

THE BEIJING CONSENSUS AND THE REPRIMARIZATION OF THE PRODUCTIVE STRUCTURE IN LATIN AMERICA: THE CASE OF ARGENTINA

Luciano Bolinaga and Ariel Slipak¹

Date received: February 4, 2015. Date accepted: May 20, 2015

Abstract

One of the most decisive ways in which the global economy and power relations were transformed at dawn of the twenty-first century was the rise of China as a major power, as well as the consequent influence the country has been able to exercise over peripheral nations. Although the majority of administrations in Latin America have rejected the policies once hailed by the Washington Consensus, it is striking that they have largely accepted a new system of asymmetrical relations with another major world power, which is fostering the reprimarization of the productive structure in Latin American economies. Thus, beginning with the case of Argentina, this paper explores the path to what is now known as the Beijing Consensus, with an emphasis on a characterization based on the analysis provided below.

Keywords: Argentina, China, Beijing Consensus, trade exchange, reprimarization of the productive structure.

INTRODUCTION AND PRESENTATION OF THE PROBLEM²

The rise of China as a major world power is perhaps the most momentous development of the first decade of the twenty-first century, in terms of what this ascent entails not only for international relations, but also for the global economy. The outcome of the economic modernization undertaken in China at the end of the 1970s is evident in the fact that the country now boasts the second-highest gross domestic product (GDP) on the planet, measured in current prices, and that it rivals the United States for the top position, measured in purchasing power parity (PPP).³ Moreover, China ranks number one in international trade and has become the top producer of manufactured goods worldwide. In fact, it is now the principal creditor of the United States treasury, the holder of the most international reserves, the second-highest destination for Foreign Direct Investment (FDI), as of 2010, and the third-highest foreign direct investor, as of 2013 (UNCTAD, 2011 and 2014).⁴ In brief, the Asian country has emerged from the semi-periphery to join the select and small group of central countries, the oligopoly of major powers (Bolinaga, 2011 and 2013b).

As a result of its new position in the international hierarchy, the People's Republic of China has begun to exercise greater influence over peripheral countries. In this context, Latin America and

Africa have become particularly important to the Chinese strategy, because their productive structures and endowment of productive factors position them as direct suppliers of the inputs needed to sustain Chinese economic expansion over time. In other words, over the past decade, Beijing has deployed a strategy to systematically guarantee its own supply of raw materials and manufactured products derived therefrom, as well as control over the maritime routes needed for their transport.

China's economic expansion is contingent upon the reconversion of its industry towards high-technology manufactures and accelerated urbanization. China managed to reverse the direction of its trade ties to the world by way of a State policy that guaranteed access to natural resources. In this way, the Chinese Communist Party legitimizes its control, so long as economic growth is maintained. This increase in the demand for commodities is the primary explanation for the rise of international price levels in the first decade of the twenty-first century and increased trade flows with Latin American and African countries (Jenkins, 2011).

In light of China's new influence on peripheral countries, we turn our attention to the formulation commonly known as the Beijing Consensus, whose counterpart is the Commodities Consensus. The former refers to this new international power configuration whose core feature is the rise of Beijing; the latter emphasizes government practices in the region, regardless of their ideological slant, that promote the exploitation of natural resources as a central tool to achieve international trade insertion (Svampa, 2012 and 2013). The nexus of these practices is undoubtedly the large-scale exploitation of natural resources, mobilized by Chinese capital.

Is China contributing to the transformation of the productive structure in Latin America? What are the implications of the trade exchange regime that China promotes in this region? These questions are part of a much broader debate. As such, this paper will only address the impact of increased trade with China on Argentina, arguing that this situation is driving a trend towards the reprimarization of the productive system,⁵ which is why our hypothesis is as follows:

Sino-Argentine trade relations⁶ between 1990 and 2013 display significant asymmetries that contradict the rhetoric of the Chinese and Argentine governments and run contrary to, as a result, the commercial logic of south-south cooperation. As China ramps up its modernization and becomes an increasingly major world power, the demand for primary products and their byproducts is redoubled, and this trend is guiding trade exchange with Argentina towards an increasingly inter-industry scheme.

The low degree of productive sector overlap is a sign of why it was impossible for Argentina to increase its low, medium, and high-technology manufacturing exports during the period under study.

If south-south cooperation is only meant to take place between developing countries, a central country clearly cannot engage in this type of cooperation with peripheral countries, because the ties between the two parties would not be symmetrical, but rather asymmetrical, in light of the power disparity. Moreover, south-south cooperation operates on the logic of reciprocal and symmetrical benefits; an analysis of trade between China and Latin America confirms that these reciprocal and symmetrical benefits do not exist beyond the level of discourse in the trade relationship between the two entities (Bolinaga, 2013a and Slipak, 2014a).

Argentina, like the vast majority of countries in the region, is facing the dilemma of how to increase its trade ties to China without compromising its own industrialization process. This will require research and alternative proposals that will achieve cooperation, rather than conflict, which would negatively affect Argentina's trade insertion in the global economy. The theoretical framework of analysis proposed responds to the fields of political science, international relations, and the economic sciences. The methodology used in this paper operates on two levels. First, the qualitative approach explains the role of China in the new international power configuration based in the North Pacific and its connection to Latin American countries, by virtue of their economic expansion. In this context, and based on some background information regarding the legal and political instruments that major powers have used to shore up their interests and influence the periphery of the system, the notion of the Beijing Consensus emerges. China has emulated the policy praxis of the major global powers and is throwing around its bilateral diplomatic weight to ensure that, in a scenario of asymmetrical negotiation, its own interests prevail. This has curtailed south-south cooperation, at least from the trade perspective, because there are no symmetrical or reciprocal benefits. Moreover, this approach rules out any possibility to set up a regional strategy to negotiate with Beijing.

On the quantitative level, we take a more detailed look at trade flows between Argentina and China. On the one hand, we profile the evolution of the trade balance and the weight of each country as an importer or exporter in the trade transactions between the two parties; this analysis reveals the first asymmetry. Then, we analyze the technology content of Argentine exports and imports destined for and coming from China, from which the second asymmetry is derived. Finally, we calculate the Grubel-Lloyd index to measure the degree of overlap between exports and imports between the two countries, to assert that two-way or intra-industry trade is non-existent, which brings us to the third asymmetry.

