



Chinese Foreign Direct Investment and Argentina: Unraveling the Path

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Abstract

This article explores the political economy of Chinese outward foreign direct investment (FDI) in Argentina during the reign of Nestor Kirchner and Cristina Fernandez. Among other things, it contemplates possible links between Chinese outward FDI (OFDI) volumes and Argentina's domestic and foreign policies. It also analyses a mixture of successful and unsuccessful Chinese investment cases in the agricultural, chemical, and banking sectors in order to engage the debate about the drivers of Chinese OFDI (COFDI), with some stressing business and economic factors and others emphasizing the primacy of political factors. In regards to the former, my study shows that Argentine policymakers did not offer special accommodations to Chinese investors despite the pro-China proclivities of Argentine leaders and their country's economic and political need for China. Moreover, at the local level, Argentine politics actually proved to be an obstacle to successful Chinese deals. As for the latter issue, Chinese companies were not inclined to invest in Argentina because of the China stance of the Argentine government, but rather because they saw opportunities to exploit fertile agricultural soil, special tax regimes for investors, and opportunities to integrate into global value chain. My findings have a number of important theoretical and policy implications.

Keywords Chinese outward foreign direct investment · Argentina · Kirchnerism · China

Introduction

China's stellar economic growth from 2001 to 2008 propelled strengthening trade relations between China and Latin America (LA), not only with respect to LA's imports

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from China, but also with respect to LA's export of commodities from China. Indeed, in 2011, China consolidated its position as one of the main commercial partners of most of the countries in the region [4]. In tandem with the exponential increase in trade flows, LA countries have experienced continued inflows of Chinese Outward Foreign Direct Investment (COFDI).

Analysts of COFDI have traditionally classified its drivers into two broad categories: (i) governmental and political drivers; and (ii) economic and business drivers [3]. With respect to the former, as pointed out in Blanchard [4] and Creutzfeldt [10], some believe Chinese companies are inclined to invest in countries with whom China has good political relations or that share ideological or institutional features with China. The case of LA provides an ideal setting to evaluate the relative merits of such arguments because over the past decade a number of LA countries or, at least, their leaders (see Appendix Table 5) shifted to the left politically, *prima facie* providing fertile soil for Chinese companies to deepen their roots throughout the region. If such fertile soil yielded little, this would say something about the relative power of economic versus political COFDI drivers. Taking a slightly different tact on the politics-economics nexus are analysts like Lu [32] and Zhang et al. [60], who probe the extent to which the lure of COFDI and good relations with the home country (i.e., China) cause host governments (i.e., LA government) to adjust their foreign and domestic policies to attract COFDI. Clearly, there is a rich ongoing debate about the relative role of politics and economics with respect to COFDI as well as host country foreign and domestic policy behaviors.

An in-depth analysis, taking COFDI in LA as a case, is useful because it will provide a more comprehensive understanding of the factors driving COFDI and the effect of the promise of COFDI flows on host country behaviors and thus shed light on the debates above. Regarding the latter, to date, most studies have focused on COFDI's economic and business drivers—examples include Ramasamy [50], Wang [58] and Xia et al. [59]—at the expense of analyzing political drivers, which may be equally or more important than the former. Aside from this, the literature that focuses on political drivers is limited because of its lack of careful case study work and focus on Beijing's political position, as can be seen in Cardoza et al. [6], Luo et al. [33], and Sauvant and Zitian [53]. Regarding the effect of COFDI and good bilateral relations with China on host country investment policies towards China, we see almost no research on this topic as far as LA countries are concerned except Creutzfeldt [10].

Argentina itself is an ideal candidate to study the relationship between politics and COFDI for several reasons. One of the most important is that it is a key regional actor. According to the United States (US) Central Intelligence Agency's *World Fact Book*, Argentina is the third biggest economy in terms of Gross Domestic Product (GDP) and is the fourth biggest country in terms of population. Second, there was not only a shift in governments from right to left in Argentina, but a long-period of rule by leftwing governments from 2003 to 2015, dubbed "Kirchnerism." Third, in 2001, Argentina defaulted on its international debts, an act which essentially froze its access to the international credit market. Intuitively, the latter two facts imply more favorable Argentine government policies towards COFDI as well as greater COFDI flows to Argentina. After all, Kirchnerism, as discussed below, entailed, among other things, a rejection of the Western financial institutions, governments, and so-called neoliberal ideology as well as an embrace of China, Beijing's favorite policies (e.g., a more

democratic and fair international economic order), and Chinese firms. On top of this, Argentina's financial situation encouraged it to strengthen relations with China as a means to get access to foreign capital.

