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The growing Chinese presence in Latin America and its (Geo)political manifestations in Bolivia.

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**Abstract.**[1]
In recent years, the growing Chinese presence in Latin America has triggered heated academic and policy debates, as well as social and political conflict across countries in the region. Against this background, the present paper explores the specific characteristics taken on by this dynamic in the Bolivian case, by adopting a novel research strategy in which we tested these debates with a combined process-tracing analysis of the evolution of the structural geo-economic relationship between Bolivia and China, and a survey of the state of negative and positive perceptions of the Bolivian population about the growing presence of China in Bolivia. The objective was to attain a complete overview of the political implications of the structural changes in the sources of geopolitical power in the bi-lateral relationship. Empirically, there is room to conclude that the region and Bolivia are geo-economically turning more dependent on China and that relations are not benefitting broad-based development; however, there is less room to talk about a deterministic relationship between the above and a direct geopolitical influence in the region. Bolivian public opinion is divided in a way that mirrors the regional debate on the issue, and the divide has reached high levels of politicization, as it overlaps with an internally polarized political system. The Bolivian case is important because this dynamic could replicate in the region and define the orientation of the region's foreign policy towards China in the future.[2]

## Introduction.

In 1990 Yang Shangkun, then President of the People's Republic of China, visited five Latin American countries. This visit was the starting point of a series of high-level exchanges. By 2001 President Jiang Zemin could complete a 12-day mission to the region, including visits to Argentina, Brazil, and Venezuela. In 2004 the new Chinese President, Hu Jintao, visited Argentina, Brazil, Chile, and Cuba. Hu stated that China was willing to invest 100 billion dollars by 2014 in Latin America, and hoped that by 2010 trade between the two regions would equal the amount of the promised investment. However, in 2010 the two parties' commercial exchange had exceeded expectations, reaching 140 billion dollars.

Decades of sustained economic growth, urbanization, and the consequent expansion of its middle classes had aroused Chinese interest in the importation of natural resources from Latin America, starting with oil, soybeans and iron. For example, in 2006 more than a third of Chilean exports were going to China, whilst in 2009 China became Brazil's main trading partner. That same year, the Chinese Development Bank lent 10 billion dollars to Brazil, to be invested in the state-owned oil company Petrobras, in exchange for receiving 200,000 barrels of oil daily for the 10 following years. China had been engaged in an important commercial relationship with Peru since the early 1990s. Two decades later, the Chinese presence in the Andean countries had expanded to include Venezuela and Ecuador (Cerna, 2011).

While it is clear that China has expanded its strategic presence in Latin America, the nature and dynamics of this relation, as well as its implications for development and for domestic and foreign policy, have not been investigated in depth. As one of the most renowned experts in the topic,

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Enrique Dussel-Peters, asks, "What is the extent of its new relations in Latin America and the Caribbean? Is it a win-win, or must Latin American countries make adjustments now to ensure that China does not erode the region's political, economic, and social transformations over the last decade?" (Dussel-Peters, 2015: 1).

Taking into account that the Chinese presence is a more recent phenomenon in Bolivia than in other Latin American countries, there is a clear need to deepen the analysis of the Bolivian case. In less than a decade, China has become one of the country's main trading partners (according to several economic flow measures) but this increasing presence has equally become one of the most controversial of topics. To illustrate, in December 2016, there were several demonstrations and riots in front of the Chinese Embassy in La Paz, demanding that the Bolivian Government expel all Chinese companies from Bolivian territory.

### *Objectives and Methodology*

In the framework of the greater Chinese economic presence in Latin America, and the academic policy debates and increasing levels of internal social and political conflict it is generating, the objective of this paper is to explore the specific characteristics taken on by this dynamic in the Bolivian case. To accomplish that, the paper adopts a novel research strategy in which we test these debates in the Bolivian case by combining a process-tracing analysis of the evolution of the structural geo-economic relationship between Bolivia and China, with a survey of the state of the Bolivian public's perceptions on the issue. The objective of this method is to contrast public perceptions with empirical structure and dynamics to attain a combined overview of the political implications of the structural changes in the sources of geopolitical power in the bi-lateral relationship.

In the first section of this paper, we present a general overview of the academic and political debates about the geopolitical and development consequences of the growing presence of China in Latin America. In the second part, we analyse the main empirical data points, outlining the structure and dynamics of the economic exchanges between China and the region in general and Bolivia specifically. In the third part we explore in depth the implications for Bolivia's internal politics, looking at the interrelations between the empirical data and the state of Bolivian public opinion in early 2017. Finally, we offer our main conclusions.

## The impacts of the increased Chinese presence in the region.

China's emergence as an economic and political power is one of the greatest geopolitical trends of the 21st century. In Dussel-Peters' words, "the emergence of the People's Republic of China as a superpower … has reshaped international power relationships and solidified the shift of the world's commercial and financial flows to the North Pacific" (Dussel-Peters, 2015: 7). In concrete terms, the Chinese economy has expanded at such an accelerated pace during the past three decades as to achieve consolidation of the country as a major global economic power. Currently, China is in some analyses the world's largest economy,[3] the largest manufacturer, merchandise trader, and holder of foreign exchange reserves.

3. If calculated on a purchasing power parity basis.

All of the above happens against the background of a turbulent geopolitical scene: "The international system is at a historical moment of renewal. As the unipolar order declines, various forces are rising, among which China has already become an important force in constructing a new world order." (Li, 2014: 1) In a parallel way, Latin America

> is immersed in a stage of transition, in which different processes converge in a logic that does not acquire clear conceptualization. It is a post-liberal or post-hegemonic stage that can be imagined from the existence of a series of indicators of a change in the scenario. These include the priority of the political agenda in regional multilateralism; the vision of free trade as an instrument, not as an end; the recovery of the development agenda; the assignment of a greater role to the State; and greater emphasis on the positive agenda of integration. Relations with China are built at this stage of the historical development of Latin America in a scenario that far exceeds the consequences of the end of the Cold War (Bonilla & Millet, 2015: 10).

At the global level, "the re-emergence of China as a major global power has led to a considerable debate over the likely consequences for the rest of the world" (Jenkins, 2010: 810). In our specific area of interest, a debate arises, notwithstanding that China has provided several Latin American countries vast financial resources, because of the potential disadvantages that this might bring in the geopolitical realm. There is mounting evidence pointing to the potential difficulties that the increased Chinese presence in Africa in the past decades has wrought. This topic is one of the most debated ones, not only in everyday politics but also in academia, and a similar debate is now gaining prominence in Latin America. As Cypher & Wilson (2015: 1) argue, "most of the literature [in the region] seems to fall along a continuum with complementarity at one pole and dependency at the other". The first trend, led by authors like Atilio Borón and Monica Bruckmann, is in favour of deepening ties with China because it finds that the relationship can be complementary, with several benefits for Latin America. The underlying thesis supporting this position is that the political and economic context is increasingly negative for the West, and China is a strategic partner for the region (Hernandez, 2016). This is not only because it provides economic resources (Vasquez, 2010), but also because it has become a political option to the dominance exercised by the US over the past 50 years (Borón, 2013; Tokatlian, 2007). Having China as an option to engage with would give the region freedom of action to pursue a more autonomous course (Ellis, 2009).

In addition – and from an economic point of view, – a closer relationship with China is seen as beneficial in that it has already enabled the region to achieve unprecedented levels of growth and improvement of social conditions. Cypher and Wilson (2015: 6) sum this up:

> China played a major role in the commodities boom; both in hard commodities such as minerals and in soft commodities such as monocropped agriculture and livestock in various Latin American countries … During the boom, respectable rates of economic growth were experienced across South America … The average annual rate of real per capita income growth was 4.1 percent from 2003 through 2011. Thus, South America experienced an impressive 78 percent improvement in the average

> annual per capita income growth rate from that attained during the period 1990-2002 … Stronger growth also underwrote appreciable increases in social spending in many nations, which tended to induce further growth. Poverty rates fell at an impressive rate in several countries. Income dispersion between the middle class and the poor was reduced somewhat. The latter effect was widely hailed as evidence that Latin America´s notorious levels of income inequality had been somewhat undercut.

In sum, this tendency anchors the notion that Latin America has a historic opportunity to develop a long-term strategic relationship with China due to the structural complementarity between the two regions (Bonilla & Millet, 2015). This, in turn, would enable it to break the dependency that marked its insertion into the international system, as the main pillar of Chinese diplomacy is cooperation. Bruckmann (2016: 105-106) asserts, "China's policy for Latin America and the Caribbean resumes the spirit of Bandung in its fundamental principles of cooperation, economic and social development, based on shared benefits and affirmation of the countries of the South in the international sphere. Certainly, these principles are radically different from those underscoring the free trade treaties that the United States (US) tried to implement in the region."

On the opposite side of the Latin American academic debate we find the argument against deepening the relationship with China in the sceptical view that its overarching foreign policy goal is to achieve its own economic (Galvez, 2012) and geopolitical (Muñoz, 2008) objectives. More specifically, the advocates of this position assert that China's current primary interests are to secure a supply of natural resources necessary to feed its manufacturing industry, and latterly, to maximize returns on the huge amount of capital that lies in their reserves[4] (Campanini, 2017; Cesarin & Moneta, 2005; Galvez, 2012; Svampa, 2013). This Chinese policy would be part of a worldwide competition among industrialized countries, in order to secure access to key supplies with the objective of strengthening their value chains (Fornillo, 2016). As a result, the argument goes, its cooperation for international development is only part of a foreign policy of expansion; just like all other world powers have done before (Power & Mohan, 2010).

From the perspective of the geopolitics of development, deepening the relationship with China would be a strategic mistake that reproduces the longstanding primary-goods dependency model in the region, hindering in turn much-needed production development agendas (Bolinaga & Slipak, 2015; Hernandez, 2016; Slipak, 2014; Svampa, 2013). This line of thought is led by Maristella Svampa, who coined the term "Commodities Consensus" to explain that in recent years the region has entered a new stage:

> In it, governments accept … an insertion into the global production and accumulation system as suppliers of products with low value-added content, taking advantage of the high international prices. In this way, they prioritize the development and the expansion of extractive mega-projects, and they are enclaves of export to the manufacturing centers of the planet. In some of these cases, the income from these activities is appropriated by the State for being used in progressive policies. However, all these governments – despite their differences – assume the need to strengthen what Svampa calls a

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4. The value of Chinese foreign exchange reserves peaked at just over 4 trillion US dollars in June 2014.

> neo-extractivist development model as an inevitable destination, an irrevocable truth, a necessary path to development (Slipak, 2014: 112).

The biggest impact of the Chinese presence in the region, for this line of thought, is that, far from providing an option to keep pursuing structural change, the increasing Chinese trade and foreign investment is only deepening the region's dependency on the income generated by the export of primary goods (Cypher & Wilson, 2015); and thence backsliding to an extractivist development model (Slipak, 2014).[5]

The available data shows why this tendency finds the relationship with China disadvantageous. Regarding trade in goods, "the structure of trade between China and Latin America has been increasingly characterized by the centre-periphery type of relation with Latin America exporting primary products and resource-based manufactures in exchange for Chinese manufactured goods … with increasing technology components" (Jenkins, 2012: 20). In addition, there are several associated issues that only worsen the case.

Regarding capital flows, the main issue for the region – just like with trade – is that they are destined mostly for natural resources and energy (Ray et al., 2015; Woping, 2009), with scarce technology and knowhow transfer (Hernandez, 2016). Moreover, even though China's foreign policy is guided by the principle of non-intervention in domestic issues, the loans it provides to Latin American governments are generating other kinds of issues. It is a known fact that China's international cooperation does not follow the classic model of conditionality; but its operational conditions are proving to be stricter (Gallagher et al., 2013). Particularly, the biggest conflict to have arisen is that typical contracts contain "alternative conditionality" clauses forcing governments to agree hiring Chinese companies and workers, and buying Chinese inputs (Roldán et al., 2016).

Finally, these increasing trade flows have several social and environmental impacts. As Svampa (2013: 34) states, "this neo-extractivism model is destroying economies and biodiversity by dangerously deepening the process of land grabbing, expelling or displacing rural, farming or indigenous communities, and eroding citizen decision-making processes". Furthermore, a problem that is gaining more attention is the physical presence of Chinese companies, since they do not always abide by the rules. There have been several public scandals over corruption in the hiring process and the execution of projects – mostly governmental, – but also because of the lack of compliance with labour and environmental laws (Girado, 2015).

