

HOW GOVERNMENTAL POLICIES HAVE SHAPED THE SINO – LAC  
ECONOMIC RELATIONSHIP IN THE PERIOD 2007-2017

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## Contents

|  |    |
|--|----|
| Abstract.....  | 4  |
| 1. Introduction.....                                     | 6  |
| 2. The political common dream.....                       | 9  |
| 3. “The dragon in the room” unstoppable development..... | 15 |
| 4. Sino-LAC economic relation .....                      | 19 |
| 5. Conclusions.....                                      | 23 |
| References .....   | 25 |

## **How governmental policies have shaped the Sino – LAC economic relationship in the period 2007-2017**

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### **Abstract**

Undoubtedly, China's contemporary revival is demonstrated by its rapid economic growth and foreign investment in developing countries, which consider "the dragon in the room" as an opportunity to create alternate economic advancement through capital inflows and knowledge transference. However, China's intention towards implementing foreign policies in Latin America and the Caribbean (LAC) have unveiled the region's potential in terms of natural resources and market development to China's benefit, especially considering American power shifts in the continent. The aforementioned is marked by disparity and forms of neo-colonialism which first question how beneficial or compromising the relation can be for the regions, and second provides a complex setting of economic scenarios conditioned by governmental policies, priorities and interests. In this context,

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countries such as Brazil, Cuba, Argentina, Chile and Mexico have adventured to explore the possibilities, not only creating successful case studies, but also experiencing significant cultural limitations and conflicts. This paper aims to analyze the developing China - LAC relationship, its underlying causes and possible political and economic outcome. The qualitative approach to this research aims to describe the current standing relationship, China's economic and political interest in Latin America and determine the future impact of the relationship. Thus, the methodology uses content analysis of governmental and institutional reports, focusing on institutional inferences by Krippendorf (1980) which characterize how institutional mechanisms provide an explanation to certain studied phenomenon. Results reaffirm widely known assumptions on how China invests on poor-governance or highly corrupt environments, obtains favorable access to natural resources and creates infrastructure for global commerce which leads to economic growth and political dominance.

## 1. Introduction

The contemporary Sino – Latin American and the Caribbean (LAC) relation has been unavoidably shaped by geopolitical interests promoted by the discourse of development<sup>3</sup> after World War II. The world was divided into three stages of development, in which the first, north or developed one would lead the third, south or under-developed countries in Africa, Asia and Latin America out of their conditions of stagnation and poverty; and, leaving the second or communist world aside of the proposed global economic and political advancement (Escobar, 1996; Mason, 1997). Third world countries required unified measurement of economic indicators that allowed them to understand the needed policies to improve their conditions, that is, a formula for “salvation” or desired levels of development (Escobar, 1996).

This discourse also implied an economic polarization between capitalist or socialist values, which led to conditioned decision-making processes in countries influenced and helped by US power. Therefore, the Western hemisphere had power to intervene and shape realities in the so-considered third world, which meant that China and socialist-oriented countries would be isolated from this global dynamic. Thus,

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<sup>3</sup> According to Mason (1997), “‘development’ was the promise of universal economic growth along the routes pioneered by the leading countries of the West. ‘Growth’ implies steady economic expansion and sophistication in the form of industrialization. The inevitable corollary of such growth was to be a basic improvement in the conditions of life” (p. 407).

the described scenario configured by the development tightened the relation of the historically existent relations between Latin America and the Western world, making China a foreign and far-away country with little or no influence on the region.

Shixue (2006) explains that the Sino – LAC relation certainly dates back to 1570, and that previous interaction is speculative and requires further study and research. Undoubtedly, geographical remoteness has marked a scarce historical interaction, but political ties was the onset of connection between the two regions. In 1960, Cuba recognized the new China; and ten years later, Chile started diplomatic relations (Shixue, 2006). Nonetheless, US influence remained an issue for relations between China and LAC. Only after Nixon's visit in 1972, did Latin America actively begin to establish diplomatic relations with China, ten countries in the 1970s and eight in the 1980s (Shixue, 2006).

