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The Political Economy of Sino-Peruvian Relations: A New Dependency?

Ruben GONZALEZ-VICENTE

Abstract: This article reviews dependency postulates and examines whether they are applicable to explain the political economy of China's contemporary relations with Peru. It argues that the dichotomy between Peru as a commodity-providing periphery and China as a core manufacturing centre is insufficient to explain the ways in which power is embedded in the international economic system, and particularly inadequate to identify winners and losers in the international division of labour. Thereby, in line with some recent international political economy discussions of power, the article proposes that China should not be understood as a self-contained economic entity, but as a hub where natural resources are mobilized for transnational production. Furthermore, contending that a focus on nation-states fails to capture the complexity of (under)-development dynamics, it suggests that notions of internal colonialism, flexible sovereignties and postcolonial analyses of representation provide fresher perspectives from which to understand the distribution of power along the political economy of Sino-Peruvian relations.

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Introduction

China's relationship with South American countries has intensified over the past decade, due mostly to China's interest in the region as a provider of raw materials and a consumer of its products, and to South America's interest in China's actual and potential economic might as an investor and a market for the region's products. This pattern of exchange has been thoroughly documented (Santiso 2007; Jenkins, Dussel Peters, and Mesquita Moreira 2008; Gallagher and Porzecanski 2010; Gonzalez-Vicente 2011). By and large, analyses of China's role and impact in South America are bilateral accounts or cross-regional comparisons that examine the development of aggregate economic data in light of the reorientation of South America's economic relations. Inasmuch as we elect to observe the growing Sino-South American ties from this perspective, fears of a newly developing dependency are to a certain extent justified. From this perspective, patterns of economic exchange between China and South America seem to suit a binary division between commodity-exporting peripheries and a potent manufacturing centre. A majority of the studies on China–South America relationships has focused on this economic pattern, at times emphasizing that the revaluation of commodities has enhanced a positive macro-economic climate in South America (Cesarin and Moneta 2005), while on other occasions concluding that the relationship condemns South American economies to a commodity-provider role that implies jobless growth and loss of competitiveness in the longer term (Jenkins, Dussel Peters, and Mesquita Moreira 2008; Gallagher and Porzecanski 2010). Thereby, the bilateral relations between South America and China have been deemed "complementary" by some (or "win–win" and "South–South" in the official Chinese diplomatic discourse), yet asymmetric and neocolonial by others. However, and while accepting the validity and necessity of studies that evaluate China's impact on the region's industrial development, this article argues for a different, complementary, and perhaps not yet fully explored perspective on bilateral relations. It emphasizes how the bilateral relations between China and South America need to be seen as part of a wider transformation in international networks of production. The article thus contends that a theorization that takes nation-states as the ultimate unit of analysis falls short in exploring the ways in which China–South America relations are entrenched in global political economic dynamics.

By analysing China's relationship with Peru the article makes the conceptual argument that while confronting the two countries' regional economic trajectories allows us to form an insightful perspective on industrial development, comparing the political economic dynamics taking place in both countries sheds light on processes of exploitation and dispossession that accompany national projects of accumulation and modernity-making. In other words, a perspective that transcends a North–South, centre–periphery divide enables us to disclose the dialectic relationship between development and underdevelopment as this is realized internally in both countries and reinforced by global dynamics. Thereby, the article explains how notions of internal colonialism, flexible/ graduated sovereignties (Ong 1999, 2000) and postcolonial analyses of representation (Chakrabarty 1992; Kapoor 2002) shed light on the distribution of power vis-à-vis the political economy of Sino-Peruvian relations. In doing so, the article does not attempt to refute the validity of bilateral, nation-state-based analyses of China's relationship with South American countries. Instead, it presents a sympathetic critique of such analyses that aims to highlight common transnational patterns of exploitation and dispossession that occur in developing countries as they try to pursue industrial development and international competitiveness. While the economic policies followed by China and South American countries in recent decades differ significantly, it is also important to underline similarities in the ways in which resources and populations are mobilized in national development projects.

The article has three core sections: The first section following this introduction reviews the strengths and shortcomings of dependency theories, summarizing their development from the 1960s on as initial and well-intentioned attempts to criticize international postcolonial inequalities, which nonetheless fell short in describing the international political economy in its full complexity. The second section provides data on Sino-Peruvian relationships by focusing on trade and investment, and in doing so reconsiders the coherence, strengths and limitations of adopting a dependency lens. The third section elaborates the main analytical arguments of the article, highlighting some of the limitations of the nation-state focus privileged by dependency in recent analyses of China–South America relations. It subsequently suggests alternative perspectives on processes of underdevelopment that instead focus on the exploited and dispossessed. A conclusion summarizes the article's main arguments.

Dependency Perspectives and Critiques

Observing asymmetries between the developmental trajectories of "Western" countries and Asian, Latin American and African ones, a number of scholars in the developing world – and particularly in Latin America – began challenging the unidirectional outlook of modernization theory in the 1960s with structural theories of underdevelopment. While Walt Rostow (1960) had explained the developmental process as a historical progression through five necessary and well-defined phases, the linearity of this process seemed not to match the reality on the ground of social change in the postcolonial world. Concurrently, the ways in which Ricardian economics encouraged countries to focus on their "comparative advantages" (narrowly understood as quasi-static qualities, frequently defined from an environmentally deterministic perspective) seemed to further slow industrial development in areas that already lagged behind. Dependency theories thus surged as a third world-centred counter-argument to refute both modernization as an adequate theory of development and neoclassical economics as a framework for long-term sustained growth. The core of the *dependentistas*' argument was that one cannot possibly explore development trajectories without taking into consideration the colonial histories and neocolonial legacies of third world countries and the significance of external factors in shaping the political economy of a given country.

Therefore, Sunkel (1970: 6) contended that development and underdevelopment were historically simultaneous processes which should be understood as two aspects of a single phenomenon. Dos Santos (1970) identified the expansion of industrial capitalist countries as the determining cause in producing systems of dependency. Capitalist expansion – by means of force in the earlier imperial period and subsequently through economic, institutional and "epistemic" colonization (Girvan 2006: 330) – fostered a world economy division between those countries at the centre of the world economy and industrial development on the one hand (i.e. metropolis), and peripheral economies on the other. Colonial heritages (Stein and Stein 1970) and the attendant capitalist international division of labour allowed countries at the centre of the world economy to pursue on-going accumulation to the detriment of the peripheries (Frank 1978; Wallerstein 2004: 28). Hence, underdevelopment was a process shaped by imbalances of power on the international stage, and not just by internal constraints. However, dependency did not fail to acknowledge internal factors, as critics have often claimed. As Manzo reminds us,

> the commitment to a dialectical mode of analysis which refused to separate inside from outside or privilege one over the other, but which instead grasped the fundamental relations between internal and external processes, was manifest in the writings of almost all of the "dependentistas" (Manzo 1991: 11).