In order to analyze the politics of COFDI in Argentina, this article focuses on two central research questions: (i) "Did the political alignment of Argentina towards China have any impact on COFDI flows to Argentina?" (ii) Did Argentina adjust its policies (specifically investment policies) in a manner favorable to Chinese investors during the period under consideration? These questions are analyzed through three mini-case studies using the comparative case study method to find similarities, differences, or patterns across them [2]. The three cases span three different sectors: *Heilongjiang Beidahuang Nongken/HBN* (黑龙江北大荒农垦) in the agriculture sector, *Shaanxi Coal and Chemical Corp/SCC* (陕西煤业化工集团) in the chemical sector, and *Industrial and Commercial Bank of China/ICBC* (中国工商银行) in the banking sector. The selection of the cases was based on two rationales: (i) the relevance of the investment in terms of amount (as reflected in the well-known and widely used China Global Investment Tracker/CGIT database)¹; and (ii) the presence of a government agency/representative on the Argentine side. In the absence of this, we could not shed light on research question (ii) above. In each case, I reviewed the role of Argentina during the negotiation and business formation process and considered how it affected the outcome. Even though two of my selected cases are unsuccessful investment stories (meaning investments did not occur as originally planned), they still offer a suitable way to examine the political impact of the COFDI, the attitudes of Argentinean political officials, and the motivations driving Chinese companies to contemplate investment in Argentina.²

My main finding is that COFDI in Argentina has not benefited from the "friendly" position of the Argentinean government. Indeed, the opposite is true with Argentina's government negatively affecting COFDI inflows. Looking at Chinese companies, it can be inferred that their motivation to invest in Argentina was not related to the political ties between both countries, but rather by factors highlighted in Dunning's famous "eclectic" or O, L, I paradigm [15]. More specifically, they targeted Argentina not because of Argentina's good political relations with China or anti-Western dogmas but because they could gain from location factors such as fertile soil for agriculture, special tax regimes for investors, and integration into global value chain. My research suggests arguments that automatically assume a role for political drivers in COFDI need to be more nuanced and also should give due attention to economic and business factors. My research further reveals that local political interactions can have more impact (negative) on COFDI than bilateral relations and that Chinese multinational Corporations (MNCs) do not necessarily march according to China's political and diplomatic agenda.

This paper is structured as follows. Following this introduction, I offer background on Argentina-China political and economic relations. Among other things, this overview gives historical context to the Argentina-China relations, discusses the effect of various Argentine presidents' ideology on relations, and details the outcomes of presidential visits. Subsequently, I present data on COFDI in Argentina. This review shows the growth of COFDI in Argentina and how it compares to other investors. Thereafter, I

¹ <https://www.aei.org/china-global-investment-tracker/?ncid=txtlnkusaolp00000618>, The CGIT dataset draws upon announcements of investments of Chinese companies abroad with values over USD \$100 million

² Later, I plan to examine what factors differentiate successful from unsuccessful Chinese investments in Argentina.

present my three mini-case studies. Lastly, I present my conclusions and offer some thoughts about policy and theoretical implications and future research directions.

Argentina-China Relations

After 2004, Argentina-China relations strengthened in both the political and economic realms. With respect to the former, an example is the upgrading of bilateral relations from a “strategic partnership”—initiated by Hu Jintao (胡锦涛) and Nestor Kirchner—in 2004 to a “comprehensive strategic partnership,” agreed by Xi Jinping (习近平) and Cristina Fernandez in 2014. With respect to the latter, an example is the consolidation of China as Argentina’s second largest trade partner after Brazil in 2008 and China became the major investor in the country in 2010. This section first gives an overview of Argentina’s political relations with China before turning to its economic relations.

Argentina-China Political Relations

Argentina normalized political relations with China in February 1972 (after which it has accepted the “one China policy”) and started arrangements for opening an embassy in Beijing in 1975. Although the normalization of relations took place during Alejandro Lanusse’s presidency (1971–1973), it was his successor Hector Campora who recognized the importance of Asian countries to Argentina in his “opening towards the east countries” policy. [46: 343].

After the normalization of bilateral relations, Argentina underwent a period of dramatic political changes, being ruled by a military junta from 1976 until 1983 when democracy was re-established. Democratically-elected presidents have represented three different political views resulting in political alternations in terms of ideology and political parties, the first from Raúl Alfonsín to Carlos Menem in 1989; the second from Carlos Menem to Fernando de la Rúa in 1991 and the third from Cristina Kirchner to Mauricio Macri in 2016. These transitions determined Argentina’s stance towards the US, the West, and other powers like China. For instance, “while Carlos Menem’s (1989–1999) and Fernando De la Rúa’s (1999–2001) administrations reflected an automatic alliance with the US, Eduardo Duhalde (2002–2003), Nestor Kirchner (2003–2007), and Cristina Fernandez (2007–2015) adopted a much more autonomous policy, with traces of anti-Americanism, which defined a new shift in foreign policy.” [57: 7].

Aside from the issue of country alignments, Argentina was focused on rejoining the international community after the end of the military junta, which had implications for its stance towards China. To illustrate, during his term in office (1989–1999), Menem moved to bolster his country’s links with China. In May 1990, he hosted the first visit of a Chinese president, Yang Shangkun (杨尚昆). Menem also made two official visits to Beijing, the first 6 months after Yang’s visit and the second in October 1995. The latter visit was especially noteworthy because it addressed important topics such as the opening of an Argentinean consulate in Shanghai and the latter’s support for China joining the World Trade Organization (WTO) [34]. Even though the Menem period was characterized by an “strategic alliance” with the US, it is noteworthy that even after the events in Tiananmen Square in 1989 Argentina did not go along with Western sanctions on China. On the contrary, it worked on strengthening bilateral ties [46: 419].

