

1 Introduction*

China's relationship with Latin America is a dominant theme in discussions about the region's development prospects in the twenty-first century. A phenomenon that dates mainly from the early 2000s, China's trade with Latin America has increased more than twentyfold since then. In the process, it underpinned economic growth during a decade that came to be known as the China Boom – although that growth has now fallen significantly. In addition, capital flows from China have helped to build transportation links as well as new mining and agricultural projects. Chinese presidents have made ten trips to the region since 2000, while educational and cultural exchanges have burgeoned. At the same time, security links have also increased. The question I address in this Element is how to interpret this new set of relationships.

Evaluation of this evolving partnership has varied substantially. On the positive side, authors have praised the boost to growth, mainly through export-led expansion based on comparative advantage, together with the availability of new sources of capital for investment (Ellis, 2009). At a more detailed level, attention has been called to the particular characteristics of Chinese capital. For example, “patient capital” is said to make it easier for governments to engage in long-term investment projects without having to cut back when bad times hit the region through external shocks (Kaplan, 2016). A related aspect of the China relationship focuses on the greater autonomy for Latin American policymakers, given the diversification of economic ties to include a partner that does not place policy conditions on its money (Wise, 2020). Another contribution is said to be found in the realm of ideas: China's own successful development model is presented as a set of possible lessons for Latin America to follow (Lin and Treichel, 2012).

At the same time, the China–Latin America relationship has aroused concerns about its impact in the region. While the China Boom between 2003 and 2013 featured growth rates reminiscent of the best periods in the postwar era, it was followed by recession as China cut back on its imports. Thus, the old

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cyclical pattern of growth reappeared. One reason for the return of stop-go growth was a second source of concern – the so-called reprimarization of Latin America’s trade, where the region sells petroleum, metals, and soy to China in return for industrial goods. The price volatility of commodity exports is a well-known cause of growth cycles (Rocha and Bielschowsky, 2018). Given China’s high level of competitiveness, because of its low labor costs and subsidized credit, it is hard for Latin American industrial firms to compete (Gallagher and Porzecanski, 2010). Other researchers have pointed to environmental problems deriving from Chinese investments in natural resources (Ray et al., 2017). Inequality in the region, both within and between countries, has also been identified as a consequence of Chinese economic relations with Latin America, whereby South American commodity exporters have benefited compared with Mexico and Central American industrial exporters. Likewise, certain sectors and groups have benefited over others (Gonzalez, 2008).

Beyond evaluating the China–Latin America relationship, much of the new literature has been prescriptive. This has especially been the case with analyses by regional and international organizations (Inter-American Development Bank, 2010, 2014; ECLAC, 2011, 2015, 2016, 2018; World Bank, 2011; OECD/ECLAC/CAF, 2015). Major lessons include the need for Latin American countries to improve education and skills to compete in the twenty-first century world, to promote productivity and innovation, to provide more and better-quality finance, and to devise development strategies vis-à-vis China both at the country and regional levels. Some of the authors cited for their positive views of the China–Latin America relationship have also suggested policy lessons: for example, the need to construct better institutions (Wise, 2020) and to invest borrowed monies more wisely (Kaplan, 2016).

I take a different approach in interpreting the nature of this new relationship. Specifically, I want to explore the utility of a revamped version of dependency analysis to understand China’s relations with developing countries in general and Latin America in particular. This goal is perhaps a surprising one since, as discussed in the next section, dependency theory went out of vogue several decades ago. Nonetheless, it has reappeared in a number of articles and books that deal with China and Latin America. Some authors have been highly critical of using dependency (e.g., Wise, 2020). Others have shown more interest in this line of analysis, while also expressing their own concerns (e.g., Jenkins, 2012; Ortiz, 2012; Ferchen et al., 2013; Casanova et al., 2015; Castañeda, 2017).

In this Element, one of several in the Cambridge University Press series “Elements in Politics and Society in Latin America” that will revisit classic concepts that originated in Latin America but spread to other parts of the world, I begin in Section 2 by briefly discussing the origin, spread, and demise of

dependency in the twentieth century. I then suggest a way to deal with one of the main criticisms of dependency: the lack of specificity about its mechanisms. This involves three mechanisms – markets, leverage, and linkage – that I argue can help to understand the relationship between external and internal factors in determining the development process. In Section 3, I use these mechanisms to analyze Latin American development under US hegemony after World War II with a focus on the role of dependency in explaining the turn from import-substitution industrialization to the new market-oriented economic model after the debt crisis of the 1980s.

