

THE IMMINENCE OF THE BELT AND ROAD INITIATIVE IN LATIN AMERICA: INITIAL COMMENTARY FROM BRAZIL, CHILE, AND MEXICO

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I. INTRODUCTION

What is the meaning of the Belt and Road Initiative (BRI)¹? Academics and internationalists have started to discuss this iteration of the ancient Silk Road proposed by the Chinese government. Although it was officially announced in 2013 by President Xi Jinping, it was not until 2017 that China

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¹ The acronym coined as BRI means *Belt and Road Initiative*. The project is also known by its acronym OBOR, which means *One Belt One Road* in English. Throughout this article, we chose to use the BRI acronym since it is used more frequently in the international literature; however, these terms are fully interchangeable and refer to the same global project.

prioritized this initiative as it gained momentum amidst the geopolitical stridencies of the Trump presidency. Despite this new international attention, the “project of the century” —as called by the Chinese Communist Party— remains ambiguous and subject to increasing speculation complicating an initial analysis and understanding.

In order to decipher the BRI we need to make some of the following questions: What is the true purpose of this new multilateral scheme? Is it a mechanism to replace American influence in Eurasia? Can it be considered as a direct response to the dismissal of the Trans-Pacific Partnership Agreement (TPP)? or, is this merely an industrial plan that seeks to transfer surplus raw materials and labor force? At this moment the answers are far from clear as they depend on several variables, but the magnitude and ambition of this project might suggest that its ultimate goal is to create a new design in which the United States and China compete for global supremacy.

In recent years the balance of international affairs has been subject to significant change. The current US presidency has dismantled the pillars of American influence around the world with unprecedented speed. Today we are witnessing a challenge to the Western-led model that reigned after WWII. The TPP’s cancellation, the Paris Agreement withdrawal, and NATO’s weakening have deteriorated the United States’ and its overseas strategic strongholds. This surprising and voluntary retreat has encountered both an effective and enthusiastic response by China. The speech delivered by President Xi Jinping in Davos in 2017² demonstrates China’s interest to occupy the voids that the United States has created in recent months.

Amidst this structural shift, the BRI does not intend to be an isolated strategy. In recent years, China has established a number of institutions aiming to construct an alternative architecture for global organization. The creation of the Asian Infrastructure and Investment Bank (AIIB), the Development Bank of China, the Shanghai International Group, and the BRI Fund are a few examples of the new Chinese development apparatus. Through these institutional arms, China has been able to by-pass the West to materialize new projects that are conceived and executed from Beijing.

As it is usually the case in state projects commanded by China, the legal form of the BRI is still uncertain. Today it is not clear if the project will result in a free-trade agreement, a series of investment treaties, or transition into a multilateral organization. Nevertheless, the lack of clarity in its definition should not lead to its underestimation. In a time when globalization

² The full text of the speech in English can be found in the following link: <https://america.cgtn.com/2017/01/17/full-text-of-xi-jinping-keynote-at-the-world-economic-forum>.

shows signs of fatigue, this initiative should not be disregarded and belittled but instead studied thoroughly.

From a Latin-American standpoint, the BRI emerges as a relevant and novel phenomenon. In this article, we propose that the size and importance of the BRI will have significant repercussions in the way in which China interacts with Latin America. China is already the leading trading partner and one of the largest investors of most Latin-American countries, mostly in extractive industries and infrastructure projects. The BRI, despite of all its vagueness and unpredictability, seeks to impose a new standard for international cooperation and sustainable growth. Latin America needs new theoretical frameworks to cope with and maneuver throughout an ever-growing Chinese presence.

II. THE INITIATIVE'S CHARACTERISTICS AND MOST IMPORTANT FEATURES

The BRI contemplates a monumental infrastructure plan that seeks to increase terrestrial and economic connectivity between China, Central Asia, the Middle East, Africa and Europe. Additionally, the maritime component of the BRI, also called the new “maritime route of the Silk Road”, aims to create new port departures and routes across the South China Sea, in order to link Southeast Asia with the Arabian Peninsula and Africa’s Eastern Coast. The project is of such magnitude that some commentators have equated it with the successful Marshall Plan that rebuilt Europe after WWII.

