

IMPERIALISM IN LATIN AMERICA AND THE CARIBBEAN: WHAT IMPACT CHINESE INVESTMENTS CAN BRING WITH LESSONS FROM HONG KONG¹

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Abstract: This paper adopts a Marxist framework to explain how imperialist exploitation in Latin America and the Caribbean evolves while the mechanism for unequal exchange remains. Chinese investments in the region have increased exponentially in the last decade which raise questions as to what impact they may bring. This paper uses the case of Hong Kong to argue that without organised popular force with a progressive agenda which can bargain with and channel Chinese investments into socially useful projects, they can even exacerbate existing contradictions and lead to unrest by their apparent challenge to Western capital. Progressive popular forces in the LAC region should attempt an all-sided assessment of the effects of Chinese investments and form strong sovereign and social development agendas that could optimise their utilisation and strengthen the forces against neoliberalism and imperialism.

Keywords: Chinese investments. Latin America and the Caribbean (LAC). Imperialism. Hong Kong. Colonialism.

IMPERIALISMO NA AMÉRICA LATINA E NO CARIBE: QUE IMPACTO OS INVESTIMENTOS CHINESES PODEM TRAZER COM AS LIÇÕES DE HONG KONG

Resumo: Este artigo adota uma estrutura marxista para explicar como a exploração imperialista na América Latina e no Caribe evolui enquanto o mecanismo de troca desigual permanece. Os investimentos chineses na região aumentaram exponencialmente na última década, o que levanta questões sobre qual impacto eles podem trazer. Este artigo usa o caso de Hong Kong para argumentar que, sem uma força popular organizada com uma agenda progressista que pode negociar e canalizar os investimentos chineses para projetos socialmente úteis, eles podem até exacerbam as contradições existentes e levar à agitação por seu aparente desafio ao capital ocidental. As forças populares progressistas na região da América Latina e do Caribe devem tentar uma avaliação abrangente dos efeitos dos investimentos chineses e formar agendas de desenvolvimento social e soberanas fortes que possam otimizar sua utilização e fortalecer as forças contra o neoliberalismo e o imperialismo.

Palavras-chave: Investimentos chineses. América Latina e Caribe. Imperialismo. Hong Kong. Colonialismo.

EL IMPERIALISMO EN AMÉRICA LATINA Y EL CARIBE: ¿QUÉ IMPACTO PUEDEN TRAER LAS INVERSIONES CHINAS CON LAS LECCIONES DE HONG KONG?

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Resumen: Este artículo adopta un marco marxista para explicar cómo evoluciona la explotación imperialista en América Latina y el Caribe mientras permanece el mecanismo de intercambio desigual. Las inversiones chinas en la región han aumentado exponencialmente en la última década, lo que plantea interrogantes sobre el impacto que pueden traer. Este artículo utiliza el caso de Hong Kong para argumentar que sin una fuerza popular organizada con una agenda progresista que pueda negociar con las inversiones chinas y canalizarlas hacia proyectos socialmente útiles, estas pueden incluso exacerbar las contradicciones existentes y generar malestar por su aparente desafío al capital occidental. Las fuerzas populares progresistas en la región de ALC deben intentar una evaluación integral de los efectos de las inversiones chinas y formar agendas sólidas de desarrollo social y soberano que puedan optimizar su utilización y fortalecer las fuerzas contra el neoliberalismo y el imperialismo.

Palabras clave: Inversiones chinas. Latinoamerica y el caribe. Imperialismo. Hong Kong. Colonialismo.

Introduction

“Latin America is the region of open veins. Everything, from the discovery until our times, has always been transmuted into European—or later United States—capital, and as such has accumulated in distant centres of power...Production methods and class structure have been successively determined from outside for each area by meshing it into the universal gearbox of capitalism. To each area has been assigned a function, always for the benefit of the foreign metropolis of the moment, and the endless chain of dependency has been endlessly extended.” (Galeano 2009, 2)

Eduardo Galeano's book *Open Veins of Latin America*, written in 1973, has been widely regarded as *the* book which introduces the world to the history of exploitation of the Latin American and Caribbean (LAC) countries since the 15th century, and the continued dominance of the imperialist countries after their independence. The quotation above succinctly summarises the main characteristics of dependency and the fundamental of value transfer under imperialism which transcends direct colonial rule. The socio-economic structures imposed by the colonial countries in these countries for surplus outflows to the latter have remained largely intact despite decades of struggle and resistance; many argue that the 'chain of dependency' is very much still alive today.

This paper adopts a Marxist framework to explain how imperialist exploitation in the region evolves while the mechanism for unequal exchange remains. In the last decade, Chinese investment in the continent has increased exponentially. China has even replaced the US and become the largest trading partner for some major Latin American economies such as Brazil and Argentina. Is the rise of China an opportunity for these countries to break away from the centuries-old dependency?

While much attention has been on Chinese loans and investments, this paper argues that in order to answer that question, it is necessary to trace the formation of dependency when it first developed under colonialism in the 15th century. First, the paper will introduce the mechanism of value transfer from the colonised economies to the colonialists through the difference in organic composition of capital. Secondly, it will explore the history of colonialism in Latin America with the beginning of European colonialism. Thirdly, it will discuss the different stages and strategies of US imperialism in the continent. Fourthly, it will discuss contemporary imperialism and the impact in Latin America. Fifthly, it will discuss the resistance struggles against, or strategies to cope with, contemporary imperialism, highlighting the examples of Brazil and Venezuela. Sixthly, it will use the case of Hong Kong to argue that without organised popular force with a progressive agenda which can bargain with and channel Chinese investments into socially useful projects, they can even exacerbate existing contradictions and lead to unrest by their apparent challenge to Western capital. Progressive popular forces in the LAC region should attempt an all-sided assessment of the effects of Chinese investments and form strong sovereign and social development agendas that could optimise their utilisation and strengthen the forces against neoliberalism and imperialism.

Unequal Exchange as the Mechanism of Value Transfer

In Marxist terms, unequal exchange under European colonialism was first demonstrated through the (forced) export of raw materials from labour-intensive extractive sectors and the import of relatively capital-intensive European manufactures. The concept of unequal exchange originates from Marx's analysis of the capitalist mode of production which separates labour from its labour-power. Marx gives a detailed explanation in the voluminous *Capital* of how the law of motion in the capitalist system drives capitalist accumulation through this unequal exchange. Under capitalism, the exchange between capital and wage-labour must be unequal. Capitalists pay wages to labour in order to obtain their labour-power, which creates value greater than what labourer receives in wages and thus becomes profits to those who command the labour-power, i.e. the capitalist class. Unequal exchange is concealed in the apparently fair exchange in the monetised economy where people see the prices of commodities but not the social characters of the production relations between the individual producers (Marx 1867, 50).