Section 4 moves from the twentieth to the twenty-first century and asks if the same mechanisms can provide a framework for understanding the new relationship between Latin America and the People’s Republic of China (PRC). To study the possibility of “dependency with Chinese characteristics,” I first compare the United States and China as global and regional hegemon, respectively. I then explore the usefulness of the dependency mechanisms through an analysis of China’s relations with Southeast Asia and sub-Saharan Africa, the developing regions that have the longest experience with China. In Sections 5 and 6, I turn to China and Latin America. Section 5 discusses the nature of economic relations (trade and capital flows), while Section 6 focuses on political relations (multilateral and bilateral diplomacy, person-to-person diplomacy, and military and security relations). Section 7 concludes with an evaluation of a dependency framework for analyzing China–Latin America relations as well as some comments on the dependency approach more generally. Overall, my conclusion is that a dependency framework does provide a helpful way to interpret Latin America’s important new links with the Asian giant, although flexibility must be used to extend the analysis across centuries and continents.¹

It is important to underline from the beginning that the short length of this Element means that many important details and nuances cannot be explored. In particular, much of the discussion is carried on at the level of regions – Latin America as well as Southeast Asia and sub-Saharan Africa. Of course, averages at the regional, or even the country, level can be misleading simplifications. While I try to point this out where it is especially relevant, a true understanding of the processes studied here would require much more detailed case study analysis. My hope is that this Element will stimulate such work.

¹ Two recent books that are complementary to this one, in that they look at the China–Latin America relationship in comparative perspective, are Jenkins (2019) on Africa and Latin America and an edited collection by Eisenman and Heginbotham (2018) that analyzes China’s relations with many developing regions.

2 A Brief Reprise on Dependency

In the early 1960s, two approaches to explaining development dominated academic and policy discussion. One was so-called modernization theory; the other was the Solow model within neoclassical economics. The two were similar in a couple of ways: both defined development as the characteristics embodied in then “developed” countries, and both saw the process of development as one of convergence. The main differences were methodological. Modernization theory was interdisciplinary, while the Solow model was the purview of economists. Modernization theory, which had two variants, economic and cultural, portrayed development as occurring in stages from primitive societies to ones based on “high mass consumption.” The main drivers were shifts in economic and cultural factors internal to the societies themselves. The Solow model predicted a convergence between developed and developing countries, since the latter were expected to grow more rapidly.²

2.1 The Origins of Dependency

In Latin America, experts and policymakers became increasingly critical of both approaches. These critics can be divided into two groups. One came out of a structuralist tradition, based at the United Nations (UN) Economic Commission for Latin America (ECLA) in Santiago, Chile; the other was manifested intellectually as a Latin American version of Marxism. By the late 1960s, both of these currents had begun to advocate the concept of “dependency” to explain why convergence could not be expected between developed and developing countries in the twentieth century.

The version of dependency coming out of Marxism was mainly associated with the writings of Andre Gunder Frank, a German economist based in Santiago, Chile.³ Frank argued that from the sixteenth century on, the region had been part of an open, export-oriented, capitalist economy, dominated by European and later US monopolies. This situation led to the expropriation of the economic surplus of Latin America and the polarization of the international economy into “a metropolitan center and peripheral satellites” (1967: 8). Moreover, he argued that “national capitalism and the national bourgeoisie do not and cannot offer any way out of underdevelopment in Latin America” (1967: xv), so the only way for development to occur was via a socialist

² The classic work behind economic modernization was Rostow (1960). On the cultural side, a number of authors were important; see Valenzuela and Valenzuela (1978) for citations. The Solow model was produced virtually simultaneously by Solow (1956) and Swan (1956).

³ Frank’s best-known work (1967) was published in English by Monthly Review Press. In addition to Frank, a number of Latin American social scientists were writing in a similar vein. See, for example, dos Santos (1968), Marini (1972), and Caputo and Pizarro (1974).

revolution. Whether Frank intended it or not, the dependency analysis with which he was identified stressed forces from outside a developing country, leaving little space for agency on the part of domestic actors. Thus, it became an easy target for critics.