Consequently, the contemporary beginning of the Sino – LAC relation shows promising development. Especially, if Latin American and the Caribbean countries understand the win-win situation that Chinese foreign policies propose, that is, “[...] pursuing equality, mutual benefits, effectiveness and common development” (FMPRC, 2016; Shixue, 2006, p. 19). Even so, the relation poses multiple challenges given the historical Western influence and negative impact on LAC's autonomy to decide its own future development.

The relation is also complex due to contemporary interactions in the globalized economic and political scenario. China and LAC are

markets, partners in cooperation and competitors (Armony, 2016). As markets, China is a potential niche market for LAC products such as coffee or wines, and their commodities generated by their wealth of natural resources (Armony, 2016; Shixue, 2006). As a partner, Latin America can benefit from cooperation efforts that could transfer Chinese technology and knowledge to improve productivity and innovation in the region (Armony, 2016; Niu, 2015; Shixue, 2006); nonetheless, cooperation is the political path for further achievements in the two regions. Lastly, their competition is led by China's manufacturing capabilities which undermine Latin American competitiveness (Armony, 2016); especially considering the favorable the domestic business and investment environment that the program Made in China 2025 has been materializing.

The developing relation has also led to investment and loans. Niu (2015) affirms that China has become an investor and creditor in Latin America, to the extent that "the Chinese loans exceed the combined worth of those by the World Bank (WB) and the Interamerican Development Bank (IADB)" (p. 42). This places an advantage for Latin America as they could access to more resources to develop infrastructure, but generates increasing risks for China given the region's instability and unreliability.

Hence, the uneven relation evidences how China leads the direction and scope, making Latin America dependent once again on a certain global power. Currently, China's outlook for the region seeks to exchange viewpoints concerning governance and development, and to

further integrate the regions on a public level (FMPCR, 2016). This is also expressed in China's interest in establishing a long-term relationship for the supply of energy and resources products (FMPCR, 2016). Economic endeavors and political decisions of both regions have formed the aforementioned relation; however, advantages and limitations have emerged from trade, cooperation and competition.

This text is mainly divided into three sections. The first section presents the political context of the Sino-LAC relation. The second explains the Chinese economic development, and its relation with Latin America and the Caribbean (LAC). Finally, the text ends with conclusions.

## 2. The political common dream

The revival of China considers changes in how discourses are used nationally and internationally to create new perceptions. Those images reveal a modern China, open to the world and willing to establish productive and win-win international relations. In this scenario, China is no longer a threat to the world order, economic paradigms or political tendencies; on the contrary, China is a partner or ally, especially for developing countries.

Thus, cooperation leads to achievement. In the case of Latin America and the Caribbean, the government of the People's Republic of China proposed to meet for the first time with the leaders of CELAC in 2014 to establish the future setting for South-South Cooperation

(China-CELAC Forum, 2016). The official meeting aimed to improve the region's dialogue beyond geographical farness, to bring governmental visions closer, to determine common ground in terms of agreements and policy decision – making, which, in the end, could result in economic growth for both regions (China-CELAC Forum, 2016).

This uniting conception of cooperation changes the historical global discourse of dominance and superiority. China – CELAC is seen as a community, as Xi Jinping explains using an old Chinese saying, “nothing can separate people with common goals and ideals, not even mountains and seas” (China-CELAC, 2016, p. 65). Such dream of advancement, progress and growth is led by China's proposed five-dimensional relationship: 1) sincerity and trust; 2) mutual cooperation; 3) mutual learning to create a long-term relation; 4) coordination in international affairs; and, 5) strengthening of bilateral ties (China-CELAC; 2016; FMPRC, 2016).

The first dimension is sincerity and trust. The China-CELAC relation must rely on the principles of equality, sincerity and mutual trust among countries; which promotes autonomous actions according to each nation's conditions of development (China-CELAC, 2016). This notion of autonomy allows Latin American countries to move forward according to their own visions of development, and detach themselves from previous Western power dominance. Nonetheless, this vision is

defied by poor-governance environments marked by corruption<sup>4</sup> in the traditional top-down development view carried out by LAC since the 1950s.