Marx explains in *Capital Volume I* how the value of commodity is determined by the average socially necessary labour in its production and this universal unit make commodities directly exchangeable (Marx 1867, 41). As labour is the only source of value, the transfer of value through international trade is a transfer of surplus value already created by the labour in the trading countries. Marx argues that the difference in gains in trade between the developed and developing countries can be understood using the concept similar to the difference between skilled and unskilled labour. As Marx (1857, original emphasis) proposes in *Grundrisse Notebook VII*, “[t]wo nations may exchange according to the law of profit in such a way that both gain, but one is always defrauded..., from the possibility that profit may be less than surplus value, hence that capital (may) exchange profitably without realizing itself in the strict sense, it follows that not only individual capitalists, but also nations may continually exchange with one another, may even continually repeat the exchange on an ever-expanding scale, without for that reason necessarily gaining in equal degrees. One of the nations may continually appropriate for itself a part of the surplus labour of the other, giving back nothing for it in the exchange, except that the measure here (is) not as in the exchange between capitalist and worker.” The core of the unequal exchange lies in the difference in the ‘days of labour’ of the two countries, i.e. productivity of labour. In *Capital Volume III*, Marx reiterates that the surplus transferred to the developed countries originate from the difference in labour productivity: “The favoured country recovers more labour in exchange for less labour, although this difference, this excess is pocketed, as in any exchange between labour and capital, by a certain class.” (Marx 1863). The difference in productivity of labour is directly linked to the difference in organic composition of capital (OCC) among different capitals, and there is an outflow of surplus from a country with relatively lower OCC to country with relatively higher OCC³.

In the context of European colonialism in LAC, the difference in the organic composition of capital between the extractive sector and the manufactures sector is the main cause for surplus outflows in exchange. But the imposed international trade happened at the time when domestic capitalist development in LAC had not begun, the settled colonisers took the place of domestic capitalist class and pocketed any surplus remaining in the LAC, while the entire local population was enslaved. Under

³ For further discussion on how difference of OCC leads to outflow of surplus and constitutes unequal exchange in international trade, please see my thesis *The Political Economy of China's Development and 'Go Global': primitive socialist accumulation in China and its impact on Latin America and Africa* (Cheng 2020b).

US imperialism since 1898, large-scale investment from transnational corporations, including export-oriented infrastructure and capital investment for the operational needs of the business, was made in the former European colonies. Exploitation is demonstrated less in the difference of OCC of the sectors involved in exchange, but more in the extremely low wages of the LAC workers with the characteristics of super-exploitation. In addition to super-exploitation and unequal exchange, LAC countries were deprived of their own accumulation as the ruling classes were either directly appointed by the European colonists or *comprador* regimes collaborating with the US. As shown in the examples later in this paper, they gave generous concessions to transnational corporations (TNCs) and demanded none or very little royalties from the extractive sectors, hence most of the countries, despite being rich in resources, are too poor to carry out industrialisation programmes and social reforms. While the US has overtaken Europe as the dominant power in the region and different strategies evolve over time (as will be discussed below), the symptoms of dependency, namely monoculture in agriculture, debt-serving deficits, the lack of manufacturing industrialisation or upgrade, and disjointed regional integration, still plague the continent and only differ in degrees among the LAC countries.

The beginning of European imperialism

The beginning of European imperialism in LAC can be traced back to the Spanish fleet led by Columbus who discovered Americas in 1492. The Spanish Queen Isabella, gaining the favour of the Roman Church with her war on Islam and expulsion of the Jews in the re-conquest of the Iberian peninsula, was ordained by Pope Alexander VI as the proprietor and master of this New World in the same year. This marked the beginning of state-sponsored, as well as, private conquistadors or businessmen expeditions to the Americas. Two years later, Portugal was given similar right by the Pope. 500 enslaved Haitians were brought to Seville for sale by the Columbus-led military conquest in 1495 (Galeano 2009, 12). The competition to conquer and loot the New World was on. With tricks, diseases and brutal invasion, the Indian civilizations were nearly annihilated by the conquistadors, even though the latter were significantly outnumbered by the natives at the time. As Galeano (2009, 12) explained, the unequal developments of the Indian and European cultures, the latter of which had already developed gunpowder while the former had not even used iron or glass, let alone gunpowder and modern warfare, underpinned the defeat of

the natives. The notorious conquest of the Aztec people by Cortéz, whose army of about 600 men massacred the people in Tenochtitlan and looted all their gold from the temples, and Pizarro's killing of the Inca emperor Atahualpa after taking ransom of roomfuls of gold and silver from the people, are some of the prime examples of colonial greed and cruelty. Not only did the natives' gold, silver and lives be taken, their cultures were decimated as the conquistadors became the governors and rulers of the region and imposed Spanish and Christian rule on the continent. For Brazil alone, more than 300,000 Portuguese emigrated there in the eighteenth century (Galeano 2009, 12). A ruling class from the descendants of the Europeans was formed and a socio-economic system based on racial discrimination against the natives established.

Direct value transfer under European colonialisation

The LAC region played a crucial part in the primitive accumulation of capitalism which came into fruition in Europe, particularly in the first industrialised power of Britain, as described in *Capital Volume I* by Marx. While Spain and Portugal looted the precious metals from South America, the majority of them were actually transferred to Britain, which was the manufacturing powerhouse at the time and had successful trade with continental Europe and the New World. The flows of gold and silver to Britain through the export of manufactures furthered the industrialization process in Britain and the gap between the trading countries. Although the LAC region is rich in minerals and resources such as gold, silver, mercury, copper, and aluminum, it required more than merely coercing the natives to run this systematic operation as it was a labour-intensive business with high mortality rate and required a constant supply of labour, which the region lacked, especially after colonization. It was estimated that the native population in the LAC region before the arrival of the conquistadors was above 70 million but it fell to 3.5 million a century and a half later; the ruthless exploitation was so severe that there were reports of mothers killing their children in order to spare them from the torture in the mines (Galeano 2009, 38). Although the native population continued to be the main workforce, especially in the less accessible inlands, a transatlantic slave trade system was developed to ensure the supply of labour and thus the continuous and extensive transfer of wealth and value to the colonial powers.

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalized the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation...The different momenta of primitive accumulation distribute themselves now, more or less in chronological order, particularly over Spain, Portugal, Holland, France, and England. In England at the end of the 17th century, they arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system. These methods depend in part on brute force, e.g., the colonial system. But, they all employ the power of the State, the concentrated and organised force of society, to hasten, hot-house fashion, the process of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every old society pregnant with a new one. It is itself an economic power. (Marx, Karl 1867, chap. 31)

Large-scale slave importation began in the sixteenth century to meet the need for labour in mining, military expedition, and later the sugar cane and other cash crops such as cacao, rubber, cotton, and coffee cultivation (Bergad 2007, 38). Brazil, as the main supplier of sugar to European markets until the middle of the seventeenth century, had become the leading African slave importer in the region for 250 years (Bergad 2007, 40). Studies show that 40% (nearly four million) of the total number of slaves transported to the Americas were sent to Brazil, ten times more than those sent to the US. However, the slave population in Brazil dropped to about 720,000 in 1888. The same pattern appeared in Cuba, the largest sugar exporter in the world by the 1820s, when the number of imported slaves 780,000 (twice the number to the US) halved in 1862 (Bergad 2007, 96–97). High death rates among slaves in plantations were hard evidence to show the degree of super-exploitation for primitive accumulation. As historian Bergad suggests, “[mistreatment] of slaves may appear to have been economically irrational. But if slaves were constantly available at reasonable prices from Africa...it may have been perversely logical from a strictly economic point of view for masters to literally work slaves to death because of the high short-term profit possibilities, and then to replace them with fresh imports.” (Bergad 2007, 103).

