Are Chinese Economic Actors Poised to Dominate Latin American Economies?  
A View from Bolivia and Chile  

THOMAS P. NARINS
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A View from Bolivia and Chile

Thomas P. Narins, University at Albany, USA

Abstract: This article attempts to highlight the variations in foreign investments within two politically distinct Latin American states—Bolivia and Chile—in order to underscore Chinese investors’ growing but still small economic footprint in these resource-rich countries. Through an examination of the unique political conditions and visual representations of subnational foreign direct investment (FDI) data in both target countries, this article helps to clarify the extent and expanse of Chinese investment in two South American economies. This work shows that Chinese economic actors—while contributing to the diversity and competitiveness of key market sectors in the region—are very far from any sort of economic dominance in the usual way in which “dependency” has been previously understood in Latin America. The findings suggest that claims of Chinese economic dominance in these resource-rich economies cannot be substantiated. In addition, the target political and economic frameworks examined here help to highlight the reality of Chinese economic actors as comparatively limited investors—thereby disputing hyperbolic claims of Chinese economic dominance in developing world regions such as Latin America.

Keywords: China, Latin America, Foreign Direct Investment (FDI), Economic Aid, Loans

Introduction

With the rise of the Global South, the world economy has shifted toward key economic players—most notably to China, but also to Latin American countries such as Bolivia, Chile, Columbia, Ecuador and Peru. The rise in prominence of southern countries has brought important changes to economies in the Latin America and Caribbean (LAC) region, with clear differences in the region based on the economic configurations that each country adopted/assumed during the twentieth century (de la Torre et al. 2015, 41–44). With regards to the LAC region, foundational dependency theorists such as Singer and Prebisch endowed the vast majority of the decision-making with countries at the center of the global economy, giving US and European countries all of the capacity, control, and power in the global economic system. This conceptualization of dependency simultaneously rendered peripheral economies (such as those in Latin America) virtually powerless. Today global trade and manufacturing networks—especially the rise of global value chains (GVCs)—have enabled the Global South to account for 55 percent of global capital inflows versus the 26 percent it accounted for in the 1990s (de la Torre et al. 2015, 42). Chinese government and private actors are leading the rise of the Global South’s economic growth.

The implications of China’s economic expansion for different world regions are numerous, from the overall impact on world commodity markets to the geopolitical influence that follows from international economic exchange (e.g., Pant 2011). On a global scale, Nolan (2012) makes a compelling case that China is far from “buying the world” anytime in the near future—especially when viewed in terms of Chinese firms’ current participation in a) high-income countries and b) high-technology sectors (i.e., aviation and automobiles). However, Nolan’s empirical analysis is at a high level of geographical aggregation. In this article, I present foreign direct investment (FDI) and economic aid/loan data to show that Chinese economic activities in two target countries (Bolivia and Chile), like those of its activities in Latin America more broadly, have increased especially over the last decade, but to a much lesser extent than is often alleged.

Beginning in the 1990s, when Chinese President Jiang Zemin launched China’s first “going out” policy (zouqu) (see “China Makes More Overseas Investment in 2005, Mainly in Asia”
that encouraged China’s state-owned enterprises (SOEs) to operate beyond China’s borders in search of natural resources (see Economy 2004; Friedberg 2006), Chinese economic actors have engaged the world economy in a way that they had not done previously. Together with the acceleration of State and private Chinese investments around the globe beginning with China’s 2001 entry into the World Trade Organization, debates on the interpretation of China’s growing economic engagement beyond its borders have been widespread. These debates range from envisioning Chinese economic activity inevitably altering the Western-dominated world order to ones in which the United States is viewed as benefitting from China’s continued political economic strengthening (e.g., Jacques 2009; Gross 2012).

China’s much discussed global search for energy, food, and mineral resources has amplified the perceived strength of the Chinese economy and has spurred debate on China’s impact on developed and developing regions alike. Chinese international trade, foreign investment, and foreign economic aid have increased rapidly since the 2000s. This has caused concern among global development scholars, leading some to conflate the speed and spread of Chinese economic activity in regions beyond China’s borders with an aura of inevitability of Chinese economic actors’ present (if not impending) economic domination (see Subramanian 2011; Fornés and Butt Philip 2012; Cardenal and Araújo 2013). Such rapid growth of the expansiveness and monetary value of Chinese overseas trade and investment has led two well-known journalists to comment: “By buying companies, exploiting natural resources, building infrastructure and giving loans all over the world, China is pursuing a soft but unstoppable form of economic domination” (Araújo and Cardenal 2013, SR1).

Studies on the geographic expansion of the Chinese economy beyond its borders have tended to privilege the consequences and implications that Chinese trade and investments have had on the potential economic development trajectories of the receiving countries—those countries that trade with and receive investments from China (Fernández Jilberto and Hogenboom 2012; Carmody 2011; Ellis 2009). In fact, with the exception of Venezuela, those Latin American countries that have significant trade ties with emerging economies such as China tend to be those countries that have seen their economies grow and expand into new sectors over the last twenty years. According to a recent World Bank Group study in 2015, “[t]rading with countries at the center of the global trade network is associated with higher growth, arguably because these types of connections expose the country to the frontier of ideas and technologies” (de la Torre et al. 2015, 28). China is without a doubt a key player in the contemporary global trade network.

This article, however, seeks to frame and situate the reality of the internationalization of the Chinese economy more broadly. To do this, I engage in an analysis of Chinese FDI and loan-making in a developed economy (Chile) and a developing economy (Bolivia) in order clarify China’s position in the region as compared with the positions of other major foreign economic actors in Latin America. Discussions of foreign economic relationships and influence in Latin America necessarily revolve around how new external relations will or will not change the status quo of countries that share a common history of pinning their hopes for economic development on the United States’ free trade model—a model that has not improved the economic trajectory for the majority of Latin American countries. By focusing on Chinese economic activities in Bolivia and Chile, and comparing such activities with those of other major foreign economic actors (in these two emerging economies), this work both challenges perceptions of China’s already dominant economic role in Latin America (Fornés and Butt Philip 2012) and provides perspectives into the competitive South American economic environment in which Chinese economic actors find themselves.
Previous center-periphery conceptions of the world economy privileging the geo-economic\(^1\) dominance of the US, the EU, and Japan have now been complicated by two concurrent trends: 1) the dynamism of emerging Asian economies (especially China) and 2) the rising financial strength and independence of countries in emerging markets (including most countries in Latin America) (see, e.g., Kupchan 2012; Davidson 2012; Escobar and Lagos 2012). Focusing on the economic variegation inherent in Chile and Bolivia—two economically important Latin American countries—this work compares China’s “economic insertion” in these two states from 1974 to 2013, a period that has seen dramatic change in the world economy typically associated with the term “globalization” and a rapid increase of Chinese diplomatic and business ties with the region.