Sunkel (1970: 37), for instance, underlined that the analysis of interconnections between development and underdevelopment was applicable to relations between and within countries. The work of *dependentistas* in the late 1970s also paid significant attention to the ways in which external forces were assimilated by societies producing and reproducing socio-political structures that underpinned the dependent condition (Cardoso and Faletto 1979; Evans 1979).

In essence, dependency – while imposed through complex arrangements in international trade and international relations, national class divisions and elite cultures – functioned by the unravelling of what Emmanuel (1972) termed "unequal exchange". Unequal exchange politicized the idea of terms of trade – that is, the relationship between a country's export and import prices – emphasizing that difference in wage levels between countries did not correspond to significant disparities in labour productivity (Frank 1978: 106) but instead to power structures that allowed the metropolis to regulate and manipulate rules of international exchange. From this perspective, the declining terms of trade for raw materials were not inherent to such commodities, but forced through the historical economic processes in which the global economy came into being. As a result of these various perspectives, *dependentistas'* policy recommendations differed significantly from the prevalent ones provided by neoclassical economists. In particular, *dependentistas* suggested that neoclassical economists had failed to identify the importance of historical socio-political processes in shaping the actual implementation of trade theories.

Initially, dependency theorists such as Emmanuel (1972) suggested an anti-Ricardian approach to industrial policy, by which developing countries should focus on developing their own industrial capacities through import substitution. Nevertheless, subsequent *dependentistas* were less enthusiastic about the import substitution industrialization panacea. For instance, Frank pointed to the ability of a metropolis to impose "free trade" schemes to their benefit (Frank 1978: 85). In a similar way, Girvan contended that governments of countries whose economies were already extremely dependent on exports had very limited abilities to plan and influence economic activity (Girvan 2006: 333). Pinto (1974) warned that while "vertical integration" into the world economy could lead to dependency, "horizontal integration" of national industries could bring about marginalization. As opposed to what import substitution advocates have argued, recent accounts of the economic and social development of certain East Asian countries point to the combination of governmental intervention in markets and state industrial management with an outward economic orientation that encourages export industries to compete through international standards (Chang 2003).

In sum, dependency explained in global structural terms the asymmetries of power and development on international and intra-national scales, emphasizing the shrinking possibility of an autonomous recovery from the dependent situation. Nonetheless, following the debt crisis of the early 1980s in Latin America, the triumph of neoclassical economics in Western academia (Wade 2009), and the advent of post-structuralist approaches in the social sciences, dependency theories fell out of favour in scholarly circles. From a historian's perspective, Platt (1980) argued that the transition from colonial to so-called "dependent" status had been anything but mechanical in most Latin American countries, as it took decades for the newly funded republics to voluntarily re-engage European markets. Ray (1973), interestingly, pointed to the fact that the dependency school had failed to attribute dependent features to non-capitalist political systems, overlooking cases in which countries in the Soviet Bloc, such as Cuba, had also grown dependent on the USSR. Most importantly, a significant number of authors pinpointed how the dependency school had failed to predict or explain cases of development in East Asia, where high growth translated into higher per capita gains after decades of state-supported industrialization and export-oriented policies (Clark 1987; Henderson 1993: 201). From a different theoretical perspective, post-structural authors contended that the meaning and image of "development" in dependency literature was merely borrowed from a Western developmentalism imaginary (Manzo 1991: 20). From this perspective, dependency succumbed to a hegemonic view of modernity and failed to take into consideration alternative views of the world and concepts of well-being.

In spite of these limitations, dependency still today informs the ways many Latin Americans perceive not simply their country's position in the world economy, but in particular the bilateral trade qualitative imbalances in relation to some industrial and "post-industrial" economies. One might argue that this is because, in the face of an increasingly technocratic discourse of international development, a stronger critique of power structures in the international political economy seems to be missing. In today's world, dependency postulates seem to offer critical counterbalancing insights where political science has de-politicized its own discourse. For instance, political science and development studies' recent focus on "good governance" has at times presented an unhistorical framework of (under)development that seems to blame failing political systems on technocratic backwardness and administrative failures alone (Leftwitch 1994; Carroll 2009: 463). While a well-functioning administration is certainly key to channelling development, overemphasizing "good governance" may have the (perhaps) undesired effect of obscuring the historical legacies and external influences that shape "bad" governance in the first place, an issue that *dependentistas* were keen on exploring. In the current era of neoliberal techno-political "calculability" (Mitchell 2002), and in the face of globalization discourses of a "flat world" with equal opportunities for self-entrepreneurial individuals and economies (e.g. Friedman 2007), political economic analyses would not do well to fully cast aside dependency's tradition of critical historical endeavour or its focus on inherited inequalities. But how useful is the dependency approach in explaining China's engagement in South America – and in Peru, specifically?

Recent scholarship on China's engagement in South America raises similar questions to those that dependency theory once asked, albeit avoiding overtly ideological positions and the determinism of structuralism. In particular, the growing body of economic analyses of Chinese–South American relations emphasizes the worrisome exchange patterns by which South American economies are increasingly concentrated on a handful of primary exports while China gradually outcompetes Latin American manufacturers in regional and global markets (Paus 2009; Gallagher and Porzecanski 2010: 2). Also important, Jenkins, Dussel Peters, and Mesquita Moreira explain that

> China has been seen not only as a competitor in goods markets for those countries which have specialized in exports of labour-intensive manufactures in which China is highly competitive, but also as a competitor for foreign direct investment (FDI) as a result of the massive inflows to China since the early 1990s (Jenkins, Dussel Peters, and Mesquita Moreira 2008: 236).

In sum, as Wise and Quiliconi remind us,

> despite the current aura of growth, complementarity, and buoyant Chinese demand for LAC's primary goods, it helps to remember that it was the volatility and hardship related to this same reliance on raw material exports that gave rise to the theory of "unequal exchange" and infant industry approaches in Latin America back in the 1950s (Wise and Quiliconi 2007: 411).