The BRI initially identifies two preliminary steps for the development of the project, namely: (i) reaching a wide consensus for international cooperation through diplomatic, cultural and economic ties, and (ii) building a “top-level framework” to define and start the construction of the project’s ambitious economic corridors.

Regarding the consensus for international cooperation, the initiative has been widely successful, with the support of more than 101 countries and active participation of 68.³ The Chinese government has indicated that any country is welcome to join the initiative, in a new context of mutual benefits for both developed and developing countries. In terms of spatial distribution and geographical routes, the BRI aims to build five different routes connecting six economic corridors —both maritime and terrestrial—

³ Ingram, Jennifer (Jun. 2018). B&R China Law Connect and Belt and Road Countries. *China Law Connect, China Guiding Cases Project, Stanford Law School*. Volume I, Issue I., pp. 75-79.

across 3 continents: Europe, Asia, and Africa. This commercial network contemplates the development of railways, highways, ports, airports, free trade zones, among other features.

In addition to the construction of infrastructure, the project seeks the creation of new instruments of cooperation and mutual aid among participating countries. These areas of cooperation will initially include scientific exchange, environmental and ecological collaboration, scholarship programs and academic exchanges, shared cultural agendas, among others. The entire project demonstrates an effort to increase China's political influence and consolidate its *soft power*. The way in which this wide range of cooperation will materialize remains a question; however, its inclusion in the initiative shows the comprehensive approach that the Chinese government is seeking to implement through the BRI.

The initiative has also motivated China to make changes to its domestic policy. During the 19th Congress of the Chinese Communist Party held in October 2017, the Party included in its Constitution the “thought of Xi Jinping for a new era” and within this the “development of the One Belt One Road Initiative”. This reform reflects the importance of the BRI as a guiding axis to Chinese foreign policy. Additionally, China is committed to the BRI as one of the essential tools to secure a China-led future. Deriving from this association, it is fair to assert that the success or failure of Xi Jinping's administration will be linked to the success or failure of the BRI.

With respect to its legal form and specifically in the field of dispute resolution, the BRI has already formed three specialized courts to settle disputes that arise out of current and future infrastructure projects. Through the foundation of three special courts in Beijing (headquarters), Xi'an (terrestrial disputes) and Shenzhen (maritime disputes), China seeks to promote neutral commercial fora to refer cases to arbitration, mediation or litigation. While the success of this measure should be evaluated with caution and in consideration of a number of factors its creation underlines the transformation that the State is experiencing with the BRI.

By 2018, and despite some natural skepticism, a new silk road has begun to take shape. The Chinese government has committed more than 900 billion⁴ dollars to the BRI, and current projects range from the renovation of the Port of Piraeus in Athens to the start of the Sino-Pakistani corridor with a bullet train linking southern China to the port of Gwadar. Cleverly,

⁴ “Embracing the BRI ecosystem in 2018—Navigating pitfalls and seizing opportunities”. Deloitte Insights. Available at: <https://www2.deloitte.com/cn/en/pages/soe/articles/embracing-the-bri-ecosystem-in-2018.html>.

China has chosen to label various investment projects abroad as “BRI Projects” although initially they were either not considered as part of the initiative or had commenced before the BRI’s official launch. As a result, projects have multiplied across various regions in the world and have indirectly increased investment figures.⁵

III. CHALLENGES AND THREATS TO THE BRI

The challenges and threats of the BRI are vast and multifaceted, especially considering that the initiative encompasses a massive injection of funds and movement of resources, and that the corridors will be extended across countries accounting for more than 60% of the world population. It is no surprise that such an ambitious project has raised numerous concerns and important criticisms from numerous voices. For instance, *The Economist* published a report indicating that in the process of completion, the BRI will face challenges in at least the following categories: (i) political instability in high-risk regions, (ii) legal risks, especially in countries with a fragile rule of law, and (iii) financing difficulties due to liquidity problems.