Earlier Chinese economic expansionary movements beyond the country’s borders were initially hailed as a boon to resource-rich Latin American economies. Unlike all Latin American colonies during the European colonial period (late fifteenth century to mid-twentieth century), contemporary Chinese economic activity in the region is not neocolonial in nature. The current Latin American political landscape is mature and is populated by a diversity of foreign economic actors. Crucially, during the colonial period, European powers divided up regions like South America with somewhat arbitrarily drawn country borders—with Portugal, Spain, Britain, and the Netherlands—each claiming territory to control and from which to extract resources, while simultaneously respecting and following a practice of non-interference in the colonies of other neighboring colonies. Such a geopolitical arrangement is not the case in modern-day Latin America. While it is the case that regions tend to trade and invest more frequently with neighboring countries and regions (as theorized by Tobler’s first law of geography (1970)), today former colonial regions including Latin America actively court and seek out economic connections with numerous foreign economic players. The economic benefits brought to internationalizing firms and their host governments are numerous (see, e.g., de la Torre et al. 2015; Montalbano et al. 2014).

In addition to gaining access to natural resources, the Chinese government and Chinese private businesses view Latin American economies as representing new markets and new investment opportunities with which to realize returns on investment. Although this arena is already somewhat competitive since Chinese economic actors are relatively new arrivals in Latin America, Chinese economic actors view developing regions (e.g., Mohan et al. 2014) as both less competitive and less bureaucratic than the Chinese domestic market.

**Methods and Justification**

A purely economic comparison of Chinese economic activities in distinct Latin American economies would most likely entail contrasting China’s activities in a low-cost assembly/manufacturing intensive country, such as Mexico (or a Mexican-type maquiladora economy in Central America) with its activities in a commodity-exporting country, such as Brazil (or a Brazilian-type resource-rich economy in South America) (see Pilling 2013). This article, however, is concerned with the political economic factors shaping Chinese business and government actors in Latin America, focusing on Bolivia and Chile. These countries were chosen for their markedly distinct demographic histories and political economies. They serve as representative cases of the variety and range of political economic frameworks that shape foreign investment outcomes across Latin America.

In terms of similarities, both Bolivia and Chile rely on the sale of primary commodities (specifically minerals such as copper, tin, gold, and iron) for the vast majority of their national earnings (see The Observatory of Economic Complexity 2010). In the case of Chile, the country

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\(^1\) The term “geo-economic” here refers to economic processes relating to relative economic power and its effects on patterns of trade, investment, and aid that take place across large geographic zones usually labeled as core, periphery, and semiperiphery.
has ridden the waves of a series of natural resource booms starting with the sale of nitrate in the
nineteenth century to becoming the world’s largest producer and seller of copper and lithium
today (Fernández Jilberto 2012). Chile has also developed a varied export agribusiness market.
Bolivia has also had a long history of natural resource extraction, including tin, iron, and gold,
though much of this economic activity has not translated into any benefits for average Bolivian
citizens (Artaraz 2012). Today, extractive natural resource activities still account for the largest
amount of trade and foreign investment in both Bolivia and Chile, and such activities in both
countries are targets for foreign lenders as well.

While natural resources continue to be the main driver of all Chinese investment and trade
with both of these South American countries, the different economic geographies of Chile and
Bolivia, both at the state and substate levels, point to substantial variation in foreign economic
activity in these two countries. In terms of differences, Bolivia’s and Chile’s subsurface
geomorphology (geologic mineral composition) is much more similar than these two states’
supersurface political and economic geography. While Bolivia is landlocked, Chile has direct
shipping access to the Pacific Ocean, the presence of which facilitates trade via international
containerized shipping routes. Chile was the first Latin American country to see its companies
expand beyond its national borders. In addition, in 2012 after Brazil, Chile led FDI growth in
South America followed by Colombia, Mexico, Argentina, and Peru. In the same year, Chile was
one of the world’s largest FDI investor economies ranking 17th worldwide (investing $21 billion
USD), placing it behind the British Virgin Islands (ranked 10th at $42 billion USD) and Mexico
(ranked 15th at $26 billion USD) (UNCTAD 2013, xiv, xv). To date, Bolivian businesses—in
FDI terms—have a very limited international presence.

In contrast with Chile’s macro-economic conditions, the Bolivian economy, until the early
2010s, has been comparatively stagnant and more focused on domestic economic issues. Bolivia
has consistently ranked amongst the poorest, least FDI friendly South American countries
UNCTAD 2013). While Bolivia’s natural resource sectors (predominantly hydrocarbons)
accounted for 71 percent of Bolivia’s FDI in 2005 (Stanley 2008, 2), the country itself is neither
a major destination for FDI nor a major capital exporter. Over the last four decades, Bolivia has
been less open to foreign trade but has displayed a willingness to take on long-term debt in the
form of loans, thereby maintaining a more traditional extractive-development trajectory in which
traditional agrarian systems have not given way to industrial production on a wide scale.

The domestic policies and regulations taken by Chile’s leadership have facilitated Chile’s
development into a globally integrated and strong economy. Bolivia, on the other hand, has
traditionally adopted a strategy based on regional political and trading alliances. Studying these
countries’ divergent political economic positions in relation to China’s geo-economic
expansionary capabilities provides insights into the different ways in which Chinese economic
actors have navigated the contours of Latin American political landscapes over the past four
decades.

In order to measure Chinese firms’ comparative activity at the subnational scale, I have
employed publicly available investment data by subnational unit while addressing two key
conceptual questions that are central to understanding and contesting China’s economic
domination narratives within Latin America to date. These are:

1) What can the spatial and geographic unevenness of such investments within host
countries tell us about the veracity of Chinese “economic domination” narratives?