China's rise is dramatically changing the economic geography of production regionally and globally. Yet, despite the virtues of dependency theories in addressing highly unequal postcolonial conditions in the developing world, a dependency perspective does not offer an accurate account of the shifts in industrial organization and in the international distribution of labour that are accompanying China's international rise. Focusing on the case of Peru, the following sections address the political economy of its relations with China, exploring the dynamics of industrial development in China and Peru in light of recent international political economy discussions of power. Moreover, and moving beyond aggregate data of national industrial development, the article will address theories of flexible sovereignties, internal colonialism and postcolonialism as a way forward in the critique of underdevelopment in today's globalized world. By validating the politics of representation and drawing attention to the limits of the nation-state project, these perspectives help to unveil yet another layer of the processes of inequality underpinned by global engagement.

Sino-Peruvian Relations

This section explores contemporary Sino-Peruvian relations from two angles: trade and investment. The initial data outlined here reinforces the widely held idea that China sees Peru as a raw materials provider and a market for its manufactures and hi-tech products, inevitably raising the same questions of dependency and neocolonialism that keep certain Western media outlets worried about China's "voracious" role in Africa (e.g. *The Guardian* 2006; Sharife 2009). The section subsequently tentatively adopts a dependency lens to provide an account of contemporary Sino-Peruvian relations. This analysis will be further complicated in the following section, as the paper seeks to deliver a critical perspective beyond binary categorizations (i.e. centre vs. periphery; China vs. Peru) and also beyond a homogenizing modernization view based on the nation-state.

Trade

Trade relations between Peru and China have had an uneven impact on the industrial development of the two countries in the last decade. On the one hand, Peru's external economic relations have been profoundly transformed, while its internal economic structure and heavy reliance on the export of primary products have been exacerbated. Today, China is Peru's second-largest trade partner. However, Peru is only a minor player in China's economic relations. The Andean country only accounts for 0.4 per cent of China's imports and it purchases just 0.1 per cent of China's total exports (Torres C. 2009: 177).

Table 1: Peru's Imports, 2010

Sector	Million USD	Percentage
Raw materials for industries	9,287.93	31.0
Industrial & agricultural equip.	5,992.26	20.0
Fuels & lubricants	4,220.18	14.1
Perishable consumer goods	2,909.81	9.7
Non-perishable consumer goods	2,802.82	9.4
Transportation equipment	2,539.35	8.5
Construction materials	1,237.97	4.1
Agricultural products	972.36	3.2
Other	3.99	0.0
TOTAL	29,966.67	100.0

Source: Calculated from Aduanet 2011a. Author's elaboration.

In 2010 Peru imported products totalling 29 billion USD, up from 21 billion in 2009. Out of these 29 billion, 9.7 per cent were perishable consumer goods; 9.4 per cent non-perishable consumer goods; 14.1 per cent fuels and lubricants; 31 per cent raw materials and semi-elaborated products for added-value industries; 3.2 per cent raw materials and semi-elaborated products for the agriculture sector; 4.1 per cent construction materials; and 28.5 per cent capital goods and equipment for transportation, agriculture and added-value industries (Aduanet 2011a). China's share of the market was 17 per cent, or the equivalent of 5.1 billion USD, making it Peru's second major exporter. China was surpassed only by the US, which exported products to Peru to the tune of 5.8 billion USD (Aduanet 2011b). Among the most significant imports from China are (in descending order) computers and computer hardware, mobile phones, motorcycles, televisions, telecommunications equipment, shoes, photography and video cameras, and cranes (Aduanet 2011c). There is thus a clear pattern of Chinese exports to Peru overwhelmingly based on a wide variety of manufactured goods and hi-tech products. This indicates a significant change from 2001, when, as Torres (2009: 157) explains, China's major exports to Peru were mostly based on lower-end manufactured goods such as toys, shoes, textiles, and tires.

Table 2: Top Peruvian Imports from China, 2010

Products	Million USD	Percentage
Computers & hardware	380.10	11.6
Mobile phones & similar	259.91	8.0
Motorcycles	115.28	3.5
Televisions	69.20	2.1
Telecommunications equip.	63.91	2.0
Shoes	47.43	1.5
Cameras (video and photo)	53.74	1.6
Cranes	52.79	1.6
Other	4,097.88	79.7
TOTAL	5,140.24	100.0

Source: Calculated from Aduanet 2011a. Author's elaboration.

In contrast, Peru exported products with a value of 35.2 billion USD to the world in 2010, up from 26.7 billion in 2009. Peru's exports are chiefly dominated by its mining sector, which accounted for 80.7 per cent (21.5 billion USD) of its total exports in 2010. Other relevant exporting sectors were the oil and gas industries (7.8 per cent); the fishing sector (9.5 per cent); the agricultural and livestock industries (11.8 per cent); the textiles industry (5.8 per cent); the chemical industry (4.16 per cent); processed minerals and metals (4.7 per cent); and the lumber and paper industries (1.3 per cent) (Aduanet 2011d). In 2010, China ranked as the world's number two destination for Peruvian exports, absorbing 15.43

per cent of Peruvian exports for a total of 5.4 billion USD (Aduanet 2011e). Raw materials stood out from other exports to China: in particular, copper, fishmeal, lead, zinc, iron ore, fuels, gold, timber, seafood, and tin (Aduanet 2011f, 2011g).

Table 3: Peru's Exports, 2010

Sector	Million USD	Percentage
Mining	21,589.20	80.7
Agricultural & livestock	3,150.94	11.8
Fishing sectors	2,533.97	9.5
Oil and gas	2,088.13	7.8
Textile	1,559.06	5.8
Proc. minerals & metals	1,254.86	4.7
Chemical	1,224.62	4.6
Lumber & paper	357.14	1.3
Other	1,447.03	5.4
TOTAL	35,204.90	100.0

Source: Calculated from Aduanet 2011d. Author's elaboration.

Table 4: Top Peruvian Exports to China, 2010

Products	Million USD	Percentage
Copper & concentrates	1,695.20	41.6
Fishmeal & derivates	845.44	20.7
Lead & concentrates	798.27	19.6
Refined copper	570.43	14.0
Zinc & concentrates	558.76	13.7
Iron ore & concentrates	481.53	11.8
Petrol	75.04	1.8
Floorboards & friezes	60.81	1.5
Other	348.55	8.5
TOTAL	5,434.00	100.0

Source: Calculated from Aduanet 2011e, 2011f. Author's elaboration.