The rush for mines and cash crops not only worked the natives and Africans to death, the practice of monoculture also destroyed the flora and fauna of the region and resulted in agricultural underdevelopment. The latifundio, once established, became the main source of income of the area for many decades to come due to its size and the lack of alternative, while the property rights remain in the hands of the few. In addition to land ownership, the monopoly of seeds, fertilizers, insecticides,

credits and markets by the agribusiness has made it almost impossible for local producers to achieve accumulation. The monoculture economy can easily fall into crisis when faced with price fluctuations, international competition and dumping; ironically, the region becomes dependent on food imports despite having rich and fertile land. When commodities enjoy high prices, profits are reaped by the landowners and agribusinesses, while the workers receive pauper's wages. The work regime, even after the abolition of slavery, has largely remained the same. "A man is cheaper than a mule" is a popular saying in the coffee plantations in Guatemala, as the planters would rather hire Indians than trucks or carts for transport as the former was cheaper (Galeano 2009, 98). In order to support the import of foreign manufactures and foodstuff and the construction of basic infrastructure for the export of raw commodities, many LAC countries relied on loans and credits from British banks. Debt-serving has become another burden and obstacle to national development, as well as the export-focused, foreign-controlled railways, which are not for developing the region but for serving the export market (Galeano 2009, 199-200). The period of European colonisation was during the time when capitalism was still developing and competition among emerging capitalist countries was on the rise. Direct military clashes between European capitalist countries over colonies were not uncommon, as demonstrated by the invasion of the Spanish island of Trinidad by British troops in 1797 and the subsequent failed invasion attempts of the Spanish Rio de la Plata (today Argentina and Uruguay) by Britain (Galeano 2009, 174). Nevertheless, Britain still had the upper hand in capturing the wealth and surplus value created in the colonies and other European countries, as its manufactures contained higher machinery and technology inputs, i.e. constant capital in its production. This period also saw the emergence of finance capital and the extension of credits by the banks.

Different strategies of US imperialism prior to the neoliberal era

The rise of the US as a superpower after the First World War has not changed the nature of underdevelopment in the LAC countries. Its monopolisation of control of the LAC colonies became possible as the European countries ran into decline due to the costly wars and increasing resistance from the colonies. The growth of powerful, mainly US-based transnational corporations such as United Fruit, Standard Oil, and Hanna mining company, has marked the beginning of oligopoly capitalism. While the

US dominance in the region is still firmly in place up to this day, different strategies can be identified in the American grip which ensure that the development of the region is contained and ultimately serves the interest of the capitalist class in the US.

After the Spanish-American War in 1898, the US has assumed control of the colonies and, until the Second World War in 1945, the LAC can be understood as the American 'Mare Nostrum'. Table 1 shows the number and frequency of direct US military intervention in the region during this era. The American dominance was established through military intervention, repression of left-wing opposition and blocking of reforms which would fundamentally change the highly unequal socio-economic structure and threaten American investment in the area. With the backing of the state, United Fruit was a prime example of how a US-based TNC exercises unprecedented economic and political power in the LAC region (Bucheli 2008).

Table 1 - Number and years of US military intervention in select LAC countries from 1900 to 1945 (Source: Bucheli 2008)

Country	Number of direct military intervention by the US	Year of military intervention
Honduras	5	1903, 1907, 1912, 1919, 1924
The Dominican Republic	3	1903, 1914, 1916
Haiti	2	1914, 1915
Nicaragua	3	1907, 1909, 1915
Cuba	3	1906, 1912, 1917
Panama	3	1912, 1918, 1925
Guatemala	1	1920
El Salvador	1	1932

The structure of dependency was strengthened under US imperialism. Many LAC economies depended on the US for their exports and imports; the US accounted for more than half of the total exports of the Dominican Republic (53%), Honduras (87%), Panama (94%) as well as the total imports of Costa Rica (53%), the Dominican Republic (62%), Honduras (87%) and Panama (55%) before WWII (Bucheli 2008, 439). The 'bananarisation' of some republics, in which large swathes of land was given to American TNCs for banana cultivation and the entire economy became dependent on banana export (50% of Costa Rican exports, 50% of Honduras', 65% of Panama's in 1913, 27% of Guatemalan exports in the 1930s) as the main source of income (Bucheli 2008, 439), has demonstrated the level of intervention and the US power to build the American 'Mare Nostrum'. Furthermore, it also demonstrates how trade has been used as a tool to force the 'colonies' to align their interest with the TNC's, despite the fact that their economic insertion into the

world economy (and the so-called 'comparative advantage') was imposed on them by monopoly capitalists rather than on their own accord.

United Fruit and its subsidiaries, e.g. International Railways of Central America (IRCA), were given large amounts of land in the region as infrastructure concessions including railway, telephone lines, housing, ports and hospitals. It created thousands of jobs for local workers and an export infrastructure in the region (Bucheli 2008, 434). However, such concessions often resulted in strengthening the monopoly of the TNC and the US. For example, in return for giving the Tropical Telegraph and Telephone Company, a subsidiary of United Fruit, the concession for building telegraph lines, Panama actually gave up its rights to build its own telegraph lines for 15 years to the company, which also provided services to the US Navy in Central America. The Panama state was separated from Colombia in 1903 with the backing of the US military in order to help the US gain control of the Canal Zone (Bucheli 2008, 441). In Guatemala, IRCA was given a 99-year concession for the construction and management of a railway in 1904 and United Fruit a banana production concession in 1906, and land concessions for building a port in 1930. However, despite the fact that the port was never built, the land was nevertheless kept by the company with no reparations (Bucheli 2008, 434). During the Great Depression when the prices and demand for bananas dropped, Carias, who was an ally of United Fruit, supported the suppression of workers' strikes and the wage cuts. United Fruit was so powerful in Central America that it was even able to neutralise political opposition (for example Jimenez in Costa Rica (Associated Press 1985)) or engender regime change (Bonilla and Carias in Honduras) (Bucheli 2008).

With growing discontent from the countryside and the working class, as well as the threat of communism from the successes of the Soviet Union in countering US supremacy in the world and the Cuban Revolution in 1959, many of these countries could not continue to ignore the extremely unequal economic situation and carried out land reforms (e.g. in Peru from 1958 to 1974, in Brazil from 1962 to 1964, in Chile from 1966 to 1973, in Ecuador from 1964 to 1967, in El Salvador from 1980 to 1985, in Guatemala from 1952 to 1954, in Honduras in 1973, in Nicaragua from 1979 to 1986 (Veltmeyer 2005, 290)). Despite these reforms the concentration of land ownership did not change (90% of arable land in Latin America was in the hands of 26% of all farmers as late as 1998 (Veltmeyer 2005, 290)). At the same time there was mass migration to the urban centres in search of jobs and housing. With revenues from the increased tax income from the commodity boom during the

Second World War, many LAC countries, including those under military regimes (Getúlio Vargas in Brazil, Lazaro Cardena in Mexico and Juan Perón in Argentina), turned populist. Consequently they were able to pursue developmental reforms, including the nationalisation of important natural resources, and created an economy with a strong state sector, which improved social welfare and brought a higher standard of living to workers and peasants (La Botz 2007). However, the introduction of progressive reforms did not necessarily mean reduced repression from the US. In Guatemala, after the fall of dictator Ubico, a close ally to United Fruit, in 1944, the two successive Presidents Arevalo and Arbenz carried out aggressive social programmes, including the redistribution of expropriated unused land from United Fruit to peasants, and tried to break United Fruit's monopoly by building highways and a government-run port. This became intolerable to the US and Arbenz was overthrown, and his policies nullified, by rebels backed by the Eisenhower administration in 1954 (Bucheli 2008, 445). From the end of WWII to the 1970s, the era is characterised by partial development, tolerated under US imperialism which wields its power through a mixture of gunboats and proxies without any formal colonies.

