

REACHING ACROSS THE PACIFIC:

Latin America and Asia
in the New Century

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CHAPTER 6:

Argentina and Asia: China's Reemergence, Argentina's Recovery

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The reemergence of China and the rise of India and the countries of East Asia have created new opportunities for diversification, of which Argentina has tried to take advantage to empower its recovery and eventual reemergence on the world stage. Most Argentines earnestly believe that their country has overcome the enormous economic crisis of 2001–2, thanks largely to its exports to China, which they also believe greatly mitigated the impact of the global economic crisis of 2008–9, which had only a mild effect on Argentina. China is now Argentina's second-most-important trading partner, having surpassed traditional ones like Europe and the United States; China is likewise the most important market for Argentina's agribusiness sector. After more than a half century of relative economic decline, since the mid-2000s some Argentines have even begun to believe that the restoration of their dreams of at least a modest dose of grandeur might again be achievable.

For many domestic observers, there is a certain (positive) *déjà vu* about the country's current relationship with China, in that it resembles the close relationship between Argentina and the British Empire at the beginning of the twentieth century. However, others are skeptical about China's intentions. This chapter examines Argentina's relations with the countries of Asia—including China, Japan, South Korea, Southeast Asia, and India—with special attention given to the impact of China's reemergence on Argentina's own recovery after the 2000–2001 crisis; and it maps several future trends for Argentine-Asian relations.¹

Few if any countries in Latin America have been under a process of transformation like that of Argentina in last decade. This has been due in great measure to its relationships with East Asia, and preeminently China. This impact is also geophysical; it is quite visible, both in the countryside and also—but to less of an extent—in urban areas. Moreover, the soy complex (*complejo sojero*) is a new, advanced, technologically sophisticated and dynamic economic sector that is at the core of Argentina's relations with China, India, and the countries of Southeast Asia.

A major difference between Argentina (and also Brazil) and other Latin American countries that export raw materials to China (e.g., iron ore, copper, oil, and nickel) is that soy is not an endowed or inherited resource, nor is it nonrenewable. In fact, fifteen years ago or so, soy did not constitute a significant economic sector in Argentina. This point is crucial. It has been argued that the countries of Latin America and Caribbean that have done well in their economic relationships with China in recent years (the “winners”) were the ones that benefited from the “commodity lottery.” In this regard, soy is not like copper, nickel, iron, or oil. Soy is not a given; it is an acquired, highly developed, and advanced substitutable bio-commodity. Although certainly soy's cultivation is based on available soil, sun, and water as well as entrepreneurship, Argentina was able to transform itself to take advantage at least in part of the rise of East Asia.

Diversification, in the case of Argentina, entails not only finding new markets for the same old products but also—and more impressively—developing a totally new product. The soy complex is a new economic sector that has developed almost from scratch. Of course, it is not diversification in the sense that the exports of Argentina, in fact, have become more concentrated, but it is in the sense that it involves a shift to a new type of product. In the case of China, overarching shared political goals (i.e., full respect for sovereignty and national integrity, agreements on one-China/Taiwan/Tibet and the Malvinas/Falklands, and the promotion of multipolarity), and spectacularly growing trade form the backbone of the relationship that has been declared a “strategic relationship” since 2004. However, this relationship has not been without increased trade friction and even some occasional political difficulties and misunderstandings.

A BRIEF HISTORY OF ARGENTINA-ASIA RELATIONS

Argentina's relations with major Asian countries have been diverse, but overall growing in recent years. Cultural and political links between Argentina and some of these countries, including Japan and India, date to the late nineteenth and early twentieth centuries. After World War II, Argentina's trade and political relations with Korea and Taiwan began to take shape. During the last few decades, Argentina's relations in the region have grown substantially, especially its relations with the People's Republic of China, which have grown from diplomatic beginnings in 1972 to billions of dollars in annual trade today.

Among the East Asian countries, Argentina's longest-standing relationship has been with Japan. Diplomatic relations with Japan were established in 1898 with the signing of the Treaty of Amity, Commerce, and Navigation. This treaty, as well as others Japan signed with Latin American countries, was highly appreciated in Japan because they put the countries that were party to them on an equal footing, as fully sovereign polities. As I have mentioned in other contexts, historically Latin America has been an important "exporter" of diplomatic recognition.

Argentina helped Japan in the Russian-Japanese war in 1905, selling two powerful warships, the *Rivadavia* (*Kasuga*) and *Moreno* (*Nisshin*), which defeated the Russians in the major naval battle of Tsushima on May 27–28, 1905. Because of this, during Argentina's several military governments between 1930 and 1983, the Argentine ambassador in Tokyo was usually a naval officer. The first Japanese immigrant arrived on Argentine soil in the seventeenth century, in Córdoba. The Japanese community, however, expanded during the twentieth century. As of 2011, a total of 11,675 Japanese immigrants lived in Argentina, and there are approximately 23,000 descendants of Japanese immigrants, many of them from Okinawa. They were at first engaged in laundry, flower production, and the martial arts, but now most of them are professionals, and at least one is a politician (Mario Ishii, an elected official of the *Partido Justicialista* in Buenos Aires province). Many Argentines have received training in Japan through the Japan Foundation, the Japan International Cooperation Agency (JICA), and other cooperation organizations. Cultural cooperation and sympathy

between the two nations have always been important, with the Japanese martial arts (judo, karate) being quite appreciated in Argentina; at the same time, tango has taken roots in Japan (Ranko Fujisawa, etc.). The most important Japanese investment in Argentina is the Toyota truck factory. The two countries' usually excellent bilateral relations, however, were severely affected by Argentina's 2001 economic crisis and its default on its external debt. Many Japanese citizens held Argentine bonds and were hurt by the default. Argentina's minister of foreign affairs at the time, Rafael Bielsa, traveled to Japan in 2003 to try to mend relations, but he was not successful. Seven years later (2010), Argentine Foreign Minister Jorge Taiana visited Japan, and in 2011 Minister Héctor Timerman traveled to Tokyo after the earthquake. As a result, relations have been slowly improving. Trade has been stable in recent years. In 2012, bilateral trade was \$2.2 billion, with a surplus for Japan. Argentina is Japan's sixth-largest trading partner in Latin America.² The trade pattern involves classic raw materials being traded for manufactured goods. The G-20 meetings also provide opportunity for the two countries' leaders to meet and cooperate, as well as the Forum for East Asia–Latin America Cooperation. In 2013, in Buenos Aires, Tokyo was selected to organize the 2020 Summer Olympic Games. The Japanese delegation was headed by Prime Minister Shinzo Abe.

Argentina's relations with South Korea began after World War II, when Argentina started receiving Korean immigrants.³ At the peak, there were probably 35,000 Koreans living in Argentina, but many have since immigrated to third countries—such as the United States, Canada, and Australia—and some of them went back to South Korea. Probably 8,000 went to Mexico after the 2001 crisis. Originally, they went to different provinces, but most of them ended up in Buenos Aires, and many of them worked in the textile sector, which was dominated before by the Jewish community in the Buenos Aires neighborhoods known as Once and Flores, and in other areas. There is a Korean School in Buenos Aires. Several hundred Argentines have received training in South Korea with the support of the Korea Foundation, the Korea Trade Promotion Corporation, and other organizations. During most of the Cold War period, Argentina recognized South Korea. The two countries established diplomatic relations in February 1962. In 1973, the wife of Juan Perón, María Estela Martínez

de Perón (Isabelita), and Juan Perón's powerful personal adviser José López Rega visited Pyongyang. When Peronism recovered the government in Argentina in 1973, the new government established relations with North Korea on June 1, 1973, but the North Korean diplomats in Argentina suddenly left the country, without breaking diplomatic relations, in a confusing event on June 5, 1977, during Argentina's military government.⁴ Argentina's trade with South Korea in 2012 was \$2.4 billion, and Argentina was South Korea's sixth-largest trading partner in Latin America. The trade pattern involves the classic scheme of raw materials being traded for manufactured goods. Investment is quite limited (fisheries, etc.).