During De la Rúa's short two-year presidency (1999–2001), he held three meetings with Chinese president Jiang Zemin (江泽民), the first during the Davos forum in 2000, the second in an official visit to Beijing in September of 2000 and the last one in April 2001 during Jiang's official visit to Argentina. His government's relations with China were very trade and business oriented and his major accomplishments include the execution of a bilateral agreement accepting China accession to the WTO (March 2000) and the opening of the Consulate in Shanghai 2 months later [35, 46: 421–422]. Due to Argentina's financial crisis, De La Rúa resigned in 2001 and Duhalde was appointed as interim president until the next election in April 2003. Nothing of note regarding Argentina-China relations occurred during this transition period.

When Kirchner ran for office in 2003, Argentina was still suffering the effects of its 2001 debt default, which forced it into "financial isolation" and closed any possibility of meaningful inflows of European and US FDI. This situation coupled with a consensus in Kirchner's government about the desirability of Campora's "opening towards the east" policy helped establish two clear objectives for the Kirchner's government regarding China: (i) eliminate Argentinean product restrictions in China; and (ii) attract Chinese investors to Argentina [46: 443]. Argentina's China shift was confirmed by the fact that Kirchner's only visit to an Asian country was to China. In June 2004, he visited Beijing, during which time he signed a Memorandum of Understanding (MoU) aimed at promoting COFDI to Argentina [36]. Kirchner's visit to Beijing was reciprocated 6 months later by Chinese President Hu's visit to Buenos Aires where the two countries signed an MoU pursuant to which Argentina recognized China as a "market economy" and bilateral relations were subsumed under the "strategic partnership" label [37, 46:449].

Cristina Fernandez, Kirchner wife, assumed the presidency in 2007 and maintained her husband's foreign policy towards China, aiming to boost bilateral trade and attract greater COFDI to Argentina. In terms of diplomatic relations, her first achievement was the opening of an Argentine Consulate in Guangzhou in January 2008. In July 2010, she visited Beijing with the goal of, among other things, solving the Argentina-China soy oil crisis [7, 23, 47, 49]. Even though there was not any progress on or statement about this issue, the visit resulted in the issuance of a joint statement about good bilateral relations and the confirmation of the MoU signed in 2004 regarding trade and investments [38, 39].

Almost exactly 4 years later Xi visited Argentina. The visit was fruitful and at the end of the visit the two countries issued ten different documents relating to diverse topics. The most important one upgraded the bilateral relationship to a "Comprehensive Strategic Partnership" [40]. Other noteworthy agreements included one for the design, construction, and financing of 85% of a nuclear reactor in Argentina, an outline agreement for trade and investments setting the foundation for cooperation agreements on investments in industry and infrastructure, a document establishing a joint mechanism for FDI statistics, and a phytosanitary protocol for the export of Argentinean pears and apples to China.

During Xi's visit, the two countries also concluded a swap agreement, using the ICBC branch platform, worth \$11 billion [43].³ One of the abovementioned agreements concerned the ICBC's financing of two hydropower dams, known respectively as "Jorge Cepernic" and "Néstor Kirchner," that are jointly valued at \$4.7 Billion. Both

³ Except as otherwise noted, all amounts specified herein are in US Dollars (USD).

dams were part of a public tender in 2012, granted to a Sino-Argentinean consortium involving Gezhouba (中国葛洲坝集团公司) and Electroingenieria.

In February 2015, Fernandez traveled to Beijing. During the visit, the two countries concluded additional agreements related to the ratification of the Neuquen space monitoring station, the incorporation of China's CCTV channel into Argentina's public channel menu, and collaboration in law, tourism and nuclear power [41, 42, 44].

The plan for a Chinese deep space monitoring station in the province of Neuquen, which had a total estimated cost of \$300 Billion, was hotly debated in Argentina, especially in the Argentine Congress [12, 26, 51]. Of note, this is the *only* presidential agreement that has been ever debated in the Congress even though it was not the first of its kind. Interestingly, the main reason for the supporting or rejecting the space station in the congress was more related to the political party of the senators rather than the fact it was a Chinese government project [57]. The debate in Congress in favor and against the project is a good example of how domestic political differences impact foreign relations. Opposition was so strong that the current president Mauricio Macri, then a presidential candidate, felt a need to send a letter to China's ambassador in Argentina Yang Wang Ming (杨万明) stating his concerns about the agreements signed by the two countries regarding Neuquen and suggesting they might be unconstitutional [14, 16]. Argentina's political relations with China are affected not only by the stances of the two countries' top leaders, but also by domestic politics in Argentina. Top level summits can generate lots of agreements, but the execution of the laws needed to implement these agreements needs legislative action and this can take a long time as shown by the Neuquen case.