What is notable about this paper is that we employ the Grubel-Lloyd index in a way that has not ever been used before; in this case, to study the trade exchange between China and Latin America and the Caribbean up to the present. This indicator allows for the disaggregation of the total trade of a particular sector " i " (CT^i) that is, exports plus imports, in intra-industry trade (C^i), and net trade or inter-industry trade (CN^i). Intra-industry trade is estimated through the overlap trade, the portion of

the total trade of the sector where exports and imports achieve the same value. Finally, we calculate the ratio between intra-industry trade and total trade. In this way, we can obtain the degree of overlap out of the total trade for a specific sector.

$$ICI = \frac{CI^i}{CT^i} \times 100$$

$$CI^i = CT^i - CN^i = (X^i + M^i) - |X^i - M^i|$$

CI^i = *Overlap trade of activity sector i (intra-industry)*

CN^i = *Net trade of activity sector i (inter-industry)*

CT^i = *Total trade of activity sector i*

The index varies between 0 and 100. The indicator takes a value of 0 when sector “*i*” registers only exports or only imports; in other words, when there is only inter-industry trade, which translates into no trade flow overlap. By contrast, the indicator takes a value of 100 when exports are exactly equal to imports for sector “*i*,” because when there is complete intra-industry exchange, all trade overlaps. In summary, a trade overlap is associated with intra-industry trade, while an imbalance is associated with inter-industry trade, and the closer the indicator gets to 100, the greater the proportion of intra-industry trade there is in sector “*i*” (ALADI, 2012: 19).

FROM THE WASHINGTON CONSENSUS TO THE BEIJING CONSENSUS

The influence of the great powers on the periphery of the system has been constant in international policy. In that sense, a few legal and policy instruments have stood out in the vault of history: the Treaty of Tordesillas of 1494; the Treaty of Utrecht of 1713; the Monroe Doctrine of 1823; and many other examples. Rather than laying the foundation for reciprocal coexistence or cooperation, these instruments sought to safeguard the interests of the great powers. Even so, these instruments refrained from coercive rhetoric⁷ in favor of a more cooperative tone, mainly due to: a) the evolution of international public law and the institutionalization of multilateral cooperation mechanisms such as the United Nations and b) the awakening of a large number of political entities as the result of decolonization worldwide. This was true to such an extent that the last two decades of the twentieth century saw the emergence of the concept of “consensus” which permitted the offering of a scheme—at least in appearance—that could be accepted by all stakeholders and not merely imposed by the great powers.

Far from the traditional legal and political effect of international agreements and treaties throughout the majority of the evolution of the inter-state system, this “consensus” approach has earned broader acceptance and is more flexible because it comes in the form of a political understanding (tacit or explicit), thereby eschewing the traditional image of cooptation, at least at the level of

discourse. In this way “consensus” is the key to understanding how the capacity of the great powers to influence the periphery of the international system has been rewritten: their influence has not been reduced, but is now concealed by an array of rhetorical techniques.

The “consensus” approach was born of the Washington Consensus, whose genesis can be found in an article by John Williamson, published in November 1990 by the Institute for International Economics, entitled: “What Washington Means by Policy Reform.” It lists ten economic policies⁸ considered to be the “best economic program” that Latin American countries were meant to implement to drive economic growth, pursuant to the opinion of the international financial and economic bodies headquartered in Washington. In this way, the United States and other industrialized economies—which direct these bodies—ensured that their interests would prevail in an increasingly globalized economy where political, economic, and military power was only becoming more concentrated.

Moreover, although these economic measures were originally designed for Latin America and the Caribbean, in the 1990s, they became the general neoliberal agenda for the countries traditionally referred to as “developing economies,” as greater priority was given to financial aspects of the economy, to the detriment of the productive sectors. The Washington Consensus contributed to reducing the role of the State in the economy in favor of a return to structures that had previously been “relinquished” with the Keynesian Consensus, between the 1930s and the post-World War II era. Privatization was meant to eradicate those “parasitic” structures in order to, according to this rhetoric, pave the way to accelerated economic growth and the so-called trickle-down effect to the working classes, which, as must be mentioned, never came to fruition. Moreover, this privatization was very widespread and not subject to any selective criteria that would have allowed the State to maintain under its control certain strategic sectors, such as hydrocarbon exploitation. Nor could the neoliberal canon, which expanded under the “umbrella” of the Washington Consensus, resolve the issue of external debt, which had been building up since the 1980s. Finally, society was in the midst of a profound transformation: a) Subsidies were eliminated at the same time that national and multinational monopolies and oligopolies were being formed, also making small and medium-sized enterprises less competitive; b) State revenue losses derived from lower tariffs were compensated for by taxes imposed on the people; and c) In general, living conditions began to deteriorate and distributive inequalities were exacerbated. Specifically, the Republic of Argentina was one of the Latin American countries that most adhered to the neoliberal cannon; the epilogue to that story was the 2001-2002 economic collapse.

But here is when the process of the reconfiguration of global power began, dependent on two other processes: a) the rise of China and the transition of the global economic epicenter towards the North Pacific and b) the international financial and economic crisis that began in 2008 and the decline of developed economies. In this context of international change, “Latin America moved from

the Washington Consensus, based on financial securitization, to the ‘Commodities Consensus,’ based on the large-scale exportation of primary goods” (Svampa, 2013: 30). In our judgment, underlying this new consensus, rather than being another sign of Latin American submission to North American interests, is the subordination to China’s need to guarantee its supply of commodities, as this is the guiding force behind China’s growing influence in the region.

A few years ago, Oviedo (2006) underscored the difference between “influence” and “hegemony” to argue that China was starting to exercise influence in the Latin American and Caribbean region, displacing the traditional and principally European powers, and even becoming a counterweight to North American hegemony. Starting in 2004, China has made its presence in the region felt as the next great power. Beijing has been recognized as a “market economy” by various countries and the region and has pushed for “strategic partnerships.” It has also reduced its recognition of the government of Taiwan (Oviedo, 2005). The government in Beijing participated in the United Nations peacekeeping mission in Haiti. China has signed Free Trade Agreements (FTA) with Chile, Peru, and Costa Rica, and is currently negotiating with Colombia, all examples of a bilateral trade negotiation strategy. China has also opened various Confucius Institutes that help support cultural penetration and finance academic research programs. It is also interesting to note that Latin American countries have transferred human and financial resources towards China, as bilateral relations have intensified and new diplomatic and consular representations have been opened, including offices, promotion centers, and agricultural secretariats, to name a few.