These trends are expected to be accentuated under the free trade agreement (FTA) that China and Peru signed in 2009. While a study by Peru's Ministry of Foreign Trade and Tourism postulates that GDP, the employment rate, and investment rates will experience a marginal expansion in Peru thanks to the elimination of trade and investment barriers, the report also concluded that the sectors that will benefit most will be the mining and oil industries along with fishing and fish products. The sectors that will be hit the hardest will be leather products, textiles, clothing, and metal products (Mincetur 2007: 121), which nonetheless have in some cases benefitted from subsidized credit channelled by the Peruvian government. Still, major losses will affect labour-intensive manufacturing sectors, while the export of primary products will benefit, consequently intensifying the prevalent pattern of economic exchange. The agreement has resulted in controversy, as critics believe that it reinforces industrial asymmetries (Montenegro 2009); opposition politicians and industrialists fear that it will seriously damage Peru's garment industry, which currently employs approximately 100,000 people (Collyns 2008; *Gestion* 2010). For example, Peru will need to eliminate 61.82 per cent of its taxes on imports from China and has been able to obtain tax reductions for 83.52 per cent of its exports to China. This contrasts with Chile's FTA with China, according to which Chile will eliminate 49.57 per cent of its taxes on imports from China and has obtained tax reductions on 92.01 per cent of its exports to the Asian country (Torres C. 2010: 104), though Chilean politicians also agreed to sell copper to China at a set price that is already below market value. Although the technicalities of the China–Peru FTA have also been praised (González Vigil, forthcoming), what seems particularly worrisome is the overall lack of active industrial policies and incentives to enhance the competitiveness of sectors other than natural resource extraction.

Investment

According to official Chinese statistics, China invested 139 million USD in Peru in 2010, and had an accumulated stock of 654.4 million USD in the country (MOFCOM 2011). The data is misleading, however, as it does not take into account the many instances in which Chinese companies divert investment through holding companies, sometimes using tax havens such as the Cayman Islands and British Virgin Islands as a springboard for investment in South America and elsewhere. The channelling of investment through subsidiaries explains to a great extent the fact that Panama, the United Kingdom and the Netherlands rank among the main investors in Peru (ProInversión 2010). Taking into account the last country of origin of the investing company, ProInversión ranks China fourteenth on the list of top investors in Peru, with a stock of 261.7 million USD and a 1.39 per cent share of Peru's total investment stock as of December 2009. Nonetheless, these data are also incomplete: As explained by Torres (2009: 178), ProInversión – a governmental agency promoting private investment in Peru – registers only the FDI stock that companies voluntarily report. In the following paragraphs, I disaggregate Chinese investment by companies and sectors, using data published both in Spanish- and English-language media and in Peruvian academic publications (Sanborn 2009; Torres C. 2009). In this way, we find that actual and projected investment is far more relevant than China's low ranking as an investor in Peru could reflect. Like in the case of bilateral trade, Chinese investment in Peru is chiefly focused on raw materials, and in mining in particular. China's planned mining investment is 11 billion USD, a quarter of Peru's total, according to Peru's former vice minister of mines (Smith and Fan 2010). But Peru's investment in China is negligible, as is the case for all Latin American countries.

There are currently five major mainland Chinese mining companies operating in Peru. Shougang Corporation's mine in Marcona was China's first significant investment in South America. Shougang Corporation is fully owned by the Chinese state through the Beijing city government. Shougang produced 7.2 million metric tonnes of iron ore yearly by 2007: 62 per cent of that was absorbed by the Chinese market (*Semana Económica* 2007: 16, cited in Sanborn 2008), 5 per cent stayed in the Peruvian market, and the remainder was exported to Japan, Trinidad and Tobago, Mexico, South Korea, India, and the United States. In 2010, Peruvian authorities approved the expansion of Shougang's mine, whereby the company will invest 1.2 billion USD over the next five years in order to double the mine's production (Platts 2010). The second wave of Chinese investment in Peru began in 2007, when Monterrico Metals accepted a 182.3 million USD takeover offer from the Zijin Mining Group to become the leading company investing in the Rio Blanco mining project. Zijin is a privately owned and publicly listed firm, but with important connections to the Shanghang county in China, which controls 32 per cent of the company. The Rio Blanco copper mine contains an estimated 1.25 billion tonnes of metal, and will cost approximately 1.44 billion USD to develop (*South China Morning Post* 2007). The project was scheduled to come on stream in 2011, with an annual copper production of 224,000 tonnes in the first year and 50 million tonnes from the fourth year onward (*South China Morning Post* 2007). However, the project is currently on hold due to the serious social conflicts the Chinese company inherited from the previous owner, which the company has so far mismanaged.

The third company is the state-owned Aluminum Corporation of China (Chinalco), which paid 792 million USD in 2007 to acquire Peru Copper Inc. and gain access to the Toromocho project, one of the biggest copper deposits in the world, with proven and probable reserves totalling 1.3 billion tonnes of ore (Hoffman and Grant 2007: B3). Chinalco will invest 2.15 billion USD, and the mine is expected to be operative by 2013. Later in 2007, China Minmetals Corp. and Jiangxi Copper Co. reached a 446 million USD agreement to acquire Northern Peru Copper Corp. This granted China Minmetals control over the Galeno copper-gold-molybdenum project and the less important Hilorico gold deposit and Pashpap copper-molybdenum site. The Galeno project is predicted to produce approximately 144,000 tonnes of copper concentrate per year over a 20-year mine life, including 200,000 tons annually in the first five years (*The Canadian Press* 2007). The project is estimated to require a 2.5 billion USD investment and could be operative by 2012 (Raw Materials Group 2011). In October 2008, the private company Nanjinzhao Group Co. Ltd acquired the Pampa de Pongo iron ore deposit from Cardero Resource Corp. for 200 million USD. Pampa de Pongo is scheduled to produce a yearly average of 13.7 million tonnes of iron pellets, 22.2 million pounds of copper, and 20,500 ounces of gold, and it has an estimated lifespan of 24 years (FNTMMSP 2008). Some estimates indicate that the project could require a total investment of 3.28 billion USD (Raw Materials Group 2011). Apart from these mainland companies, the Hong Kong-based CST Mining Group controls 70 per cent of the Mina Justa deposit, with an expected investment of 745 million USD (CST Mining Group 2011).