A more subtle and complex version of dependency theory, associated with structuralism, was the work of a Brazilian sociologist, Fernando Henrique Cardoso, and a Chilean historian, Enzo Faletto, both of whom worked at ECLA.⁴ Not surprisingly, they joined others at ECLA who advocated more emphasis on social and political analysis, not just on economics. Like many colleagues, they saw themselves as using both structural and historical tools. While they began with the assumption that the development of Latin America had been and was still conditioned by the international capitalist system, they were especially interested in exploring the impact of external actors and markets on internal politics and society. A particular concern was the formation of coalitions that might link international and domestic actors.

Their work differed in two main ways from that of Frank. On the one hand, they were not interested in a grand theory of development or even the development of Latin America, but in the analysis of “concrete situations of dependency.” In the phase of classical dependency, the main situations were defined according to whether the principal export firms were owned by local or foreign capital, which had various impacts on development. On the other hand, the authors were much more positive than Frank about the possibilities for at least some countries to arrive at a capitalist style of development, which the authors labeled associated dependent development or simply dependent development.⁵ Dependent development was another situation of dependency.

Dependent development involved industrialization, based on consumer goods that were widely available in the North but luxuries in developing countries. The distinction meant that industrialization sharpened income inequality and structural heterogeneity in Latin America. As a consequence, Cardoso and Faletto said they were making a double criticism. “We criticize those who expect permanent stagnation in underdeveloped dependent countries ... But we also criticize those who expect capitalistic development of peripheral economies to solve problems

⁴ The main Cardoso–Faletto work was first published in Spanish in 1969 by Siglo XXI (Cardoso and Faletto, 1969). It was not translated into English until 1979, so many thought it was a later reaction to the Frank book. In actuality, all were writing at the same time in Santiago, although there is no evidence of significant interaction among them. It is important to note that Cardoso and Faletto claimed an eclectic intellectual heritage, despite the common view that their analysis relied heavily on ECLA’s brand of structuralism.

⁵ The term “dependent development” was popularized by Evans (1979) in his analysis of Brazil under that title.

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such as distribution of property, full employment, better income distribution, and better living conditions for people” (1979: xxiii–xxiv).⁶

Complementing dependency analysis – and, some would say, going beyond it – was world system theory, introduced by Immanuel Wallerstein (1974). Coming out of the study of Africa rather than Latin America, Wallerstein stressed the unity of a single world capitalist system and its historical origins. In addition, he made the center-periphery dichotomy more nuanced by introducing the concept of the semi-periphery, which constitutes a source of stability in the world system (Wallerstein, 1976). The semi-periphery bears some resemblance to dependent development in the Cardoso–Faletto schema. Another of Wallerstein’s contributions, which is useful for my analysis, was the idea that while the system persists, individual countries – including hegemons – can change their positions. Interestingly, world systems theory has proved more long-lived than dependency, enjoying several institutional bases and an ever-growing list of publications.

2.2 The Spread of Dependency

The dependency approach was extremely influential in the analysis of development (or lack thereof) in Latin America in the 1970s and 1980s, displacing both modernization and neoclassical economics. Moreover, dependency analysis was adopted and adapted by other developing regions, including sub-Saharan Africa, South Asia, and, more recently, Eastern Europe. In East Asia, however, dependency hit a wall. The dominant theory in that region argued that the “developmental state” was the most important determinant of East Asia’s extremely high growth rates (Haggard, 2018).

The area that showed most interest in dependency was sub-Saharan Africa, following independence in the majority of countries in the 1960s. Because of their recent emergence from colonial status, the term “neocolonialism” was also used with great frequency, but it embodied many of the same characteristics as dependency. Two prominent African specialists (Apter and Rosberg, 1994: 32) said that dependency analysis “had an enormous impact on the shape of African studies.” Leys (1975), the author of an influential book on post-independence Kenya, put it this way: “it was necessary to realize that the relationship between the ‘private sector’ and the pattern of post-independence development could not be understood in purely Kenyan terms, but was the outcome of international forces” (p. ix). He added: “A theoretical framework, which does address itself

⁶ In the preface to the English translation of their book, Cardoso and Faletto argued that socialism was necessary for a more positive version of development. This was not the message of the original Spanish version. Moreover, when Cardoso became president of Brazil, he followed a very different path; see also Cardoso (2009).

directly to the questions with which this study is concerned, is to be found in the work of ‘underdevelopment’ and ‘dependency’ theorists” (pp. xii–xiii).⁷