All of these elements are some of the most relevant examples of the growing political, economic, and cultural influence of China in the region. One question beyond the scope of this paper, but still worthwhile to pose, is: How long will it be before the Asian country goes from exercising influence to achieving full hegemony? This is certainly not a simple question to answer, but it will undoubtedly have a tremendous impact on the foreign and trade policies of the countries in the region.

In keeping with this polarity between influence and hegemony, we might also wonder: What is China’s interest in peripheral countries and, specifically, Latin America and the Caribbean? China aims to guarantee its supply of the raw materials it needs to keep its economy growing over time and ensure access to maritime supply routes.⁹ It is thus to be expected that Latin American exports to China have grown: they went from 0.7% in 1990 to 9% in 2011, and in so doing, China became the top trading partner of quite a few countries in the region.¹⁰ In 2000, China was not among the top export destinations or import origins for the Latin America region; by 2012, China had become—in nearly all cases, with the exception of El Salvador—one of the top three suppliers and destinations of sales from Latin America and the Caribbean (Slipak, 2014b: 108).

Two concrete realities emerge from the Beijing consensus. The first is that trade between the periphery and the rising power center was reformulated under the logic of high added-value

products for raw materials or commodities with low technology content. In other words, the traditional scheme based on static comparative advantages is reproduced, which is also associated, in a variety of theoretical frameworks, to the central-peripheral logic. The second is that China now has the capacity to influence peripheral countries and impose its interests under the “consensus” logic, which brings the nation a step closer to the potential for exercising hegemony. In that sense, the Chinese discourse promotes a “multipolar world” and a “multilateral trade system” (República Popular China, 2008), where countries relate to one another under equal conditions; despite these statements, Chinese practices confirm an increase in bilateral negotiations, where the power asymmetries certainly play to its favor. Moreover, since the country joined the World Trade Organization (WTO), it has deliberately sought bilateral recognition as a market economy from various countries, aiming to circumvent the anti-dumping measures that permitted the “transition economy” status afforded by the body.¹¹ In summary, Chinese rhetoric tries to conceal an irrefutable truth: China is already a great power.

Trade between China and Latin America is a return to the central-peripheral model. The rules of the game have not changed; just the players. China has become a central figure in the power oligopoly, and, in consequence, asymmetries with peripheral countries are inexorably deepened. A quick look at the history of our countries suggests that the dependence on international commodities prices and the demand from power centers for raw materials has never brought us safely into port. There is a positive short-term effect that translates into an increase in export prices (the income derived from exports rises), but in the long term, there is a negative effect, which leads to productive reprimarization (Sevares, 2007: 17). In summary, the perverse consequences derived from the Beijing Consensus are clear: a) productive reprimarization; b) the region’s exports become highly concentrated in only a few sectors (undoubtedly those linked to commodities); and c) Chinese FDI tends to reproduce a situation whereby these countries are subordinated to the Asian nation.¹²

In China’s Policy Paper on Latin America and the Caribbean, we find the key to elucidating what the Chinese understand by south-south cooperation: “(...) a comprehensive and cooperative partnership featuring equality, mutual benefit and common development (...) continue to work with its Latin American and Caribbean counterparts in the spirit of equality and mutual benefit (...) to achieve common development” (República Popular China, 2008). Even so, this cooperation guides Chinese investment in the region, specifically and almost exclusively, towards primary-extractive activities (primarily mining, energy, and food), supported by tertiary activities (infrastructure and financial services) for logistics coordination. There is thus a clear gap between Chinese policy discourse and praxis. The Chinese government may speak of south-south cooperation, reciprocal benefits and shared gains, but Latin America is once again compromising its natural resources to the benefit of someone else’s modernization. Moreover, the benefits derived are neither reciprocal nor symmetrical.

SINO-ARGENTINE TRADE DYNAMICS (1990-2013):**THE CONSOLIDATION OF A NEW CENTRAL-PERIPHERAL RELATIONSHIP**

This section will analyze in greater detail the various aspects of Sino-Argentine trade ties in the time period mentioned. Of course, these factors cannot be disentangled from the transformations in forms of production and global communication that we described *up supra*, nor the consolidation of China as a major power and its global geopolitical strategy.

In the first decade of the twenty-first century, China managed to displace the United States, European countries, and Japan as the top trade partner of the Latin American region, both as an export destination and origin for imports. The former are concentrated in a few primary-extractive sectors,¹³ while the latter are more diversified and have higher added-value content. In addition, China is much more important to each country in the region than each country is individually to China, in terms of their respective weights in each others' global trade schemes. This asymmetry has allowed Beijing to take advantage of and exercise greater influence in the periphery, thanks to its ability to impact trade balances. The Argentine case is no exception to this trend.

As can be observed in both Table 1 and Figure 1,¹⁴ although during the 1990s trade flows between Argentina and China were already on the rise, trade really began to take off after the year 2000. In 1990, Argentine exports to China accounted for only 1.95% of the total, a figure that rose to nearly 7.2% by 2013. With regard to imports, the trend is even more marked: imports went from less than 1% in 1990 to more than 15% in 2013. At the beginning of the 24-year reference period examined in this paper, China was ranked fourteenth on the list of export destinations and twenty-second as origin of imports for Argentina, but by 2010 and subsequent years, China had solidified its place as Argentina's number two trading partner, for both variables.

As shown in Figure 1, during the convertibility era, Argentina maintained a slight trade deficit, but managed to accumulate a favorable balance of more than USD 5.802 billion between 2002 and 2007, attaining its peak trade surplus in 2003. However, since then, the trade surplus was systematically reduced until a negative trade balance was once again reached in 2008.¹⁵ And, between 2008 and 2013, Argentina recorded significant trade deficits that rose year on year, accumulating over USD 18.759 billion in the time period and exceeding a yearly amount of USD 4.000 billion over the past four years. Even so, as we will note later on, in our opinion, the most significant aspect of the trade relationship is not the bilateral trade balance, but rather the fact that this trade is concentrated in only a few sectors, oriented towards productive reprimarization.

