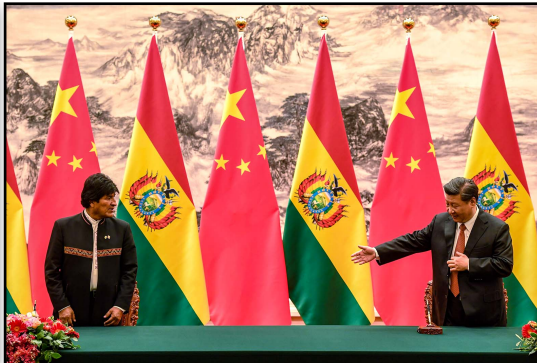
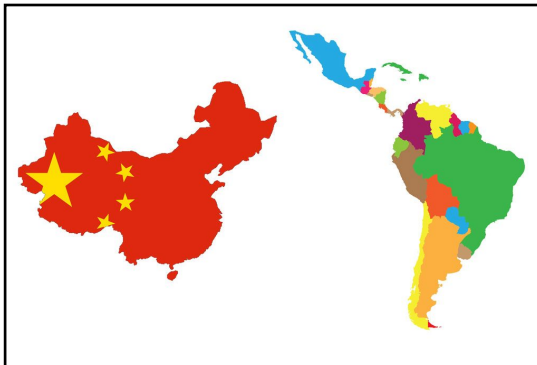


CHINESE ASSISTANCE IN LATIN AMERICA

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Abstract

The paper explains the role of Chinese foreign aid in Mexico and Latin American countries. First, it aims to set forth a review of the theories of international aid, from a descriptive perspective and secondly, analyze it through a comparative analysis between 2001 and 2014, in order to determine Chinese national interests and the real significance of its aid in the Latin American region.

Introduction

The main objective of the paper is to study and describe the Chinese development aid to Latin American countries, and Mexico between 2001- 2014. The focus is on the realist perspective. The case of Mexico is analyzed taking into consideration diplomatic relations between both countries and at the same time Chinese aid towards Latin America and Mexico between 2001-2014. It also highlight the relations between China and Latin America that has been one of the most important political associates for China after 1972. As far as the Chinese development aid towards Latin America is concerned, it must be mentioned that China has a peculiar history regarding it since it has gone from being a receiving country to a giving one in a very short period. From being a bankrupt nation in 1949, it evolved into one with a great deal of economic progress. Since then the Chinese development assistance towards Latin America as increased and it is one of China's important foreign policy tool.

There are four distinguishable historical development of China as a donor country which are as follows:

- a) Internal economics reform from 1949-1980;
- b) Market reforms, expansion and export promotion from 1980-2001;
- c) Foreign aid as a recourse to diplomacy from 2001-2010 and;
- d) Aid as a basic instrument of foreign policy, from late 2010 to the present.

Assistance to Mexico

Mexico is at a complex crossroads internationally. The negotiations to modernize the North American Free Trade Agreement (NAFTA), now known as United States–Mexico–Canada Agreement (USMCA), have seen the country's vulnerable position regarding foreign and trade policy. The diversification of international economic relations proposed by different Mexican administrations never saw the light. Today, it is facing the consequences of concentrating its trade relations on North America.

The hypothesis of the paper is that, with the adverse scenario of the renegotiation of NAFTA and the threats it represents to the country's national security, Mexico should speed up its international trade diversification process and foreign aid from China can be the first step. An FTA (Free Trade Agreement) or EPA (Economic Partnership Agreement) between China and Mexico would set the tone and lay the foundation so that—through a broad trade policy—a true diversification strategy for foreign trade could come out in Mexico, and relations would no longer be concentrated on North America, which puts the country's national security at risk (Laborde and Bodart, 2020).

In this context, it is necessary to debate about the development concepts and north-south cooperation, which will be presented throughout the theoretical discussion. In fact, it remains clear that this debate falls within the logical frame of cooperation and international assistance. In agreement with guidelines proposed in the investigation titled Economic Assistance to Develop (Nishigaki & Shimomura, 1999), three basic elements can be highlighted which characterize development and underdevelopment, as well as international assistance and cooperation as justified by the Official Development Assistance (ODA) or International Cooperation.