To sum up, this school of thought asserts that the widening relationship with China reintroduces an all-too-familiar historical pattern in the region: dependency as the main form of insertion into the

5. As Bolinaga & Slipak (2015) explain, structural change is a productive transformation which entails an expansion and diversification of industrial production that is conducive to the generation of added value. According to the Latin American Structuralist theory, this is the only way to reach a higher development since the export of natural resources will only reproduce a centre-periphery type of relation. Svampa (2013) and Wanderley (2011) go further and assert that, for the region, this structural change should seek to establish a post-development model that has both industrial production and respect for the environment as main pillars.

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global political economy (Hernandez, 2016). Hence, Latin American countries are facing the dilemma of increasing their commercial links with China, resulting in an increase of trade flows, without compromising its political autonomy and own development (Bolinaga & Slipak, 2015). Moreover, for countries like Bolivia and Ecuador this is specially complicated since the neo-extractivist model countervails the official development model known as Vivir Bien ("living well"); a term coined by former Bolivian Minister of Foreign Affairs David Choquehuanca, which is supposedly based on the harmony that should exist between man and nature (Gudynas, 2011; Lang & Mokrani, 2012).

## Empirics.

*Trade in goods*

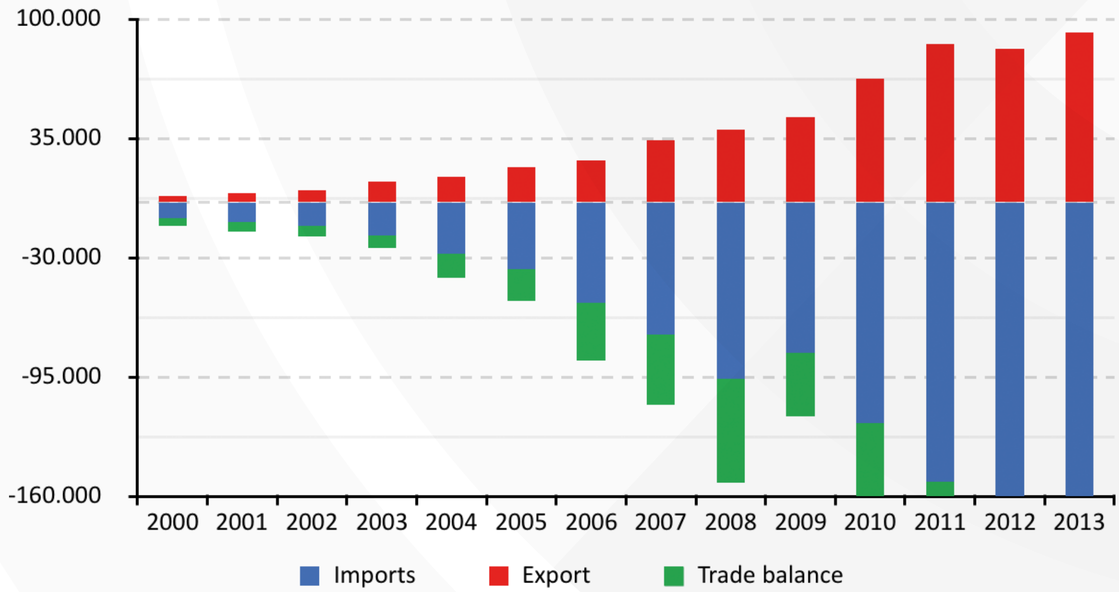
***Latin America***

As stated by Bonilla & Millet (2015: 5), "the unprecedented dynamics of China's economic growth have resulted in an increasingly important participation in global trade". Undeniably, Latin America has greatly intensified its relations with this Asian country in recent decades. While in 2000 2% of Chinese imports were composed of Latin American goods, in 2013 these constituted 7% of its total imports. However, these changes have had a differential impact on both regions. The expansion of the commercial relationship has made China the second-largest trading partner of Latin America, slightly above the European Union. On the other hand, Latin America is still far from being one of China's main trading partners. This is clearly reflected in the trade balance in Figure 1.

In addition, as is observable in Figure 1, Figure 2 and Table 1, Latin America has a less balanced and diversified relationship with China compared to the rest of the world, in terms of the level of technological transformation of its exports. Less than 5% of exports to China have medium or high technological content, while more than 60% of the imports are at those levels of transformation. Also, the region's exports are highly concentrated, since a small group of commodities – soybeans, minerals, oil – account for more than 80% of the total (Ray et al., 2015; Bonilla & Millet, 2015).

This trade asymmetry presents a series of associated factors that only worsens the case. First, due to the large gap between exports and imports, the trade deficit of the region as a whole is constantly widening. Second, the expansion of the sectors associated with natural resources has not boosted the development of new technological capacities in the region, and thus the productivity gap has also widened (Rosales & Kuwayama, 2012). Third, an inverse substitution is actually happening, i.e. the production of manufactures in the region is diminishing because Chinese efficiency is displacing competitors, not only inside the countries counterparties to the China trade, but also in their partner countries members of regional integration blocs (Cypher & Wilson, 2015).

*Figure 1: Latin America, trade balance with China, 2000-2013, US$ millions*




Source: ECLAC, 2015

Looking at both Table 1 below and Figure 1 above, it is clear that in the last two and a half decades the structure of Latin America-China trade relations has undergone an important transformation, characterized by a sustained increase in the volume of products exported from our region to the Asian country, and vice versa. According to a report by ECLAC (2015) – the United Nations Economic Commission for Latin America and the Caribbean, – trade between both regions has increased 22 times since 2000. However, it is also important to note that, despite the increased volume of Latin American exports to China, its composition remains concentrated mainly in natural resources, especially minerals, hydrocarbons, and agricultural products (mostly soyabeans).

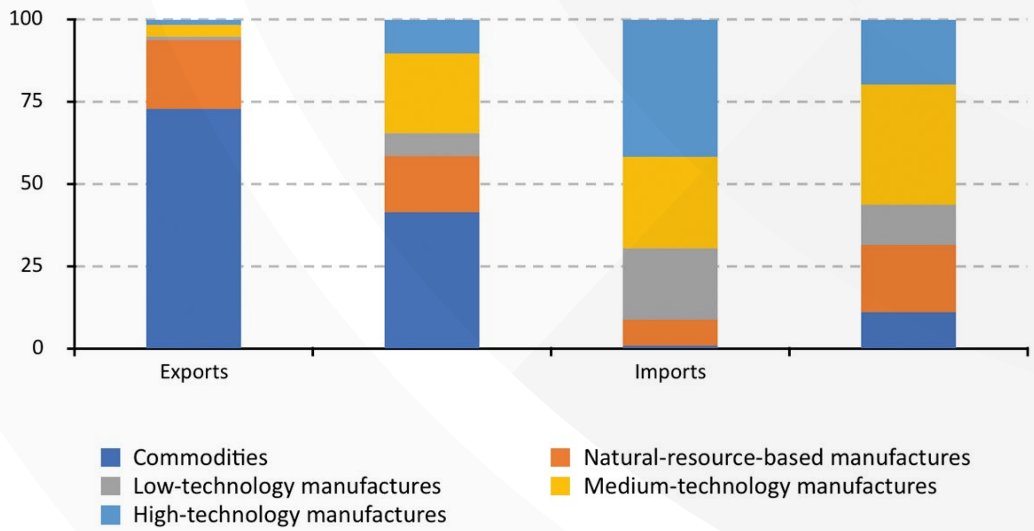
*Table 1: Composition of Latin American exports to China (in and type of product)*

| Year | Agricultural products | Natural Resources | Manufactures | Total Manufacture |
|---|---|---|---|---|
| 1999 | 46% | 25% | 29% | 58% |
| 2013 | 31% | 56% | 12% | 44% |

Source: Adapted from Ray et al. (2015)

As the volume of Latin American exports to China increased, so did the percentage of natural resources (Figure 2 and Figure 3). This was accompanied by a decrease of manufactured and agricultural exports to China. The volume of exported agricultural products was reduced by one third between 1999 and 2013, while the volume of exported manufactures was reduced by almost two thirds in the same period (Ray et al., 2015). Concededly, the volume of the region's manufactured exports to the rest of the world was generally reduced, but this reduction was by only a quarter in the period in question, well below the variation in the composition of manufactures exported to China. In contrast, Latin American exports of non-renewable natural resources have gone from a quarter to more than half of what Latin America sells to China. As Bonilla & Millet (2015: 10) put it, "Latin America is an area that produces precisely what the Asian power needs. The link between both regions goes beyond a political conjuncture and illustrates the current global scenario and the way in which production is organized at that level of the international system."

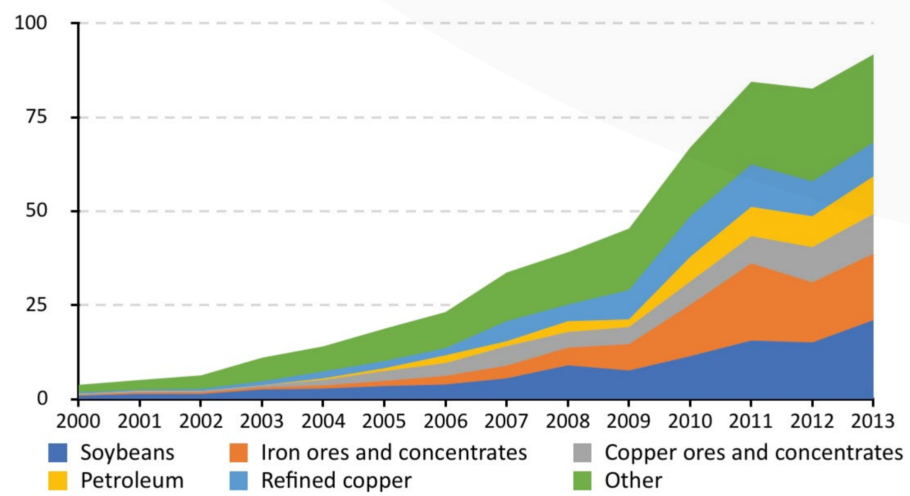
*Figure 2: Structure of Latin American trade with the world and China, according to technology intensity, 2013, in %*




Source: ECLAC, 2015

In view of the foregoing authors, we can corroborate that despite the great increase in trade volume and the large inflow of capital into the region, there are "three challenges in trade relations between China and Latin America: 1) the inter-industrial nature of trade between China and most of the countries in the area, 2) the lack of diversification in the products that the Latin American economies export to the Chinese market, and 3) the existence of a deficit in the trade balance of most countries in the region with China" (Roldán et al., 2016: 26).

*Figure 3: Evolution of Latin American exports to China, 2000-2013, US$ millions*




Source: ECLAC, 2015

Finally, if we analyse the data on main trading partners in Table 2, we find how significant the Chinese presence is today. In the case of exports, this country ranks among the top export destinations of six of the ten South American countries. Nevertheless, it cannot be ignored that the United States and Brazil still remain important export markets for both the Andean Community (CAN) and Mercado Común del Sur (MERCOSUR). Moving on to analyse imports, the trend is much more acute, China being currently the first or second trading partner of all but one. Even though these data follow the world trend, it is interesting that purchases of Chinese products have surpassed even those of the United States in the case of the Andean Community, and of Argentina in the case of MERCOSUR.

*Table 2: China's position as trading partner to South American countries, including percentage of total trade*

| Country | Exports | | Imports | |
|---|---|---|---|---|
| | Position among trading partners | % | Position among trading partners | % |
| Argentina | 1 | 15,6 | 2 | 18,8 |
| Brazil | 1 | 19 | 2 | 17 |
| Paraguay | 37 | 0,2 | 3 | 15 |
| Uruguay | 2 | 15,5 | 2 | 15,3 |
| Venezuela | 2 | 18,9 | 2 | 16,3 |
| Bolivia | 5 | 6,7 | 1 | 19 |
| Colombia | 6 | 3,6 | 2 | 19,2 |
| Ecuador | 8 | 3,9 | 2 | 15,7 |
| Peru | 1 | 23,5 | 1 | 22,8 |
| Chile | 1 | 28,5 | 1 | 24,1 |

Source: Adapted from www.trademap.org

***Bolivia***

In order to understand the increasing importance of China for Bolivia's international trade, it is necessary to review it in perspective. Regarding exports, Table 3 shows sales to China in 2000 were at such a low level that they did not even reach 1% of the total. In 2015, however, China was already the fifth main partner, representing 7% of total Bolivian exports. This is an important fact, as sales to China are below only Brazil and Argentina, which are recipients of Bolivian natural gas exported through gas pipelines, and also below the United States and Colombia, which were traditionally Bolivia's main trading partners.