In fact, the BRI has encountered financial problems of various kinds. To this day there is no exact figure as to the amount required to carry out the initial stage of the project. This has been evidenced by conflicting official government sources which indicate different investment figures that vary across regions. Also, there is no clarity about the conditions required for the disbursement of funds to the projects. Furthermore, there is lack of transparency regarding the selection of countries and the individual projects, as well as their expected productivity rates and economic returns. Finally, there is the risk that certain countries will be unable to repay funds granted by Chinese companies and banks. This could render the BRI unsustainable; in fact, some studies have pointed out that at least eight countries would not be in a position to repay the credits granted by Chinese agents.⁶

The initiative has also been criticized from a geopolitical angle by actors who see a Chinese attempt to impose its power on less-developed countries, avid recipients of foreign investment. From this perspective, China has been

⁵ This is the case of investment projects in Latin America that are already labeled as “BRI Projects”. See, for example, the hydroelectric projects in Brazil or the Pacific Refinery in Ecuador.

⁶ Hurley, John; Morris, Scott & Portelance Gailyin (March, 2018). *Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective*. Available at: <https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf>.

called out as a new colonialist nation that aims to dominate the international arena. The presence of China in different regions of the world has caused the suspicion of countries that have maintained such areas under their influence and power. Such is the case of Russia with Central Asia and India with Pakistan, and South East Asia. In particular, there are concerns that the investments and financing are excessively burdensome so that China can acquire the possession of critical and strategic assets for indefinite terms. To illustrate this point, it is worth noting the case of the Hambantota Port in Sri Lanka where a Chinese company obtained the concession of the port for a period of 99 years after a general default by the government.⁷

The quality of Chinese investments has also raised numerous concerns. In theory, these investments are less experienced when compared to the ones of developed countries as they generally disregard sustainability standards. China has been criticized for the consequences of its investments ever since it started to go abroad in search of natural resources. Some studies suggest that Chinese investments have been disrespectful of human rights, harmful to the environment, unfair in the transfer of human capital, and negligent with the rule of law.⁸ Given this track record, the BRI provides an opportunity for Chinese companies and government to increase their standards in these new international projects of great significance. Newly created institutions, such as the AIIB, will have a significant role supervising these projects in order to build a new narrative about Chinese influence in different regions of the world.

IV. LATIN AMERICA AND THE BRI

Xi Jinping's administration has welcomed new countries into the BRI under the premise that Chinese influence will increase as more countries are linked to the initiative. An open architecture has allowed the BRI to extend beyond the ancient Silk Road through Central Asia, the sea route across Southeast Asia and the Indian Ocean. As the BRI gains momentum speculations increase regarding a BRI crossing the Arctic, capitalizing on the melting Poles, as well as a BRI reaching cyberspace commanded by Chinese technology

⁷ Abi-Habib, Maria. (Jun, 2018). *How China Got Sri Lanka to Cough Up a Port*. Available at: <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>.

⁸ To see a comprehensive study of the characteristics of the Chinese investments in the world: Dollar, David. (May, 2016) *China as a Global Investor*. Asia Working Group. Foreign Policy at Brookings.

companies.⁹ Under this encompassing approach, today the BRI also begins to be an increasingly hot topic in Latin America.

Chinese presence in Latin America through BRI has manifested itself on three specific events. First, a large number of South American countries have subscribed as prospective members of the multilateral AIIB, which, as noted above, will play a leading role in the development of projects financed by the Chinese government.¹⁰ Second, several Latin American delegations participated in the BRI Summit organized in Beijing in May 2017, whose visit allowed for a preliminary expansion of the project. Third, in January 2018 at the CELAC¹¹ meeting in Chile, Foreign Minister Wang Yi formalized the invitation to all Latin American countries to join the BRI promising an era of cooperation and mutual gains. This statement, already known as the “Santiago Declaration”, opens the door for the development of the project to its fullest extent.

The BRI’s arrival into Latin America takes place at a moment in which the United States retreats from its historical and hegemonic role in the area. In contrast, China’s economic presence in the region has increased considerably, thus inviting Latin-American countries to rethink their foreign investment policies and associated commercial objectives. These will need to be evaluated to generate new development synergies for the benefit, rather than the detriment, of regional economies. Therefore, the following questions are pertinent for a deeper and more incisive reflection: What does Latin America want from the BRI? In what way can the initiative change the projects that China has already begun in the region? How should Latin America address the inherent risks of the BRI? How should one face the existing asymmetries between China and Latin America? This assessment must be made taking into account each country’s own characteristics.