Argentina's relations with India are modest, although growing. Historically, the relationship between the writers Victoria Ocampo and Rabindranath Tagore was very important, and the Indian writer visited Argentina in 1924. Indian culture as well as yoga have always been appreciated and respected in Argentina. There is a quite small Indian community in Buenos Aires. Like China, India also supports Argentina's position on the Malvinas/Falklands, according to a report following Foreign Minister Timerman's visit to India on June 19, 2013. Trade is still low, but growing quickly in recent years (it is less than \$2 billion annually). Argentina is an important exporter of edible oils (from soy and sunflower) to India. However, India played an important role during the period of Chinese sanctions (see below). Due mostly to the fact that many Indians are vegetarian, soy pellets/flour are not demanded by India (a major difference with China and the Southeast Asian countries, where such products are fed to animals). India's investment in Argentina is small but quite interesting, particularly in information technology, pharmaceuticals, chemicals, and services (e.g., telemarketing). The Indian companies that are investing in Argentina include United Phosphorus Limited, Punjab Chemicals & Crop Protection Limited (agrochemicals), Godrej (cosmetics), Glenmark (pharmaceuticals), and Havells Sylvania (lighting). Other Indian companies active in Argentina include TCS, Cognizant, Copal Partners, Irevna, Cellent, and Aegis. Argentina's natural gas company (CNG) has brought to India Argentina's advanced technology in the area, and a major engineering and hydroelectric company, IMPSA, established an office in Gurgaon.⁵ An Argentine company is also slated to build a \$30 million nuclear medicine

(radioisotope) facility in India. In Argentina's agribusiness sector, some have forecasted that India might well become the "new China" for Argentina in five to ten years, if a revolution similar to that involving soybeans occurs in Argentina with the production of edible grains like chickpeas and lentils.⁶

Argentina and the Republic of China, or Taiwan, established diplomatic relations after negotiations that took place on the sidelines of the San Francisco conference of 1945. However, the relationship was not very active. In February 1972, just after the historic visit of U.S. president Richard Nixon to Beijing in 1971, Argentina and the People's Republic of China negotiated the "normalization" of diplomatic relations in Bucharest. It is important to note that Argentina was then under military rule, and its president was General Agustín Lanusse. The militaries were clearly alienated with the West during the Cold War; however, in typical Argentine style, at the same time they also wanted to pursue diversification of foreign relations and international economic policy. After the military coup of March 24, 1976, against the civilian Peronist government, diplomatic relations continued with normalcy, in the same way that had happened between China and Chile after Pinochet's coup d'état on September 11, 1973, but in a stark difference from the Argentine Junta's approach toward another Asian communist country, North Korea (relations were severed on June 13, 1977).

This pragmatism was an attempt to keep an adequate diversity of external links, notwithstanding the remarkable regime differences, which were important then and are still relevant today. During this time, despite ideologically opposite views, there were other common interests, such as mutual support in international forums on human rights issues, trade, and the like. In June 1980, the de facto president, General Jorge R. Videla, was the first president of Argentina to visit Beijing. China has always supported Argentina in international forums regarding the Malvinas/Falklands, and it did not support Great Britain in the United Nations Security Council (Beijing abstained) during the Malvinas/Falklands war in 1982.

After democracy was restored in Argentina in 1983, Foreign Minister Dante Caputo visited Beijing in 1985, and President Raúl Alfonsín was the first democratically elected president of Argentina to visit China, in 1988. After the Tiananmen Square massacre in 1989, Argentina refused to join the other Western nations in imposing sanctions against Beijing,

and Chinese president Yang Shangkun visited Buenos Aires in 1990, as part of a Latin American tour designated to break the Chinese regime's diplomatic isolation. Soon, President Carlos Menem, who had promoted "carnal relations" with the United States and was a fervent supporter of the "Washington Consensus," was the first president in the world to visit China after Tiananmen, in November 1990; he visited China again in 1995. When President Fernando De la Rúa visited Beijing in September 2000, it was the first capital he visited outside of the hemisphere. The negotiations for China's accession to the World Trade Organization were accelerated, and the agreement was finally signed. Mirroring the progress of economic ties and preparing for growth, Argentina opened a Consulate and Trade Promotion Center in Shanghai in May 2000. In 2001, Argentina's exports to China surpassed the \$1 billion mark, an important milestone. In 2012, trade was \$17.1 billion.

THE MILESTONE YEAR OF 2004

An important chapter in the recent evolution in China-Argentina relations was written in 2004, when President Néstor Kirchner visited China from June 28 to July 2 and President Hu Jintao visited Argentina from November 16 to 18. President Kirchner's visit to Beijing, barely one year after taking office, was important in several respects. First, he began to develop the idea of seeking Chinese help to lessen the pressure on Argentina's external financial sector, which had been in default on its external debt since December 2001. Kirchner's trip opened several channels of negotiation between the two countries. Argentina's secretary of transport, Ricardo Jaime, was particularly active. In the months and weeks before Hu's visit, calculated leaking of information from high governmental circles created great expectations about the visit. Several media sources attributed to President Kirchner the saying that if what was being negotiated with the Chinese was signed, his portrait must be hung over that of General José de San Martín, the liberator of Argentina, Chile, Peru, and Ecuador, and Argentina's greatest historical hero. Other media attributed to the president another anecdote surrounding this event, in which he purportedly stood on his office table

saying that he would be considered more important than Maradona and Gardel (the country's mythic soccer and tango idols) *together*. Besides these colorful but true anecdotes, what the Argentine government believed was being negotiated was a \$20 billion investment package. In parallel fashion it was exploring the possibility of receiving a Chinese loan to fully repay its debt with the International Monetary Fund (IMF). It is easy to dismiss the importance of the above-mentioned investment, but for a country that in 2004 was just three years past the economic collapse and external debt default of December 2001, and that was still without access to international financial markets, the possibility of this external aid was of utmost importance. After all these leaks, rumors, and topics of speculation, the subsequent visit of Hu Jintao and its outcome were the subject of constant media coverage, from the full political spectrum from left to right. However, substantial aspects still remain unknown for the country's citizens. In recent years, I have conducted interviews with dozens of elite former members of the presidential cabinet, with Argentine and Chinese diplomats, and with other highly placed sources to reconstruct the events of this period. A partial account of them is presented here.

A crucial objective for the Chinese was for Argentina to declare China to be a market economy. Carrots were offered in the form of a \$20 billion assistance package, particularly consisting of loans and investments in the railway sector. Kirchner's government had made the protection of national industry and the internal market an important economic priority and a political banner, so it resisted the move, at the beginning. Brazil's declaration of China as a market economy in the days before, however, left Argentina with almost no room to maneuver. Even when Hu Jintao reached Argentina, the agreement was still not accepted by Argentina. But after a night of feverish negotiations at the Palacio San Martín, the headquarters of the Ministry of Foreign Affairs of Argentina, Argentina accepted the following day. Just five memorandums of understanding were signed about the \$20 billion package. As the coming years demonstrated, little was executed, far from the high initial expectations and limited final promises of 2004.

A very important parallel issue was the secret request of the Argentine government for Chinese support to pay the external debt of about \$10 billion that the country had with the IMF. This was one of the most explicit

attempts by Argentina to diversify its external financial sources, taking advantage of the new strength of China, and to overcome its perceived dependence on the IMF. This was an important objective for the government, because the IMF was considered by the government and important sectors of society to be the main culprit in the 2001 financial meltdown, and an instrument to pressure Argentina to implement and enforce the ideas of the “Washington Consensus.” The “liberation” of Argentina from the IMF’s diktat would also be seen as an important international political and strategic victory. In complete secrecy, President Kirchner sent a personal letter to Hu Jintao through the Chinese Embassy in Buenos Aires. Apparently neither the minister of foreign affairs nor the Embassy of Argentina in Beijing was informed. Two then-members of the Cabinet, whom I interviewed independently in Buenos Aires, confirmed the presidential letter, although the text has never been released. Kirchner gave Hu Jintao the most impressive state welcome ever seen for a foreign dignitary.