The second relies on mutual cooperation to achieve development, in other words, a win-win situation. This requires the configuration of an organized plan that commits resources from the implied parties, thus, China proposes the framework “1+3+6”. Number one is a common plan called “The Sino-Latin American and Caribbean Cooperation Plan (2015-2019)” which gathers thirteen chapters or topics that talk about economic and political policies, infrastructure, natural resources and knowledge transference between the regions. This plan is complemented by number 3, which are the three engines of cooperation, that is, trade, investment and financial cooperation. Plus, number 6 that gathers the six main areas focus of the cooperation: 1) energy and resources; 2) infrastructure; 3) agriculture; 4) manufacturing; 5) scientific and technological innovation; and, 6) information technologies. (China-CELAC, 2016; FMPRC, 2016)

The “1+3+6” framework assembles the required mutual efforts in order to achieve the “shared destiny” proposed by China and accepted by LAC. The chapter of policy and security directly connect to the first dimension. The plan’s intention is to increase, enhance and strengthen the political exchanges from governmental institutions to political

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<sup>4</sup> According to Transparency International (2017), LAC scores poorly on corruption regardless on approved laws and mechanisms to decrease such phenomenon. Nonetheless, corruption is found in the structures LAC governments, and even connect to private companies across the region, as the case of Odebrecht in Peru, Ecuador and Brazil (Transparency International, 2017).

parties on the national or local level; therefore, establishing conversations that benefit the cooperation or solution of common international issues such as cyber security or crimes like human trafficking. Whereas the international affairs chapter takes that dialogue to an international level in order to collaborate on global matters, even, establishing alliances on political and economic topics. (China-CELAC, 2016)

The chapters III to VII<sup>5</sup> emphasize on economic issues that promote top-down economic development. According to the plan, by 2025, trade will achieve balanced benefits reaching US500 billion and reciprocal investments for US250 billion. Therefore, the China-LAC Business Summit is key to encourage investment and betterment of value-based industrial conditions, in which infrastructure is key for connectivity and cost reduction in LAC. However, China's interest as expressed in the plan is to "foster a closer cooperation in energy" (China-CELAC, 2016, p. 91) as the access to natural resources is hindered by the multiple international interest in LAC. Lastly, agriculture is triggered by the framework known as "CELAC Plan for Food and Nutrition Security and Eradication on Hunger 2025". (China-CELAC, 2016)

Topics related to knowledge transference and cultural exchanges are explicit in chapters VIII to X<sup>6</sup>. On one hand, education and training

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<sup>5</sup> Chapters III. Trade, Investment and Finance; IV. Infrastructure and Transportation; V. Energy and Natural Resources; VI. Agriculture (China-CELAC, 2016).

<sup>6</sup> Chapters VIII. Education and Human Resources Training; IX. Culture and Sports; X. Press, Media and Publication.

build up capacities which are meant to be used in added-value industries, and enhance exchanges as language learning facilitates communication between the regions. On the other hand, cultural promotion and translation of great Chinese works enrich traditional knowledge and understanding of core cultural differences. (China-CELAC, 2016)

The final three chapters speak about unrelated topics. Chapter XI Tourism promotes investment, mobility and cultural understanding. The following chapter gathers the environmental issues, which questions China's real interest and intentions in the region, especially considering their focus on energy and natural resources. In the same chapter, poverty and health are considered regarding CELAC's own view on planning and implementation of public social policies. The last chapter gathers two unrelated issues academic exchange and gender equality, but it does not develop further. (China-CELAC, 2016)