China has also shown interest in the Peruvian oil sector. State-owned China National Petroleum Corporation (CNPC) obtained its first concession in the Talara field in 1993, in what was China's first overseas oilfield (*The Nikkei Weekly* 1998). CNPC's subsidiary Sapet Peru now operates Blocks 6 and 7 of the Talara field, from which it extracts approximately 3,500 barrels of crude oil per day. Sapet also paid 200 million USD in 2004 to acquire a 45 per cent stake in Pluspetrol Resources

Corporation, the parent company of Pluspetrol Norte, which operates Blocks 1AB and 8 on Peru's northern border with Ecuador. Pluspetrol Norte is Peru's main oil producer and has also been exploring in Blocks 111 and 113 in the southeastern jungle since 2005 (*Platts Oilgram News* 2007). In August 2008, CNPC and Sinopec Group put in a joint bid of between 1.5 billion and 2.5 billion USD for Petro-Tech Peruana, which currently produces some 22,000 barrels of oil per day in waters off Peru (*The International Herald Tribune* 2008).

In addition to minerals and oil, China has also shown interest in other economic sectors in Peru. In 2006, China Fishery (an affiliate of Pacific Andes, headquartered in Hong Kong) acquired three Peruvian companies for 100 million USD. The company further acquired actives worth 63 million USD in 2010 (FIS 2010). China imports significant quantities of fishmeal from Peru, of which the country is the leading exporter. China's State Construction Engineering Corporation was rumoured to have considered investing 370 million USD in an international airport to be built in Peru (*Aviation Daily* 2005). China has also shown interest in projects to develop a deep-water harbour in Peru to facilitate the transport of commodities from South America to China's coasts.

The Dependency Perspective

In spite of the lack of a colonial history preceding contemporary Sino-Peruvian relations, the patterns of economic exchange and investment described above resemble those often depicted by dependency theorists. As China increasingly specializes in the production of manufactured and high-tech products, while importing from and investing in Peruvian mining and natural resources industries, asymmetrical trajectories of industrial development are to be expected. As Maswana (2009: 86) argues in a study of the emerging economic links between China and Africa, no matter how legitimate and well intentioned China's approach is, its international engagement and expansion may increase technological gaps that could hinder opportunities for long-term development in developing countries. While many natural resource sectors experienced a boom in the years preceding the current global financial crisis, and while the singularities of the 2003–08 metal boom have led scholars to predict a downward pressure on the cost of manufactured goods and an upward pressure on the costs of mineral commodities (Humphreys 2010), heavy reliance on the mining and oil sectors still presents structural challenges for long-term development. Crucially, in the case of a highly liberalized economy such as the Peruvian one, the limited labour opportunities generated by mining, the low incentives mining provides for upstream and downstream industrial linkages, and the economic and natural limits to sustained extraction pose a greater challenge to the development of parallel industries and to an efficient redistribution of the riches generated by mining businesses. The recent election of Ollanta Humala as Peru's new president in 2011 may curb liberalizing trends, as the new government has raised taxes on mining profits. However, the new administration has also shown signs of continuity with previous governments by shortening the periods for approval of Environmental Impact Assessment Studies; creating a consultation law that does not require companies to abide by the decisions made by communities; and partially supporting controversial mining projects such as the Conga project (Salazar Blanco 2011). While the social and economic dynamics of extraction are expected to undergo significant changes in the coming years, it is still too soon to reach a verdict on the new government's role in resource politics.

From a dependency viewpoint, Peru's remarkable achievements in terms of economic growth during the 2000s appear to have mainly benefitted the country's elites – or, to put it in dependency's terms, the "comprador bourgeoisie" that facilitates a good business environment for international capital. While the structural adjustment measures initiated in 1987 and the subsequent liberalization policies managed to tackle the hyperinflation Peru suffered in the 1980s, they were accompanied by higher rates of joblessness and a 20 per cent decrease in expected annual income as compared to the pre-adjustment levels (Massey and Capoferro 2006: 120). This mainly affected urban lower-income families, and explains, for instance, the substantial increase in emigration from Peru's major urban centres (Massey and Capoferro 2006). Furthermore, there is a stark contrast between the development in the capital city, which benefits from Peru's open economy (at least its most affluent citizens and neighbourhoods do), and pervasive poverty in the mountainous Andean regions, inhabited mostly by indigenous and mestizo populations. To those rural populations, the government of Alan García, following Hernando De Soto's formalization precepts (Gilbert 2002), seemed only able to offer further integration in the market system, a process that may have in fact deprived them of their self-sustained economies in the long term through processes of dispossession, rural gentrification, and what *dependentistas* would term "internal financial dependency". Theories of external and internal dependency manage to explicate to a great extent these contradictory regional trends – between China and Peru, and between Lima and Peru's Andean regions – that are underpinned by increased economic integration.

Dependency manages thus to encompass many of the questions raised by regional inequalities, and to point to the fact that, as posed by Massey (2001: 7), it is "the geography of relations of control and the geometrics of power" – that is, "the *relations between* regions, and not merely *characteristics of* regions" – that determine processes of development and underdevelopment. Different levels of integration between regions and degrees of participation in the global capitalist system will hence determine global power dynamics and the ways in which regions are reconfigured by their positions in the international divisions of labour and nature. However, despite its merits, dependency's approach is limited and problematic, managing to explain only a part of the underdevelopment story. The dependency perspective is constrained by its tight focus on national development and national-level aggregate data. By adopting geopolitical and administrative territorial divisions (i.e. countries, national or regional economies) as the ultimate units of analysis, it fails to adequately take into account human development and underdevelopment beyond economic growth and industrial organization. Struggles for freedom, justice and equality and against uneven power relations are fought on multiple and overlapping scales that rarely confine themselves within administrative borders. Therefore, dependency does not fully manage to give voice to these struggles, which occur beyond national and regional development trajectories and in contingent circumstances. Moreover, the terms of trade of raw materials and manufactures have switched roles in the last decade, with sustained increases in the prices of commodities and a "race to the bottom" in prices and social and environmental standards in the manufacturing sector. The following section further develops this critique.

