

SOUTH AMERICAN VOTING PATTERNS IN THE UNGA AND ECONOMIC DEPENDENCE ON CHINA

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SINCE 1978 – WHEN THE REFORM AND OPENING UP PROCESS first began – Chinese GDP on constant 2015 prices (US dollars) has grown at an average rate of over 10% each year and as a result China has already overtaken the US as the world’s largest goods trader.¹ This has provided the Asian power with an economic projection reaching every nook and cranny of the world and made several distant countries heavily reliant on the People’s Republic of China (PRC) for large sections of their national output.

For many countries within the Western Hemisphere and South America, China now plays a crucial economic role as both a trade partner and a major investor. The sheer dimension of China’s economic rise has spurred a huge body of literature on whether its overflowing industrial and commercial capacity provide Beijing with a working leverage to politically influence – if not coerce – States to converge with China.

The article aims to verify whether a correlation exists between China’s economic penetration and South American foreign policy preferences between 2000 and 2019, using the voting patterns at the United Nations General Assembly (UNGA) as a proxy. In the period examined, China acceded to the WTO and started his economic overflood in South America. Accordingly, with economic dependence from China and the United States as the main explicative variables, the article will estimate the correlation between them and the ideal points distance between South American countries and China at the UNGA.

Economic Dependence, Political Influence and China’s Rise

According to the literature, asymmetrical economic relations can convert into an intense political influence from the stronger over the weaker side. Hirschman argues that unbalanced trade relations alter benefits and costs and, thus, turn into an “effective weapon in the struggle for power”.² The more a state has trade – or economic, more generally – leverage on the other, the more influence it will be able to exert to produce the other’s compliance.

This thread of research has continued over time and produced important scholarship that refined Hirschman’s first contribution. Armstrong has, for instance, reflected extensively on the concepts and measurement of trade and economic dependence and compliance.³ She has advanced a sound framework that delves into the pros and cons of Hirschman’s initial proposal. She has been one of the first to operationalize trade both from a quantitative and a

qualitative perspective and to notice that looking at trade only may not be as insightful as taking stock of trade and other forms of economic contact – aid for example.

In a much more detailed work, Drezner expands the literature and focuses on economic coercion, which he defines as “the threat or act by a nation-state or coalition of nation-states, called the sender, to disrupt economic exchange with another nation state, called the target, unless the targeted country acquiesces to an articulated political demand”.⁴ Subsequent theorization on dependence and coercion have gone way further demonstrating how powerful can be the political spillover of international networks – economic, among the others.⁵

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In a recent article, Kastner and Pearson have taken the research one step ahead by breaking down much of the established notions and concepts in the economic-political nexus literature.⁶ Their distinction between positive and negative economic incentives to compliance is of great use to scholars and political analysts. More generally, the literature is adamant that economic dependence can lead the stronger country to capitalize upon its economic power to extract political compliance through coercive measures. Threatening to disrupt bilateral value chains if the weaker side does not conform, the coercer gains political benefits from economic relations. However, it is not only a matter of coercion. Much of the literature⁷ has also acknowledged that political convergence may materialize from economic dependence even in the absence of a proper coercive acts. Socialization, policy standardization, or just economic integration may in fact produce the same result.

Central to the scholarship on economic dependence-political influence is the image of unbalanced economic relations where one side has the whip hand while the other is over-dependent on its money, goods or services. The massive wave of economic growth in China

sparked from the outset of the reform process has apparently created one of the former. If in 1968 the Chinese GDP expressed in 2015 \$ was slightly more than three times the Chilean, in 2019 it exceeded Santiago’s almost 13 times. Beijing’s economy is projected to keep growing in the future, as the Growth Lab’s 2028 Growth Projections foresee a 6% annual increase over the coming decade, reaching the top decile of world countries. China is also on the rise in terms of stature, leadership, and global influence. Since Xi Jinping assumed office in 2012, he has focused on the “Great National Rejuvenation” and on realizing the “Chinese Dream”.