However, despite the Argentine government’s high expectations, and though the Chinese showed sympathy with the idea, in the end Beijing decided not to help Argentina. Kirchner had also become aware that he and Hu Jintao viewed the strategic element of a “strategic relationship” in a very different ways. Thus, this was a case in which the political limits of the financial strategy of diversification became evident, at least for the moment. In November 2005, Argentina’s minister of foreign affairs, Rafael Bielsa, visited Beijing, trying to sell bonds of the Argentine debt, but with limited success (my interview with him in Buenos Aires confirmed this).⁷ Despite Kirchner’s disillusionment with Hu Jintao, the president kept exploring the idea of full payment to the IMF, as a mean of achieving “independence.” When Brazil announced that it would use reserves to pay the IMF at the end of 2005, Argentina immediately announced the same approach, skillfully playing with timing and taking advantage of the mild international reaction to Brazil’s move.

THE PAMPAS: A TRANSFORMED BIOGEOPHYSICAL SPACE

The most obvious and visible physical transformation of Argentina has been that of the countryside. The production of soy or soybeans (*Glycine max*), a plant of Asiatic origin, almost unknown fifteen or twenty years ago in the country, is now roughly half of the total production of grains (about 50 million tons out of 100 million tons of total grain production). In 2013-14, production was forecast by the U.S. Department of Agriculture to reach 54.5 million tons. Thus, Argentina has become one of the most important producers of soybeans and derivatives (oil, pellet/flour, and biodiesel) in the world. Only a small amount of this massive production is used domestically; most of it is exported in some form. Because of this, for many years over the last decade Argentina has been the most important exporter of soybeans and/or soy oil and (soy) biodiesel in the world. The impact of Argentina's production and exports is huge in this sensitive and crucial market. According to the U.S. Department of Agriculture, "processed soybeans are the world's largest source of animal protein feed and the largest source of vegetable oil."⁸

This transformation is mirrored by the rise of East Asia, and particularly by China's strategic need to achieve food security. Demand for food is increasing exponentially in China. China's sheer economic progress in the last three decades means a growing middle class that can devote more of its household income to food, in particular to proteins of animal origin (e.g., fish, chicken, pork, and beef). China's domestic production of grains that are used to produce animal protein is under stress due to several structural trends. One is the displacement of the population from the countryside to the cities and the parallel reduction of the rural labor force; another one is the expansion of the urban surface over fertile land previously available for agriculture. Several millennia of farming have also take a toll on the productivity of the land, and water scarcity and/or growing pollution are increasing problems. With a population of 1.3 billion and arable land of 121.7 million hectares, China has 21 percent of the world's population, 8.5 percent of the world's total arable land, and 6.5 percent of the world's water reserves; and since 1997, China has lost 8.2 million hectares of arable land due to urbanization and forest and grassland replanting programs, along

with the damage caused by natural disasters.⁹ Furthermore, political legitimacy in China historically has been associated with food availability (in quantity, quality) and price (inflation means basically *food price* inflation), so food security is of crucial importance for the regime's sustainability.¹⁰

The transformation of Argentina's countryside is also connected to a new phenomenon that is again correlated with China's and India's extraordinary rates of economic growth. In the last decade or so, there has also been a rapidly developing new process of production of liquid bioenergy from biomass, particularly biofuel and bioethanol. The demand for energy, and especially for fossil fuels, has skyrocketed in recent decades in China. Energy security is of great concern, particularly since China became a net importer of oil in 1993. Due to the growing demand for energy and the rapidly decreasing availability of fossil combustible (oil and gas) in China, India, Japan, and around the world, sustainable liquid bioenergy has been one of the areas that have been exponentially expanding to cope with the international demand. Soy is an excellent source of vegetable oil that is produced for human, animal, and industrial consumption; but it is also a biofuel. This combined use for food security and energy security keeps demand strong.¹¹

A massive industrial and transportation infrastructure has been and is being developed in Argentina (specifically, it is being deployed on the shores of the mighty Paraná River, in the provinces of Santa Fe and Buenos Aires) to produce biofuel from soy and soy oil. Biofuel was first exported on October 18, 2007, and in 2012, roughly 2.5 million tons of biofuel was produced in Argentina, and half of which was exported, generating an income of \$1.7 billion. At the end of the decade, Argentina was already one of the major producers of biofuel the world, and the biggest exporter. At the beginning of 2011, a forecast by the Instituto Nacional de Tecnología Agrícola (Argentina's government agency for research on agriculture, forestry, and livestock, better known as INTA) posited that the production of biofuel will increase to 3 million tons soon, and about 60 percent would be exported. In October 2013, Evonik, a German company, opened a new factory in Terminal 6 to produce 60,000 annual metric tons of sodium methylete, a key component in the biofuels production process. In a mission to Beijing in September 2011, Argentina's Ministry of Foreign Affairs started conversations to export biofuels to China.

The resilience of soy to drought and its other characteristics have produced an expansion of agriculture boundaries in Argentina. Soil under agricultural production expanded 50 percent in a few years, from 20 million hectares in 1996 to 30 million in 2007. Productivity also increased sharply due to genetically modified seed ("Roundup Ready soy seed," or "RR soy," created in 1996 by Monsanto and adopted in Argentina), changes in the productive system (*siembra directa*, i.e., no-till farming or direct planting), and the use of an intensive technology package (BASF and Bayer are also important players in this sector). Additionally, on January 14, 2010, it was announced that soy genome was sequenced for first time, opening the door for more biotechnology engineering.¹²

The environmental movement in Argentina and abroad (particularly in Europe) has been very critical of the introduction of genetically modified seeds, because of their potentially unknown risks. In 2008, Brazil approved eight new genetic varieties (referred to as "events"), and voices in Argentina are demanding that the approval process in Argentina be shortened (from 42 months to 24 months, as is usual in Brazil). In addition, soy is alleged to be the culprit in increasing erosion because of the removal of native forests, reducing the availability of grains that are consumed in Argentina, such as corn and wheat, and also increasing the prices of food, particularly for the poor.

However, soy reinforced the *siembra directa* (literally, "direct planting," that is, without plowing) productive system, which drastically reduces the erosion of soil already in production. *Siembra directa* also means reducing expensive labor costs in the summer (which has been very intensive in the use of nonrenewable fossil energy) and reducing the use of chemical control against fall weeds to a single product, glyphosate (Monsanto's Roundup, the most commonly used herbicide in the United States, whose U.S. patent expired in 2000). In 2013, China approved the importing of Argentina's and Brazil's new soy events: RR2 Intacta Pro (Monsanto), CV127 (BASF), and Liberty Link (Bayer).

Corn (maize), a classic product of Argentina for more than one hundred years, is one of the crops that initially suffered from the competition of soy. Corn has made a comeback in recent years due to soy's sustainable productive system requirements, although, compared with soy, it requires

more fossil-energy-consuming laboring and expensive chemical herbicides, and more water that is often necessary to pump and spray. Producing soy cycle after cycle might exhaust the soil in the long term, impoverishing an invaluable resource. However, corn and soy complement each other very well. Soy adds nitrogen to the soil (because of the *rizhobia* bacteria), and corn and wheat take it. The rotation between soy and corn (and, to a lesser extent, wheat) has become the typical rotation in production in Argentina. Corn is also increasingly used for the production of ethanol, another form of bioenergy. In 2012, China also accepted the importing of corn from Argentina, and exported 60,000 tons through Bunge, a private company. China also accepted the 1161 corn event, a new type of genetically modified organism (GMO), in June 2013, during the visit of Argentina's then minister of agriculture, Norberto Yahuar, to Beijing.