From the perspective of China, we find that, in general terms, Bolivia is insignificant. In 2015, imports from Bolivia were so little that it ranked 97th among its trading partners, with less than 0.0001% of the total. To understand this situation, we can recall that in the same year, Brazil ranked 9th, making up 2.9% of the total Chinese purchases from the world. Chile ranked 20th with 1.2% of the total.

***Table 3: Bolivia, main export partners, 2000 and 2015, in US$ and %***

| 2000 | | % | 2015 | | % | Growth 2000-2015 |
|---|---|---|---|---|---|---|
| 1 | Colombia | 16 | 1 | Brazil | 20 | 714% |
| 2 | United States | 15 | 2 | United States | 14 | 378% |
| 3 | United Kingdom | 13 | 3 | Argentina | 11 | 2382% |
| 4 | Switzerland | 13 | 4 | Colombia | 9 | 214% |
| 5 | Brazil | 13 | 5 | China | 7 | 7700% |
| 6 | Uruguay | 6 | 6 | Japan | 6 | 11265% |
| 7 | Peru | 5 | 7 | South Korea | 5 | 18746% |
| 8 | Venezuela | 4 | 8 | Peru | 5 | 442% |
| 9 | Belgium | 3 | 9 | Belgium | 4 | 576% |
| 10 | Argentina | 2 | 10 | United Arab Emirates | 3 | 139541% |

Data: Bolivian National Institute of Statistics (INE)

Hence, the real magnitude of the increase in trade relations between Bolivia and China only becomes evident when we turn to look at Bolivian imports. Table 4 shows that China went from being Bolivia's 7th-largest trading partner in 2000, with 3% of the total, to 1st in 2015, with 18%. Reckoning the rate over these 15 years, imports from China grew by 2,406%.

From China's perspective, nevertheless, the Bolivian market is still insignificant to the Asian giant, ranking only 127th with less than 0.001% of its total exports to the world. If we analyse the same data for the whole region, China's main export destination is Brazil, in 23rd place, with 1% of the total; followed by Chile, in 33rd place, with 0.6%.

*Table 4: Bolivia, main import partners, 2000 and 2015*

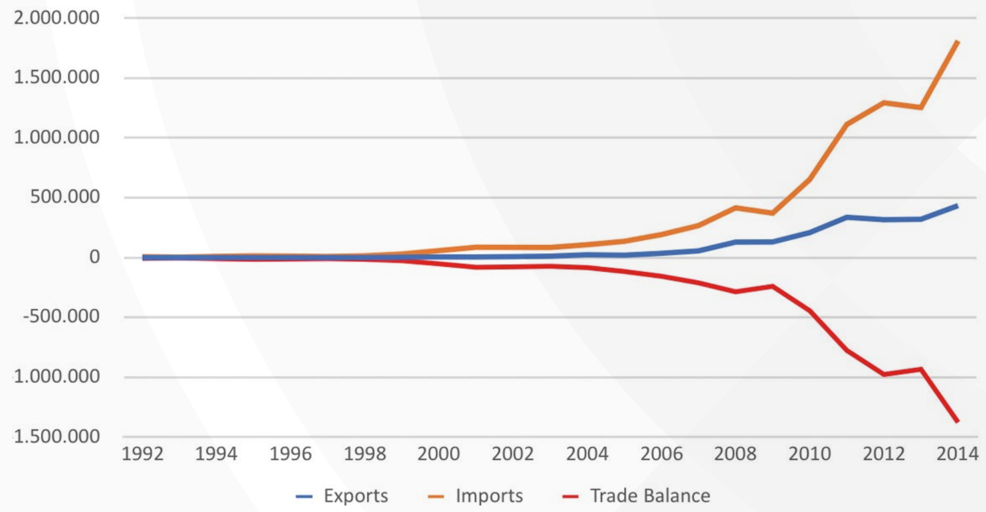
| 2000 | | % | 2015 | | % | Growth 2000-2015 |
|---|---|---|---|---|---|---|
| 1 | United States | 22 | 1 | China | 19 | 2406% |
| 2 | Argentina | 16 | 2 | Brazil | 16 | 466% |
| 3 | Brazil | 14 | 3 | Argentina | 12 | 262% |
| 4 | Chile | 8 | 4 | United States | 11 | 128% |
| 5 | Japan | 5 | 5 | Peru | 6 | 492% |
| 6 | Peru | 5 | 6 | Japan | 5 | 379% |
| 7 | China | 3 | 7 | Chile | 5 | 162% |
| 8 | Spain | 3 | 8 | Mexico | 3 | 477% |
| 9 | Mexico | 2 | 9 | Germany | 2 | 4656% |
| 10 | Colombia | 2 | 10 | Colombia | 2 | 299% |

Data: Bolivian National Institute of Statistics (INE)

Analysing the whole bilateral trade between Bolivia and China in Figure 4, we observe that, consistent with the regional trend, it began to increase only in the year 2000. A significant difference with the rest of the Latin American countries is that it experienced a noteworthy growth only after the year 2008. Moreover, although exports increased, it was not in the same proportion as imports. Exports went from $16,000 in 1992 to $434 million in 2014; while imports went from $7.5 million in 1992 to more than $1,800 million in 2014. Inevitably, the trade balance is negative for Bolivia, and it has increased from $7.5 million in 1992 to $1.377 million in 2014.

If we deepen the analysis by looking at the ten main Bolivian exports (Table 5), we can draw several conclusions. First, raw materials reach 99% of total sales; no wonder that nine out of the ten main exports are minerals and oil derivatives. The concentration of exports in a few commodities is so high that the first two leading exports comprise 64% of the total, and the first three, 80%. Second, the Chinese market is very important for Bolivia's exports of antimony, boron oxide, copper, and gold; representing more than half of the sales of each commodity by Bolivia to the world. Thirdly, analysing the 5th column, we find that, although Bolivia does not represent even 0.1% of China's total purchases from the world, Bolivia is an important source of tin, as it represents almost half of China's purchases. With a much smaller share of the Chinese market, yet also with interesting values, are Bolivian zinc and silver, which share 13% and 14% of the Chinese market, respectively.

*Figure 4: Bilateral trade between Bolivia and China, 1992-2014, in US$ millions*




Data: www.redalc-china.org

*Table 5: Bolivia's main exports to China, 2015*

| Products | Percentage in total Exports | Share in Bolivian exports (in %) | Equivalent Tariff faced by Bolivia | Bolivian share in Chinese imports (in %) |
|---|---|---|---|---|
| Total | | 7 | | 0,03 |
| Zinc ores and concentrates | 36 | 17 | 0 | 13,3 |
| Silver ores and concentrates | 28 | 21 | 0 | 14,1 |
| Unwrought tin, not alloyed | 16 | 26 | 3 | 45,3 |
| Lead ores and concentrates | 7 | 22 | 0 | 2,3 |
| Copper ores and concentrates | 4 | 58 | 0 | 0,1 |
| Precious-metal ores and concentrates (excluding silver ores and concentrates) | 3 | 57 | 0 | 20,9 |
| Borates, natural, and concentrates thereof, whether or not calcined, and natural boric acids... | 2 | 27 | 4 | 7,6 |
| Oxides of boron; boric acids | 1 | 58 | 6 | 3,3 |
| Wood, sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed... | 1 | 44 | 0 | 0,1 |
| Antimony ores and concentrates | 0 | 69 | 0 | 1,7 |

Data: Bolivian National Institute of Statistics (INE)

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Respecting imports, as Table 6 shows, despite 57% of the products imported from China being consumer goods in 2000, by 2015 this had fallen drastically to 26%; whilst also in 2015 each of intermediate and capital goods comprised 37%. This shows that, consistent with the world trend, purchases from China increasingly include products with medium and high technological content. However, given that smuggling is a critical problem in Bolivia, with almost two third of its economy being informal, this data cannot be used conclusively. Imports of consumer goods from China represent most of the smuggling into the country, entering mostly via Iquique and other Chilean ports.

***Table 6: Bolivia's imports from China, according to Use and Economic Destination (CUODE), 2000 and 2015***

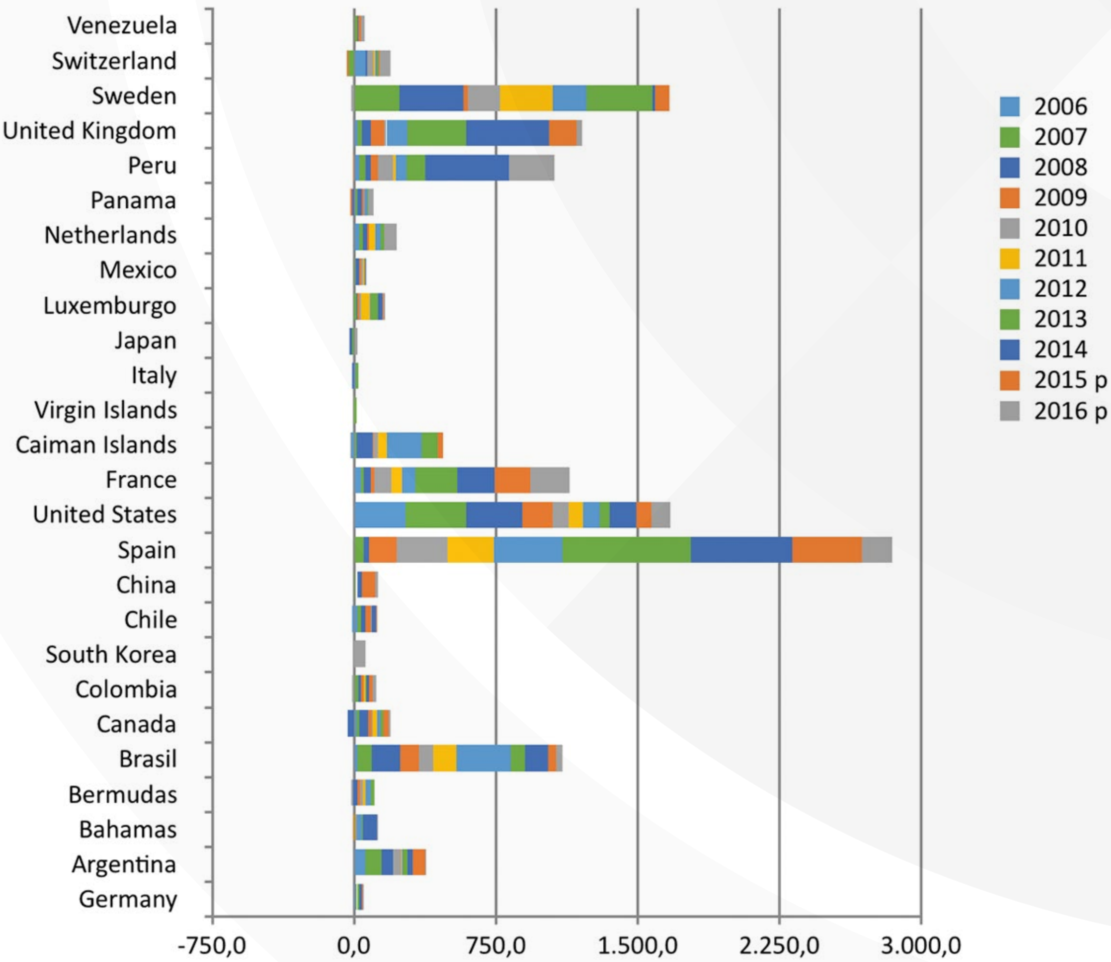
| **CUODE** | **CUODE** | | **CUODE** | |
|---|---|---|---|---|
| | **Value ($us.)** | % | **Value ($us.)** | % |
| Consumer Goods | 39,527,394 | 57 | 308,461,466 | 26 |
| Intermediate Goods | 22,298,792 | 32 | 447,802,918 | 37 |
| Capital Goods | 7,894,982 | 11 | 439,505,456 | 37 |
| TOTAL | 69,736,073 | | 1,195,915,108 | |

Data: Bolivian National Institute of Statistics (INE)

*Foreign Direct Investment*

Since the early 1990s, foreign direct investment from China to the world has grown steadily. But this has happened in two distinct stages. China's participation in worldwide investment did not vary greatly between 1990 and 2000, only inching up from 0.34% to 0.79%. It was after 2001 that there has been a significant increase in Chinese participation as an international source of capital, encouraged by factors like governmental incentives to all kinds of companies (Lombard, 2009). This was a policy known as Go Out, adopted in 2001 as a mandate to look for business opportunities abroad, and included state support to Chinese businessmen.

