

CHINA'S ECONOMIC DIPLOMACY IN LATIN AMERICA AND THE CARIBBEAN

Josette Altmann-Borbón
Sergio Rivero Soto

Editors



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CHINA'S ECONOMIC DIPLOMACY IN
LATIN AMERICA AND THE CARIBBEAN

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PRESENTATION

PRESENTATION

In a global context shaped by great uncertainties and multiple crises, Latin America and the Caribbean face the challenge of a global economic slowdown that particularly affects the region with volatile commodity prices, political uncertainty and national fiscal constraints.

The outlook for Latin America and the Caribbean is deteriorating in the face of the effects of the syndemic caused by COVID-19, which has impacted the economies and societies of the region, and has highlighted the need to address long-term structural challenges such as the reduction of poverty and inequality, and the need for more and better investment in infrastructure and education.

In the midst of these challenges, China's economic diplomacy presents itself as an opportunity to promote progress and economic growth in Latin America and the Caribbean, as long as the region strengthens its capacities, promotes transparent and constructive dialogue with China, and develops regional economic integration strategies that ensure fair economic growth and inclusive social development.

This publication compiles the reports of the second edition of the Latin American Lecture Series on Contemporary China, a space that has become a unique regional platform for the exchange of ideas and advanced academic dialogue, allowing researchers and academics from various disciplines and countries to share knowledge and approaches, discuss perspectives and raise new questions that contribute to the development of Sino-Latin American and Caribbean relations.

On this occasion, we had the participation of prominent researchers, and professors from the Latin American Faculty of Social Sciences (FLACSO), the Autonomous University of Mexico (UNAM), the

Externado University of Colombia, the Institute of Latin American Studies of the Chinese Academy of Social Sciences (ILAS-CASS), Renmin University of China and the Chinese Academy of International Trade and Economic Cooperation (CAITEC).

The conferences analyzed the economic opportunities for Latin America and the Caribbean with China within the framework of the Global Development Initiative, the Belt and Road Initiative, the Chinese Dual Circulation strategy, and the role of the region as China's trading partner from different subregional scenarios with the cases of Central America, the countries of the Pacific Alliance and MERCOSUR.

With this publication, the General Secretariat, with the cooperation of the People's Republic of China as FLACSO's Observer, looks to provide inputs for the exchange of knowledge that collaborates with the high-level academic and political dialogue of this country with the region. This book is the result of a philosophy of collaboration and is the second part of a first effort published in 2022 and entitled: *Dimensions of China's Diplomacy in Latin America and the Caribbean*.

In a plural and multipolar world, the social sciences have an indispensable role analyzing proposals and opportunities to build bridges for cooperation and economic and social development. We hope that this publication will contribute to strengthening the region's capacities and the development of regional economic integration strategies that ensure fair economic growth and inclusive social development in the current context of uncertainty and multiple challenges.

Dr. Josette Altmann-Borbón

Secretary General of the Latin American Faculty of Social Sciences
(FLACSO)

INTRODUCTION

INTRODUCTION

Sergio Rivero Soto¹ and Andrés Raggio Souto²

In the current multipolar global scenario, characterized by the growing economic interdependence between countries and regions, as well as the emergence of new economic actors on the international stage, economic diplomacy has been consolidated as a key instrument for relations between nations.

It acquires an even greater relevance in the face of the fragmentation of economic and political power between different actors that seek to strengthen their position in the global economy, and for this an effective use of economic diplomacy is demanded as a means to promote their interests and expand their influence in the world.

In this context, China's presence in the region has become increasingly noticeable in recent decades, especially through infrastructure investment, technical cooperation, financial assistance and expanded bilateral trade. An economic diplomacy approach allows us to analyze China's role in the global economic scenario and its effects on Latin American and Caribbean countries.

Since the late seventies, China's trade policy underwent major changes in terms of its international insertion and its development prospects. The process of productive and technological modernizations reached a turning point with its accession to the World Trade Organization (WTO) in 2001, a process that expanded the international trade market with an actor of significant importance. This milestone has generated high demand for China's goods and services from around the world, as well as marked an increase in Chinese exports of a wide variety of manufactured goods at extremely competitive prices.

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2 Associate Researcher of Asian Affairs of the General Secretariat of FLACSO.

Thus, China's economic diplomacy has become an effective way to consolidate its presence in the region and establish solid trade and political relations with Latin American and Caribbean countries on different fronts. In terms of trade, China has established a series of agreements with countries in the region, which have allowed substantial increase of bilateral trade in recent years.

In general, trade patterns between China and the region have been concentrated in Latin American imports of manufactured goods with significant added value, and exports from the region, of raw materials such as oil, minerals, grains, meat, among a wide variety of products that make Latin America and the Caribbean a key region for China's development.

In addition, it has invested in strategic sectors, such as mining, energy, and infrastructure, generating a significant impact on the economy of the recipient Latin American and Caribbean countries. Technical cooperation and financial assistance have been important in supporting development projects in areas such as agriculture, energy, transport, and infrastructure, contributing to the promotion of economic development in the region.

However, China's economic diplomacy in Latin America and the Caribbean is not limited to the commercial and investment dimension, also includes a political and diplomatic dimension. In this regard, China has sought to consolidate alliances and strategic relations with countries in the region, with the aim of strengthening its position in the international system and opening spaces for dialogue and cooperation with the countries of the region.

For example, in 2021 China proposed to the China-CELAC Forum a new cooperation plan that largely defines the relationship agenda on issues of politics, cooperation, security, trade, investment, finance, infrastructure and derived sectors, science and people-to-people exchanges. This plan seeks to double trade relations by 2025, with a trade estimated at USD 700 billion.

We propose that China's economic diplomacy in Latin America and the Caribbean is a multilevel and multifaceted phenomenon, which requires a rigorous and contextualized analysis that considers both the opportunities and challenges that this dynamic implies for the region, with a view to building a mutually beneficial and sustainable cooperation framework between China and Latin American and Caribbean countries.

This book addresses economic and trade issues from wide-ranging and interrelated perspectives and levels. At the national level in China, the strategy of Dual Circulation is reviewed, while at the external level, some of

the international proposals and platforms such as the Belt and Road Initiative (BRI) and the Global Development Initiative (GDI) are analyzed. Likewise, China's trade relations at the subregional level with Central America or regional integration processes such as the Common Market of the South (MERCOSUR) and the Pacific Alliance (PA) are studied.

Foreign policy has points of connection and interrelation with domestic policy, especially with the economic-commercial dimension. In the case of China, the XIV Five-Year Plan (2021-2025) contemplates a key aspect in relation to the interrelation between the domestic and external aspects of the country, and central to the government, as is the case of the strategy of Circulation Dual.

Cui Shoujun in his article titled "*China's Dual Circulation: Prospects for Latin America and the Caribbean*" describes it as a central policy and a new economic framework for the country's development. This strategy looks to reorient the economy towards domestic consumption (internal circulation), but at the same time it remains open to international trade and investment (external circulation). On the one hand, internal circulation aims to strengthen the middle class by promoting an expansion in domestic demand, while enhancing the technological advances of modernization, as well as increasing the production of high-end goods and services. On the other hand, external circulation concerns international trade, financing and investment, but also responds to the current international context and the relationship with the countries of Latin America and the Caribbean. In this sense, the importance of the BRI as a connecting channel between both circulations is highlighted, as well as different economic reforms that aim to cover China from risks and conflicts with others that limit its economic development.

Lina Luna Beltrán understands that the BRI is the most important long-term plan proposed by China since it was presented in 2013 with the aim of promoting cooperation and connectivity. In her article "*BRI: motivation, opportunities, and economic impact in Latin America*" she exposes the main objectives of the project such as the coordination of public policies, connectivity (at the level of infrastructure, communication and digital), trade without restrictions, financial integration and the promotion of people-to-people ties. In addition, the BRI has progressively included key issues for sustainable development such as the promotion of green economies, health and cooperation in digital technology. It should be noted that the detailed objectives are projected in various dimensions and levels, where China presents economic governance initiatives, both nationally and internationally. The aforementioned Chinese

initiative is part of the corpus of foreign policy, while channeling and bringing together other initiatives and processes of commercial relations in a space of relationship with more than one channel of exchange and dialogue.

Xie Wenze discusses the GDI as a project that seeks to advance the achievement of the Sustainable Development Goals and the 2030 Agenda. In his article “*Economic Opportunities for Latin America and the Caribbean under the Global Development Initiative*” Dr. Xie explains that China has proposed concrete solutions to address the challenges of multilateral cooperation in today’s world, which could be beneficial for Latin America and the Caribbean. These solutions are based on open regionalism, high-level policy coordination, and economic integration platforms such as the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP). In the same sense, the GDI outlines economic reactivation as the central axis, with eight priority areas of work such as poverty elimination, food security, the fight against the pandemic, financing for development, climate change and green development, industrialization, digitalization, and global inter-connectivity.

At the subregional level, Sergio Rivero Soto analyzes the case of Central America as a region highly dependent on trade with the United States and polarized with respect to China’s diplomatic recognition, but whose economic relations with Beijing have accelerated and expanded rapidly in the last decade. His article “*China as Central America’s New Trade Partner*” reviews the principles of China’s economic diplomacy, confirming that it should serve the national economy, while creating mutual benefits and win-win relations between the parties involved. Through the analysis of the evolution of trade flows, it shows how China has displaced Taiwan in the region at the commercial level and highlights the opportunity that represents the participation of Central American countries in the BRI to promote the necessary investments in infrastructure that allows them a greater insertion in the economy and advance integration into global value chains.

For Zhou Mi, international trade is the tool to make the leap and build a better tomorrow, but for this we must work on reducing uncertainties that allow a more fluid trade. In his article “*Trade relations between MERCOSUR and China*” he argues that relations have the potential for a complementary development of collective and bilateral cooperation, which allows strengthening relations between both parties from a strategic perspective. In addition, he signals that there are shared challenges they must face to consolidate trade exchange,

including improving supply chains to be sustainable, predictable, and resilient, improving logistics with the support of innovation in communications, improving financial cooperation, developing bilateral or regional trade agreements, exploring and developing new areas such as e-commerce, and improving technological innovation and rules to encourage the productive transformation of countries.

Finally, Mariana Aparicio reviews the relationship of the PA countries with the Asian giant. In her article “*China’s Economic Outlook with Pacific Alliance Countries*” she states that the Alliance faces greater economic dependence on the US, which makes it difficult to strengthen its trade ties with China, even though Beijing maintains great interest in expanding dialogue and being a partner country of this regional integration initiative. China’s economic diplomacy is based on a flexible and open approach that does not usually adhere to strict regulatory frameworks and is based on a win-win policy under a scheme of equal treatment, giving space to cooperation and development in favor of Chinese interests, but always based on a framework of mutual respect. She points out that, of the countries of the integration process, except Colombia, all are part of other large-scale processes such as CPTPP, or Asia-Pacific Economic Cooperation (APEC), so relations with China have other extra-regional exchange spaces, making it relevant to analyze the effects of the potential entry of China to the CPTPP, since it would allow it to have a more consolidated presence in the region.

In this publication we find that the projection of China’s economic diplomacy and its relationship with Latin America and the Caribbean has different characteristics depending on the unit considered, whether it is the region as a whole, a regional bloc or process, or by subregions.

The underlying premise of this publication is that a country’s foreign policy can be studied from different dimensions, whether they are commercial, political or cooperative, which will be more or less relevant depending on the analytical approach. At the same time, they can be studied from their different levels, which directly or indirectly influence relations, whether from a systemic, regional, bilateral and/or local level.

The growth of trade between the region and China has been one of the most prominent dimension in the twenty-first century, although this has also generated an increase in the intensity of dialogue and political relations. Therefore, it is necessary to study, understand and analyze the relations between Latin America and the Caribbean and China in their multiple

dimensions and levels. At the regional level, the China-CELAC Forum is usually highlighted, which includes a multiplicity of subforums that address a large number of issues that are then projected at the bilateral and local levels.

However, agreements, whether commercial or political, are realized at the bilateral level, and in some cases at the local level, so it can be inferred that Chinese foreign policy is projected from various systemic (BRI, GDI, or others) and regional platforms (China-CELAC Forum) but is realized at the bilateral level (accession to BRI, Free Trade Agreement, Strategic Partnership, Twinning between cities).

We could interpret China's economic diplomacy as instrumentalizing itself as a *bilateralism by platform*, where coherence is observed at all levels that respond to a well-defined foreign policy strategy, and that has several central and interconnected dimensions.

In addition, the various Chinese initiatives at the global level have in the economic dimension a central axis, as well as connectivity as a key aspect, considered as part of the aspiration of a shared development, always aligned with the new strategy of Dual Circulation.

The current international context is in a period of uncertainty about governance and international institutions, and it is there that China promotes shared development and coupling from the perspective of the BRI, offering a new scenario that involves our region and requires a strategic analysis by Latin American and Caribbean countries to understand the opportunities and challenges of its relationship with China.

This publication, created within the Chair in Contemporary China of FLACSO, seeks to be an input that helps expand and deepen efforts to understand and analyze, from Latin America and the Caribbean, the evolution of China's economic, diplomatic and cooperation relations with our region.

We extend special thanks to the Embassy of the People's Republic of China in Costa Rica, the Institute of Latin American Studies at the Chinese Academy of Social Sciences (ILAS-CASS), and Renmin University of China. We also express our appreciation to the participating specialists whose knowledge and expertise have greatly contributed to the realization of this project. This proposal represents a significant contribution to mutual understanding and constructive dialogue between our countries, and we hope it will serve as inspiration for future research and collaborations.