The expansion of soy has produced profound economic and political effects, as well as social impacts. A closely associated phenomenon is the expansion of a dynamic and sophisticated biocommodity production system and the agro-industrial sector, which is regionally decentralized, in a country that has cherished a federal view of development but nevertheless has historically become extremely concentrated on the city of Buenos Aires. During most of the twentieth century, there was cleavage between agriculture and industry, or between *campo* (the countryside, the agricultural sector) and *ciudad* (the cities, mainly the city of Buenos Aires). Argentina is the eighth-largest country in the world, and has a population of 42 million. Roughly 40 percent of its total population is located in and around Buenos Aires. Soy cultivation has produced an emergence of many highly developed industries in many cities and towns of the *pampa*, thus generating jobs. The technical analysis of scholars Andrés López and Daniela Ramos is skeptical about any positive impact of trade with China. They also posit that "trade with China has been, on average, a destroyer of employment."¹³ On the contrary, Lucio Castro and his colleagues suggest that "trade with China and India only had a small negative effect on industrial employment."¹⁴

This transformation of the countryside, the expansion of soy production, the decentralization of new industries, and location of them close to soy production—in a word, the empowerment of a vast area of the interior—reached visibility and front-page headlines in March 2008. On this date,

the cash-strapped government of President Cristina Fernández de Kirchner approved Resolution 125/2008, issued on March 10, 2008, increasing the tax (*retenciones*) on soy and other grain exports to 45 percent. This tax had been in effect since the economic crisis of December 2001, and had previously been increased from its original 20 percent to 27 percent, then again to 35 percent by President Néstor Kirchner at the end of his mandate. *Retenciones* are important because, according to López and Ramos, “almost 20 percent of withholding taxes originated directly from exports to China, but the total impact is probably greater due to the price effect.”¹⁵ The government’s decision caused an uprising of the producers and their new *city dwellers* (*city dweller*) allies in the towns on the interior in the *pampa*, the internationally competitive industries located there, and the political opposition to the government. The government was caught by surprise, and it responded by trying to frame the highly politicized debate in terms of classic Peronist slogans against oligarchy, which had been typical of the 1940s, and thus missing the deep changes that had been taking place in the countryside during the last decade or so.

Various crucial questions arose in the debate: first, the legality of the unilateral decision of the government (several experts contend that, constitutionally, only Congress can create new taxes; the government’s answer was that *retenciones* were not a tax but just a tariff or duty, and hence, not under the control of Congress but of the executive branch). Second, an important consequence of this position was that, because *retenciones* were not considered a tax, the federal government was also not obliged to share them with the provinces (*coparticipación*). This, in turn, made most governors tactically join the opposition (even Peronist or government-leaning and allied governors as well as numerous representatives and senators did so). The opposition was then successful in framing the conflict as one of the port or the capital versus the provinces or the interior, and thus the nation and state. The historical cleavage between *Federales* and *Unitarios* of the nineteenth century was resuscitated once again.

Because the government insisted that the *retenciones* were not taxes, the government stood firm in its position that the measure did not need to be approved by Congress, although it had a majority in both chambers. Producers of soy and other grains were represented by four very different

(and, most of the time, competing) organizations, with very different ideological backgrounds, but the unexpected crisis created by the government pushed them to coordinate the struggle against Resolution 125. Many producers blocked the roads (*piquetes*), using know-how about political pressure that was very effective on the political authorities and was already available in society, very popular in the last fifteen years or so, however frequently used by social and leftist picketer groups that generally supported the government (*piqueteros*). The government lost physical control of the public space (*la calle*), which was always crucial in Peronist governments. Despite the fact that the government was desperate to increase its control over these economic resources, it made an opening to the provinces and towns, proposing to share some of them; and, trying to gain the political initiative, it also proposed building hospitals and the like with these resources and other distributive policies. But this was too little, too late.

After several weeks of tension, the government bowed to the pressure and sent the measure to be discussed by Congress. The government was confident because it had a majority in both chambers, so it assumed it could take the risk. The project was approved by the lower chamber, albeit by a thin majority, and thus less significant than what the government was expecting. Still, the government felt secure to pass the measure in the Senate, in which it had historically enjoyed a majority. In one of the most dramatic sessions in the Congress's history, the result of the voting was a draw. In this situation, Julio Cobos, the nation's vice president (also the head of the Senate, as in the United States), was forced to vote. Cobos's "not positive" vote, as he famously put it, killed the government's resolution and created a political earthquake. The voting took place on July 17, 2008, 128 days after the tax measure had been issued by the government. Another consequence of the vice president's vote was that he was not sent by Argentina to attend the inauguration of the 2008 Olympics Games in China, as originally scheduled.

This was the first major political defeat for Kirchnerism since 2003, and it took three years for the government to recover its electoral power. In the next midterm elections in 2009, the government was again defeated, this time electorally, including former president Kirchner, who took the risk to be himself the head of the list of candidates for representatives in

the powerful Province of Buenos Aires. His list lost. An important number of new representatives were elected, with an agenda of supporting the *campo*. Following the election, the president changed his tone vis-à-vis the *campo*, becoming less confrontational. President Kirchner died suddenly on October 27, 2010; a year later, his wife, Cristina Fernández de Kirchner, won with 54 percent of the vote, thanks in part to support from the *campo*.

A TRANSFORMED URBAN SETTING

There has been much speculation in academia about the potential role that the ethnic Japanese, Korean, Indian, and Chinese communities located in some Latin American countries and the Caribbean can play, in particular as intermediaries. The Japanese community (25,000–30,000) and the Korean community (15,000) in Argentina have been well established for several decades, particularly in Buenos Aires. The history of the Chinese communities in Argentina is more recent, and so it is completely different from that of the Chinese experience in Cuba, Peru, and even Mexico.¹⁶ They are located particularly in Buenos Aires and greater Buenos Aires, which is also the area where most Argentines live. The number of ethnic Chinese living in Argentina has been estimated in 100,000 (out of a total population of roughly 42 million). Before the People's Republic of China-Argentina agreement of 1972, there were about 700 Chinese living in Argentina. During the 1970s, people coming from Taiwan settled in Argentina; during the 1980s, most Chinese came from the provinces of Fujian, Shanghai, and Guangdong; and during the 1990s and 2000s, most came from rural Fujian province and also urban areas like Shanghai and Shandong province. For the most part, the Taiwanese and the Chinese communities have lived jointly without major problems. They have created a Chinatown (Barrio Chino) in the southern part of the beautiful Belgrano residential area of Buenos Aires, but the presence of these communities spread all over the city. In recent years, however, there has been an expansion in many cities in the interior of Argentina, especially in the capital cities of the provinces and other middle-sized towns, like Pilar, La Plata, Mar del Plata, Córdoba, Rosario, and Mendoza. The ambassador of China in Argentina, Yin Hengmin, has asked

for fewer visa restrictions for Chinese citizens.¹⁷ The Chinese communities are organized in more than thirty active associations.¹⁸

At the center of this development is a proliferation of supermarkets with Chinese family property ownership and management. This is a new phenomenon for Argentina, but not totally unknown in the rest of the continent; there have even been a few historic cases in the region in the past, such those in Sonora in Mexico circa 1911 and in Jamaica circa 1925. However, the sheer scale and modernity of the current process of expansion and deployment of Chinese supermarkets (*supermercados chinos*) in Argentina is probably unparalleled. Currently, in the city of Buenos Aires and its surrounding areas, probably more than 30 percent of the total supermarkets are Chinese-owned. Most of these shops form a close-knit group, which have also been institutionalized in several legal entities, such as the Cámara de Supermercados de Propiedad de Residentes Chinos (Chamber of Supermarkets of Chinese Residents' Ownership or CASRECH), created on April 27, 2004, in Buenos Aires, and the new Federation of Chinese Supermarkets and Association, or FESACH (a union of 19 Chinese associations), created in 2013. Thus, in total, there are more than 8,600 Chinese supermarkets in Argentina, although other estimates put the number at above 12,000, in any case an astonishing figure. Although CASRECH was founded in Buenos Aires, there several branches in Rosario, Mar del Plata, Córdoba, Bahía Blanca, Mendoza, San Miguel de Tucumán, Santa Fe, and Paraná. If in the past China seemed to be strange and remote for Argentines, now the image of China for millions of Argentines is shaped by this daily contact with the Chinese communities in Argentina and its increasingly dominant presence in the supermarket sector.

These powerful associations have become well-oiled machines to coordinate, support, and defend the Chinese supermarkets and the Chinese people working in them. The collective bargaining power of the Chinese supermarkets has made them been able to keep prices lower than the competition. In a country that is suffering from a growing inflationary process, CASRECH and FESACH frequently engaged with the secretaries of commerce, Guillermo Moreno and Augusto Costa, in several transitory prices freezes for basic products that were at the core of the government's strategy for coping with inflation.