*Figure 4: Bilateral trade between Bolivia and China, 1992-2014, in US$ millions*




Source: Reportes de Saldos y Flujos de Capital Privado Extranjero del Banco Central de Bolivia

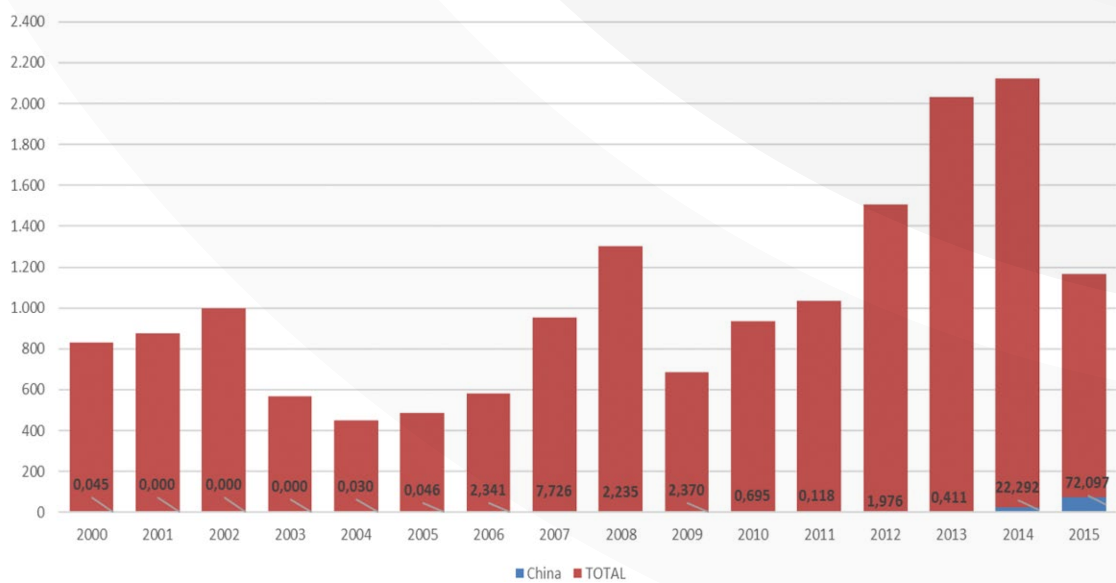
Today Latin America does not exceed 15% of the total Chinese FDI outflows, yet the volumes are highly significant because of the smaller size of Latin America's economies, and because of the size of FDI inflows. Additionally, as Roldán mentions,

> [s]ince 2010, China's direct foreign investment (FDI) in Latin America and the Caribbean has experienced a significant growth, gradually transforming the relationship with regional economies, from one mainly dominated by commercial transactions (the purchase of primary products from the region and the sale of industrial manufactures), to one in which Chinese companies have an important physical presence in Latin America, contributing not only to the generation of employment, but also as a source of income for Local Governments and as protagonists in the construction of transport infrastructure, telecommunications and tourism. As a consequence of this change of approach, China has now a greater impact on the socio-political dynamics in Latin America and has expanded its soft power in the area ... In this process, Chinese companies have begun to consolidate as local actors and are beginning to understand how to use this influence to manage risks and look for business opportunities in the Latin American area. (Roldán, 2016: 76)

It is important to note that these flows are not equally distributed throughout the region: a few countries receive the lion's share of Chinese capital (Figure 5). The data show that, besides the flows from the Cayman Islands and the British Virgin Islands,[6] Brazil, Peru and Venezuela received 59% of all FDI in Latin America in 2012 in terms of stock value. Respecting the number of projects, Brazil, Mexico and Chile have taken 51% of the total. By 2016 the situation had changed slightly: Brazil and Peru are still the top destinations, but the difference lies in the fact that Venezuela has dropped to 7th place; while Mexico is in third, according to stock value.[7]

Narrowing the analysis specifically to Bolivia, one must emphasize, in the first place, that the volume of FDI received in this country has always been significantly lower than in neighbouring countries. Even so, considering the small size of the Bolivian economy, these volumes have had great impact. The data show that since 2000, the composition of the countries sending FDI to our country has greatly varied; yet it shows a pattern in terms of the three highest investors. The United States was the most important one from 2000 to 2009, excepting 2008; in fact, during this period its average participation was more than one third of the total, reaching its maximum in 2006 with 46.7%.

***Figure 6: Bolivia: FDI inflows, Chinese and totals, US$ millions***




Source: Central Bank of Bolivia (BCB)

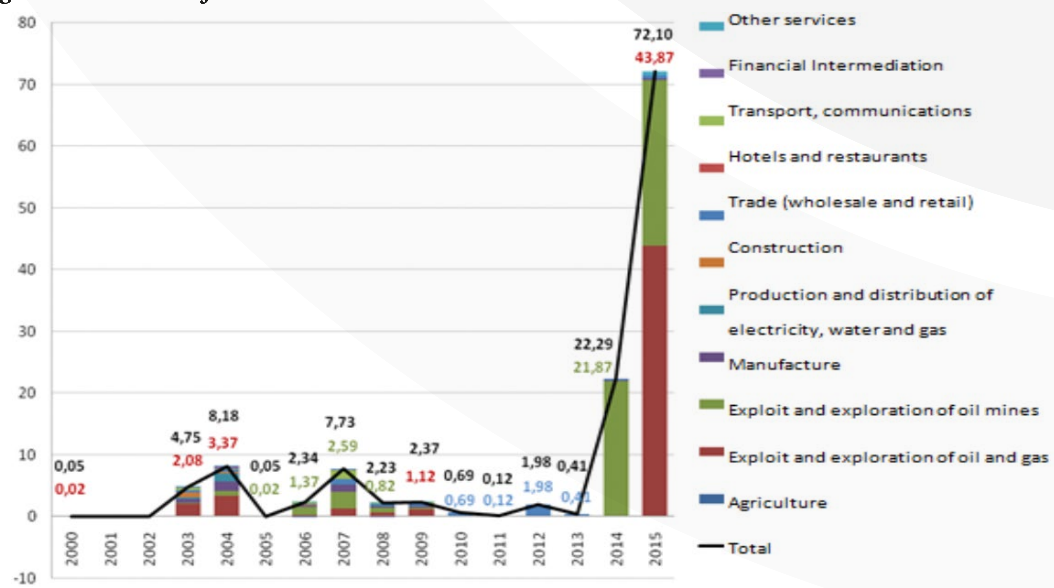
Since 2010 there has been a change of trend, as the United States' importance has diminished, falling to fourth place after Spain, Sweden and France. Thus, in the following years we see that the most important partner, according to FDI inflows, has been Spain, which has occupied first place from 2010 to 2015, excepting 2011. During that five-year period, Spain's FDI levels averaged 27.67% of the total inflows, with a peak of 33.3% in 2013. By 2015 it was clear that the European Union had replaced the USA as the main capital source for Bolivia, with 68% of total inflows, while MERCOSUR accounted for 10% and the United States for 7%.

6. Because these countries are tax havens, the probability that they are not the final destination is very high (Rosales & Kywayama, 2012).
7. After a decade of strong relations, due to the economic and political crisis that President Maduro is facing, in January 2015 China denied him the new loan he asked for (US$16 billion).

Turning to China, we corroborate that it is not significant as a source of foreign investment in Bolivia. As can be seen in Figure 6, from 2000 to 2015 its average participation did not exceed 0.61% of the total received by Bolivia. Nevertheless, one must highlight the recent trend, as in the last 2 years there has been an important increase, reaching US$72.097 million in 2015, even though this barely represents 6% of the total.

Regarding sectors, Figure 7 details those worth mentioning: first, except for the years 2014 and 2015, the values in the period depicted above are extremely low; second, the three sectors attracting the most capital were hydrocarbons, mining and commerce. Although hydrocarbons have attracted more FDI overall, from 2010 to 2013 Chinese FDI was directed only to commerce. If we narrow the analysis to the flows in 2015, the trend is clear: 98% of the total was destined to mining, gas and oil. If we compare this data with Latin America and the world, we see high alignment, as these are the sectors that have always attracted the attention of foreign investors.[8] Roldán (2015) states that China has great interest in the purchase of oil and mining because these are key inputs to maintaining its position as an industrial power. Although it also produces its own oil and several minerals, its demand has far exceeded its domestic supply since the 1990s, which is why it had to "go out" into the world to find supplies.

***Figure 7: Evolution of Chinese FDI in Bolivia, in US$ millions***




Source: Central Bank of Bolivia (BCB)

### *Chinese loans (Foreign Debt)*

Another way in which China has increased its presence in the world is, again, through capital outflows, but in the form of state loans rather than investment. These follow the international cooperation policies of both China and the host countries. Unlike investments, they represent external debt for the recipient country and must be repaid with interest within a certain period of time.

8. Reporte de saldos y flujos de capital privado extranjero en Bolivia, Banco Central de Bolivia

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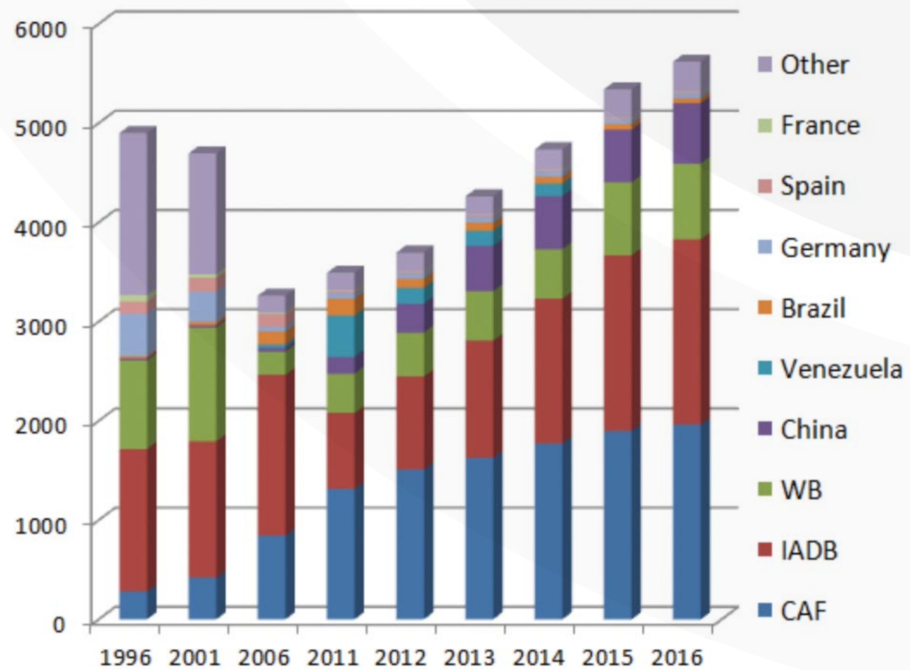
It is undeniable that, in addition to the increase in trade flows, China's inter-state loans are the great phenomenon of China's outward expansion. It is, moreover, one that has been charged with controversy, beginning in Africa and continuing to Latin America. As Gallagher notes:

> Since 2005, China has granted approximately 86 billion dollars in loan commitments to Latin American countries. The amount of loans is greater than the ones granted by the World Bank (WB), the Inter-American Development Bank and the Export and Import Bank of the United States in the same period. China has become an additional source of financing for the region, especially for those countries that have problems accessing world capital markets. However, the benefits and disadvantages are not always so clear. For example, although loan conditions appear to be less stringent, some financing packages, such as that of the China Development Bank, are more demanding than those of the World Bank; Chinese banks do not overlap western financing, focusing on different sectors and countries; although China does not impose political conditions, it does demand purchases of equipment from the beneficiary countries; Chinese environmental guidelines do not operate with the same intensity as their Western counterparts. (Gallagher et al., 2013: 1)