China has also already proved to be a muscular economic coercer. When confronting deteriorating political and strategic scenarios, Beijing has not hesitated in using economic means to alter the benefit/cost calculations of weaker actors. The PRC retaliated with a slew of informal economic measures after South Korea deployed the Terminal High-Altitude Area Defense (THAAD) anti-missile system – which Beijing harshly opposes since the system could neutralize its strategic capabilities – in March 2017. Many local authorities, particularly those in Hangzhou, Shenyang, and Chengdu, expressed willingness to impose economic consequences on South Korea at the subnational level. Municipal authorities in these cities pushed Korean retail businesses to shutter, stopped contracts with Korean investors, and ran anti-Korean media campaigns in the absence of express directives from the center.⁸ Moreover, China imposed export limitations on rare earth metals to Japan over territorial issues, as well as import limits on Norwegian seafood when Chinese dissident Liu Xiaobo was given the Nobel Peace Prize and import limits on Filipino fruits during tensions for the Scarborough Shoal in 2012.⁹ Also, China called for mass boycotts to persuade countries to comply with Chinese demands. During territorial conflicts with Japan, for example, Chinese officials urged boycotts of Japanese products. Tourism limitations are also a frequently employed economic coercion tool for Beijing. Japan, the Philippines, and Taiwan were targeted with such instruments.

The global rise of the PRC has been not merely bilateral but also involved most of the existing multilateral organizations and fora in the world. The United Nations, as the largest and first multilateral body joined by China after the rapprochement with the US, is the most evident forum where China has been exerting a growing sway over the international community. Rosemary Foot has convincingly demonstrated that China views the United Nations as



a critical arena for enhancing its international influence, and that China has been actively and profoundly involved in the UNGA and Security Council’s activities.¹⁰ In addition, China’s President, Xi Jinping, has declared that China will contribute \$1 billion to UN development initiatives around the world over the next five years. As a result, we have reason to assume that China will engage in considerable UNGA lobbying on matters that are vital to it. Within the UN, Flores-Macias and Kreps have already demonstrated that certain developing countries with high degrees of trade dependence on China are more likely to vote with China on human rights issues.¹¹ Our article is located one step forward and tries to widen the sample of issues and to look at China-South America relationship against the light of US-South America relations and the US-China growing rivalry.

South America and China: the trajectory and relevance of a new partnership

Among the new frontiers of China’s global strategy in the XXI century, Latin America (and South America, in particular) deserves a special mention. In the South American continent, Beijing has sought (and found) new export markets, raw materials to satisfy its internal demands, and new financial opportunities for its banks and companies. Most importantly, China has found in this part of the world a very receptive audience, willing to establish new partnerships and diversify its external relations, and largely unsatisfied with the functioning of the international system. Consequently, although this region does not fall within the highest strategic priority of the PRC, it is a revealing case for understanding and measuring the magnitude of Beijing’s growing influence globally. Firstly, because of the region’s geopolitical position. Since the proclamation of the so-called *Monroe Doctrine* in the mid-XIX century, Washington has considered the South American continent as part of its sphere of influence and prevention of any external interference became a pillar of its national security strategy. As South America has been considered Washington’s “backyard”, Beijing’s presence in the area represents both a transformative force for the region and a strategic conundrum for the US – or, at least, this is how it is perceived in American political debate.¹²

A second reason why South America stands out as a relevant test case for China’s global influence deals with the way relations between the rising power and the region have developed. Beijing’s presence in South America has evolved over the last two decades from its initial pattern, which had revolved almost exclusively around the high complementarity between the demand of the Chinese domestic market and the availability of large reserves of primary

products/commodities – from agriculture to energy – of South American countries. Over time, China’s engagement in the region has grown multidimensional, encompassing trade, direct investments and loans, institutional building, military exchanges, and security co-operation. Consequently, the South American case offers the perfect ground to evaluate how rapidly – from minimal interactions before the turn of the century – and deeply – as the ties binding the region to the rising power go well beyond the commercial dimension – China’s economic and political influence has expanded outside of its immediate neighborhood.