Although the Embassy of the People's Republic of China in Buenos Aires denies any link with CASRECH, the picture of the embassy is prominently displayed on CASRECH's Web site.¹⁹ An explicit objective of CASRECH is to fight racism and discrimination among its members. Another important problem is security. Insecurity and common delinquency have been rising in Argentina in recent years (although the rates are still much better than most places in Latin America), but a particularity of the Chinese supermarkets is that they have increasingly been the target of the Chinese mafia. Assassinations of Chinese owners and Chinese workers at the hands of other Chinese engaged in mafia activities are not unknown, and have created an unprecedented challenge for the authorities. Both China and Argentina have established better cooperation mechanisms to deal with this problem.

CHINA'S RAPID EXPANSION IN THE OIL SECTOR

The oil sector in Argentina was historically dominated by Yacimientos Petrolíferos Fiscales (YPF, Fiscal Petroleum Fields) for seventy-seven years, since its creation in 1922 up to 1999, when the government of Carlos Menem, still caught in the middle of the privatization fever unleashed by the "Washington Consensus" ideas, sold this powerful symbol of nationalism for \$10 billion to the Spanish company Repsol (Repsol YPF since then). However, other players have also been important, among them Shell and Esso, and other privately owned Argentine companies, such as the Petersen Group (of Enrique Eskenazi) and Bidas (founded in 1948, and owned by the Bulgheroni brothers, Carlos and Alejandro, currently the wealthiest individuals in Argentina).

This latter company is of interest for understanding the increasing Chinese penetration of Argentina's oil sector. Amoco bought 60 percent of Bidas in 1997 for \$550 million, and later Bidas created a new oil company with BP (formerly British Petroleum) and Pan American Energy. In 2005, the China National Petroleum Corporation (CNPC) bought 40 percent of Pan American Energy for approximately \$5 billion. In May 2010, the China National Offshore Corporation acquired 50 percent of the company. Since May of 2010, Bidas has acquired more units of Pan American Energy

that were in the hands of British Petroleum, for \$7 billion (although in November 2011, the deal seemed to be blocked). In 2011, with the backing of CNPC, they bought all of Esso's operations in Argentina, Paraguay, and Uruguay, becoming the second most important oil company in Argentina, and the only integrated oil company in Argentina (exploration, exploitation, refining, and retailing), besides Repsol YPF.

China's interest in Argentina's oil has been longstanding, and Argentina has been doing exploration in its own northern provinces for several years. Yet the expansion of the Chinese presence in Argentina's market is more recent. There is, of course, a correlation between this process and the Chinese expansion in the oil sectors of Venezuela, Ecuador, Cuba, and Brazil. There have been rumors for several years that Chinese companies were interested in buying shares of Repsol YPF, a move that the government signaled it opposed. In May 2011, Repsol YPF sold another block of shares to Argentina's private oil company, Petersen (Eskenazi), which then controlled 25 percent of the company, a preferred option by the government. On April 16, 2012 Argentina took control of Repsol's 51 percent share of YPF and on May 3, 2012, the Congress of Argentina approved the process.

China's oil companies have shown interest in investing associated with YPF in the Vaca Muerta shale gas field, in the provinces of Neuquén, Rio Negro and Mendoza. Vaca Muerta is one of the largest shale oil and gas field in the world. On June 13, 2013, the U.S. Department of Energy reported that Argentina has the second largest reserves in the world of shale gas (more than the reserves of shale gas of the United States, Russia, or Canada) and the fourth largest reserves of shale oil (more than Libya's or Venezuela's reserves). The development of this immense field is crucial for the economic future of Argentina and might transform Argentina into a major player in global oil and gas markets.²⁰

MINING

Mining has been an expanding sector in Argentina in recent decades. Unlike Chile, Argentina has never relied too heavily on mining, even though the two countries share the same Andes Mountains. However, in

recent decades mining in Argentina has been accelerating. A treaty with Chile that allows common mining projects to straddle the border in the Andes has helped to create a more positive situation for investors, although most projects are entirely on the soil of one nation or the other. Also, the lithium deposits that Argentina shares with Bolivia and Chile in the northern Puna region are attracting much international attention, since lithium is a scarce and strategic substance crucial in the production of batteries, an industry in a dynamic expansion phase (at the same time, however, Japan and South Korea have been the more active in this area). The bottom line is that the rise in the prices of minerals over the decade of the 2000s has been highly correlated with economic growth in China, and so the incentives for the activity have grown accordingly.

Prospecting operations have also been launched in a number of provinces, such as San Juan and Jujuy. So far, the most important Asian mining activity in Argentina has been at the Sierra Grande iron ore mine. Several Argentine administrations have been interested in the exploitation of iron ore deposits found not in the Andes but in Patagonia, in Sierra Grande, and on the Atlantic coast of the province of Rio Negro, a mineral resource considered strategic for the state in previous decades. In 1992, during Menem's government, the state-owned HIPASAN facility was closed, contributing to unemployment and migration from the nearby town of Sierra Grande, situated 8 kilometers (5 miles) to the north. In November 2006, a Chinese firm, the Metallurgical Group Corporation, bought 70 percent of the stakes that were already in the hands of another Chinese company. Since then, the company has invested around \$85 million in new equipment and machinery to replace the old ones in both areas of operation, one close to the town of Sierra Grande, and the other 32 kilometers (20 miles) from the Atlantic shore, Punta Colorada, a mining port.

The process was complicated, and the operations have been delayed by problems with the provision of water, the occurrence of labor strikes, and other issues. The provision of water has been a serious issue, particularly in the first months of 2009. The complex needs more than 2.6 million liters of water per day, and the provincial water company (Aguas Rionegrinas S.A.) has experienced difficulties in coping with this demand. The goal was to extract 2.8 million tons of mineral and 1.2 million tons of concentrated

iron in a period of two to three years, according to Han Yongzhi, the manager of the Metallurgical Group Corporation in Argentina. The cultural gap has also been a problem between the Chinese and the people of the nearby town, according to a journalist's account.²¹ According to a company source, about 2,000 jobs were created (400 directly, and 1,600 indirectly; of them, 73 are filled by Chinese workers). It is believed that there are still 214 million tons of iron ore available in the mines (there are, in fact, three main mines, and 96 kilometers of tunnels). The previous peak of production was in 1986, when more than 640,000 tons of ore were extracted. The Chinese takeover and start of the operations have been slow, but in December 2010 the first shipment of 54,000 tons was made, followed by another in February 2011. The logistics are complex: the productive output of the mine is accumulated on site, and then an iron duct transports the mineral to Punta Colorada, a mineral port on the Atlantic.²²

The expansion of mining in Argentina is highly dependent on the international prices of minerals and the cost of transportation. It is a sector that is full of potential but is still underdeveloped. The mining sector in Argentina is different from Chile's, however, in the sense that most (but not all) mines are generally far from cities. The major environmental concern is the proximity of potential mines to the sources of rivers, an issue that was at the core of several parliamentary debates in recent years. China has been cautious so far, but large Chinese mining projects in Peru and other parts of the region seem to signal that the interest is there, and it's probable that in the future China would like to increase its share in the sector. This would constitute another point of diversification for Argentinian exports; similar steps have also been taken by Australia and Canada as well as Chile and Peru. However, the expansion of mining would still be diversifying within the primary commodities sector, not into a wider range of manufactured goods, which would be preferred by most Argentines.

RAILWAY-SECTOR COOPERATION

Railways were crucial in the process of the development and expansion of Argentina's economy at the beginning of the twentieth century—and the

country's railroad network, built with British funding, was the most important in Latin America. The railways were nationalized by President Juan Domingo Perón after World War II following much debate. Since then, maintenance has been expensive and problematic, and during the privatization wave in the 1990s, Menem sold or closed most of the rail network. In recent years, several serious accidents (e.g., the February 22, 2012, crash at Estación Once de Septiembre in Buenos Aires) have also put pressure on the government to update rail service. Additionally, in a large country like Argentina, railways are potentially very important. Agreements on the railway sector were a key aspect of President Cristina Fernández de Kirchner's visit to China in July 2010, as they had previously been for the presidential visits and negotiations in 2004 (although little was implemented from these interactions). During the 2010 visit, several agreements totaling \$12 billion were signed, covering ten projects over a period of two to five years.

