by the emblematic Ignacio Lula da Silva in 2002. Then, a series of populist left-wing leaders gained power as in the case of Rafael Correa in Ecuador in 2007, Evo Morales in Bolivia in 2006 and the revolutionary Jose Mujica in Uruguay in 2010. Nowadays, eight of the ten South American states are under a regimen which is aligned to the ideas of ‘21st Century Socialism’, a doctrine that could be defined as the post-structuralist response to the Washington Consensus. It was shaped by Heinz Dieterich in 1996 and then later was restructured in the Sao Paulo forum by the socialist South American leaders. Correa (2014) set that it is not considered a model, but a series of principles that allows sovereign governments to generate economic and political models that are suitable for their own domestic reality. The four main principles of this post-structuralist doctrine are:

- Prevalence of human capital over financial capital
- Major use of direct democracy
- Special protection for minority groups
Self-determination and nationalization (Dieterich, 2003, pp. 121-129)

Such principles have produced a number of distinctive economic and political models in South America, for instance ‘El Buen Vivir’ which in English means ‘The Good Living’ in Ecuador and Bolivia, an unusual model that provides constitutional rights to the Earth and the environment, as well as the ‘Bolivarian model’ of Venezuela shaped by Hugo Chavez. Such models were aimed to convert Latin America into a socialist integrated region, denoting the patterns of regionalization philosophies, intrinsic in this new socialism. In general terms, during the first decade of the millennium, socialist projects have demonstrated a positive progress. The GDP of the region has grown around 4.5% each year and the unemployment rates have fallen from 11.2% in 2002 to 6.4% in 2011. Furthermore, Latin America has lifted more than 64 million people from poverty and 60 million from the absolute poverty line, and apart from Venezuela, the region has maintained constantly low inflation levels (Cepal, 2015). Some gramscianist authors such as Do Alto (2008), Svampa (2008) and Panizza (2009) have suggested that the autonomy in the Post-Washington Consensus policies have been the key factor that led to South American states to achieve such political and economic stability. However there are further aspects such as Chinese expansionism that has evidently influenced the progress of the region during the last 15 years.

The South American governments have enjoyed an economic bonanza in the last decade, primarily produced by two factors. First a boom in the commodities market caused by Chinese demand for raw materials; and second, the increment of capital flows towards the region, expressly from China. Therefore, it is conceivable that the stability of the mentioned socialist governments along with the success of its policies may perhaps be associated in a direct way with the expanding influence from the Asiatic power over the region. Authors as Manriquez & Alvarez (2014), Wu & De Wei (2014) and Philips (2011), have paid special attention to the increasing expansion of Chinese influence over South America. Philips (2011, p. 89) stated: ‘For students of Latin America, the global expansion of the People’s Republic of China has unquestionably thrown up a new big issue which has been keeping us increasingly busy’. And it is not to be expected anything less. Since its economic transformation in 1979, China has lifted more than 620 million people out of absolute poverty line, its average annual GDP growth has been of 9.9% (Ross, 2010, p. 147), and its share in the global export soared from 1.4% in 1990 to 10.4% in 2010.

At the present time, China is the leading world exporter and the 2nd major economy in the world (Francoise, 2013, pp. 25-26). In terms of bilateral trading with Latin America, the commerce figures climbed sharply during the first decade of the millennium; the Sino–Latin American trade skyrocketed from US$10 billion in 2000 to a pre-crisis peak of over US$143 billion in 2008. China became either the
first or second largest trading partner for most Latin American countries. Meanwhile, Latin America has become China’s fifth-largest trading partner (León-Manriquez & Hearn, 2011, pp. 11-12). As well, for some anti-neoliberal administrations, including the ones in Ecuador, Venezuela and Argentina, the Chinese government has turned into the new alternative for financial assistance, in some way setting aside the influence of the traditional international financial institutions as the IMF or the World Bank over the region. Agreeing to Chinese borrowing terms does not include any type of policy reforms or adjustment. Instead the Asiatic state mostly requires the recognition of the One-China policy and the signing of long-term commercial contracts, headed to supply China a daily fixed quantity of commodities, in most of the cases oil, minerals and natural gas (Wu & De Wei, 2014, p. 790). In this way, China not only ensures a long-term supply of commodities, but also gains recognition of its national line of thought. In the same manner, South American governments’ benefit from market divarication, as well as financial assistance without any requirements of policy adjustment. For that reason, South American states have been able to sustain socialist policies which mean a high fiscal expenditure during the last decades. This is a contrast to the proceedings used by the international financial institutions during the 80s and the 90s, when the requirements for financial assistance included an adjustment in the policies and austerity measures, causing a profound social impact which generally transform into political instability.

The expanding influence of China over developing regions has brought debates about the geopolitical implications of China’s rise. One standpoint perceives China as a threat to the United States’ position as the sole superpower. This challenge to US hegemony could be seen as a cause of instability and potential conflict in the future. However, further views have emphasised the peaceful rise of China, and the benefits of its expansionism. One example of it was mentioned before. It is how the commodity boom over the last 15 years, along with the financial aid and specialised investment made by China has brought an economic expansion for developing economies, particularly to South America. In this way the Chinese economy could be seen as complementary to those of other developing countries that stand to gain from China’s growth (Rhys, 2010, pp. 810-812). Nowadays, more than one author is instigating the idea about the possibility of a shift in the global power relations. The continuously political, economic and military expansion of non-western potencies, the power struggle is an ongoing trend among authors of Global Political Economy and International Relations. The study of the transition from global unipolarity to a bipolar or multipolar world is of essential importance due, such new condition, could transform the way in which the global politics are generally perceived. Ikenberry (2011, p. 56) held that ‘wealth and power are moving from the North and the West to the East and the South, and the old order dominated by the United States and Europe is giving way to one increasingly shared with non-Western rising states’. China has a real control over the powerful
supranational institutions and the Asian state is also demonstrating that it is able to influence the political and economic conditions of the world, especially impacting emerging regions including Africa and Latin America.

At the end of this work, the reader will acquire an understanding about the way in which the upsurge of the Chinese power has influenced policy-making of the South American states over the last 15 years. This argument will be developed over 3 chapters. The first chapter will be dedicated to a discussion about the on-going power shifts in the international-political arena. This part will include a narrative about the failure of the Washington Consensus guidelines, as well as a clarification about the details of the contemporary power struggle between the main contemporary hegemonic powers. The aim of this section is to set the actual scenery of the interrelations between Beijing, Washington and South America. The second chapter aims to define the connection between the Chinese expansion and the rise of leftist governments in South America. This part will include a study about the uprising of the left over the region, particularly after the failure of the Washington Consensus. It also will include an illustration of the economic indicators of the performance of the region over the last 15 years, with the intention of evaluating whether or not the domestic policies created in South America after the Washington Consensus have created real development in the region or if it is merely a fictitious growth. Finally, the third chapter will provide a particular case study, in which by analysing the neoliberal guidelines that led Ecuador to a financial crisis, along with a study about expansion in economic and diplomatic bilateral relations with China, I aim to offer a narrowed and accurate perspective of the way in which these factors have been an essential foundation for the construction of the current economic and public policies of this country, as well as the real impacts these policies have had.
Chapter 1
Global Power Shifts and the Neoliberalist Fiasco in South America

The establishment of a liberal hegemonic world

After the culmination of World War II, the agenda of Western powers, as well as their economic and financial objectives were clearly demarcated in the Bretton Woods Conference. In order to support the restoration of the global economy, there were two matters of essential importance. The first was the reconstruction of European economies devastated by the war, and the second was to achieve a widespread global liberalization in international markets. In addition, there was a duty to create a system of pegged exchange rates in order to avoid the mercantilist practice of currency devaluation for adjusting deficits in the national balance of payments. On July of 1944, these North-western objectives were institutionalized by 44 national delegations which signed the Bretton Woods Agreements. This resulted in the creation of a liberal international economic order and the supranational financial institutions in order to maintain it, including the World Bank, the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT). The World Bank at first was entitled to provide long-term loans for infrastructure reconstruction, while the IMF was aimed to provide short-term loans to assist states with a deficit in the balance of payments as well for the maintenance of a fixed exchange rate in their currencies. On the other hand, the GATT was compromised to liberalize trading of goods. However, in 1995 when it was converted into the World Trade Organization, its competence expanded to trade in services and intellectual property rights. In the same way, in 1948, the Marshal Plan promoted by former president of the United States Harry Truman was already facilitating the recovery of the economies affected by the war resulting in a change of entitlements for the World Bank which now provide loans that support the economic development. As well in 1971, the IMF changed its function for providing loans to assist financial crises as a result of the failure of the fixed exchange rate system in 1970 (Cohn, 2008, pp. 21-30).

The neoliberal supranational institutions are often credited to have generated global prosperity and an unprecedented global economic growth. Nevertheless, there has been a vast amount of critiques, arguing that such prosperity was accumulated in certain regions of the globe at the expense of the vast majority of states (Bergsten & Henning 1996) (Stiglitz, 2002). It is not a secret that the decision power in these institutions is directly related to the funding provided by each nation. In this way, 70% of the decision power corresponds to North-western powers, and the United States, which is the

1 The GATT was created several years after Bretton Woods, however a number of writers include it as a part of the Bretton Woods institutions because of its central role in international commerce.
2 Included Japan
major benefactor of the institutions, is the only state which holds the ‘power of veto’ (Gonzalez-Eiras, 2009, pp. 63-65). In the case of the WTO, it has a one-vote one-nation system. Nonetheless, before the integration of China in 2001, the multilateral trade negotiations agenda was settled by the block of the major trading states mostly conformed by North-western developed economies. Joseph Stiglitz, (2002, pp. 6-13) and John Mershaimer (1994, pp. 9-10) have revealed the duplicity of the global system during the 70s, 80s and 90s, when the hegemonic western states used their influence over the supranational institutions, generating in this way a self-interested scheme of cooperation with conditions based on a zero-sum game. This saw the powerful acquire more power while the less influential states were destined to lose. Consequently, in the last decades, the world has observed a proliferation of a non-western schemes of cooperation which challenge in this manner the durability not only of the unipolar hegemonic international system, but also the reliance on supranational institutions, particularly the International Monetary Fund and the World Bank.