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2 Both states contain large amounts of valuable metal minerals—copper, iron, zinc, lithium, gold.
3 See The Box (Levinson 2010) for a fascinating explanation of the effect of containerization and the transport of
containers on ships on global trade.
4 Albeit small and highly unequal in terms of its socio-economic demographics.
2) When examined at the subnational level, can the location and extent of Chinese economic actors’ actual investments confirm Chinese firms’ position as a newly emerging—not already dominant—foreign economic investor?

By comparing the extent and number of Chinese economic activities (investments and/or loans) with those from other foreign actors, I examine the spatial unevenness of such activities and varying intensities of FDI within host countries in order to clarify and compare the extent of the Chinese economic footprint within these economies. In addition, with several exceptions, such an examination of Chinese economic activity in Latin America shows that, to date, China-originating investments are fewer and smaller than those originating in the US, the EU, and other developed countries that have had a much longer history of natural resource extraction beyond their borders (e.g., Australia and Canada). By employing economic data within Chilean regiones and (to the extent possible) within Bolivian departamentos, Chinese economic activity in these two countries can be compared with that of other foreign economic players such as Brazil, the EU, and the US, which hold much larger economic positions in these countries.

Bolivia and Chile represent distinctive economies both of which possess positive attributes for resource-oriented businesses and foreign government actors looking for investment opportunities. To foreign investors these countries offer great possibilities but different risk profiles. On the one hand, Bolivia is a landlocked, relatively poor, developing country with a highly decentralized political and economic geography. And, until recently, it had been viewed by many foreign investors with trepidation since the Morales government publicly advanced the nationalization of Bolivia’s natural resource sectors, such as the petroleum and natural gas sectors (Prada 2006). Chile, on the other hand, is highly politically centralized, is a wealthy country in the region, and is widely viewed as safe for foreign investment in its natural resources sector (US Department of State 2013). Both Bolivia’s and Chile’s natural resource-intensive economies exemplify the increased role that countries in the Global South are playing in the global economy compared with ten or even five years ago. Moreover, Bolivia and Chile also command a larger presence as parts of the global value chains that are central to the continued development and operations of key manufacturing sectors within economies of the US, the EU, Australia, Brazil, and Canada.

**Chinese Firms’ Subnational Footprint in Chile**

Studying China’s foreign economic footprint in Chile is facilitated by the existence and public availability of annual foreign direct investment data, organized temporally by investing country and at the subnational level (see InvestChile 2013). The Chilean government’s Foreign Investment Committee records have made accessible detailed FDI data from 1974 to the present. Information on the origin, the amounts, and industrial sectors where investments are made within Chile’s regiones allows for more precise mapping and visualizations that would otherwise be impossible in countries where only national-level data are available. Part of the reason for the traditional preference for national-level data stems from the way in which governments, international organizations, and foreign investors alike view international relations (see, e.g., Chernilo 2007).

According to Harvey (2005), Chile is the world’s first intentionally constructed neoliberal state going back to the Pinochet regime of the 1970s and 1980s. This characterization has repercussions for Chile today, being one of the most free trade- and foreign investment-friendly countries in the world, not simply in Latin America. Chile’s recent fiscal management and its long tradition of economic prudence have combined to bring the country “enviable growth, low inflation and the highest annual per capita income in the region (US$19,000)” (Webber 2012a), all of which are factors attracting potential foreign investors. Chile’s high level of income inequality is perhaps the price that has been paid for this “success.”
An examination of Chile’s regiones reveals a geographically varied reception of FDI. It starkly highlights the lack of a significant Chinese firms’ subnational footprint within the country. As Figure 1 makes clear, up until 2012, even though Chinese firms were Chile’s largest copper customers, they were far from being one of Chile’s major investors in any of Chile’s regiones—even in those regiones with large copper mines (i.e., Antofagasta). In fact, among Chinese firms’ direct investments that are officially registered with the Chilean government and valued at $5 million USD or above, in no case do such investments surpass 4 percent of the total investment by origin in any single Chilean region. This finding highlights several trends.

First, while Chinese economic actors, such as the Chinese SOE China MinMetals, buy copper and are interested in other natural resources, Chinese investments in any one of Chile’s regiones are comparatively much smaller than those of more “traditional” (i.e., US, EU and other Western) investors. This indicates that Chinese investors are most likely purchasing Chilean copper without investing in an ownership position in copper mines themselves. These limited investments support the claim of China’s economic challenge to such developing regions as representing somewhat of an overstatement.

Second, Figure 1 illustrates the extremely minor presence Chinese economic actors make up of foreign investors in Chile’s fifteen subregions. In Figure 1, each multishaded box underneath one of fifteen Chilean subregional names is made up of 100 cells. Each cell (or block) corresponds to 1 percent of the total investment in that region for the period. As can be seen clearly in the figure, Chinese investments (denoted as “China”) only exist in three subregions and each account for only 2 percent (Coquimbo), 3 percent (Los Lagos), or 4 percent (Maule) of the total FDI.

Chile’s largest foreign investors (the EU, the US, Japan, and other Latin American countries) have registered their investments through the Decree Law 600 (DL600) Chilean legal investment mechanism. This highlights the governance power and the regulatory capacity of the Chilean state. These investment data highlight three important trends. First, in terms of FDI inflows, China is clearly not a major foreign investor in Chile, in comparison to other states, even though China has increased its investments globally and even considering that Chile is the world’s largest copper producer—an important import commodity for China. Second, Latin America is a region that is noted for having multiple foreign and regional investment suitors (i.e., Brazil and Chile) and the idea that China is somehow becoming economically dominant here, in terms of the number and quantity of its investments its government or its companies have made in the region (as compared with other investors) is simply not substantiated by the FDI data provided here. Third, the very nature of FDI, in Latin America shows that if anything, European and US companies are the outside powers most likely to be controlling economic processes in Chile, more so than Chinese or even Brazilian firms.