V. LATIN AMERICA AND CHINA

China’s economic engagement with Latin America has increased substantially in recent years. At the CELAC ministerial meeting held in Beijing in 2015, President Xi Jinping announced that China would increase commercial trade

⁹ The Economist (July 2018). *Planet China, what to make of The Belt and Road Initiative*. Vol. 428, No. 9102, p. 7. Online version available at: <https://www.economist.com/printedition/2018-07-28>.

¹⁰ Among them we currently find Brazil, Chile, Argentina, Peru, Ecuador and Venezuela.

¹¹ Community of Latin American and Caribbean States. For further information visit: <http://celacinternational.org>.

with the region by up to \$500 billion dollars and to invest \$250 billion dollars, all in a period of 5 years. China has expressed its growing interest in Latin America throughout various official documents and used a new narrative that identifies avenues of cooperation necessary to intensify multilateral relations. Some of the proposed objectives include the promotion of bilateral trade, industrial investment and mutual actions to promote connectivity, the strengthening of financial institutions and collaboration for technological innovation. The Chinese government further highlighted the importance of increased cultural understanding and social development in the context of a mutually beneficial relationship.¹²

The rise of China has had a profound impact on the economies of Latin America, both in cross-border trade and in investment flows. However, the outcome of this relationship has been both positive and negative on different aspects. While energy, raw materials, and agricultural exporters have benefitted from Chinese growth (among which are Brazil and Chile), other countries have been affected, especially those whose manufactured products have been undermined by Chinese competition in major markets such as the United States (a visible trend in Mexico's case).

Perhaps most importantly, China has already replaced the United States as the top export destination for Latin American products. In 2016, the top export destination of Brazil was China, in a total amount of \$35 billion dollars, followed by the United States, in a total amount of \$23 billion. Meanwhile, on that same year, Chile exported \$17 billion to China and \$8 billion to the United States. In the case of Mexico, the United States continues to be the largest recipient of its exports, however, China has increased its prominence by becoming Mexico's second largest trading partner, causing a large deficit in its trade balance.

As China assumes a more prominent position the trade relationship is not without challenges. The exports of the majority of Latin American countries to China consist primarily of raw materials, commodities, and agricultural products, rather than products that comprise greater value. In fact, some studies suggest that in 2016 only 5 products made up 71% of the region's exports to China.¹³ The nature of these exports creates a high-risk

¹² Documento Sobre la Política de China Hacia América Latina y el Caribe. November 2016. Ministry of Foreign Affairs of the People's Republic of China. <http://www.fmprc.gov.cn/esp/zxxx/t1418256.shtml>. For the english version of the Policy Paper visit: https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/t1418254.shtml.

¹³ Krause, Patricia. February, 2016. *Panorama. China's Role in Latin America is Much More Than a Trade Issue*. COFACE, Economic Publications. Publication available at: <http://coface.com/News-Publications/News/China-s-role-in-Latin-America-is-much-more-than-a-trade-issue>.

dependence and magnifies the region's vulnerability to external shocks due to lack of diversification.

China's strategy in Latin America has not been uniform but rather developed on a case-by-case basis. For example, China has signed free trade agreements with countries that receive a large number of Chinese manufactures, such as Chile, Peru, and Costa Rica. On the other hand, China developed a strategic relationship with Brazil that focuses not only on the economic and trade aspects but also on the creation of a multilateral structure that counterweights the clout of the West. In countries such as Argentina, Venezuela, and Ecuador, China has initiated various investment projects such as the construction of refineries, trains, and nuclear facilities. Conversely, China's relationship with some Central American and Caribbean countries has been strictly diplomatic, where China has promised economic benefits in exchange for the non-recognition of Taiwan as an independent country.

These strategies obligate Latin America to rethink the nature of its relationship with China. On the following sections, we briefly review the experience of our own countries with China in recent years. As previously noted, China did not focus on a multilateral relation with Latin American countries, but instead chose to approach each one of them with individualized agendas. The three different case studies discussed below may bring valuable lessons to our region.