The establishing of the Bretton Woods System and the formation of a neoliberal supranational framework created the perfect scenery for the North-Western powers, and particularly the United States, which was perfectly capable and willing to lead at that time and hence become the hegemonic power of the world. By the time the Bretton Woods’ agreements were negotiated, the United States GDP represented 35% of the global GDP. Furthermore, 65% of the world’s GDP was concentrated in 6 states including United States, United Kingdom, Germany, Japan, France and Italy (The Economist, 2012). The accumulation of wealth in such powers leveraged their power decision, converting Bretton Woods’ agreements as purely Anglo-American. As a matter of fact, the chief conference planners were Dexter White of the U.S Treasury, and the British economist John Maynard Keynes, along with other former French and German academics. Consequently, the Bretton Woods agreements were perfectly planned to provide privileges to the Western developed economies (Cohn, 2008, pp. 17,26). An example of such privileges is that the agricultural markets were never liberated completely, which allowed mercantilist practices such as subsidies for the crops cultivated in developed countries, particularly in Germany and United States, harming directly economic progress in agrarian-based emerging states.

One of the key factors considered in the Breton Woods agreements that facilitated the raise of United States as the hegemonic power was the substitution of the gold standard by the US dollar standard. As a result, the US Dollar became the only directly gold convertible currency under a fixed system of exchange rates adjustable to pegs. This system was achieved by the foundation of the IMF which established a common centralized pool of global reserve currencies constituted by 75% of global currencies and 25% of US Dollars. In this way the dollar became the global reserve currency of the world. Such a condition, in addition to the ones acknowledged for being the holder of 75% of the
extracted gold on Earth at that time, provided the United States a list of supplementary privileges to facilitate its permanency as hegemonic power (Cohen, undated). Furthermore, in 1971, the former president of the U.S, Richard Nixon applied a series of economic and financial measures best known as the ‘Nixon Shock’. This signified the unilateral cancellation of the direct convertibility of the U.S Dollar to gold. Consequently, the floating exchange rate system was established with the US Dollar as the hegemonic currency. Subsequently, the United States became responsible for the management of monetary interrelations. Such a condition provided a series of political and commercial privileges, such as lowering the transaction costs and a reduction of foreign exchange risk for U.S companies, a net international investment income, and the capacity to auto-finance current account imbalances. By 2002, about 86% of international transaction were made in US dollars. Additionally, 48% of international bank deposits and 44% of international debt securities were held in such currency (Helleiner & Kirshner, 2009).

Such preconditions give the US dollar an intrinsic value based on global confidence due to its massive usage, rather than being valued by the economy that supports it. Consequently, it provides the United States the most important financial advantage which is the ability to print the only currency endorsed not only by a single state economy but also by the entire international community, which are required to protect the US. Dollar value maintains the stability of the global financial system in addition to preserving their investments and secured reserves. Therefore the Bretton Woods system is a perfect example of a hegemonic force using its influence over supranational liberal institutions to achieve its realist and mercantilist objectives. The post-war era witnessed the United States rise as an unprecedented hegemonic power able to dictate the global commercial agenda, capable to constantly extend its political influence and accomplish control of the global finances of a neoliberal system designed to redirect prosperity to the north and to maintain under-development in the south. One illustration of such practices was the imposition of the Washington Consensus over Latin America.

The Decalogue for Development

During the 60s and the 70s, Latin American states acquired substantial sums of foreign debt, particularly with the World Bank for ‘modernizing’ infrastructure, and also with the International Monetary Fund for adjusting the disproportion on its balance of payments. Such imbalance was mainly caused by the inefficiency of import substitution policies that such states maintained after World War II. An example of such practices was usage of foreign loans to protect the state enterprises, compensating its inefficacy and making them able to compete at international level. In this way, the South American states were using the financial loans provided by the IMF not only to correct macroeconomic imbalances, but also to finance the public industry deficit. By 1980, most Latin America economies became immersed in economic stagflation, triggered by the collapse in the raw
materials markets and the U.S Dollar appreciation, in addition to the inefficacy of Cepalist policies. Such situations led countries like Brazil, Mexico and Argentina, to suspend borrowing, provoking a situation in which the international financial institutions refused to refinance such debts (Rangel & Soto Reyes, 2012, p. 42). In 1982 the Mexican state, which was unable to borrow, ran out of financial reserves and this situation ultimately led this state to default on its foreign debt. The Mexican default triggered a series of complications for all Latin American states. The U.S authorities alleged that in order to avoid a contagious inflation, it was necessary to restrict the quantity of money circulating in the economy. As a result the North-American state increased their interest rates producing a rise in the price of their currency. The Latin American states, which were indebted in US Dollars, attained a foreign debt capable to reach record levels. Consequently, the majority of states in the region fell into a situation that made them unable repay their foreign debt. In order to avoid a massive default on their assets, the international institutional creditors came into the rescue (Rangel & Soto Reyes, 2012, pp. 40-45). However, they also viewed a perfect opportunity to extend the neoliberal system to South America. After the clear failure of the Cepalist model of import substitution, the Latin American states required an open, stable and liberalized economic model. At least this was the prescription that neoliberal economists of the time suggested, including Williamson (1990) and Richard (1990). So, the neoliberal guidelines for recovering the damaged economy in Latin America were crystallized with the formulation of the Washington Consensus. A decalogue of policy reforms which fundamentally proposed that economic reforms should be based on the logic of the markets, besides from being

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Chart shows the evolution of the foreign debt in the major economies of South America and Mexico in the period between 1970 and 1990 (Data taken from [Toussaint, 2003, p. 5]).
The IMF offered financial aid to restore the stability of the region. Nevertheless, the bargain included the imposition of the policy reforms implied in the Washington Consensus. This meant the acceptance of the neoliberal prescriptions became perhaps the only possible alternative that the Latin American governments had at that particular time to recover their economies (Rangel & Soto Reyes, 2012, pp. 50-52). The Washington Consensus not only tended to provoke changes in the economic structure of the states, but was also an ideological transformation for the collective mind of the societies.

The effects of the Washington Consensus over Latin America raised, and still raises, a number of arguments concerned with debates about the triumph or failure of liberalism and the way in which globalization is perceived. However, it is undeniable that the liberal guidelines were clearly unsatisfactory for Latin America due to the fact that they did not accomplished their main objective, which was to help the South American states to develop. As a matter of fact, after a decade of its implementation, states such as Argentina, Bolivia, Brazil, Ecuador, Paraguay, Venezuela and Uruguay were hit by a series of economic, financial and political issues that could most certainly be linked to the unsatisfactory reaction of the public towards the neoliberal policies implemented during the 90s. In addition, the implementation and the maintenance of the neoliberal policies caused the South American countries to acquire an even larger amount of foreign debt. Such a situation produced a vicious cycle, in which the states needed money to maintain the neoliberal policies, but then again the International Financial Institutions only provided them loans, conditional upon the implementation of further neoliberal policies. Such a situation made it impossible for the South American states to redirect the money of their loans to matters that would enhance their development like education, infrastructure and technology. Instead it was used to pay the cost of policy implementations, and the
repayment of their debts with higher interest rates. Consequently these states were not able to industrialize their production and were condemned to be indebted raw material exporters (Rangel & Soto Reyes, 2012, pp. 46-57). Stiglitz (2008 pp. 43, 45) has stated that ‘markets by themselves do not produce efficient outcomes when information is imperfect and markets are incomplete…the Washington Consensus failure could lay behind the framing of the agenda (referring to the lack of transparency of the international financial institutions)’. Additionally, Susan George (1990), in order to denote how the debt and the Washington Consensus were tools for control rather than tools for benefit the development, stated that ‘Debt is an efficient tool. It ensures access to other peoples’ raw materials and infrastructure on the cheapest possible terms’.

Argentina’s Case

In Argentina’s case, six of the ten neoliberal policies were applied for the economic restructuring of the state including a fixed nominal exchange rate, trade liberalization, an intensive privatization scheme, and deregulation of the labour conditions, allowing outsourcing and non-contractual ways of employment. Silva (2015 pp. 325-226), divided the reformation into two sub-periods. The first period of boom, started in 1991 and extended up until the third quarter of 1998 and the second one of crisis, which begins in the fourth quarter of 1998 and lasts up to the end of 2001. It is true that during the first period the neoliberal policies had an acceptable performance. Not only by facilitating the expansion of the Argentinean markets, but also by pressuring companies to become more productive. However, the flipside of this process was the accumulation of financial and fiscal imbalances caused by the cost of implementing and maintaining these neoliberal policies, especially the cost of maintaining the parity of the Argentina Peso to the US Dollar. In addition, there was a deterioration in state power due to the austerity measures imposed, which was clearly expressed in the breakup of the alliances in parliament, and a general loss of legitimacy among their electoral base, producing apart from the economic unproductivity, a profound political instability. The Argentinean crisis best known as ‘El Corralito’ was triggered in 2001 when the IMF refused to release US$1.3 billion, alleging the failure of the Argentinean government to reach a previously agreed-upon budget deficit target, while it also demanded further budget cuts. This episode not only caused a national demonization of the neoliberal institutions but also the spreading of a sense of discomfort to the whole population, especially to the most affected working classes. The situation led to a prolonged crisis, which ended in financial bankruptcy and a severe decline on real economy. Argentina ended in a situation where the bank accounts of the people were frozen for weeks, and 50% of the population officially became poor while another 25% was below the absolute line of poverty (Silva, 2015 ).
Bolivian Water Wars

An additional case in which neoliberalism has been demonized for its social repercussions was the so called ‘Water Wars’ which occurred in Bolivia. In 1994, after the Bolivian acceptance of the whole neoliberal package, Cochabamba, the 3rd major city of Bolivia was pressured to privatize its inefficient water management. In Cochabamba, the supply of water only reached 66% of the population. As a result, the public company SENAPA was acquired by Aguas Del Tunari, a consortium headquartered in the Cayman Islands, formed by a group of enterprises including the U.S company Bechtels, Edison from Spain and Abengoa from Italy (De la Fuente, 2003, pp. 98-99). After this takeover, the first critiques appeared arguing that the profits coming from the hydro resources should be used to generate wealth inside Bolivia, instead of going to private companies from the US and Europe. Nevertheless, the situation became critical in 1998 when Cochabamba required a $450m investment for the construction of a new pipeline, which connected the waters of a group of rivers in the mountains to the city. The project was generated in order to satisfy the increasing demand that the growing city was producing. Nevertheless, the Bolivian state was struggling with fiscal imbalances and lacked liquidity to finance such a project. They therefore resorted to the World Bank for assistance. The World Bank accepted to provide the funds; however, it pressured the Bolivian government to modify their water management legislation. Consequently, a new law of water was created. Although the most significant point of this new law was the privatization of all the hydraulic resources in Bolivia, it captured public attention due to such legislation also allowing a rise in the price of the water service in Cochabamba, justifiable to cover the costs of expansion of the service. Consequently, it directly affected the finances of Cochabamba’s citizens who soon started to demonstrate their dissatisfaction. Indeed, the promulgation of this new water law led to massive rioting in Cochabamba. The situation resulted in a civic state of warfare between the local police and the Cochabamba civilians, causing more than 100 protesters and 30 police severe injuries. In order to solve the situation and calm the ravenous protesters that blamed the neoliberal policies along with the World Bank for the rises in the price of the water, the Bolivian government gave in and accepted people’s demands. Aguas Del Tunari was discarded and a new social water law was promulgated (Olivera, 2014) (De la Fuente, 2003, pp. 98-99).