CHINA'S DUAL CIRCULATION: PROSPECTS FOR LATIN AMERICA AND THE CARIBBEAN

This paper is based on the lecture: “China's Dual Circulation: Prospects for LAC”, presented on August 23, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



CHINA'S DUAL CIRCULATION: PROSPECTS FOR LATIN AMERICA AND THE CARIBBEAN

*Cui Shoujun*³

Background

The Dual Circulation proposal is a new economic framework for the future of China's development, it is a strategy to reorient its economy by prioritizing domestic consumption (domestic circulation) while still being open to international trade and investment (external circulation). This strategy comes as a result of the new normal after the pandemic and changes in the global economy and market that have led to a slowdown in economic growth.

As for internal circulation, three priority axes are established: strengthening and increasing the middle class and the role of the domestic consumer, taking advantage of technological advances in areas of competition with the United States, and the manufacture of high-end goods and services, which would allow China to consolidate its position as the largest manufacturing country in the world. As for external circulation, four axes are proposed, which include the Belt and Road Initiative, economic and liberalization reforms, the opening of capital accounts and internationalization of the yuan as a currency of commercial exchange.

A relevant aspect of this strategy is the goal of reducing the gap between the coast and the interior through greater industrialization and promotion of consumption, which would improve the incomes of the areas furthest from the coasts and facilitate the processes of internal industrialization. This dual circulation strategy aims to protect China from global volatility and steer its economy toward greater self-sufficiency.

3 Founder and director of the Center for Latin American Studies of Renmin University of China, and is an associate professor and Vice-Dean of the School of International Studies of the same university.

Despite this, China will not isolate itself from the world and will remain open to foreign investment, negotiating free trade agreements and taking advantage of its free zones for trade and ports. With the launch of the Regional Comprehensive Economic Partnership (RCEP) in January 2022, China has established itself as a world leader in the largest free trade bloc, representing a momentous step in China's economic integration process with the world. Since its founding, China has maintained significant political and economic independence and has been successful in consolidating itself as a relevant player at the international level.

China's Reasons for Dual Circulation Strategy

The world is undergoing profound changes as it has not done in more than a century, amid fluctuations in the international order and power balance. President Xi has said that China's reliance on international production chains is a measure of security and deterrence against those who attempt to artificially cut off supplies to China. China's economic strategy aims to create a middle class of 800 million people by 2035. In addition, China is the largest manufacturer and exporter of many essential goods, including refined rare earth minerals, solar panels, computers, and electric vehicles. This position will allow China to become not only the preferred location for production, but also the largest consumer market. The combination of domestic and external markets is a strategic solution to keep sustainable economic growth and overcome the middle-income trap.

The People's Republic of China is the largest market in the world with a population of 1.4 billion people. This means that China has unified law, customs, trade codes and language, in other words, it has strived to set up a unified domestic market. Unlike countries like India, which is a Federal State, in terms of population amount it is similar to that of China, but with the difference that in India there are multiple types of local languages and different customs between peoples that are not easy to unify under a single domestic trade scheme.

The traditional mindset is that the competitiveness of Chinese manufacturing comes from its workforce, while it should be the size of its market. Here there is a combination of both in the framework of global economic competition where investment in technology, human capital and knowledge converges. Proof of this is the current technological battle in innovation between China and the US for the production of semiconductors and chips, the race for 5G technology and even artificial intelligence.

For China especially, the issue of microchips and technological innovation is crucial for its economic development. If China cannot be self-sufficient in certain products and has to import, it will immediately create a market for 20% of the world's population, to get an idea, the total population of high-income countries is about 1.2 billion. The large scale of the Chinese market will reduce the logistics cost, raw material cost, marketing cost, and labor cost. In that direction, leading Chinese economists believe that an effective government will catalyze an effective market, nor can it be forgotten that China's influence in the global supply chain is greater than high-income countries combined.

China's development policy adjustments in recent years

When the policy of reform and opening-up was adopted in China, with the strategy of the Great International Circulation, it began with the import of raw materials for processing and export of goods, integrating the economy into the global market and improving the living conditions of the population through the development of infrastructure.

China's entry into the WTO in 2001 allowed it to be fully incorporated into the global economy. However, during the global economic crisis of 2008-2009, the vulnerabilities of the export-oriented model were clear, which motivated an inward rebalancing with government subsidies to increase consumption and improve the quality of life, favoring economic reactivation and employment.

The trade war and technological decoupling started by President Trump's administration accelerated the Made In China 2025 industrialization strategy. With the arrival of Covid-19 and the competition strategy of the Biden administration, China has implemented dual circulation as a mitigation measure in the face of the volatility of global markets. This approach looks to develop a more autonomous economy, encouraging domestic production and consumption, while continuing to maintain global market share.

All this over the years has resulted in the fact that today China is the epicenter of world trade, compared to 1990 for example, where it was the US and Europe who held the reins of world trade and were the main partners of most countries in the world. Faced with this reality, there is no going back.

China-U.S. Strategic Competition: The Decisive Decade

Some important premises at this juncture of competition must be considered to better understand the underlying scenario around which this current rivalry revolves. According to Washington, China is a real threat not only to

the US but also to the entire world, as President Biden has expressed in one of his statements on the subject when he has stated that: *China is the only country with the economic, diplomatic, military and technological power that has the capacity to seriously challenge stability and alter the order of the international system.* Something that is not true, because China is working and improving like others to become a developed country. This vision makes China an enemy country, not a trading partner. Nancy Pelosi's unexpected trip to Taiwan, thus violating the diplomatic agreements between China and the US that had been established in the early seventies when these nations re-established diplomatic relations, has caused a series of very strong tensions between the two countries, where one of the Chinese responses has been the realization of a series of military exercises with live fire around the island.

In 2013, the BRI became the world's largest diplomatic initiative in the last two decades, with 21 Latin American countries participating. In 2014, the People's Republic of China launched the Asian Infrastructure Investment Bank (AIIB), now with 103 members, including the G7 countries with the exception of the US and Japan. This effort was born, among other reasons, after seeing the impact of the global crisis of 2008 and as a response to the International Monetary Fund (IMF), since the need for a new economic architecture for integration in Asia and the world became a necessity, unlike the IMF that is under the direct influence of the US, the AIIB is not and it is China that participates most and actively influences.

In June 2021, the U.S. government and its partners launched the "Rebuild a Better World" initiative, in response to the Belt and Road Initiative, which seeks to provide financing for infrastructure and development to low- and middle-income countries around the world. This initiative is unlikely to be successful because there is no solid consolidated fund and the US government has serious problems with its federal debt that already exceeds 30 trillion dollars, making it difficult to have massive financing for infrastructure.

China currently has 276 embassies and consulates, surpassing the US which has 273. In the same way, from the mid-seventies until today, China has increased its participation in international organizations so necessary for global governance and the strengthening of multilateralism. It has even become the second largest contributor to the United Nations, and the largest contributor to the United Nations Peacekeeping Project, as well as to the World Health Organization and many other such organizations.

On the other hand, China is the largest importer of food and energy in the world, 70% of oil consumption and 50% of natural gas are imported, China also imports minerals such as copper, nickel, lithium and others from several Latin American countries such as Argentina, Bolivia and Chile, but in turn, not only resources but food are part of those purchases in the region. China became the world's largest manufacturer in 2010 and accounted for 29% of global manufacturing value added in 2019 (9%-29%), while the US share had been falling from 26% to 18%.

In upper-middle-level R&D intensive industries, China has overtaken the US, its share of global value-added production increased from 7% in 2003 to 26% in 2018, while the US share fell from 25% to 2018. 22%. Private enterprises account for 60% of China's GDP growth, 70% of innovation, 80% of urban employment and 90% of employment growth. As of 2020, China has reached 124 global corporations, while the US counted 121 in the same year.

China redefines its policy with Latin America and the Caribbean

China understands Latin America and the Caribbean within and as a natural extension of the Belt and Road Initiative, hence its commitment to the region under a guiding principle: engage multilaterally where China can and bilaterally where it should, as both have equal importance for Chinese diplomacy. This goes hand in hand with a novel approach; a greater emphasis on multilateralism represented by the China-CELAC forum, while keeping bilateral cooperation with each country in the region, thus further improving relations. All this within the framework of the philosophy of shared destiny, which of course involves Latin America and the Caribbean, and, in addition, translates into terms of cooperation in infrastructure, economic growth and competitiveness.

Currently, diplomatic relations between China and Latin America and the Caribbean are in one of the best states in history, to date 21 countries in the region participate in the Belt and Road Initiative. Argentina joined in February 2022, thus paving the way for further Chinese investment in the country. Regarding the issue of Taiwan, for example, only 8 countries in Latin America and the Caribbean out of 14 countries in the world, including the Vatican, recognize the island as an independent country.

China sees the forum with CELAC as a diplomatic mechanism of great value that brings new opportunities for all, is a way to facilitate political consultations with the region, opens the possibility of creating new political

contacts with countries of Central America and the Caribbean with which it still does not have sufficient approaches or diplomatic relations, and is a platform for financing and economic cooperation with the region. The rise of economic ties is a strategic boost for the development of Latin America and the Caribbean and benefits all parties, in 2021 the commercial exchange reached was USD 450 billion, suggesting an increase of at least 35%.

In 2020, China's direct investment in the industry of Latin America and the Caribbean was USD 16.66 billion and only from January to August 2021, direct investment in it was USD 15.09 billion. As of mid-2020, China's Ministry of Commerce states that, in total, Latin America and the Caribbean has invested and established 34,633 enterprises in China, with a total investment of USD 237.05 billion. One of the largest economic partners of Latin America and the Caribbean today is the People's Republic of China, the region's trade has benefited from the trade war between China and the US in the era of Donald Trump, as China has increased demand for commodities, such as beef, soybeans or seafood products such as shrimp from Ecuador, avocados from Mexico and cherries from Chile, which are very popular in China.

Since 2017, China increasingly demands agricultural products from Latin America and the Caribbean due to the imposition of sanctions it had established on this sector of the US, and due to constant trade with China amid such a steep economic decline, Latin American and Caribbean merchandise trade flows with China grew to record levels of regional GDP. China's agricultural purchases from Latin America and the Caribbean grew further in 2020 when China began importing Bolivian beef under a new agreement negotiated in 2019.

The main commodities exported by Latin America and the Caribbean to China are: soybeans and other oilseeds, concentrated copper ores, crude oil, concentrated iron ores and copper. The main countries in the region that provide these to China are Argentina, Brazil, Chile, Colombia, Peru and Venezuela. At the same time, China is the main provider of capital in the region for issues related to infrastructure financing, manufacturing, as well as the extraction and processing of raw materials.

China's help to Latin America and the Caribbean in the fight against Covid-19

It is necessary to remember that Latin America and the Caribbean was hit hard by the Covid-19 pandemic in 2020 and the result of this was a substantial

economic downturn and setback, which with one of the highest rates of deaths from this in the world, the region also experienced one of the worst economic slowdowns of any part of the world. This is why China has moved beyond its typical role as an economic partner and lender to provide large amounts of pandemic aid to countries in the region, from vaccines to medical supplies and masks.

Since the start of the pandemic, China has donated nearly USD215 million in supplies to the region, ranging from masks to advanced thermal imaging technologies. Among the most relevant are USD 51 million in ventilators, USD 128 million in tests to detect the virus, USD 14 million in monetary aid and USD 13 million in masks. However, aid has been somewhat unevenly distributed, with a particular focus on Cuba and Venezuela. Huawei has been a key contributor across the region and a local partner alongside embassies, making a number of major donations of advanced technologies to help countries fight the virus.

On the other hand, development finance is loans or grants from governments, government aid agencies, and intergovernmental and welfare institutions in developing countries. Patient capital is characterized by a long-term horizon and increased risk tolerance, which means that investors tend to stay with their investments through good times and bad in hopes of future profits. China is solvent in patient capital: the world's largest saver; the largest holder of foreign exchange reserves. With economic relations and cooperation with China, the countries benefit from each other, there are no political conditions in the negotiations and instead, they have renegotiated debts with some countries in Latin America and the Caribbean that have had internal economic problems to help them get out of them quickly.

What will be the future of the rivalry between China and the US?

Looking ahead, China will grow more slowly than in the last four years, there is a slowdown of China compared to the recovery of America, however, China's average annual growth is 4-6%, and that of the US 2%. There are insurmountable challenges for China: demographics, by the growth of the aging population that could lower the labor force by 200 million by 2035, debt, doubled from 140% of GDP to 280% and the issue of the environment, with peak oil or coal in general and promises of zero carbon. However, the biggest risk comes from geopolitical tensions, especially the worsening US-China relationship, and the decoupling in the technology sector from rivalries, could reduce Chinese growth by up to 0.5% per year.

On the other hand, important CEOs of American companies are today betting on China, its economic recovery and the opportunity offered by such a large consumer market. This makes them optimistic about the economic future of their companies in China, among the top CEOs with a similar view on the subject are Elon Musk of the Tesla company, Tim Cook of Apple, Larry Fink of BlackRock, Ray Dalio of Bridgewater, Jamie Dimon of JP Morgan, Howard Schultz of Starbucks and Doug McMillon of Walmart.

Transforming the China-U.S. triangle The US-Latin America and the Caribbean in favor of the region is important, both the US and China offer development options for Latin America and the Caribbean, they are similar proposals, but with slightly different characteristics. The U.S. offers the Growth of the Americas Initiative, Rebuilding a Better World, the G7 Partnership of the Americas for Economic Prosperity, and the G7 Global Partnership for Infrastructure and Investment. For its part, China proposes the BRI, the Global Development Initiative, competition in 5G technology, and a healthy relationship with one of its two most important trading partners, this being the best for Latin America and the Caribbean.