In fact, FDI data at the local level in Chile (Figure 1) shows that China only has minor investments in three regiones: Coquimbo, Los Lagos, and Maule. These Chinese investments are concentrated in the agribusiness investment, forestry, and forest management sectors, respectively. As this figure makes clear, until 2012 most major FDI (in terms of percentage of total FDI) in Chile has originated from the EU countries (predominantly Spain), the United States, Canada, and Australia. These data clearly show that Chinese firms have had very minor investment positions in the country (through the commodity boom ending in 2012) and are far from challenging the hold over Chilean natural resources of investors with a longer history of investment in Chile.
China’s comparative position as a minor foreign investor in Chile can also be understood geographically—by looking at the major foreign investors in Chilean regions in terms of absolute US dollars invested. Figure 2 highlights Chinese firms’ local footprint in Chile with those of investors from Brazil, other Latin American and Caribbean (LAC) countries (not including Brazil), the EU, and the US. While the LAC is not an officially recognized region or economic union, as are the other political economic units used for comparison in this article, as a subregional concept or category, the LAC is regarded as a valid political economic unit of study by international organizations such as the United Nations. (see, e.g., Rosales and Kuwayama 2012).

In Figure 2, moving left to right from Chinese investments (the lowest amount) in fifteen distinct Chilean regions to US investments (the highest amount) in the same regions, it becomes clear that China has comparatively not only fewer investments in Chile but that Chinese investments are several orders of magnitude smaller than those originating from the US and the EU. They are also considerably smaller than investments emanating from the LAC region outside of Chile. Although China has invested most heavily in Coquimbo, even there it is not the major foreign investor. Figure 2 aids in further clarifying the idea that China’s demand for purchasing commodities, such as copper and other minerals, does not translate into a dominant investment position of economic processes on the ground in Chile.

The maps in Figure 2 reveal several trends. Chinese firms’ investment in Chile focuses on the mining sector and is located predominantly in Coquimbo, Atacama, Los Lagos, and Maule. From this figure it is clear that Chinese investments do not include all regions of Chile or all industrial sectors of Chile’s economy. The vast majority of Chile’s foreign investments in all fifteen regions originate from the US, the EU, or Japan. This is not surprising given that these political groupings are among the largest global FDI actors over the course of the last three decades (see UNCTADstat 2014).
Most notably, Chinese investments in the Santiago metropolitan region, the country’s largest urban agglomeration and consumer market, are especially low. This suggests that Chinese economic actors are focused more on purchasing Chilean commodities and less on market building activities in Chile’s main population center. Of course, as is evident when one is present in the city of Santiago, the data used to construct this map include only officially registered foreign investment projects valued at $5 million US or more. Many more informal and smaller Chinese investments exist in Santiago and throughout Chile.

Annual FDI inflows into the Chilean economy are registered through the official Chilean Government investment mechanism: the DL600 investment statute. The DL600 operates on the “principles of non-discrimination, non-discretionary treatment and economic freedom” as well as providing “legal certainty and stability.” Signatories to the DL600 enter into a contract with the state of Chile. The minimum investment amounts are $5 million USD for investments in currency and $2.5 million USD for investments taking other forms (Foreign Investment Committee Brochure 2011, 72–73). From 1974–2012, Chinese FDI inflows into Chile, through the official Chilean DL600 investment statute, never exceeded $24.3 million USD per year and have totaled only $104 million USD of FDI since the Chilean Government began keeping such records.

These empirical observations serve to support local expert views on the relative importance and presence of “China” in the Chilean economy. In an August 2012 phone interview conducted with Andrés Velasco, Chile’s former Finance Minister, the author asked which position China would occupy in a hypothetical Chilean Government “daily ranking of concern” list. If the Chilean Government were to have a “Top Ten List” of daily concerns, Velasco stated that China would not rank in the top ten and it might not even make it onto a “Top Twenty List” (Andrés Velasco, pers. comm.).
This then raises the question of why is there not more of a functioning complementarity between Chile’s “open to the world and open-for-business model” and its natural resource wealth (particularly in copper and lithium) and China’s high consumption demands as the “world’s manufacturing workshop,” constantly in need of increasing amounts of raw materials in order to keep its manufacturing economy operating and growing? One explanatory clue that may contribute to explaining this quandary is that Chile is viewed as a safe but expensive place to invest. As Will Landers, portfolio manager of the BlackRock Latin American Investment Trust notes, “Chile has always been one of those countries that looks great from the top down…[b]ut once we get down to valuations, Chile is…by far the most expensive in the region” (Webber 2012a, n.p.).

In the realm of FDI, an area where return on investments is key, the expense of doing business in Chilean territory may encourage Chinese firms to maintain their interest in buying Chilean copper and lithium supplies, as well as selling automobiles and other manufactured goods in the country, but not to necessarily try to achieve an ownership stake in equivalent Chilean industrial sectors. The nonsubstitutable nature of copper, coupled with Chile’s stable and organized investment legal framework, help to solidify Chile’s utility in understanding the reasons for and challenges associated with Chinese firms’ expansion in this Latin American investment space.

**Recent Chinese Investments in Chile**

Despite the generally cautious stance that Chinese government and private economic actors have taken with regards to FDI in Chile, Chinese firms’ investment outlook toward Chile began to change in May 2012. Although hardly tipping the aggregate picture as portrayed above, some new Chinese investment suggests that Chile is not entirely inhospitable to future Chinese FDI. Shanghai-based Sky Solar, in collaboration with the China Development Bank (CDB) and Sigdo Koppers, signed an agreement for a $900 million USD investment and construction of several solar photovoltaic power plant projects in Chile (Sky Solar 2012). The location of these solar panel projects in northern Chile meets Sky Solar’s goal of investing in sunlight intensive regions of the world and signals a possible acceleration in the movement of Chinese FDI into Chile (Webber 2012b). Although based in Chile, the success of this project would play a role in demonstrating that Chinese firms are not only capable of operating internationally in the natural resource sector (they have shown this numerous times) but that they are adept at combining the challenges associated with overseas technologies and emerging “green” technologies. The success of this project then would help validate Chinese businesses’ ability to participate in the new global economy.

Put another way, Sky Solar’s proposed investment may be a signal that Chinese investors now have the confidence to place significant long-term “bets” on (and in) the Chilean economy. This is reminiscent of Dambisa Moyo’s remark that “China is happy to invest substantial cash in countries where the labor, environmental, and political strictures are more clearly defined; the Chinese do invest across Europe and the United States…[and this suggests]…that China’s actions or inactions are largely guided by the hosts’ rules” (Moyo 2012, 165). Work done by Hanson (2001) discusses and further supports the sensitivity FDI has to a host country’s economic outcomes.