Several Chinese companies will benefit from the contracts. China National Machinery & Equipment Import & Export Corporation will focus on the Belgrano Cargas, a freight railway, which will be the primary project. This railway links fourteen provinces with 7,347 kilometers of track (although in 2006, only 5,069 kilometers were in use). The Belgrano line project would be handled by a consortium headed by Shaanxi Coal Group Investment Company. Another Chinese company, China Northern Locomotive & Rolling Stock Industry Corporation, will sell part of the materials, financed by the China CITIC Bank Corporation and the China Development Bank Corporation.²³ China Southern Railway would also be part of the project, targeting the capital, Buenos Aires.

There was an agreement to expand subway Line E (the Purple Line) in Buenos Aires as well as to build a new subway system for the country's second-largest city, Córdoba. Later, in March 2011, it was also announced that China's Eximbank would provide \$1.4 billion for construction on Line G (the Orange Line). In the case of Buenos Aires, Mauricio Macri, of the opposition party Propuesta Republicana, was very supportive of the project of expanding the subway network; his father, Franco Macri, the head of the industrial conglomerate SOCMA, has been working with China for several years. An old project of the transportation authorities, a train connecting Ezeiza Airport—which is also known as Ministro Pistarini International

Airport and is the country's most important—with downtown Buenos Aires, was also included. The Córdoba project has been discussed for at least seven years, and although initially it was proposed as a project with a French company and a local partner, the new rail system would eventually be built by China Railways, associated with the local company Roggio. It would be 18.5 kilometers long, with four lines and twenty-nine stations. The cost would be \$1.8 billion, higher than the original project budget (\$1.1 billion), but the reimagined project is also bigger and will be financed largely by China (85 percent) as well as supported by Argentina's national government (15 percent). The Córdoba deal was signed on July 12, 2010, in Beijing by Zhao Deyi, president of China Railways, and Argentina's secretary of transportation, Juan Pablo Schiavi. The City Council of Córdoba initially approved the project on December 16, 2010, and final approval was given on February 20, 2011. In the last several years, however, no major announcements have been made on its progress.

Rail is a fast developing sector in China that is seeking to gain business in more countries of Latin America. As part of its “going out” strategy, China is already heavily engaged with Venezuela. China's record of actual cooperation on railroads with Argentina has been modest, but progress in this area seems to be accelerating.

FINANCIAL COOPERATION

Financial cooperation is one of the most recent areas of engagement between Argentina and China. Argentina supported China's attempt to become a member of the Inter-American Development Bank, a campaign that lasted fifteen years, from 1993 to 2008. In a meeting on the sidelines of the Inter-American Development Bank's 2009 annual meeting in Colombia, the governor of the People's Bank of China, Zhou Xiaochuan, and the then-president of the Central Bank of Argentina, Martín Redrado, reached a swap agreement to potentially avoid the use of dollars in bilateral trade, for the amount of 70 billion yuan (\$10.25 billion). A renewal, or a new agreement, was discussed in early 2013. It was the first agreement of this kind between China and a country in the Latin America and Caribbean region.

China had signed only five such agreements before, none of them in the region. In 2012, Brazil and China signed a \$30 billion swap agreement.

The political and economic objectives of both countries were clear, and it was a win-win negotiation. In the case of Argentina, tactically, the swap meant an increase in the foreign reserves available in the Central Bank, an important signal to markets in the midst of the international financial meltdown; and strategically, it was a step toward the diversification of the country's external financial sources beyond the traditional multilateral organizations based in Washington, such as the IMF and the World Bank. The U.S. Treasury Department also proposed a swap program for emerging markets at the end of 2008, and while Brazil and Mexico were invited to participate, Argentina was not. For China, the swap agreement with Argentina was read internationally as an important show of support for the Chinese position that the dollar might be substituted in the future as the main unit of currency and reserve in the international monetary system, a position advanced publicly by the governor of the People's Bank of China on March 23, 2009, just seven days before signing the swap with Argentina. The China-Argentina agreement was signed on March 30, 2009, only three days before the April 2 Group of Twenty (G-20) meeting in London, where China again pushed against the dollar.

It took five years from Argentina's request to China for support to pay the IMF in 2004, and four years from the attempt to sell bonds of the external debt to China, before the currency swap agreement was achieved in 2009, which meant that some financial cooperation was finally being achieved between the two countries. This agreement opened the way for more cooperation in the future at a time when global instability had been the norm and governance was a scarce international public good. It is also possible and reasonable to suggest that as trade keeps growing, more financial coordination and more sophisticated agreements between China and Argentina could also be necessary.

In August 2011, it was announced that the Industrial and Commercial Bank of China (ICBC) would buy 80 percent of the shares of the Standard Bank in Argentina. The operation was confirmed by the Argentine authorities on November 10, 2012, and the bank has thus changed its name from Standard Bank to ICBC Argentina. The bank has 99 branches throughout

Argentina, with 3,200 employees and 911,000 individual clients. This represents the biggest Chinese financial operation in Latin America so far.

TRADE, AND TRADE AND POLITICAL FRICTION

With the spectacular growth of trade between China and Argentina, and because of the asymmetries between them, trade friction has been noisily and continuously present in their relations. Argentina has frequently adopted protectionist measures against China.²⁴ In particular, Argentina's restrictions on Chinese manufactured exports, to protect the domestic industrial sector, have irritated China. The lobbying of the labor unions (the historical core of Peronism in Argentina) and of the industrial sectors has elicited administrative decisions which have often constituted obstacles to the free importation of Chinese goods.

The single most important trade crisis between China and the Latin American countries was the unilateral measures taken by China against Argentina in 2010. In April 2010, China unilaterally suspended its purchases of Argentina's soy oil, on the technical grounds that a high level of a solvent was present in the oil. Four different hypotheses have been proposed to explain Beijing's decision, two of which are endogenous and two exogenous: First, China was promoting an indigenous crushing capacity, now working at full speed, so it needed to keep importing soybeans (which it did) but not oil; second, overstocks of soy oil and palm oil in China made it advisable to reduce them over a period of several months; third, according to China, Argentina is one of the countries that have imposed more restrictions on Chinese exports, before and in the middle of the global financial and economic crisis that started at the end of 2008, and thus it must be punished so that it and other nations could be taught a lesson (although the Chinese ambassador to Argentina, who was not the ambassador at the time of the conflict in 2010, denies that it was a commercial retaliation);²⁵ and fourth, Argentina was one of the less politically engaged countries in the region with China after the fiasco of 2004, and the Argentine president's cancellation of the first presidential trip in six years (in January 2010) added a personal insult to Hu Jintao, also creating incentive to punish Argentina.

(The reason for the cancellation of this January 2010 trip was a conflict between President Cristina Fernández de Kirchner and the vice president, Julio Cobos, over the role of the Central Bank. The president decided not to travel, because in her absence the vice president would be the highest authority in the country.)

President Cristina Fernández de Kirchner finally visited Beijing in July 2010, when she met with President Hu Jintao, Prime Minister Wen Jiabao, and other senior officials, but no solution on the matter of soy oil was reached. Following several months of high-level negotiations after her visit, China resumed importing Argentina's soy oil in October 2010, six months after interrupting these imports. However, in 2011, Argentina's exports to China of soy oil continued to be reduced.

Meanwhile, some soy oil was traded through third countries but, more importantly, India offered to buy the stock of soy oil which had not been exported to China.²⁶ India doubled its soy oil imports from Argentina during 2010, from \$1 billion to \$2 billion. The expansion of the production of biofuels in Argentina also created an internal market diversification for soy oil; thus, the general economic impact of China's unwelcome restrictions was relatively mild, very much to the surprise of both sides. Argentina's tax collection capacity was reduced, however, since in that year soy biofuels paid lower export taxes (20 percent) than soy (35 percent) and soy oil (32 percent).