The third dimension is mutual learning to create a long-term relation between China and LAC, which connect to the aforementioned plan's chapters VIII to X. The exchange focuses on governmental level interactions, political parties and institutional structures. Also, other cultural and educational forms of interactions are promoted to the extent that "China will provide 6,000 government scholarships for Latin American and Caribbean countries, invite 6,000 people to undertake training courses in China and 400 people to pursue in-service master programs in China and invite 1,000 leaders of political parties to visit China" (China-CELAC Forum, 2016, p. 68). Furthermore, the youth

from both regions are at the center of the program “Bridge for the Future”, which ensures a lasting relation. (China-CELAC, 2016)

The fourth dimension is coordination in international affairs. In this cooperation, alliances become implicit in the international level and evidence a future shift on the dominant influence over LAC. This also opens up convenient economic and political opportunities for the region with international and multilateral organisms such as APEC, G20, among other (China-CELAC, 2016).

Nonetheless, this dimension provides further understanding on how China’s revival and multiple strategic actions are going to have an impact on the world order, as “enhanced coordination and cooperation between China and Latin America and the Caribbean in global affairs will be of great significance for international relations to be more democratic and for the international order to be more just and fair” (China-CELAC Forum, 2016) as Xi Jinping exclaimed in his Brasilia’s speech in 2014. This global power shift is further reassured in Xi Jinping’s Beijing speech in 2015, saying that “the world today is witnessing profound adjustments in the international system and international order, and the international balance of power is shifting in a way that is more favorable for peace and development in the world” (China-CELAC Forum, 2016).

The aforementioned “changes” or “adjustments” reaffirm a global power shift that create new dependences for LAC. The cooperation and win-win discourse promoted by China provides an opportunity to create political and economic consensus for LAC to be autonomous

and search for its own development. However, the Argentinian author Nacht highlights that “the rhetoric aims to alter the image of the ‘Chinese menace’ not to be perceived as a competitor or ‘non-strategic’ partner, which could lead to reinforce negative conflicts rather than cooperation”<sup>7</sup> (Nacht, 2010, p. 9). Once again, cooperation is the key.

Consequently, the fifth dimension of this China-Latin America takes place, as cooperation is the framework to strengthen bilateral ties (China-CELAC, 2016). This requires the development of the three engines and six areas proposed by China, especially following the plan between 2015 and 2019. Thus, this framework and the meeting mechanism known as the China-CELAC Forum are a milestone shaped as a “new platform, new starting point and new opportunities – Making joint efforts to promote the China – LAC comprehensive cooperative partnership” (China – CELAC, 2016, p. 13).

### 3. “The dragon in the room” unstoppable development.

Since the early 1980s, the Chinese economy has been gaining momentum, and eventually establishing itself as the second largest economy in the world. From 2007, the country’s GDP has grown over three times its value from 3.55T, and GNI per capita has also increased in a similar manner since (World Bank, 2018). Its GDP and purchasing power parity have been growing with rates of nearly two digits, which

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<sup>7</sup> The text was originally written in Spanish and translated only to expand the idea explained in the paragraph, “la retórica busca alterar la imagen de ‘amenaza china’ y no ser percibido como un competidor o ‘no socio’ estratégico que llevaría a fortalecer los aspectos conflictivos más que la cooperación” (Nacht, 2010, p. 9).

has also been the main contributor to global GDP growth in the wake of the 2008 crisis (Rosales & Kuwayama, 2012; Niu, 2015). In fact, “since 2010, the country has contributed almost 1 percentage point a year to the global GDP growth rate and, in 2016, accounted for more than 40% of the expansion” (ECLAC, 2018, p. 14).

While market ascendance has been rapid, China is still a developing country whose gross national income has been growing exponentially since the 1990s, reaching a top value of US\$15.470 in 2016 (World Bank, 2018). However, poverty in rural areas is a challenge, especially considering over 55 million Chinese living such condition; and there are still many factors that hinder its transition towards high income status<sup>8</sup> (World Bank, 2018).