The first dimensions that we want to incorporate address the concentration and technology content of exports and imports. Table 2 shows that only eight products accounted for more than 90% of Argentine exports to China in the decade 2003-2013, and that they were entirely primary products or agricultural manufactures with low added value. In fact, soy, soy oil, and crude oil alone represented nearly 85% of these exports. The situation is entirely the opposite when it comes to the goods Argentina imports from China; they are diversified and include consumer goods, machinery, and industrial inputs, as well as, of course, all of the sectors linked to high added-value goods.

Figures 2 and 3 reflect the evolution of imports and exports by technology content, subdividing the products into the following categories: a) Natural Resources (NR); b) Natural Resource-Based Manufactures (NRBM); c) Low-Technology Manufactures (LTM); d) Medium-Technology Manufactures (MTM); e) High-Technology Manufactures (HTM), and f) Other products.

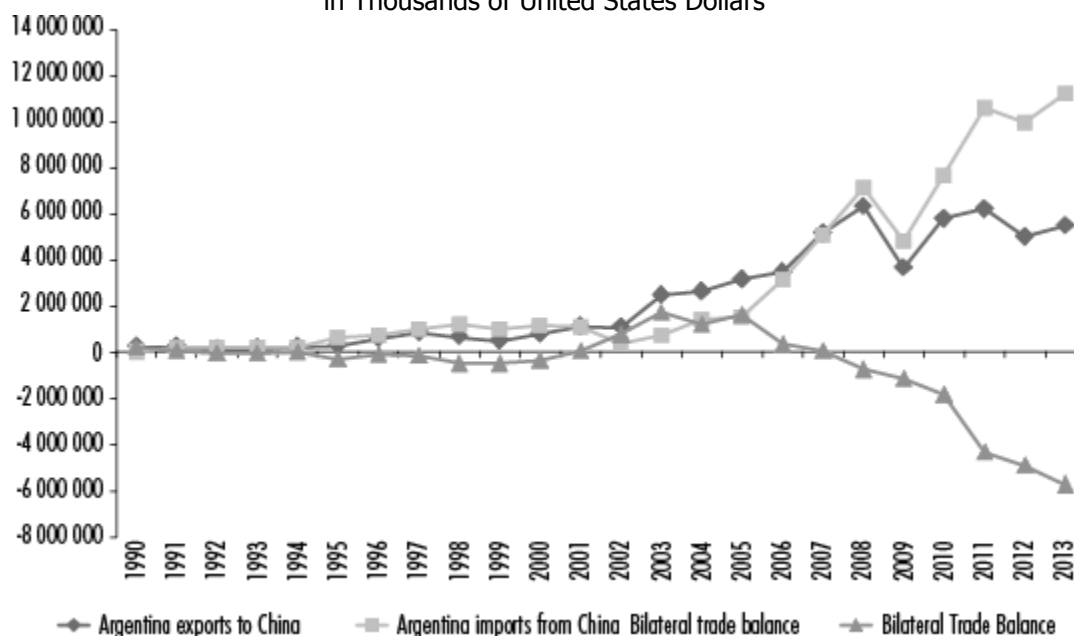
Table 1. Trade Exchange Between Argentina and China (1990-2013)

Year	Exports			Imports			Bilateral Trade Balance
	Argentine Exports to China	Share of China in Argentina's Export Destinations	Ranking of China as Destination	Argentine Imports from China	Share of China in the origins of Argentine imports	Ranking of China as origin	
1990	240 969	1.95%	14	31 616	0.78%	22	209 352
1995	285 731	1.36%	17	607 845	3.02%	8	-322 114
2000	796 927	3.03%	6	1 156 737	4.58%	4	-359 810
2005	3 154 289	7.86%	4	1 528 620	5.33%	3	1 625 669
2010	5 798 690	8.50%	2	7 649 152	13.47%	2	-1 850 462
2011	6 232 117	7.41%	2	10 572 987	14.23%	3	-4 340 870
2012	5 021 348	6.20%	3	9 951 820	14.53%	2	-4 930 472
2013	5 510 627	7.19%	2	11 243 312	15.34%	2	-5 732 685

Monetary unit: Thousands of current USD.

Source: Created by the authors based on ECLAC and COMTRADE.

Figure 1. Evolution of the Trade in Goods Between Argentina and China 1990-2013, in Thousands of United States Dollars



Source: Created by the authors based on COMTRADE.

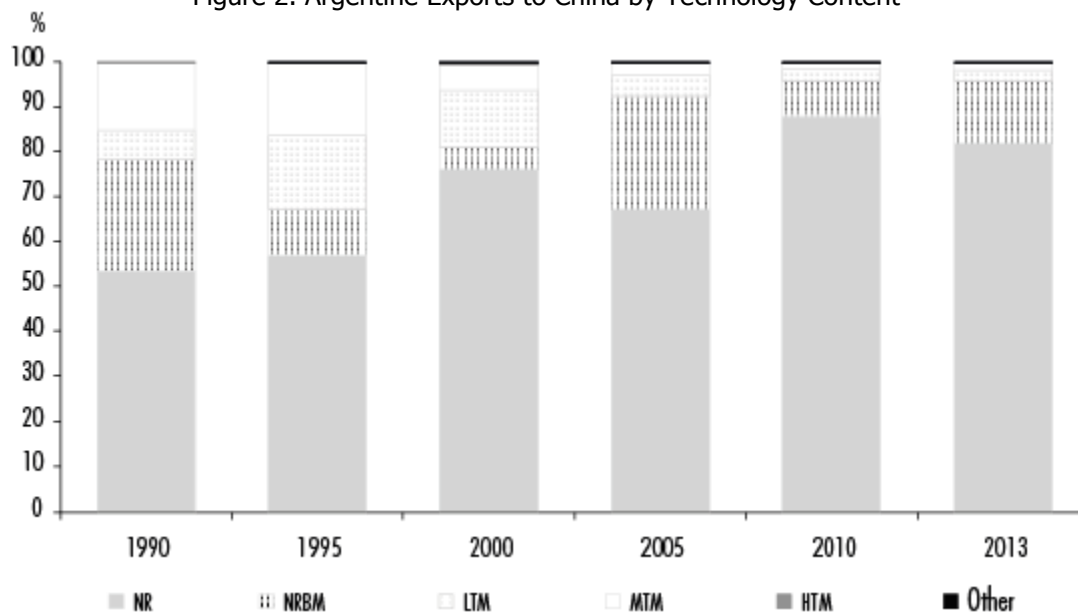
Table 2. Cumulative Argentine Exports to China 2003-2013

Product	Total	Percentage	Cumulative (%)
Soy	27 446 281	55.46	55.46
Soy oil	9 535 700	19.27	74.73
Crude oil	4 971 126	10.04	84.77
Leather and similar	923 865	1.87	86.64
Tobacco	470 622	0.95	87.59
Copper minerals	412 234	0.83	88.42
Poultry offal	403 648	0.82	89.24
Sunflower oil	389 760	0.79	90.03
Total	49 489 821	100.00	

Monetary unit: thousands of current USD.