In Chile’s case specifically, as mentioned earlier, its rules for foreign investment are best characterized by an explicit encouragement and legal protection of foreign capital and open markets. In line with this policy decision, in 2010 the Chilean government established Start-up Chile—a program designed to attract foreign entrepreneurs to relocate to Chile in an effort extend and strengthen Chile’s ties with the global economy (see Start-Up Chile). As Moules elaborates, “Chile is open to trade, protects FDI and even provides government funds to help incubate foreign entrepreneurs interested in moving to Chile to create start-up businesses with the
understanding that they will hire local talent and stay in Chile for at least 6 months” (Moules 2013). In contrast to the Chilean model, Bolivia’s economy—and Chinese firms’ activity in it—is markedly different.

China’s Subnational Economic Activity in Bolivia

While the Bolivian Central Bank (BCB) publishes FDI data within its nine departamentos, such data have major shortcomings. Foremost among these shortcomings is the relative lack of such FDI data availability in Bolivia. This data opacity has two obvious political and economic ramifications. First, it suggests that the continued dissemination of subnational FDI data runs against the Morales administration’s antiliberal rhetoric during the early part of the decade beginning in 2010. Second, the general absence of such data also draws attention to major regional differences. The differences in the organization of the economies of Bolivia and Chile highlight the foreign investment variation that exists across the subnational administrative units in these two countries.

Examining the presence of foreign investors in Bolivia is an appropriate contrast to such an examination in Chile because of the distinct nature of each of these countries’ economies and political systems. While the level of Chinese firms’ (or government) FDI at the subnational level in Bolivia is not made public, looking at data on loans given by the Chinese government to the Bolivian government can provide some insights into the sectors within the Bolivian economy that are most likely to receive financial assistance as a result of Chinese financial and strategic engagement.

Until 2012 Chinese foreign investments in Bolivia, and by extension Chinese firms’ local economic footprint, were not a prominent feature of Bolivia’s economy. Unfortunately, the level of specificity in the data available does not exist to allow for a direct comparison of Chinese economic footprints in each of Chile’s and Bolivia’s subnational administrative units. Implicit in any examination of contemporary Bolivia is the need to confront and understand the contradictions inherent within its economy. First, the recent increase in amounts of incoming FDI despite constant calls for nationalization of key Bolivian natural resource sectors. An examination of the temporal increase of FDI into Bolivia is a case in point.

Nationalization in Bolivia is often given as one of the main concerns preventing further FDI from entering the country. However, different sectors of the economy have not been nationalized to the same extent. Morales’ 2007 renationalization of the country’s remaining private (but formerly state-run) mines was carried out under the auspices of nationalization, but this act was more rhetorical than impactful on the broader Bolivian economy in general. Namely, the “nationalization did not affect privately run mines, exploration concessions, or development projects. [To this day], the majority of active mining projects are in the private sector” (Kennedy 2011).

Paradoxically, however, despite this “nationalization of resources” rhetoric on the domestic front, President Morales and the Bolivian economy as a whole are incredibly reliant on foreign investment. Such investments not only include capital but also technical expertise that does not exist in Bolivia. According to Poveda (2010, 158), the “aim of strategic recovery of natural resources by the state is contradictory to the aim of promoting foreign direct investment, but in practice Morales’ government has done more to strengthen foreign investment than to convert mining into a strategic sector for the state.”

While the nationalization of resources in most countries usually entails the centralization and contraction of political and economic power within the executive powers located at the federal level, beginning in 1994 Bolivia’s nine departamentos began receiving more political freedom and economic dispersal of funds from Bolivia’s federal government in La Paz. Defined as the “devolution by central (i.e., national) government of specific functions, with all of the administrative, political, and economic attributes that these entail, to democratic local (i.e.,
municipal) governments that are independent of the center within a legally delimited geographic and functional domain” (Faguet 2012, 2), decentralization has been an important political reality in Bolivia since the mid-1990s.

The lack of subnational FDI data touches on the political and economic disparities that exist across Bolivia’s nine departamentos. Although Bolivia decentralized “sincerely” and was characterized as a place where “real power and real resources were devolved to local governments,” in a process “that was both rapid and surprisingly transparent,” nevertheless, according to Faguet (2012, 275), “decentralization in any context produces a range of responses that are heterogeneous and complex.” As has been suggested earlier, it is precisely the political complexities that preclude the availability, and by extension comparison, of precise subnational investment data in Bolivia. Nevertheless, using political economic concepts to “fill in the gaps” of the story of Chinese firms’ local economic footprint in Bolivia caused by the lack of the availability of FDI data, in this case, is extremely useful.

**FDI and Bolivia’s “Media Luna”**

The conceptualization of Bolivia’s bifurcated political landscape is referred to as the Bolivian media luna (half-moon). Situated in the eastern side of the country, the media luna departamentos, comprised of Pando, Beni, Santa Cruz, and Tarija (see Figure 3), generally have a more neoliberal, political, economic framework (more market-friendly, more pro-export economic policies, are more autonomous economic entities, and are more connected with foreign economies) than the more economically inward looking, more indigenous, altiplano departamentos of western Bolivia. Economically, Bolivia’s media luna comprises the country’s wealthiest departamentos in terms of GDP per capita. The media luna concept then helps to clarify the nature of a politically divided country, one made up of “two Bolivias” (Diemel 2009, 97). This bifurcation is helpful in clarifying the variation in investment options that Chinese business operators can expect to face when operating within Bolivia’s distinct subnational geographies.
Because of the comparative lack of FDI data availability in Bolivia, conceptualizations such as the media luna can aid in our understanding of where (within the country) Chinese (and other foreign) investments are likely to occur. Despite the lack of comprehensive FDI data for Bolivia’s departamentos, this section, examines the subnational FDI data that do exist, thereby allowing for a realistic measurement of China’s economic footprint within the country through 2012. While the Bolivian federal government does collect and make public overall FDI within each of its nine departamentos, these data have three major shortcomings.

