

China's Global Rise and China-US Rivalry

The Impact on Latin America

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TODAY , the rise of China has successfully penetrated the core power areas in terms of economic competition, capital accumulation, political and economic influence, as well as technical and material capacities. This penetration spans from the global share of GDP growth, global trade, high-tech manufacturing commodities, and financial competitiveness to foreign aid and overseas investment. The world order is entering an era of “intertwined hegemony”¹. Intertwined hegemony denotes a dialectic process of mutual challenge and accommodation engaged by both existing and emerging powers. It symbolizes a dynamic situation in which the existing sys-

tem's defender (the US) and challenger (China) are intertwined in a constant interactive process of shaping and reshaping the world order.

As world history shows, world orders, disorders, or reorders have always resulted from the disturbing dynamics unleashed by the rise of new powers and the resistance of established powers. The position of emerging powers, whether perceived as proponents of the status-quo or revisionist forces, has been intrinsically engaged in dynamic interactions amidst various transformations of world order scenarios. The rise of the Chinese economy and finance, America-first unilateralism, the global power reba-

¹Li, X. (2016). From “Hegemony and World Order” to “Interdependent Hegemony and World Reorder”. In Christensen, S. F. and Li, X. (Eds.). *Emerging Powers, Emerging Markets, Emerging Societies: Global Responses* (pp. 30–54). London: Palgrave Macmillan.

lance caused by the Covid-19 pandemic, the US withdrawal from Afghanistan, the Ukraine War, the intensification of China-US rivalry, and the changing Middle East regional order are good examples of pivotal moments in the current world order transformations and world reordering processes.

China's rise has indeed "disrupted" the traditional distribution of economic power and wealth, as well as the inter-related positions of countries shaped by historically evolved arrangements or structures that connect them. The significant impact of China's rise is evident in Beijing's policies on finance, currency, investment, trade, security, environmental issues, resources, food security, raw materials, and prices, which now have increasing implications for the well-being of millions of people outside China's borders. Any shift in China's supply and demand will cause changes in prices and prompt adjustments by most countries. As a result, China is increasingly viewed as an "indispensable country," similar to the US. Its increasing growth in the global economy has made its success crucial for the well-being of other countries, and Latin America is no exception.

The rivalry between China and the US is conceptualized as a strug-

gle between two major core capitalist economies whose economies are highly intertwined and interdependent within the capitalist world economy. The main cause of the China-US rivalry is the transformation of the Chinese economy from a semi-peripheral/peripheral growth model to a core economy based on market, capital, and technological advancement and driven by its state-capitalist model. This transformation is changing China-US economic relationship from one of complementarity to one of severe competition —a competition between an existing power struggling to maintain its hard power and global influence and a rising power striving to catch up and translate its economic success into power of attraction and emulation.

China's rise in the capitalist world economy

Seen from the perspectives of the world system theory, the existing world economy, with an established structure of economic stratification and division of labor, is based on a mode of production and is driven by the law of value —capital accumulation and surplus pursuit. The division of labor within the world economy cons-

tantly brings about flows of commodities, labor, production and capital across different geographical areas through chains of manufacturing, trade exchange, and investment. Africa and Latin America were brought into the economy through colonization several hundred years ago. China was one of the last reserves that entered the world economy since the 1980s.

Division of labor in the world economy has led to a perpetual world economic stratification of core-semiperipheral-peripheral relations. In other words, nations' positions within the world economy's structural morphology are stratified. Under this *single* division of labor within one world economy/market, a political structure that consists of sovereign states and multiple cultural systems interacts within the framework of an interstate system. Nation states have quite different development stages within an interconnected world economy in terms of their positions in the division of labor, global supply chains, and value chains.

Historically, as a result of repeated cycles of systemic capital accumulation, an existing hegemon was unable

to maintain its position as the engine of world economic growth during the "systemic cycle of accumulation"². Hegemonic transition, characterized by a change in leadership, has been taking place in the global processes of capital accumulation. The dynamics of the world economy, as a succession of hegemonic episodes, are reflected today by the rise of China as a new emergent center, injecting new impetus into the world economy.

Such a phenomenon is described by Wallerstein as the "cycle of hegemony"³: that is, the rise and fall of hegemonic states within the international system as a sequence of cyclical changes in great power dominance. The catch-up process of rising hegemonic power consists of achieving a gradual and sequential superiority in three areas: 1) productive power; 2) trade and commercial leadership; and 3) financial leadership. Such a catch-up process is precisely reflected in China's economic rise:

- China is the world's second-largest economy by GDP (Nominal) and largest by GDP (PPP). It has been the largest contributor to

²Arrighi, G. (1994). *The Long Twentieth Century: Money, Power and the Origins of Our Times*. London: Verso.