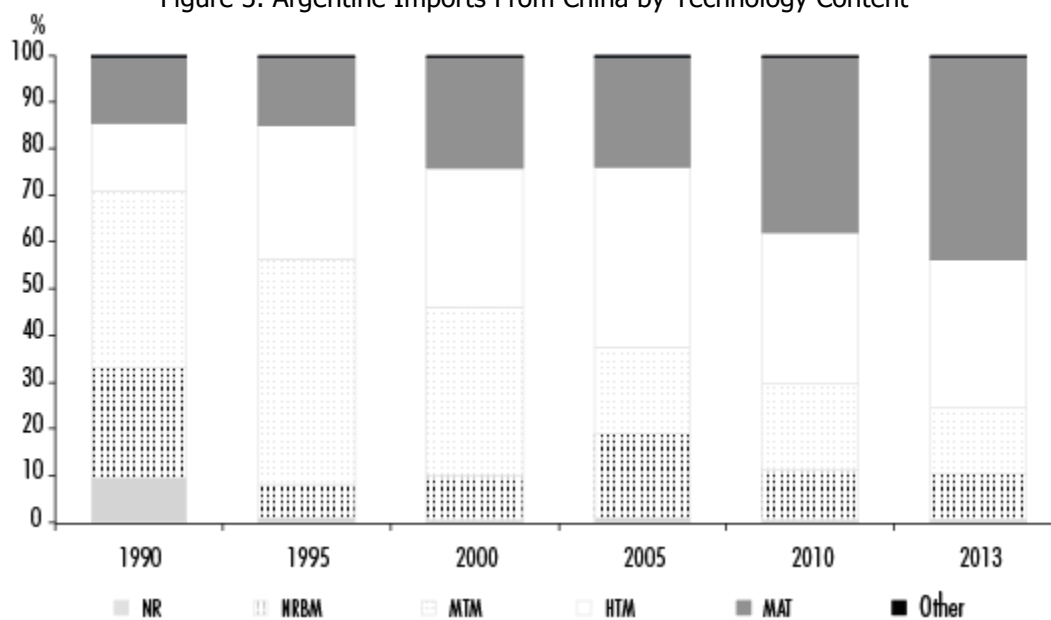
Source: Created by the authors based on ECLAC and COMTRADE.

Figure 2. Argentine Exports to China by Technology Content



Source: Slipak, Ariel, 2014c.

Figure 3. Argentine Imports From China by Technology Content



Source: Slipak, Ariel, 2014c.

Figure 2 reveals that since the beginning of the twenty-first century, the Argentine exports to China whose share of the pie has increased belong to the categories of NR and NRBM. Starting in 2007, these same goods jointly accounted for more than 94.5% of total exports to the Asian country (Bolinaga and Slipak, 2014). Thus ensued a drastic decrease in the proportion of manufactures with higher added value. For imports, the opposite occurred (see Figure 3). Argentina began to import more products from China concentrated in the MTM and HTM categories. The synergy between these two trends makes it difficult to produce goods with high added value at the local level.

Another dimension that is useful to discuss these asymmetries is the degree to which these trade flows impact China. We already remarked on the importance of China to Argentina—its number two trade partner since 2010—so it would be useful to examine if the same is true from the perspective of China. In 2013, exports from China to Argentina represented only 0.40% of the former country's total exports. Analogously, the products China purchased from its South American partner amounted to a miniscule 0.31% of China's total imports worldwide. China is the number two export destination and number two import origin for Argentina; by contrast, Argentina is China's fortieth ranked supplier and thirty-sixth export destination (Bolinaga and Slipak, 2014). This significant difference in the weight of the trade flows for each country with its partner gives China significant leverage to push its own interests.

To delve further into this discussion, we will focus on the shares of the top three products Argentina exports to China (see Table 3): a) soy, b) soy oil, and c) crude oil. If we compare the first two products in the time periods 2002-2006 and 2009-2013, it emerges that the share of the product with the most added value in the value chain, in this case, soy oil, falls in the export basket to China from 25% to 13%. By contrast, soybeans rose from a share of 47% to nearly 60% between the same two time periods. To sum it up, in reality, far from China having provided the opportunity to "industrialize agro" and generate greater reciprocity and the benefits of exchange, the road to this goal has been truncated, and the asymmetry has become further entrenched to China's benefit.

Although we believe that the statistics presented here have demonstrated that the trade exchange pattern between the two countries reproduces asymmetries and makes it possible for China to impose conditions based on these inequalities, we will also add—to the traditional analyses of commercial aspects—some information regarding how the variables that measure trade overlap have evolved. In other words, the idea is to discern if this trade overlap is intra-industry or inter-industry.

To conduct this type of study, we draw on export and import data disaggregated to six digits. Table 4 shows the evolution of the number of products traded between 1995 and 2012.¹⁶ It also reveals

that over the past few decades, not only have trade volumes increased (in accordance with Figure 1 and Table 1), but so too has the diversification of import sectors, which went from 1,787 in the first year to over 2,900 in the most recent period. This trend is clearly the opposite of the situation of Argentine exports to the Chinese market, which are concentrated in a few sectors, explained *up supra*.¹⁷

Table 3. Top Products Exported from Argentina to China in Selected Periods

<i>Product</i>	<i>Amount Exported 2002-2006</i>	<i>Percentage</i>	<i>Amount Exported 2009-2013</i>	<i>Percentage</i>
Soy	6 034 687	47.03	15 645 206	59.65
Soy oil	3 209 644	25.01	3 576 016	13.63
Crude oil	1 242 339	9.68	2 626 993	10.02
Total 3 products	10 486 670	81.72	21 848 215	83.30
Total other products	2 344 696	18.28	4 381 028	16.70
Total	12 831 366	100.00	26 229 243	100.00

Source: Created by the authors based on COMTRADE.