First, within the 1996–2005 time frame, there is no specification of the country of origin or the industrial sector associated with FDI. Second, the data themselves are consolidated as a single annual amount, precluding the possibility of even a simple count of the number of FDI projects taking place within each departamento. Third, there is a complete lack of any subnational FDI data reporting after 2005 (see Figure 4). While it is possible that the Morales administration decided to stop recording FDI data at the departamento level upon assuming the presidency in January 2006, a more likely explanation relates to concerns about the politically divisive nature of discussions relating to the nationalization of important resource sectors (particularly natural gas) in the media luna departamentos, such as Santa Cruz. While FDI continues to grow in the country, nationalization is still a concern.
NARINS: ARE CHINESE ECONOMIC ACTORS POISED TO DOMINATE LATIN AMERICAN ECONOMIES?

Figure 4: Total Foreign Direct Investment (FDI) by Bolivian Department (1996–2005). A large percentage of FDI recorded by the Bolivian government relates to projects in the *media luna departamentos* described above.

Source: Instituto Nacional de Estadística (INE). www.ine.gob.bo

### Foreign Direct Investment in Bolivia

Bolivian FDI originates predominantly from Latin American and EU investors. One of the biggest limitations of examining FDI in Bolivia is that official Bolivian FDI inflows are available only up until and including 2008. During this period, FDI in Bolivia was dominated by the Latin American region as a whole. During this same time frame, the EU and the US were the only other major contributors of FDI into the Bolivian economy. While Brazil was a significant contributor of FDI to Bolivia, China was clearly not a major investor in the country during this time and has played a minimal role in contributing to Bolivian FDI up until October 2015, especially compared with other investors such as Brazil.

Comparatively minimal Chinese FDI inflows help to clarify and correct certain scholars’ belief that the international expansion of Chinese firms in Latin America is important “as they are the main players operating in Latin America” (Fornés and Butt Philip 2012, 84). By understanding the geography of Chinese investments (extent and location) in a resource-rich Latin American country, ideas of Chinese economic activity somehow disrupting current

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5 See the Instituto Nacional de Estadística (www.ine.gob.bo).
economic processes in the countries examined here can be clarified. Bolivia’s neighbors in Latin America and the Caribbean along with the EU and US are the major foreign investors here. Chinese actor investment participation is minimal.

Although statistics on Bolivian departmental (departamento) levels of FDI by investing country are not available, total amounts of FDI are available for each of Bolivia’s nine departments from 1996–2005 (see Figure 4). Figure 4 highlights the varied intensities of FDI at the subnational level in Bolivia. While many of Bolivia’s mineral deposits are located in the western altiplano states of La Paz, Oruro, and Potosí, it is the Santa Cruz department that has attracted the most FDI. Part of the reason for this lies in Santa Cruz’s more neoliberal, business-friendly orientation, one that is known for free trade and FDI protection.

Despite the shortcomings of FDI data in Bolivia, Figure 4 is helpful in understanding Bolivia’s varied investment landscape. It clearly indicates how foreign investment varies at the subnational level. This figure illustrates that Bolivia is not a singular, uniform investment space in the center of South America. Much more so than Chile, Bolivia is geographically fragmented by two main political ideologies: 1) nationalism, which encompasses conservative economic and social policies in its western half, and 2) neoliberalism, which pertains to market-oriented, internationally financed natural resource sectors in its eastern half. The diversity of actors and resources in Bolivia highlight the reality that this country is more than just a “uniform holder” of natural gas, lithium, copper, gold, and iron ore.

One of the reasons that discussions of investment in eastern Bolivia’s natural gas resources is so politically divisive is that “many in the [Movimiento a Socialismo] (MAS)…consider the country’s poverty a direct result of exploitation by foreign gas companies, and therefore strongly favoured the nationalisation of Bolivia’s hydrocarbon sector of 2006. Conversely, the majority of the white and richer Media Luna population derives a substantial proportion of its wealth from foreign involvement in the Bolivian (gas) economy and for that reason favours this foreign exploitation” (Diemel 2009, 97). The export-oriented economic policies of Bolivia’s eastern departments, I argue, help to shape the nature and the variation of FDI in Bolivia and may account for the federal government in La Paz ceasing the publication of subnational FDI data beginning in 2006—the year that Morales became president.

Although the empirical data analyzed here indicate that Chinese economic interests have played a very minor role in Bolivia’s economy until 2011, with Chinese firms only having a small presence within Bolivia’s departamentos, a 2009 announcement of a proposed economic agreement between China and Bolivia suggests that Chinese economic actors are expressing more interest in increasing their economic footprint within the country moving forward. Due to complications associated with India’s Jindal Steel Corporation’s stewardship of the El Mutún mine (see MercoPress 2013), which has one of the world’s largest iron ore deposits and is located near the Bolivian-Brazilian border, the China Development Bank’s 2009 offer to grant a $15 billion USD loan to the Morales’ administration to develop half of the El Mutún iron-ore deposit shows that the Chinese Government is serious about accessing iron ore even in a competitive environment such as this (see Latin American Herald Tribune 2009). This type of loan-for-iron arrangement typifies the way that the China Development Bank, working at the intersection of the Chinese Government policy and business initiatives, enables and encourages the outward investment of Chinese companies and helps to highlight the political processes Chinese firms use to gain access to resources and market share beyond their borders.

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6 One noticeable exception of Chinese overseas foreign direct investment translating into political influence in Latin America can be seen in the Chinese Development Banks $40 billion USD investment in Venezuelan petroleum reserves (see Sanderson and Forsythe 2012).
Placing Chinese Loans/Economic Aid in Bolivia and Chile

Foreign development assistance is one of the main features differentiating the contemporary Bolivian and Chilean economies. Chile currently does not have substantial outstanding loans and is not receiving any type of economic development assistance from any outside government or international institution. Bolivia could not be more different. Bolivia receives billions of dollars in development assistance. Apart from neighboring Latin American and EU governments, the Chinese government is one of Bolivia’s major lenders. While these loans are not registered as official FDI since they do not translate into foreign ownership of local firms, such loans can ultimately help to shape and influence economic policy and bilateral relations between Chinese government organizations and the Bolivian government.