Argentina-China Economic Relations

Economic relations between the two countries are largely oriented around trade and have the features of a "center-periphery" relationship in which China is the rich and powerful "core" nation that purchases raw materials and primary products from the periphery country (Argentina) while supplying it manufactured, higher value-added goods. This unbalanced relation significantly increased Argentina's trade deficit and, as shown in works by Laufer [29], Delía [11] and Oviedo [48], has made people question whether trade and economic ties with China are beneficial or harmful.

As evidenced by the Table 1, while China is an important trade partner for Argentina, the role of the latter in China's trade is not significant.

Argentina's agricultural sector is very important to its economy, with soy crops the most important subsector (accounting for 64% of the planted area in the country) and soy byproducts (including soybeans, soy-meal, biodiesel, crude and refined soy oil) representing almost 25% of total exports (In 2012 and 2013 soy sector exports were 24.4 and 24.5% of the country exports respectively) [29: 131].

The importance of the agriculture, above all the soy bean sector, for Argentina-China trade relations is reflected in the composition of bilateral trade. Eighty percent of total exports from Argentina to China are agricultural products. Of this, 85% are soy related products. China is the second largest trade partner of Argentina and the main destination of its unprocessed soybeans (84% of the exports in 2015). Although the percentage is high, as evidenced below in Table 2, it is worth noting that only 20% of the total soybeans produced in Argentina are exported while the remaining 80% is used for the production of byproducts to later be exported worldwide.

Table 1 Comparison of trade relevance between China and Argentina in 2016

Argentina	% of total	Ranking of China
Exports	9.49%	2
Imports	19.70%	2
China	% of total	Ranking of Argentina
Exports	0.40%	36
Imports	0.31%	40

Source: Author's calculations using Ministry of Economy of Argentina and China Ministry of Commerce (MOFCOM) data

Despite Argentina's close bilateral relations with China, trade relations have not been free of conflict with both countries having imposed restrictions on each other's products in defense of their own economic interests. For example, in 2010, the Chinese government decided to ban Argentina's soy oil imports, arguing they did not comply with sanitary requirements. Many believe, however, that China's action was related to Argentina's decision to stop imports of textiles and shoes from China [47]. China's move was considered highly important in Argentina and was the main reason for Fernandez's visit to China in 2010. The matter was not resolved during her trip, but months later "without any official announcement from the Chinese government, an official of COFCO revealed that Chinese importers had restarted the purchase of Argentinean soy oil." [47: 343].

COFDI in Argentina

In the early 2000s, COFDI was not significant globally. By 2015, however, it increased so much that according to World Bank's figures, China became the 12th largest

Table 2 Soy Bean and byproducts production in Argentina and total world exports /exports to China

Product	2010	2011	2012	2013	2014	2015	2016	2017
Area Harvested (1000 HA)	18,300	17,577	19,750	19,250	19,340	19,530	18,350	17,000
Soybean								
Production (1000 MT)	49,000	40,100	49,300	53,400	61,400	56,800	57,800	39,000
Exports (1000 MT)	13,582	10,375	6115	7751	7410	11,624	8918	7379
% of exports	28%	26%	12%	15%	12%	20%	15%	19%
Exports to China (1000 MT)	11,294	8349	5288	6157	5983	9723	7793	6603
% of exports to China	83%	80%	86%	79%	81%	84%	87%	89%
Soy Oil								
Production (1000 MT)	7181	6839	6364	6785	7687	8433	8395	7875
Exports (1000 MT)	4900	4248	3778	4264	4059	5599	5764	4972
% of exports	68%	62%	59%	63%	53%	66%	69%	63%
Exports to China (1000 MT)	384	407	753	609	374	539	2	0
% of exports to China	8%	10%	20%	14%	9%	10%	0%	0%

Source: Author's compilation from US Department of Agriculture and National Statistics Institute of Argentina data

outward investor in the world and the top outward investor among the developing countries. Regarding the specific case of LA, by 2003 the total stock of COFDI was \$331.6 million, 93% of which was directed to five countries: Peru, Mexico, Brazil, Venezuela, and Guyana. Around 10 years later, according to the United Nations Conference on Trade and Development (UNCTAD), COFDI had soared to \$7 Billion, of which 90% was directed to seven countries: Venezuela, Brazil, Argentina, Peru, Ecuador, Mexico, and Colombia. Even though COFDI in the region increased more than 20 times, it is incorrect to say China has become a key investor in the region.