On one hand, the US continued to arm, train and support right-wing military coups, for example Jagan in Guyana (1953), Arbenz in Guatemala (1954), Bosch in the Dominican Republic (1963), Goulart in Brazil (1964), Allende in Chile (1973), Uruguay (1973), Argentina (1976), in order to form a bulwark against communism (La Botz 2007). The US established military and ideological training centres to indoctrinate the Central American forces with its National Security Doctrine, which promoted the practice of systematic annihilation of political enemies. The first centre, the School of Americas, was established in the Panama Canal Zone in 1946 and the genocidal tactics "began as early as 1954 with the military coup in Guatemala, continued almost until the beginning of the twenty-first century, spreading throughout practically all of Latin America"(Feierstein 2010). In Guatemala alone, more than 200,000 people, almost 10% of the total population, were assassinated or disappeared in the 36 years of resistance struggles against military intervention (Feierstein 2010). Former SS officers and Gestapo officers, including Mario Busch and Klaus Barbie (known as the Butcher of Lyon), were hired by the military governments to carry out repression in this period (Feierstein 2010).

On the other hand, the US opted for international cooperation for national development (in the name of aid) as a strategy to circumvent the revolutionary tide in

the countryside and redirect their attention from social movements to local development (Petras and Veltmeyer 2017, 6, 88). The US introduced the 'Alliance for Progress' in 1961 which supported agrarian reform programmes and rural development. With the first permanent expropriations in Cuba after the revolution in 1959, United Fruit understood it had to change and pursued a different strategy. Firstly, it merged with AMK Corporation to form a giant food conglomerate, United Brands in 1970, to expand and diversify its agribusiness. Secondly, it sold its production assets and lands and divested most of its plantations in LAC to reduce the risk of expropriation or destruction. Despite the apparent retreat under 'Alliance for Progress', United Fruit still benefited as the US-supported 'Alliance for Progress' provided funds for LAC governments to purchase lands from United Fruit for reforms (Bucheli 2008, 446). The problems of landlessness and rural poverty have been de-politicised and attention diverted to increasing the poor's "capacity to network and act cooperatively" (Veltmeyer 2005, 299). Together, it took the pressure for land redistribution away from the governments and contributed to a market-assisted approach towards land and agrarian reform, for example providing credit to rural poor landholders to purchase land and the means to modernise farming (Veltmeyer 2005, 299). Some indigenous uprising leaders were co-opted to the system, such as Antonio Vargas in Ecuador, who became the head of an NGO tasked with disbursing funds for local development programmes (Petras and Veltmeyer 2017, 25).

The strategy and policy of land reform, integrated rural development and strategic use of its repressive apparatus was largely successful, as most of the political Left had either been annihilated or abandoned the revolutionary struggle (Petras and Veltmeyer 2017, 87). The anti-colonial struggle in the 1960s and 1970s was met with ruthless repression from the imperialist power and its proxies, but at the same time led to the strategic retreat of the TNCs. The US-dominated international institutions such as the Inter-American Development Bank (IDB) and the IMF even offered loans to the Central American governments (Costa Rica, Guatemala, Honduras, Panama and Colombia) which formed a banana export cartel UPEB and called for the increase of taxation on TNCs bananas exports, supply control and modification or renegotiation of previous land and tax concessions to TNCs (Bucheli 2008, 448).

National development of the 'colonies' could not be rejected outright, and the US realized it was in its interest to allow national development than not in light of threat of communism. The US President Truman urged his country to "embark on a

bold new program for making the benefits of our scientific advanced and industrial progress available for the improvement and growth of underdeveloped areas” as a fourth security-related initiative in his inaugural address in 1949, even though it was not followed by the Eisenhower administration. The Mutual Security Agency launched by Truman, later became the United States Agency for International Development (USAID) in 1961 (Atwood 2018), which played an important role in the US strategy of “velvet glove of development assistance or foreign aid” for rural development to complement its military suppression (Petras and Veltmeyer 2017, 91). In order to compete with the socialist alternative, the idea of using ‘development’ as an imperialist project, such as the International Cooperation for Development, was gaining momentum to lure resistance into subordination (Petras and Veltmeyer 2017, 21). In the post-WWII period until 1979, the LAC region was considered as having relatively low strategic and economic value to the US. It was a state-led capitalist development era for the region. As summarized by Petras and Veltmeyer (2017, 90), “[the] bigger states in the hemisphere pursued their own development path while the US was content to influence the smaller states in its backyard through *comprador* regimes that shared US preference for authoritarian regimes and conservative forms of capitalism”. From the 1960s to mid-1970s, the region generally experienced a stable, consistent economic growth as a mixed economic model of diversified export growth and import substitution industrialization (ISI). Studies show that the average GDP growth in the region (excluding Cuba) from 1950 to 1980 (5.5%) is stronger than the period from 1990 to 2011 (3.3%), while growth in the latter period is more volatile as it is more vulnerable to external factors, such as fluctuations in external financing and the terms of trade (Ocampo 2013, 16). By 1980, Latin American’s share of world’s GDP rose to 9.5% compared to 5.2% in 1929 and 2.6% in 1870 (ibid, 14).

Latin America under contemporary imperialism

The combination of repressive measures and capitalist development to a certain degree helps the US continue its domination in the region. The imperialist strategies differ according to the level of resistance in the countries. By the 1980s, the mechanism employed by contemporary imperialism, of using finance capital to capture surpluses without getting involved in the production process and limiting and manipulating capital formation in the developing world, became a general approach

across the globe and the LAC experience is a prime example of this mechanism in action. The era of limited development in the 1960s and 1970s ended with the international debt crisis in 1982. Deindustrialization and the rolling back of social reforms since the neoliberal reforms in LAC serve as a stark reminder of how quickly social progress can be eroded when the alternative funding and market from the Soviet Union is severed.

Some LAC developing countries accumulated wealth from the boom in primary commodity export in WWII, which provided a material basis for their development strategy. The opportunity also arose when the US was pre-occupied with the perceived threat of the Soviet Union after WWII and had reduced its direct intervention in Latin American and Caribbean countries (Saad-Filho 2006). This has led to the rise of the structuralist school, which advocates industrialisation in the peripheral countries rather than adherence to the so-called comparative advantage.

The UNCTAD (1964) report, chaired by Prebisch, *Towards a New Trade Policy for Development*, argues for industrialisation in the developing countries as primary-goods-exporting countries tend to lose out due to relatively low income elasticity of demand for primary products (the demand for foodstuffs and other staple consumer goods does not rise as quickly as the demand for industrial goods and services when incomes rise), and the gain in the increased agricultural productivity tends to be offset by subsidies to farmers in the developed countries, which in turn encourages further expansion of production and depresses world prices. The deterioration in the terms of trade for the developing countries, which tend to export primary products, in the long run is the key evidence of the structuralist school (UNCTAD 1964, 18). Economists, who believe in the primarisation of economic structure as the cause of underdevelopment, advocate the import-substituting programme of industrialisation (ISI) which allows the imposition of export duties on primary products, or import duties on manufactures, to make unprofitable private manufacture productions into profitable ones (Edwards 1985, 58).