1. *The existence of limits to human abilities or lack of capacity:* This factor is closely linked to the development problem or to underdevelopment. For example, when a country does not have a certain level of development, problems arise in relation to cooperation for development, which is reflected in the impossibility to implement assistance programs. In other words, a certain level of development and technical abilities are necessary on the part of the receiving country for assistance to be efficient. Therefore, receiving assistance does not ensure the effectiveness of the programs, if the proper levels of educational or technological development do not exist to allow taking advantage of it. That is to say, qualified human resources are necessary to contribute and accelerate the development process for the receiving country.
2. *Savings requirements or lack of capital to be applied concurrently:* The interpretation of this formulation is that nothing is gained through knowledge (know-how) transfer if there is not an economic foundation to support the continuity of

the assistance programs. In most cases, the developing countries end the project as soon as the funds granted are depleted; therefore, the goals of the project are only met partially. This causes the quality of the projects to be low and unsustainable: there is no long-term projection and only isolated and specialized programs are accomplished which, far from helping to the country's development, tie it up to the scheme of 'creditor-debtor'. Forcing it, in most cases, to seek external sources for financing like soft international loans. This is the case with cooperation programs from international financial organizations like the International Monetary Fund, World Bank, Interamerican Bank for Development as applies to Latin America or the Asian Bank for Development in Asia. Under this financing scheme, private international banks play an important role in normal loans at market interest rates. Thus, what started as a development program trying to alleviate the effects of underdevelopment makes the receiving country fail or reaffirm the existing system of economical dependency, which some senior economists would be promoting the strengthening of the relation "center-periphery".

3. *Limitations in foreign commerce (international trade)*: In many cases, it is not possible to substitute merchandise and services needed for the internal development programs or these are not sufficient to meet the targeted objectives. Therefore, merchandise and services must be imported. Under this perspective, most developing nations find difficulty with the import process, being unable to cover its high costs. Add to this the lack of a solid financial system, a weak economy, their lag in techniques and technology, and one could assure that the receiving countries would face serious problems in planning and implementing their national development programs.

Nisigaku Akira and Shimomura Yasutami (1999) concludes that the international aid implemented by global institutions should solve the problems. Likewise, they sustain that developing countries must seek greater autonomy regarding cooperation and international aid.

There are efforts made by developed and developing countries to establish political and economic conditions in favor of the latter as well as fomenting several strategies for their growth. It is necessary to approach the trends and

ideas that encompass the North–South discussion. This debate started in the early 1960s in an environment plagued with developmental theories. Its immediate precedent was the end of WWII and the later creation of the international financing organizations derived from Bretton Woods (World Bank and International Monetary Fund). At the end of the military conflict, the liberation movements in Africa and Asia did not tarry. Ironically, the independence of the former colonies accentuated and aggravated the underdevelopment problem. It is then that the Marshall plan began and international economic cooperation. Marshall's plan dedicated 95 percent of its resources to France, England and other European countries. During this period, even with the implementation of this plan, one cannot start referring to ODA in its strict sense but only as foreign aid. The Marshall plan was named in honor of the American, General Marshall. After being appointed the new Secretary of State, he prepared an economic plan for Europe with the objective of containing the Soviet advance. The Marshall Plan had an objective to help Western Europe by granting it economic assistance, which would make it a prosperous associate and would encourage the Europeans to cooperate in the regional context. The 13,000 million dollars of economic assistance that the US offered Europe from 1948 to 1952 allowed free trade among Europeans and later between Europe and the dollar zone, restoring levels of European production post-war (Zorgbibe, 1997).

In the 60s the term 'third world' was forged. Likewise, he highlights that problems of the North-South which can be grouped in three periods: 1960, 1970 and 1980; all of them denominated as "development decades". During the same decade, some structuralism authors called for urgency to reorient the economic route based upon the independence theories proclaimed by Raul Prebisch. In 1970, a demand for a new international economic order began to circle the globe. In the 1980s, the ideology focused on so-called structural adjustment programs, in which the central governments of countries with structural problems or foreign debt, or those that requested financing from international financing institutions participated in this type of program. This scheme is known as the neo-liberal project, which is inspired by neoclassical economic theory, which proclaims at all costs to optimize resources through market mechanisms. In this context, we can underline the lack of financial

sources for development in Latin America and the necessity of International Cooperation.