Beyond Dependency and National Development

While accepting a variety of forms under which international capitalism had achieved global expansion, dependency theorists asserted that the key to global power dynamics was the capacity of the countries at the centre of the world economy to retain the most developed technologies of production. Nonetheless, upon careful examination, dependency's division between manufacturing and finance, on the one hand, and raw materials provision, on the other, does not fully describe the power dynamics in the bilateral economic exchange between Peru and China. For instance, China's economic structure, while manufacturing-oriented, is remarkably different from those of the richest countries in the world. According to the CIA's *World Factbook* (2010), agriculture and industry together account for only 36.6 per cent of the world economy, while services represent 63.4 per cent of the world's GDP, and the services sector employs 40.4 per cent of the world's labour force. While developed countries still accounted for 73 per cent of manufacturing in 2006, services represented more than 70 per cent of the GDP of high-income economies (World Bank 2009: 198). China's economic structure, with 46 per cent of its GDP corresponding to industry, resembles more those of countries such as Belarus (42 per cent), Chile (42 per cent), Malaysia (44 per cent), Papua New Guinea (45 per cent), Bhutan (45 per cent), Indonesia (49 per cent) and Swaziland (49 per cent), rather than those of the US (21 per cent), Japan (28 per cent) or Germany (26 per cent) (World Bank 2011a). Peru's industry, on the other hand, accounts for 35 per cent of its GDP, while its services sector represents 57 per cent of its economy, compared to China's 43 per cent (World Bank 2011b). These data indicate that China's aggregate patterns of economic exchange are more distinct from those of countries considered to be "centres" of the international economy relative to Peru. A second limitation of the dependency approach can be observed in certain recent changes in terms of trade, with the prices of some commodities increasing and the price of many manufactures falling (Kaplinsky 2006).

Most importantly, production processes are increasingly becoming geographically dispersed activities that occur across national and regional borders. At the same time, these are in many cases controlled by volatile financial capital that is difficult to associate to a particular country or region. Some recent political economy scholarship has called attention to these reconfigurations in the international economic system. As Shaun Breslin contends, "We need to move away from bilateral and even national conceptions of power and acknowledge the reality of transnational post-Fordist production networks" (Breslin 2005: 744). From this perspective, China is better understood as an international production hub where products elaborated by transnational companies are assembled and distributed. As Nicola Phillips remarks, competition from China is fuelled in many cases by investment from the developed world and hence

> we need to understand China's computer industry and other sectors as representing only the final stage in a *global* production process – the assembly hub of a wider regional production network – which is not adequately grasped when one takes at face value the bilateral investment and trade figures which show Taiwan as the source of investment in China, or China as the exporter to the rest of the world (Phillips 2010).

Table 5: Economic Structures Compared: Selected Countries, 2009 (%)

Country	Services	Industry *	Agriculture
Belarus	48	42	10
Bhutan	37	45	18
Brazil	69	25	6
Chile	54	43	3
China**	43	46	10
Germany	73	26	1
India	55	27	18
Indonesia	35	50	16
Japan (2008 data)	71	28	1
Malaysia	46	44	10
Papua New Guinea	20	45	36
Peru	57	35	8
Russia	62	33	5
South Africa	66	31	3
United States (2008 data)	77	21	1

* The industry category includes mining, manufacturing, construction, electricity, water, and gas.

** This data on the Chinese economy is also corroborated by the NBSC 2012. According to the NBSC's official data, the primary sector accounts for 10.1 per cent of the Chinese economy (over 4.7 trillion CNY), the secondary sector represents 46.7 per cent of the economy (over 22 trillion CNY), and the tertiary sector makes up 43.1 per cent of China's GDP (over 20.3 trillion CNY).

Source: World Bank 2011b, author's elaboration.

Peter Nolan's analysis of the Chinese economy during the reform era also challenges mainstream optimism about China's development. According to him, China has failed to develop indigenous world-leading businesses and has hence become the "workshop for the world rather than 'workshop of the world'", as 60 per cent of China's industrial exports are from foreign-invested enterprises (Nolan 2005: 2). The manufacturing strength of China is hence an effect of the spatial restructuring of global and regional networks of production rather than a plain example of domestic innovation and industrial development. For these reasons, China should not be understood as a self-contained economic entity, but as a hub where natural resources are mobilized for transnational production. Undoubtedly, one cannot dissociate China's quest for resources from its wider infrastructural development and urbanization trends. Yet these are intimately connected to China's export-oriented developmental model, in which both the hardware (infrastructures) and software (labour) necessary for production need to be upgraded in urban centres in order to attract foreign and local investment. Moreover, the main criticism of China–Latin America relations is the capacity of China to outcompete Latin American countries in manufacturing sectors, hence the focus of this article.

It is thus dependency's focus on nation-states that becomes problematic, rendering it incapable of accurately identifying winners and losers in the international division of labour and international networks of production. Under the umbrella of the nation-state, dependency includes citizens with much differentiated relationships to power. However, states are important instruments in the production of capitalist development and underdevelopment, particularly through their promotion of industrial modernization. Governments in developing countries, including China and Peru, often face the hard choice of needing to push forward developmental models that bring about very uneven costs and benefits to different groups of people. This also occurs in countries that put into practice diverse forms of "state capitalism" or "economic nationalism". Aihwa Ong's theory of "graduated sovereignty" in China explains some of the dynamics by which states deprive poorer citizens of their rights in order to guarantee a pool of cheap labour and enhance industrial development in places like Special Economic Zones (SEZs). In this sense, Ong describes

> the differential state treatment of segments of the population in relation to market calculations, thus intensifying the fragmentation of citizenship already pre-formed by social distinctions of race, ethnicity, gender, class and region (Ong 2000: 57).

Ong concludes that states, in facing global forces, experiment with flexible forms of sovereignty through policies that deprive certain segments of the population of political and economic rights so as to benefit others (Ong 2000). This can be observed in China's SEZs, which have simultaneously become spaces of discrimination for the poor and spaces of incredible accumulation for the rich (Chinese and foreign):

> Not only are migrant workers exposed to the full force of market conditions; they are treated like discriminated foreigners by zone authorities. Migrants must obtain a border pass, work permit, and temporary resident pass to work in the SEZs […]. Furthermore, as rural migrants, they are not entitled to urban citizenship that comes with residential rights, education for their children, and access to various subsidies (Ong 2000: 79).