With this in mind, it is easier to understand the types of loans that China is giving to the Bolivian government. Using data obtained from the Central Bank of Bolivia (Banco Central de Bolivia – BCB), it is clear that China’s financial contributions to the operations of the Bolivian state are significant and diverse (Table 1). Of all donor countries listed in the BCB’s records, Chinese loans/grants (along with German loans/grants) encompass the most diverse array of distinct industries. In addition, apart from Brazil and Venezuela, other Latin American countries do not play significant roles as lenders to Bolivia. Unlike officially reported Chinese FDI in Bolivia, Chinese donations/loans, which translate to “external debt” on BCB’s accounts, are meaningful and have a large and broad impact, especially if viewed in comparison to the loans originating from other countries.

Table 1: China’s Place among Active External Lenders to Bolivia (Medium- and Long-Term Loans) as of August 27, 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Creditor(s)</th>
<th>Projects</th>
<th>Economic Sector</th>
<th>Total Amount of Loans (US$ Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>BNDES – Brazil PROEX Brazil</td>
<td>Highway Construction, Food, Export Financing</td>
<td>Transportation, Farming, and Livestock</td>
<td>754,645,663</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Government of Venezuela</td>
<td>Project Infrastructure</td>
<td>Multi-Sector, Hydrocarbons</td>
<td>722,911,664</td>
</tr>
<tr>
<td>Italy Artigiancassa Italy</td>
<td>Energy Development, Highway Construction</td>
<td>Energy and Transportation</td>
<td>71,674,632</td>
<td></td>
</tr>
<tr>
<td>France Natixis France</td>
<td>Basic Sanitation, Other Services</td>
<td>Basic Sanitation</td>
<td>17,758,097</td>
<td></td>
</tr>
<tr>
<td>Spain ICO Spain</td>
<td>Agriculture, Hospital Construction, University Strengthening</td>
<td>Farming and Livestock, Health, Institutional Strengthening, Education</td>
<td>16,068,443</td>
<td></td>
</tr>
</tbody>
</table>

Source: Central Bank of Bolivia, International Division Archives, 2012
As Table 1 indicates, China, together with Brazil and Venezuela, is one of three lenders that have committed loans to Bolivia in excess of $500 million USD cumulatively. However, China, unlike Brazil and Venezuela, provides loans and financing to the Bolivian state in a more diverse and broad manner. According to official Bolivian records, the other top donor/loaner states are all EU member states (Germany, Italy, France, and Spain). This table highlights Chinese loans being directed at seven sectors of the Bolivian economy—from basic sanitation, farming, and livestock to defense and communications. All donors are credit-granting agencies connected with the federal governments of their respective states. Upon closer examination of Chinese loans granted to Bolivia, it is clear that in addition to resource-related, infrastructural, and financing projects, Chinese interests are involved in other types of “nontraditional” loans as well (see Table 2). As is common with many types of Chinese loans to developing countries, technology-related loans in exchange for goodwill and access to natural resources are prevalent in China’s economic aid relationship with Bolivia.

<table>
<thead>
<tr>
<th>Date Signed</th>
<th>Creditor</th>
<th>Project</th>
<th>Economic Sector</th>
<th>Currency</th>
<th>Equivalent USD Dollars</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1986</td>
<td>Govt. of China</td>
<td>Agricultural Project</td>
<td>Farming/Livestock</td>
<td>RMB</td>
<td>3,143,528</td>
<td>Canceled/Forgiven (C/F)</td>
</tr>
<tr>
<td>Nov 1988</td>
<td>Govt. of China</td>
<td>Various Project Credits</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>3,143,528</td>
<td>C/F</td>
</tr>
<tr>
<td>Mar 1990</td>
<td>Govt. of China</td>
<td>Military Equipment Acquisition/2</td>
<td>Defense</td>
<td>USD</td>
<td>2,000,000</td>
<td>Repayed (R)</td>
</tr>
<tr>
<td>Sept 1990</td>
<td>Govt. of China</td>
<td>Technical Cooperation in Different Projects</td>
<td>Technical Assistance</td>
<td>RMB</td>
<td>4,175,292</td>
<td>C/F</td>
</tr>
<tr>
<td>May 1992</td>
<td>Govt. of China</td>
<td>Financing for Various Projects</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>7,699,604</td>
<td>C/F</td>
</tr>
<tr>
<td>May 1992</td>
<td>Govt. of China</td>
<td>Acquisition of Materials and Military Equipment</td>
<td>Multi-Sector</td>
<td>USD</td>
<td>4,000,000</td>
<td>R</td>
</tr>
<tr>
<td>Oct 1994</td>
<td>Govt. of China</td>
<td>Drilling Water Wells</td>
<td>Basic Sanitation</td>
<td>RMB</td>
<td>2,733,505</td>
<td>C/F</td>
</tr>
<tr>
<td>Oct 1994</td>
<td>Govt. of China</td>
<td>Military Equipment Acquisition/1</td>
<td>Defense</td>
<td>USD</td>
<td>2,000,000</td>
<td>R</td>
</tr>
<tr>
<td>Jul 1995</td>
<td>Govt. of China</td>
<td>Military Equipment Supply</td>
<td>Defense</td>
<td>USD</td>
<td>2,000,000</td>
<td>R</td>
</tr>
<tr>
<td>May 2001</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation Projects</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>3,143,528</td>
<td>Active (A)</td>
</tr>
<tr>
<td>Nov 2004</td>
<td>Eximbank of China</td>
<td>Equipment and Machinery Purchase</td>
<td>Farming/Livestock</td>
<td>RMB</td>
<td>6,907,31</td>
<td>A</td>
</tr>
<tr>
<td>Nov 2004</td>
<td>Eximbank of China</td>
<td>Acquisition of Machinery to Improve Tarija Highway</td>
<td>Transportation</td>
<td>RMB</td>
<td>5,258,367</td>
<td>A</td>
</tr>
<tr>
<td>Jan 2005</td>
<td>Eximbank of China</td>
<td>Acquisition of Equipment to Rebuild Highways</td>
<td>Hydrocarbons</td>
<td>RMB</td>
<td>23,933,773</td>
<td>A</td>
</tr>
<tr>
<td>Nov 2005</td>
<td>Eximbank of China</td>
<td>Gas Networks Program</td>
<td>Transportation</td>
<td>RMB</td>
<td>2,923,481</td>
<td>A</td>
</tr>
<tr>
<td>Nov 2006</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>1,571,764</td>
<td>A</td>
</tr>
<tr>
<td>Sept 2007</td>
<td>Eximbank of China</td>
<td>Purchase of two MA-60 Aircraft</td>
<td>Transportation</td>
<td>RMB</td>
<td>43,989,847</td>
<td>A</td>
</tr>
<tr>
<td>Dec 2007</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>3,143,528</td>
<td>A</td>
</tr>
</tbody>
</table>
Conclusion: Are Chinese Economic Actors Assuming a Dominant Role in Latin America?