As for Argentina, based on data collected by the Banco Central de la República Argentina (Argentina's central bank), the stock of COFDI in 2004 was \$13 million. By 2015, it had risen to \$674 million making China the 18th largest country investor in terms of stock. Not only is China just the 18th largest investor, its investment in Argentina since 2003 cannot compare to others. During this period US OFDI increased \$9.8 billion and Brazilian OFDI grew by \$3.5 billion while COFDI, in contrast, only rose by \$661 million. Academic research on COFDI in Argentina suggests the same trend, though there is a large discrepancy in figures for 2010. Academic data indicates China was the third largest investor in that year, with a massive amount of \$6.2 billion, largely consisting of investments by Sinopec (\$2.45 Billion) and CNOOC (\$3.1 Billion) that involved, respectively, the acquisitions of Occidental Petroleum's Argentina operations and a 40% stake in Pan American Energy (a subsidiary of British Petroleum) [29, 31, 48].

It is worth pointing out that even though Argentina's government took a leftward turn in 2003—characterized by anti-US speeches, closer connections with the radical (Chavez from Venezuela and Morales from Bolivia) and moderate left (Lula from Brazil and Lagos from Chile) in the region, and the promotion of cooperation between developing countries, the stock of American FDI in Argentina showed the highest increase among all countries indicating that economic and business considerations rather than political factors dominated.

Before moving on to the next section, it is worthwhile to leverage the CGIT to provide a snapshot of COFDI in LA. Some feel the CGIT is a more reliable source because it is built from the bottom up by looking at individual deals rather than national level data on the first destination of COFDI (which is not necessarily the place that money finally goes).⁴ According to the CGIT (see Tables 3 and 4) the main destination of COFDI in the region has been Brazil, followed by Peru and Argentina.

According to the CGIT, the biggest transactions in Argentina to date that have a government agency/representative presence are HBN in the agricultural sector, SCC in the chemical sector, and ICBC in the banking sector.

Case #1-HBN's Land Deal

HBN was established in 1998 in Heilongjiang province as a regional state owned enterprise (SOE) based in the city of Harbin. The company is one of China's biggest

⁴ Even though the CGIT excludes lower value transactions, the total COFDI in Argentina in this dataset is bigger than the ones already mentioned in this paper. According to the CGIT the stock of COFDI in Argentina by 2014 was USD\$ 9,5 Billion USD.

producers and importers of agricultural products and conducts research and development (R&D) activities in agricultural technology, has been listed on the Shanghai stock exchange since 2002, and in 2016 ranked 116th on the list of “2016 China’s top 500 enterprises”.

Over the past decade, China’s food policy has sought to ensure food supply security and stable food prices, motivating food producers and distributors to seek greater overseas options [24]. As the biggest producer of food in China, HBN was no exception and it eyed Argentina not only as a new source of inputs, but also as an opportunity to exploit its strategic/ownership advantages, which included extensive know-how in farming and harvesting. HBN also sought to tap the internalization benefits of a deal. Specifically, an investment in Argentina would offer HBN the potential of eliminating intermediaries in the food procurement process.

In line with the above, in October 2010, representatives of HBN and the governor of the Argentine province of Rio Negro, in the Patagonia, concluded an agreement providing HBN a 20-year lease on 330,000 ha, irrigation rights, access to the San Antonio Port, and the right to build a Soy oil plant [22]. Less than a year later, in April 2011 Argentine President Fernandez announced the Law of Land (*Ley de Tierras*), which established that no more than 20% of rural land could be owned by foreigners and limited to 1000 ha the total amount of land a single foreigner could own [17]. While this was taking place in the capital, HBN was conducting preliminary studies and tests at a cost of \$20 million. In July 2011, after the preliminary phase had concluded, the project was announced with an estimated investment value of \$1.5 billion as a JV with the Argentinean company Cresud, potentially allowing HBN and its Project to circumvent the limits of the “ley de tierras” [9, 53, 61].

The JV faced significant opposition from environmental organizations, the public and government officials, which argued that the project not only raised unresolved environmental concerns, but also that the project represented a threat to national security because HBN was a Chinese SOE.⁵ In August, the Governor of Rio Negro publicly defended the project, arguing it would generate 100,000 new jobs and double the province’s population. The governor also stressed HBN was not purchasing land, but solely investing \$1.5 billion to finance the irrigation system, build the oil plant, and expand the port. In return, HBN would obtain priority for 20 years to purchase production from the region and would receive repayment of the money it invested at a 5% annual interest rate [30]. By November 2011, the Rio Negro superior court had suspended the original agreement [1]. After that date, essentially no more information regarding the project can be found. On the Cresud’s web site there is no information regarding this project while on the HBN website there is an announcement of the original agreement but there are no other updates about the project.

When talking about the project with an Argentine diplomatic representative, the representative mentioned the reason for the failure of the deal basically is attributable to the bad image China has in the country. In the representative’s words, “the general perception is that China is coming to Argentina to get all our resources. If the project was proposed by another country, it will not be that problematic.” His assessment seems spot on. The arguments used to undermine the HBN agreement have not been used in the case of other projects. Furthermore, although one of main arguments against

⁵ Interview with Argentinean diplomat in 2017

Table 3 COFDI to LA, 2005–2007 (amounts in millions USD)

Country	Amount
Brazil	55,660
Peru	19,950
Argentina	11,140
Ecuador	4720
Venezuela	4370
Chile	2860
Mexico	2230
Colombia	1410
Trinidad-Tobago	1170
Panama	900
Antigua and Barbuda	740
Cuba	500
Jamaica	440
Nicaragua	300
Guyana	100

Source: CGIT

the project was that it represented a foreign land grab, the reality is that at the time of the debate, the textile company Benetton, an *Italian* company, already owned 900,000 ha—about three times the area of Hong Kong—in an adjacent province also located in the Patagonia to raise cattle [57: 6].