³Wallerstein, I. (1983). The three instances of hegemony in the history of the capitalist world-economy. *International Journal of Comparative Sociology*, vol. 24, no. 1–2, pp. 100–108.

global economic growth for decades.

- China is the world's largest exporter of consumer goods and one of the largest consumer markets. It is the world's top country for high-technology exports (high-technology exports are products with high R&D intensity).
- China is the world's largest provider of finance, offering more loans than the World Bank, and it is the most proactive player in infrastructural investment for developing countries. It is also the largest holder of foreign currency and one of the largest foreign holders of American treasury securities.
- China is the top trading partner with 128 of 190 countries. In 2020, it replaced the US to become the EU's largest trade partner. Today, many more countries, including those of US allies and those with strained relations with Beijing, have China as their largest and most valuable trading partner, rather than the US.
- China was the only economy that

had positive growth in 2020, a result of Beijing's effective measures in dealing with the Covid-19 pandemic. China is expected to be the engine of global economic growth in the post-pandemic era.

The dynamics of China-Latin America economic relations

When discussing the interactions between rising powers and existing powers, along with the world reordering process, it is important to understand the dynamic interactions between core, semi-peripheral, and peripheral countries. Historically, certain pivotal moments have generated opportunities for upward mobility brought about by movements in the core within the world economy for semi-peripheral and peripheral countries⁴. Both the US and China are considered "core" economies in the global economic stratification vis-à-vis their economic relationship with Latin America, and both are essential for the region's development and prosperity. As China successfully moves into the core, it still needs the semi-periphery and the periphery for resources and economic "spatial

⁴Wallerstein, I. (1979). *The capitalist world-economy*. New York: Cambridge University Press.

fix”⁵. This is confirmed by Latin America’s growing economic relationships with China⁶.

“Room for maneuver” refers to the external conditions for “upward mobility” in the world capitalist economy that are conducive to internal development. Seen from a long historical perspective, the global core-semiperiphery-periphery hierarchy has remained a relatively stable structure over centuries. The world economy’s rhythmic cycles and the rise or decline of hegemonic powers provide opportunities for both upward and downward mobility. Upward mobility results from a combination of external forces, such as “promotion by invitation,” and internal forces, such as “taking advantage of opportunities.”

“Promotion by invitation” is a path to upward mobility that semi-peripheral or peripheral countries enjoy when their geopolitical or economic position is critical during a period

of great power struggles or if their internal resources and labor conditions are conducive to global capital mobility and relocation. The “promotion” is stimulated by the favorable external environment created by a hegemon — the core economy— through the commodity chain and supply chain. The role of the post-war US in initiating the Marshall plan to revive Western European economies and restore the Japan-centered regional economies, including South Korea and Taiwan, was a good case of rapid development promoted by a core economy.

Likewise, China’s economic rise is modifying the classical stratification of the world economy based on core, semi-peripheral, and peripheral relationships⁷. The consequence is dual. On the one hand, China’s economic status strengthens North-South trade and investment network power, overlapping with South-South cooperation, fostering more political and economic

⁵The concept of “spatial fix” refers to the economic geography of capitalism, involving spatial reorganization and geographical expansion, as a temporary measure to address its inherent contradictions, such as overcapacity and overaccumulation.

⁶Ferchen, M. et al. (2013). *Evaluating Latin America’s Commodity Dependence on China*. Hong Kong: BBVA Research International Finance Centre; and Pereira, C. and Neves, J. (2011). Brazil and China: South-South Partnership or North-South Competition? *Foreign Policy at Brookings*, Policy paper number 26.

⁷Grell-Brisk, M. (2017). China and global economic stratification in an interdependent world. *Palgrave Communications*, no. 3, pp. 1–12. Available at <https://www.brookings.edu/blog/order-from-chaos/2020/08/07/more-pain-than-gain-how-the-us-china-trade-war-hurt-america/>; and Li, X. (2020). The Rise of China and Its Impact on World Economic Stratification and Re-stratification. *Cambridge Review of International Affairs*, vol. 34, no. 4, pp. 530–550.

“room for maneuver” for developing countries⁸. China-driven “upward mobility” is a new force for a different mode of South-South cooperation. China’s approach to South-South cooperation has moved away from traditional international aid schemes, integrating new practices of political dialogue, trade agreements, and infrastructure financing, thereby opening the doors to a possible alternative cooperation regime⁹.