China's trade with Latin America and the Caribbean is destined to grow, already between 2000 and 2020, it has grown 26 times, on the current trajectory, trade with the region is expected to more than double by 2035, to more than USD 700 billion. China will come closer and could even overtake the US as Latin America and the Caribbean's main trading partner. In 2000, China's share accounted for less than 2% of total trade in Latin America and the Caribbean, by 2035 it could reach 25%, while the US and other traditional markets tend to lose share of total Latin American and Caribbean exports over the next 15 years. The strategic competition of China and the US will help Latin America and the Caribbean in general if Latin America and the Caribbean as a zone of hope and prosperity could maintain a balance between two great powers.

BRI: MOTIVATION, OPPORTUNITIES AND ECONOMIC IMPACT IN LATIN AMERICA

This paper is based on the lecture: “BRI:motivation, opportunities, and economic impact in Latin America”, presented on August 30, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



BRI: MOTIVATION, OPPORTUNITIES AND ECONOMIC IMPACT IN LATIN AMERICA

Lina Luna Beltrán⁴

Background and definition of the Belt and Road Initiative

At first the project was called One Belt, One Road, but this name generated a lot of international concern, and from that the question arose about why a route and a strip, so finally, the Chinese government decided to leave it with the name of Belt and Road Initiative (BRI). It is also known as the New Silk Road and there are several similar names to refer to it.

The Belt and Road Initiative is the most important long-term plan proposed by China, to the point that it was included in the country's constitution. It was proposed by President Xi Jinping in October 2013 in Kazakhstan. The project aims to significantly enhance cooperation and connectivity on a transcontinental scale, by promoting infrastructure, trade and investment between China and for now, 138 other countries. It is the most ambitious initiative that modernity has seen in its recent history.

Among the five main objectives of this project are:

- Public Policies Coordination
- Connectivity (infrastructure-communication and digital)
- Unrestricted trading
- Financial integration
- Ties between peoples

From the West and countries like the United States of America (USA) and even India, for example, Japan at some point, there has been great concern and opposition to this project. What they say is that China is looking to

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dominate the world and gain hegemony, so it becomes necessary to clarify the reasons why China needs this project. Clearly it is not just a philanthropic project, but nor are the reasons those that have traditionally been sold, as mentioned above. Basically, a powerful country defines a development model and has needs, as well as international circumstances that favor it more or less, something completely normal.

What has been seen so far is a manipulation by large powers around what helps them, which has led to what various academics at different times in history have called interdependence, exploitation from north to south, among others. The Chinese development model is a very particular and unique one, not an exportable model as has been said on repeated occasions. In this sense, what China needs is to ensure that its model continues because it has a high demand for resources, markets, value chains, supply chains, among others.

It is a model designed to move forward one billion four hundred million people in a territory that is among the three largest in the world. These are just some of the reasons that explain why it is a model that requires so many resources. In this way, the first step has been to finance, by the State, all the necessary infrastructure to get it up and running, connectivity was in the minds of Chinese rulers as a basic requirement to start getting the economy going, since it is of no use to produce a lot and in a short time if they cannot quickly reach the ports, move between cities and strategic centers for commercialization.

This has led to public investment in infrastructure development that has created a large installed capacity in China, making it the largest country with the ability for construction and financing. However, these large infrastructure companies need to go out and enter other markets. On the other hand, there is a China that has been careful to keep good relations with the global south. In their own words, they are like the big brother of the global south, and they want to be the agent that helps it to develop.

Moreover, China needs peace. The Chinese development model urgently needs peace, and there are still outstanding issues along its vast borders with some of its neighbors. Therefore, they have understood that the path to peace, stability, and security involves the promotion of cooperation for development. China has realized that it is through deep commercial relations, commercial interdependence, and mutual benefit that war ends up being very costly for everyone, making it always more important to keep good relations and resort to diplomacy rather than fall into a situation of military conflict. In this sense, China considers that the best way to promote peaceful relations in a

controversial environment is by promoting development as well as mutual cooperation in various aspects.

Finally, this development model urgently requires, unlike the models studied so far, that other countries develop, contrary to what has happened with historical international institutions related to the international economy. It is in China's interest for other countries to develop because there will be a population with greater purchasing power to buy their products, but above all, to ensure a constant supply chain to feed, develop, and carry forward their population. That is why China needs the world, and the world needs China. This is reflected in the Belt and Road Initiative.

Charting a path for global economic integration and cooperation

The classic BRI, in its beginnings, sought to connect China by land with Central and Southern Asia, the Middle East, and then continue on to Europe. With the maritime route, it connects Southeast Asia, North Africa, and Europe. In that sense, it is said that this project was an allusion to the ancient Silk Road, but it is understood that this project was not only thought up by the Chinese. In fact, the government of then-President Barack Obama had proposed a similar project, and it was said that it would be wonderful to build a project that would revive the Silk Road. Clearly, the problem for the United States is who promotes the project.

The initiative is now also open to Latin America and other regions of the world. Latin America and the Caribbean almost sought to be part of it, although initially the project was designed for those parts of the world up to Europe. The region told China that it was interested, and President Xi Jinping accepted that it should be extended to the American continent since, naturally, due to its characteristics, it would have to arrive at some point. So, everyone is welcome. Even India, Japan, and the United States have been invited to join, but they have chosen not to.

Another important detail to clarify to avoid confusion is that China was already exporting infrastructure, as one of its mechanisms for foreign cooperation or investment. China was already building many works around the world. What happens is that with the Belt and Road Initiative, all of this is organized, and a clearer and more detailed plan is made of what needs to be built, how and where, to promote efficient and useful economic corridors for both China and the entire world. In that sense, all previous projects to the Silk Road end up joining the BRI, which is why it sometimes becomes a little difficult to say what

state of development the project is in, as it has different timelines with varied characteristics that make it difficult to see as something homogeneous in time and space.

The countries that have joined the Belt and Road Initiative sign a memorandum of understanding to formalize this, as it is a project always open to constant changes and transformations depending on circumstances and a multitude of other reasons. As of February 2022, between 138 and 145 countries had signed that memorandum, while some of its strongest opponents are Australia, India, several European countries, the United States, and Canada. There are already 20 memoranda of understanding signed in Latin America.

Towards a Belt and Green Road Initiative

Nowadays, the Belt and Road Initiative aims to be a green project, unlike in 2013 when it was first launched. One of its main ongoing concerns is environmental sustainability, which is a problem that not only affects the world but particularly China, as it is a direct victim of the serious global climate problem. For this reason, a commission was set up to develop a green BRI, whose main objectives are green finance, green transportation, green innovation, green urbanization, and green standards.

To achieve these goals, the BRI is based on cooperation between BRI institutions and 29 other multilateral organizations, including the European Union (EU). This global alliance eases the implementation of good practices that will help achieve the goals of contributing to a green energy transition and a low-carbon economy.

Investments of over USD 730 billion have been made between 2013 and 2019, with the most significant investment sectors being energy, transportation, real estate, and metals. The regions that have received the most investment are East Asia with around 25%, sub-Saharan Africa with 22%, Western Asia with 21%, and the Arab world and the Middle East with 15%. Clearly, the regions that are geographically closer to China and receive more south-south cooperation have received more investment from this project.

To make this a reality, partnerships have been created with global institutions responsible for the green agenda in the world. This is how the Belt and Road Initiative International Green Development Coalition (BRIGC) was born. Its aim is to allow Chinese and international organizations to work together to develop and verify that green strategies are appropriate and necessary depending on the different needs in the project's phases.

Table I. Participating Institutions of the Belt and Road Initiative International Green Development Coalition

CHINA	INTERNATIONAL
Exchange and Transfer Center (Shenzhen)	Children Investment Fund Foundation
BRI GC Secretariat (within Ministry of Ecology and Environment)	ClientEarth
China Highway & Transportation Society	Energy Foundation
Chinese Academy of Environmental Planning	Environmental Defense Fund
Global Energy Interconnection Development and Cooperation Organization	Global Green Growth Institute
International Institute of Green Finance	International Institute of Sustainable Development
National Center for Climate Change Strategy and International Cooperation	International Union for Conservation of Nature
Transport Planning and Research Institute	Ministry of the Environment and Water Resources in Singapore
Tsinghua University	UNEP
	World Business Council for Sustainable Development
	World Resources Institute
	WWF

Source: Green-BRI.org

All of them focused on the development of projects in a sustainable way, and united with the aim of ensuring that this initiative is done in the most sustainable way possible.

BRI's first stage

This initiative has several stages, and in the first stage, there were objectives such as building a 12,000 km railway to connect Yiwu (China) to London, a highway to connect Kashgar (western China) to the port of Gwadar in Pakistan, a gas and oil pipeline from Turkmenistan to Shanghai expected to transport 55 million cubic meters annually, and in general, there were about 1,700 infrastructure projects signed by Chinese companies, although the number constantly varies.

The highway in Pakistan is the project that generated the most tension because India and Pakistan have a long-standing problem, and for India, the BRI was favoring and giving too much power to Pakistan. India considers itself as China's counterpart in the region and aspires to that, so when they saw this initiative with Pakistan, they raised the discourse and started to align more with the Western and U.S. discourse in terms of having to counter China. One of the most relevant reasons for China for building this highway is China's policy to deal with internal terrorism and separatist initiatives.

There has been much talk about the issue of Uighurs and others, so following the philosophy of cooperation in development to bring peace and avoid affecting the Chinese model, they have done this to manage terrorism and separatism. Under their vision, what needs to be done is to deeply develop the area so that those who are being recruited by religious extremists have employment and educational options.

That is why colleges for senior adults are also created, which are being called concentration camps in the West, something debatable. The idea arose after seeing how Denmark and France were working on the issue of Islamic radicalism, and part of the idea is to provide alternatives to these people, so the option of developing that area as much as possible and combating the separatist ideas of the Uighurs and Islamic extremism. That highway was completed despite several setbacks, such as terrorist attacks and other eventualities that altered the process, and it continues to cause much discomfort for countries like India.

BRI governance and expectations

There is an entire institutional framework that supports and finances this large project. Due to its magnitude, multilateral institutions had to be created to continue promoting and financing it. On one hand, there are Chinese financial institutions such as the China Development Bank, Silk Road Fund,

and China Exim Bank. As for multilateral financial institutions, there is the Asian Infrastructure and Investment Bank and the New Development Bank. Commercial banks involved include the Commercial Bank of China, China Construction Bank, and Agricultural Bank of China.

There are also regulators within China for this project. On one hand, there is the State Council, and on the other, the China Banking and Insurance Regulatory Commission (CBIRC), which regulates banking, loans, and financing. The People's Bank of China, which is the central bank of the country, and the ministries involved in the initiative are also involved. As it is so extensive and includes many sectors, several government ministries must be integral parts.

For example, the Asian Infrastructure Investment Bank seeks to finance green and sustainable infrastructure with innovation and connectivity as its main components. It is based in Asia but has global reach. It was established in 2016 with 57 members, 37 of whom are regional and 20 non-regional. In 2020, it had 103 approved members. This is important because it represents 79% of the global population and 65% of the global GDP. The first two investors are China and India, Europe is mostly involved, and in Latin America, Argentina, Brazil, Chile, Ecuador, Peru, and Uruguay are included. The US and Japan do not want to be part of this. Subregional multilateral institutions have joined to supervise this initiative according to their interests.

Regarding some of the expectations of the BRI, the World Bank (WB) expects a significant increase in global trade due to the reduction in costs and greater overall efficiency of international trade. For example, intercontinental product transportation time will be reduced by at least half, which benefits the expansion of the export base of several countries. For Latin American and Caribbean countries that produce food products, which are often subject to transport issues to Asia, they will likely be able to expand their export base for these products thanks to these improvements.

It is expected that by including developing countries, the projects of the initiative will generate productive chains and economic growth dynamics that will help reduce extreme poverty. Another expected positive impact is a high impact on the economic growth of the countries involved. So far, there has been an increase of 3.35% of the GDP of the countries where infrastructure projects are being conducted, and an increase of 2.81% in well-being, represented in the cost of the infrastructure.

The BRI has a truly relevant quality to highlight, which is that it does not exclude anyone. One can make a small analogy between this and the Marshall

Plan, with the difference that the US project was to develop its friends in Europe, to rebuild what its developed economies needed. In contrast, the BRI is not only open to everyone but particularly intends to help developing countries and countries that are not viable or do not meet the characteristics to receive certain investments and loans from international financial institutions such as the WB or the International Monetary Fund (IMF).

The West's concerns about the BRI

Firstly, there is the concern of the US and European countries because the question arises of whether this is altering the balance of global power and if that affects them when there is a zero-sum view of power. There are other concerns related to the size of the project and what should be done to ensure its greater success. In terms of these second concerns, the need to conduct social adaptation processes to this new infrastructure in the nations receiving it is what is most talked about.

There are countries for whom this project is too much and may exceed their capacities, while there are others with challenges in the areas of security and lack of political stability where violent destabilizations of the order can occur, putting the continuity of the projects being executed in those areas at risk, or where radical groups may take control of parts of the project, thus harming the populations. Other concerns can be mentioned, such as:

- Possible gaps in connectivity (due to internal political instability or between neighboring countries, among others)
- Economic effects on the global economy (shifting economic power centers from the West to Asia)
- Social and economic effects on the recipient countries of the projects
- Impact on the environment
- China being the maximum economic beneficiary of the BRI
- Possible establishment of Chinese hegemony
- Significant changes in the world order (strategy of destabilizing the economic and security architecture of the international order)
- Possible political motivation of the CCP, New Cold War?
- Failure of the “Community with a Shared Future” strategy
- Italy's inclusion in the project

Despite all of this, there is a detail that cannot go unnoticed, and that is that the country that is risking the most in this bet for global development is China; from companies to financing, ideas, and more. Therefore, if the project does not turn out as expected, that country would be the most affected in the first place. Every country has the right to develop peacefully and following its principles. This is what China is clear about and has promised to its people.