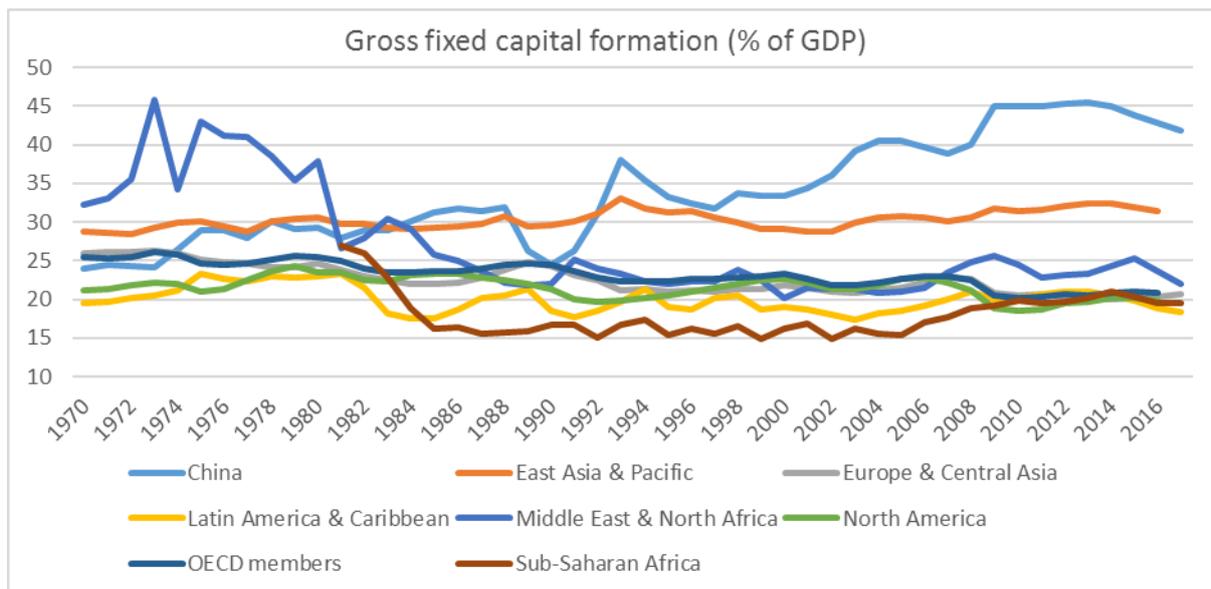
However, the apparently easy-to-follow ISI policy is not that simple at all. According to Saad-Filho (2006, 129), ISI involves three stages and only when the country reaches the final stage has it 'completed' ISI. The first stage is the production of non-durable consumer goods, e.g. processed foods, beverages, tobacco products and cotton textiles. The second stage is the production of more complex durable consumer goods, e.g. household appliances and automobile assembly, oil refining, simple chemical products and cement. The third stage is the

production of technologically advanced products, e.g. industrial machinery, electronic instruments, and even modern ships and aircrafts, with domestic input. However, for a developing country to build up its manufacturing base in a short time, it is almost impossible not to increase foreign imports and industrial inputs, hence the level of dependence will not be reduced but increased. While the state facilitates and directs resources for industrial development, it is the national bourgeoisie who reap most of the benefits, despite not wholeheartedly supporting national development due to their links with the foreign counterparts. No Latin American country, where the structuralist theory originates, has ever 'completed' ISI and the "remnants of feudalism and slavery, the diffusion of subsistence production and their intricate relationship to the (high productivity) modern sector" (Saad-Filho 2006, 136) becomes a structural duality rather than disappearing. Despite having identified the economic and trading structure as the underlying reason for underdevelopment, ISI cannot really free the economies from structural problems. While state-directed manufacturing industrialisation can address the problem of reliance on primary product export, criticisms from the neoclassical economists, including inadequate technologies or market size to build an efficient manufacturing industry, fiscal deficits and inflation due to expansionary monetary measures to fund industrialisation, were the real situations faced by these governments in the 1970s and 1980s.

As analysed by Saad-Filho (2005), the LAC countries showed signs of stress in the mid-1960s but only during the international debt crisis in 1982 did the underlying problems of persistent difficulties with balance of payment, fiscal fragility, inflation, lack of policy co-ordination between social classes and lack of domestic financial support for long-term industrialization development, become fully exposed. In face of spiraling foreign debts (rose from US\$31.3 billion in 1972 to US\$430 billion in late 1980s) and hyperinflation (annual inflation rates in Nicaragua reached 14,000% in 1988, 12,000% in Bolivia in 1985, 7,000% in Peru in 1990, 3,000% in Argentina in 1989, 2,500% in Brazil in 1994), ISI was subjected to severe criticism; and subsequently neoliberal reforms were promoted by the US government, IMF, the World Bank and the local elites, as essential anti-inflationary measures for short-term macroeconomic stability and long-term economic growth (Saad-Filho 2005, 225). As summarized by Saad-Filho (2005), five key policies signified the LAC's transition to neoliberalism: import liberalization, exchange-rate overvaluation, domestic financial liberalization, fiscal reforms to increase taxation and cut expenditure, and liberalization of the capital account of the balance of payments. Although inflation has

been controlled, not only have the rest of the problems not been resolved, they have worsened due to increased foreign debts, drop in savings and investment, debt-serving induced fiscal deficit, and the state's reduced capability to coordinate growth due to the privatisation of state-owned enterprises. The mandatory requirement to implement the structural adjustment programmes (SAPs) as part of the World Bank and IMF's loan conditions, has seen many of these countries cease further industrial upgrade, and even become de-industrialised. This severely impedes the debtor countries from continuing their productive investment and halts their plans for industrialisation. It is most noticeable in the drop of their gross capital formation⁴ as percentage of GDP in the 1980s, as shown in Figure 1 – it dropped from 23% in 1980 to 16% in 1985 for Latin American and Caribbean countries, and 26% to 16 % for Sub Saharan countries in the same period (World Bank 2019).

Figure 1- Gross fixed capital formation (% of GDP) of different regions (Source: World Bank Data 2018)



The dismantling of the strategically important domestic production chains, trade liberalization, and the privatization of the state-owned enterprises have ostracised the newly independent LAC countries from the means to accumulate and self-defense. The loss of manufacturing competitiveness of the LAC countries in the world economy is seen in Table 2. At the same time, domestic capital, having established alliances with foreign capital, share common interests in further

⁴ According to the World Bank data, gross capital formation includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings.

neoliberal reforms rather than national development. The upper classes enjoy cheap foreign imports while the manufacturing sectors suffer major blow; in Brazil alone, over 1 million industrial jobs disappeared from 1989 to 1997. Trade liberalization is also an effective way to curb labour demand as pressure from external competition forces labour to submit to the rule of market economy as non-competitive firms either go bankrupt or are closed, while regressive policies such as cuts in health care and education only make life harder for the majority of the people.

Table 2- Drop in manufacturing value added to GDP and real wages in major LAC manufacturing countries in neoliberal era (Source: (Saad-Filho 2005, 226))

	Manufacturing value added to GDP		Difference in real wages from 1994 to 2001
Argentina	31% (1989)	17% (2001)	-16%
Brazil	35% (1982)	21% (2001)	-8%
Mexico	26% (1987)	19% (2001)	-4%

A number of international trade agreements and treaties were signed during this period to lock the LAC countries into trade liberalisation, including Caribbean Basin Initiative 1983, Mercosur 1991, North American Free Trade Agreement (NAFTA) 1994, and the Caribbean Basin Trade Partnership Act 2000 (La Botz 2007, 63). The revolutionary trade agreements between Cuba and the Soviet-led The Council for Mutual Economic Assistance (COMECON), in which exchange was based on the quantity of labour expended in the production of exchanged goods and therefore at fixed relative prices unrelated to the world market prices, were under attack. Under the trade agreements, Cuba was able to defend itself from the US and European heavily subsidized 'garbage dump price' and sold sugar at 40 cents per pound to the USSR, 35 cents higher than the world market price (Smith 2016, 211). However, many of the COMECON countries were forced to cut ties with Cuba during the 1980s as a condition for promises of loans and assistance from the US. As a result, Cuba lost 85% of its foreign trade in just a few months (Smith 2016, 211).