In comparison to LAC economies, China does represent considerable disparities in market size alone. With a GDP of 11.19T USD, the Chinese economy doubles the combined GDP of all LAC region countries, which as of 2016 stands at 5.3T USD (World Bank, n.d.). However, since 2010, Chinese GDP has nearly doubled from 6.1T USD, while the combined GDP of LAC has regressed to being slightly lower than it was in the same year (World Bank, n.d.).

As of 2016, China is the largest export economy in the world with over \$2.06T USD in exports and a positive trade balance of over

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<sup>8</sup> The country has also faced challenges since, such as income inequality, problems in regard to environmental sustainability and an ageing population, leaving much space for reforms to address these issues (World Bank, n.d.). In recent efforts, the Chinese government has adopted policies aimed specifically towards these challenges in its most recent versions of the Five-Year Plan for Economic and Social Development of The People's Republic of China, which have specifically tackled environmental sustainability, including a reduction in energy intensity, and market sophistication to benefit its growth goals (World Bank, 2018).

\$700B USD, having the United States as its top export destination (Hidalgo & Simoes, 2011). China's largest exports currently include machines, textiles and steel, with Hong Kong and South Korea as its largest importers (Hidalgo & Simoes, 2011). According to China's 13<sup>th</sup> Five – Year Plan, emphasis has been placed on increasing ties with some of its closest geographical territories, Hong Kong, Macau and Taiwan, including greater economic cooperation (The People's Republic of China, 2016). Since 2007 however, China's exports have dropped from 35.9% to 19.6% of total GDP (World Bank, 2018a). This can indicate that the country's economy is relying less on an export-based economy, without sacrificing GDP growth, as internal demand for Chinese goods increases.

A similar trend may be observed concerning imports. By 2007, China's imports represented 26,7% of total GDP, while nearly a decade later, they represented 17,4% (World Bank, 2018a). In the same period, imports from partners in Asia have been curving, while imports from South America, particularly Brazil and Chile, have seen a steady increase (Simoes, 2011). In 2007, bilateral trade between China and Latin America and the Caribbean had surpassed US, with growth rates nearly doubling that of each other region by 2009 (Rosales & Kuwayama, 2012). Even so, with drops in commodity prices in recent years, the value of Chinese imports from the LAC region has slightly decreased (ECLAC, 2015).

Overall, the country is becoming more self-sufficient, and more goods produced in China are being consumed nationally. Since the

government still has high goals set for development in the years to come, the economy will need to transition to more elaborate internal consumption than the previous low-cost export-based model that has largely contributed to China's growth (Hirst, 2015). Nonetheless, this transition is in line with the reforms aimed at further sophisticating Chinese markets, and as GNI per capita increases, it will be easier for Chinese consumers to increase demand for national products. The country's advantage in market size alone is already assured, but to complement this, China has been bettering both its technological readiness, mostly due to new technology being available thanks to direct foreign investment and technological transference to China (World Economic Forum, 2017). Further growth in this field could lead China to elaborate in its electronics markets and possibly create aperture for more sophisticated technological products (World Economic Forum, 2017).

Parallel to improvements in this sector, there are also upward tendencies in training and higher education, that paired with technological development and its applications, may serve to provide China with a more tech-savvy workforce to further serve market sophistication (World Economic Forum, 2017). Another key towards development in the country's products is the advancement of intellectual property protection, and overall business sophistication has been steadily growing (World Economic Forum, 2017).

In addition to trade, China is also becoming a renowned figure in international finance by, for example, increasing its international

reserves and becoming the largest creditor to U.S. debt securities by 2010 (Rosales & Kuwayama, 2012). “A decade ago, FDI outflows from China accounted for barely 1,3% of global flows, compared with 16,5% for the United States (the largest investor). By 2016, China’s share of global FDI outflows had risen to 12,6%, making it the world’s second largest investor after the United States (20,6%)” (ECLAC, January 2018, p. 51). The Chinese State Administration of Foreign Exchange has also set initiatives in order to diversify China’s international investments, mostly through the acquisition of international firms, while also furthering investment in infrastructure and natural resources in Latin America (Rosales & Kuwayama, 2012).

