

CHINA AS AN ECONOMIC, FINANCIAL AND COMMERCIAL SUPERPOWER

Economic Diplomacy with Chinese Characteristics

The relationship between China and Latin America since China's Entry into the World Trade Organization

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In 2001, China joined the World Trade Organization (WTO), which is a new start for further opening-up. The 20 years after joining the WTO is critical for rapid economic development and growth into global power, and is also the period for deep integration with the world and sharing development opportunities. There is a strong affinity with western countries in historical-cultural heritage for Latin America and the Caribbean (hereinafter referred to as Latin America). As of rich resources, Latin America was incorporated into the international economic system earlier. Economic interests and relations of Spain, Britain, the United States, Germany and other European and American countries have been deeply rooted.

Historic unprecedented leaps have been made for China and Latin America in past 20 years. China has grown from insignificant peripheral forces to the second largest trading partner and the second largest source of investment in Latin America. The impact of

COVID-19 highlights the importance of China's assistance in Latin America. How can China-Latin America relations achieve leapfrog development in the short term? What is the driving force behind the interaction between China and Latin America? What does this process feature? Looking back on the China-Latin America relations in the past two decades after China's entry into the World Trade Organization, exploring the overall structure and driving forces of economic diplomacy in Latin America is of significance for understanding the future development of China's diplomacy.

Latin America's Status in China's Diplomatic Strategy

China has seen major countries as the key, neighboring countries as the priority and developing countries as the foundation in diplomacy. China-US relations are top priority in major-country relations. The relations decide and influence China's diplomacy and relations with other countries, which is most obvious in China-Latin America relations.

Affected by America, after the founding of the People's Republic of China, Latin America became the region with the longest time and most complicated process for establishing diplomatic relations with China. In the 1960s, only Cuba established diplomatic relations with China, and the relationship between China and Latin America is limited to non-governmental exchanges and trade. Only in the 1970s and 1980s did China gradually establish normal foreign relations with eleven Latin American countries. In 1990, Chinese President Yang Shangkun visited five Latin America countries, which was the first time that a Chinese President set foot on the continent. China's economic ties to Latin America in the 1990s were still quite limited.

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China's official joining the World Trade Organization in 2001 is a milestone for opening up to the world and economic globalization. In the past 20 years, China's average contribution to world economic growth has been close to 30%. In 2020, China is the only country in the major economies that has achieved positive growth and has become the most important engine for the recovery and growth of the world economy. There was a new understanding of the relationship between economy and foreign policy after China's entry to the World Trade Organization for the leaders. At the meeting of Chinese envoys abroad in August 2004, General Secretary Hu Jintao pointed out: "In the new era and stage, we should strengthen economic diplomacy" [1]. The State Council then held a national conference on economic diplomacy for developing countries. For the first time for new China, developing countries are given more attention in foreign strategies and policies, especially for economic diplomacy.

The time of operation and accumulation in Latin America for Spain, the United Kingdom, Germany and the United States has been long. In contrast, China is a latecomer. In November 2004, Hu Jintao visited Brazil, Argentina, Chile and Cuba, attracting widespread attention abroad. When Hu visited again in 2008, China released the first policy document on Latin America, “The Policy Document for China and Latin America and the Caribbean”, which gave the official orientation for China-Latin America relations. The issuance of documents on Latin America also signifies that China has formed a complete system of strategic and policy plans for different regions of the world.

The global financial crisis in 2009 provided opportunities for further upgrading of China-Latin America relations. During the crisis, “The exports to the United States and the European Union for Latin America fell by nearly a quarter, to Asia fell by 4%, and to China increased by 11%” [2]. Economists of the World Bank pointed out: “Compared to middle-income countries, economic downturn in Latin America in 2009 was relatively short and the recovery speed was fast. The main reasons are that, first of all, demand from China for raw materials from Latin America has indirectly increased the prices of raw materials exported from Latin America. Second, China’s direct trade and investment in Latin America have enabled to quickly get rid of the economic recession brought about by the financial crisis, bringing hope to the long-term development of Latin America [3].