In two ways, one of the biggest obstacles to the project's success was the passage of the “ley de tierras.” First, the law represented a legal constraint on foreign land ownership. Second, the law intensified public sensitivity about the issue of foreign land grabbing. If the Fernandez administration really wanted the HBN project to happen (which might have bought it some goodwill in Beijing) it could have acted on the “ley de tierras” after the conclusion of the HBN deal or included language in the law that excluded projects under negotiation from its ambit. Of note for our analysis, the features of this project, above all its failure, hardly evidence an “easy path” for Chinese investors in Argentina even though Argentine-China relations were strengthening [45, 52, 54, 62].

Table 4 COFDI in Argentina by projects, according to CGIT (amounts in millions USD)

Investor	Amount
CNOOC	3550
Sinopec	2470
Heilongjiang Beidahuang Nongken	1510
Shaanxi Chemical	1010
Shandong Gold	960
ICBC	780
China Launch and Tracking Control General	300
Envision Energy	290
Chery Auto	170
BYD	100

Source: CGIT

Case #2-SCC's Methanol Plant

SCC was established in 2006 as an industrial conglomerate consisting of more than 90 companies in Shaanxi province. It is a regional SOE based in Xian with more than 137,000 employees and has operations in coal mining, petrochemicals, machinery manufacturing, and steel and construction materials. In 2016, the company ranked 82nd among “2016 China’s top 500 enterprises”.

In August 2008, it was announced the Tierra del Fuego government and the Shaanxi government had signed an agreement for the construction of a methanol plant by SCC with an estimated cost of \$500 million in Rio Grande, which is located in the south of Argentina. It also was announced that the parties had formed a JV called Tierra del Fuego Energia y Quimica/TFEQ SA (火地岛电力化工股份有限公司) to carry out the project [27]. After its announcement, the project encountered repeated opposition resulting in no major progress. Optimism arose in 2010 because during President Fernandez’s January visit to China, it was planned to announce an investment of \$600 Million by TFEQ in a urea plant, in lieu of the methanol plant, that would use the natural gas of the province and boost the income of Tierra del Fuego. As noted earlier, however, Fernandez’s visit was cancelled and thus no announcement was ever made.

In any event, after the new project presentation from TFEQ to the Tierra del Fuego government, it was decided that the project must be bid in a public tender. TFEQ ended up being the only participant, a situation the opposition to the project deemed unconstitutional because of a lack of other participants [28]. In its bid, TFEQ offered to build a urea plant with an investment of \$800 million over 3 years. For its part, the Rio Grande government had to supply gas for 25 years at a starting price of \$1.8 per million BTU (the international price at that moment was close to \$5 per million BTU) [8]. The deal included a payment in advance of the gas supply for 2 years. In December 2010, TFEQ made its first and eventually only payment (\$33 Million). The next month, TFEQ announced that its total investment actually would be \$1 billion (consisting of \$800 million for the construction of the Urea plant, \$130 million for a thermal generation plant, and \$70 million for a port) [19]. In April 2012, a Chinese cargo ship arrived at the port of Tierra del Fuego with material, construction equipment and workers to build the facility. The Argentine government, however, refused to allow the ship to off load its cargo, declaring that it violated the country’s new policies restricting imports [18: 142]. The construction never started, TFEQ’s only “investment” was the presence of administrative personnel in the region [20].

In 2015, Rosana Bertone, a member of the same political party as Presidents Kirchner and Fernandez, was elected the new governor of Tierra del Fuego. Yet this did not lead to a better environment for TFEQ as one might expect given the two Presidents’ favorable stance towards China. Indeed, on July 28, 2016, the Tierra del Fuego government, in a press release published and signed by Bertone, criticized how the previous governor, militant of the opposition political party “Cambiamos,” granted extensions that allowed TFEQ to skip the second payment due in 2011 and argued this represented a breach of contract, justifying its termination [56]. In this announcement is clear that for Bertone it was more important to highlight the weaknesses of her predecessor regarding this matter than to support good relations between Fernandez and Xi who were trying to seek ways to bring the project to fruition [20].

There is no other concrete information about the reasons behind the absence of construction. It should be pointed out that according to Argentine law any person can begin a lawsuit and that opposition to the TFEQ deal, which was considered by some as unconstitutional, from 2009 onward caused a lot of delays and forced management of TFEQ to spend a lot of time dealing with legal actions. This also may have spurred the firm to cease project activity. The problem clearly was not the Chinese side. In the course of my research, I learned TFEQ not only signed the agreement with the Tierra del Fuego government, but also signed contracts with other Chinese SOEs for different aspects of the plant construction. Examples include a contract with China Chengda Engineering (中国成达工程有限公司) for plant design and a contract with Nanjing Nanguang power (南京南港动力) for the installation the thermal plant's gas turbine, which demonstrated its willingness to develop the project. As well, the project was supported by China's MOFCOM.