In the same table, we separate the products traded by the existence of overlap or lack thereof and highlight, in each case, which percentages of the total volume of exchange correspond to each situation. By lack of overlap we mean the sectors in which trade flowed only in one direction. By contrast, having imports and exports within the same branch entails “two-way” trade. Now, there are products whose export or import volume is high, but trade in the other direction is merely circumstantial or miniscule. It would be incorrect to call these cases “two-way” or intra-industry trade. For that reason, in keeping with Caicedo (2010), we will not consider the cases where there is “little or irrelevant overlap” as “two-way trade.” These discarded cases include those in which the lower volume trade flow represents less than 10% of the higher volume flow.¹⁸

According to Table 4, throughout the period of reference, there were few products for which “two-way” trade would be an accurate characterization. This small list of products never exceeds more than 3% of the total of goods traded between the countries and in all of the years measured—except 1995—the volume never exceeds 1% of all Sino-Argentine trade. Even before looking at the results of calculating the Grubel-Lloyd indices, based on this information, it is clear not only that the

preponderance of the trade is inter-industry, but also that the intra-industry trade is scant to non-existent.

Table 5 shows the two important calculations: a) the evolution of the Grubel-Lloyd index for the years we are taking as the reference period (in the second column) and b) the results of the calculations of the Grubel-Lloyd index for each of the products.¹⁹ It should be clarified that there are also columns in the table that contain the percentage of total bilateral trade represented by the products in each range.

Regarding the methodology, we divided the products into the following ranges: a) null Intra-Industry Trade Index (ITI), which means that trade is only “one-way;” b) products with a positive ITI, less than 33%, for which the trade overlap is extremely low; c) products with an ITI greater than or equal to 33%, but less than 66%, which we call a “considerable” degree of intra-industry trade; and d) products with an ITI between 66% and 100%, which have very high intra-industry trade flows.²⁰

Table 4. Evolution of Number of Products Traded Between Argentina and China and the Share of Trade With and Without Overlap

Year	Total Products Traded	Products Exported by Argentina	Products Imported by Argentina	Products Grouped by Existence or Lack Thereof of Trade Overlap					
				N/O	Share (%)	O/NTW	Share (%)	O/TWT	Share (%)
1995	1 874	153	1 787	1 808	89.54	33	8.95	33	1.51
2000	2 237	281	2 102	2 091	90.17	107	9.39	39	0.44
2005	2 445	353	2 273	2 264	93.19	117	5.99	64	0.83
2010	3 157	399	3 018	2 897	89.91	199	9.89	61	0.29
2011	3 233	416	3 097	2 953	79.79	213	19.69	67	0.52
2012	3 123	357	2 986	2 903	82.84	168	16.62	52	0.54

N/O: No overlap; Overlap Not Two-Way: O/NTW; Overlap Two-Way Trade: O/TWT

Source: Created by the authors based on COMTRADE.

Table 5. Evolution of the Grubel-Lloyd Index and Number of Products and Trade Volume by Degree of Overlap

Year	Grubel-Lloyd Index (%)	ITI=0		0<ITI<33%		33%≤ITI<66%		66%≤ITI<1	
			%	Number/Product	%	Number/Product	%	Number/Product	%
1995	0.40	1 808	89.54	46	10.34	12	0.06	8	0.06
2000	0.28	2 091	90.17	118	9.53	16	0.15	12	0.15
2005	0.56	2 264	93.19	127	6.13	31	0.39	23	0.30
2010	0.27	2 897	89.81	217	9.96	23	0.13	20	0.10
2011	0.34	2 953	79.79	239	20.00	22	0.11	19	0.10
2012	0.36	2 903	82.84	185	16.86	19	0.18	16	0.12

Source: Created by the authors based on COMTRADE.

Table 5 confirms that even as Sino-Argentine trade took off in recent decades, the proportion of intra-industry trade did not increase. The Grubel-Lloyd index does not even reach 0.6% of total trade. The trade labeled with the “considerable” and “high” degree of intra-industry trade jointly peaked in 2005, but this applies to a mere total of 54 products that only represent 0.69% of all exchange. Starting in 2005, the number of products with a considerable or high degree of overlap began to decrease, as did the share in total trade.

Although we expected that bilateral trade between Argentina and China would be preeminently inter-industry even before conducting these calculations, we believe that the data in Tables 4 and 5 constitute evidence with an unprecedented degree of detail regarding the ties between these two countries. They show, indisputably, that the increase of trade flows and integration between China and Argentina took place under a traditional scheme of economic complementarity based on classic comparative advantages. The most relevant conclusion to draw from this is that Argentina’s ties to its second-highest trade partner do not display any type of intra-industry complementarity.

FINAL REFLECTIONS

Throughout this text, we have discussed the role of China in the new global productive order, and, as a consequence, how it has reconfigured its ties with peripheral countries in terms of increased asymmetry, particularly with Argentina. This has entailed a reformulation of the systemic conditions needed to embark on the path to economic development.

China has solidified its position as Argentina's number two trade partner and its role as a country that offers significant financial flows and investment directed towards strategic areas, such as the hydrocarbon and infrastructure sectors, etc. As such, it would be absurd to formulate a local development model that does not take into account Argentina's political and economic ties to its "Chinese partner."

Looking at the dynamics of the trade relationship, we believe that this work took a pioneering step by calculating the intra-industry trade indices based on the Grubel-Lloyd methodology, and that this constitutes a major original contribution to reflect on ties with this great power. The results in this paper reveal that the bilateral trade is inter-industry and that intra-industry trade flows are scant or non-existent, evidence of a type of tie based on the classic logic of exchange where each country is specialized with its own comparative advantage. This is definitely a sign of the reproduction of the central-peripheral logic.

Undoubtedly, the study of the technology content of this foreign trade demonstrates that as trade flows increased with China, so too did the share of exports of natural resources or manufactures derived from natural resources, of course, to the detriment of exports with higher added value. It is therefore impossible to deny that productive factors (land, labor, and capital) were reoriented towards activities with lower added value, fundamentally towards primary-extractive activities that contribute to solidifying the country as a soy export enclave.

Particular attention was paid to a detailed study of the trade ties between Argentina and China, but with an understanding that they constitute only one side of the overall bilateral relationship. However, given the nature of the Beijing Consensus, it is essential to understand the configuration of ties that China is forging with the region and the degree of influence the country is prepared to exercise. The so-called Beijing Consensus may in reality have little to do with "consensus" and more to do with "imposition," and this idea can help explain the asymmetries between the major power and countries in the Latin American region. This type of trade tie invariably reproduces the patterns characteristic of relationships between central and peripheral countries.