The social cost of neoliberal reform was huge and devastating. By 1997, 45% of the Latin American population lived in poverty and some even in extreme poverty with problems such as chronic malnutrition (La Botz 2007, 64). Wage differentials between the better educated skilled workers and the unskilled workers widened. The

informal sector, illegal and underground economy became the only employment options for millions of workers ((La Botz 2007, 63). Overcrowded, dangerous and lack-of-basic-infrastructure urban dwellings became homes for the poor immigrants, rented out by the middle class as tenements (*cortices*) at a rental rate around 90% higher than the formal market, as found by UN-HABITAT researchers (Davis 2006, 86). The estimates from the UN-HABITAT studies in 2003 show a high percentage of population living in slum condition: 36.6% in Brazil, 19.6% in Mexico, and 68.1% in Peru (Davis 2006, 24). In 2005 Mexico city had the largest mega-slum in the world with about 4 million inhabitants (*ibid.*, 28). This dire situation drove tens of millions to leave the continent; 1 in 10 Mexicans left their country to live in the US between 1965 and 2005 and over 35 million Latin Americans reached the US by 2000, making up 13% of the US population (La Botz 2007).

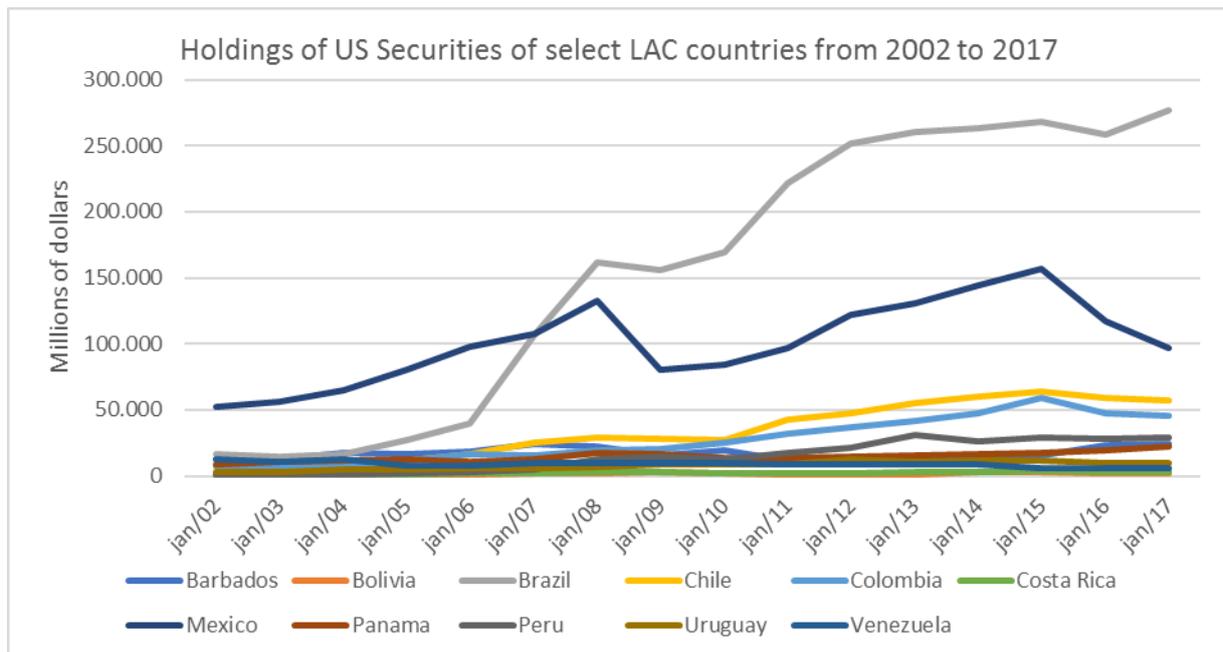
As part of the neoliberal reforms the power of trade unions became severely weakened, not only due to the shrinking size of industrial and formal workers, but also because the union bureaucrats were co-opted into the neoliberal consensus. Resistance to new technologies and new forms of organization of production of former SOE's was largely eradicated under private ownership while many of the traditional organized unions became defunct (La Botz 2007). The very weak response to the neoliberal offensive against workers' rights not only confirmed the reassertion of capital control over labour in the 21st century, but also made the super-exploitation of workers in economies which are dependent on foreign capital a common theme. To some scholars such as the Brazilian economist Ruy Mauro Marini and John Smith, super-exploitation of workers in the Global South is a necessary condition of world capitalism. They contend that this is the main cause of unequal exchange between Global North and Global South, as the latter is blocked from the transition from absolute to relative surplus-value extraction due to the prevalence of super-exploitation in the South; capitalist development in the South was impeded by the appropriation of a large part of the surplus to the North (Smith 2016). Crucially, this was principally achieved through collaboration with the *comprador* regimes in LAC.

The resistance struggles to contemporary imperialism

It was not surprising to see widespread protest, rising discontent and social polarisation in the LAC countries. However, the structural reliance on foreign capital

to support its balance of payments and economic investment has made the governments *de facto* “the armed wings of the neoliberal elite consensus”, and even when the opposition is elected to power, they are not able to ‘vote away’ neoliberalism (Saad-Filho 2005, 228). The co-optation of the opposition leadership into the establishment is particularly toxic as public resentment at social inequality turns into disillusion and cynicism which provides a breeding ground for far-right politics. The rise and fall of Brazil’s Workers Party (PT), which fought against the military dictatorship for decades and whose ‘unionist president’ finally got elected to power in 2003, has been a perfect illustration of the limitation and destruction. Despite introducing some pro-poor policies, including the family basket plan (Bolsa Família) to subsidise the poorest of the country (although the funds were merely redirected from the health and education budgets), during the first two years of Lula government social expenditure only increased by 1% in comparison to the previous two years of the Cardoso administration. Whilst social spending remained stable, despite raising workers wages and this new programme (Pochmann cited in Boito 2010, 200), Lula’s policy priority of pursuing US dollars and appeasing the Brazil’s bourgeois class (Boito 2010), made the country more aligned to the neoliberal model and more dependent on the US than before. Among all the major LAC economies, Brazil has the largest holdings of US securities as shown in Figure 2. The sharp rise from 2006 was at the beginning of the second term of Lula as the President.

Figure 2 - Holdings of US Securities of select LAC countries from 2002 to 2017 (Source: Department of the Treasury/Federal Reserve Board 2018)



Lula's policies included; the privatization of healthcare and education, public pensions reform to encourage the growth of pension funds, labour law and trade union legislation reform to weaken workers' rights, high interest rates policy, and specialisation in agricultural and low-technology manufactured goods for export (Boito 2010). Economically, these policies have deepened the dominance of financial capital, foreign markets, large landowners, and the supply of competitive cheap labour. Socially, the society has become more stratified and the working class divided. The benefactors of the PT government, including Trade Union Alliance (AS) which represent workers in automobile assembly and the oil industry (i.e. those with relatively high wages and larger capacity for collective action), started to take a corporatist position and distanced themselves from any anti-neoliberal stance, and narrowed its interest only to issues in industries and sectors employing workers (Boito 2010).