VI. CHILE AND CHINA: LESSONS LEARNED FROM A FREE TRADE AGREEMENT

Chile was the first Latin American country to establish diplomatic relations with China and to sign a free trade agreement in 2005. Over time, this economic tie was strengthened through the signature of various treaties and instruments, namely: (i) The Supplementary Agreement on Trade in Services in 2008; (ii) the Supplementary Agreement on Investment signed in 2012; and (iii) the elimination of tariffs on almost 100% of the products of Chilean origin in the Chinese market in 2015.¹⁴

As it stands today, and from a purely commercial standpoint, the outcome of this relationship has been fruitful. In 2017 alone, the commercial

¹⁴ See: "*La República Popular China y sus vínculos con Chile*" Library of National Congress of Chile (BCN, for its Spanish acronym), Departamento de Estudios, Extensión y Publicaciones, 7 de mayo de 2018. Available at: https://www.bcn.cl/obtienearchivo?id=repositorio/10221/25270/1/La_Republica_Popular_China_y_sus_vinculos_con_Chile_Mayo_2018.pdf.

exchange between the two countries was around \$34 billion, representing 26% of Chile's total foreign trade. The success has been of such magnitude that, at the moment, China is Chile's top trade partner. In retrospect, Chile is optimistic about the outcomes of these 13 years of FTA with China. The last Chilean presidential administrations nurtured a solid and lasting commercial relationship through the formalization of strategic commercial commitments.

Despite of this success, the Chilean political leadership must be innovative to avoid the long-standing deficiencies that are intrinsic to a primary-export-led growth model.¹⁵ Today, Chile concentrates a very high percentage of its exports on the mining industry, where copper has been historically the top commodity export. The export of copper to China is one of the main causes of the Chilean positive trade balance and economic growth in recent decades, but the country must try to diversify its trade in order to protect itself from shortages of demand, especially in a globalized world that is increasingly unpredictable and volatile. In fact, the purchase of 24% of SQM, the largest Chilean producer of lithium, by the Chinese company *Tianqi Lithium* might signal that copper will soon be replaced by lithium by Chinese investors in the years to come.

Therefore, the lesson learned from Chile's FTA with China is precisely that both countries can and should diversify their trade to include goods and services, in addition to raw materials and commodities. Cooperation in other areas such as science and technology, and cultural exchanges, should be sought and promoted. In this regard, the Chinese Ministry of Science and Technology has recently partnered with the Chilean Commission for Scientific and Technological Research through the Action Plan on Cooperation in Science and Technology, 2017-2019.¹⁶

Chile must take advantage of the Chinese government's willingness to cooperate in other areas, and further advance the initiatives for infrastructure deployment. Chile has advanced the possibility of receiving greater investment in other sectors of its economy under the BRI by becoming a member of the AIIB. To mark the occasion, the president of the AIIB mentioned that the new membership of Chile not only makes the country an important recipient of projects sponsored by companies with Chinese capital, but it can be a great opportunity for the opening of new markets

¹⁵ Carol Wise, "Tratados de libre comercio al estilo chino: los TLC Chile-China y Perú-China". Research Center of the Universidad del Pacífico, Vol. XXXIX, N° 71, second semester 2012, p. 184. Available at: <http://revistas.up.edu.pe/index.php/apuntes/article/view/664/663>.

¹⁶ For further information see http://www.conicyt.cl/wp-content/uploads/2012/11/Plan_de_accion_es_2017-2019.pdf.

in Asia. Chile's candidacy to join the AIIB must be interpreted as a clear commitment to the BRI as well as a corollary to the success of the bilateral relationship.

However, Chile must welcome new investment projects with careful attention to the employment of appropriate safeguards. This means that Chile must ensure that Chinese investments promote free competition with other domestic and international undertakings, by ensuring that the Chinese investor receives appropriate counsel on commercial and legal (especially antitrust) matters.

VII. BRAZIL AND CHINA: ASSESSMENT THROUGH BRICS

The opening reform of 1978 under the mandate of Deng Xiaoping spurred Chinese economic growth, and during that period Brazil and China formed a trade partnership for raw materials and agricultural products. Currently, China is Brazil's largest trading partner, and Brazil is the largest Latin American recipient of foreign direct investment inflows from China. Between 2003 and 2017, China invested a total of \$54 billion dollars in 93 projects in Brazil, mostly in the energy, mining, logistics and agricultural sectors.¹⁷ However, the relationship between China and Brazil extends beyond commercial exchanges, and includes the political and diplomatic agreements for trade, financial, and technological cooperation through various initiatives such as the Brazil-China Cooperation Fund for Expansion of Production Capacity and Long-term Financing.