The Argentinian financial crisis and the Bolivian water wars are just two examples of a vast range of events that demonstrated not only the unpopularity of the neoliberal policy among Latin Americans, but also the means in which the reckless implementation of these policies was never able to adjust to the South American reality, resulting in a fiasco that cost all the countries of the region various decades of unproductivity and large sums of financial obligations. Even though it is clear that the Washington Consensus was not a successful for the Latin American countries, there are still authors as Cavallo...
(2004) who are defensive of the neoliberal Decalogue. It is constantly argued that development in Latin America was higher due to neoliberal model, when it is contrasted to how it might have been if the import substitution model persisted. Correspondingly, the case of Chile is constantly brought up as a successful example of development which owes its success to neoliberalist practices. However, Chile was clearly an exceptional example, due its dictatorial form of government. The Chilean people are conscious that this period was an economic success for the state, nonetheless, it represented a social disaster for Chilean history due to the massive number of deaths and disappearances of people that were against the autocratic Chilean government. Furthermore, as was mentioned in the previous section of this paper, the liberalization of the markets in Latin America was aimed to benefit the objectives of a North-Western agenda, rather than to produce a real development over the region. Such a situation has constantly been validated due to the level of dependency that Latin America has had with the industrialized powers. Although there is still a divergence of opinions about the outcomes of the Washington Consensus in South America, a general perception among the authors, regardless of whether they are supporters or opponents of neoliberal dogmas and including the perspectives of Cavallo (2004), Silva (2015) and Rangel & Soto Reyes (2012), is that the Washington Consensus left a sense of economic openness in Latin America and also helped to rationalize the concept of globalization for Latin Americans. Nevertheless, it also left an unpopular notion about neoliberal institutions and the scheme in which they are regulated. Both factors are nowadays essential in order to understand the contemporary political and economic arena of South America.

The Chinese expansion and the US hegemonic decline

While Latin America entered a decade of economic stagnation in the 80s, China on the other hand was starting a period of rapid economic growth. Since the 80s, the Chinese economy not only has grown at almost 10 per cent per annum, which resulted in a sevenfold increment in the income per capita. But it has also become the second-largest economy in the world. Furthermore, its successful reintegration to the global economy had situated the Asiatic power as the world’s largest exporter ahead of Germany. In addition, Chinese companies such as Sinopec and China National Petroleum have become key players in the commodities market, particularly in the extraction and energy industries. Since 2000, the Asiatic power has been expanding its influence in the world beyond commerce. China started having a major impact in political, financial and diplomatic affairs and even in the ideological behaviour of both developed and developing countries.

Manriquez & Alvarez (2014), in their article ‘Mao’s steps in Monroe’s backyard’ besides of demonstrating how Latin America is still a highly economic-dependent region, also outline the ideological, political and mostly economic fissures of the relations between United States and Latin America. They go on to explain how China is taking advantage of this situation in order to gain more
influence over the Latin American region. Even though the general perspective of the US-Latin American relations show a solid compromise, the reality is revealed when the studies are geographically separated. For instance, the total trade between the two parties rose from US$ 339 billion in 2000, to US$ 586 billion in 2012. In addition, Latin America has gained relevance in US foreign trade figures. In 1990, the region accounted for 13.3% of US exports and 12.9% of US imports. By 2009, the respective shares increased to 22.1% and 18.1% respectively (Cepal, 2015). However, 58% of US trade with Latin America took place with Mexico, and the commercial flow of the nineteen other states accounted for just US$ 340 billion⁴. Furthermore, while the United States is still the major commercial partner of almost all the countries in Central America and in the Caribbean, China has displaced the United States as the major commercial partner in a number of countries located in South America, including Chile, Brazil, Paraguay and Venezuela⁵. In addition, marketization and free trade policies do not seem to have gone down well with South American countries since 2000. While economic liberalism took momentum in the 90s, when all the South American states were aligned to neoliberal policies, nowadays just 2 countries are still following such a path, as is the current case of Colombia. (Manriquez & Alvarez, 2014, pp. 8-14).

There are several factors that are contributing to the capacity of China to overstep the United States’ economic and political influence, especially in South America. For Manriquez & Alvarez (2014, pp. 11-12) the list includes, first, geographical conditions, in which the United States is still able to influence states with geographical contiguity, but is inefficient to maintain its control over all the states in the region. Second, the U.S neglect for Latin America due to its focus on the Middle East. And third, a general lack of trust in neoliberalism and openness in the market from many of the South American states, mainly due to the failure of the Washington Consensus policies during the 90s. On the other

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⁴ The commercial flow of Latin America with China in 2011 was of US$ 241 billion. (Wu & De Wei, 2014, p. 788)
⁵ Table shows the position of China and United States in trade ranking with Latin American states (2000-2010) (Cepal, 2015).

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<th>United States</th>
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</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>6th</td>
<td>4th</td>
</tr>
<tr>
<td>Brazil</td>
<td>12th</td>
<td>1st</td>
</tr>
<tr>
<td>Paraguay</td>
<td>15th</td>
<td>15th</td>
</tr>
<tr>
<td>Uruguay</td>
<td>4th</td>
<td>4th</td>
</tr>
<tr>
<td>Chile</td>
<td>5th</td>
<td>1st</td>
</tr>
<tr>
<td>Colombia</td>
<td>36th</td>
<td>6th</td>
</tr>
<tr>
<td>Venezuela</td>
<td>35th</td>
<td>2nd</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>30th</td>
<td>2nd</td>
</tr>
<tr>
<td>Guatemala</td>
<td>43rd</td>
<td>25th</td>
</tr>
<tr>
<td>Mexico</td>
<td>19th</td>
<td>7th</td>
</tr>
</tbody>
</table>
hand, China has emerged in Latin America as the new financial alternative. China has disbursed since 2010, more than US$110 billion in high-level investment to Latin America and nowadays has become the 3rd highest investor in this region. Furthermore, China has become a donor-member for the InterAmerican Development Bank (IDB), providing China a seat on the Board of Governors, allowing to China, the capacity to influence decision-making in terms of financial policies and investment of the 26 Latin American countries part of the IDB (Wu & De Wei, 2014, p. 784). The financial power of China is becoming its most efficient weapon to expand its influence. At this time, China has accumulated US$3.4 trillion of official foreign exchange reserves. Furthermore, it is the second biggest creditor of the U.S foreign debt (US$1164 billons [7.5% of the total United States foreign debt]) (Wu & De Wei, 2014, p. 781). Although the United States still maintains privileges due the position of the US dollar as the key currency of the world, the massive accumulation of Chinese financial assets have situated the United States in a very sensitive position., as the Chinese expansion of financial influence over the United States is affecting its hegemonic political capabilities. As a result the United States is watching carefully how China continues to expand its influence over the South American region, and considering how best to act in order to not affect its own financial stability. Although the liberal world order imposed in Bretton Woods still prevails, Chinese economic, financial and political power is undoubtedly producing a shift in the balance of power and the nature of global interrelations.
Chapter 2
The Chinese influence on the rise of the new socialism in South America

A Non-western scheme of cooperation

‘China? There lies a sleeping giant. Let him sleep! For when he awakes he will shake the world.’

(Attributed to Bonaparte, N. [1800])

There are a large number of authors that have been focusing on Chinese economic and commercial expansion; however, there are just a limited group of scholars who have been concerned with the ideological, political and social repercussions that the rise of China is producing at this precise time. The former Australian prime minister, Kevin Rudd (2015), now president of the Asia Society Policy Institute, declared that ‘If China does become the world’s largest economy, it will be the first time in 200 years that in the world we will have as the largest economy a non-English speaking country, a non-Western country, and a non-liberal democratic country...It will affect so many things at so many levels. It will go to the absolute core. It’s happening quietly. It is happening persistently. It is happening in some senses under the radar’. Such description perfectly captures how China has expanded its influence over developing regions, particularly in North Africa and Latin America. While the core states have been focused on global security issues such as the war against terrorism and the rise of extremist groups in the Middle East, China has quietly extended its influence over developing regions, which were traditionally under the control of Western powers through international financial institutions, post-colonial cooperation agencies and foreign debt obligations.