In fact, one of the criticisms of this country of the traditional multilateral architecture of the West is that it is made to benefit developed economies and to keep developing economies in a state of dependency and therefore underdeveloped because the model does not suit a different reality. China's perspective on this is that it is immoral for a country or group of countries to appropriate the fruits of development, if it is everyone's right, and, on the contrary, they promote sharing those fruits in all countries. Not only because it is morally correct, but also because China needs developed countries around it for the reasons mentioned above.

The BRI in Latin America and the Caribbean: current events and opportunities

Latin America and the Caribbean are considered a natural maritime extension of this project. In that sense, the proposal was presented at the CELAC-China Forum and suggests that all countries that wish to be a part of it join. Part of China's interest in joining the CELAC Forum is that it includes nations that still do not recognize China, so it is a good strategy to reach them without openly straining relations with Taiwan.

The first country to officially join the BRI was Panama, a country that had diplomatic relations with Taiwan but changed its relationship and got closer to China. Initially, that had very good implications for Panama, unfortunately there are many explanations, but a very accurate one is that there was pressure from the US, so many of these projects that were planned in Panama were put on hold while they decide on what to do.

At this moment, the following countries have joined the initiative: Antigua and Barbuda, Trinidad and Tobago, Bolivia, Uruguay, Ecuador, Venezuela, Chile, Costa Rica, Cuba, and Peru, while Argentina looks to link the BRI with the Initiative for the Integration of South American Regional Infrastructure (IIRSA). Brazil and Colombia, on the other hand, have fallen behind and are still evaluating the proposal. In January 2018, the Chinese Minister of Foreign Affairs, Wang Yi, made an open and official invitation to the countries of Latin America and the Caribbean that wished to be part of the BRI.

There are several projects of this initiative that have become important in the region. In Peru, the Brazil-Bolivia-Peru interoceanic train with an approximate cost of USD 60 billion is of interest, as well as the mega ports of Chancay and Ilo, to the same extent that there is interest in investment in metals. Ecuador is the country with the most projects; Manta Airport, Quinindé-Las Golondrinas Highway, Canuto and Pimpiguasí bridges, and the continuation of traditional hydroelectric projects that were already under construction, and the mining exploitation that was already happening in that country.

Bolivia, on the other hand, focuses more on the issue of road infrastructure and highways; El Sillar, Rurrenabaqua to Ribertalta, El Espino - Boyuibe. Metallurgy is important, so there is interest in the Mutún Steel Plant and joint exploitation of lithium. Venezuela joined in 2017; there are several large projects such as the La Cabrera Thermoelectric Plant and the El Vigía Plant, but none of these projects are fully operational. But above all, something that happened to China in Venezuela is that much of the investment they made in mega-projects in that country was lost due to corruption basically, that is, many things happened, the money was lost and in the end, these projects that were supposed to benefit the country in terms of infrastructure were not fully built. Colombia, despite not stating that it has an interest in being part of the project, has some proposed projects such as the aquatic connection between the Gulf of Urabá and the Caribbean, and others where China has already been playing an important role such as the Bogotá Metro, the Usme Hospital, and several hydroelectric plants.

In Latin America and the Caribbean, there is still a great prejudice and lack of knowledge about China's new role in the world, its development projects, and its vision. The influence of the US in the region and the weight of its opinion still persists. The region is still not sufficiently critical of the global discourse, which causes it to lose the ability to see and take advantage of the vast opportunities surrounding the BRI. There is also instability and a lack of commitment on the part of the region, as in the case of Panama and the cooling of planned projects, as well as in other countries due to internal political dynamics.

The weak integration of Latin America is another weakness or challenge. The over-ideologization of these processes has undermined them and makes it difficult for integration to go beyond a short-term vision. There are successful cases in the world, such as ASEAN, whose benefits for all participating countries are impressive in terms of trade exchange and economic cooperation

for development. There is a real absence of regulatory frameworks and protection of important natural resources in Latin America. This should be a priority, and the region must have basic rules related to the environment for all types of foreign investment.

The lack of clarity about the desired development models is another limitation for the region regarding the BRI. The concrete interest of the countries is not clear when they sit down to negotiate. This lack of vision has a cost in the medium and long term that can be very detrimental. In a situation where the opportunity cost must be objectively valued without any kind of prejudice, pragmatism is a priority to consider this.

Finally, one of the most common doubts regarding being part of the BRI in Latin America and the Caribbean is the *debt trap* issue. It should be clarified that this already exists and is not a Chinese invention. It depends on the creditor. If the creditor uses the debt to force certain things, then it is probably a big problem. But China is not that type of creditor. With a population of more than 1.4 billion, it has no intention of playing a role in such manipulation or coercion.

In those countries considered *unviable* that have received high-level investment and still have a long way to go in paying it back, and have used the form of concession to China for the management of ports or airports, what happens is that these types of projects will generate economies of scale, whether one wants it or not, they will impact the immediate environment and, in turn, directly contribute to the development of that country. In that sense, there is no way to deprive the country of the benefits of the infrastructure because it still is there and continues to benefit the country. Therefore, the proper adaptation of nations to the dynamics of these large projects is very important so that they can pay what they owe quickly and get out of that situation.

ECONOMIC OPPORTUNITIES FOR LATIN AMERICA AND THE CARIBBEAN UNDER THE GLOBAL DEVELOPMENT INITIATIVE

This paper is based on the lecture: “Economic opportunities for LAC under the Global Development Initiative”, presented on August 17, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



ECONOMIC OPPORTUNITIES FOR LATIN AMERICA AND THE CARIBBEAN UNDER THE GLOBAL DEVELOPMENT INITIATIVE

*Xie Wenze*⁵

China's shared vision

The main goal of the Global Development Initiative is to advance the achievement of the Sustainable Development Goals and the 2030 Agenda. To achieve this goal, four specific objectives have been identified: fighting the Covid-19 pandemic, reactivating the global economy, collaborating with the peaceful development of nations, and strengthening multilateralism in the international community.

To achieve an adequate economic reactivation, the initiative proposes eight priority areas of work: poverty elimination, food security, fight against the pandemic and vaccination, financing for development, climate change and green development, industrialization, digitalization, and global interconnectivity.

As part of this important project, the government of the People's Republic of China has committed to three key actions: reducing carbon emissions to achieve neutrality by 2060, consolidating green energy as a strategic axis, and supplying international assistance and cooperation of more than USD 3 billion until 2030.

What are some of China's main supporters for promoting the 2030 Agenda? Three stand out in particular: economic cooperation, China's funds through the Global Fund for Development and South-South Cooperation, and the China-United Nations Fund for Peace and Development.

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It is proposed to focus another axis on the creation of international consensus for the eight priority areas mentioned above, mobilizing global resources. In addition, a focus on the exchange of knowledge and experiences is suggested, with emphasis on the Centre for Promoting Global Development and the Youth Forum for Global Development.

All these efforts are complemented by the Belt and Road Initiative (BRI). The Global Development Initiative is moving towards the consolidation of important global consensus for peace and development, using multilateralism as the main working tool. On the other hand, the BRI focuses on cooperation and economic growth. This is the strategy for mobilizing global resources for connectivity and development.

The strategy includes the new objective conditions of the world, related to the strength that the digital age has brought with it and the changes in the model of production and civilization that are taking place. From land-based agricultural civilization, it has moved to industrial civilization based on capital, the development of industry and the consumption of fossil-based energies. Today, we are in the model of digital civilization, focused on people, information and technology.

This new reality has led to significant changes in the international scenario. Since the fifteenth century, Europe has been the center of Western civilization and a leader in industrialization and capitalism. In the twentieth and early twenty-first centuries, the United States of America has consolidated its hegemony. Today, the People's Republic of China is offering a shared vision for people-based human development and the digital age. These visions enrich global development perspectives and promote a shared vision of well-being for all.

The Economic Commission for Latin America (ECLAC) has found new development traps in the Latin American and Caribbean region. These traps are related to factors of production, society, institutionality and the environment, and are associated with global challenges such as climate change, population growth and global geopolitics, including the United States, the European Union and the People's Republic of China.

For its part, China has set a development vision for 2050, starting from 2022 with an upper-middle-income economy. China aims to evolve into a high-income economy by 2035 and consolidate itself as a modernized and advanced economy by 2050, aiming to achieve common prosperity, improved people's

income levels, equity and justice, security of life, democracy, governance, defense, public security, multilateralism and world peace. This account has three natural components: open, inclusive and shared.

Solutions for multilateral cooperation in today's world

China presents five concrete solutions to address the issue of multilateral cooperation in today's world, based on its vision and the three components mentioned above. Below are the five solutions that China proposes for multilateral cooperation in today's world, which could be beneficial for Latin America and the Caribbean:

- The first solution proposed is “Open Regionalism” for Latin America and the Caribbean, which is based on strengthening regional integration and active multilateralism at the international level to improve the region and the global system as a whole.
- The second proposed solution concerns the United States of America and its position on inclusive multilateralism agreements in defense of Pan-Americanism.
- The third solution proposed is for the European Union, which is based on three pillars for cooperation: political dialogue, high-level policy coordination and strengthening free trade.
- The fourth proposed solution concerns trans-Pacific partners and two agreements in particular: the Comprehensive and Progressive Agreement on Trans-Pacific Partnership (CPTPP) (which China is applying to join) and the Regional Comprehensive Economic Partnership (RCEP).
- Finally, the fifth proposed solution focuses on the future of the relationship between China, Latin America, and the Caribbean, which is seen as a future based on multilateralism, respect, consultation and joint construction.

China's commitment to the region lies in its ability for cooperation and dialogue, an imperative necessity in the face of world changes and challenges. The world's second-largest economy, China has showed a willingness to work with Latin America on modernizing agriculture, ensuring food security, leading in digitalization, and global trade. In addition, it has a vigorous industrial system and a consolidated logistics system and internal market.

With a rich agricultural history, China has made important contributions to the progress of human civilization for thousands of years. Although it lagged

somewhat behind during the industrial age, China has latched into the machinery of the world economy and is appearing as a digital powerhouse, which will occupy a transcendental position globally. In recent decades, China has experienced significant economic growth, with its share of global GDP increasing from 4.5% to 19.8% between 1950 and 2021, making it one of the most important countries in global trade.

In economic terms, China has the ability to balance its public deficits through its net domestic savings, as well as through international cooperation. In addition, it is worth noting the strength of state-owned enterprises in China. Currently, the central government leads 97 large companies in key sectors such as construction, infrastructure and high technology. Within these areas, projects such as the construction of high-speed railways, power grids, highways, J20 fighter jets, aircraft carriers, the space station and the quantum communication satellite have been carried out. In 2021, China's total revenue reached USD 6.468 billion, while its total assets are around USD 40.194 billion.

In addition to mobilizing and organizing productive forces and resources, China has the ability to implement effective policies and strategies for economic and social development. At present, the world is faced with a complex situation that requires a broader approach that includes the interaction of four pairs of relationships: country-world, government-market, labor-capital, and peasant-land. By analyzing these interconnected relationships, one can better understand the changes in the world and find areas for cooperation. It is important to note that although there are conflicts in these relationships, there is also room for cooperation and joint growth. Moreover, at the global level, it is clear that although there are differences between China and the United States of America, there is still significant interdependence in economic and trade spheres, where both sides benefit from economic exchange.

On the other hand, it is clear that there are also conflicts between these four pairs of relationships, however, they open space to find more and better areas of cooperation. At the global level, it is the same, so although there are pronounced differences between China and the United States of America, there is still an important interdependence in the economic and commercial planes, where both require that economic exchange.

Economic opportunities for Latin America and the Caribbean with China

China has demonstrated a commitment to the environment and the global energy transition through significant efforts to promote sustainable production

practices and the promise to be carbon neutral by 2060, which is impressive given its position as the world's second largest economy. This sustained economic growth provides security in trade and economic relations with other countries, which opens up new opportunities for growth and prosperity for Latin America and the Caribbean.

The modernization of agriculture is an important opportunity for the region, as it can contribute to reducing extreme poverty in rural areas and improving producers' incomes. The People's Republic of China has the necessary technical and technological know-how to provide appropriate tools for this key economic sector for food security in the twenty-first century. The key to success in this area is constant institutional innovation, enabling reforms, openness and innovative technology.

A strategic vision of the State regarding the future must achieve the integration of the labor-capital pair, together with a clear roadmap that translates into concrete actions. To achieve the integration of the labor-capital pair in practice, it is necessary to promote integration between countryside and city, which implies the creation of rural roads, electricity networks and quality communications. These are areas where many countries in Latin America and the Caribbean have shortcomings and where China could be a valuable ally in addressing these inequalities.

When it comes to the digital revolution the world is going through today, China is not far behind. It has also developed a robust digital economy, technology and a development environment with digital government and society, taking the step forward and thus being one of the most representative leaders of this new era. This is another of the opportunities for the development of the Latin American and Caribbean region offered by China. Academic diplomacy and technical cooperation can be very beneficial if an appropriate strategy for high-level exchange and dialogue is developed.

In his speech, President Xi Jinping highlights the benefits that the global digital economy can bring and China's willingness to share its extensive experience and knowledge with those countries that want it. By working with sustainable macro-balancing mechanisms between trade, investment and financial cooperation in the eight priority areas identified, solutions can be sought to the "development traps" identified by ECLAC.