On November 2010, the Chinese head of agriculture, Han Changu, visited Argentina. According to the Argentine authorities, this was the first time someone at the ministerial level of authority for China's agriculture had visited Argentina. The purpose of Han's visit was to launch a Joint Agriculture Commission, which was managed by Argentina's minister of agriculture, livestock, and fisheries, Julián Domínguez. In a public statement, he stressed that Argentina's Strategic Plan 2010–16 for Agrifoods and Agri-industrial Production has the goal to “diversify our exports with new products and more aggregated value,” and that the timing of the meeting was good, due to China's own Plan for 2011–17.²⁷

In December 22, 2011, the Argentine congress approved law 26737 that limited new foreign acquisitions of lands in Argentina, mirroring similar legislation in Brazil concerning “land grabbing.” Although not mentioned by name, China was the main target of the law; it came on the

heels of a scandal arising from the 2010 announcement by the government of Rio Negro, Patagonia, of a deal to rent 790,000 acres for 20 years to the Chinese company Beidahuang, based in Harbin. But China's push to become a major player in Argentina's agriculture has continued in other more sophisticated ways. In 2014, COFCO, the largest Chinese agribusiness firm (a Fortune 500 company), bought 51 percent of Nidera, a Dutch Rotterdam-based agribusiness giant, with a historical presence in Argentina and other countries in the Southern Cone. COFCO also bought a 51 percent stake in Noble Agri Limited, a major Hong Kong-based agricultural commodity trader that also has grain elevators in Argentina and is a partner in the important port of Timbúes, on the Paraná River.

Due to Argentina's record of successful internal diversification to take advantage of this new opportunity (the first one in decades pertaining to the international economy), it is possible that Argentina might be able to find other aspects of agribusiness to further develop in order to create new products that will be enticing for China, as well as India. The poultry and pork industries seem already to be growing, although problems remain and manufactured goods are minimal in the country's exports to China. In fact, only 5 percent of Argentina's total exports to China are manufactured goods not based on agricultural products.²⁸ In other words, the internal debate about how to build an internationally efficient and competitive Argentine industry that existed before the reemergence of China remains, and it has gained urgency. If, during the second part of the twentieth century, it was difficult for the industries born during the world wars and the import-substitution industrialization (ISI) process to survive without a fair amount of state protection, now the challenge in the twenty-first century is even more difficult.

CONCLUSIONS

Argentina has experienced an internal economic transformation in recent years, lead largely by the emergence of East Asia and India, and particularly by the reemergence of China as an economic superpower. China is now Argentina's second-largest trading partner, and the largest in agribusiness.

Southeast Asia is also increasingly important. There is a perception in Argentina that the 2001 crisis was overcome thanks to the country's trade with China, which is also responsible for a sizable part of state tax revenues. It is also widely believed that the 2008–09 global financial and economic crisis was mild in Argentina, again, thanks to China's trade, although the great surpluses of the first years of the decade have disappeared.

With respect to the new sacred trilogy of food (soy and by-products), energy (oil and biofuels), and minerals (iron ore, copper, and nickel), soy has been a key component of China/Southeast Asia–Argentina relations and trade (Brazil recognizes the same sacred trilogy, but with different emphasis). Negotiations about finances have also been important, although a certain amount of success has been achieved recently vis-à-vis China (e.g., the 2009 currency swap and the 2012 investment in the Standard Bank). Soy expansion is the basis of the growth of biologically basic industries that have added jobs and spread federal development to different provinces and areas of the country. However, the environmental balance is not yet clear, and dependence on soy, as with any other biocommodity, might make Argentina's success vulnerable to commodity diseases and boom-and-bust cycles. The discovery of the massive Vaca Muerta shale oil and gas field has attracted the attention of Chinese oil companies, as well as other major international oil companies, and might become a key export in the future. The G-20, the emergent and only effective global governance structure during the 2008–09 crisis, has been very important for Argentina (as well as for Brazil and Mexico), in enhancing its importance and maintaining its voice in policy debates at the highest level. While Brazil also shares the BRICS forum with China, and Mexico shares the Asia-Pacific Economic Cooperation forum—another important multilateral space—with China, for Argentina the G-20 has provided a formidable and unique opportunity.²⁹ The Néstor and Cristina Fernández de Kirchner administrations have prioritized domestic politics in the G20, so more can be done in this arena. In the United Nations, Argentina was the head of the G77-plus-China group during 2011, providing another opportunity for interaction and even some coordination.

In the view of President Néstor Kirchner in the seminal year of 2004, Argentina's establishment of a strategic relationship with China was a

move with a very concrete meaning. “Strategic” meant “Grand Strategy.” Chinese financial help was viewed as crucial to “liberate” Argentina from the IMF’s control, to break its financial dependency, and to give it autonomy in financial and economic decision-making. In 2004, however, Hu Jintao decided not to risk China’s only truly strategic relationship—that with the United States—with a distracting move on the periphery of the global game. Kirchner never returned to China during his mandate. For China politically, the strategic relationship with Argentina was regionally bounded. Formally, both countries have regular political consultations, and they analyze the development of the strategic relationship.

The *déjà vu* quality of Argentina-China relations—their resemblance to those that Argentina once had with Great Britain—is an important issue for Argentina. There is probably an inevitable temptation to see the present with the eyes of the past. The analysis of this relationship is embedded in the political debates of most of the twentieth century in Argentina—about economic development, about distribution, about the nature of the links with the world and the external alliances. This debate has shaped political parties and identities, leaders’ trajectories, and public opinion and discussions. Thus this comparison, or even its metaphorical use, is fully charged with politically dense meaning.

At the centennial of its life as an independent country in 1910, Argentina enjoyed one of the highest levels of gross domestic product (GDP) in the world, and even though its level of social justice was modest, its social indicators were much better than those of the majority of European countries. Its comprehensive system of high-quality, free public education and its growing middle class distinguished Argentina from most countries in Latin America. Argentina’s GDP accounted for approximately 50 percent of the total GDP of Latin America. So it is not surprising that the idea of the similarity of the Argentina–Great Britain relationship with the Argentina–China relationship is powerful and easy to market internally. In particular, this is an idea that is very attractive to the right, because during the peak of Buenos Aires’s relations with London, the Argentine elite was also at the peak of its political supremacy and economic power.

Nevertheless, the cradle of Argentina’s nationalism in the twentieth century was its struggle to overcome what was perceived as the colonial and

dependency aspects of its relationship with Great Britain—in the trade sector (e.g., the Roca-Runciman agreement of 1933), the financial sector, and particularly with respect to its massive infrastructure of railways. In this sense, China's planned engagement in Argentina's railroad infrastructure projects will also be judged by the standard of this historical experience. Great Britain's "informal imperialism" was just "imperialism" in political debates in Argentina. For those on the left, this period symbolizes the economic concentration in few hands that the close relationship reinforced, particularly of the ownership of land among Sociedad Rural members (the so-called *oligarquía vacuna*). Thus, the project limiting the acquisition of land in Argentina which was presented by President Cristina Fernández de Kirchner in April 2011, with the undeclared objective of avoiding Chinese control of the land sources of food production in Argentina as part of a global process of land grabbing or acquisition, must also be understood in the light not only of the then-coming presidential elections of October 28, 2011, but also of Argentina's experience in its historical relationship with Great Britain.

The idea that Argentina's relationship with China is similar to the one that it used to have with Great Britain has spread easily. This idea has recast an unknown, complex present in terms of a known, reified, positive version of the past and is full of hope for the restoration of Argentina's glory and greatness. It is also very easy to understand for many people: "Things will be normal again," and the country will return to its role from the early twentieth century as the "breadbasket of the world." Argentina has not been the only breadbasket of East Asia and China in last decade, but its role in China's food security has certainly been important. For many in Argentina, in the first decade of the new century, China transformed the nostalgia for the past into a timid hope for the future. However, the soy oil trade crisis of 2010–11 was a wake-up alert for many.

This comparison is, of course, only partially correct. Yes, Argentina again has another country interested in something that it produces more efficiently than probably any other country. From the point of view of Argentina, the international trade in agricultural products is today greatly distorted by inefficient protectionism in the European Union and Japan, and the state's intervention in the form of subsidies in the United States, as it has been since the end of World War II—all of which constitutes a partial

but nevertheless important explanation of Argentina's decline in the second half of the twentieth century. Thus, the emergence of China (and India) as massive direct buyers of Argentina's food products is indirectly affecting the prices of these products on a global scale and has been the most important positive external force for Argentina's agriculture in decades.