The official Chinese rhetoric does not match its policy praxis. China is asserting its strength on an asymmetrical (bilateral) plane of negotiation, which makes it challenging for countries in the region to overcome international insertion based on traditional comparative advantages and redirect their productive factors towards activities with higher added value and knowledge. Strictly speaking, the Beijing Consensus is concealing a trend towards the reprimarization of these economies.

BIBLIOGRAPHY

ALADI (2012), "Evolución del Comercio Intraindustrial en ALADI", Study Number 201, Montevideo, March.

Bolinaga, Luciano (2007), "Argentina y China: economía de mercado y relaciones estratégicas. Análisis a tres años de la firma del Memorando de Entendimiento de noviembre de 2004", *Revista Relaciones Internacionales*, no. 32 Instituto de Relaciones Internacionales, First Semester.

_____ (2011), "Potencias en ascenso y países periféricos: la vinculación comercial de Argentina con el BRIC", *Studia Politiæ*, no. 24, Facultad de Ciencia Política y Relaciones Internacionales, Universidad Católica de Córdoba.

_____ (2013a), "¿Apuesta China a la modernización productiva de América Latina?" *Realidad Económica*, no. 279, October/November.

_____ (2013b), *China y el epicentro del Pacífico Norte*, Buenos Aires, Editorial Teseo.

Bolinaga, Luciano and Ariel Slipak (2014), "Límites teóricos y fácticos a la categoría de cooperación sur-sur para analizar la vinculación comercial entre China y Argentina (1990-2013)", *FLACSO-ISA, Joint International Conference. Global and Regional Powers in a Changing World*, June 23 to 25, 2014, Facultad de Ciencias Económicas, Universidad de Buenos Aires, available at <<http://tinyurl.com/nfpmh5f>>

Caicedo, Carolina (2010), "Medición del comercio intraindustrial Colombia- Estados Unidos 1995-2005", *Borradores de Economía y Finanzas*, no. 23, Universidad ICESI, June.

Cepal/ECLAC (2011), "La República Popular China y América Latina y el Caribe: hacia una relación estratégica", LC/L.3224, Publicación de las Naciones Unidas, Santiago de Chile.

_____ (2012), "La República Popular China y América Latina y Caribe. Diálogo y cooperación ante los nuevos desafíos de la economía global", División de Comercio Internacional e Integración.

Jenkins, Rhys (2011), "El 'efecto China' en los precios de los productos básicos y en el valor de las exportaciones de América Latina", *Revista Cepal*, 103, pp. 77-93.

Oviedo, Eduardo (2005), "China en expansión", *Universidad Católica de Córdoba*, vol. 8, Córdoba, Colección Thesys.

_____ (2006), "China y América Latina ¿influencia o hegemonía?" in *Diálogo Político*, Fundación Konrad Adenauer, Year XXIII, no. 2, June.

República Popular China (2008), "Documento sobre la política de China hacia América Latina y Caribe", published by Xinhua News Agency, 05/11/2008, available at
<[http://www.spanish.xinhuanet.com/ spanish/2008-11/05/content_755432.htm](http://www.spanish.xinhuanet.com/spanish/2008-11/05/content_755432.htm)<

Sevares, Julio (2007), "¿Cooperación sur-sur o dependencia a la vieja ultranza? América Latina en el comercio internacional", *Nueva Sociedad*, no. 207, January/February.

Slipak, Ariel (2012a), "Las relaciones entre China y América Latina en la discusión sobre el modelo de desarrollo de la región: hacia economías reprimarizadas", *Revista Iberoamérica Global*, vol. 5, no. 1, pp. 89-131.

_____ (2012b), "La emergencia de China como potencia: desafíos para el desarrollo que enfrenta la Argentina", IV Congreso Anual de AEDA, August 15, 16 and 17, 2012, Facultad de Ciencias Económicas de la Universidad de Buenos Aires.

_____ (2014a), "Un análisis del ascenso de China y sus vínculos con América Latina a la luz de la Teoría de la Dependencia", *Revista Realidad Económica*, no. 282, February/March.

_____ (2014b), "América Latina y China: ¿cooperación sur-sur o Consenso de Beijing?", *Revista Nueva Sociedad*, no. 250, March/April.

_____ (2014c), "La expansión de China en América Latina: incidencia en los vínculos comerciales argentino-brasileños", Congreso de Economía Política Internacional. Los cambios en la economía mundial. Consecuencias para las estrategias de desarrollo autónomo de la periferia, November 5 and 6, 2014, Universidad Nacional de Moreno (UNM), Moreno, Buenos Aires, Argentina.

_____ (2014d), "Un análisis de la relación sino-argentina desde la óptica de la Teoría de la Dependencia", in J. Munt (comp.), *II Jornadas de Pensamiento Crítico Latinoamericano. Capitalismo en el Nuevo Siglo: El actual desorden mundial*, UniRío Editora, Río Cuarto, Buenos Aires, Argentina.

Svampa, Maristella (2012), "Pensar el desarrollo desde América Latina", in G. Massuh (comp.), *Renunciar al bien común. Extractivismo y (pos)desarrollo en América Latina*, Buenos Aires, Mardulce.

_____ (2013), “ ‘Consenso de los Commodities’ y lenguajes de valoración en América Latina”, *Nueva Sociedad*, no. 244, March/April.

Tokatlian, Juan (2008), “A View from Latin America”, en Riordan Roett y Guadalupe Paz (eds.), *China’s Expansion into the Western Hemisphere: Implications for Latin America and the United States*, Washington DC, Brookings Institutions.

Williamson, John (1990), “What Washington Means by Policy Reform”, in John Williamson (comp.), *Latin American Adjustment: How much has happened?*

Zu, Annie (2013), “Chinese Tycoon Plans to Rival Panama Canal with \$40 billion waterway through Nicaragua”, *The Washington Times*, July 15, available at <http://www.washingtontimes.com/news/2013/jul/15/chinese-tycoon-plans-to-rival-panama-canal-with-40/?page=all>

OTHER INFORMATION SOURCES

World Bank, *World Development Indicators database* (2010/2014).

United Nations COMTRADE statistical database.