***Figure 8: Bolivia, main creditors (bilateral and multilateral), in US$ million***



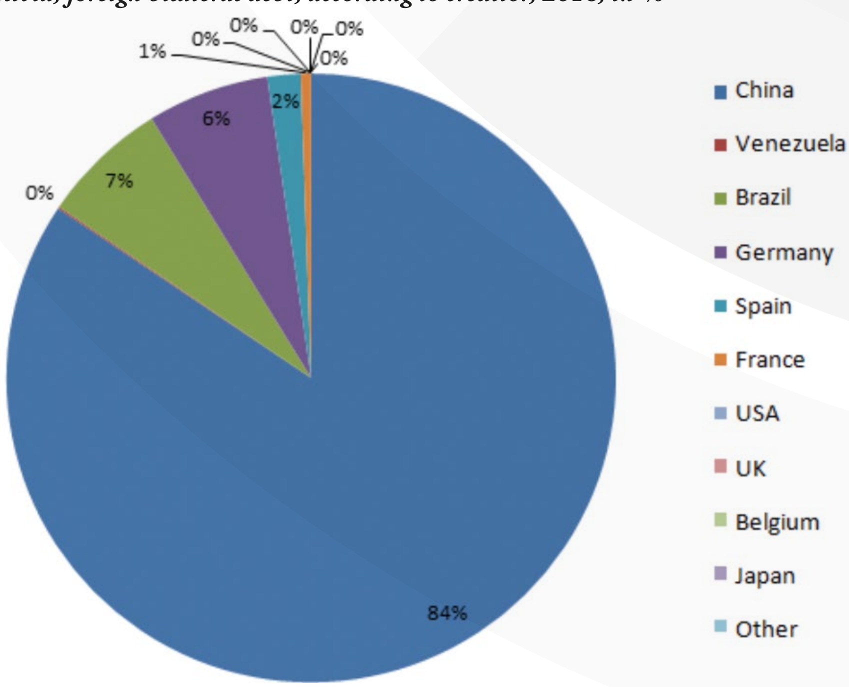

Source: Central Bank of Bolivia (BCB); Own Elaboration

Regarding recipient countries, the same phenomenon as in the case of FDI is observed: a few countries have received the majority of the loans, the four main ones being Venezuela, Brazil, Argentina and Ecuador, whose credits were loaned through the Development Bank of China (BDC) and the China Export-Import Bank (Eximbank). There is also a noteworthy gap between Venezuela and the other three, as this country has received US$56.3 billion since 2000, or 47.44% of the total money loaned. Noteworthier still is that the Latin American expectation that this increase in lending would be used for public policies promoting industrialization met a different reality:

> The data show that the general trend of Latin American countries is to deepen their extractive matrix -except for Mexico- ... The weight of China in encouraging this inclination is important and will continue as it is directly related to its objective of consolidating its policy for the region, obtaining natural resources in its primary state. (Campani, 2017: 16)

It is therefore necessary to further investigate Chinese lending to Bolivia, to understand its magnitude and its evolution. Figure 8 shows that Bolivia's two main creditors from 1996 to 2016 have been the Inter-American Development Bank (IADB) and the Andean Financing Corporation (CAF), recently rebranded as the Development Bank of Latin America, amounting to 30% and 29% of the total in 2016, respectively. In addition, although the IADB was always the main one, the Evo Morales Administration increased its debt mainly with CAF, which is what made it the second largest creditor. This was predictable, given that one of Morales's campaign promises was to evict neoliberalism. For that purpose, CAF is seen as a partner. In third and fourth place we have the World Bank and China, with 11% and 8%, respectively.

***Figure 9: Bolivia, foreign bilateral debt, according to creditor, 2016, in %***




Source: Central Bank of Bolivia (BCB); Own Elaboration

Despite the fact that China is only in fourth place among main creditors, there are three points that deserve highlighting, to better understand China's real importance. First, Chinese loans have grown almost 20 times since 1996, from US$22 million to US$680 million in 2016. Secondly, this increase is a more recent phenomenon compared to other Latin American countries as, until 2011, Chinese loans were almost insignificant. Thirdly, as Figure 9 shows, the loan increases have made China the largest bilateral creditor, with almost 80% of the total, surpassing the next ones (Brazil and Germany) more than tenfold.

For a better understanding of Chinese lending to Bolivia, mention must be made of the large loan approved two years ago, whose execution is still in planning. In October 2015 Bolivia's Vice-President made an official state visit to China to strengthen economic and commercial ties. After several meetings, a US$7 billion loan agreement was reached, to be used mainly on infrastructure.[9] The great importance of this loan lies in the fact that, comparing all the data in this section, it will represent an increase of 100% in Bolivia's total external indebtedness and be the largest loan Bolivia has ever contracted. At the moment, there are no official data on its execution. The reason why that process is taking so long is because of Bolivia's and China's divergent visions: China destined the loan to infrastructure, but Bolivia is prioritizing industry.

*Chinese companies in Bolivia*

To complete the analysis, we must address the presence of Chinese companies in the country – important conduits of the Chinese presence in Bolivia, as well as sources of the perceptions shaping the Bolivian public's opinion of the Chinese presence. For this purpose, we must break down not only the sectors in which they work, but also the type of sale they make (goods or services), and the conditions under which they operate. A priori we know that there is a strong tie between the loans made by the Chinese government and the operation of its companies in different countries: the ones that follow China's foreign policy in order to ensure the provision of resources.

Chinese companies settle in Latin America to work in the extraction of natural resources, with emphasis on oil and mining, and with low presence in manufacturing and services – mostly in the automotive and banking sectors (Girado, 2015). The entry into the Latin American market was not easy, as these companies encountered many difficulties, ranging from cultural and management issues to interpretation of current labour laws, and from relations with local and national governments to social and environmental conflicts.

Despite this, the data show that ever more Chinese companies are starting up activities in the region. Thus, two big questions arise: Why is it that countries allow or encourage the incursion of these Chinese companies into their territory? What are the objectives and incentives that Chinese companies pursue and act on to operate in different countries around the world?

Regarding the first question:

> [I]t is important to note that most of the loans are for the execution of projects executed by Chinese companies in the region, that is, Chinese banks make loans to Latin American and Caribbean countries to finance projects carried out by Chinese companies. These loans are complementary to those carried out by other international financial institutions, they do not substitute them and … they have a high concentration both in the countries where they are carried out and in the sectors that are financed (infrastructure, energy and mining). (Roldán et al., 2015: 104)

Regarding the second question, the operation of Chinese companies in many countries has the same objectives as any company in the world, but with the peculiarity that they give priority to the

9.http://www.paginasiete.bo/economia/2015/10/16/china-dara-credito-millones-para-ejecutar-proyectos-infraestructura-73762.html, accessed on 17/08/20

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guidelines of their country's foreign policy: first, to ensure the provision of natural and energy resources, both with investments in these sectors, and with infrastructure that ensures their efficiency in acquisition; second, to expand and consolidate China's internationalization policy. Finally, with (roughly) the same priority as the other two, Chinese companies seek to achieve high profits from their international operations.

Bearing all this in mind when reviewing the Bolivian data, it is evident that Chinese companies here follow the same trend as set forth in previous sections of this article. After having almost no presence before 2008, it has built up steadily to the point of being highly significant. We corroborate that this greater presence is not due to investments made in the country, but to companies selling their goods and/or services in person. This could be seen like any other commercial operation, except for the peculiarity that they are mostly Chinese state-owned companies doing business with the Bolivian State. This is part of Chinese international co-operation policy; as mentioned by several authors (Gallagher et al., 2013; Girado, 2015; Jenkins, 2012), most of the loans have to be executed by Chinese companies in the region.

From the Bolivian point of view, it could be said that the great increase in business with China has been an intentional policy since the first years of Bolivia's current administration (2006 onwards). As stated by Fernando Rodriguez, former Bolivian ambassador to China, before 2008 the bilateral relation was so slight that the biggest project was the asphalting of an avenue in the city of La Paz.[10] Indeed, his diplomatic mission had the great objective of turning this situation around. It was during his term that the bilateral relation was boosted, initiating the acquisition of the famous Tupac Katari Satellite, the first of many million-dollar purchases.

The company details to be presented next derive from the mapping made for our investigation from information found in the media. We should clarify that we worked with secondary sources – mainly written press media,[11] – due to the impossibility of obtaining official data. For a more detailed description, check out Annexe 3, which includes detailed information on each company, including projects in execution and methods of awarding projects.

***Table 7: Sectors in which the Bolivian State hired Chinese companies, 2016***

| Sector | Number of companies | Projects | % |
|---|---|---|---|
| Transport and communications | 12 | 17 | 49% |
| Energy | 9 | 14 | 35% |
| Manufacture industry | 7 | 8 | 16% |

Source: printed media

10. Official transcript of the workshop: "América Latina y China ¿Cooperación Sur-Sur o Consenso de Beijing" [China and Latin America: South-South Cooperation or Bejing Consensus?], Friedrich Ebert Stiftung, La Paz, June 2014
11. In total, for the current research, 1734 newspaper articles were analysed from 14 newspapers across the country, in the period 2014-2016.

The Bolivian State currently has a contractual relationship with fourteen Chinese companies, who have executed or are executing 39 projects. If we disaggregate data according to sector (Table 7), almost half of the projects fall into transport and communications (49%), followed by energy (35%), then industry (16%). In addition, as seen in the Table 8, according to contractual value, 87% of the contracts fall into purchases of services, while 13% purchases of goods.

*Table 8: Chinese enterprises hired by the Bolivian State, by type of contract and type of financing, up to December 2016*

| Concept | Amount ($US) | % | Bolivian Financing | Chinese Financing | Other Financing |
|---|---|---|---|---|---|
| Services | 4,867,000,000 | 87% | 47% | 43% | 11% |
| Goods | 712,000,000 | 13% | 4% | 96% | 0% |

Source: printed media

Complementing the above, if we disaggregate the value of each project according to the funding source, we find that there is a clear difference between goods and services. In the case of services, only 43% comes from Chinese loans, while the remaining 57% comes from Bolivian state money and loans from multilateral organizations. In the contrasting case of goods, 96% of the financing comes from Chinese loans made to Bolivia.

*Table 9: Hiring procedure of Chinese companies by the Bolivian State, up to December 2016*

| **Hiring Procedure** | % |
|---|---|
| International public bidding | 16% |
| Finished project contract | 7% |
| Direct Invitation | 23% |
| Award by exception | 0% |
| Intention memorandum | 54% |

Source: printed media

Respecting hiring procedures, only 16% of all projects were contracted by international public bidding, as shown in Table 9, while the remaining 84% were granted by direct invitation or awarded by exception. This percentage is excessively high, even compared to the average of the current administration. According to one major newspaper investigation:

> 67.53 percent of the state contracts awarded in the 10 years of Evo Morales' Government were through direct hiring of a total of 80,665 contracts; while the works awarded by public tender reach 23.05 percent, according to data extracted from the portal of the State Contracting System (SICOES). The data correspond to contracts awarded under the modalities of public bidding, public invitation, direct contracting and by exception. Compared to the previous 10 years, the percentages are inverses since in that period the contracts were awarded in 59.54 percent through public tenders (out of a total of 5,532) and the awards by direct contracting reached only 0.14 percent. (Los Tiempos de Cochabamba)[12]

Finally, because the presence of Chinese firms is fraught with controversy in every country, the mapping in the current research includes the problems and sources of conflict which Chinese companies are facing in Bolivia. The main finding is the fact that, despite the short period of time that these companies have been operating in the country, the conflicts they face have followed the regional trend; specifically, the following issues: 1) compliance with the country's standards, laws, and cultural practices; 2) corruption in the hiring process and the execution of projects; and 3) compliance with contracts.

Regarding the first, companies like Sinohydro or Vicstar Shenzhen may be cited as having to deal with strikes and complaints by workers about labour harassment. Companies like Nanjing Construction Group, Sinopec and Hydrochina Corporation have faced strong opposition in rural communities where they were executing their projects, mainly on the basis of accusations of environmental contamination. Regarding the second issue, the most notorious example is China Agricultural and Machinery Corporation (CAMC), who stands accused of unduly influencing Bolivian politics; although many more companies have been accused of corruption. Just three weeks before a national referendum on the option of amending the constitution law of Presidential re-election, a huge scandal broke that concerned the Commercial Manager of this Chinese company, when it became public that the manager was involved in a romantic relationship with the President of Bolivia. This, combined with the fact that the majority of the company's contracts were awarded by direct hiring instead of public tender, has given Chinese companies a highly public and negative profile. Regarding the third issue, CAMC is the most notorious example, as four projects out of seven that they are executing are not operating. This has resulted in claims of more than US$20 million in performance warranties by the Bolivian State. Even if the media scandals have died down for now, they still loom in the background. To mention a few: Sinosteel's operations were paralysed for three months due to company debts; China Railway's contract was rescinded due to constant delays and breaches; and Vicstar Shenzhen's viaduct bridge in the city of Cochabamba lasted less than a year and fell down, and what is worst, the company had increased the price from US$1.3 million to US$1.8 million. More information about the issues that each company faces may be found in annexe 4.