According to Walker and Buck, these are all tactics designed to achieve the proletarization of China's poor so as to generate an exploitable reserve of surplus labour, as China's household registration system, which divides population into rural and urban groups, "functions to maintain a low-wage labour force, reduce the demand for urban infrastructure such as schools, and facilitate rapid accumulation" (Walker and Buck 2007: 44). By associating developmental inequalities with regions, dependency is unable to appropriately address these processes of exploitation and dispossession occurring within regions and globally.

In view of these dynamics, one needs to question the validity of nation-states or regions as an ultimate unit of analysis and interrogate the various ways in which nation-states are mobilized to facilitate the accumulation of capital by the wealthy. Interlinked processes of accumulation and dispossession or exploitation – as well as resistance – are not defined in terms of nation-state citizenship alone, but also shaped by other forms of identity such as economic and social capital, race, and gender. As the Bengali historian Dipesh Chakrabarty remarked in a much-cited paper (1992: 350), a critical historian needs to start by interrogating the universalization of the two major institutions that emerge with the rise of the bourgeois: the capitalist mode of production and the nation-state. Chakrabarty questions the idea that the solution for the subalterns of the world lies in third world nationalisms, and holds that the state needs to be understood "on its own terms, i.e. in terms of its self-justificatory narratives of citizenship and modernity" (Chakrabarty 1992: 351). If we shift the focus of our analysis from self-contained nation-states towards people, we open the way for a more nuanced explanation of the relationship between Peru and China, one that goes beyond the simplistic centre–periphery dichotomy.

While Ong's theory of graduate sovereignties and flexible regimes of citizenship illustrates the ways in which the Chinese state facilitates the exploitation of cheap labour in export-oriented manufacturing hubs, perspectives on internal colonialism are useful to understand how the nation-state developmental project is mobilized in Peru for the advancement of the mining industry, all too often through violent confrontations with impoverished populations. The notion of internal colonialism does not aim to diminish the significance of global forces, but presents the postcolonial state as an internal enforcer of transnational practices and ideologies of modernization. Peru's developmental model, attuned with the global ascendancy of neoliberal practice, changed drastically in the 1990s under President Fujimori's mandate. Under Fujimori's leadership, as well as the subsequent administrations up until the recent election of President Humala in 2011, the Peruvian economy became a poster child for neoliberal adjustment, where market mechanisms were to replace state allocation rationales. However, the state did not shy away from mobilizing its strength to enforce the expansion of private capital. On this count, the military was particularly important in suppressing resistance to mining expansion in the 1990s (*Peru Monitor Monthly* 2000). The spatial reordering of land ownership and the central government's new land-use rationales have favoured privatization and transnationalization, and "the Peruvian economy is now dominated by the private sector, regulated by market forces, and intricately linked to the global economy" (Bury 2005: 223). As dependency theories predict, linkages with the global economy have benefitted Peru's privileged class. Elites in Lima have experienced personal gains as the Peruvian economy maintained a high GDP growth path before and during the crisis of 2008 (on economic data, see Finkman 2009). These elites are comprised of mining investors, engineers, geologists, lawyers and business managers educated in top schools worldwide, and with whom the mining business is able to provide remarkably high salaries. They are also mostly white. According to a study of inequality and collective action by Muñoz, Paredes and Thorp (2007), employers and white-collar workers represent 55 per cent of the working population in Lima, while in the Andean regions the same group is 15 per cent of the total. Unsurprisingly, Muñoz, Paredes and Thorp (2007) uncover a fundamental overlap between socio-economic and ethnic categories in Peru's highly polarized society.

The increase of Chinese mining investment in Peru needs to be contextualized within these socio-political processes. Chinese investment in mining, while boosting some of the aggregate statistics with which mainstream economists gauge development, has been highly contested by workers – as in the case of Shougang's iron ore mine (Gonzalez-Vicente, forthcoming) – and by peasants currently living at the sites where mining is planned to take place: for instance, in the case of Zijin's Rio Blanco project (CONACAMI Perú 2009). In these cases and others, the projects have gone ahead with the full support of Peru's central government, which believes dearly in the necessity of sacrificing agricultural lands to expand the country's mining industry. The government's developmental rhetoric has been a highly centralizing one, in which the development of the nation-state needs the "backward" and poor to sacrifice their livelihoods for the common good:

> It is there [in Ayabaca, the agricultural province where Zijin has been granted mining exploitation rights despite popular protests and a referendum where peasants overwhelmingly voted against mining] where the old anti-capitalist communist from the nineteenth century disguised himself as a protectionist in the twentieth century, and has again changed his shirt in the twenty-first century to become an environmentalist. But he will always be an anti-capitalist, against investment, unable to explain how a leap to more development can be achieved with poor agriculture (Alan Garcia, president of Peru until 2011) (García Pérez 2007) [translated from the Spanish by the author].

The government's trust in free market capitalism as an engine for development is precisely illustrated in the unequivocal support for Zijin's Rio Blanco project in the Piura region. The Rio Blanco conflict was inherited from the previous company managing the project, Monterrico Metals, an English junior mining company sued in an English court for responsibilities in the deaths and torture of a number of peasants in a clash between police forces and locals who protested against the mine. In different interviews I conducted in Peru during 2011, government officials and industry pundits tended to insist that the main challenge for the Rio Blanco project will be to convince the local population of the good of mining, given how Monterrico got off on the wrong foot. The interviewees' discourse was by no means aggressive and they remarked on the importance of engaging communities, understanding local politics, gaining social license, and ultimately operating in responsible ways with the highest standards. But little doubt was cast on whether mining is necessary in Peru or Rio Blanco, as mining is considered essential to bringing about development to Peru's less favoured populations.

Concurrently, mining companies have operated, at least until recently, in a very favourable liberal environment. For example, Chinalco will invest 3 billion USD in the Toromocho project, which by some estimates would have allowed the company to make a 2,000 per cent profit (Simpson 2008), and pay only approximately 7.6 billion USD in taxes over the estimated 36 years of mine exploitation (*Andina* 2008). President Humala's new tax policies signed in 2011 make the business prospects less lucrative for mining companies, yet overall, mining costs in Peru remain relatively low and "competitive" thanks to labour and electricity costs that are lower than those in other mining economies in the region (Bloomberg 2011). The way in which Peru's neoliberal government has used the state's ownership of the subsoil to facilitate incredibly profitable concessions to transnational businesses illustrates a particular standpoint on development and livelihoods. From the government's perspective, national assets are best utilized by large transnational companies able to transform nature into market assets and economic growth (however distributed), while questions of agency, empowerment, and sustainability of local livelihoods become secondary. State ownership of the subsoil, originally an instrument for regulating foreign companies' capacities to acquire and exploit mining territories in Peru, has become a tool for the government to enhance conditions for accumulation for transnational companies and to legitimize the displacement of the poor in remote areas. These dynamics have been exacerbated by the administrative inability of regional and local governments to adequately spend their share of tax revenues. In this sense, the administrative decentralization policies of Peru, which allocated substantial revenues to subnational administrations, has proved a failure. Paradoxically, the incidence of local conflicts

> has increased in proportion to the extent of devolution of natural resource revenues to subnational governments, which in turn is directly correlated to mining company profits in the same region (Arellano-Yanguas 2011: 619).