ECLAC has identified several pitfalls that affect the economic development of countries. One of them is the productivity trap, related to the low sophistication of exports, the low productivity of MSMEs and the low integration into global

value chains. Another is the environmental trap, which occurs when carbon emissions are added to the depletion of natural resources and the lack of use of technologies that reduce the impact on the climate. The institutional trap refers to the growing aspirations of the middle class, institutional weakness, scarce public resources, and fiscal weakness of the countries of the region. Finally, the social trap of vulnerability is characterized by a middle class in vulnerable conditions, high rates of informality, low possibilities for savings and investment, and low productivity in general.

Final considerations

Greater mobilization of resources is needed for the development of connectivity and the promotion of development in Latin America and the Caribbean. The initiatives of the People's Republic of China for Global Development and the BRI are a relevant way for the region if it has the possibility, will and economic and political capacity to cooperate with the nations of the global south in the struggle for prosperity. It is essential to advance on issues such as adequate adaptation to the digital age to close the new gaps that prevent countries from competing in the new economy. Connectivity is a strategic pillar for development in the twenty-first century.

Second, China is promoting consensus-building at the political, social, environmental, economic and international (especially geopolitical) levels. This approach is critical for humanity to find a shared direction in building a prosperous future for all people who inhabit the Earth. Economic growth and shared social development are very important for the future of a more united world. The integration of industrialization together with digitalization, always in line with the environment, are other key pillars on which China has the ability to collaborate with nations that want it.

Thirdly, the strengthening of real multilateralism and open regionalism must be promoted. Latin America and the Caribbean have the potential to lead the defense of these important instruments of cooperation among nations. It is essential to foster a respectful exchange that contributes to the development and enrichment of relations between countries. To achieve this, it is necessary to expand relations beyond the regional and bilateral, which will open up new economic opportunities for the future, such as those offered by trans-Pacific trade relations. For example, Costa Rica is trying to join the Trans-Pacific Partnership, a market of around 500 million people with many economic opportunities for the country.

CHINA AS CENTRAL AMERICA'S NEW TRADING PARTNER

This paper is based on the lecture: “China as Central America's new trading partner”, presented on August 24, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



CHINA AS CENTRAL AMERICA'S NEW TRADING PARTNER

*Sergio Rivero Soto*⁶

In Central America, economic relations with China have experienced sturdy growth in the last decade, despite some countries in the region recognizing Taipei instead of Beijing. This study analyzes the depth of commercial and investment relations between China and the countries of the Central American Integration System (SICA) from 2012 to 2021⁷, given the region's high dependence on trade and investment with the United States, as well as the existing polarization in the region regarding diplomatic recognition of China.

The objective of this work is to analyze the relations between China and Central America at both national and regional levels, through the analysis of the Central American Integration System (SICA) including Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. SICA is an open regional integration system that contains different subsystems, such as economic, political, and cultural. Member countries decide whether they want to be part of these subsystems. The Secretariat of Central American Economic Integration (SIECA) is a subsystem whose objective is to promote equitable and sustainable economic and social development in the region, which should generate welfare and growth in member countries through the transformation and modernization of their productive, social, and technological structures, to increase their competitiveness and achieve efficient and dynamic reintegration of Central America into the global economy.

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7 For the purpose of this article and with the intention of providing updated information, trade data was updated to 2021 once available at the Center for Economic Integration Studies in Central America, after the conference presentation.

However, in recent years, Central America has lost competitiveness, except for the Dominican Republic and Honduras, which have managed to climb some steps in the global competitiveness ranking of the World Economic Forum. On the other hand, countries such as Costa Rica and Panama have lost between eight and nine places in that ranking, and the same has happened with Guatemala, El Salvador, and Nicaragua. This loss of competitiveness is an essential element to consider when analyzing the opportunities offered by China's rapid economic rise in the Central American region.

Background of Sino-Central American relations

Nicaragua was the first country in the isthmus to establish diplomatic relations with the People's Republic of China in 1986. However, when Violeta Chamorro came to power in 1990, she decided to restore relations with Taiwan. From then until 2007, commercial relations with the region were exclusively with the island of Taiwan. In 2021, Nicaragua became the most recent country to restore relations with China.

Following Costa Rica's change of stance in 2007, El Salvador, the Dominican Republic, and Panama consolidated their relations with China. The latter two countries signed a series of agreements with Beijing in the late 1990s to set up Commercial Representation Offices (CROs). These offices had a strategic commercial function for promoting investment, trade, and tourism with China, as well as certain consular functions, but also functioned as a commercial-political diplomatic representation in China.

This fact is important and deserves greater attention, as it shows that since the 1990s, there has been an evident interest among the region's countries in establishing economic and diplomatic relations with China. The decision of Panama and the Dominican Republic in 2017 and 2018, respectively, to change their stance in favor of Beijing is an opportunity to understand the dynamics of China's economic diplomacy in the region.

It is important to note that, although there has been a change in diplomatic relations, Taiwan still is a relevant actor in regional instances. Taiwan has been an extracontinental observer country of SICA since 2000, an extra regional partner of the Central American Bank for Economic Integration (BCIE) since 1992, and a permanent observer member of the Central American Parliament (PARLACEN) since 1999. One implication of this situation is that economic and technical cooperation from Taiwan cannot be directed towards projects in the Dominican Republic, Panama, Costa Rica, Nicaragua, and El Salvador.

It should be remembered that when countries establish relations with China, they adhere to the policy of One China, which recognizes the People's Republic of China as the only legitimate government representing the entire Chinese people. Resolution 2758 (XXVI) of the United Nations General Assembly, adopted on October 25, 1971, recognized the representatives of the Government of the People's Republic of China as the only legitimate representatives of China in the organization, restoring all its rights in the organization.

Although some countries keep diplomatic relations with Taiwan, the recognition of this principle by the UN and other international organizations does not imply that states must make specific decisions in their political relationship with China or Taiwan, which explains their diplomatic and commercial coexistence in the Central American isthmus.

Economic and commercial relations between China and the region

In commercial terms, China has managed to establish itself as the fifth most important trading partner for Central America in terms of exports, and the second in terms of imports. According to data from SIECA, China is the main destination for Central American exports to Asia, with a 20.2% share, while Taiwan is only 8.8%. Likewise, Central America is an important market for Chinese products, with 58% of imports from Asia coming from China and only 3% from Taiwan.

Exports from Central America to China show a great variability in the amounts exported by each country. Historically, Costa Rica has been the largest exporter, standing for 19.3% of the total exports of the region in 2021. In contrast, Panama has had accelerated growth, led by the export of copper, going from being 6.4% in 2012 to 67.1% in 2021.

Overall, there has been a decrease in the total amount of exports from the region to China in recent years, with significant drops in 2015 and 2016, followed by significant growth in 2017 and 2018. Costa Rica has shown significant variability in its exports, while El Salvador and Nicaragua have kept a stable behavior. Honduras has had a significant drop and Guatemala has shown significant variability.

Table I.
Central American exports to China by country, 2012-2021
(thousands of USD)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Costa Rica	330 462	372 365	339 032	80 175	45 502	111 781	198 688	122 060	182 531	308 217
El Salvador	3 347	4 989	5 362	42 833	5 631	46 850	85 298	51 659	77 299	74 493
Guatemala	33 003	166 383	34 260	146 084	28 815	52 660	36 017	59 188	48 366	116 006
Honduras	113 785	130 024	71 220	20 758	12 114	17 294	29 999	12 137	24 734	14 119
Nicaragua	10 581	17 792	23 279	19 326	9 698	14 883	65 769	24 427	11 006	12 020
Panamá	33 848	51 330	69 459	40 944	35 530	42 668	49 411	532 591	370 063	1 072 958
SIECA	527 038	744 895	544 626	352 135	139 305	288 151	467 200	804 081	716 019	1 599 834

Source: Based on data from the Centre for Studies on Central American Economic Integration (SIECA).

Table 2.
Central American imports from China by country, 2012-2021
(thousands of USD)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Costa Rica	1 424 369	1 591 165	1 710 236	1 943 432	2 075 795	2 080 482	2 270 044	2 120 524	2 087 203	2 926 022
El Salvador	533 295	1 088 845	1 186 023	1 313 160	1 327 827	1 377 096	1 536 028	1 606 857	1 412 545	2 444 802
Guatemala	996 026	1 060 647	1 305 220	1 456 674	1 489 153	1 593 932	1 720 808	1 813 425	1 873 133	3 070 347
Honduras	436 024	452 671	703 847	1 280 777	1 091 051	1 072 570	1 537 894	1 505 531	1 316 997	2 100 358
Nicaragua	578 381	630 701	857 570	845 288	897 155	851 375	618 832	562 977	626 626	901 667
Panamá	809 767	1 024 509	1 114 314	1 158 895	1 070 212	1 242 933	1 335 463	1 290 075	851 030	1 382 142
SIECA	4 777 863	5 848 538	6 877 211	7 998 226	7 951 193	8 218 387	9 019 069	8 899 389	8 167 534	12 825 338

Source: Based on data from the Centre for Studies on Central American Economic Integration (SIECA).

At one point, Costa Rica had a trade surplus with China due to the presence of an INTEL plant in its territory, responsible for the production of processors and microchips for sale in the Chinese market. However, between 2014 and 2015, that plant was moved to Asia, which generated a decrease in Costa Rican exports to China. However, thanks to a niche strategy implemented by the Ministry of Foreign Trade, it has been possible to gradually recover earlier export levels.

Currently, Costa Rica is the only country in the region with a free trade agreement with China, along with Peru and Chile, these being the only three in Latin America. El Salvador has increased its exports to China since the resumption of diplomatic relations, while Guatemala keeps stable export levels to this market. Regarding Panama, its role is important due to the relevance of the Panama Canal, which is used by China as one of its main users, leading to China being its main trading partner at present.

However, there is a concentration of exports from the region in a few countries and a great variability in the amounts exported by each country. The region must continue to promote policies and programs to diversify its export offer and take advantage of the potential of this growing market.

Central American imports from China between 2012-2021 show a significant growth in imports from all countries in the region. Among the regional economies, Costa Rica is the main importer of Chinese products, with a total of USD 2,926 million in 2021. As for El Salvador, Guatemala and Honduras, there is an upward trend in imports from China, registering an increase of 73.1%, 208.6%, and 59.3%, respectively, between 2020 and 2021.

On the other hand, there is an intermittent trend in imports from Nicaragua, with difficulties in recent years. In the case of Panama, there is a steady growth in imports from China, although a decrease is shown in 2020 compared to previous years, as an effect of the COVID-19 pandemic.

At the regional level, the SIECA region presents a constant growth in imports from China, with an increase of 168.5% in the 10-year period. This increase in imports may be related to the increase in production in China and the supply of competitively priced products in the region.

The commercial relationship between the region and China is asymmetrical, as imports exceed exports. Nevertheless, it is a dynamic relationship that

has expanded over time and has a complementary character, given that the goods bought from China are not locally produced and are necessary for both subsistence and production in the region.

It is pertinent to highlight that the trade balance is favorable for China, as Central American exports to that country have kept steady growth since 2016, while imports from China have doubled in the last decade.

Indeed, there is a significant volume of commercial activity between the region and China. However, it is important to note that the situation differs regarding investment, as China has not invested considerably in Central America because its priority is focused on regions that have abundant strategic natural resources. In fact, there has been more investment by China in the southern part of the continent.

Although some modest technology, development, and transportation projects have been registered by China in the Central American isthmus, Chinese investments in the region are relatively limited. It should be noted that Panama has been the main recipient of Chinese investment in the region, thanks to the presence of the Panama Canal as one of the world's main trade routes.

Table 3 presents a series of Chinese investments in Central America between 2011 and 2020. Importantly, these investments are in line with China's economic and political expansion strategy towards Latin America. Compared to Chinese investments in other regions of Latin America, it can be seen that investments in Central America are relatively low, although they have shown a steady increase in recent years.

As for investment sectors, China has mainly invested in transportation, energy and real estate infrastructure. This focus on strategic sectors is consistent with China's investment policy in other Latin American countries and reflects China's interest in ensuring access to natural resources and new markets for its enterprises.

Table 3:
Main Chinese investments in the region, 2011-2020
(million USD)

Year	Chinese entity	Amount	Sector	Country
2011	Anhui Foreign Economic Construction	100	Entertainment	Costa Rica
2012	Sinomach	230	Energy	Nicaragua
2012	Xinwei	300	Technology	Nicaragua
2013	Power Construction Corp	350	Energy	Honduras
2015	State Construction Engineering	140	Realty	Panamá
2016	State Construction Engineering	190	Realty	Panamá
2016	Shandong Landbridge	900	Transport	Panamá
2017	China Communications Construction	100	Transport	Panamá
2018	China Communications Construction	470	Transport	Costa Rica
2018	Power Construction Corp	130	Utilities	Panamá
2018	China Communications Construction	1520	Transport	Panamá
2020	China Energy Engineering	110	Energy	Panamá

Source: Own elaboration based on China Global Investment Tracker data published by the American Enterprise Institute.

In terms of the geographical distribution of investments, Panama is the country that has received the largest amount of Chinese investments, followed by Costa Rica, Honduras and Nicaragua. This investment pattern reflects Panama's importance as a logistics and transportation hub, as well as the presence of a greater number of Chinese companies in the country.

Overall, although Chinese investments in Central America are relatively modest compared to other regions in Latin America, they are still significant for the region. In addition, the trend of increasing Chinese investment in the region indicates that this can be an important opportunity for economic development and cooperation between China and Central America.