#### 4. Sino-LAC economic relation

According to Xi Jinping, economic integration is the “right strategic choice” in world filled with uncertainties. The concept of integration implies the inclusion of developed and developing economies, which make the most of their own particularities to achieve development that reflects on their citizen’s well-being. This also requires a great vision supported on governance and institutions. (WEF, 17<sup>th</sup> January 2017)

The Sino-LAC relation relies on political intentions at the highest national level and economic integration of LAC to China’s vision of the global future. The political strategy takes the form of cooperation, and the economic integration provides settings of opportunity and potential

development for LAC. It is undeniable that the main topic of such the Sino – LAC relation is raw materials and natural resources.

By 2016, LAC represented 3.1% of China's exports and 6.9% of its imports (Hidalgo & Simoes, 2011). In 2014 trade between China and the LAC region decreased for the first time in the century, due to several factors that include the slowdown of the Chinese economy and hence lower demand for imports from the LAC region. Nonetheless, in 2015 China became the second largest import origin and third largest export destination to the LAC region (ECLAC, May 2015). The LAC region has, in the majority of its countries and on a regional level, run a trade deficit with China, with Latin America and The Caribbean exporting mostly unsophisticated commodity goods such as oil, iron, copper and sugar, which in 2013 represented 73% of total exports from the region to China (ECLAC, May 2015).

Trade between China and LAC has been falling about 25% in the period 2013-2016. However, it is supposed to grow to 16% in 2017 to a total of US\$266 billion due to the increase of commodities and oil prices. In fact, 72% of LAC's exports to China were commodities, which provide five main products: soybeans (21,8%); copper ore and concentrates (15,6%), iron ores and concentrates (12,8%), refined copper (10,5%), and oil (8,8%). (ECLAC, January 2018)

In addition to commodities, agriculture places invaluable opportunities to enhance the Sino-LAC trade, especially with increases of 20% in 2010 and 30% in 2016. The region's main contributors of agricultural products are Brazil (70%), Argentina (15%), Chile (7%) and

Uruguay (5%); considering that Brazil, Argentina and Uruguay are well-known for being soybean producers. Nonetheless, China provides opportunities with potential niche markets for LAC's products such as wine, coffee or specialty products. (ECLAC, January 2018)

The Sino-LAC trade also includes low-medium-high manufactured goods. These only contribute to 8% of LAC's exports to China. Trade between China and LAC tends to be less sophisticated and knowledge-based. However, trade balance would depend on each country trade, for instance countries such as Venezuela, Brazil, Chile and Peru have achieved trade surplus; whereas Mexico, Colombia, Argentina, Panama, among other show trade deficits in 2016. (ECLAC, January 2018)

China's loans to LAC have compromised more than US\$141 billion between 2005 and 2016 (ECLAC, January 2018). The main recipient of such loans is Venezuela (44%), followed by Brazil (26%), Ecuador (12%) and Argentina (11%), which invested about 50% of those loans in infrastructure (ECLAC, January 2018). Considering left-wing tendencies in LAC that create uncertain environments, for instance Venezuela scored 70, Cuba 69.3 and Ecuador 62.5 in domestic risk according to China Going Global Investment Index (The Economist Intelligence Unit, 2013). It is here that Chinese financing has been another instance in which to obtain oil from the region, because in countries that present risks, oil exports have materialized in shipments to China provide the opportunity to pay off debts (ECLAC, January 2018).

In terms of FDI, China has mainly invested in natural resources between 2010 and 2013 (ECLAC, May 2015). Furthermore, in the period 2005-2017, Brazil became the main recipient of FDI in the region reaching values of approximately USD\$65,5 billion, followed by Peru with USD\$20,1 billion and Mexico with USD\$6,7 billion (ECLAC, January 2018). In contrast, in 2016, Brazil received 47% of Chinese FDI, Mexico 19% and Colombia 8% (ECLAC, January 2018). Therefore, it would come as no coincidence that China has set a quota of USD\$500 billion for trade with the region and USD\$250 billion in FDI for the period of 2015 to 2019, making China's economic presence in the region a matter of public policy (Dollar, 2017).