Since 2001, the presence of China in South America has intensified and it is not a coincidence. The affiliation of China to the WTO changed commercial rules all over the globe. The new socialist governments have seen an opportunity to expand their markets to Southeast Asian states and particularly to China, which had already started to increase its commerce over the region during the late 90s. The commercial guidelines of all the South American states have started to include openness to Chinese markets as key goals in their foreign and commercial policies (Oliva, 2010, p. 113). Hurrell (2006), stated ‘Being a great power has never been solely about the possession of large amounts of crude material power. It has been closely related to notions of legitimacy and authority...Chinese power has been combined with a long-term sense of where it would like to be and that, as a state, it has to date maintained a significant degree of strength and coherence’.
Attempting to generate a different scheme of cooperation comprising the non-Western Southern regions of the globe, China has chosen a softer pattern of influence, which has given the impression to be solely concerned with commercial matters at first glance but later pursuing political and diplomatic acknowledgment. For instance, China has changed its policy and is now able to expand its commercial flow and direct its investment towards developing countries that still maintain good relations with Taiwan, such as Honduras, Guatemala and Paraguay. This has been done deliberately with the aim of opening further diplomatic channels later down the line, such as happened in 2004 and 2007, with the Dominican Republic and Costa Rica respectively, both Caribbean states which have maintained a historical scheme of cooperation with Taiwan but switched rapidly their diplomatic recognition of the People’s Republic of China when they perceived that doing so would be beneficial (Manriquez & Alvarez, 2014, p. 22) (Wu & De Wei, 2014, pp. 795-797). What is more, China is pursuing its recognition as a ‘market economy state’, regardless of its mercantilist practices, which include an artificial depreciated currency exchange rate, dumping, copyright infringements, various cases of child labour and extreme working conditions. In South America, states as Argentina, Peru, Venezuela Brazil and Chile, without regard of the counter effects that such conditions have on their own commercial sectors, have granted China the condition ‘market economy state’ due to the fact that Chinese officials have imposed this condition in order to continue a commercial and financial scheme of cooperation (Urdinez, 2014).

**Chinese diplomacy and its influence for the successful upsurge of the leftist policies**

Wu & De Wei (2014 pp. 789-799), have recognized two main areas of Chinese foreign policy influence over Latin American states. The first is concerned with finances and the economy. It includes oil negotiations, commercial reliance and also borrowing and investment. While the first area is concerned with commercial matters and financial affairs, the second area is more about diplomatic recognition and political expansionism, including the global recognition of the One China Policy, and the acknowledgement of a ‘market economy’. One of the bases of the success of the Chinese expansion in South America is related to the platforms that China has used since 2000 for engaging with these nations in economic affairs, leaving the pursuit of diplomatic recognition as a secondary priority. By doing so, China has been welcomed by the South American states as an option to diversify its markets and obtain financial aid and investments. China has focused on creating solid relations based on economic and financial matters first and, after securing these, branching out into the diplomatic and ideological arena. It is evident that China has learned the lesson of the failure of the neoliberal scheme managed during the 80s and the 90s which was aimed to interfere with the ideological bases at its main objective. (Wu & De Wei, 2014, p. 800).
Argentinean Case

The new-born Sino-Argentinean relations are an example of the influence that Chinese diplomacy has had over the economic and political decisions in the region. In 2003, after several Interim presidents, the left-wing leader, Nestor Kirchner became Argentinean president. The Kirchner administration pursued an autonomous economic policy that was contrary to the guidelines imposed by the IMF in the 90s. The main objective of the Argentinean government became the repayment of the debt, with the intention to disassociate the country from neoliberal prescriptions. Since its first day in the administration, Kirchner implemented a series of social programs to reconsolidate the Argentinean people’s trust in the government and such measures boosted his popularity among the public and provided Argentina with political stability (Panizza, 2009, p. 245). In 2006, Argentina achieved its national goal by paying its debt with a single payment of US$ 9.2 billion (Navarro, 2015). It could be said that the socialist and autonomous policies recovered the Argentinean economy and made the state able to repay its debt obligations. However, there is an essential actor which facilitated the Argentinean recovery: China.

Since 2003 the strategic foreign policy goals of Argentina started to include guidelines which encouraged openness and enhancement of diplomatic and commercial relations towards the Asiatic power. In fact, China was considered one of the ‘seven great pivotal points of Argentinean commercial policy’ which aimed to create permanent, balanced and mutual bilateral ties with the Asiatic state (Oliva, 2010, p. 102). In 2004, Kirchner visited Beijing and Shanghai accompanied by his ministers and his wife, Cristina Fernandez, who in 2007 would be elected as President of Argentina. This was the first of many future encounters between Argentinean and Chinese leaders. As a result of such visits, a series of bilateral agreements were signed - mostly to promote mutual investment and encourage the creation of Sino-Argentine companies. Nevertheless, later in the same year, Hu Jintao, former leader of China, visited Argentina among other countries in Latin America. For China the recognition as a ‘market economy’ by the government of Argentina was a key issue. However, by that time, the Argentinean state was applying 79 anti-dumping measures per year to Chinese products. China was offering a considerable increase in investment towards Argentina’s productive sectors and infrastructure, in addition to granting Argentina the status of tourist destination and, most importantly, accepting to provide the Latin American state the financial aid needed in order to fulfil its national prime objective, which was to pay back the debt that they maintained with the IMF. What’s more, Hu Jintao had already gained the recognition of Brazilian’s president, Ignacio Lula Da Silva which would have conditioned the bargaining power of Argentinean officials who knew that granting China the condition of ‘market economy’ could produce dangerous effects on their national industry. Nevertheless, before Jintao left South America the negotiations concluded with the signing of a
memorandum of understanding which recognized China as a ‘market economy state’, exposing the vulnerable sectors of the Argentinean economy (Urdinez, 2014, pp. 70-73) and demonstrating the capabilities of the Chinese officials who, by including financial and commercial matters into the bargain, were capable of influencing a country’s diplomacy and ideology.

In addition, since 2005, Chinese injections of capital started to be induced into Argentina’s economy by both investment and borrowing. In the same year, China purchased Argentinean debt bonds, which were mainly issued with the purpose of meeting its financial obligations with the IMF and further Chinese investment was used for improving the national infrastructure such as highways and railways as well as for improvements in the productivity sectors, such as the construction of a gas pipe from Caracas to Buenos Aires. In return, Argentina agreed to take a common stance against US and European agriculture subsidies in the WTO. Since 2006, there has been a series of bilateral agreements signed by both parties with the aim of boosting cooperation in areas including natural gas, tobacco and pharmaceutical commercialization, as well as tourism, educational services, and biotechnology transfers, and the consolidation of the China-MERCOSUR ties. Furthermore, in 2009, a fund of US$ 11 billion Pesos and Renmimbi was created between the Argentinean Central Bank and the Peoples Bank of China in order to set commercial transactions in both national currencies. Hence both countries have cooperated in taking small steps to set aside dependency on the US dollar for international transactions (Oliva, 2010, pp. 104-105).

Consideration of the present Sino-Argentinean relations demonstrates that the interrelations of both countries goes beyond the economic and commercial matters. Nowadays it is clear to observe a demarcated scheme of cooperation between these nations that include diplomatic, political and ideological bonds. China was a crucial player in the Argentinean recovery and nowadays plays a fundamental role as commercial partner and investor for the maintenance of its socialist policies. On the other hand, Argentina has become largely dependent on China, which has demonstrated the ability to influence Argentinean governmental decisions, even if they are driven against the inner interest of the state and its own people.

The Bolivian Case

After 20 years of neoliberal guidelines, the Bolivian state was immersed into a profound economic and social crisis. Although the Washington Consensus brought to this multicultural nation stability, low levels of inflation and helped its industries to gain openness to the global markets, the socio-economic results that neoliberalism left were catastrophic. Poverty increased while wealth was accumulated by a few sectors and taken outside the country. Furthermore, the gap between rich and poor widened, the informal economy numbers skyrocketed and the high levels of unemployment caused people to
work for less than U.S $ 1 per day (Rowan, 2003, pp. 2-3). Such precarious conditions resulted in an ideological natural response in which Bolivian taxpayers redirected their frustration to oppose any neoliberal policy. For Herve Do Alto (2008) and Francisco Panizza (2009) the failure of the Washington Consensus guidelines triggered the popularity of the left anti-elitist leader, Evo Morales, which appeared with a demagogically-social discourse that not only attacked aggressively the neoliberalist line of thought, but also induced a feeling of nationalism within the Bolivian collective mind. For example, in 2014, when the IMF applauded the 2013 Bolivian growth of 6.2%, Evo Morales (2014), instead of demonstrating a feeling of appreciation for such remarks, commented that ‘the IMF should start thinking how to compensate Bolivia and Latin America for the damage that neoliberalism produced in the region’. Since Bolivian policies took a shift against the neoliberalism, not only has its economy expanded, but also the dignity of its people has been restored (Rowan, 2003, p. 2). A brief valuation of social and economic indicators could show that the state GDP has been growing constantly around 4.1% and 6.1% per year. In addition, the minimum wage escalated from US$ 57 in 2003 to US$ 238 in 2015, infant mortality rate was reduced by 60% and, most importantly, 3 million people have been lifted out of poverty and 1.7 million from extreme poverty (Cepal, 2015). Although the Bolivian economy is still fragile and dependant, the socialist policies of the multicultural state have demonstrated remarkably better outcomes than the results produced by the policies applied during the neoliberal period; however, again China, was an important player that aimed for such development.

There are two important factors in the socialist Bolivian model. The first facto is the nationalisation of enterprises that provide public services, such as water and electricity, as well as the ones concerned with extraction of hydrocarbons and mining, which are constitutional recognized as ‘strategic resources’. Do Alto (2008, pp. 177-183) studied the effects of the nationalization of companies in Bolivia. He notes that in addition to the new constitution there are two key legislations that helped the Bolivian government to succeed in the nationalization process without using the figure of expropriation. The first was the supreme decree N. 29701 and the second the ‘Hydrocarbons’ law’. The first established that 82% of the profit of big companies in the extractivist industries should go to the state and 50% of the profit for the minor ones. The second one dictates that all the hydrocarbon resources belong to the state. As a result, the Bolivian government has been able to benefit directly from the boom in the commodities market of the last decades. The Bolivian government has already gained control of 19% of the Bolivian GDP, and the national objectives expect that they can get control

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6 Excepting 2008
7 In 2003, for each 1000 births, there were 51 deaths. In 2013, for each 1000 births, there were 31 deaths (Cepal, 2015).
of 30% of its GDP. The second factor is related to an increase of exports, mainly attributed to the diversification of its markets, predominantly towards China.