Elements of China's Economic Diplomacy

In its economic diplomacy strategy, China has emphasized the commercial aspect and openness to the world. According to Gao Hucheng, former Minister of Commerce of China, there are four principles that support China's economic diplomacy: firstly, diplomacy should serve the economy, which is the most important part of diplomacy. Secondly, China's economic diplomacy and its policy of openness must go hand in hand and adapt to the different ways of doing business with countries. Thirdly, China should engage in economic relations only if it serves its development, and finally, economic diplomacy should create mutual benefits and situations in which everyone wins. These principles reflect the importance that China places on its economic development and the consolidation of beneficial commercial relations for all parties.

The Going Out Policy, implemented in 2000, marked the beginning of China's growing trend of Foreign Direct Investment (FDI), which was consolidated with the Belt and Road Initiative (BRI) in 2013. However, it is important to note that China's entry into the World Trade Organization (WTO) in 2001 marked a milestone in its economic diplomacy strategy by becoming a player in the rules of international trade. By 2017, the BRI was consolidated and positioned China as an important source of FDI and development aid globally. This initiative is still a central element in China's economic diplomacy.

In 2017, the State Council of the People's Republic of China defined new guiding principles for Chinese FDI, encouraging companies to make foreign investments to modernize national research and manufacturing industries, as well as in the energy sector and infrastructure construction in BRI projects. However, investments that go against peaceful development and mutual-benefit cooperation, as well as those that may endanger China's national interests and security, will be restricted.

Table 4.
Chinese FDI categories according to the NDRC

Category	Characteristics
Encouraged	<ul style="list-style-type: none"> · Facilitate the implementation of the BRI · Improve China's technical standards · Establish R+D centers with foreign high-tech companies · Undertake exploration and exploitation of oil, gas and mining · They benefit the agriculture, forestry, livestock, secondary industrial production, and fisheries sectors
Restricted	<ul style="list-style-type: none"> · In any sensitive country and/or regions (Countries and regions that have not established diplomatic relations with China) · Real estate, hotels, cinemas, entertainment, and sports clubs · Capital investment funds without specific industrial projects · Obsolete manufacturing equipment · In violation of the safety, energy efficiency and environmental standards of the host country.
Prohibited	<ul style="list-style-type: none"> · China's Military Technology and Commodities Related · Technologies, handicrafts, and products prohibited for export · Gambling and pornography industries · Projects that endanger national security or interest

Source: Prepared by the author based on Outbound Investment Measures of China's Ministry of Foreign Trade (MOFCOM) and the National Development and Reform Commission (NDRC).

In 2017, the People's Republic of China made the decision to limit its economic relations exclusively to countries with which it maintained diplomatic relations, as shown in the previous table. It could be inferred that this policy influenced to some extent the establishment of diplomatic relations with China by countries such as El Salvador, Panama, and the Dominican Republic in 2017 and 2018.

Future scenarios for Sino-Central American relations

The Belt and Road Initiative offers a strategic opportunity for countries in the region to improve their global competitiveness and reintegrate into international markets, which aligns with the goals of SIECA. The BRI project focuses on areas of investment in infrastructure and connectivity, financial

cooperation, and cultural exchange that respond to the needs of Central America to improve its global competitiveness.

The strategic location of Central America allows the BRI to strengthen the main international maritime routes and metropolitan areas on both sides of the Pacific and Atlantic, with the aim of creating a new land and sea corridor in Central America. It is well known that the Panama Canal has needed expansions, and before the pandemic, international trade had already exceeded its capacity. In the region, options have been considered for building new canals that take advantage of the opportunities of the new international trade route offered by the BRI.

International trade is fundamental to the economies of Central America, but the lack of investment in quality infrastructure limits its development and integration into global value chains, affecting its global competitiveness. Central America has strategic and geographic advantages that position it as a potential global logistics and commercial hub. The BRI initiative, through its link with Panama, Costa Rica, El Salvador, Nicaragua, and the Dominican Republic, promises to further strengthen the ties between the isthmus and the Asia-Pacific, giving it a geostrategic role.

China is a viable alternative for trade diversification, obtaining financial assistance, and accessing financing for infrastructure development, which in turn stimulates economic growth. From these points, three key elements of cooperation for competitiveness appear: economic and financial cooperation, promotion of foreign direct investment, and cooperation in human capital development. Cooperation projects in road, port, airport, and clean energy infrastructure are included in the first category, while the creation of Special Economic Zones and the development of export capabilities to China relate to the second point. Finally, education for innovation and technical and academic cooperation fall under the third element.

Reflection notes

The evolution of Sino-Central American relations presents itself as an asymmetric but highly dynamic phenomenon, as revealed by the economic and political indicators shown in this presentation. It is possible to observe a pattern of continuity that reflects a complementary and pragmatic link between both parties. Additionally, the increasing demand from China for agricultural products and the growth of its middle class opens up an opportunity space

where Central America could play a leading role in strengthening commercial and complementary relations with China.

Reviewing China's investments in Central America, we find that they have been mainly concentrated on transportation and energy projects in Panama, with a clear focus on promoting international trade. It is important to note that, unlike other parts of Latin America, Chinese investments in Central America do not focus on extractive industries. Considering the structural challenges facing Central America, there is a great opportunity for China to become a strategic partner for the economic development and competitiveness of the region.

As a result, it is necessary to define a roadmap that establishes a joint trade and cooperation agenda among SICA countries, thus allowing the coordination of efforts to maximize the potential of the new relationship with China. It is essential to emphasize the importance of establishing a clear and defined strategy for comprehensive cooperation, allowing for the consolidation of a sustainable and beneficial relationship for both parties.

TRADE RELATIONS BETWEEN MERCOSUR AND CHINA

This paper is based on the lecture: “Trade relations between MERCOSUR and China”, presented on August 25, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



TRADE RELATIONS BETWEEN MERCOSUR AND CHINA

*Zhou Mi*⁸

Background on the importance of trade in world history

It should begin by reflecting on some important background on trade. It cannot be forgotten that this is the reflection of resources and comparative advantages, trade is what has made the world develop and expand its borders, at first different types of commercial exchange such as gold, silver and other types of metals were used as a form of payment. It has been a very important mechanism for peoples to offer what they do and the fruit of their labor to exchange with others.

Today it is no less important than in the past, despite the conflicts that can be seen today, for example, between the United States of America (USA) and China, trade is a very important bastion for modern economies. Not all countries have what they need for their development, so trade and integration into global supply chains that facilitates international trade are very important for the economic growth of countries. The Covid-19 pandemic showed the impact that a rupture of these chains can have on international trade globally and especially for developing countries.

As a second initial reflection, making trade prosper brings stakeholders together for better use of related factors and supports the development of society at large. For a nation like China, with large extensions of territory and population, with diverse climates and a varied geography, for its development it needs trade and openness, since there are many resources, as well as another series of goods that it does not have in its territory and require to be imported, from food to industrial products, This in turn is a great opportunity for many countries and their development.

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Third, China is both a supporter and practitioner of the globalization of the economy, and is willing to meet its commitments and ready to adapt to innovative ways of doing business in the twenty-first century. Globalization requires everyone, not just a single country and is necessary, global supply chains, the participation of countries, access to raw materials and others is an integral part of that broad vision of world trade that China seeks to consolidate. This also implies the need for a series of rules that must be followed and respected to ensure transparency and balances, which is why China has been part of the World Trade Organization (WTO) since 2001.

At the same time, China is open to new forms of trade and economic integration that have been developing in recent years, which is why it is currently applying to enter the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and also the Digital Economy Partnership Agreement (DEPA). All this further opens up China's vision and puts on the table the issue of what this country can continue to contribute to the world in this direction. China is trying to include the new rules of international trade and adapt them to the way they have been doing and developing their economy, at no time does it aim to close itself to the world or the market, on the contrary, adaptation is part of its philosophy in the development of new markets and forms of international trade.

Finally, with its strategy of free trade agreements, China is willing to establish mechanisms to provide a sustainable business environment for all who wish to establish ties with this country. This means that they are working not only at the level of multilateral trade, but also at the level of bilateral free trade agreements, at the regional level, something that is allowed by the WTO and is not harmful to the strengthening of the multilateral system. The Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement between 14 countries, in which China participates, is another example of how international trade can strengthen the global economy, facilitate investment and collaborate in development. This is open to other countries wishing to be part of it.

Thinking about trade relations between China and Latin America and the Caribbean

The detonating question to address the issue of China's trade relations with MERCOSUR: does trade between China and MERCOSUR benefit or reduce the well-being of its member countries? Currently there are researchers and analysts who share different opinions, many experts argue that trade

between the two improves social welfare and other living conditions of these countries. To begin to give some answers to this question, it is necessary to first understand the framework of China's trade policy, this because I was able to provide a frame of reference for the current discussion.

China has the National Development and Reform Commission (NDRC), an economic agency of the Chinese government for the control and planning of China's economy, arguably a kind of ministry of economic planning, trade strategy and social development, as well as the Ministry of Commerce of the Republic (MOFCOM). These entities are responsible for China's trade, the latter ministry has a more specific task related to the responsibility of coordinating and implementing economic investment, trade and cooperation policies.

These institutions work through the elaboration of five-year plans, which seek to expand high-quality business development, with innovation in science and technology, with an improved business structure and two-way investments. This has been a fundamental part of China's policies of opening up to the world, which since the seventies have been implemented and have gradually opened China's doors to international trade and allowed it to join economic globalization, something that with the entry into the World Trade Organization (WTO) improved and made China a very important actor in international trade.

In recent years China has been evolving its vision of trade and changing its objectives in this area, where not only is growth one of the main goals, but achieving high-quality commercial development, it is not only about increasing the volume of trade, but also improving the quality of this, with the application of innovation, technology and thus offer high value-added products made in Chinese territory. This goes hand in hand with the industrialization policies that China has been carrying out for several years, one of the effects of globalization has been the mobilization of industry to various parts of the world, China understands it and does not fear it because it sees it as a natural process and typical of the logic of the integration of the global economy, He sees it as an opportunity that must be seized to improve the quality of what he produces. This is the mission it pursues, through trade and industrial development through innovation and technology, added to the two-way investments is that the benefit of trade is shown to those who participate in it.

A necessary aspect to rescue as an objective and promise established by China is to reach a peak in Greenhouse Gas (GHG) emissions before 2030 and be carbon neutral before 2060, through industrial restructuring, optimization of the energy structure, energy conservation and improvement of efficiency in development dynamics, production, and commercial exchange. This is mentioned because it is indeed related to trade, its production and so on, you have to think about the life cycle of products and so on, so emissions must be reduced to weigh the negative effects of GHGs generated by industry.

China's Five Principles for Accompaniment in the Development of Latin America and the Caribbean

From this brief introduction to China's trade policy, we must move towards the theme of comprehensive and cooperative trade partnership towards new and better horizons. In the relationship with Latin America and the Caribbean, this includes adhering to the principle of equality and sincere mutual support, this is the fundamental premise of the development of China-region relations, that is the basis for conducting fair and respectful trade for all parties. It is not part of China's international trade philosophy to think that since it is a larger country, it should earn more than the others.

Secondly, and always hand in hand with this premise, this integral partnership and accompaniment between parties seeks mutually beneficial cooperation, and common development is the endogenous driving force for the strengthening of commercial and political relations between nations. The focus is to develop economies and society through international trade and cooperation in those areas where countries require it; From infrastructure to trade, the objective is to accompany and complement these countries so that they can achieve these goals.

Along with this, as a third point to consider are exchanges and mutual learning, as well as accompanying friends from generation to generation, that is the solid foundation of relationships. Here trade becomes part of a broader process where the exchange of culture, ideas, opinions on development come to play a very important role in the different regions of the world that establish relations with China. All this, in turn, strengthens and improves international trade. Fourth, both China and Latin America and the Caribbean share a global responsibility to promote and foster international cooperation, equity and justice. As practitioners of international trade and part of the world, this responsibility cannot be ignored and goes hand in hand with the fifth point, which is the promotion of complementary development of collective and

bilateral cooperation as a strategic path to strengthen Sino-Latin American relations.

The outlook for Chinese international trade in 2022

After the impact of the Covid-19 pandemic on the world economy, and the subsequent closures of cities as important for world trade as Shanghai in 2022, China strives to maintain stable macroeconomic performance by achieving constant growth in foreign trade, understanding that supply chains are facing great challenges and that world trade requires them for their proper functioning.

Even with these global situations, China's foreign trade volume of goods in the first half of 2022 reached 19.8 trillion Yuan (RMB), 9.4% more than the previous year. Exports grew by 13.2% to RMB 11.14 trillion and imports increased by 4.8% to RMB 8.66 trillion. This year Chinese foreign trade grew significantly, stable progress has been maintained as a result of the growth policies applied by the government, which allowed industries such as the automobile industry to suffer a less strong impact, because, for example, they have had to obtain a large number of auto parts from Shanghai and nearby areas, parts necessary to assemble those vehicles and export to other countries. Much of the production of these vehicles are electric, where China already has a significant role in their production.

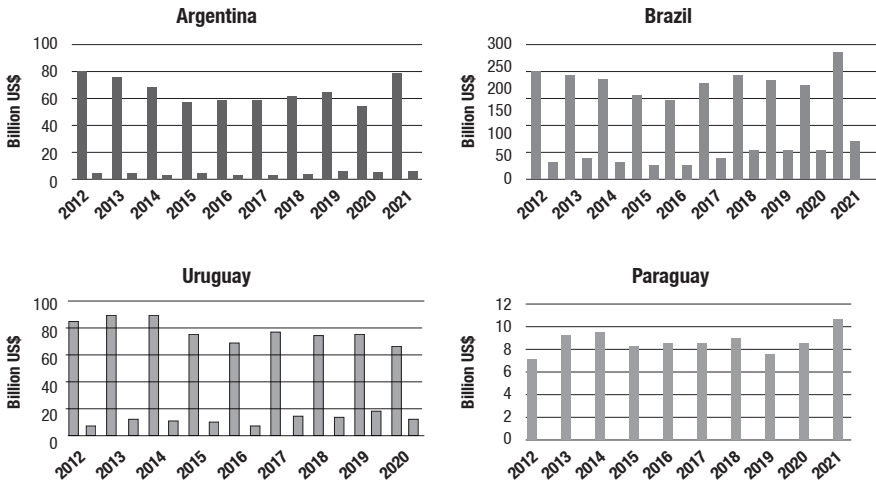
Also, the share of general trade continued to increase during this period, while imports and exports with the main trading partners continued to grow, with the exception of Latin America. Foreign trade entities have also been strengthened, while imports and exports of most products enjoy stable growth. If you look at the first half of the year of China's trade, you can see an attractive market because under the policy of energizing and integrating the domestic market, China is importing a large amount of goods from various countries for its industry and domestic production.