A diplomatic representative interviewee listed several reasons why it was a smart decision for SCC to invest in this project. First, when negotiations started, political relations between China and Argentina were good. Second, Tierra del Fuego needed to industrialize its abundant natural gas reserves and had the ability to grant tax exemptions to companies that incorporated in the province. Third, the fertilizer market in Argentina and Brazil is very big and urea is necessary for soy crops. Last but not least, the signed agreement allowed SCC to procure the gas for electricity generation at very low prices, impacting positively production costs and regional finances. As far as Argentina is concerned, my interviewee observed, "Considering this project was industrial it was supported by the central government because industrial investment generates more jobs."⁶

In the final analysis, SCC sought to invest in Argentina to profit from the locational advantages of Tierra del Fuego, which not only included readily available natural gas in adequate quantities at reasonable prices, but also industrial promotion incentives in the form of tax breaks and the possibility to sell goods to all Mercosur countries, which have well developed agriculture sectors, without any tariffs barriers.

Looking at Argentina, what is noteworthy is that the governor that signed the deal and gave special treatment to TEFQ to facilitate the success of the deal was from the opposition party (i.e., to President Fernandez) while that the new governor who terminated the contract was politically aligned with Fernandez. Just as in the HBN case, there is no evidence of Argentina pandering to Chinese investors despite the China political relationship.

Case #3-ICBC's Argentina Subsidiary

The ICBC was established in Beijing on 1984 as a SOE commercial bank. According to Forbes, it is the world's biggest bank in terms of assets and the biggest public company in the world. In 2016, it ranked 4th in the "2016 China's top 500 enterprises".

ICBC's investment in Argentina can be traced back to Standard Bank's, a South African financial institution, decision in 2007 to enter Argentina's market. In October that same year, ICBC announced its interest in buying a 20% stake in Standard Bank primarily because this would help ICBC raise its profile in Africa where Standard Bank was a major lender [21]. The spike of COFDI in Argentina in 2010, noted above, coupled with ICBC's expansion strategy drew its attention to Argentina's potential as an investment destination [5]. In

⁶ Interview in 2016.

March 2011, ICBC announced its intention to buy 80% of the operations of Standard Bank in Argentina and its two affiliates, asset manager Standard Investments and commercial service provider Inversora Diagnol. The announced transaction was valued at USD \$650 million and included payments to Standard Bank and the 25% stakes owned by two local investors. In August, during a meeting between ICBC chairman Jiang Jianqing (姜建清) and President Fernandez, ICBC confirmed its intention [25, 55].

The transaction was submitted for approval and a process that usually takes 6 months took 1 year in the case of the ICBC because of lengthy discussions between the central bank and the Chinese bank regarding the nationality of the country manager [18: 123]. Finally, the transaction was approved by Argentina's Central Bank in November 2012, giving ICBC full access to Standard Bank's network of branches, ATMs, and retail and commercial clients. After receiving regulatory approval and assuming control over bank operations, ICBC launched a marketing campaign called "rebirth" to retain customers that might leave due to the change in the name of the bank from Standard Bank to ICBC. To generate trust among its customers the ICBC injected additional capital worth \$100 million into its Argentine subsidiary. On April 8, 2013, the date the bank changed its official public name, ICBC Argentina celebrated its birthday by giving every child born on that day a deposit certificate worth ARS \$1000 (around \$195).

According to the 2016 Argentine Central Bank rankings, ICBC was the 10th largest bank in the country in terms of assets. Its operations seem to be successful and the bank is deeply involved in the country sponsoring important events such as the agricultural exposition of Argentina (Expoagro) and polo and golf tournaments, and is one of the main sponsors of the national football team. In 2015, ICBC Argentina became a designated bank for performing renminbi clearing operations [43].

When talking about the project, one of my interviewees mentioned the main reason for ICBC to invest in Argentina was its desire to find the best path to enter Latin America. Brazil's banking sector was not so appealing because it is more regulated and complicated. Mexico is a competitive market and other countries in the region offered smaller, less appealing banking markets. In contrast, Argentina had various appeals. First, the prices of the assets in the country remained low, never having recovered to pre-2001 crisis levels. Second, as hinted above, the surge in the investment of other Chinese companies in the country in 2010 generated expectations of greater business opportunities.

Overall, the ICBC investment has been well received in Argentina, where "the public is used to have foreigners controlling the banking sector." Furthermore, since the 1990s no new banks came to the country and the change of ownership of Standard Bank was the first investment in the banking sector after the second default declaration.