Paradoxically, some of the impoverished and disorganised working class formed an alliance with those parts of the domestic bourgeoisie, and financial capital, which had an ideological stance fundamentally different from the PT, although the banking sector benefits most from PT neoliberal policies (La Botz 2007). The bourgeois class managed to successfully co-opted the legitimate popular revolt of the poorest against the PT government. Despite being the face of 'privileges' and 'cronyism' in the system, these bourgeoisies mobilised the revolt and successfully "re-directed [their resentment] towards a reactionary political goal" (Boito 2010, 197)

which aimed to promote further austerity and undoubtedly would exacerbate the predicament of the poor. The victory of the far-right sympathiser, ex-military captain Jair Bolsonaro, winning over 46% of eligible votes, in the presidential election of 2018 proved the 'success' of the paradoxical alliance (BBC 2018).

As summarized by Petras and Veltmeyer (2017), LAC countries range from client states (Mexico, Colombia, Peru) of the US, to moderate (Chile, Uruguay, Brazil, Argentina) or relatively hardline (Venezuela, Cuba, Bolivia, Ecuador) anti-imperialists. For the anti-imperialist groups, their defiance is manifest in many of their actions, such as; in their refusal to collaborate with the US military and counter-insurgency forces, their attempt to diversify trade and investment partners, their opposition to the 'US centred' integration schemes, their prime objective of furthering economic development, the delivery of social welfare programmes through tax or revenues from nationalized commodities, and to default on incurred foreign debt. However, Petras and Veltmeyer (2017, 144-5) argue that the anti-imperialist stance has been blurred, as 'radicals' also have to operate within the strictures of global capitalism, and the economic demands for greater trade, investment and growth are more or less the same across all LAC economies, regardless of their position on anti-imperialism.

Venezuela is probably the most prominent anti-imperialist 'radical', after Cuba, in the region since the 2000s. Chavez came into power in 1999, refused to give in to the US pressure and led a nationalist-populist movement, with a clear anti-imperialist stance, up to his death in 2009. He had survived Washington-backed military coup in 2001 and cross-border conflicts with paramilitary death squads and the Colombian military in 2004. He also defeated the executive lockout in the strategic oil sector between 2002 and 2003 and purged management and workers who aligned with Washington. He survived the opposition congressional elections boycott in 2005. The government has nationalised enterprises in key sectors (oil and gas, steel, cement, food production and distribution, telecommunication, electricity industries) which provide major funds to the welfare programmes. It has also managed to diversify its petroleum market and increase trade and investment from rival countries such as China, Iran, and Russia. The government has also invested in processing raw petroleum into value-added products like fertilisers and plastics. Chavez was able to counter many US attacks thanks to the high oil prices and popular support from the ground. However, with the escalated US 'extra-parliamentary' offensive, the Maduro government has been in crisis and has not been able to control inflation, capital flight,

shortages of necessities and mass emigration. The US has not stopped planning military coups against the Maduro government. The planned coup 'Operation Jericho', organized by the CIA with the involvement of Germany, Israel, Canada, UK and some local elite, was only foiled by military intelligence in 2014, and another coup plot in 2015 involved the Mayor of Caracas (Petras and Veltmeyer 2017, 204, 207). The government has been unable to coordinate economic activity effectively as it has been hampered by the domestic elite, who identify with the US so much that they actively support violent campaigns against their democratically elected government and are even willing to commit economic suicide in order to destroy the 'socialist' government. Similarly, large Venezuelan companies cooperated with Obama's planned coups and sanctions against their own country by hoarding staples and sabotaging infrastructure, hoping to engineer revolts against the government. The elite's deep hatred of the Afro-Indian-mestizo masses, driven by strong ideological-psychological self-delusion, can be traced back to the white colonial mentality (Petras and Veltmeyer 2017, 180).

The same perverse ideology can also be found in other LAC countries, from Ubico's 'vagrancy law' which legalised forced labour and killing of Indians, to the casual comments by the *ladino* intellectuals about the Indians being "closer to beast than man" (Bucheli 2008, 441). The nationalist-populist government has not yet been able to break down the socio-economic structure built up in the colonial time and is confronted by this from time to time. For example, the big landowners benefit from the government's agricultural credits and grants and spend these funds on speculative investments rather than improving farming productivity (Petras and Veltmeyer 2017, 189). The appeal for economic development and even subsidized investment schemes are simply not of interest to the domestic bourgeois class'.

The case of Hong Kong

The struggle of the LAC countries with imperialism is not unique. Hong Kong, a former British colony which was returned to China in 1997 and became a special administrative region (SAR) under the arrangement of 'One Country, Two Systems', shares some similarities with the region in terms of dependency. The case of Hong Kong can be helpful in a consideration of the potential impact of increasing Chinese investments in the LAC.

The Sino-British Joint Declaration, signed in 1984 between the Chinese and British governments, laid out the key principles on the end of British rule and the

resumption of Chinese sovereignty in Hong Kong on 1 July 1997. The Declaration stipulates that Hong Kong's social-economic system, specifically its role as an international financial centre and associated rights and privileges, such as private property, free flow of capital, fiscal independence from mainland China etc, would be maintained for at least 50 years. China then codified these principles into the Basic Law, the mini constitution governing the Hong Kong SAR. For example, Article 5 states that "the socialist system and policies shall not be practised in the HKSAR, and the previous capitalist system and way of life shall remain unchanged for 50 years." Article 106 states "The Hong Kong Special Administrative Region shall use its financial revenues exclusively for its own purposes, and they shall not be handed over to the Central People's Government. The Central People's Government shall not levy taxes in the Hong Kong Special Administrative Region." (HK Government 2020). This legally-guaranteed preservation of dependent, highly financialised capitalism built up by more than 150 years of imperialist rule and the persistence of its core economic base and ideological superstructure, has been politically buttressed by what China calls the 'Patriotic United Front'— an increasingly unstable and ineffective partnership between factions loyal to Beijing and the local big bourgeoisie. This forms the backdrop of the ongoing and deepening turmoil stemming from the world financial crisis in 2008-09, which intensified in magnitudes in 2014 and 2019.

Mainland Chinese investments in Hong Kong have increased exponentially since the turn of the century, the mainland has been its main trading partner and principal source of FDI. In 2019, 47% of total imports into Hong Kong were from mainland China, 55% of its merchandise exports were for mainland China (HKCSD 2020). While the British Virgin Islands consistently accounted for the largest share of direct investment into Hong Kong (at 31% of the total at the ends of both 1998 and 2018), mainland China's share rose from 12.3% in 1998 to 26.8% in 2018, while the UK's share dropped slightly from 8.8% to 7.8% in the same period (HKCSD 2000; 2019). The inflow from mainland China in 2018 was HK\$296bn (US\$38bn), surpassing the inflow of HK\$281bn (US\$36bn) from the British Virgin Islands (HKCSD 2019). Moreover, according to a PRC Ministry of Commerce report, mainland China's outward FDI to Hong Kong in 2018 was US\$87bn, more than double the figure published by the Hong Kong government (MOFCOM 2019). In 2015, FDI inflows into Hong Kong *exceeded* that for the mainland by about 30%. In 2018 and 2019, FDI inflows into Hong Kong respectively *dropped* to 75% and 48% of

the amount going into mainland China (UNCTAD 2020b). According to UNCTAD data, the inflows were equivalent to 18.54% of Hong Kong's GDP in 2019, while the FDI inflows to mainland China were only 0.99% of its GDP (UNCTAD 2020a).