LAC public sector has struggled consolidating fiscal deficits, which reflect on lower public spending in the region (ECLAC, January 2018). Thus, Chinese investment or financing become an opportunity for LAC governments to potentialize economic growth through infrastructure development. However, the proposed Chinese projects have become controversial due to environmental and social impact, that is, the construction of Nicaragua Canal and the Interoceanic Railroad that connects the Atlantic and Pacific Oceans (Dollar, 2017; Dussel Peters, 2015; Niu, 2015). Further economic growth in LAC would mean cost-effective access to their markets and their consumption potential.

Nevertheless, the development of LAC connectivity infrastructure is not the Chinese focus. In terms of expansion, "China Going Global" has provided two policy challenges that strengthens the country's global influence, that is, the "Silk Road Economic Belt" which gathers

soft power through traditional ideas, and, the “Capacity Cooperation” which focus on production and food security (China Policy, 2017).

## 5. Conclusions

The Sino – LAC relation has been developing contemporarily. LAC has normally converged towards the Western ideas given the colonial influence and, posterior connection to the United States. However, this Western exercise of political power has shaped LAC politically and economically. Therefore, both China and LAC face opportunities of change and development in view of their political and economic conditions, as well as possible rewards of a yet underexplored relationship.

Politically, China’s resurgence in the world stage, have created the possibility of a new global order. Xi Jinping clarifies that “in the past few decades, global economic landscape has changed profoundly, but the global governance system has not embraced those new changes. And, it is, therefore, inadequate in terms of representation and inclusiveness” (WEF, 17<sup>th</sup> January 2017, 16:10-16:29). Therefore, the global order demands changes of what has already been established economically, in order to integrate countries that cannot reach the stages of “desired” development.

Hence, the Sino-LAC poses opportunities and challenges. On one hand, China’s influence in the world order have provided a shift in the dynamics in the Americas, offering a unique chance for the insertion of

new tendencies in Latin America and the Caribbean. These, however, are driven mostly by China's political and economic future vision as stated in public policy; particularly with regard to its role in global affairs. These intentions are based on an increasing presence in developing countries, and in the case of LAC, a series of economic goals accompanied by efforts towards political familiarity.

On the other hand, this relation requires LAC to be prepared to respond to Chinese and global dynamics, according to Dussel Peters (2015), Latin America "[...] lacks the investment and commitment to develop its own understanding of China's political system, trade, investment, and education initiatives. This makes bilateral understanding difficult. [...] Chinese officials also rely significantly on their political counterparts and do not fully understand or are ill-equipped to deal with the transfer and diffusion of power in Latin America" (p. 23).

Therefore, both regions need to understand how the political relation influences the existent economic imbalance. China is aiming to portray mutual benefit as the consequence of its ventures in LAC, which could be plausible; but it is also necessary to consider that this economic relationship is still based mostly on basic goods imports from LAC (Hidalgo & Simoes, 2011). This may leave the value of LAC exports vulnerable to fluctuations in world markets and commodity prices, and eventually do little to elaborate on the level of sophistication of the goods that originate from the region. Meanwhile, China is on the path to surpassing its image as a manufacturing-based economy and is

realizing efforts for this advancement, which may indicate that part of its strategy to accomplish this is a kind of import-substitution of basic goods from LAC in order to give way to elaborate Chinese products. Considering investment, China will also bear a great influence in the region by becoming a prominent creditor and investor.

Consequently, in this new instance of relations, Latin America and the Caribbean are given little opportunity to surpass a role that has been historically beared, and that is to be a secondary party in the greater advancement of another region. It is most likely that the Sino-LAC relationship will bring growth to the region, but the transformations it will benefit from may not be proportional to those that will be experienced by China. In this sense it can be considered that while LAC will benefit from economic growth given their “right strategic choice”, China will additionally achieve its establishment as the new hegemonic leader in the region.

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