Bolivia and China have had diplomatic relations since 1985. However, it is only since 2003 that their bilateral economic relations have strengthened. In 2006, when Evo Morales visited China to meet with his counterpart Hu Jintao, both leaders expressed their interest in redirecting Chinese investment towards Bolivian public companies. In addition to the signing of agreements increasing the commercial flows between both states, in the last decades the Chinese industrial production has diversified from its traditional industries such as toys and textiles production to further segments such as machinery and chemical production. The rapid development of China’s productivity base has naturally increased its demand of raw materials. Since 2001, China has become the greatest importer of minerals and metallic commodities such as tin, zinc, steel, lead and copper. During the last decades, the global raw material supply has been insufficient to go together with the world’s growing demand for such products. Consequently, the prices started to rise rapidly and created a boom in the commodities market (Poveda, 2010 , pp. 153-154). The boom in these markets caused Bolivia to flourish during the last decades. The Bolivian economy is limited to the supply of natural resources, and as an exporter of only a few commodities, it is highly sensitive to any matters that occur in the global markets. Consequently, the multicultural state benefited greatly from the commodity boom caused by the Chinese demand. Compared to the 90s, in the new millennium, Bolivian exports have increased from US$ 1307 million in 1996, to US$ 4245 million in 2006 (INE, 2007). Such increment is the result of a market diversification, as can be seen in the charts below. Export growth to Asia and China was

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*Table show the partners share in Bolivian commercial flows from 1996 to 2006 (INE, 2007).*

<table>
<thead>
<tr>
<th>Region</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAN</td>
<td>20.12%</td>
<td>9.78%</td>
</tr>
<tr>
<td>Asia and China</td>
<td>13.65%</td>
<td>15.39%</td>
</tr>
<tr>
<td>EU</td>
<td>14.56%</td>
<td>8.63%</td>
</tr>
<tr>
<td>U.S</td>
<td>28.09%</td>
<td>12.15%</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>20.04%</td>
<td>39.57%</td>
</tr>
<tr>
<td>Total (US$ Millions)</td>
<td><strong>1634.0</strong></td>
<td><strong>2804.0</strong></td>
</tr>
</tbody>
</table>

*Graph illustrating the trade partners share in Bolivian Exports, in the period between 1996 and 2006 (INE, 2007).*
especially remarkable with an increase from 0.32% of Bolivian exports share in 1996 to 9.87% in 2006. As a result, Asia has become Bolivia’s second most important trade partner in the region. On the other hand, it is possible to observe that the trade share of the U.S and the EU has plummeted. This situation could be a result of Evo Morales’s resolution to refuse to sign a free trade agreement with the U.S. as well as the nationalization of European and North-American companies.

Chinese investment has also played a key role in Bolivian economic expansion. There are two recent projects of cooperation between China and Bolivia that prove this. The first is an agreement for a joint venture between the Chinese company Shengli and the Bolivian Ministry of Hydrocarbons, in which Shengli will invest almost $2 billion in the assessment, extraction and processing of petroleum and natural gas in the north of the La Paz region. And the second is a cooperation project in which both governments will invest in the elaboration of a geological map of Bolivia. For these projects China will invest $60 million in the elaboration of 70% of Bolivia’s geological map. Consequently, Bolivia will be able to vastly improve their hydrocarbon and mining industries, while China would then have a preference in the extraction thereby giving a boost to Chinese investment in Bolivia (Poveda, 2010 , pp. 160-165). Bolivia is another example of a state that has become greatly dependant on China. This country has fashioned its commercial policies specifically to gain more benefit from commerce with the Asiatic power, demonstrating the growing influence of China in the policymaking of Latin American states, concerning not only commercial issues but also diplomatic and important political matters.

A general perspective

The post structural socialist projects in Latin America have demonstrated decent outcomes, which could be validated by both the popular acceptance of the leftist leaders and the illustration of macroeconomic indicators. The public acceptance of the socialist models is still highly popular. As a matter of fact, in the latest elections 8 of 10 countries in South America elected socialist candidates:

- Argentina: Cristina Fernandez de Kirchner - Front for Victory of Argentina (2011, 54.11% of votes)
- Bolivia: Evo Morales-Movement for Socialism (2014, 61.36% of votes)
- Brazil: Dilma Rousseff-Workers’ Party (2014, 51.64% of votes)
- Chile: Michelle Bachelet-Socialist Party of Chile (2013, 62.36% of votes)
- Ecuador: Rafael Correa-PAIS (2013, 57.17% of votes)
- Peru: Ollanta Humala-Peruvian Nationalist Party (2011, 51.49% of votes)
- Uruguay: Tabares Vasquez-Broad Front (2014, 56.63% of votes)
- Venezuela: Nicolas Maduro-United Socialist Party of Venezuela (2013, 50.60% of votes)

(Various Domestic Media Resources of each nation)

In addition, the socioeconomic indicators in the table below\(^\text{10}\), demonstrate a consistent expansion in the GDP growth rates per year and a decrease in inflation and unemployment figures, compared to the numbers during the Washington Consensus reforms in the 90s.

However, since 2014, the popularity of the leaders have started to decline, as a consequence of two important factors. First, criticism about the increasing levels of accumulation in both public and foreign debt, particularly with China. And second, the reckless allocation of public funds, especially in the Andean region administrations, including Bolivia, Ecuador, Argentina but, most expressly, Venezuela. Such governments have been redirecting the extraordinary revenues generated from both the commodity market boom and the Chinese loans in order to accomplish demagogical programs, aimed to maintain their higher levels of popularity. Saul Quincy (2011) determined that these are common problems with socialism which denote the unsustainability of such projects for two reasons. Firstly, because leftist leaders have only focused on winning socialist goals, preventing any alternative for the

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\(^{10}\) Table of the Latin America socio-economic indicators (1994-2012). (Cepal, 2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth rate</th>
<th>Inflation</th>
<th>Unemployment rate</th>
<th>Current account balance as percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>4.9%</td>
<td>n/a</td>
<td>8.4%</td>
<td>-3%</td>
</tr>
<tr>
<td>1996</td>
<td>3.3%</td>
<td>18%</td>
<td>10%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>1998</td>
<td>2%</td>
<td>9.7%</td>
<td>10.5%</td>
<td>-4%</td>
</tr>
<tr>
<td>2000</td>
<td>4.1%</td>
<td>8.7%</td>
<td>10.4%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>2002</td>
<td>0.5%</td>
<td>12.1%</td>
<td>11.2%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>2004</td>
<td>6%</td>
<td>7.4%</td>
<td>10.3%</td>
<td>0.9%</td>
</tr>
<tr>
<td>2006</td>
<td>5.4%</td>
<td>5%</td>
<td>8.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>2007</td>
<td>5.8%</td>
<td>6.5%</td>
<td>7.9%</td>
<td>0.2%</td>
</tr>
<tr>
<td>2010</td>
<td>6.1%</td>
<td>6.4%</td>
<td>7.3%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>2012</td>
<td>2.6%</td>
<td>5.5%</td>
<td>6.4%</td>
<td>-1.9%</td>
</tr>
</tbody>
</table>
model that they have proposed and therefore showing the populist and self-interested characteristics of such models. And secondly due to the lack of empathy of the professionals and middle classes towards the social policies, probably because they have been educated under neoliberal bases. In Venezuela for instance, the professional class is so ideologically capitalist that even doctors have to be imported from Cuba to work in the public sector as so few Venezuelan doctors are willing to treat the poor if their personal income is affected. (Quincy, 2011, pp. 54, 71-72).

**Populism and Venezuela**

China has played an important part in the maintenance of the populist practices of some administrations. The direct investment, financial aid, and the increasing commercial flows have brought extraordinary revenues for the Latin American state administrations. Such incomes have been redirected in some states to populist practices to boost the popularity of the leaders. For example, in 2007, Costa Rica followed the road of the Dominican Republic that in 2004 cut relations with Taiwan, due to an encouraging offer from The People’s Republic of China that could boost their popularity among the public. China offered that in exchange of the recognition of the One China policy, Costa Rica and the Dominican Republic will receive US$ 100 million and US$ 122 million respectively for the construction of national stadiums. Both countries found that this offer was more beneficial than Taiwan’s offer, that included US$70 million in aid for Costa Rica and 6.8 US$ million in assistance for the Dominican Republic (Wu & De Wei, 2014, p. 789).

A further case of populist practices includes countries as Ecuador, Bolivia and Venezuela which have been able to expand the public sector, and reduce unemployment rates by using Chinese foreign investment to create unproductive public entities to provide jobs. For example, when Hugo Chavez got elected, Venezuela had 16 ministries. By 2013, the number of ministries doubled to 32 and employed 19.6% of the Venezuelan labour force while in Colombia, which maintained a neoliberal system, there were 16 ministries which employed 3.5% of the Colombian labour force (Torres, 2015). Venezuela has received US$ 42.5 billion in loans from the Chinese Development Bank for improving public infrastructure. Nonetheless, in lending terms, the infrastructure includes the construction, renovation and expansion of public buildings which were used to house new public entities with the aim of producing artificial jobs (Wu & De Wei, 2014, p. 792). The expansion of the Venezuelan public sector which meant an extensive increase in the public spending has only been possible as it was financed by the extraordinary revenues that Venezuela has received during the last decades as product of the high prices of oil during this period of time. Venezuela’s oil revenues, according to the Opec (2015), accounts for about 95% of export earnings and the oil and gas sector represents around 25 % of the Venezuelan GDP. In 2014, when the commodity boom ended and the prices of
fossil fuels dropped 11, Venezuela’s president, Nicolas Maduro, implemented an emergency readjustment program in order to cut public spending, reducing its number of ministries to 28. The Venezuelan oil barrels went from a price of around US$ 100 per barrel, to US$ 55 per barrel in 2015, causing an economic recession and a deficit in the balance of payments and resulting in uncontrollable inflation of 52.7%, and an expansion in the numbers of Venezuelans who live in poverty and extreme poverty conditions (32.5% and 9.8% correspondingly) (Cepal, 2015). Consequently, Nicolas Maduro travelled last April to China to renegotiate its existing debt by adding a US$ 5 billion loan in order to save its economy (Ellsworth, 2015). The Venezuelan case is a demonstration of how the expansion of commercial revenues and increase of financial flows coming from China has been used to construct policies that have created a self-interested model.