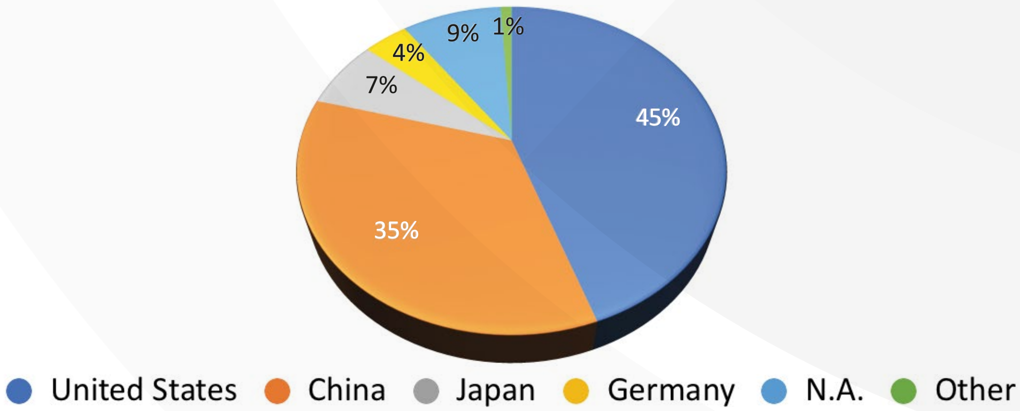
12. http://www.lostiempos.com/actualidad/economia/20160309/solo-23-obras-se-licito-publicamente. Reviewed on 28/08/2017

## Tension between the empirical dynamic and public opinion.

*Perception*

In recent years, a series of corruption scandals involving Chinese enterprises has given rise to the politicisation of the debate about the positive or negative aspects of the bilateral relation. There was an assumption that a negative trend in Bolivian public opinion was growing; however, as the debate has become ever more politicized, and the bilateral relation has become a contentious issue between the Bolivian government and its opposition, it has become more difficult to assess the real scale of the anti-Chinese sentiment in Bolivia. This is why, at this stage of our research, it was convenient to carry out a representative survey in large and intermediate Bolivian cities. The specific methodology of the survey may be found in Annexe 5.

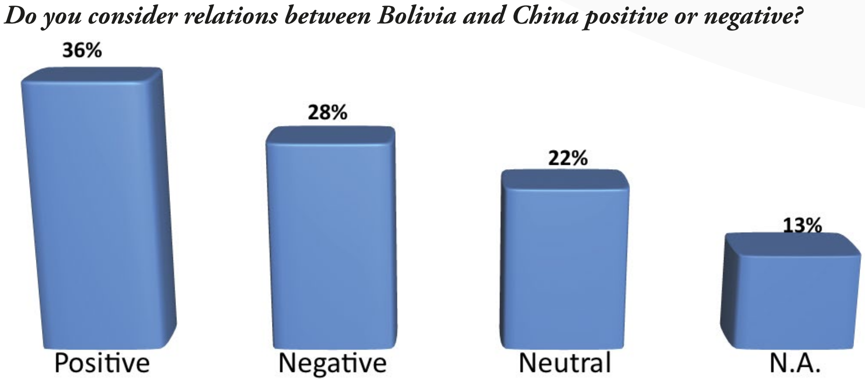
***Figure 10: Which of the following countries is the most influential in the global scene?***




Source: FES and Pagina 7 Public Opinion Poll

A short time ago, nobody in Bolivian would have thought of China or any other country except the U.S. as the most influential country in the world. However, the first result of the survey that caught our attention was that the Bolivian population is very aware of the geopolitical changes of recent years (Figure 10). Indeed, 35% of the interviewees think China is the most influential country in the world. In the realm of geopolitics, the U.S. is still viewed as the most influential country according to our Bolivian sample (45%). 7% of our interviewees considered Japan the most influential country; while 4% considered Germany, ranked at the bottom in this category.

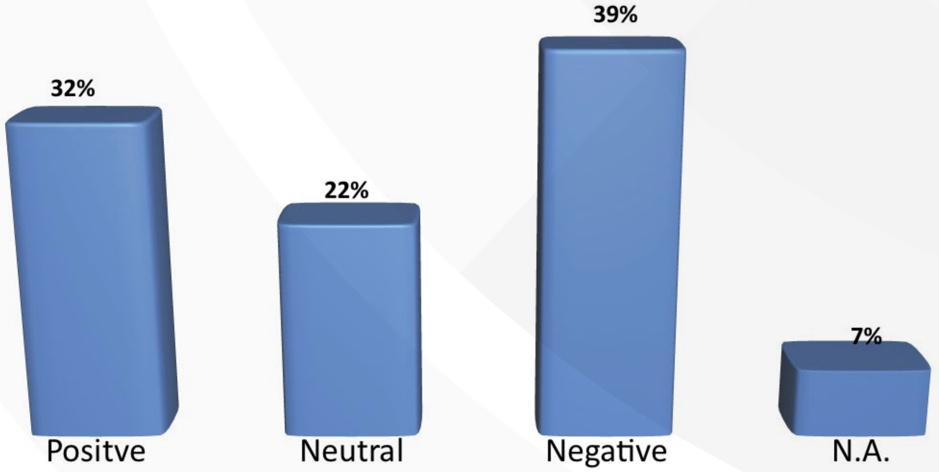
***Figure 11: Do you consider relations between Bolivia and China positive or negative?***




Source: FES and Pagina 7 Public Opinion Poll

It is interesting to see how these percentages mirror the size of the economies of these countries in the global rankings, as well as other results from similar surveys carried out at the global level investigating the state of public opinion on geopolitics.[13] Probably the most interesting result of the survey (Figure 11) is that a plurality of the interviewees (36%) consider relations between China and Bolivia to be positive. In second place, 28% of the interviewees see relations in a negative light. 22% of respondents expressed a neutral attitude, while 13% preferred not to answer the question. These results reflect a divided and politicized public opinion in Bolivia about the status of bilateral relations with China. It is worth noting, however, that more than a third of the public is either uninterested or unaware of the topic.

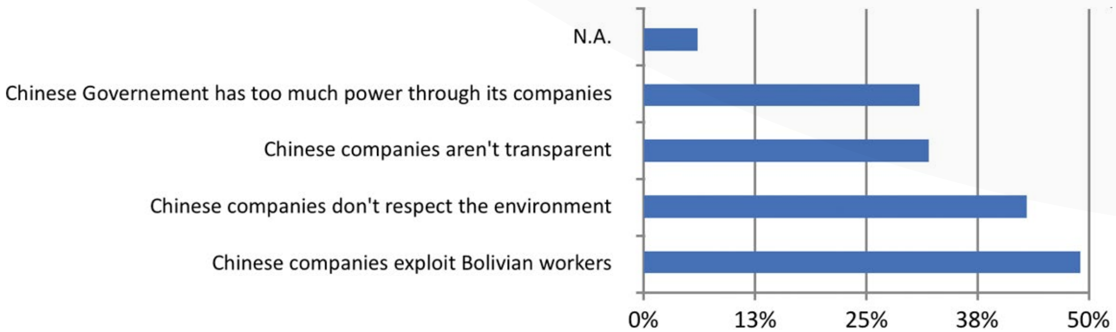
*Figure 12: Do you consider positive or negative for the economy, the operation of several Chinese companies in the country?*




Source: FES and Pagina 7 Public Opinion Poll

It seems that Chinese diplomacy in Bolivia is doing a good job in behalf of its government. As Figure 12 shows, it has been less effective in behalf of Chinese companies, as a plurality of respondents surveyed (39%) stated that the recent entrance of several Chinese companies into the Bolivian economy has been negative for the country. Still, we should not overestimate this tendency, given that a third of respondents considered the Chinese companies' entrance to be positive. Finally, close to 30% of the population seems either indifferent or misinformed about this issue.

*Figure 13: Why do you find Chinese companies negative?*



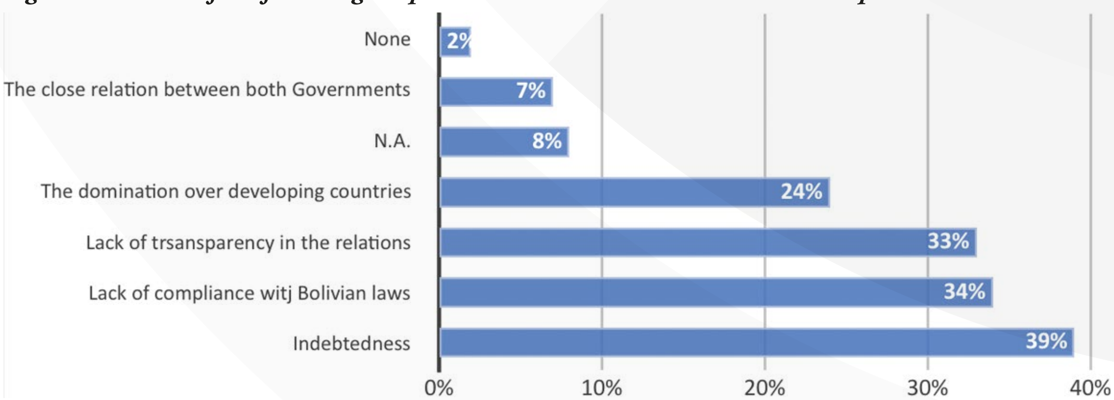

Source: FES and Pagina 7 Public Opinion Poll

13. See public opinion on geopolitical issues carried out by the Chicago Council of Foreign Affairs and Pew Research for similar and related studies. https://www.thechicagocouncil.org/search/content/Ranking%20of%20countries%2C%20public%20perception ; http://www.pewglobal.org/topics/country-image/

Deepening the analysis on the reasons why a majority of respondents consider the presence of Chinese companies in Bolivia to be negative (Figure 12), it is worth noting that almost half of respondents (49%) gave the view that these companies exploit their employees as a key reason why they see them in negative terms. That these companies seem to have low environmental standards ranked second (43%) in the list of reasons explaining the negative view of these respondents toward Chinese companies. Almost a third of them (32%) cited lack of transparency in the way these companies manage their business and the contracts they sign with Bolivian counterparts as a reason for their negative view. Finally, approximately the same percentage of respondents (31%) believed that through these companies the Chinese government has been acquiring too much power over Bolivia.

In the following charts we present a ranking of preferences expressed by the respondents as motivating their views on the main challenges and benefits of the bilateral relation between

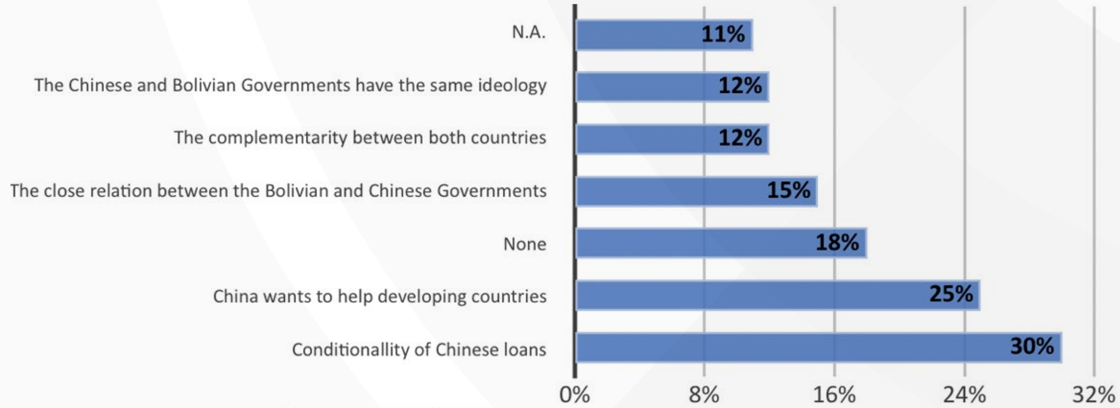
***Figure 14: Which of the following are problems in the Bolivia-China relationship?***




Source: FES and Pagina 7 Public Opinion Poll

China and Bolivia. Respecting the challenges (Figure 13), 39% of respondents referred to the high level of debt as the central issue. The lack of compliance with Bolivian law by the Chinese government and Chinese companies was also cited as a challenge by 34% of respondents, followed by lack of transparency (33%) and the aim of the Chinese government to dominate Bolivia (24%). Respecting the benefits of the relation (Figure 14), 30% of respondents viewed as positive the conditions on which Bolivia obtains access to credit from China; 25% opined that the relation is positive because China wants to help developing countries. In contrast, 18% saw no benefit emerging from the relation. An increasingly close relation between the two countries (15%) and the complementarity between them (12%) ranked fourth and fifth in the respondents' order of preference. Finally, 12% also cited the fact that both countries share a similar ideology as a positive element. It is worth noting that all motives cited by the respondents feature prominently in the Chinese strategy of engagement with Latin America (per two White Papers published in 2008 and 2016). In other words, the survey results show that China has carried out a fairly successful strategy positioning the discourse to portray its presence in Bolivia as a strategic partnership between countries at similar stages of development; a partnership of mutual support and without ideological conditions, in complementary search for development in the 21st century.