However, the situation now is very different, for a number of reasons. Not only are Asia in general and China in particular obviously very different from Great Britain, but also the Argentina of the bicentennial (2010) is very different from the Argentina of the centennial (1910). The structures of society and of production in Argentina are profoundly different now from what they were then, as are the relevant political forces, parties, and social movements. Just to mention a couple of these, two major differences are the heavy weights of the labor unions (e.g., the *Confederación General del Trabajo*) and Peronism. At about the time of bicentennial, the government promoted a narrative stressing that because of distributionist policies, the situation in Argentina was better in 2010 than compared with 1910. Also, during the past decade, the export structure of Argentina vis-à-vis Asia and China has been very concentrated in the soy complex; in 1910, the primary production exported to Great Britain was probably more diversified.

The pervasive waves of anti-Americanism in Argentine society reflected the strong economic position of Argentina one hundred years ago, and the perception that the United States, challenging Great Britain as a new hegemon in the Western Hemisphere, was a threat because it was also a powerful, growing competitor in agribusiness. Great Britain's continued but weakening support for an economically powerful Argentina was a serious problem for the emergent hegemon in the region until World War II. This anti-Americanism continued in Argentina after World War II, even though the economy was not as strong as it had been in 1910, and the country lacked the support of the British Empire. Eventually, the gap between foreign policy and hard resources proved harmful for Argentina in the second part of last century. A thorough adjustment of perception and to some extent of policy only occurred after the Falklands/Malvinas war. In the 1990s, the Menem administration tried the opposite foreign policy, which basically meant automatically aligning (*alineamiento automático*) Buenos Aires with Washington. Thus, Argentina was the only Latin American country to join the United States and

its other allies in fighting the first Gulf War, and later Argentina even became a U.S. non-NATO ally, angering Brazil. This policy, famously depicted by the Argentine government as having “carnal relations” with the United States, encountered immense cultural and political resistance and was later abandoned. Nevertheless, it would be a major mistake for China to assume that remaining anti-Americanism in Argentina equates with a pro-China attitude. Replacing “carnal relations” with “Chinese penetration” will probably also encounter huge resistance, despite the fact that the economic benefits, at least in the short term, were more robust in the case of Argentina’s relationship with China.³⁰ Should the trade balance with China become more unfavorable, however, perceptions would likely change. In fact, in recent years the surpluses for Argentina in the bilateral trade have turned into deficits. The visit of Xi Jinping in July 2014 will be both a test of state of the relationship as well as an opportunity to re-launch it at a new level.

The question for Argentina is whether it can diversify its exports to China beyond the soy complex by adding other kinds of primary production from the countryside and including more mining, and, most importantly, by moving to avoid concentration in the primary sector by shifting to the manufactured and tertiary sectors. During the past decade, Argentina’s exporting to China was “glorious,” but diversification (thereby reducing dependency and risks) and adding value through job creation will be the real tests for the foreseeable future.

NOTES

1. See the contrast of current Argentina-Asia relations with the beginning of the century comparing with Gonzalo S. Paz, “Argentina’s Relations with East Asia,” in *Latin America and East Asia: Attempts at Diversification—New Patterns of Power, Interest and Cooperation*, edited by Jorg Faust et al. (Munster and Berlin: KIEP and Lit Verlag, 2005), 45–64.
2. *Latin Trade Chronicle* (several issues), based on data from the Japanese Ministry of Finance. Most trade figures elsewhere in the chapter are also from *Latin Trade Chronicle*.
3. See Gonzalo S. Paz, “South Korea and Latin America: In the Dragon’s Shadow,” *Hemisphere* (Latin America and Caribbean Center, Florida International University), 2012, 34–35.
4. Gonzalo S. Paz, “Las Relaciones entre Argentina y Corea del Sur: Evolución y Perspectivas,” *Estudios Internacionales* 34, no. 134 (April–June 2001): 29–56.

5. The data on investments are from R. Viswanathan, former ambassador of India in Argentina, interview in June 2011 with author.
6. According to Ing. Gustavo Grobocopatel, the leading figure in Argentina's agribusiness, "the soy king," in personal interview with the author, October 11, 2011.
7. Carla V. Oliva, in *Latin America Facing China: South-South Relations beyond the Washington Consensus*, edited by Alex E. Fernández Jilberto and Barbara Hogenboom (New York: Berghahn Books, 2010), 99–114.
8. Economic Research Service, U.S. Department of Agriculture, "Crops," May 26, 2012, <http://www.ers.usda.gov/topics/crops/>.
9. Olivier de Schutter, "Mandate of the Special Rapporteur on the Right to Food: Preliminary Observations and Conclusions," Beijing, December 23, 2010; Irna Hofman and Peter Ho, "Rethinking China's 'Land Grabs': Chinese Land Investments in Central Asia," *The Newsletter* (International Institute for Asian Studies, Leiden), No. 58, (Autumn–Winter 2011), 21.
10. On food security, see Bryan McDonald, *Food Security* (Cambridge: Polity Press, 2010).
11. However, there is also competition between production for food or for energy. See Frank Rosillo-Calle and Francis X. Johnson, eds., *Food Versus Fuel: An Informed Introduction to Biofuels* (London: Zed Books, 2010).
12. Jeremy Schmutz et al., "Genome Sequence of the Palaeopolyploid Soybeans," *Nature*, no. 463 (January 14, 2010): 178–85.
13. Andrés López and Daniela Ramos, "The Argentine Case," in *China and Latin America: Economic Relations in the Twenty-First Century*, edited by Rhys Jenkins and Enrique Dussel Peters (Bonn: German Development Institute, 2009), 71–157.
14. Lucio Castro, Marcelo Olarreaga, and Daniel Saslavsky, "The Impact of Trade with China and India on Argentina's Manufacturing Employment," Trade Team, Development Research Group, World Bank, May 28, 2007.
15. López and Ramos, "Argentine Case."
16. Evelyn Hu-DeHart, "Indispensable Enemy or Convenient Scapegoat: A Critical Examination of Sinophobia in Latin America and the Caribbean, 1870s to 1930s," in *The Chinese in Latin America and the Caribbean*, edited by Walton Look Lai and Tan Chee-Beng (Leiden: Brill, 2010), 65–102.
17. Carolina Guerra Zamponi, "La Diáspora China," paper presented at "Seminario de Estrategias de Relacionamiento con la República Popular China," Consejo Argentino para las Relaciones Internacionales, September 16, 2010.
18. Jorgelina do Rosario, "China no pone barreras comerciales contra ningún product argentino," interview with Yin Hengmin, April 15, 2011, cronista.com.
19. This is from the Web site www.caserch.com, accessed different times. See also www.fesach.org (accessed last time on April 29, 2014)
20. U.S. Energy Information Administration, "Technically recoverable shale oil and shale gas resources," June 13, 2013, p. 10.
21. Soledad Maradona, "La Difícil Experiencia China en la Mina de Sierra Grande," *La Nación*, March 21, 2010.
22. This is from the Web site www.mcc-msg.com.

23. Neil Denslow, "China Backs \$12 Billion Argentina Rail Projects to Ease Commodity Supplies," Bloomberg, July 14, 2011, <http://www.bloomberg.com/news/2010-07-14/china-backs-12-billion-argentina-rail-projects-to-ease-commodity-supplies.html>.
24. López and Ramos, "Argentine Case."
25. Do Rosario, "China no pone barreras comerciales contra ningún product argentino."
26. Personal conversation by the author with the ambassador of India in Argentina, R. Viswanathan, in Buenos Aires, July 2010.
27. This is from the Web site www.minagri.gob.ar.
28. López and Ramos, "Argentine Case."
29. "BRICS" refers to Brazil, Russia, India, China, and South Africa—the group of large, fast-growing economic powers.
30. Gonzalo S. Paz, "China, United States, and Hegemonic Challenge (HC) in Latin America: An Overview and Some Lessons from Previous Instances of Hegemonic Challenge in the Region," *China Quarterly*, no. 209 (March 29, 2012): 18–34.