“ Beijing’s involvement in South America, however, has not been limited to trade. ”

Which are the main features of China’s trajectory in the South American continent? Trade has undoubtedly been the main engine of the rapprochement between Beijing and the region. In the early 2000s, with the entry into the World Trade Organization (WTO) and the recognition of the market-economy status granted by the main regional actors – Chile, Argentina, Brazil, Peru, Venezuela – the bilateral exchanges started to grow at an impressive pace. According to the IMF’s data, bilateral trade between China and South America was slightly below \$9 billion in 2000. In less than ten years, this figure had already jumped to over \$130 billion, and it surpassed for the first time \$200 billion in 2013. Favored by high commodity prices on the international markets, South American countries took advantage of China’s demand for primary resources and underwent a season of intensive economic growth. In the mid-2010s, with the exhaustion of this so-called commodity boom, the expansive cycle was abruptly reversed. Nevertheless, the commercial nexus with Beijing did not vanish. Already in 2017 bilateral trade had returned to positive growth rates and, by 2019, the overall value of the exchanges had surpassed again the \$200 billion threshold. After nearly two decades, therefore, China has gained the status of South America’s first commercial partner, as over 20% of the region’s total foreign trade takes place with the Asian country.¹³ Beijing’s involvement in South America, however, has not been limited to trade. Chinese banks and companies, indeed, have become a key source of financing and investments. For instance, only considering the two main Chinese policy banks – the China Development Bank and the China Export-Import Bank – South American countries have received almost \$130 billion since 2007 – with over 80%

of those funds directed to infrastructure- and energy-related projects¹⁴. Although the peak of Chinese financing has already passed and, since 2016, the amounts coming from Chinese banks have constantly declined, South America has nevertheless found in Beijing a partner willing to invest exactly in those sectors – infrastructure, energy – where Western lenders have historically been more reluctant to place their funds.

Within this general pattern, the relationship between the rising power and individual South American countries has not evolved homogeneously. Although all regional actors have witnessed a rise in the economic engagement with Beijing, indeed, the magnitude of the process has varied substantially from one state to the other. Take the cases of Brazil and Colombia, for instance. Sino-Brazilian trade was near \$100 billion in 2019; in the same year, the value of Sino-Colombian exchanges was around \$15 billion. Due to these vast discrepancies, while it is correct to argue that China’s influence in South America has grown dramatically over the last two decades, it is crucial to emphasize that this influence has varied significantly in its magnitude. South American countries, in other words, have developed different degrees of dependency from Beijing, both commercially and financially. Over the next section, this article aims to verify whether Chinese economic outreach in the region has translated into political influence and whether the differences in Beijing’s weight as a commercial partner and international lender for South American countries correspond to equal differences in terms of political leverage.

Research Design

Proceeding from the afore-mentioned reflections, this work’s central puzzle can be summarized as follows:

Does Chinese economic influence translate into political leverage? Does economic dependence from China lead to increased foreign policy alignment/convergence from partner (South American) countries?