Table 3 - FDI flows to and from mainland China and Hong Kong SAR (Source: World Investment Report 2020)

Unit: millions of dollar	2014	2015	2016	2017	2018	2019
(a) FDI inflows to mainland China	12850 2	13557 7	13371 1	13631 5	13830 5	14122 5
(b) FDI inflows to HKSAR, China	11303 8	17435 3	11738 7	11068 5	10424 6	68379
(b)/(a)	88%	129%	88%	81%	75%	48%
(c) FDI outflows from mainland China	12312 0	14566 7	19614 9	15829 0	14304 0	11712 0
(d) FDI outflows from HKSAR, China	12409 2	71821	59703	86704	82201	59279
(d)/(c)	101%	49%	30%	55%	57%	51%

The significant decline in Hong Kong's FDI inflows and outflows casts doubt on its continued viability as *the* main financial conduit between mainland China and the rest of the world. Nevertheless, China has not adjusted the economic role it has set for Hong Kong. State development plans have stated aims of consolidating and enhancing Hong Kong's status as an international financial hub. (PRC State Council 2019). The official narrative continues to assert that maintaining the (neoliberal) economic status-quo in Hong Kong fits into China's overall plans of realising its plan of becoming a world-leading power in innovation and production. Under "Beijing's central interest in overall stability and continuity", there is thus both desire and pressure for China to maintain 'One Country, Two Systems' in Hong Kong beyond 2047 (Robinson 2018).

Beijing's recommendation, under its plan to join up all the major cities in the Pearl River Delta into a metropolitan 'Greater Bay Area' surpassing Tokyo and San Francisco, for Hong Kong to actively engage with innovation and technology development in the mainland is likely to remain aspirational in the foreseeable future. The foremost obstacles being an education system geared towards preparing most graduates for a market dominated by finance and related services, and the political-cultural domination of the pro-Western opposition, which lobbied for Western sanctions on China and increasingly reject any form of integration with the mainland.

The significant inroads made by mainland Chinese capital, both state and private, have been mainly made into existing routes of circulation and not led to changes in the social structure of Hong Kong. By the end of 2018, 78.6% of FDI

inflows from the mainland were in financial investment and holdings, real estate, and professional and business services (HKCSD 2019). For the year 2018-2019, proceeds from sales of land usage constituted around one fifth of HKSAR government revenue, 72% of which were generated via public auction and tender by the real estate oligopolies (HK Government 2019b). The emergence of major mainland Chinese investors such as the HNA Group has not changed the land market (Li and Sito 2017). The top ten real estate developers in Hong Kong built about 60% of the total gross floor area in 2016, the same share as in 1997 (Tang, Leung, and Ng 2018). Housing for most Hong Kong residents remains cramped and unaffordable, so has the stranglehold of the real estate oligarchs on land and the real economy.

In the meantime, value added from manufacturing dropped from 4.6% of GDP in 2000 to less than 1% in 2018; capital formation dropped from 34% in 1997 to 19% of GDP in 2019. In comparison, Singapore's manufacturing value added was 26% of GDP in 2000 and 20% in 2019 and capital formation was 38% in 1997 and 25% in 2019 (World Bank 2020).

Wealth polarisation worsened with over 1.3 million people living in officially-defined poverty; the median monthly household income of the top decile was 44 times higher than those of the lowest decile in 2016, compared to 34 times in 2006 (Oxfam 2018). An international survey ranked Hong Kong as the least affordable housing market in the world, with the median house price 20.9 times of median household income (Vancouver ranked second with 12.6 times) in 2018 (Demographia 2019), up from 11.4 times (Sydney ranked second with 9.6 times) in 2010 (Demographia 2011).

Within this background, the net effect of increasingly significant mainland Chinese investment in Hong Kong is the partial displacement of foreign capital, where popular mobilisation against the legacy of imperialist colonial rule has been side-stepped by political design. The crisis of world capitalism, into which Hong Kong has been increasingly engulfed, through the medium of right-wing popular culture, presents itself as a *crisis of identity*, where separatists hold mainland China responsible for the mismanagement of the system left by the British. They want to 'go back to the way things were' allegedly before 1997, a time when 'Hong Kong' (or rather Western capital and their local satellites) was held to be culturally *and* economically superior to the mainland.

According to a survey cited by *The Economist* that asks local interviewees

“How would you identify yourself?”, those who identify themselves as “Chinese” dropped significantly, from 20% of the respondents in 1997 to less than 10% in 2019, and the figure drops close to 0% for those under 30⁵ (The Economist 2019). The largest, and arguably ongoing, anti-China explosion was sparked by the Anti-Extradition Law Amendment Bill (ELAB) Movement in June 2019. The proposed bill was to “allow extradition of people not only to China but to any jurisdiction in the world with which Hong Kong has no existing formal agreement”, but has been interpreted by critics that it “would allow Beijing to seize anyone it likes who sets foot in the territory” (Liu 2019) notwithstanding the Hong Kong judiciary’s proposed role in processing any extradition requests (HK Government 2019a).

The anti-ELAB movement was the outcome of an intensifying campaign: in 2012, mass protests spearheaded by anti-communist secondary school students forced the government to withdraw its plans to make “national education”⁶ mandatory in schools (Lau, Nip, and Wan 2012); the Occupy Central/Umbrella Movement in 2014 unsuccessfully fought against Beijing’s decision to vet the candidates for any potential election of the head of the HKSAR government, the Chief Executive, by universal franchise (Buckley 2014); the Mong Kok riot in 2016, a failed nativist uprising against the police organised in the name of the defence of local culture, led to a 6-year jail term for nativist leader Edward Leung and two organisers fleeing to political asylum in Germany (Siu 2018). Fear and loathing of a rising mainland China, intensified by stagnation in Hong Kong, fuels an increasingly virulent nativism which openly advocates the Western destruction of China.⁷ This nativist-populist movement has been characterised by its exclusive anti-China focus and complete avoidance and/or rejection of demands to reform Hong Kong’s social-economic structure.

Conclusion

The case of Hong Kong shows that Chinese investments, state-owned or private, do not necessarily facilitate progressive social change in the recipient economy. Where there is no organised popular force with a progressive agenda

⁵ One of the questions in the paper for History in the 2019 Hong Kong Diploma of Secondary Education (DSE) exams was “Do you agree that Japan brought more good than harm to China in the period between 1900 and 1945?” The controversy around this question led to its withdrawal. However, it transpired that 38% of the candidates agreed that Japan did more good than harm to China (Zheng 2020).

⁶ The full name of the offending plan is the Moral and National Education Curriculum Guide (Primary 1 to Secondary 6), prepared by the Curriculum Development Council under the Education Bureau. It was officially shelved on 8 October 2012 (HKCDC 2012).

⁷ For further discussion on this subject, see Vukovich (2020).

which can bargain with and channel Chinese investments into socially useful projects, they can even exacerbate existing contradictions and lead to unrest by their apparent challenge to Western capital.

Whilst this paper has not discussed the impact of Chinese investments in the LAC region⁸, experience has shown that Chinese investors, mainly large state-owned enterprises, are willing to finance and deliver major development projects proposed by host countries, denied by Western powers, on terms which have been widely deemed to be equitable or beneficial. Progressive popular forces in the LAC region should attempt an all-sided assessment of the effects of Chinese investments and form strong sovereign and social development agendas that could optimise their utilisation and strengthen the forces against neoliberalism and imperialism.

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