Cepal/ECLAC Database and statistics (Economic Commission for Latin America and the Caribbean).

UNCTAD, *World Investment Report* (2011/2014).

¹ Open Inter-American University and National University of Moreno, Argentina. E-mail addresses: bolinagaluciano@gmail.com and aslipak@ungs.edu.ar, respectively.

² A portion of this paper was published on the website of the *Observatorio de la Política China (China Policy Observatory)*

³ At the end of 2014, the International Monetary Fund and the World Bank published reports estimating that the GDP, measured by PPP, of China exceeded that of the United States for the first time, making it the number one economy on the planet. Both reports were issued based on 2014 projections and thus do not present final figures regarding the GDP levels in both countries. For this reason, we refer to it as the “second-largest economy on the planet,” using the technique of measuring at current prices, and state that it “rivals” the United States, when measured by PPP. The reports from these bodies are still relevant, though, because they are a sign of how important China’s role as a productive power is in the world.

⁴ In both cases, outgoing FDI from Hong Kong was excluded.

⁵ By “productive reprimarization,” we refer to a complex process that entails redirecting economic resources towards activities with lower added value, generally primary-extractive activities, as well as the *maquila* sector. This process restricts the potential of countries in the region to structurally transform their productive matrices in such a way that would allow them to achieve trade insertion in the international market based on economic activities with more momentum. See Slipak (2012a).

⁶ Throughout this paper, the expressions “Sino-Argentina trade relation” or “Sino-Argentina trade tie” will be used to refer to the exchange of goods between China and Argentina.

⁷ A clear example of cooptive praxis can be found in the “unequal treaties” that the major powers forced China to sign and accept, and whose consequence was to contribute to the political, economic, and social decadence of the Asian country (Bolinaga, 2013b: 93-94).

⁸ The list of ten economic policies are as follows: 1) fiscal discipline; 2) reprioritization of public spending; 3) tax reform; 4) liberalization of interest rates; 5) competitive exchange rate; 6) liberalization of international trade; 7) liberalization to facilitate FDI; 8) privatization; 9) deregulation; and 10) ownership rights.

⁹ It is no coincidence that China is already ensuring its access to global supply routes, even if that means trespassing in the “backyard” of the United States. In this regard, there are two emblematic cases. The more concrete of the two refers to the fact that two of the four ports located in Panama are under concession to a Chinese company, ensuring its connection with the Pacific Ocean (Puerto de Balboa) and the Atlantic Ocean (Puerto Cristóbal). The second case refers to the investments of *HK Nicaragua Canal Development Investment Co.* in Nicaragua, whose purpose is to build a new bi-oceanic channel. Although still in the potential stage, they have advanced, because last June, the local government granted the rights for a 50-year period to this company. See Tokatlian (2008) and Zu (2013).

¹⁰ In terms of exports, China is the top trading partner of Brazil, Chile, and Peru, and all three have trade surpluses. China is the number two partner of Argentina, Venezuela, Cuba, and Uruguay. Finally, it is the number three export destination for Mexico and Bolivia. In terms of imports, China is the top supplier of Nicaragua and Panama, which is no coincidence, given the geostrategic position of both countries. China is the number two supplier for Argentina, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, and Venezuela. And, it is the third highest supplier of Uruguay, Guatemala, and Bolivia. See: ECLAC, 2011 and 2012.

¹¹ According to China’s accession protocol to the WTO, the country was granted the preventive designation of “non-market economy,” which in 2016 will change to “market economy.” However, it should be pointed out that since 2001, to date, thanks to the power asymmetries manifest in the bilateral negotiations in which China engages with other countries, it has obtained benefits by staying on the margins of anti-dumping measures. It is striking that even today, neither the United States nor the European Union has recognized China as such.

¹² Not only has China primarily invested in primary-extractive products or tertiary activities that reduce the costs of these goods for the Asian country, but it has also imposed conditions regarding mandatory purchases of inputs or requirements to hire engineering companies from China. In addition, bodies such as the ECLAC have pointed to the lack of technology transfer in these transactions (Slipak, 2014b).

¹³ Of note are China's purchases of copper from Chile and, to a lesser extent, Peru, iron ore from Brazil, soy from Brazil and Argentina, and crude oil from Venezuela, Brazil, Argentina, and Colombia.

¹⁴ Tables 1 and 2 and Figure 1 reflect updates from a speech by one of the authors (Slipak, 2014d). The same is true of Table 3 (Slipak, 2012b).

¹⁵ Although this is not the main focus of the paper, it should be noted that the trade trend registered since then clearly runs contrary to the spirit of the Memorandum of Understanding signed by Kirchner and Hu, in November 2004 (Bolinaga, 2007: 81/101). Export stagnation has generated a structural trade deficit to the benefit of China, which persists into the present.

¹⁶ The series were constructed based on statistical data bases from COMTRADE. The years 1995, 2000, 2005, 2010, 2011, and 2012 were chosen to demonstrate what happened during five-year intervals and in recent years. There is no statistical information available with the same level of disaggregation for the years 1990 and 2013.

¹⁷ Although Tables 2 and 3 do point out the increase in the number of products exported to China (which rose from 153 in 1995 to some 357 in 2012), they also provide evidence that the exports were concentrated in very few products.

¹⁸ To be more precise, in the case of products for which exports were less than imports and the quotient between the former and the latter was less than 0.1, this trade was not considered to be two-way. Analogously, cases in which imports were less than exports of a certain product, and the quotient of the former to the latter was less than 0.1, were also disregarded.

¹⁹ The same are shown grouped by the range of the intra-industry trade indicator.

²⁰ Regarding the way in which the Grubel-Lloyd index is calculated, there is certain controversy surrounding the degree of disaggregation with which it is appropriate to work. With less disaggregation, there is a greater risk of including within the productive branch goods so different from one another that we would obtain as the mathematical result a very high degree of overlap, which, in reality, would be non-existent, thereby overestimating the phenomenon of intra-industry trade. On the contrary, a very high degree of disaggregation separates into different categories products from the same branch of activities, making it impossible to detect the existence of intra-industry

complementarity, and in this case, the calculations would tend to overestimate inter-industry trade. The choice to work with trade exchange databases up to six digits of disaggregation was made with the advice of colleagues specialized in foreign trade. Parallel to this, the same calculations were conducted based on information with four digits of disaggregation. The conclusion was that the results were practically the same as the six digit calculations.