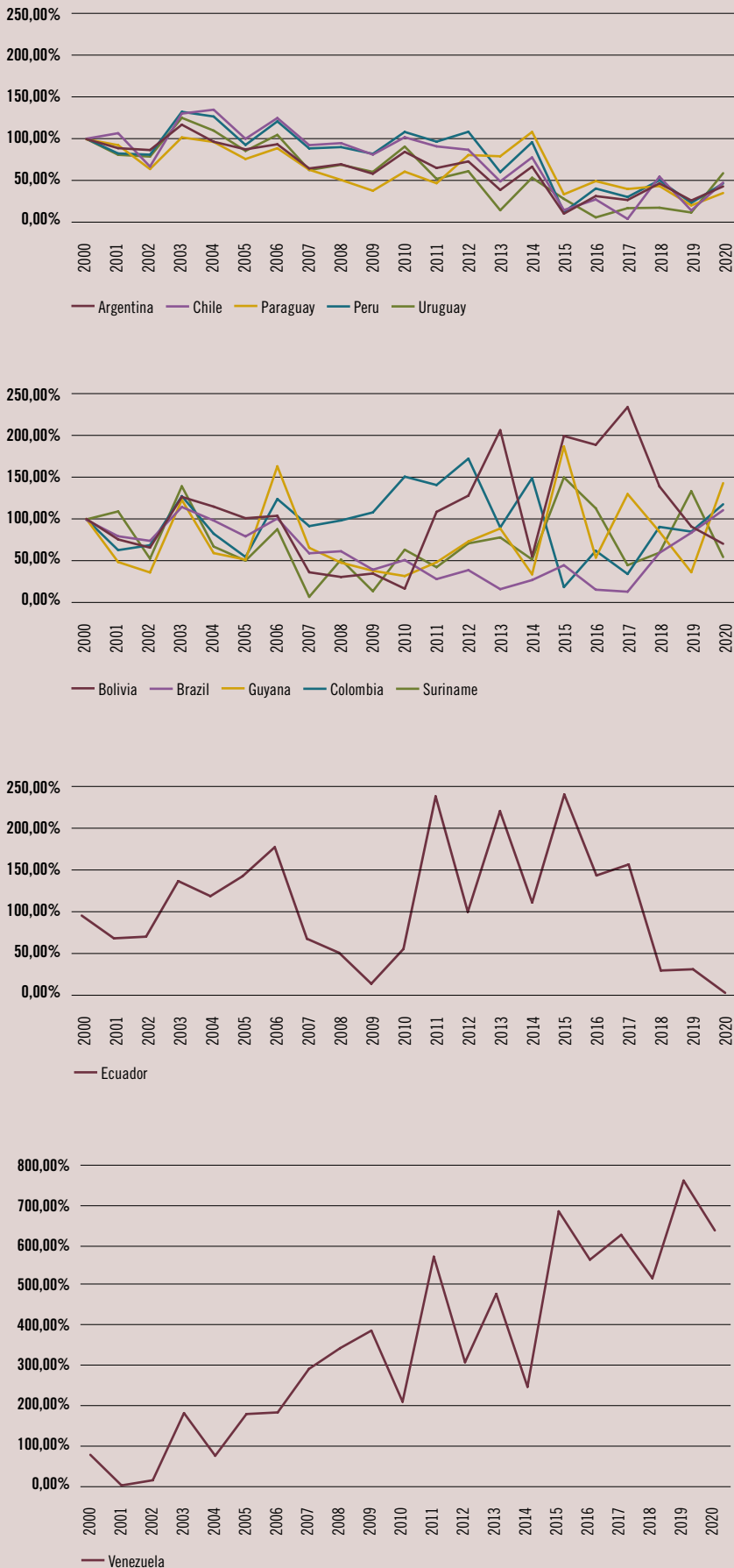
We attempt to answer the previous questions by implementing a linear model regression, which can be described as follows:

$$\bullet \theta_{it} = \alpha + \beta_1 Aid_{USA;it} + \beta_2 Aid_{CHN;it} + \beta_3 Aid_{Mlt;it} + \beta_4 Exp_{USA;it} + \beta_5 Exp_{CHN;it} + \beta_6 Imp_{USA;it} + \beta_7 Imp_{CHN;it} + \epsilon_{it}$$

Where, considering *i* as an element of *I* = {Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela};

• θ_{it} is Bailey’s Chinese ideal points distance from the country *i* at year *t*, with $\tau \in \{2000;2020\}$;

IDEAL POINTS' DISTANCE TRENDS IN THE REGION, WITH 2000 AS THE REFERENCE YEAR ($\theta_{i,2000}=100\%$)



- α is the intercept;
- $Aid_{USA;i,t}$ is the monetary flow from the United States to the country i at the year t ;
- $Aid_{CHN;i,t}$ is the monetary flow from China to i at t ;
- $Aid_{Mil;i,t}$ is a dummy variable equals to 1 when the dataset claims that the PRC has explicitly aimed those aids for military purposes and 0 otherwise¹⁵;
- $Exp_{USA;i,t}$ is the ratio of exports of i to the USA in t , by the total amount of exports of i to the world in the same t ;
- $Exp_{CHN;i,t}$ is the ratio of exports of i to China in t , by the total amount of exports of i to the world in the same t ;
- $Imp_{USA;i,t}$ is the ratio of imports of i from the USA in t , by the total amount of imports of i from the world in the same t ;
- $Imp_{CHN;i,t}$ is the ratio of imports of i from China in t , by the total amount of imports of i from the world in the same t ;
- ε_{it} as the error term of i at t , with $\varepsilon_{it} \sim N(0;1)$ by hypothesis.