The relationship between Brazil and China has been marked by the emergence of the BRICS group, an acronym coined by an economist from Goldman Sachs (which, in addition to Brazil and China, also includes Russia, India, and South Africa) to identify the emerging economies during the first decade of the 21st century. Between 2010 and 2011, the five countries formed a political and diplomatic institution to advance their preeminence in a new scenario of global growth. The cooperation among the BRICS countries comprise areas such as finance, agriculture, trade, science and technology, health, business, and education. Additionally, the BRICS advanced on the creation of the New Development Bank, a multilateral institution that will direct funds for the growth of the member countries and other emerging economies.

¹⁷ Planejamento divulga Boletim de Investimentos Chineses no Brasil. Ministerio do Planejamento do Brasil (January, 2018). <http://www.planejamento.gov.br/noticias/planejamento-divulga-boletim-de-investimentos-chineses-no-brasil>.

In this respect, the BRICS provided Brazil with a solid platform to strengthen its political, commercial, and economic ties with China. In August 2017, Brazil and China signed a memorandum of understanding to diversify the trade between the two countries. This document promises to foster service trade in various areas including engineering, architecture, e-commerce, banking, and tourism. Moreover, the two countries signed agreements to intensify investments in infrastructure, including the energy sector, as well as to exchange the lessons learned from the fight against corruption and the progress in the prevention of global warming. Most importantly, it is worth highlighting that the Sino-Brazilian relationship has not been affected by the political and economic crisis that Brazil has suffered in recent years; the Chinese stakeholders in the country have been stable and the investment prospects are positive. Furthermore, this relationship is expected to strengthen even more, because Brazil has benefited from the trade war initiated by the United States presidency against China, by becoming a natural substitute supplier of agricultural products.

Overall, Brazil has been one of the most successful Latin American countries in its interaction with China. The BRICS has provided opportunities for a greater proximity with China in other strategic areas of cooperation that have not been granted to other countries in the region. Due to its size and importance, Brazil has capitalized on these foundations to advance its commercial, political and diplomatic ambitions with the Asian giant. Thus, the BRI must be welcomed by Brazil as a new opportunity to further strengthen the relationship with China in an ever more coordinated and profitable partnership. This initiative will allow Brazil to continue to advance in important cooperation issues beyond the successful raw materials export trade, to include greater technology transfer, ensure sustainable investments, and advance coordinated agendas.

VIII. MEXICO AND CHINA: ASYMMETRIES AND UNFULFILLED PROMISES

Mexico and China like to boast historical ties tracing back to the 16th century Manila Galleons navigating from the Philippines through the Pacific Ocean to exchange multiple goods in the New Spain. In modern times, Mexico was one of the first countries to recognize the People's Republic international status and to initiate diplomatic relations supporting its candidacy to the UN in 1971. Regardless of these amicable precedents, the current relationship is characterized by a series of difficulties of economic nature. This situation

has been magnified ever since China joined the World Trade Organization (WTO) in 2001 and the subsequent competition for the North American market. In this regard, China has clearly acted as a competitor to Mexico to the detriment of its privileged position within the NAFTA bloc.

China's economic development after its economic opening transformed it into Mexico's second largest trading partner by the year 2003. After significant growth, in 2018 the trade between the two countries reached the figure of 85 billion dollars. However, this figure has had at least two characteristics: (i) the relationship has brought a high deficit for Mexico in its trade balance, which amounted to 75 billion dollars in 2018,¹⁸ and (ii) the Chinese imports consist mostly of semi-industrial goods, that often are transformed, and then exported over to the United States and Canada.

As indicated in this article, China has led a significant flow of direct investment to Latin America since the first decade of the 21st century, bolstering the growth of several countries in the region. However, Mexico has not benefited from this regional phenomenon. Chinese FDI to Mexico has amounted to less than \$400 million dollars between the years of 2000 and 2016, accounting for less than 0.1% of Mexico's total FDI.¹⁹ Likewise, the largest Chinese investment projects in Mexico have been unsuccessful due to various factors, including political instability that turned the projects into unfulfilled promises, to name a few we think of the cancellation of the high-speed train between Mexico City and Querétaro, the failure of the *Dragon Mart* project in Quintana Roo, and the stoppage of the Chicoasén II hydro-electric plant project.