On the other hand, various statistics indicate that the economic relations between China and Latin America demonstrate the emergence of a reproduction of the North-South axis in the stratification of the world economy, with China emerging as a new “North state” vis-à-vis the Global South¹⁰. Accordingly, China’s trade relations with the region have been a subject of de-

bate. Some view the trade relations as a “match made in trade heaven,” arguing that “China’s demand for raw materials is primarily a positive demand shock,” while others view the relations as “dependency reloaded,” suggesting that comparative advantages are regenerating center-periphery relations¹¹. China’s competition weakens the relative monopoly of existing semi-peripheral states in certain global commodity chains. Some scholars argue that the rising unequal exchange trade relationships between China and many existing semi-peripheral countries have led to the latter’s economic “primarization” or “peripheralization” due to the change of their position from being an exporter of manufacturing goods to being a commodity supplier¹². Brazil is a good case.

The above debates imply that Chi-

⁸Vadell, J. et al. (2014). The international implications of the Chinese model of development in the Global South: Asian Consensus as a network power. *Revista Brasileira de Política Internacional*, vol. 57 (special edition), pp. 91–107; Vadell, J. (2020). The Chinese South-South development cooperation: an assessment of its structural transformation. *Revista Brasileira de Política Internacional*, vol. 63, no. 2. Available at <https://www.scielo.br/j/rbpi/a/7bGWCPphHqQZT7wKDg3SLgw/?lang=en>.

⁹Vadell, J. et al. (2020). The Chinese South-South development cooperation: an assessment of its structural transformation. *Revista Brasileira de Política Internacional*, vol. 63, no. 2. Available at <https://www.scielo.br/j/rbpi/a/7bGWCPphHqQZT7wKDg3SLgw/?lang=en>.

¹⁰Bernal-Meza, R. and Li, X. (2020). *China-Latin America Relations in the 21st Century: the Dual Complexities of Opportunities and Challenges*. London: Palgrave Macmillan.

¹¹Skira, M. (2007). China and Latin America: A Match Made in Trade Heaven or Dependency Reloaded? [Senior Honors Projects, Paper 37, University of Rhode Island]. Available at <https://digitalcommons.uri.edu/cgi/viewcontent.cgi?article=1037&context=srhonorsprog>.

¹²Sevares, J. (2015). *China: un socio imperial para Argentina y América Latina*. Buenos Aires: Edhasa; and Bernal-Meza, R. (2016). China and Latin America Relations: The Win-Win Rhetoric. *Journal of China and International Relations*, special issue, pp. 27–43.

na's rise is generating different implications and impacts in various parts of the world. On the one hand, it may be argued that China is politically challenging and economically overcrowding the core with its capital accumulation molded in a state capitalism model. On the other hand, it can also be seen as a new rising hegemon for the semi-peripheral and peripheral regions of the world. The impact of China's rise on developing countries, including Latin America, is not about whether they can emulate the Chinese development model. Rather, it is about taking advantage of new possibilities for integration into the global economy, based on complementary trade with China. Chinese economic growth acts as a magnet for other nations to align themselves with China's economic strategies and policies.

The impact of China-US rivalry on Latin America

Since the China-US trade war in 2018, the world has witnessed the rapid deterioration of China-US economic relations, generating a negative impact on the global economy. Latin America finds itself caught in the middle of the economic competition bet-

ween China and the US. On the one hand, the imposition of tariffs between the two core economies had a spill-over effect on global demand and supply, leading to a decrease in the total global trade volume. On the other hand, both economies had to substitute expensive goods caused by the tariffs with imports from other countries, thus increasing Latin America's exports to them.

In addition to trade, the China-US trade war posed a complex situation for Latin America with a mixture of advantages and disadvantages. On the one hand, a positive aspect of the trade war for the region could be upward mobility and room for maneuver brought about by the "nearshoring of manufacturing". The idea is that the increase in US tariffs and import restrictions would make Chinese goods expensive, thus providing Latin America an opportunity to replace Chinese products due to its geographic closeness to the US market. This would reduce US dependency on Chinese supply chains and increase the region's bargaining position, given that 11 of the current top 20 US foreign trade partners are in the region. Due to Beijing's retaliatory actions, imposing high tariffs on US soybeans and agricultural products, China imported record volu-

mes of Brazilian soybeans for fourth-quarter shipments —12 to 14 million tons in 2018¹³. This was a typical “promotion by invitation” by China, leading to Brazil’s increased room for maneuver and upward mobility.