Assistance in Latin America from 2001-2014

Due to the lack of official data of China assistance towards Latin America, the paper creates a statistic that demonstrated the behavior of Chinese aid flows to Latin America. Base on Aid data (2020) Chinese assistance to Latin America since 2001 has been receiving around 12 percent of the total of Chinese Aid. The assistance was concentrated in three sectors: energy generation and supply (26 percent), trade and commerce (22 percent), mining, industry (21 percent), trade, and commerce. Latin America ranked number 3 after Africa and the assistance was allocated to the following countries:

Table 1. Principal Chinese Aid Flows in Latin American 2001-2014

Country	Amount in USD/ Million
Venezuela	50,051,805,000
Brazil	22,810,600,000
Ecuador	18,033,300,000
Bolivia	5,147,004,000
Jamaica	2,571,100,000
Mexico	1,480.000,000
Peru	508,628,330
Uruguay	299,900,000
Colombia	168,736,000

Source: Author's elaboration from data of Aiddata (2020)

The reason behind China offering assistance to Latin America is that China sees Latin America a destination for its geopolitical and geo-economics strategy and at the same time a future commercial partner (Cornejo, 2017). Thus, Chinese assistance served to encourage infrastructure projects or to somehow repay the open-door policy that the Latin American countries maintained towards China after this country entered to WTO (2001) and simultaneously, to try to explore the possibility of finding the markets and necessary inputs in the region to

support the economic development of the country from 2001 to 2014 which is reflections of new economic aims of Chinese diplomacy during this period (Jimenez, 2017).

Intertwining the relation of China International Cooperation and other points like Foreign Direct Investment (FDI) and Export Credits (EC) with Latin American countries, it is necessary to indicate that Latin America (especially Brazil and Mexico) has not only been an important destination of China’ foreign assistance, it has also been one of the most attractive recipients of private China investment during the last two decades (Dusussel, 2017). For several years, Latin America had been an attractive market for Chinese products and investments, besides possessing a good number of natural resources (oil and other raw materials). In the short term, Latin America possessed a rising potential in the commercial branch and investments (Jimenez, 2017).

Nonetheless, for this period, the region as a whole is a recipient of foreign assistance, which means that in this period the motives for giving aid were, in part, traditional and simultaneously new (to extend presence in the continent). In this period, it is necessary to underline the nascent relation that holds the commercial aspect with relation to foreign aid. In addition, it is possible to verify that only in some countries the impact of foreign assistance towards a certain country reflected in the increase in the commercial exchange. The examples of Venezuela, Peru, Brazil, Mexico, and Ecuador demonstrate this. In the following table, the correlation between China Foreign Assistance and trade with Latin American countries can be observed.

Table 2. Correlation between China Aid (CA) and trade in Latin America, 2001-2014

MORE	IC	LESS
<p>GROUP 1: MORE CA AND MORE TRADE</p> <p>VENEZUELA BRAZIL ECUADOR BOLIVIA</p>		<p>GROUP 3: LESS CA AND MORE TRADE</p> <p>MEXICO PERU</p>
<p>GROUP 2: MORE CA AND LESS TRADE AND INVESTMENTS</p> <p>JAMAICA URUGUAY</p>		<p>GROUP 4: LESS CA AND LESS TRADE AND INVESTMENTS</p> <p>COLOMBIA</p>

Source: Elaborated by the Authors

Conclusion

Hence, in this period it is observed that there are multiple factors that explain the motives for aid. Nevertheless, the most excellent aspect continued being the disconnectedness of foreign aid with China's foreign trade. It is not possible to affirm in all the cases that when a country received more aid, the exports to China imports increased. This can be verified by observing from the trade between China and Latin America. At this point, it is necessary to mention that there are some cases where the tendency is just the opposite, meaning there is a link between foreign aid and trade. The case of Venezuela and Brazil are the prototypes. Hence, depending on the period that is studied here, China foreign assistance towards Latin America presents variants and different characteristics which can be emphasized by two basic factors:

1. Commercial factors (only in some countries)
2. Geopolitical factors (mainly in South America).

Under the economic premise, united with the political factor, there are multiple motives behind China's assistance in Latin America. Throughout the history of Chinese assistance in Latin America, the factors have always been China's national interest, with major emphasis on the geopolitical and commercial aspects. Similarly, China's foreign policy towards Latin America since 2001 onwards has to be explained taking into account the traditional and non-traditional factors. China has become a country with a dynamic and changing diplomacy. Likewise, an alliance took place between China and Latin America in commerce, economic diplomacy.

The Latin American economies cannot have a frank recuperation in their economic structures without capital flows that would promote development was verified. On the other hand, the idea that we must keep clear that, even though experience has demonstrated the efficiency of this model of development in Asia, it does not mean that it would work the same in Latin America. The truth is that alternatives have to be sought somewhat away from the classic and traditional patterns. It is in this area where direct foreign investment or foreign aid can contribute to developing the economies in Latin America.

Hence, it can be concluded that China's national interest of the early 21st century was to foment dynamic commercial relations with Latin America. For this period, the national interest was commerce as a way to defend national security and at the same time, fulfill national objectives: promote exports, investments, market expansion and assuring the supply of raw materials.

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