In South Asia, the dependency framework had a mixed reception. Thus, Kohli (2004) argued that the powerful alliance of Indian nationalists and businessmen, via a strong state, was key to the development of the largest country in South Asia. He said that “the case of India’s nearly autarkic but sluggish industrialization could be construed as a heavy indictment of the dependency proposition ... although the absence of foreign capital and technology contributed to an inefficient and slow pattern of industrial growth in India” (p. 380). If India was large enough to go its own way, especially given the ideology of its founding leaders, this was not necessarily the case for the smaller countries in the region. Dependency theory was used by a number of analysts looking at Pakistan and Bangladesh, especially on topics such as foreign aid and foreign debt.⁸

Even experts on Eastern Europe, which was sometimes referred to before 1989 as an example of socialist dependency,⁹ have found relevance for dependency analysis in explaining trends in the broader European context today. For example, Bruszt and Vukov (2018), in the introduction to a set of papers on the integration of Eastern and Southern European countries into the European Union, argued for the use of a center-periphery framework. “Drawing on the long tradition in the political economy of development, we argue that integration among countries at different levels of economic competitiveness may create specific vulnerabilities for the peripheral states” (p. 154).

In East Asia, however, dependency did not seem to fit – although some of the most prominent critics appeared to have had Frank’s version of dependency in mind rather than the more sophisticated work of Cardoso and Faletto. For example, Amsden (1979) held that the case of Taiwan refuted dependency analysis because internal factors were more important than external ones. Haggard (1990), who was more familiar with the Latin American debates,

⁷ Although Leys himself later changed his mind about dependency, many others used the framework. See, for example, Brett (1971), Amin (1972), McGowan (1976), Zartman (1976), Vengroff (1977), Higgott (1980), Carlsson (1983), Okolo (1983), Bienefeld (1988), Yates (1996), Moss et al. (2005), and Kindiki (2014). Some of these are general works, others are country case studies; some see dependency as useful, others are more critical. For an early comparison of dependency in Africa and Latin America, see Stallings (1972). Two studies that use a dependency perspective to analyze Africa’s relations with China are Taylor (2014) and Agbebi and Virtanen (2017).

⁸ See, for example, Chaudhary (1988) and Kahn and Asghar (2015) on Pakistan; Sobhan (1996), Bhattacharya (2007), and Hassan (2011) on Bangladesh. McCartney (2011) specifically calls attention to the different response to the dependency approach in the smaller South Asian countries compared to India.

⁹ See discussion in Pakenham (1982) on socialist dependency. He uses the case of Cuba, but many of the same arguments would hold for Eastern Europe.

argued that dependency analysis suffered from the same weakness as neoclassical economics in trying to analyze East Asia: both neglected politics and institutions.

Despite such critiques, there were experts on East Asia who were more positive. In an analysis of the auto industry in three Southeast Asian countries, for example, Abbott (2003: 154) criticized dependency theory for focusing on broad generalizations, while also declaring that “dependency remains a useful and necessary conceptual tool of economic analysis at a sub-generalized, sectoral-specific level despite the theoretical inadequacies and flaws of generalized theories of dependency.” In addition, several authors who wrote about dependency in Latin America argued in favor of its utility in the East Asian context. For instance, Gereffi (1989) pointed out that the characteristics of dependent development were different in the two regions: dependency in East Asia had been a product of a heavy reliance on foreign aid and trade, while dependency in Latin America was based on extensive involvement with transnational corporations and banks. These different configurations, he argued, would not be expected to produce similar outcomes.

2.3 The Demise of Dependency

Despite the popularity of dependency analysis in the 1970s and 1980s, the concept fell into disrepute by the 1990s and was rarely used from then on. Criticisms came from many directions, and the debates were confused by the multiplicity of approaches that were joined under the label of dependency. Four main intellectual criticisms can be identified; in addition, certain trends in the world also contributed to the demise of dependency analysis.

A first criticism, voiced by many if not most critics of dependency, was its lack of specificity, its global scope – its general “fuzziness.” How was dependency to be defined? Through what mechanisms did it operate? What were its effects? In particular, what was its relationship to development? Did dependency operate in the same way everywhere? Did it change over time and, if so, how? What was the opposite of dependency? How could the theory be falsified? These questions reflected frustration with a concept that was used in many different ways. Scholars and policymakers were talking past each other, in part because of disagreement on the role that dependency analysis was meant to play in approaches to development. Of course, there were also differences in the definition of development, and an overlap often existed in the way the two terms were used.