*Figure 15: What are the benefits of the Bolivia-China relation?*




Source: FES and Pagina 7 Public Opinion Poll

Summarizing the results of our survey on the state of Bolivian public opinion regarding the bilateral relationship between China and Bolivia, we can conclude that:

· Mirroring the current global balance of powers and the global state of public opinion on geopolitical affairs, China features as the second most influential country in the world, according to Bolivian public opinion.

· The diplomatic presence of the Chinese government in Bolivia is evaluated more positively than the presence of Chinese companies in the Bolivian economy. However, more than a quarter of respondents see the whole bilateral relation as negative.

· In order of priority, Bolivians indicated: 1) low labour standards, 2) low environmental standards, 3) lack of transparency and its relation to corruption, and 4) an excessive geopolitical dependency, as the main risk factors in the current state of the bilateral relation.

· Generally, Bolivian public opinion is divided over how to evaluate the bilateral relation, and an important segment of the population remains indifferent.

· The elements which the respondents indicated as negative or risky reflect, to a large extent, the general academic and political debate over the role of China in Latin America: specifically, the emergence of a geopolitical neo-dependence as well as the risk of impoverishing labour and environmental standards, and a lack of transparency which can bring more corruption.

· On the other hand, the bilateral relation's advantages, expressed by another segment of respondents, are to a large extent aligned with the strategic objectives established by China in its two White Papers on Latin America. In other words, Chinese diplomacy has been – to an extent – successful in positioning its Latin American foreign policy as a search for a complementarity between countries at similar stages of development – a strategy of complementary support, without ideological preconditions, to achieve socioeconomic development in the multipolar world of the 21st Century.

*Reality Check*

After analysing the structure and dynamics of China's increasing presence in Latin America in general, and in Bolivia in particular, understanding the real characteristics and magnitude of this increased presence, in contrast to the state of the academic and political debates, as well as in vis-à-vis the state of public opinion, is becoming increasingly important.

Regarding trade, it is evident a sustained increase in the flows of imports from and exports to China has happened, especially since 2005 and 2008, respectively. Concerning imports, China became Bolivia's main trade partner in 2015, supplying a range of manufactures of low-to-medium technological content, as well as close to a third of all the capital goods that Bolivia imports generally. Regarding exports, one must highlight that, unlike the rest of Latin America, China figures very low in the ranking of trade partners to which Bolivia exports. Brazil and Argentina are Bolivia's main export destinations, due to its reliance on the exports of gas and to the existing pipelines between Bolivia and these countries. The U.S. is the main importer of Bolivia's gold, silver and tin; while Colombia is the main importer of Bolivia's agroindustry. Of all Bolivian exports to China, 98% are non-manufactured natural resources; while only 2% are manufactures. Finally, at US$1.4 billion, Bolivia's trade deficit with China is very high.

In terms of capital flows from and to China as FDI, it is fair to say that this is not relevant at all to Bolivia. The bulk of Chinese FDI in Latin America is invested in Brazil, Mexico, Peru and Chile. The resources invested by China in Bolivia account for less than 1% of the Chinese resources flowing to the region. From the Bolivian perspective, these have not constituted more than 5% of the capital flows to the country at any given time. The main sources of FDI to Bolivia remain European. In any case, although FDI from China is low, it is worth noting that it mirrors the regional trend that investment is concentrated in two sectors: mining and hydrocarbons, representing altogether 97% of the total.

The third element to take into account is the increasing Bolivian bilateral indebtedness to China. This form of resources has significantly increased since 2011. If in 1996 Bolivia owed China US$22 million, by 2016 this had reached US$608 million, accounting for 80% of Bolivia's bilateral debt and 9% of its overall debt. It is also worth noting that Bolivia has approved a new loan from China, for the sum of US$7 billion. This will be the highest debt contracted by Bolivia in its entire history, and will increase its external debt by 100%.

The fourth factor analysed in the present section is the presence of Chinese companies in Bolivia. Given the fact that Chinese FDI in Bolivia is very low, Chinese companies in Bolivia are mostly not investing capital but selling products and services to the Bolivian government. Importantly, only 43% of these sales are funded by the loans given to Bolivia by the Chinese government; the rest is directly provided by the Bolivian government or Bolivian state-owned enterprises. Most of these enterprises are in the construction sector, in charge of developing infrastructure for the Bolivian government to comply with its ambitious state-led development strategic objectives. All of the above explains why the presence of these companies has raised scepticism in Bolivian public opinion. There is a long history of corruption scandals in these types of partnership between the Bolivian government and construction companies. The presence of Chinese companies has proved no exception, and some of these cases have taken an extremely high political profile, such as CAMC mentioned above.

## Conclusions.

The growing Chinese presence in Latin America has triggered heated academic and policy debates as well as growing levels of internal social and political conflict across countries in the region. Against this background, the present paper has explored the specific characteristics of this dynamic in the Bolivian case, by adopting a novel research strategy in which we tested these debates in Bolivia by combining a process-tracing analysis of the evolution of the structural geo-economic relationships between Bolivia and China, with a public opinion survey of the negative and positive perceptions of the Bolivian population about the issue. _e objective of this methodology was to compare perception with empirical dynamics for a more rounded overview of the political implications of the structural evolution of the sources of geopolitical power in the bi-lateral relationship.

The main academic and policy debate regarding the relationship between China and Latin America gravitates between two poles. On the one side are academics, policy-makers and practitioners claiming that with the rise of China, Latin America has a historic opportunity to develop a strategic partnership of structural complementarity that will enable the region to break the dependency that marked Latin America's insertion into the international system. Deepening relations with China, on this account, would enhance economic growth without compromising political autonomy in the search for development. On the other side stand those who claim, on the contrary, that given the geo-strategic objectives of China and the structure of its economy, deepening relations will have the opposite effect, namely initiating a new wave of dependency for the region, because China will demand more natural resources in exchange for exporting ever more technologically developed goods. China's disregard for environmental, labour and transparency standards would make the situation even worse, as it would undo all the advances the region has made in terms of political, social and third-generation human rights.

From our analysis of the evolution of the China-Latin America geo-economic relation, we found that, although the region has undergone economic growth as it deepened its trade with China, the main driver of these gains has been Latin America's increasing export of natural resources, accompanied by a decrease of almost two-thirds in manufactured and one-third in agricultural products exported to China. Over the last three decades, China has established itself as the top export destination for six out of ten South American countries, and the first or second source of imports for all but one. China is also becoming one of the main sources of FDI and credit for most countries in Latin America. The overall picture, then, is one of an increasing trade deficit in favour of China, which in turn has accelerated China's export of ever more technologically developed products to the region. In fine, the empirical evidence points at a new phase of geo-economic dependency in the making. However, it is also true that, aside from the technical and operational conditionalities applying to loans and contracts with Chinese companies, the evidence for a deterministic rise of a geopolitical dependency ensuing upon the above-mentioned economic changes is less clear.

Turning to Bolivia, the country seems to experience regional trends in the political economy of development always within relatively short periods of time and with acute intensity, following historical patterns. This is why we consider the Bolivian case very telling of the essence and potential directionality of these changes in Latin America's future. The region is only relatively important as a trade partner for China, while China is becoming absolutely important for the region. Bolivia is insignificant for China as a source of imports and destination of exports, but China is becoming one of Bolivia's main export destinations, and it recently became the first source of Bolivian imports, increasingly including products with medium and high technological content. In return, 99% of what Bolivia exports to China is minerals, oil and its derivates. It is worth noting that minerals during the first three quarters of the 20th century, and oil and gas as of the late 1980s, has marked the modern history of Bolivia as a mono-producer, highly sensitive to external shocks and technological changes in the world economy.

Capital flows from China to Latin America have steadily increased since 2000. These are made up of proper investment flows, and loans from the Chinese government, and stand currently at 15% of the overall FDI coming to the region. Most of the FDI is concentrated in four Latin America countries, with the smallest economies receiving mostly loans. In the case of Bolivia, FDI from China is not really important, and is concentrated in oil and gas. Regarding loans, since 2005 China has given loans to Latin American countries in larger amounts than the traditional lenders to the region, including the IADB and the World Bank; entities that attached these loans to specific conditionalities related to labour, environment, transparency standards and, most importantly, policy prescriptions. China avoids these conditionalities, but promotes projects tied to imports from China and use of Chinese products, companies and workers on the projects in which these loans are invested. Bolivia has undergone a similar trend since 2008, except that the main difference from the usual experience of the region is that Chinese FDI in Bolivia is scarce.

Bolivia has made increasing use of Chinese loans to fund infrastructure projects, the most important of which has increased Bolivian foreign debt by 100%. Many of these funds are used for projects carried out by Chinese companies. Moreover, many of these projects fall outside the scope of the

Chinese loans, so that the government has had to contract Chinese companies as providers for other projects funded by Bolivian taxpayers and by other multilateral agencies such as the CAF.

In any case, the presence of Chinese companies in the region has accompanied the rise of conflicts due to incompatible cultural practices – environmental, labour and transparency standards amongst other issues. Bolivia is not an exception in this regard, and conflicts arose between Chinese companies and the Bolivian population, particularly on issues like labour standards, environmental contamination, and transparency. Some of these conflicts have gained political prominence and converged with the domestic dynamic of political polarization, such as the case involving President Evo Morales and the Chinese company CAMC on the eve of the referendum to change the constitutional limits on presidential tenure in 2016. In sum, Bolivia showcases a particularly acute version of the new type of conditionality that China has attached to the flow of its capital, and more specifically of loans to the region.

Our analysis of the state of Bolivian public opinion on the increased presence of China in the country shows a society divided in its attitudes. With a third of Bolivians thinking that China is the most influential country in the world (second to those who think the US is), it is important to highlight that almost four in ten respondents think the relationship between China and Bolivia is positive; while almost a third think the opposite. The main reasons explaining the positive view are the alleged lack of stringent conditions attached to Chinese loans and the fact that China wants to help developing countries. Bolivia's increasing debt with China and China's non-compliance with Bolivian legality and transparency standards stand out as explanations for the negative view.

In sum, Bolivian society mirrors the academic and policy divide regarding the increasingly important role of China in the region. If in the abstract, positive views of China trump negative ones; in most all concrete instances, a majority of interviewees showed a negative attitude to Chinese companies operating in the country, mostly because they abuse Bolivian workers and, to a lesser extent, because they have low environmental standards and are not transparent enough.

These divided attitudes are far from inconsequential for national and international politics. We have seen how attitudes to Chinese companies can quickly escalate and get caught up with decisions about the constitution and the overall orientation of policy; as in Bolivia, in the CAMC case and the referendum on the limits on presidential terms. This could easily escalate to the level of foreign policy decisions and determine the course of foreign policy toward China in Bolivia, especially as it is well known that both countries share similar ideological stands on development and international affairs. In other words, as China becomes more relevant for the development policies of all countries in the region, we may expect that relations with China may become a divisive issue and set the public agenda of these countries, including the course of the foreign policy of these countries toward the Asian giant.

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## Annexes.