We should not assume because of the meetings between ICBC Chairman Jiang and President Fernandez that Buenos Aires took any steps to facilitate ICBC's expansion in Argentina. In my view, the meeting was just a protocol gesture. Once again, there is no evidence of any difference in the rules for ICBC because it was a Chinese investor. It had to go through any already well established approval process.

Conclusions and Analysis

In this paper, I covered the history of the Argentina-China economic and political relations. Regarding COFDI in Argentina, I showed that it has been increasing over the

previous years, though China remains less important than other investors in terms of Argentine FDI stocks. Then I presented three cases to shed light on my central research questions. To reiterate, they are: (1) how did the shifting political environment in Argentina affect COFDI? and (2) did the Argentine government adjust its policies in a manner favorable to Chinese investors following the substantial warming of Argentina-China relations that took place after Argentina's financial default in 2001?

In regards to the former question, while there were increases in COFDI to Argentina, with a very noticeable jump in 2010, they were not sustained or dramatic. Chinese investors shaped their investment decisions not according to the state of bilateral relations, but upon economic and business considerations. With respect to the latter question, while high-level bilateral meetings, political and economic agreements, and affixing grand labels—e.g., “Strategic Partnership”—to the relationship were the order of the day under Kirchner and Fernandez, we do not see the Argentine government extending any preferential treatment to Chinese investors or making any special moves. Indeed, as my case studies showed, during Fernandez's term in office the government actually took moves that had direct adverse consequences for Chinese investors. In short, economics was more consequential for Chinese companies while politics seems to have played a greater role in shaping Argentina's behaviors.

I asked three questions to make the preceding assessments. First, did the cases show the Argentine government making decisions/taking actions against the interests of the Chinese investors. Second, did the cases reveal Chinese companies investing in sectors where the government did not meddle? Third, were special accommodations made for any investor? As for the first question, my HBN study demonstrates the deal sank because of the “ley de tierras” that the Fernandez administration itself promulgated. The SCC case reveals that the TFEQ project was undermined by the new provincial governor. While it is true that SCC did not diligently execute its project and failed to make its requisite advance payments for natural gas deliveries, the key factor sinking the deal was the hostility of Bertone, the new elected governor of Tierra del Fuego. In contrast to the other two cases, the ICBC case was a success, even though it experienced opposition regarding the management of the Bank. It went through the review process and after 2 years obtained the necessary regulatory approvals. The Argentine government did not take any measures to ensure a satisfactory conclusion of the transaction.

To conclude, this paper does not find that the political alignment of Argentina towards China meaningfully impacted COFDI flows to Argentina. In addition, in none of the cases I analyzed is there evidence Buenos Aires adopted accommodative policies towards Chinese companies because of the ideological position of Kirchner and Fernandez or their political affinities for Chinese Presidents Hu and Xi or China. On the contrary, I showed in one case that Argentina's president actually took action contrary to the interest of the Chinese investors.

As for the broader implications of this research, there are two. First, my research suggests that host governments wanting to boost flows of COFDI, rather than focusing on bolstering friendly relations with China, should concentrate on creating an attractive investment environment in terms of economic and legal stability so as to meaningfully bolster their locational investment appeal to Chinese investors. Second, analysts should be more cautious about the political behavioral changes they predict will flow from COFDI in other Latin American countries as well as other investment destinations such as Southeast or South Asia.

My findings present a new perspective towards the study of politics and FDI, which usually centers around examining political stability in host countries and their policies towards investors and commonly overlooks internal political interactions such as between political parties and elections dynamics. This neglect is problematic because the case of Argentina clearly shows that local political interactions directly affected the implementation of investment projects and thus the ultimate amounts of FDI received.

Two research directions seem promising for future research on LA and COFDI. First, there is a need for greater study of the impact of internal politics on FDI, specifically when the power shifts among political parties. Second, it would be desirable to look at the effect of political relations on COFDI volumes and features in the cases of other LA countries similar to Argentina to see if there are some unique features present in the Argentina case or if there are similar patterns witnessed elsewhere.

It has been evident in the recent months that the former opponent of the government, current president Mauricio Macri, who previously opposed China's presence in the country, has been vigorously promoting the two countries' relations, with two visits to Beijing in less than 2 years as president [13]. Clearly the story of COFDI in Argentina remains worth following in the years to come!

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Appendix

Table 5 Summary of left governments in LA

Country	Period	President
Argentina	(2003–2007)	Nestor Kirchner
	(2007–2015)	Cristina Fernandez
Bolivia	(2006–Present)	Evo Morales
Brazil	(2003–2011)	Luiz Inacio Lula da Silva
	(2011–2016)	Dilma Rousseff
Chile	(2000–2006)	Ricardo Lagos
	(2006–2010) (2014–Present)	Michelle Bachelet
Ecuador	(2000–2017)	Rafael Correa
Nicaragua	(2007–Present)	Daniel Ortega
Paraguay	(2008–2012)	Fernando Lugo
Uruguay	(2010–2015)	Jose Mujica
Venezuela	(1999–2013)	Hugo Chavez
	(2013–Present)	Nicolas Maduro

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