The Chinese economic expansion has brought to developing economies a series of opportunities and pitfalls. China’s appetite for commodities has opened a great door for commercial sectors of the developing economies around the globe. Furthermore, the lending programs of the Chinese Development Bank have demonstrated to be a remarkable alternative for the IMF or the World Bank. Comparing cases like Chile and Brazil to Venezuela, the extraordinary inflows of capital have been redirected to industrialize its productiveness, creating socialist but market friendly-sustainable models. In the case of Brazil, an agro-industrialization model has permitted the state to escalate as the 3rd largest agricultural global exporter, besides of stimulating its national companies, which has been able to internationalize in order to become global players of the agro-industry. In the last decade, 40,000 Brazilians entered the middle class and the Brazilian economy has grown an average of 4% per year.

11 Graph that illustrate the price variation of Oil and Natural Gas (1999-2015) (World Bank, 2014)
In addition, the commodities boom led to big investments in the country, bringing up its investment-to-GDP figure from 15% to 19%. Such expansion has transformed Brazil as the largest economy of Latin America relegating Mexico to 2nd place, ensuring a place in the G20 and membership of the BRICs group (Hopewell, 2014, pp. 292-293) (Cowley & Jelmayer, 2013). Nevertheless, without regarding the political model or the ideological line of thought, it is clear that China has become since 2001, a *sine qua non* for the contemporary construction of commercial and foreign policies of the developing and also developed states around the globe.
Chapter 3
The Case of Ecuador

The Financial Crisis and the Dollarization process

Sobered by the debt crisis from the 80s, Ecuador, as the rest of the South American states, started to implement a series of restructuring programs. Such reforms were intensified during the 90s, in accordance with international financial institutions to implement the neoliberal guidelines of the Washington Consensus. Nazmi (2001, p.727) has claimed that the reckless and incomplete implementation of such reforms caused dangerous macroeconomic imbalances to the Ecuadorian economy leading to a profound crisis which resulted in the loss of its national currency, the Sucre. There are 3 fundamental policies which led the Ecuadorian state to its economic collapse. First, a reckless scheme of privatization that did not match the national reality of the state. Second, the artificial imposition of a pegged exchange rate that produced a lack of liquidity and speculation resulting from dangerous liberal prescriptions. And third, the lack of autonomy of the state administration to produce regulatory policies to prohibit irresponsible practices from a weakened and corrupt private banking sector.

In 1992 the American-born Sixto Duran Ballen was elected as the 37th president of Ecuador. Duran Ballen, who was considered a pro-neoliberal republican, implemented a modernization model in Ecuador. Such a model included provisions to reduce the Ecuadorian public deficit through austerity measures and also a privatization scheme of the national companies. In 1993, the Ecuadorian congress approved the plan through two legislations. First, the Budgetary Law of the Public Sector, and second, the ‘Privatization and Modernization Law’. Both regulations were aimed to downsize the government spending, privatize public companies and enhance international competition. The first regulation delivered rapid results. The state reduced its public sector expenditure from 31.4% of total GDP in 1987 to 24% in 1994, producing a surplus of 0.6% of the GDP in the Ecuadorian balance of payments at the end of that year. Such an outstanding short-term result produced compensation from part of the IMF, which reduced the interest rates for the Ecuadorean loans by up to 5% (Nazmi, 2001, pp. 728-729). On the other hand, the privatization scheme was lacking effectiveness since the private enterprises did not want to invest in Ecuador for a number of reasons, which included the government’s unrealistically high prices for public companies, a list of unfriendly regulatory policies such as the state subsidies and the fixed prices for basic needs and the lack of regulation in property rights’ matters. Although the government of Ecuador adjusted its legislation of copyrights through the ‘Law of Rules and Regulation of Foreign Investment and Technology Transfer’, the international companies did not trust the Ecuadorian legal system. For Romero Aleman (2008, pp. 3-4), the problem
resided in the public culture and in the lack of transparency and informality of the Ecuadorian judicial structure which was not able to offer the rigorous conditions which foreign enterprises were used to.

In 1995, as a consequence of the budget cuts that caused a reduction of labour places in the public sector, the unemployment rates started to increase rapidly. Furthermore, the privatization scheme was still lacking results. The Ecuadorian state had achieved privatization of only 11 enterprises while Argentina and Bolivia, which were following the same policy guidelines, had accomplished privatisation of 131 and 57 companies respectively (Nazmi, 2001, p. 730). The Ecuadorian economy, therefore, was not able to expand as was expected. Furthermore, the private sector lacked the efficiency to produce enough employment to compensate for jobs lost in the public sector during the adjustment period. In order to attract foreign investment, the Ecuadorian government followed neoliberal prescriptions that were applied by the rest of the administrations in the region which dictated the liberalization of capital movements to provide further financial security to foreign investors. Owing to this, the Ecuadorian administration decided to reform its financial legislation. The reforms included the possibility of the creation of US$ Dollar accounts in local banks, the establishment of offshore accounts, and a pegged exchange rate for the national currency. For several scholars including Nazmi (2001), this was the beginning of what would become the financial crisis of 1999. After a while, the results delivered by the new legislation, yet again, diverged from what the government was expecting. In the first place the freedom of capital movements along with the constitutional reform repealing the state ownership of ‘strategic resources’ as oil and energy, instead of bringing real and long term investors, attracted short-term capital investments, also called ‘swallow capitals’, which provided a fake sense of development. Additionally, the constitutional reforms allowed companies concessions of land portions that contained strategic resources, such as oil or natural gas. The type of contract that the state maintained with these corporations was not profitable at all for the state, as the terms were highly favourable for the companies. Ecuador received the bulk of its income from renting the land rather than from the extraction of oil and commercialization. There were cases in which the Ecuadorian state received less than 20% of the profits from the exploitation of its ‘strategic resources’. The major part of the oil revenues was transferred outside of the state, due the absence of capital movement regulations (Berriosa, et al., 2011, pp. 675-681). The neoliberal guidelines were clearly providing a list of benefits to the private entities, while the rates of poverty and unemployment were critical in the state, demonstrating that the foreign investment prescriptions mean neither economic growth nor social development.

The collateral effects of the new financial legislation were inevitable. Since it permitted the banking sector to generate offshore and US$ Dollar accounts, the Ecuadorian financial institutions of that time restructured their balance sheets to reposition their portfolios away from Sucres and into US$ Dollars.
In this process, the banks, which were poorly regulated, expanded their balance sheets recklessly. Imprudent practices included a relaxed credit risk analysis and resulted in a credit rise of 48% per year during 1994 to 1996. Such unhedged exposure to dollar liabilities conditioned the Ecuadorian monetary policy, which prevented the Central Bank from devaluing its currency. Such a situation not only undermined the Ecuadorian exporting sectors, but also created a moral hazard for the banks, which continued with their careless operations. As can be seen in the table below\textsuperscript{12}, such a situation triggered a rapid expansion in the Ecuadorian internal debt figures, as well as a massive increase in its percentage of debt in foreign currencies which by 1998 were about US$ 987.03 million, from which 91% was in foreign currencies (Banco Central del Ecuador, 2003). Nazmi (2001 p.733-734) argued that such artificially pegged exchange rate turned all the previous economic difficulties into a full-fledged financial crisis which was made worse by external factors such as a belic conflict with Peru as well as a series of governamental corruption scandals. These caused the failure of the programs that aimed to stabilize the Sucre exchange rate. As a consequence, the Central Bank was forced to increase the real interest rates from 1.9% in 1992 to 36.2% in 1999 in order to encourage investors to keep their holdings in Sucre. As a result of such desperate policies in conjunction with public speculation, investors started to send their money overseas causing a lack of liquidity in the financial sector and resulting in the insolvency of seven banks including Filanbanco (the biggest bank in Ecuador at that moment). The government monetized their bank losses causing the sudden collapse of the exchange rate anchor. In 1999, the Sucre depreciated around 200% and inflation was about 90%. Facing social disintegration and economic catastrophe, the government took the decision to freeze all bank accounts for one year and in 2000 announced the intention to dollarize the economy (Nazmi, 2001, pp. 733-734). The Washington consensus policies were never able to restore the Ecuadorian economy after the 80s. In fact, after a decade of its implementations they resulted in the worst crisis that the Andean state has ever suffered. The lack of regulation, the reckless implementations and the inflexibility of the guidelines to adapt to the local culture were some of the causes that could be cited as reasons for its failure. As in Bolivia the Ecuadorian public, especially the working class, developed ideological resentment towards the neoliberal models.

\textsuperscript{12} Table shows the Ecuadorian Internal Debt expansion In Sucres and US$ Dollars between 1992 and 1998 (US$ Millions) (Banco Central del Ecuador, 2003)

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>US$ Dollars</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% in US$ Dollars</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\begin{tabular}{|l|c|c|c|c|}
\hline
\hline
      & US$ Dollars & 0.00 & 329.35 & 542.96 & 898.94 \\
      & % in US$ Dollars & 0% & 73% & 67% & 91% \\
\hline
Total & 74.87 & 452.28 & 807.05 & 987.03 \\
\hline
\end{tabular}
Rafael Correa and the 21st Century Socialism

In 2006 Ecuador was still struggling against the severe effects of the financial crisis of 1999. The dollarization process left the country in a sensitive position, especially for its commercial industry that had to deal with the high value of the dollar, especially towards its regional counterpart’s currencies. In addition, the state was struggling against a dangerous administrative instability. During a ten-year period (1996-2006), Ecuadorians observed seven different leaders occupying the position of president. However, none of the leaders were capable of providing any type of improvement to the Ecuadorian economy or to the standards of living of their citizens. Nonetheless, in 2007, Ecuadorians elected Rafael Correa as their head of state. Correa was a populist university lecturer, with an academic background in economics who did not have links to the traditional political parties. This fact caused his popularity to spread rapidly among the electorate, which was tired of the traditional capitalist representatives (Jaramillo-Jassir, 2012, pp. 151-152).

Correa, influenced by the principles applied by his counterpart Hugo Chavez in the Venezuelan Bolivarian Model, proposed a socialist system in which human capital prevailed over financial capital. It included a program to overcome economic problems through nationalisation of companies and modifications in the economic structure of the state, what they called ‘changes in the productive matrix’. In 2007, once elected, the new administration started its revolutionary process which substituted the neoliberal regime policies established in Ecuador since the 80s with policies following a model of endogenous growth primarily favouring the working class. In order to legitimate their actions in the political and in the legal field, a referendum, mainly intended to produce a new constitution that included all these reforms, was proposed. The result was approved by an overwhelming majority of 80% of the electorate. Furthermore, the new constitution project which proposed a more egalitarian and socialist system, was accepted the following year by 65% of the electorate (Becker, 2011, pp. 49-51).