We take our dependent variable from the “Agreement Scores” data, available in the Harvard Dataverse for the whole period covered by our analysis. Concerning the Chinese aids, we employ AidData’s Global Chinese Development Finance Dataset, Version 2.0¹⁶ (available until 2017 for all the South American countries). The 2018 Greenbook Data on US Overseas Loans and Grants¹⁷ contains data until 2019, with value in US dollar adjusted for 2018, and provided for the data on the USA’s financial flows to the South American countries¹⁸. We take trade data from the Comtrade dataset by the United Nations for all countries but Venezuela;¹⁹ for this reason, we selected the International Monetary Fund dataset for this country, showing data until 2020²⁰.

In the line graphs on the left, after setting 2000 as the reference year, to compare the countries on a same scale, we identified four trends in the region: starting from the top left, we gathered those countries whose trend is astonishingly similar; conversely in the right top corner, there are those countries whose trend is not clear and difficult to identify without a more in-depth analysis. Colombia’s trend is different from the second group, since apart from few observations in particular years, it shows a slightly increasing path. Finally, Venezuela’s trend shows the highest variation: It almost reached eight times its value in 2018, compared to 2000’s one.

We believe that it is important to notice that the decision of using Bailey’s ideal points distance from China to i for the purpose of estimating variation of the distance from the Chinese positions at the UNGA, stems from the fact that other dyadic measures of voting coincidence (such as the S-score²¹) have been proved to be strongly biased in their estimation of countries

preference's similarity. Ideal points estimate has, instead, been able to eschew the agenda setting bias embedded in the analysis of voting preferences²². Finally, all the regressions have been tested with the Breush-Pagan test against heteroskedasticity and none was found.²³ As a result, we believe that the following considerations might be accurately descriptive of the trends occurring between South American countries and the PRC.

Results and concluding remarks

Regressions for Bolivia and Guyana do not show signs of statistical significance level; thus, we will avoid making any inference on their data at this stage of the work. So far, we have found that Argentina's, Chile's, Colombia's, Paraguay's, Suriname's and Uruguay's ideal points distance from Beijing are significantly correlated with their import dependence, meaning that as imports from China rose on the total, ideal points distance reduced²⁴. Similarly, Peru seems to be influenced by its exports to China, since regressions show statistical significance level of negative correlation between the ideal point distance of the two countries and Peruvian export dependence from China: as exports to the Asian country rose, the distance dropped.

Brazil does not show high statistical significance level during the regressions, probably because the distance between its ideal points and China does not show a clear ascending or descending trend, but it still shows higher significance than Bolivia and Guyana. It is probable that the distance of its ideal point is influenced by both China and the US in an ambiguous way: when trade with China is higher, the distance recedes; conversely, when it is so with the USA, it increases. Ecuador shows a clear correlation between the dependent variable and the US aid and trade dependence, as the ideal points distance increases as those independent variables increase. However, we advise caution when dealing with Ecuador's results because Chinese aid data is available only until 2017 and from 2017 to 2020 the ideal point distance between the two countries drops significantly; thus, the results might be biased due to the lack of data availability.

Finally, the regressions run on Venezuela dataset show curious results; the statistical significance level is not strong, but the results are interesting: First of all, the ideal points estimate seems to contradict the literature on the Venezuela-China alignment, as the distance between the two countries UNGA's voting preferences increases from 2000 to 2020, with a statistical significance regarding the increase of dependence from Chinese imports; on the other hand, however, one regression shows a weak statistical significance level for the Chinese military aid variable. In 2001 and

2012, where the AidData tells us that China addressed its aid to military purposes, the distance decreased, and it took a couple of years to return to the previous levels.

Although the regressions implemented in this research are still at a preliminary stage and the independent variables embedded in the statistical model are not sufficient to give a comprehensive explanation of the analyzed phenomenon, it is possible to argue that the link between China's economic weight and the direction of South American preferences in the UNGA is not automatic. Indeed, our preliminary results show that both Chinese trade and financial aid have heterogeneous effects on South American voting preferences, indicating that only in some cases (Argentina, Chile, Peru, for instance) a higher level of economic dependence from China corresponds to closer foreign policy alignment. While this evidence clearly cannot provide a definitive answer on China's capacity to translate its economic power into political influence, it does provide insightful indications on the complex nature of the phenomenon and suggests caution against the simplistic assessments on Beijing's leverage over distant regions such as South America. ■