*Annexe 1: Top 5 export and import partners of CAN and MERCOSUR 2015, in %*

| Export | | | | Import | | | |
|---|---|---|---|---|---|---|---|
| MERCOSUR | | | | MERCOSUR | | | |
| Argentina | % | Brazil | % | Argentina | % | Brazil | % |
| Brazil | 15,6 | China | 19 | Brazil | 24,5 | USA | 17,5 |
| USA | 7,8 | USA | 12,6 | China | 18,8 | China | 17 |
| China | 7,7 | Argentina | 7,2 | USA | 12,6 | Germany | 6,6 |
| Vietnam | 4,4 | Netherlands | 5,6 | Germany | 5,5 | Argentina | 6,6 |
| Chile | 4 | Germany | 2,6 | Mexico | 4,2 | S. Korea | 4,8 |
| Uruguay | % | Paraguay | % | Uruguay | % | Paraguay | % |
| Brazil | 17,7 | Brazil | 35,4 | Brazil | 19,7 | Brazil | 24,8 |
| China | 15,6 | Argentina | 10,1 | China | 15,3 | Argentina | 19 |
| USA | 6,3 | Russia | 7,7 | Argentina | 15 | China | 15 |
| Argentina | 5,4 | Chile | 6,1 | USA | 8,4 | USA | 14,7 |
| Germany | | Italy | 4 | Germany | 2,9 | Chile | 11,3 |
| Andean Community | | | | Andean Community | | | |
| Colombia | % | Ecuador | % | Colombia | % | Ecuador | % |
| USA | 32,7 | USA | 32,4 | USA | 26,6 | USA | 25,4 |
| Panama | 6,2 | Chile | 6,8 | China | 19,2 | China | 15,7 |
| Netherlands | 3,9 | Vietnam | 6,6 | Mexico | 7,6 | Colombia | 8,8 |
| Ecuador | 3,9 | Peru | 5,6 | Brazil | 4,7 | Panama | 5,5 |
| Spain | 3,7 | Colombia | 4,8 | Germany | 3,5 | Peru | 4,3 |
| Perú | % | Bolivia | % | Peru | % | Bolivia | % |
| China | 23,5 | Brazil | 19,2 | China | 22,8 | China | 19 |
| USA | 17,3 | USA | 13,6 | USA | 19,6 | Brazil | 17,6 |
| Switzerland | 7,1 | Argentina | 11,4 | Brazil | 5,9 | Argentina | 10,5 |
| Canada | 4,7 | Colombia | 8,8 | Mexico | 4,6 | USA | 9,7 |
| S. Korea | 3,9 | China | 6,7 | S. Korea | 3,6 | Peru | 6,9 |

Data: www.trademap.org

*Annexe 2: Bolivia, top 10 products imported from China, 2015*

| HS | Product | Value (thousand $us) | % |
|---|---|---|---|
| 851712 | Telephones for cellular networks 'mobile telephones' or for other wireless networks | 46,791 | 3% |
| 871120 | Motorcycles, incl. mopeds, with reciprocating internal combustion one-cylinder piston engines . . . | 43,706 | 3% |
| 401120 | New pneumatic tires, of rubber, of the kind used for buses and lorries | 40,722 | 2% |
| 380893 | Herbicides, anti-sprouting products and plant-growth regulators (excluding goods of subheading . . . | 40,232 | 2% |
| 870290 | Motor vehicles for the transport of 10 persons or more, incl. driver, not with compression-ignition | 37,296 | 2% |
| 851769 | Apparatus for the transmission or reception of voice, images or other data, incl. apparatus . . . | 35,756 | 2% |
| 851762 | Machines for the reception, conversion and transmission or regeneration of voice, images or . . . | 31,655 | 2% |
| 950300 | Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys . . . | 28,971 | 2% |
| 847330 | Parts and accessories of automatic data-processing machines or other machines of heading . . . | 26,902 | 2% |
| 851761 | Base stations of apparatus for the transmission or reception of voice, images or other data | 25,997 | 1% |

Data: www.trademap.org

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***Annexe 3: Chinese companies operating in Bolivia, Projects and Source of Financing***

| Company | Project | Source of Financing | Amount |
|---|---|---|---|
| Sinohydro | Road Ichilo - Ivirgarzama | 100% TGN* | $us 1.900 million |
| | Road Padilla - El Salto | 70% CAF and 30% Chuquisaca Gov. | |
| | Hydro-electrical power plant Cachuela Esperanza | | |
| | Hydro-electrical power plant San José | 70% BCB and 30% CAF | |
| | Road El Sillar | 80% Eximbank and 20% TGN | |
| Sinosteel | Steel project Mutún | 85% Eximbank and 15% TGN | $us 259 million |
| Sinopec | Bridge Rurrenabaque - San Buenaventura | TGN | |
| | Road Comarapa - La Siberia | TGN, Santa Cruz Gov. And Comarapa Municipality | |
| | Road Puente Yapacaní - Puente Ichilo | 100% CAF | |
| | Seismic in the Basin Madre de Dios | | |
| | Drills for wells for oil and gas exploration | | |
| China International Water and Electric Corp (CWE) | Asphalt of the road San Ignacio - Puerto Ganadero | TGN | $us 80 million |
| CAMC Engineering | Railroad Montero - Bulo Bulo (Montero - km 74) | 100% BCB** | $us 574 million |
| | Second stage of Hydro-electrical plant Misicuni (including the dam) | TGN and IADB | |
| | Third Stage of Hydro-electrical plant co Misicuni (instruments) | TGN and IADB | |
| | Fourth Stage of Hydro-electrical plant Misicuni | TGN and IADB | |
| | Sugar Plant San Buenaventura | Credit form the BCB to EASBA*** | |
| | Construction of the industrial plant for potassium industrialization | 100% BCB | |
| | Drills for wells for oil and gas exploration | | |
| China Railway | Railroad Montero - Bulo Bulo (km. 74 -Bulo Bulo) | 100% BCB | $us 900 |
| | Road Rurrenabaque - Riberalta | 15% Beni Gv. and 85% Eximbank | |

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| | | | |
|---|---|---|---|
| | Road Espino - Charagua | 85% TGN and 15% Santa Cruz Gov. | |
| Vicstar Shenzhen | Bridge over 6 de Agosto Avenue in Cochabamba | 76% FNDR y 24% Cochabamba Municipality | $us 100 million |
| | Bridge over Blanco Galindo Avenue in Cochabamba | 76% FNDR y 24% Cochabamba Municipality | |
| | Paper factory | | |
| | Cardboard factory | 100% TGN | |
| | refining plant for tin in Huanuni | State company Huanuni | |
| China Harzone | Road Petrolera - Paracaya | 72% TGN and 28% Cochabamba Gov. | $us 489 million |
| | Bridge Madre de Dios and Bridge Beni II | 70% TGN and 30% Beni and Pando Gov. | |
| | Road Valle Alto | 72% TGN and 28% Cochabamba Gov. | |
| | Road Porvenir y Puerto Rico | 11% TGN and 89% CAF | |
| Nanjing Construction Group Co Ltda. | Road Caracollo - Confital | 85% TGN and 15% La Paz Gov. | |
| China Great Wall Industry Corp | Tupac Katari Satellite and land stations in Amachuma and La Guardia | 100% China Development Bank | |
| Hydrochina Corporation | Wind energy park in Qollpana (Phase I: 3 MW) | Corani Company (ENDE) | $us 1500 million |
| | Wind Energy park in Qollpana (Phase II: 30 - 40 MW) | Corani Comany (ENDE) | |
| | Multiple Project Río Grande - Rositas | 85% Eximbank and 15% ENDE | |
| Hidrochina Kunming Engineering Co. | Third phase of Hidroelectrical power plant San José (reservoir, pipes, powerhouse, supply and assembly of electromechanical equipment) | BCB and CAF | $us 75 million |
| BGP (China Nacional Petroleum) | Seismic in the Basin Madre de Dios | | $us 57 million |
| Lin Yi Dake Trade Co. | Lithium battery pilot plant | Credit from BCB to COMIBOL**** | $us 4 million |

Source: printed media

*TGN: General Treasury of the State

** BCB: Bolivian Central Bank

***EASBA: State Sugar Company San Buenaventura

****COMIBOL: Bolivian Mining Corporation

***Annexe 4: Chinese companies in Bolivia and their problems executing project***

| Company | Problems |
|---|---|
| Sinohydro | - Complaints of labour harassment by workers<br>- Problems of supply by blocks of the community members<br>- Strike of workers and subsequent wave of layoffs<br>- Fines by the Bolivian State for non-compliance (delay of almost one year in delivery)<br>- Complaint of having burned the face of a Bolivian worker<br>- Deputy denounced labour abuses and breach of minimum wage<br>- Town of Colomi remained several days without water for the construction of hydroelectric dam<br>- Delays in execution |
| Sinosteel | - Projects paralyzed for 3 months due to company debts<br>- Scandal in hiring for complaints of pre-negotiations with another Chinese company. |
| Sinopec | - Delay of the project because of problems with the residents of Rurrenabaque. Rejection to the outline of the road |
| CAMC | - Only 3 projects out of 7 are being executed. 3 do not operate due to technical problems and 1 was rescinded<br>- Scandal at national level for observations in the hiring processes, in addition to complaints about the great diversity of projects such as railway construction and start-up of factories<br>- The State has already claimed more than 20 million US dollars in guarantee tickets<br>- Complaints of irregularities in the award documents<br>- Increased project cost, once they were running<br>- Only hours after the inauguration of the Dam of Misicuni, one of the pipelines broke and caused serious damage to the infrastructure<br>- Bribery allegations to executives of State Sugar Company EASBA with a 10-day trip to China<br>- After only 3 months, the drills that sold to YPFB were damaged |
| China Railway | - The railway construction contract was rescinded due to constant delays and breaches |
| Vicstar Shenzhen | - Delays in the works<br>- Complaints of mistreatment by workers<br>- Stoppages and strikes by workers<br>- City Hall is forced to perform special audit<br>- Failures in construction. One of the bridges fell off |
| Nuclear Industry Nanjing Construction Group Co Ltda. | - Multiple complaints by community members about river pollution<br>- Report of abuse to Bolivian workers in the work,<br>- Lack of compliance with quality standards imposed by the Bolivian Road Administration (ABC)<br>- Delay in the work after stoppage of workers demanding a better deal. |
| Hydrochina Corporation | - Complaint of opening the bidding process without having the feasibility studies<br>- Resistance to the project by indigenous and community members in the area, due to environmental issues.<br>- Floods in the area due to the reservoir of the dam. |

Source: printed media

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***Annexe 5: Methodology of the survey***

*General methodology*

- The used sampling frame was the information of the 2012 National Population and Housing Census.
- The survey was conducted at the national urban and rural level. The total sample was 800 cases, the sample size according to the confidence interval theorem has an expected margin of error of ± 3.47% and a reliability of 95%.
- The sample was distributed in the 9 departmental capitals plus the city of El Alto and intermediate cities.
- The sampling system used was the simple random, probabilistic, multi-stage, stratified and quotas.
- It should be noted that due to the size of the sample assigned by Department and Municipality (proportional to their population weight) the result of the data should be considered at the national level. At the departmental or municipal level, the expected errors are very high.

*Field Work*

- Fieldwork was conducted on Saturday 11, Sunday 12, Monday 13 and Tuesday 14 and Wednesday 15 March 2017.
- The target population was people older than 18 years residing in Bolivia. These people were surveyed in their homes.

*Distribution of the sample*

| N° | POBLACIÓN | n |
|---|---|---|
| **1** | **SUCRE** | **21** |
| 2 | ZUDAÑEZ | 12 |
| 3 | TOMINA | 13 |
| **4** | **LA PAZ** | **61** |
| **5** | **EL ALTO** | **68** |
| 6 | HUARINA | 14 |
| 7 | COROICO | 14 |
| 8 | CHULUMANI | 14 |
| 9 | PATACAMAYA | 15 |
| 10 | PUERTO GUAQUI | 15 |
| 11 | SAN PABLO DE TIQUINA | 15 |
| **12** | **COCHABAMBA** | **50** |
| 13 | TARATA | 13 |
| 14 | CAPINOTA | 13 |
| 15 | VILLA TUNARI | 13 |
| 16 | TOTORA | 13 |
| 17 | QUILLACOLLO | 17 |
| 18 | SACABA | 21 |
| **19** | **TARIJA** | **16** |
| 20 | YACUIBA | 12 |
| 21 | BERMEJO | 10 |

| N° | POBLACIÓN | n |
|---|---|---|
| **22** | **SANTA CRUZ** | **116** |
| 23 | MONTERO | 21 |
| 24 | CAMIRI | 15 |
| 25 | ROBORE | 15 |
| 26 | SAN RAMON | 15 |
| 27 | SAN CARLOS | 15 |
| 28 | SAMAIPATA | 15 |
| **29** | **TRINIDAD** | **9** |
| 30 | LORETO | 10 |
| 31 | SAN IGNACIO | 15 |
| **32** | **ORURO** | **21** |
| 33 | TOLEDO | 10 |
| 34 | CARACOLLO | 8 |
| **35** | **POTOSI** | **15** |
| 36 | LLALLAGUA | 15 |
| 37 | CHAQUI | 15 |
| 38 | TUPIZA | 10 |
| 39 | CAIZA D | 11 |
| **40** | **COBIJA** | **5** |
| 41 | VILLA BUSCH | 4 |
| | **TOTAL** | **800** |

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