In 2013, Xi Jinping visited Latin America, becoming the first top Chinese leader to visit Latin America in the first year he was elected. In the past eight years, President Xi has visited Latin America five times, which shows the great importance Chinese leaders attach to the region. On July 17, 2014, at the China-Latin America Leaders’ Meeting in Brasilia, President Xi proposed an initiative to build a China-Latin America community with a shared future for the first time, and made the establishment of a new “five-sphere integrated plan” pattern and a new framework of “1+3+6”

The economic relations between China and Latin America are promoted through high-level political means: political serving the economy has become one of the characteristics of economic diplomacy

Latin America became the region where China promoted diplomatic concept and practice of a community with a shared future for mankind earlier. In January 2015, the China-CELAC Forum was established and the Cooperation Plan (2015-2019) was issued. Panama was the first country to sign the Belt and Road Initiative cooperation document with Chinese government in 2017. So far, China has signed the Belt and Road cooperation document with nineteen Latin American countries. Since President Xi took office, China has invested more resources to Latin America. In 2015, the Chinese government established the position of special representative for Latin American affairs. From 2013 to 2016, China upgraded relationships with eight Latin American trade partners to strategic partnership.

The Pivots of China Economic Diplomacy in Latin America

In Latin America, economic relations between China-Latin America are promoted through high-level political means such as visits and political forces. Political serving the economy has become one of the characteristics of economic diplomacy, which is also the continuation and development of the traditional logic of China's diplomatic work serving economic reform since the reform and opening up. In 2004, the Chinese leaders' diplomatic visit to Latin America promoted "China and Latin America signed 39 trade agreements, and Latin America's access to China's 30 billion U.S. dollars investment quota pushed Hu Jintao's visit to Latin America to the top" [4]. Since the 18th National Congress of the CPC, China and Latin America has reflected the overall direction guided by strategic planning and top-level design. Chinese leaders have put forward series of strategic concepts, including Belt and Road Initiative [5], such as community with a shared future for mankind and the Silk Road Economic Belt. The relations have entered a new era of high-level leadership and strategic construction.

With development of China-Latin America relations, the status of Latin America with China has been continuously improved. The relations have gradually broken through the structural pressures of Sino-U.S. The diplomacy towards Latin America is mainly from the overall diplomatic strategic layout towards developing countries. Compared with historical basis of China-Africa and China-Arab relations, Latin America started lately in China's diplomatic process, but China and Latin America still achieved many institutional innovations and historical breakthroughs in specific areas and cooperation with target countries [6]. At the 2018 Central Conference relating to foreign affairs, Xi pointed out that "developing countries are natural Allies in international affairs for China" [7]. With rapid rise of emerging markets and developing countries, China will adhere to its status as the developing country, and participate in international affairs with developing countries, and the status of developing countries in China's economic and strategic layout will be further improved. This is a development opportunity given to China by a century of global changes, and is also the essential connotation of China and Latin America working together.

Dimensions of China's Economic Diplomacy in Latin America

Trade complementarity and the strategy of free trade agreements

Since the 2000s, China has developed rapidly and become a new engine of global economic growth. At present, China has become the largest trading partner of 128 countries and is the world's fastest-growing major export market and the major importer of energy and resource products. In the past two decades, Latin America has become the fastest growing region of global exports to China, and China is the second largest trading partner, the second largest source of import and the third largest export market in Latin America. International environment of the commodity boom cycle in the new century and the transformation of China's industrialization model have pushed up demand for resources and energy. Driving force for the development of trade between China and South American

countries comes from market demand based on respective comparative advantages. After two decades, South American countries generally see business with China as a development opportunity. Jorge Heine, as Chile's former ambassador to China, said that China is not only the top trading partner in South America, but also a "good" trading partner [8].

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People's standard of living improved as of cheap manufacturing products provided by China [9]. Based on the demand for trade facilitation, China has paid more attention to the demonstration functions of the free trade zones and the trade agreements. After China joined the World Trade Organization, Chile was the first Latin American country to sign a bilateral free trade agreement with China and recognize China's full market economic status. According to information released by China's Ministry of Commerce, so far, the China-Chile Free Trade Zone has become the most open free trade zone in China for trade in goods. Among the 18 bilateral free trade agreements that China has signed in the world, Chile, Peru, and Costa Rica in Latin America. China has completed negotiations on upgrading the free trade zone with Chile, and is negotiating with Peru on upgrading. China is conducting on a free trade zone with Panama, demonstrating the feasibility of free trade with Colombia. The experience from establishing free trade zones with Latin America is also of significance to China in promoting the construction of free trade zones in developing countries. The free trade strategy shows China's political will to open up its economic diplomacy to a higher level.