The social reforms

Following the constitutional prescriptions based on the Sumac Kawsay, an ancient indigenous belief that proposes an austere, socialist and ‘good’ way of living, the Ecuadorian administration repatriated and mobilized the international monetary reserves which were previously deposited in foreign banks, towards public financial entities and national banks: All this with the aim to finance strategic projects and housing development. The use of national savings has been condemned as fiscally irresponsible, but the new constitution established that fiscal policy cannot be divergent from generating incentives for productive investment. Between 2007 and 2011, public investment as a percentage of GDP grew at an average rate of 11.7%. Correspondingly, social investment reached 26% of public spending in
2011 (Banco Central del Ecuador, 2014). It has, therefore, been possible for the administration to provide absolute coverage for enrolment in primary, middle schools and high schools and also to eliminate costs for medical consultation. In addition, the post-structuralist social agenda proposed a network of social inclusion, the continuation of subsidies in basic services, and as well a series of programs to enhance the reduction of poverty and wage inequality (Ramírez Gallegos, 2011, pp. 11-12).

**Nationalization of oil companies**

Since the 70s, the main income of the South American state has been raised through oil exportations. However, before 2008, Ecuador was not receiving the maximum utility from such industry; a situation attributable to the fact that 53.7% of oil production of that time belonged to private companies. Furthermore, as was mentioned before in the paper, the type of contract that the state maintained with such corporations was not profitable at all due to the majority of income coming from renting the land rather than from production. This is the reason why, in 2010, the project of nationalization and renegotiation of contracts started, following the constitutional guidelines which dictate that strategic resources belong to Ecuadorians. By 2012, the private production of oil was reduced to 25.6%. Furthermore, the remaining companies had to pay 25% of their total profit to the state, besides a tax base to remedy ecological and social impact. By 2012, the activities of companies like Texaco-Chevron and OXY were passed to the national oil company of Ecuador, Petro Ecuador. This re-nationalization of strategic resources allowed the Ecuadorian state to maximize benefits from the commodity boom of the last decade (Berriosa, et al., 2011, pp. 675-681). These series of reforms and the repossesssion of strategic resources has provided Correa’s administration with a considerable increase in public revenues. As a matter of fact, Ecuadorian exportation revenue soared from US$ 14,556.2 million in 2007 to US$ 26,067.1 million in 2014\(^\text{13}\) (Banco Central del Ecuador, 2014) of which the oil revenue share represents 47% of total exportations and 66% of the raw materials exportations. Hence the

\(^{13}\) Graph of the Ecuadorian exports (US$ Million) (Banco Central del Ecuador, 2014)
nationalization scheme has been a crucial factor for the maintenance of the social policies that Correa’s administration has implemented.

Reforms to the labour code
The new constitution of Ecuador prohibited any type of outsourcing and hourly-paid activities. Forcing private companies to provide full-time contracts with fully remunerated salaries as well as social healthcare and a 15% share of profits to workers. By 2006, 800,000 workers were part of outsourcing companies. This represented 17% of the labour force. As a result, thousands of workers were introduced into the formal sector, which grew from 38% from 2009 to 45% in 2010 (Banco Central del Ecuador, 2014). The working class, as was expected, demonstrated satisfaction with these measures; however, the private sector experienced considerable downsizing. It was alleged that it was unmanageable to maintain the same number of workers with this new package of benefits. This was reflected in the unemployment figures that grew from 7.9% in 2009 to 9.1% in 2010 (Banco Central del Ecuador, 2014), (Uquillas, 2007, p. 37). To fight against the rise of unemployment, the government generated jobs by creating new state entities. Since 2007, six national ministries in addition to a considerable number of regional secretaries and also regulatory entities, were created. This generated 110,000 new jobs between 2008 and 2014 (Zeas, 2014). Furthermore, in the last seven years, the minimum wage has grown 100%, from US$ 170 in 2007 to US$ 340 in 2014. In the following graphs

14 Graphs showing the employment and unemployment rates in Ecuador (Inec, 2014)
it is possible to notice that not only has the unemployment rate fallen, employment in formal sectors has grown too. This could show that more workers are nowadays able to receive better work conditions, fully-paid salaries and social benefits. However, most employment generated in Ecuador has been the product of the creation of public sector entities. In 2013, 20.68% of all formal employment were bureaucrats who do not necessary generate revenue for the state. In fact it represents an enormous fiscal cost for the state to maintain such jobs (Inec, 2014) (Zeas, 2014).

The key role of China on the Ecuadorian ‘Buen Vivir’

The ‘Buen Vivir’ which translates to ‘A good way of living’ was the name of the model that Correa implemented in Ecuador since 2007. It could be perceived as a socialist model, which pursues to improve the standards of living of the Ecuadorians by reducing poverty and redistributing the wealth by creating pro-environmental and sustainable policies (SENPLADES, 2009). The results of the ‘Buen Vivir’ model, until 2014, had been remarkable. Based on socioeconomic macro indicators, Ecuador not only expanded its economy by maintaining a consistent GDP annual growth, which grew from 3.5% to 7.9%15, but has also lifted 10% of its total population from poverty and, as was mentioned before, reduced its unemployment rates. Furthermore, the socialist policies have improved the rate of secondary school enrolment up to 87% in 2013 from 46% in 2007 and reduced infant mortality rate. Ecuador also has seen an expansion of its industrial sectors and in general terms, living conditions of the Ecuadorians have been improved (Cepal, 2015). This brief overview demonstrates how socialist policies have indeed demonstrated real development in the Ecuadorian state. Nevertheless, the efficacy of such endogenous plan development, as it has been described in the Ecuadorian national policy plan (The ‘Good Living plan’), has gone along with a series of exogenous factors, including the general expansion in the global commodity markets and alternatives for financial assistance that China has provided to the Ecuadorian government.

Chinese Oil Diplomacy

Until 2013, Ecuador had signed 4 agreements with the Chinese government. The contracts prescribed and anticipated the sale of a fixed number of oil barrels so that the Ecuadorian government could receive financial assistance from the China Development Bank at floating interest of around 7% (Villavicencio, 2013)16 (Pallares, 2013 [El Comercio]). Consequently, the Ecuadorian foreign debt rose

15 Excepting 2008
16 Table of the contracts of the anticipates oil sales from Ecuador to China
from US$ 7392 million in 2009 to US$ 16913 million in 2014, from which 37.6% is owed to China, (Banco Central del Ecuador, 2014). Furthermore, at the beginning of 2015, the Ecuadorian economy was shrinking as a consequence of the fall of oil prices. This situation encouraged Rafael Correa to visit China in order to negotiate further lines of credit with Chinese officials. After Correa attended the ministerial meeting of the Forum of China and the Community of Latin American and Caribbean States (CELAC), Correa reunited on various occasions with his counterpart Xi Jinping, resulting in the signing of a series of contracts which included new lines of Chinese credits that reached US$ 7500 million, from which 26.6% has been designated merely to compensate fiscal imbalances produced by the downfall of the oil prices, while the rest will be used to finance the construction of what will be the biggest refinery in Ecuador (The Pacific refinery) (Constante, [El pais] 2014).

Villavicencio (2013), who has analysed the nature of Chinese oil contracts, exposed the downsides of the Chinese cooperation scheme. He demonstrated that although the original aim of the Asiatic power was to secure energy supplies to meet burgeoning demand, nowadays, Chinese companies are able to freely trade a significant amount of Ecuador’s crude oil exports. In 2013 only 46.5% of Chinese-controlled Ecuadorian oil exports actually went to China, with the balance resold to other countries, primarily the United States. He concluded in 2013 that Ecuador will be a victim of a debt trap again compromising the sovereignty policies of the country. By 2015, such predictions seemed to have been making sense. With the continuing decline of oil prices, Ecuadorian officials have found themselves in a tricky position. If they want to perpetuate the ‘Good Living’ model, they have to increase the taxation base, apply austerity measures or acquire more debt. All alternatives are expected to generate critical outcomes. The rise in taxes and the measures taken during 2015 have generated a series of protests and rioting in the main cities of Ecuador. Such a situation not only has destabilized the political order, but also slowed productivity (BBC news, 2015). Furthermore, the low prices of oil, which translates in a reduction of revenue for the state, will affect its ability to make repayment of debts, generating a situation in which a share of the future loans that Ecuador acquire will have to be used for the repayment of interest and fiscal imbalances, as has happened in the first period of 2015. Hence the contraction of the prices of commodities in the global markets has exposed the pitfalls of socialist

<table>
<thead>
<tr>
<th>Contract</th>
<th>Loan Received</th>
<th>Future oil production anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st contract (2009)</td>
<td>1000 USD millions</td>
<td>2.88 million of barrels</td>
</tr>
<tr>
<td>2nd contract (2010)</td>
<td>1000 USD millions</td>
<td>1.08 million of barrels</td>
</tr>
<tr>
<td>3rd contract (2011)</td>
<td>1000 USD millions</td>
<td>2.88 million of barrels</td>
</tr>
<tr>
<td>4th contract (2011)</td>
<td>2000 USD millions</td>
<td>1.8 million of barrels</td>
</tr>
</tbody>
</table>

(Pallares, 2013)
models in Latin America, which have evidently demonstrated to be maintainable only due to a market boom, rather than to real expansion within the productivity sectors. Furthermore, reckless social expenditure has been upheld by carelessly expanding foreign debt and compromising the allocation of strategic resources for various years, currently around 80% of Ecuador’s exported oil is handled by Chinese firms, limiting the state ability to secure the best market price for its crude (Villavicencio, 2013).