However, historical lessons demonstrate that the region’s commodity-based economy has been vulnerable to recurrent slumps in global commodity prices, leading to economic retrogression. Hence, it is a long-term strategic interest of Latin America to be integrated into China’s development strategy. Following China’s upward stratification in high-tech development and supply chain on a global scale, Latin America can be included as a strategic partner in China’s outsourcing of manufacturing and transfer of technology and know-how¹⁴.

Especially for Brazil, the long-term sustainability of the soybean boom triggered by the China-US trade war is very uncertain. Brazil realizes that the magnitude and complexity of Brazil-US-China relations are enormous, and

the country cannot afford to make a binary choice. On the one hand, Brazil has comprehensive historical and socio-political ties with the US, and its pro-US political elites believe that the country’s relationship with the US, even in alignment with US policy, is a source of prosperity, opportunity, and development. On the other hand, China is the main importer of 11 out of Brazil’s 15 most exported goods, while the US is the main importer of only two. Furthermore, China far surpasses the US in investment in Brazil’s infrastructural development, along with its other economic dependencies on China, such as job creation, income, credit, and investments¹⁵.

Balancing China’s Influence and US Engagement

The existing order is undergoing a reordering process, and the world is witnessing the emergence of multiple, parallel, centripetal competitions

¹³Lauriat, G. (2018). Can Latin America benefit from the US-China trade dispute? *AJOT*, issue 676. Available at <https://www.ajot.com/premium/ajot-can-latin-america-benefit-from-the-us-china-trade-dispute>.

¹⁴Zuleta, P. (December 16, 2020). How Latin America Can Make the Most of the US-China Competition. *The Diplomat*. Available at <https://thediplomat.com/2020/12/how-latin-america-can-make-the-most-of-the-us-china-competition/>.

¹⁵Kalout, H. (July 13, 2021). How Will Brazil Navigate the US-China Rivalry? *Americas Quarterly*. Available at <https://www.americasquarterly.org/article/how-will-brazil-navigate-the-us-china-rivalry/>.

for global/regional political, economic, and cultural influence as a result of great power rivalry. There are opportunities and constraints for different countries and regions within the process, indicating that global responses and adaptations are occurring in response to the changing world order.

Latin America must find a strategic convergence with China's capital expansion and global strategies, such as Beijing's Belt and Road Initiative (BRI). For example, Latin America has benefited greatly from China's "health silk road" as its health diplomacy—both as a tool of hard and soft power—became deeply rooted in the region during the Covid-19 pandemic period. While the pandemic created a huge dilemma for Latin America, the hardest-hit region, it also provided Beijing with an unprecedented opportunity to use its medical and vaccine diplomacy to deepen ties across the region by sending medical supplies, including ventilators and masks, to combat the crisis¹⁶.

Great power competition with Beijing is likely to push Washington to

rethink its relationship with Latin America. The Covid-19 pandemic exposed US vulnerabilities in global supply chains monopolized by China and reminded the US of the importance of geographical proximity in terms of near-shoring production. Facing China's increasing presence in the region, American strategists began to define a new realist grand strategy of "implementing restraint,"¹⁷ i.e., investing power in a relatively narrow set of objectives. As a result, Washington might expand and strengthen its role and engagement in the Western Hemisphere, which could generate various opportunities for the region.

Finally, Latin America should also realize the dual aspects of both Kautsky's "cartel capitalism" (convergence under a common interest) and Lenin's "imperial conflict" (divergence due to a conflict of interest) in great power rivalry. Learning how to make a strategic balance between China and the US is a challenge. In the long run, choosing one side by simply taking the short-term advantage of the China-US

¹⁶Fuenzalida, A. F. and Fulchéron, A. (2021). China's Health Diplomacy in Latin America: A Silk Road of Health? *Journal of Public Governance and Policy: Latin American Review*, vol. 1, no. 9, pp. 49–62; and Li, X. et al. (July 20, 2023). Soft Power with Chinese Characteristics: Pandemic Diplomacy in Latin America and the Caribbean. *Latin American Perspective*. Available at <https://journals.sagepub.com/doi/10.1177/0094582X231187895>.

¹⁷Priebe, M., Rooney, B., Beauchamp-Mustafaga, N., Martini, J. and Pezard, S. (2021). *Implementing Restraint: Changes in U.S. Regional Security Policies to Operationalize a Realist Grand Strategy of Restraint*. Santa Monica, CA: RAND Corporation.

conflict could be counter-productive to a long-term benefit. In this regard, Southeast Asia's reliance on not taking a stand —“don't make us choose”— is a good lesson for Latin America.