Concurrently, Chinese investors, while hiring Peruvian staff to settle disputes with local communities, are particularly keen on negotiating directly with central political elites, thereby reinforcing the power dynamics that aggravate the neglect of impoverished peoples. Theories of internal colonialism are useful to describe these processes, as they highlight the "systematic exploitation and Othering of ethnically or spatially distinct populations in postcolonial states" (Radcliffe 2005: 295) for the advancement of centralized visions of modernity.

The question of politics of representation thus comes to the fore. At a very basic level, we may examine the formal mechanisms of electoral representation through which governments are held accountable, an issue that has attracted significant attention in examinations of China's role in Africa (e.g. Taylor 2008). However, and as the above discussions of flexible sovereignties and internal colonialism might suggest, the issue of representation in postcolonial societies goes beyond a state's administrative and institutional arrangements (although these are also important). Inequality and injustice are also part of the ideologies of modernity and the nation-state. We should take into account, for instance, racial issues in Peru (white vs. indigenous), and geographical disparities in Peru and China (rural vs. urban), and we should certainly extend our consideration to include gender, culture, class and other equally relevant categories. Postcolonial critiques of representation tackle the cultural basis of marginalization and, going beyond dependency's focus on aggregate regional economic inequalities, require that we look at those left out of the equation of capitalism and nation-state development. As Kapoor so eloquently puts it:

> Dependency ignores (for the most part) culture and the politics of representation […]. They [the *dependentistas*] do not examine the politics *of* (and within) culture, and are unaware of the way in which culture frames their own analysis. Indeed, their […] neglect of the politics of representation results in ethnocentrism. From the point of view of the *dependentistas*, this neglect is unfortunate, given their intention precisely to look at imperialism from the perspective of the periphery […]; but from the point of view of postcolonial theorists, it is not unexpected, given *their* argument […] that counter-discourses often reverse or perpetuate orientalist representations. […] [S]uch a discursive hierarchy contributes to a psychology of perpetual dependence in the "periphery" (Kapoor 2002: 654; emphasis in original).

Sophisticated dependency analyses manage, to a certain extent, to expose the ways in which relations between regions, dominated by agents within and outside those regions, enhance or minimize possibilities for economic growth and transform geographies of production. However, by understanding production processes as geographically bound in the nation-state and the region, dependency analyses fail to shed light on the transnational (and yet local) dynamics of exploitation and dispossession that further marginalize "backward" populations for the sake of centralized developmental projects. Theories of flexible sovereignty (Ong 1999, 2000) and internal colonialism, however, offer fresh perspectives from which to examine the inherited and shifting political and socio-economic effects of the international economic system, and how these operate to further marginalize impoverished populations so as to achieve particular visions of "development". Postcolonial theories, too, open questions about the representation of the subaltern, the shifting and contested cultures of development, and indeed about our role and positionality as academics. Postcolonialism takes the developing world as a departing point of analysis and, as Dirlik put it, its goal is

> no less than to abolish all distinctions between centre and periphery as well as all other "binarisms" that are allegedly a legacy of coloni-al(ist) ways of thinking and to reveal societies globally in their complex heterogeneity and contingency (Dirlik 1994: 329).

The nation-state in which dependency bases its study of underdevelopment can hardly be understood as the subject of repression, as it is instead a major pillar of postcolonial modernity. In the analysis of Sino-Peruvian relations, full reliance on a national perspective would oversimplify a complex reality in which neither of the two nation-states can be viewed as a winner or loser, but rather as geopolitical and institutional assemblages that reproduce both accumulation and underdevelopment.

Conclusion

This article has pursued a conceptual study of Sino-Peruvian relations that is characterized by the refutation of the nation-state as the ultimate unit of analysis in bilateral relations. While acknowledging the strength of most sophisticated dependency theories in tackling cross-regional inequalities, it has argued that dependency's typical binary opposition between a natural-resources-providing periphery and a manufacturing metropolis does not fully capture the essence of the relationship between China and Peru. Crucially, the article holds that under the new shape of international production, China is a hub for international capitalism where resources are mobilized for transnational production, instead of a self-contained burgeoning economy capable of being an innovation and technology champion through its own domestic means. Moreover, whereas China's bilateral relations are a valid point of entry into developmental research – and a rather timely and stimulating one, one can only get so far by remaining anchored to nation-states as units of analysis. Instead, I have proposed to complement a perspective based on the nation-state and on industrial development with another that draws upon postcolonial ideas of representation and theories of flexible sovereignty and internal colonialism. This combination of approaches proves more fruitful in identifying the winners and losers that emerge from the reordering of economic structures that has followed from the increasing economic interaction between China and Peru.

It is thus necessary to interrogate how development is conceptualized in both China and Peru and who the people are who will or will not benefit from those developmental visions. In this sense, the article has highlighted the inequalities enhanced by the ways in which both China and Peru engage the international economy, and by their own bilateral relationship. There are elites in both countries who enjoy the benefits of the sustained economic growth that their countries have experienced in the last decade. However, other less privileged populations find themselves proletarianized or dispossessed as governments pursue centralized developmental plans that require cheap surplus labour (in the case of China) and an aggressive expansion of extractive activities (in the case of Peru) in order to preserve global competitiveness and relevance. The article has thus underlined a highly problematic and stark contrast between the governmental necessity for long-term plans of industrial development and the immediacy of exploitation and dispossession that these underpin in developing countries. While an aggregate political economic outlook allows us to observe divergent industrial development trends between the two countries, this article has shed light on convergent tendencies in the ways in which marginal (mostly rural) populations are exploited or dispossessed in China and Peru for the sake of economic growth.

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