Notes

- ¹ World Bank (2021). World Bank Data. <https://data.worldbank.org/>.
- ² Hirschmann, Albert (1945). *National Power and the Structure of Foreign Trade* Berkeley: University of California Press, 7.
- ³ Armstrong, Adrienne (1981). "The political consequences of economic dependence." *Journal of Conflict Resolution* 25.3, 401-428.
- ⁴ Drezner, Daniel W (1999). *The sanctions paradox: Economic statecraft and international relations*. Cambridge: Cambridge University Press, 2.
- ⁵ Farrell, Henry, and Abraham L. Newman (2019). "Weaponized interdependence: How global economic networks shape state coercion." *International Security* 44.1, 2.
- ⁶ Kastner, Scott L., and Margaret M. Pearson (2021). "Exploring the parameters of China's economic influence." *Studies in Comparative International Development* 56.1, 18-44.
- ⁷ E.g. Keohane, Robert O. and Joseph S. Nye (1977). *Power and Interdependence: World Politics in Transition*, Boston: Little, Brown; Kirshner Jonathan (2008). *The consequences of China's economic rise for Sino-U.S. relations: rivalry, political conflict, and (not) war*. In: Ross RS, Feng Zhu (eds.), *China's ascent*. Ithaca: Cornell University Press.
- ⁸ Lim, Darren J., and Victor A. Ferguson (2021). "Informal economic sanctions: the political economy of Chinese coercion during the THAAD dispute." *Review of International Political Economy*, 1-24.
- ⁹ Zhang, Ketian (2019). "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea." *International Security* 44.1, 117-159.
- ¹⁰ Foot, Rosemary (2020). *China, the UN, and human protection: Beliefs, power, image*. Oxford University Press.
- ¹¹ Flores-Macias, Gustavo A., and Sarah E. Kreps (2013). "The foreign policy consequences of trade: China's commercial relations with Africa and Latin America, 1992-2006." *The Journal of Politics* 75.2, 357-371.
- ¹² Nolte, Detlef (2013). *The Dragon in the Backyard: US Visions of China's Relations toward Latin America*. GIGA Focus, 5.
- ¹³ To put these figures in context: in 2019, the value of the US-South American exchanges was above \$155 billion, which represented 15% of the overall value of the region's foreign trade.
- ¹⁴ Gallagher, Kevin P. & Margaret, Myers (2021). *China-Latin America Finance Database*. Washington: Inter-American Dialogue.
- ¹⁵ We believe that using this data provides a valuable addition to the literature, not only because it is the first time it has been implemented in the analysis of South American countries' UNGA voting behavior, but also because it provides coherence with the US aids data.
- ¹⁶ Custer, S., Dreher, A., Elston, T.B., Fuchs, A., Ghose, S., Lin, J., Malik, A., Parks, B.C., Russell, B., Solomon, K., Strange, A., Tierney, M.J., Walsh, K., Zaleski, L., and Zhang, S. 2021. *Tracking Chinese Development Finance: An Application of AidData's TUFF 2.0 Methodology*. Williamsburg, VA: AidData at William & Mary.
- ¹⁷ USAID. 2018. *U.S. Overseas Loans and Grants (Greenbook) - Data*. Dataset. USAID Development Data Library. <https://data.usaid.gov/d/7cnw-pw8v>.
- ¹⁸ We did not insert a dummy variable for yearly US military aid because the USA provided this kind of financial support in every year covered by the dataset.
- ¹⁹ Venezuela's entries are only until 2013.
- ²⁰ The only country for which the Comtrade dataset does not provide data until 2020 is Suriname, available until 2019.
- ²¹ Signorino, C. S., & Ritter, J. M. (1999). Tau-b or not tau-b: Measuring the similarity of foreign policy positions. *International Studies Quarterly*, 43(1), 115-144.
- ²² Bailey, M. A., Strezhnev, A., & Voeten, E. (2017). Estimating dynamic state preferences from United Nations voting data. *Journal of Conflict Resolution*, 61(2), 430-456.
- ²³ Which means that our hypothesis of the errors distributing as a Normal casual variable with mean 0 and variance 1 is accurate.
- ²⁴ Furthermore, although for Argentina it does not seem to be evidence of any influence of Chinese financial aid, for Chile, Paraguay, and Suriname it appears so; finally, Colombia shows a weird behaviour regarding Chinese military aid: it seems to increase the ideal point distance those years China provided military aid to Colombia.