A second criticism followed from the first. What was the epistemological status of dependency, and what methodology should be used to study it? With

respect to the former, the main issue was whether dependency constituted a theory or simply a framework or approach.¹⁰ If dependency was a theory, then hypotheses could be derived and tested.¹¹ This tendency was part of a more general shift in the social sciences from grand to middle-range theory that could be tested, often by quantitative methods. Such scholarship was fiercely combated by some adherents of dependency. Cardoso himself (1977) published an article on “The Consumption of Dependency Theory in the United States,” in which he said:

I do not agree with the idea that to improve the quality of analysis, the theory of dependency should be formalized so that, after testing hypotheses derived from this formalization, one could venture out into the world waving the banner of the percentage of variation explained by each factor ... [I]t would be better to ask for an improvement in the quality of historical-structural analysis (p. 21).

A third set of critiques concerned an alleged overemphasis on international relationships and corresponding neglect of domestic forces. The Marxist left, especially among Latin Americans and Latin Americanists, argued that dependency analysis did not pay sufficient attention to social classes and class struggle.¹² Experts on East Asia denounced dependency for not recognizing that the state was more important than foreign capital in determining development possibilities. One version of this argument said that dependency analysts had mixed up causality: foreign capital did not determine development strategies; rather, development strategies determined the need (or not) for foreign capital. If the state – generally defined in this literature as government bureaucrats – made the proper decisions, it could control foreign capital (Haggard, 1986).

The success of the Asian economies also gave rise to a fourth criticism of dependency analysis. A growing body of experts argued that external flows (capital, trade, technology, and ideas) had a *positive* impact on development. The proof usually offered was the East Asian economies, which were not only growing faster, but had more equal distributions of income and were able to recover more rapidly from the shocks of the 1970s and early 1980s than had the less open economies of Latin America or Africa. A more moderate version of this critique was not as positive about the benefits of openness, and indeed

¹⁰ A discussion of the theoretical status of the dependency literature is offered in Palma (1978).

¹¹ A number of US scholars were interested in trying to develop quantitative criteria to measure dependency and to use those measures to test hypotheses about the impact of dependency on development. See, for example, Kaufman et al. (1975), Duvall (1978), McGowan and Smith (1978), and Jackman (1982).

¹² Examples of this type of criticism are contained in Chilcote (1982) and Munck (1984).

pointed out that the East Asian economies were not uniformly open to imports or direct investment, but insisted that explanations must be provided for the great differences in economic performance among developing countries given that all faced similar external conditions.¹³

Beyond intellectual and policy critiques, political and economic events occurring in the world helped to undermine the influence of dependency analysis. One was the enormous quantity of loans available to developing countries during the 1970s. These loans relieved foreign exchange constraints and increased the power of governments vis-à-vis multinational corporations (MNCs), which had been seen as the most important agents of dependency.¹⁴ Second, an intellectual consensus began to crystalize among leaders of the industrial countries and the international financial institutions (IFIs) about the benefits of open trade regimes and smaller governments. As the 1970s loan binge came to an end in the early 1980s, the power behind this consensus began to grow as the IFIs – rather than private bankers – controlled the available capital (Kahler, 1990). A final blow was the fall of socialism in the Soviet Union and Eastern Europe. Marxism, an important underpinning for dependency analysis, fell into disrepute as a consequence. Equally telling, the main examples of noncapitalist development disappeared as did Soviet financial support for developing country governments that opposed orthodox policies.¹⁵

The combination of intellectual critiques and international trends that reinforced them had a devastating effect on dependency analysis: it was rarely mentioned by the 1990s. At the same time, the issues dealt with by dependency analysts did not go away. Indeed, they became more serious in the 1990s and beyond, as Latin American and other developing economies became more open and thus more vulnerable to damaging external shocks. Also, as I will discuss in later sections, dependency analysis may provide a useful framework for thinking about the new relationship between China and developing countries.

2.4 Mechanisms of Dependency and Definitions

In discussions of dependency during the 1970s and 1980s, the main economic mechanisms were trade relations and international investment (foreign direct investment or FDI, bond issues, and loans). Accompanying these economic mechanisms were political relations between dominant and dependent

¹³ A comparative analysis of the external shocks in developing countries is given in Belassa and McCarthy (1984). A version of this analysis also came from the Marxist left; see Warren (1980). On the East Asian case, see Haggard (1986).

¹⁴ On the use of loans to escape from direct investment, see Frieden (1981).

¹⁵ On the implications of the changes in Eastern Europe and the Soviet Union for socialist ideology, see Przeworski (1990).