Despite this highly controversial scenario, the election of Donald Trump and the reconfiguration of the North American project forces Mexico to reevaluate its trade and investment policies around the world. Diversification becomes necessary in the face of the hostility shown by the historical partnership with the United States. These series of events has been appreciated and welcomed in Beijing. Since 2016, the Sino-Mexican relationship has shown signs of improvement with the allocation of certain oil fields to Chinese companies after the energy reform and the operation of binational funds for infrastructure projects. Ironically, the isolation of the United States has indirectly motivated the rapprochement between Mexico

¹⁸ El Economista (May 8, 2018). *China y México Estrechan Su Comercio*. <https://www.eleconomista.com.mx/economia/China-y-Mexico-estrechan-su-comercio-hasta-los-85000-mdd-pero-el-saldo-es-a-favor-de-Pekin-20180508-0072.html>.

¹⁹ Dussel, Enrique (October, 2017). *México-China ante la creciente complejidad de su relación. Implicaciones institucionales y agenda para el 2020*. La Nueva Sociedad Global, El Reto de la Diplomacia, La Responsabilidad del Porvenir. IIJ-IDIC.

and China for the exploration of new avenues of cooperation. This approach can be deepened through the deployment of the BRI with the aim of reducing the trade deficit and increasing the number of investment projects. To this end, Mexico must establish a strategic agenda that will allow it to join such an initiative that will diversify its growth options in an increasingly complex world. The change of government that occurred in July 2018 provides a historic opportunity to capitalize on the underlying potential of Sino-Mexican relations.

IX. CONCLUSIONS

The BRI faces serious challenges and it may possibly not meet the excessive expectations created by Chinese authorities. However, and regardless of its level of success, this new project represents a pivotal moment in the world. Its development in diverse regions promotes a new integration scheme that will incorporate, at the very least, Chinese characteristics into the process of globalization, a process that gradually presents fewer Western features.

Today, the initiative has started with investments in infrastructure projects in Southeast Asia, Europe, Central Asia, and Africa. As it appears, the uncertainties about its true scope, legal form, and multilateral impact will be confirmed gradually as Chinese authorities and companies begin to evaluate the results in the short and medium term.

This new silk road entails a different Chinese foreign policy manual. The BRI is an innovative expansion strategy that breaks with the discretion advised by Deng Xiaoping in the 1980's. At the same time, the BRI represents China's acknowledgement of its global importance and the strength it has built in recent years, which provides it with some legitimacy to lead the processes of globalization.

From our regional perspective, the imminence of the BRI is expected to generate new opportunities for Latin American countries. The initiative will most certainly have an impact on the way in which China structures its investments and plans its commercial agendas with the region, thus presenting an opportunity for our countries to redirect their priorities and turn to more favorable scenarios. As noted, the Chinese experience with Latin America is not linear but rather mixed. However, Latin America, as a bloc, has generally benefited from the export of raw materials and commodities, and should continue to expand its trade to guarantee its economic growth resulting from Chinese increasing demands. Most importantly, Latin American countries are challenged to take advantage of the technology transfer

and demand for new products in order to diversify their trade and allow them to gradually make their economies more sophisticated.

Notwithstanding the opportunities for growth, the BRI poses greater competition with regions that offer products similar to those offered by Latin American countries, and that are at the core of the BRI's area of influence. Furthermore, Chinese investments should be received with safeguards to ensure protection of natural resources, national sovereignty, environmental sustainability, the protection of labor and social rights, as well as the respect for different forms of government. The incursions of China into other countries should serve as a guide for Latin America to develop negotiation mechanisms in which it is not subjugated by an asymmetric counterpart.

Finally, Latin American countries should reconsider their potential and capacity to operate as a bloc in order to benefit from the relationship with China. The probability of reaching more beneficial agreements increases if countries operate and negotiate jointly. Existing groups such as the Mercosur and the Pacific Alliance have yet to incorporate chapters and detailed strategies to profit from a new Chinese presence. In this effort, Latin America must define a response to a completely new challenge presented by the BRI.

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