The market has made its decisions

China's trade has played a key role in the MERCOSUR countries. Studying different documents and research on this, it is noted that it is a little different from other common market mechanisms in other parts of the world, since the countries parties integrated they have had to overcome a series of challenges of multiple types, it has not been a simple integration process, they have tried to improve the efficiency of the process of commercial exchange with each other, following WTO rules, and looking at examples of cases such as NAFTA.

The relationship between MERCOSUR and China has been growing significantly, if we look at data from 2001 when China joined the WTO, trade with MERCOSUR, between imports and exports was around 3.2%, while in 2014 these data amounted to 16.3%. This shows how the trade relationship between both sides has improved a lot in recent decades. After eight years, from 2014 to today, Brazil is China's main trading partner in the South American region and Argentina ranks second, followed by Uruguay and Paraguay.

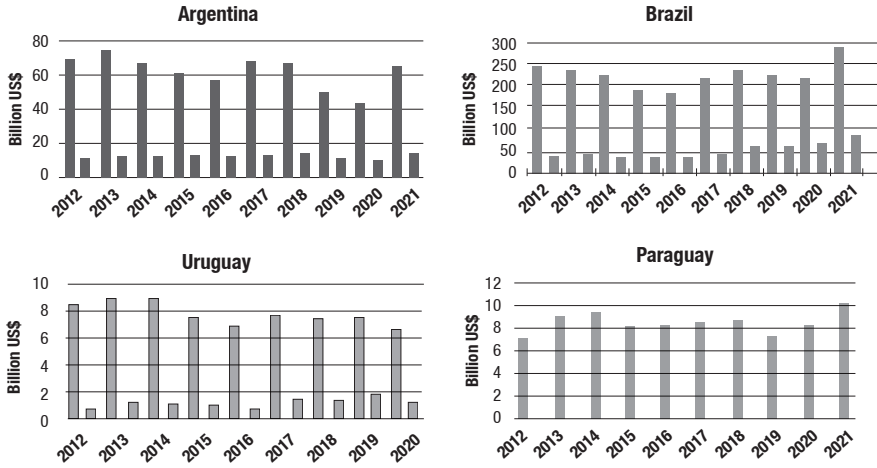
Table 1. Exports from MERCOSUR countries to China and the world



Source: authors.

These data and percentages presented can continue to grow and are doing so, as trade between the region and China continues to strengthen. Trade with Brazil continues to increase, with Argentina it remains, with Uruguay it has decreased a little compared to 2013 and 2014. These four countries have different scenarios, which is understandable because the exchange rates vary according to the country and the products or goods they exchange with China, for example, Brazil exports a lot of soybeans and Argentina a different variety of agricultural products, that difference in patterns also explains the volume of exchange between countries.

Table 2. Imports from MERCOSUR countries from China and the world



Source: authors.

If you look closely at the graph above, you can see that the largest number of products imported by these countries come from China. With these two graphs you can get a general idea of trade between the two sides, especially from the angle of importance with trade with China and its growth. To further improve trade with the region in the future, new perspectives must be adopted and more space must be given for the market itself to make decisions on what it considers strategic for each of the countries to generate more trade and improve competitiveness.

It is natural that there is an imbalance in the trade balance between the MERCOSUR countries and China, that they import more than they export there, but the important thing to understand is that this type of relations are complementary, it is due to an exchange where both need what each offers and all parties receive a benefit from this trade.

China's trade with Argentina

Argentina is China's sixth largest trading partner in Latin America, and China is Argentina's second largest trading partner, export market and country of origin for imports. This means that both have a very close relationship, in turn, China mainly exports machinery and equipment, electrical and electronic

products, computer and communication equipment, motorcycles, textiles and clothing to Argentina, and mainly imports soybeans, soybean oil, crude oil, leather and other commodities. Argentina is for its part, it is the third source of soybean imports for China, this topic on soybeans is very interesting, in an investigation I have done this year on the soybean trade I have discovered many details about the trade of this type of product that are usually not known, but provide a broader vision about this.

China's trade with Brazil

Trade with Brazil is somewhat different, since 2009, China has been Brazil's largest trading partner, this for 12 consecutive years. In 2020, China became Brazil's largest export market and largest source of imports. Brazil is China's largest trading partner in Latin America. The main products that China imports from Brazil are; soybeans, iron ore, petroleum, beef, chemical wood pulp, sugar, chicken, pork, cotton, alloys, among others.

In 2020, China imported a total of 64.27 million tons of soybeans from Brazil, with a total of USD 24.9 billion, iron ore imports totaled USD 25.7 billion, and oil imports reached USD 139 billion. Soybeans, iron and oil alone account for 76% of China's total imports from Brazil. The main products that China exports to Brazil are ships, machinery, electronic equipment, integrated circuits, among others.

China's trade with Uruguay

The main market to which Uruguay exports soybeans, wool and pulp is China. Uruguay is China's fourth and fifth largest sources of meat and soybeans. In bilateral trade, Chinese exports to Uruguay mainly include electromechanical equipment, auto and locomotive parts, household appliances, mobile phones, chemicals and rubber, clothing, footwear and textiles. Among them, exports of high-tech, data processing equipment, and high-value-added mechanical and electrical products accounted for about 70%.

Trade between China and Paraguay

This is a special case because it has been a challenge for China due to the lack of diplomatic relations between the two countries. However, in 2021, China imported mainly from Paraguay, copper and its manufactures, raw hides and skins (except fur) and leather (HS41), which represent 50.2% and 36.7% of total imports, respectively. China exports a fairly wide range of products to Paraguay, covering 77 HS code categories, among which electrical machinery

(HS85), machinery (HS84) and rubber and articles (HS40) are the largest, accounting for 21.5%, 15% and 11%, respectively.

The potential of bilateral trade

There are some shared challenges that need to be improved to consolidate more vehemently the exchange between China and the MERCOSUR countries. Among them we can mention those related to supply chains, which meet characteristics such as being sustainable, predictable and resilient, the green supply chain are the promises and the responsible path of the future. Logistics could be improved with the support of innovation in communications to reduce uncertainty.

Financial cooperation is strategic, the Fed's tightening of monetary policy makes things difficult for developing countries, trade-based financial innovation is useful beyond trade itself to integrate resources into economic development and help countries that require it. Mechanisms are important, bilateral or regional trade agreements could help reduce the uncertainty of economic activities, also serving as an example for other countries and markets on what can be improved and how it can be done to seek greater stability of trade. There are also new areas that must be explored and developed, such as online commerce, which can be supported through the development of specific rules for its proper functioning.

Final considerations

Commercial relations with an asymmetric pattern exist and will continue to do so, more and better understanding between parties is needed. Trade between China and the MERCOSUR countries are very different from one country to another, if you look at the details of each between provinces, regions and states the dynamics of the market is particular to each one. This can be improved by involving the parties more in developing better agreements, policies and mechanisms that further facilitate such approaches.

Making decisions in this direction brings new opportunities for the development of the countries involved, improves competitiveness, as well as economic and social progress. Here it is necessary to produce more and better, including cooperation on technological issues for innovation is a fundamental part of this process of shared growth. China is fully willing to share its knowledge and experience in this direction with the region. Cooperation must be promoted along the supply chain from start to finish.

Times change and regional economic integration mechanisms must take this into consideration, innovation of technology and rules could be possible when times change to also encourage the productive transformation of countries and thus include in this way the well-being of all the people who are part of the countries involved in world trade exchanges and thus all benefit. Markets are not static and like reality, it is constantly changing, this must always be taken into consideration.

Trade offers multiple opportunities for both China and Latin America and the Caribbean, taking advantage of them requires dialogue, agreements and cooperative relations that allow opening the doors to the deepening of exchange and economic growth in a context of changes, uncertainties, as well as facilities to grant better living conditions for all people, International trade is that tool to make the leap and build a better tomorrow.

CHINA'S ECONOMIC OUTLOOK WITH PACIFIC ALLIANCE COUNTRIES

This paper is based on the lecture: “China's Economic Outlook with Pacific Alliance Countries”, presented on August 18, 2022, as part of the Lecture Series developed within the framework of the Chair in Contemporary China.



CHINA'S ECONOMIC OUTLOOK WITH PACIFIC ALLIANCE COUNTRIES

*Mariana Aparicio*⁹

Background

The Pacific Alliance (PA), as a regional integration initiative, was born on April 28, 2011. On June 6, 2012, within the framework of the IV Summit of the Pacific Alliance, in Antofagasta, Chile, the signing of the Framework Agreement for the establishment of the legal instrument that lays the foundations of the initiative for its integration was held, which entered into force in July 2015, added to the trade protocol in force since May 1, 2016. Made up of Chile, Colombia, Mexico and Peru, the PA has been based on and has been working for two decades to strengthen the free movement of goods, services, capital and people. One of its main postulates is that it is defined as a process of pragmatic integration, that is, it has not developed a rigid institutionality, the presidency is rotating from country to country and lacks a bureaucratic structure.¹⁰

As a process of economic integration, the PA has a relevant weight in the Latin American region. In global terms, its Gross Domestic Product (GDP) represents about 42.9%, more than two-fifths; In addition, the eighth largest exporting power in the world, Foreign Direct Investment (FDI) received by the bloc is just over half (52.7%) of the flows captured by Latin America and the Caribbean (LAC) and concentrates the 35.5% of its population, according to

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10 Although this text is not the subject of reflection, it should be noted that the flexibility of its institutional framework was characterized as a success, based on previous experiences in the region. However, this flexibility is currently being questioned by the impossibility of transferring the pro tempore presidency from Mexico to Peru during 2022.

data from the World Bank (2022), the International Monetary Fund (2022) and the United Nations Conference on Trade and Development (UNCTAD, 2022).

The PA currently has 63 observer states¹¹, distributed across five continents: 14 countries in the Americas, 2 in Africa, 13 in Asia, 32 in Europe and 2 in Oceania, including the People's Republic of China and the United States – both incorporated in 2013¹²; – and an associated state Singapore. According to the *Guidelines on the participation of Observer States of the Pacific Alliance*, non-member countries may request the Pro Tempore Presidency to be part of the PA as observers. Obtaining observer State status requires, among other issues, sharing the principles and objectives of the Framework Agreement. The decision to join them is taken by the Member States and the result is communicated to the requesting country. Observer States may participate in meetings and bodies to which they are invited by consensus of the Member States, but they only have the right to speak and not to vote. The status of Observer State is maintained by maintaining the commitments in accordance with the principles, objectives, and work of the PA, if it is not revoked by the Council of Ministers and if the Observer State does not renounce it.

If the Observer State has two bilateral free trade agreements with at least two of the four member countries, it may apply to be a candidate for membership in the PA. Once the application for candidacy has been accepted, the Observer State will have one year – from the date of acceptance – to meet the conditions for initiating its accession process¹³.

The requirements for incorporation as an Associated State have been modified throughout the life of the PA¹⁴, adjusting to the needs of the integration process.

11 The data corresponds to March 2023. Available on the website: <https://alianzapacifico.net/estados-observadores/>

12 The request of both countries was accepted, together with Republic of Turkey and the Republic of Korea in the framework of the VII Ministerial Meeting on Foreign Affairs and Foreign Trade, held in Villa de Leyva, Colombia, held on June 29 and 30, 2013. To date, the United States and the People's Republic of China have shown interest in applying for the status of Associate State in the PA. See: Foreign Trade Information System (SICE), OAS, "Documents related to the accession of the new States and Observer States", 17 of July 2013. Available in: http://www.sice.oas.org/tpd/pacific_alliance/Background/USA_KOR_CHN_TUR_s.pdf Retrieved 6 from March 2023.

13 To consult the guidelines, it is suggested to consult on the official website of the Pacific Alliance. Available in: <https://alianzapacifico.net/estados-observadores/>

14 To identify how the accession process as an Associated State has evolved, it is suggested to consult Aparicio, Mariana (2019), "The Pacific Alliance and U.S. Trade Policy in the Donald Trump Administration" in *Challenges and opportunities of*

Initially, an Associated State had to subscribe to certain rules, both commercial and non-commercial, and some States, such as Guatemala and Costa Rica, were interested in initiating the process. In the framework of the XVII Meeting of the Council of Ministers, on June 2, 2017¹⁵, in Mexico City, the *Guidelines applicable to the States Associated with the Pacific Alliance*¹⁶ were announced, an instrument that provided the PA with negotiating trade agreements with third countries.

The *Guidelines* identify that an Associated State is “that State with which all the Parties to the Framework Agreement of the Pacific Alliance conclude and put into force a binding agreement of high standards in commercial economic matters, which contributes to the achievement of the objectives of the Framework Agreement of the Pacific Alliance.”¹⁷

In order to initiate the process and be considered an Associated State, the country concerned must send a request on its intention to the Member States or, failing that, may receive an invitation, by mutual agreement of the States Parties, which shall be extended through the Pro Tempore Presidency. If the request or invitation is accepted, the Member States to the Framework Agreement initiate a series of negotiations with the requesting or invited State.