By visualizing Chinese economic activity at the subnational level in Chile and (to the extent possible) in Bolivia, this work contributes to the ongoing project of measuring and understanding the extent of China’s economic expansion beyond its borders. The findings in this study reveal that hyperbolic claims of Chinese firms’ presence in Latin America as somehow translating into the inevitable demise of established investment flows in the region are not supported by existing data. In light of the empirical data presented in this article, it becomes conceptually (and visually) clear that the interests, activities, and actions typically associated with control and ownership of Latin American industrial sectors are more often associated with US, EU, and Brazilian actors than those originating in China. This work shows that, as of 2012, Chinese firms’ investment footprint in Bolivia and Chile is minor at best, while China’s development assistance to Bolivia is significant and substantial.

For Chinese economic actors operating beyond China’s borders, economic processes take place at local and subnational scales just as they do for other, more “traditional” state actors that have had longer and comparatively more developed roles as foreign direct investors in Latin America. By focusing on Chinese investments made in Chile’s fifteen distinct regiones during the 1974–2012 time frame and by comparing these investments to those made by Brazil, Canada, the EU, the US, and other Latin American and Caribbean (LAC) countries, this article examines Chinese firms’ subnational economic footprint in Chile and thereby facilitates the economic comparison of other active and larger foreign investors operating in the country. Because of the lack of corresponding subnational FDI data in Bolivia, the limited data available for China’s investment activities within Bolivia are combined with an analysis of the economic variation in Bolivia’s departamentos in order to further clarify and postulate the economic impact of Chinese economic actors in the country.

Distinct political and economic frameworks in Bolivia and Chile highlight the variegated economic relations that exist between Chinese economic actors and distinct Latin American investment partners. The data presented here on FDI and economic aid in Bolivia and Chile provide a stark and contrasting reality to several journalists’ views whose economic

### Table: Loans by Chinese Economic Actors in Latin America

<table>
<thead>
<tr>
<th>Date</th>
<th>Government or Eximbank</th>
<th>Project/Equipment</th>
<th>Sector</th>
<th>Currency</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 2009</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>3,143,528</td>
<td>A</td>
</tr>
<tr>
<td>Dec 2009</td>
<td>Eximbank of China</td>
<td>Project to install gas in 39,000 homes</td>
<td>Hydrocarbons</td>
<td>RMB</td>
<td>0</td>
<td>Voided</td>
</tr>
<tr>
<td>Dec 2009</td>
<td>Govt. of China</td>
<td>Tupac Katari Satellite System</td>
<td>Communications</td>
<td>USD</td>
<td>251,124,000</td>
<td>A</td>
</tr>
<tr>
<td>Dec 2009</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>3,143,528</td>
<td>A</td>
</tr>
<tr>
<td>Dec 2009</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>4,175,292</td>
<td>A</td>
</tr>
<tr>
<td>Mar 2010</td>
<td>Eximbank of China</td>
<td>Engineering Battalion Equipment Project</td>
<td>Transportation</td>
<td>RMB</td>
<td>44,065,638</td>
<td>A</td>
</tr>
<tr>
<td>Aug 2011</td>
<td>Eximbank of China</td>
<td>Drill Acquisition Project</td>
<td>Hydrocarbons</td>
<td>RMB</td>
<td>64,599,494</td>
<td>A</td>
</tr>
<tr>
<td>Aug 2011</td>
<td>Govt. of China</td>
<td>Economic and Technical Cooperation</td>
<td>Multi-Sector</td>
<td>RMB</td>
<td>4,175,292</td>
<td>A</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>Eximbank of China</td>
<td>Purchase of Six Helicopters</td>
<td>Transportation</td>
<td>RMB</td>
<td>112,605,414</td>
<td>A</td>
</tr>
</tbody>
</table>

**Total Loans to Date:** 601,891,928

*Source: Banco Central de Bolivia (Central Bank of Bolivia), International Division*
prognostications have already anointed China’s economic ascendancy as “underlying an unstoppable and silent world conquest that is set to change the course of human history” (Cardenal and Araújo 2014, xvi).

In light of these findings, it is clear that discussions about the economic benefit of Chinese economic actors’ insertion into distinct Latin American economies is being overlooked. Chinese economic actors’ growing presence in Latin American economies may encourage increased marketplace competition—especially in industrial sectors that have traditionally been government-run, such as mining or petroleum. As a result, discussion surrounding whether or not “China” is the current (or impending) dominant economic power in the region is ultimately not the most productive line of inquiry with which to be engaged. In fact, instances where China is clearly a dominant trading partner with a Latin American economy highlight Chinese economic actors’ own economic dependence—through resource extraction and gaining continued access to the national commercial markets—not dominance on Latin American economies.

Examining Chinese foreign direct investment and loan/aid data offers compelling evidence that China’s economic activity in Latin America is overstated in comparison to the sustained economic commitments of other, more traditional foreign actors in the region. The toxic discourse about China being an economic juggernaut is dangerous and perpetuates misinformation. It confuses and unnecessarily expands the areas of the world where China is considered to be a legitimate political and economic concern (i.e., to Japan, to states surrounding the South China Sea, including Taiwan). In Latin America, however, China is not currently poised to overtake regional or US political or economic interests. Rather, the fact that many Latin American governments (especially in South America) view China as a source of bonanza should be seen as an opportunity to attract diverse and alternate sources of capital and knowledge.

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ABOUT THE AUTHOR

Thomas P. Narins: Assistant Professor, Department of Geography and Planning, University at Albany, Albany, NY, USA
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