

Three Dragons in the Backyard? The Multifaceted Political Economy of China in Latin America

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Carol Wise. *Dragonomics: How Latin America Is Maximizing (or Missing Out on) China's International Development Strategy*. New Haven, CT: Yale University Press. 2020. 328 pp., \$40.00 hardcover/paperback (ISBN: 978-0300224092).

China's rise as a trading partner, investor, and lender to Latin America and the Caribbean (LAC) during the twenty-first century has been well documented. Nevertheless, this tectonic shift has spawned divergent development outcomes that remain under-researched. Why has China concentrated the bulk of its outgoing foreign direct investment (FDI) in Brazil and Peru? How did the Middle Kingdom become Chile's main trading partner while lending and investing so little there? *Dragonomics* seeks to answer such questions by grounding them in history, interviews, development economics, and comparative political analysis. Overall, it provides an educated best guess regarding the variable effects that the rise of China has had in different parts of Latin America.

The author identifies three main political economy clusters in LAC, each of which developed close economic ties with China over the past two decades: small, open economies that signed a free trade agreement (FTA) with China (e.g., Chile, Costa Rica, and Peru) during the 2000s; large, resource-rich economies (e.g., Argentina and Brazil) that thrived during the commodity boom but fell into deep economic recession after 2014; and countries with strong export similarities with China (e.g., Mexico), which affected exports to the US market and led to counter-productive protectionism and a massive Mexican trade deficit.

Turning to the FTA examples (Chile, Costa Rica, and Peru; Chapter 4), Wise treats Costa Rica as an outlier because the China–Costa Rica FTA (2011) was just one of many incentives Beijing put forth to entice Costa Rica to shift diplomatic recognition from Taiwan to the People's Republic of China. Chile and Peru are a different matter. Both have hitched their star to deep global integration based on the negotiation of FTAs with developed and developing countries alike.

In contrast with Chile and Peru, Argentina and Brazil (Chapter 5) entered the 2000s with a large backlog of structural reforms still pending. Moreover, neither

had yet recovered from the daunting economic crises of 2002–2003, when the China boom hit. As commodity prices for soybeans, oil, and iron ore exploded under the thrust of Chinese demand, both countries saw massive foreign exchange earnings and heady growth. Commodity exports overtook manufactured goods and neither country managed to raise its rate of gross capital formation as a percent of gross domestic product (GDP). Wise resists the classification of these countries as throwbacks to the resource curse, though. She instead argues that the sizeable industrial sector within each state, and the effective use of counter-cyclical macroeconomic policies during the 2008–2009 global financial crisis, militate against that label. Drawing on more recent literature, she favors describing the situation as an “institutional resource curse” in both countries and offers case studies of institution grabbing (Brazil’s Petrobras scandal) and institution bashing (executive incursions into the Central Bank and the National Statistical Institute in Argentina) to bolster this argument.

Finally, Mexico stands alone (Chapter 6). In its eagerness to secure entry into the North American Free Trade Agreement (NAFTA) in the early 1990s, Mexican policymakers rapidly implemented Washington Consensus policies based on liberalization, privatization, and deregulation. This coincided with China ramping up its state-sponsored, export-led manufacturing drive. Mexico left itself wide open, as Chinese exports flooded the Mexican market and China’s trade surplus with Mexico soared. Wise situates Mexico in the work of Chang’s (2002) *Kicking Away the Ladder* and joins Chang in reminding us that no developing country has yet to cross the upper threshold of development based on neoliberal policies alone. During the 2003–2013 China boom, Mexico registered the lowest rates of aggregate and per capita GDP growth among the top LAC-7 countries, and policymakers fought off Chinese industrial competition with self-defeating protectionism. This contradiction prompts Wise to coin Mexico’s development model as “pseudo-neoliberal” and to attribute the country’s inability to come to terms with the rise of China to an under-achievement in domestic politics.

Wise achieves theory expansion in two of the three political economy clusters in *Dragonomics*. That is, China’s entry into the region has pushed our thinking about growth and development as it relates to both FTAs and the resource curse. On the former, she shows that China’s entry into South–South bilateral FTAs has opened the possibility for more flexible and beneficial agreements that still conform to World Trade Organization norms. On the latter, the incorporation of economic institutions into longstanding work on the resource curse helps us get away from deterministic, path-dependent work on this topic and opens up more space for human agency in the overhaul and reform of domestic institutions. Analysis of the Mexican case, however, lacks the theory-building punch of the other two clusters. Even if Wise fortifies Chang’s indictment of Washington Consensus policies as a fast track to development, the description of Mexico as “pseudo-neoliberal” serves fundamentally as a hint and an invitation for further research.

In the end, the author is agnostic about the future of the China–LAC relationship. Here, she joins other studies like Kaplan (2016) and Narins (2020), both of whom emphasize the rich variety of outcomes across countries, projects, and sectors. All three assert that there is no single take on the China–LAC phenomenon. Chinese trade and capital flows have undoubtedly offered LAC policymakers more room to maneuver on macroeconomic management and project planning. Wise also discredits Washington’s accusations of Chinese imperialism in the Western Hemisphere, while also confirming that China’s resource dependence renders it a permanent fixture in the Latin America region. A better understanding of the drivers of China’s foreign policy toward particular countries and subregions in Latin America thus seems more pressing now than ever before.

References

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