Yasuni Case

The Ecuadorian constitution prohibits any type of extraction of natural resources in protected areas. However, from 2016 over 846 million barrels of oil will be drilled from the ITT block (Ishpingo, Tambococha and Tiputini), located in the Yasuní National Park. The Yasuni, which is located in the Ecuadorian Amazon region, was designated by the UNESCO as biosphere reserve in 1989 and is claimed to hold more than 100 000 of different species of flora and fauna, besides being the home of two uncontacted indigenous tribes. The Yasuni contains around 20% of Ecuador’s fossil fuel reserves, which is the reason why a number of energy companies have been operating in the peripheral areas of the national park since the 1970s. However the core areas, including the ITT blocks, have never been touched. Nonetheless, due to external pressures and fiscal deficits, this situation has changed. In 2014, the Ecuadorian National Assembly, declared the area as a "national interest", taking away its condition as a protected area and therefore allowing extraction of natural resources in such areas. On February of 2015, it was revealed that the Ecuadorian government had for some years been negotiating a further 1 billion dollar loan with China, giving Chinese oil companies the right to explore and exploit the Yasuni-ITT oil reserves. Nowadays, Block 14, part of the ITT, is operated by Petro Oriental, which is owned by the China National Petroleum Corporation (CNPC) and which owns 55%, and Sinopec, which owns the other 45% (Ortiz, 2015) (Oxford Analytica, 2014).

The Yasuni case is a clear demonstration of Chinese power. It demonstrates that they have great influence on Ecuadorian policy-making, especially in energy and commercial matters. China has leveraged its influential power not only by generating large sums of debt, but also by controlling the future oil production of Ecuador. Chinese oil companies have displaced Western companies from Ecuadorian territory and have gained enough resources to influence governmental decisions in favour of their interests. On the other hand, Ecuadorian officials have entered into a situation of dependency in which the sovereignty of its policies is reliant upon ensuring the interests of a hegemonic power are fulfilled.
Conclusion

The lion, as Napoleon Bonaparte named it, has awoken and is certainly shaking the world. Nowadays, a new major player is changing the balance of power in this world. This paper has outlined the way in which China has established a demarcated global scheme of cooperation that has proven attractive to many non-western states. During the last decades, the development of China has been remarkable and its influence over developing regions has shown that it is not merely a commercial and economic power. The massive accumulation of foreign exchange reserves, the vast quantity of financial assistance provided, the increasing share of participation in natural resource markets and an extensive agenda of bilateral cooperation are factors that demonstrate the capabilities of China’s vast global influence.

For Latin American states which have not been capable of accomplishing real development under the regulations of a Western economic agenda for 30 years, the Chinese cooperation scheme, which includes financial assistance and commercialization of strategic resources has provided them with the opportunity to generate more autonomous and socialist policies, which have demonstrated better outcomes than under the neoliberal guidelines. However, as was demonstrated in Chapters 2 and 3, the sustainability and success of these post-structuralist models are clearly reliant on Chinese loans and high prices in commodity markets.

By 2015, the pitfalls of the Chinese cooperation system and problems with the Latin American socialist models have become evident. The expansion of the economy in Latin American states has been a direct result of a boom in the commodity market. Such extraordinary incomes have allowed the states to recklessly expand their fiscal expenditure and to artificially develop their economies and generate a number of social policies that have produced political stability. However, since 2014, the global price of commodities has fallen causing profound deficits in the balance of payments of the states which maintain such socialist models. As a consequence, they have acquired large sums of debt, especially with China, in order to compensate such imbalances.

This situation has demonstrated the unsustainability of such models and the large dependency that they have on endogenous factors. As was mentioned in Chapter 1 and 3, the conditions of Chinese lending include the fixation of a predefined quantity of a certain commodity. Such conditions not only limit productivity capacity but also compromise the commercial sovereignty of the state, generating a situation of dependency. On the other hand, China has used its affluence of liquidity to generate a model of financial assistance to ensure its quota of commodities, providing the Asiatic power a vast control over the future of commodity transactions around the globe.
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Appendices

1. Chinese companies placed in Argentina, 2000–2005

<table>
<thead>
<tr>
<th>Company</th>
<th>Economic Sector</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jincheng Group</td>
<td>motorcycle assembly</td>
<td>2000</td>
</tr>
<tr>
<td>Nanchang Railna</td>
<td>motorcycle assembly</td>
<td>2000</td>
</tr>
<tr>
<td>Sitong</td>
<td>textile</td>
<td>2002</td>
</tr>
<tr>
<td>Huawei Technologies</td>
<td>telecommunications</td>
<td>2003</td>
</tr>
<tr>
<td>Noble Group</td>
<td>food</td>
<td>2005</td>
</tr>
<tr>
<td>A Grade Trading Ltd.</td>
<td>mining</td>
<td>2005</td>
</tr>
<tr>
<td>TCL International Holdings Ltd.</td>
<td>household appliances</td>
<td>2005</td>
</tr>
<tr>
<td>China Beiya Escom International Ltd.</td>
<td>railway</td>
<td>2004</td>
</tr>
<tr>
<td>China National Petroleum Company</td>
<td>oil</td>
<td>2004</td>
</tr>
<tr>
<td>China National Offshore Oil Corp</td>
<td>oil</td>
<td>2004</td>
</tr>
<tr>
<td>China Pek crude</td>
<td>oil</td>
<td>2004</td>
</tr>
<tr>
<td>Continental Shelf New World</td>
<td>house construction</td>
<td>2004</td>
</tr>
<tr>
<td>China Constructions</td>
<td>house construction</td>
<td>2004</td>
</tr>
<tr>
<td>Jiangsu Zhisi</td>
<td>tobacco</td>
<td>2004</td>
</tr>
<tr>
<td>FIDb</td>
<td>infrastructure</td>
<td>2004</td>
</tr>
<tr>
<td>COVEC</td>
<td>infrastructure</td>
<td>2005</td>
</tr>
<tr>
<td>Tianshi Group International</td>
<td>vitamin supplements and cosmetics</td>
<td>2005</td>
</tr>
<tr>
<td>ZTE Corporation</td>
<td>telecommunications</td>
<td>2006</td>
</tr>
<tr>
<td>Anhui Winsang Group 2006</td>
<td>product commercialization</td>
<td>2006</td>
</tr>
<tr>
<td>Shinewide sports shoes manufacturing</td>
<td>Buenos Aires</td>
<td>2007</td>
</tr>
</tbody>
</table>

Source: (Oliva, 2010, p. 109-110)

2. Countries that recognized China as a Market Economy

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Anti-dumping measures against China</th>
<th>Recognition of China as a Market Economy (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>79</td>
<td>2004</td>
</tr>
<tr>
<td>Brazil</td>
<td>59</td>
<td>2004</td>
</tr>
<tr>
<td>Chile</td>
<td>1</td>
<td>2002</td>
</tr>
<tr>
<td>Colombia</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>Mexico</td>
<td>52</td>
<td>-</td>
</tr>
<tr>
<td>Peru</td>
<td>56</td>
<td>2004</td>
</tr>
<tr>
<td>Venezuela</td>
<td>3</td>
<td>2004</td>
</tr>
<tr>
<td>United States</td>
<td>165</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: (Urdínez, 2014, pp. 63-64)
3. Oil and Natural Gas Prices (1999-2015)

<table>
<thead>
<tr>
<th>Commodity/Year</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural gas, US, $/mmbtu</td>
<td>2.27</td>
<td>4.31</td>
<td>3.96</td>
<td>3.36</td>
<td>5.49</td>
<td>5.89</td>
<td>8.92</td>
<td>6.72</td>
<td>6.98</td>
</tr>
<tr>
<td>Crude oil, WTI, $/bbl</td>
<td>19.24</td>
<td>30.33</td>
<td>25.92</td>
<td>26.09</td>
<td>31.11</td>
<td>41.44</td>
<td>56.44</td>
<td>66.04</td>
<td>72.28</td>
</tr>
<tr>
<td>Crude oil, Dubai, $/bbl</td>
<td>17.17</td>
<td>26.08</td>
<td>22.71</td>
<td>23.72</td>
<td>26.74</td>
<td>33.46</td>
<td>49.29</td>
<td>61.43</td>
<td>68.37</td>
</tr>
<tr>
<td>Crude oil, Brent, $/bbl</td>
<td>17.81</td>
<td>28.27</td>
<td>24.42</td>
<td>24.97</td>
<td>28.85</td>
<td>38.30</td>
<td>54.43</td>
<td>65.39</td>
<td>72.70</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP Growth rate</th>
<th>Inflation (prices)</th>
<th>Unemployment</th>
<th>Current account balance as percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>4.9%</td>
<td>n/a</td>
<td>8.4%</td>
<td>-3%</td>
</tr>
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<td>1996</td>
<td>3.3%</td>
<td>18%</td>
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<td>2%</td>
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</tr>
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<td>4.1%</td>
<td>8.7%</td>
<td>10.4%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>2002</td>
<td>0.5%</td>
<td>12.1%</td>
<td>11.2%</td>
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<tr>
<td>2004</td>
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</tr>
<tr>
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<td>5.4%</td>
<td>5%</td>
<td>8.6%</td>
<td>1.4%</td>
</tr>
<tr>
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</tr>
<tr>
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<td>5.5%</td>
<td>6.4%</td>
<td>-1.9%</td>
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</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade of Goods Volume Index - Exports</th>
<th>Net Foreign Investment (millions of dollars)</th>
<th>Debt as Percentage of GDP</th>
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<tbody>
<tr>
<td>1994</td>
<td>41.3</td>
<td>25,274.1</td>
<td>32.07%</td>
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<tr>
<td>1996</td>
<td>50.6</td>
<td>41,077.5</td>
<td>31.76%</td>
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<td>1998</td>
<td>59.7</td>
<td>66,060.2</td>
<td>33.3%</td>
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<tr>
<td>2000</td>
<td>69.1</td>
<td>71,975.1</td>
<td>33.8%</td>
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<tr>
<td>2002</td>
<td>72</td>
<td>51,568.3</td>
<td>38.88%</td>
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<tr>
<td>2004</td>
<td>83.6</td>
<td>50,398.8</td>
<td>33.58%</td>
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<tr>
<td>2006</td>
<td>95.1</td>
<td>32,699.2</td>
<td>20.87%</td>
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<td>2007</td>
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<td>93,576.4</td>
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<tr>
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<td>2012</td>
<td>108.5</td>
<td>131,611.9</td>
<td>20.78%</td>
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</table>

Source: (World Bank, 2014)

4. Latin America Socio-Economic Indicators