To begin negotiations, a free trade agreement is required with each of the Member States. Once the negotiation rounds are completed, a letter of understanding is signed, subscribing to the Framework Agreement and the Additional Trade Agreement, which “must take into account high standards in trade and economic matters that favor the opening and integration of markets, including, but not limited to, the following areas: trade in goods, trade in services, and investments”.¹⁸ Once the agreement between the Member States

the Pacific Alliance in the turbulent international context, Facultad de Ciencias Políticas y Sociales, UNAM, México, pp. 140-158 and Aparicio, Mariana (2016), “Consequences of Trade Dependence on Foreign Policy. The relationship of the United States with the members of the Pacific Alliance”, in Darío Salinas Figueroa (Coord.), *Latin America and New Hemispheric Relations*, Universidad Iberoamericana and CIALC-UNAM, Mexico, pp. 355-386.

15 For more information, it is suggested to consult the official website of the Pacific Alliance. Available in: <https://alianzapacifico.net/consejo-de-ministros-de-la-alianza-del-pacifico-firman-lineamientos-de-la-figura-de-estado-asociado/>

16 You can consult the Annex to the Guidelines in full in <https://alianzapacifico.net/wp-content/uploads/ANEXO-LINEAMIENTOS-ESTADO-ASOCIADO-2.pdf>, retrieved 6 March 2023.

17 Ibid.

18 Ibid.

of the Framework Agreement and the requesting or invited State is concluded and comes into force, it is considered an Associated State of the PA.

In September 2017,¹⁹ Australia, Canada, New Zealand, as well as Singapore, showed interest in starting negotiations, but only the latter has achieved its accession as an Associated State which, after four years, completed the negotiation in July 2021, signing the free trade agreement with the Member States on January 26, 2022²⁰, in the framework of the XVI Summit of Presidents of the PA. In 2018, South Korea signed its intention to initiate the negotiation process, which was embodied in the Declaration of Puerto Vallarta, with the aim of signing a free trade agreement with the PA Member States and, with it, entering as an Associated State. The start of negotiations was announced in the framework of the Meeting of the High-Level Group of the Pacific Alliance, held on June 23, 2022²¹. Other countries that have shown interest in starting the process under this figure are Costa Rica, Ecuador, Panama, and Guatemala, but to date there has been no progress in this regard.

One point to underline in relation to Australia, Canada, New Zealand, and Singapore is that they share their membership, along with three PA Member States – Chile, Mexico, and Peru – their membership in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Its antecedent, the Trans-Pacific Partnership (TPP),²² which was energized by the administration of President Obama as part of the implementation of the United States’ trade policy to compete and reduce the space of commercial influence of the People’s Republic of China and its commercial strategy within

19 See Pacific Alliance “Pacific Alliance and candidate countries to be Associated States held meeting on work schedule.” Available in: <https://alianzapacifico.net/alianza-del-pacifico-y-paises-candidatos-a-ser-estados-asociados-sostuvieron-reunion-sobre-cronograma-de-trabajo/> Retrieved 6 March 2023.

20 See Pacific Alliance page “Pacific Alliance and Singapore sign Free Trade Agreement” Available at: <https://alianzapacifico.net/alianza-del-pacifico-y-singapur-firman-acuerdo-de-libre-comercio> Retrieved 6 March 2023.

21 See Pacific Alliance page “Start of negotiations Pacific Alliance – South Korea” Available at <https://alianzapacifico.net/inicio-de-negociaciones-alianza-del-pacifico-corea-del-sur/> Retrieved 6 March 2023.

22 To broaden the analysis of the political aspects of US trade policy within the framework of the TPP, it is suggested to consult Aparicio, Mariana and Alicia Puyana (2018), “The political interest of the United States with the initiatives of Trans-Atlantic and Trans-Pacific Cooperation”, Silvia Nuñez and Valeria Marina Valle (Coord.), Towards a new stage in EU-North America relations?, CISAN-UNAM, Mexico, pp. 71-93; and Aparicio, Mariana, (2017), “Implications of the TPP in International Politics at the global and regional level”, in Willy Soto (Coord.), Rethinking borders, regional integration and territory, Universidad Nacional, Costa Rica and CLACSO, pp.157-165.

the framework of the Regional Comprehensive Economic Partnership (RCEP). However, on January 23, 2017, the US government announced its withdrawal from the TPP negotiation. Even in the administration of current President Joseph Biden, interest has not yet been expressed in resuming the entry to the agreement. On the other hand, the People's Republic of China requested on September 16, 2021, its accession to the CPTPP and, with this, the spaces abandoned by the United States are covered, generating the conditions to take advantage of the scenario and establish a network of agreements and commercial partners, as well as potential political allies.

The Alliance commercial features ²³

One of the main criticisms regarding the PA's trade is that it has not yet managed to achieve intra-bloc integration, which raises questions about whether it is part of one of its main objectives. In general terms, over the two decades, there are several problems in terms of the creation of supply chains and technology, so that, without the development of intra-bloc trade, it is not possible to identify a productive chain that can be exported as a type of AP brand. While, despite the pandemic, PA exports and imports have been maintained, intra-bloc trade is very small. In terms of exports, the year 2020 experienced a fall in absolute value, the same happened with respect to imports.

The Member States are economies linked to open international trade, but dependent on commodities, with the exception of Mexico, with a high percentage of exports from the manufacturing industry. Analyzing the structure of exports by product group of the four PA Member States, it is identified that their main industries are diverse, so there is no supply chain of specific products that can have the potential to develop linkages. In this regard, it is pertinent to point out that research is being conducted that aims to generate proposals that allow the PA greater integration and, with it, compete in better conditions with the target market: Asia.

If intra-bloc trade is not sufficiently representative, it is advisable to analyze the structure of exports and imports of the trading partners of each of the States Parties. It is identified that none of the four main partners of the Member States to the PA: the United States, the People's Republic of China, the European

23 For the development of this section was used to fragments of the work published in co-authorship with Gerardo Castillo, "Towards the conformation of productive chains in the Pacific Alliance" in Juan Pablo Prado Lallande, José Briceño Ruíz and Thomas Legler (coord.) *The Pacific Alliance facing its second decade*, KAS-Mexico, CIALC-UNAM, AMEI, 2022, pp. 65-91. If you require further analysis of the analysis, it is suggested to consult the referred chapter.

Union, Canada, or Brazil, among others, have shown their intention to join as Associated States.

Here it is pertinent to establish some differences between the members: the four Member States have an agreement in force with the United States, while two of the four Member States - Chile and Peru - have an agreement in force with China. Mexico and Colombia have significant trade dependence on the United States. On the other hand, the most important trading partner for Chile and Peru is China. In general terms, the reception of FDI to PA economies has decreased between 2015 and 2020, but an increase of -1.4% in 2016 to 5.7% in 2020 by the P.R. is identified. China. If FDI from the United States and China is compared in LAC during the period from 2001 to 2021, it is possible to identify that the P.R. China is the largest investor, which may suggest a favorable trend of the countries of the region in a process of commercial, diplomatic, and political convergence with the PR China in return to the United States.²⁴

The politics of trade policy of the Pacific Alliance

Understanding how it is possible to use economic and commercial instruments as a lever of power that allows to dynamize the development of states, is the competence of the study of economic diplomacy. Its postulates allow us to understand how it is possible to expand economic cooperation as a mechanism that produces allies and shared positions in the international agenda and national interest of the country that energizes it.²⁵

24 To expand the analysis, it is suggested to consult the work Aparicio, Mariana, Karla Villalobos and Iván López (2022), "Geopolitical dispute? The Chair Game Between the United States and China in Latin America", in Wagner Iglesias, Julio César Suzuki and Nastasia Barceló (Orgs), *Latin America: International Relations and Regional Integration*, Series PROLAM USP DEBATE, Volume 3, Ediciones EACH, University from São Paulo, Brazil, pp. 121-139. Disponible en: <http://www.livrosabertos.sibi.usp.br/portaldelivrosUSP/catalog/book/761>

25 To deepen the analysis on Economic Diplomacy and its effects on LAC, we suggest reviewing the work of Aparicio, Mariana, Gustavo Adolfo Islas Cadena, Iván López, (2021) "A dialogue between speeches and facts: the rapprochement of the Common Market of the South (Mercosur) and the Pacific Alliance (PA)", *International Forum*, Vol. LXI, 1(243), January-March, pp. 45-80 and Aparicio, Mariana, Karla Villalobos and Iván López (2022), "Geopolitical dispute? The Chair Game Between the United States and China in Latin America", in Wagner Iglesias, Julio César Suzuki and Nastasia Barceló (Orgs), *Latin America: International Relations and Regional Integration*, Series PROLAM USP DEBATE, Volume 3, Ediciones EACH, University from São Paulo, Brazil, pp. 121-139. Disponible en: <http://www.livrosabertos.sibi.usp.br/portaldelivrosUSP/catalog/book/761>

In economic diplomacy we can identify two types of interests; one linked to political interests, where free trade agreements, economic and military aid, or cooperation processes in various areas have as their objective political interest. The government of the day makes cost-benefit calculations in a purely political logic and can provide incentives or punishments where the particular interests of each party are negotiated so that the recipient country modifies its behavior or position on a specific issue at the international or regional level. A mechanism of coercion is the application of economic sanctions applied by some countries against third parties, when for various political reasons they consider it necessary.

The other type of interest in the implementation of economic diplomacy is for commercial purposes. A State together with its business sector cooperate to develop economic objectives of trade promotion and/or investment. In this case, economic diplomacy for commercial purposes is a cost-benefit conducted by a State under a purely economic logic where the main activity has reference to the maximization of commercial and investment opportunities of that country in the destination.

The commercial economic policy of states and cooperation are two important and powerful instruments to seek shared paths of common prosperity, the two ways of interests of economic diplomacy are not mutually exclusive and it is often complex to identify a clear dividing line between one and the other.

In this area, the People's Republic of China has been gaining important ground with the four Member States to the Alliance, as well as with the rest of LAC. One of the most important spaces for dialogue that China has with the region is the China-CELAC Forum, a high-level one, which can be an important means to consolidate its economic diplomacy.

In LAC the two most important trading partners are the United States and the People's Republic of China. It can be identified that the economic aid granted by the United States is usually linked to political interests. Economic aid is given to a country because there is a process of cooperation and conditions of commercial dependence are created, which produces a closer political relationship with that nation. However, trade policy instruments themselves have an economic background.

In the case of the People's Republic of China, economic aid maintains a commercial objective: to insert itself in new markets, boost foreign direct investment, open routes, and create trade to position its goods and services in other countries. However, trade policy instruments are accompanied by a

political interest, which leads to glimpses of the characteristics of diplomacy in the region, where economic diplomacy is the main component in its relations with the world.

The first is a functional and inclusive vision in terms of discourse and policy-making that suggests cooperation with other countries on a beneficial basis and with the aim of consolidating their role in international politics. The second is a flexible and open approach that does not usually adhere to strict regulatory frameworks and has a symmetrical relationship with its partners, thus promoting a discourse in which the parties benefit from each other.

In this way, the win-win and peaceful rise 2.0 policy of the People's Republic of China promotes a healthy relationship with the great powers, in a scheme of equal treatment, giving space to cooperation and development in favor of Chinese interests, always based on a framework of mutual respect and the political system of the other party, in order to promote peaceful relations that benefit all parties.

Regarding the Pacific Alliance, the People's Republic of China has immense potential because it has covered all the flanks left by the United States in this period, especially in terms of investment. As a result, to date, it has not shown the intention of initiating the accession process as an Associated State, its incentive lies in the creation of trade and legal certainty, reflecting an excellent foreign policy and economic diplomacy that drives and energizes the countries of the PA. Along these lines, it would be relevant, in another space, to analyze the effects of its potential entry into the CPTPP, since it would allow it to have a more consolidated presence in the region.

Challenges

Although the PA presents several challenges for the coming years, five are identified to pay in the final reflections: the first is related to access to dialogue and political agreements. The governments of the Member States are open to the international market; however, protectionist policies of elective or trade policy have been dynamized.

The second challenge is linked to the challenges and opportunities presented by the extensive trade war between the People's Republic of China and the United States and how this context can potentiate PA countries to export goods and services to the People's Republic of China.

The third challenge of the Alliance is the uncertainty about the institutional

schemes and their operability characterized by a flexible and pragmatic institutionality, although this is one of the great flags of the PA, to the extent that new Associated States are added, it is not clear how the dialogue, negotiation and rotation of the Pro Tempore presidency will be established between Partner States .

In the case of Mexico, the fourth challenge, the *poison pill clause*, Article 32 section 10 of the Free Trade Agreement between Mexico, the United States and Canada (USMCA), leaves Mexico a reduced margin of maneuver to articulate a more robust trade strategy with the People's Republic of China. The article seeks to protect the North American market, both on the side of percentage of regional content for tariff reduction, and in the event that Mexico had any interest in signing a free trade agreement with the People's Republic of China, either to be part of the PA, or a member of the CPTPP, which would force Mexico to make an important decision on the type of trade policy it wishes to pursue, considering its trade dependence on the U.S. market. The same scenario would be faced by Canada, as a trading partner of the USMCA.

The certainty of the Rule of Law or legal security is the fifth challenge identified for the Member States, since the consolidation of the Alliance occurred within shared interests in the context of governments open to the free market and international trade. With recent changes in governments, it is possible that the priorities of the Member States may be modified, resulting in them not being within their priorities, thus contributing to uncertainty in the Alliance, its stability, and its guarantee of continuing for a longer time in the future.

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