Chinese Enterprises Engaging with Latin America

In 2002, the Chinese government established OFDI formally. In 2003, China implemented the "going global" strategy, and then OFDI has maintained sustained growth. From 2003 to 2013, the stock of China's direct investment in Latin America has increased by 18 times. In 2016, China became a net supplier of foreign direct investment for the first time. According to the statistics of China's Ministry of Commerce, Chinese investment stock in Latin America has reached US \$386.89 billion, accounting for 21.4% of China's foreign direct investment stock by the end of 2017. Latin America has become the second largest destination for China's overseas investment, and China has also become a stable source of investment for Latin America. After more than 20 years, Chinese enterprises have taken root in Latin America, and the economic activities in Latin America have been integrated into Latin America. Whether China can achieve its foreign economic goals is not only related to the target government, but also the interaction with enterprises, non-governmental organizations, civil society and different political forces in the host country.

The government is no longer the only dominant force in China's overseas policy network. For example, many Chinese investment projects, although supported by the host, failed due to opposition from domestic forces.

"Patient Capital" and the Promise of Long-Term Investing

After the "Belt and Road" initiative was proposed in 2013, China proposed: "Establish development financial institutions, accelerating the construction of infrastructure interconnection with neighboring countries and regions, promoting the Silk Road Economic Belt and Maritime Silk Road construction, forming a new pattern of all-round opening up" [10] at the Third Plenary Session of the 18th Central Committee of the Communist Party of China. Development finance is based on national credit, with market performance as the pillar to achieve the economic and social development goals through market. Its financing operation is strategic, long-term and low-profit, and plays an important role in making up for market failure and providing public goods.

The main institutions of development finance include China Development Bank, the Export-Import Bank, the Agricultural Development Bank of China, and the Silk Road Fund. China Development Bank is one of China's most important gateways for economic diplomacy and financial cooperation [11]. China Development Bank and Import and Export Bank have provided more than \$141 billion in loan commitments to Latin America since 2005, according to the Global Development Partnership Center and the International Development Association. At present, China's financial cooperation in Latin America, including China-Latin America capacity cooperation investment fund, China-Latin America infrastructure special loans, China-Latin America cooperation fund, China Brazil capacity cooperation fund, China-Mexico investment fund, China Inter-American Development Bank Special Fund. Brazil, Argentina, Bolivia and other seven countries are Asian infrastructure investment bank members

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The China-Latin America development financial cooperation mechanism, established in April 2019, is the first multilateral financial cooperation mechanism between China and Latin America. China's investment credit voluntarily injects long-term financial capital (equity or debt over 10 years) into recipient countries or development partners. China's financial credit in Latin America can be postponed which is a super long-term cyclical capital that focuses on long-term development rather than short-term investment returns. It is also called "Patient Capital" by overseas observers.

After two decades, China's economic diplomacy with Latin America has been promoted from trade-driven to trade, investment and finance. China-Latin America relations have entered a mature stage forming a South-South interdependence relationship.

Vaccine Diplomacy Boosts China's Standing in Latin America

In 2020, affected by the COVID-19 and the economic recession, Latin America's death rate is one of the highest in the world, with the most severe global economic slowdown. The epidemic has underscored the importance of China to Latin America. Facing global economic contraction, the proportion of Latin America's trade with China has risen to a record level, which is estimated to account for 3.8% of import GDP and 3.2% of export GDP [12].

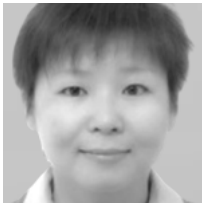
China donated nearly \$215 million in epidemic prevention to Latin America, and China provided up to \$1 billion in loans to the Raga region in 2020 [13]. China has gone beyond traditional role as a trading partner or lender to become the main provider of regional public goods. In addition to the central government, Chinese local governments, state-owned enterprises, private enterprises, chambers of commerce, and overseas Chinese have also donated money and materials to Latin America. More than \$26,000 personal protective equipment and supplies were donated by CNPC in Ecuador. Huawei has been the major donor in the region, who donated thermal imaging technology in Argentina and donated COVID-19 assisted diagnostic medical system in local hospitals in Ecuador, Huawei is working with the Ministry of Health to develop a cloud-based platform for collaboration between medical workers in Panama. The corporate behavior represented by Huawei has become a typical case of how Chinese enterprises fulfill their corporate social responsibility in the host country.

Based on the achievements and foundation accumulated between China and Latin America through multi-channel links of government, enterprises and society, and leapfrog development, China-Latin America relations in the post-epidemic era are more likely to enter the second "golden period".

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