

A Study on International Cooperation between China and Latin America under the Background of "One Belt and One Road"

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Abstract. With the introduction of the "One Belt and One Road" in 2015, China's trade relations and international cooperation with regions and countries all over the world has risen to a new level. From a historical point of view, practical benefits and cooperative planning, Latin America is an important node. China is firmly carrying forward the concept of "Community with Shared Future for Mankind," and adheres to the mutually beneficial and win-win cooperation mode with Latin America. In China, we will expand the depth and breadth of cooperation with Latin America, and the pattern of Latin America's opening to the outside world will usher in greater opportunities, meet new development, and provide new impetus for the economic transformation of China and Latin America. In the paper, it focuses on promoting the interconnection under the background of "One Belt and One Road" and helping the economic development of Latin America, analyzing the significance and present situation of international cooperation in China and Latin America, and providing a counter-measure for deepening the research on the smooth and cooperative trade between China and Latin America.

The Significance of International Cooperation between China and Latin America

China's Opening up to the Outside World will usher in Greater Opportunities and Meet the New Development

In the current "One Belt and One Road" development strategy, most of the countries along the route are in a relatively backward state of economic level and development. In the face of the implementation of the "One Belt and One Road" plan, we will inevitably encounter the differences of identity and the deviation of industrial structure at various levels of economy, culture and politics. The present strength of Latin American countries is closer to that of China, and the economic interaction is more perfect. The special ethnic diversity and political inclusiveness in Latin America can reduce the friction in the economic construction of "One Belt and One Road." Planning Latin America into the strategic construction can promote the development of the new pattern of China's reform and opening up, and is conducive to perfecting the upgrading of the industrial structure and coordination of the industrial structure of China's foreign trade industry chain. On the one hand, China reduces its dependence on the energy consumption of industrial products, on the other hand, it promotes the upgrading of coastal port cities, and expands our international influence of "Made-in-China in 2025" through the export to the Latin American market.

Provide a New Impetus for the Economic Transformation of China and Latin America

Since 2011, Latin-American economic growth has continued to decline, with negative regional GDP growth in 2015 and 2016. There is an urgent need for Latin America to carry out economic structural adjustment, expand the source of funds, and introduce advanced technology to stimulate economic recovery. China's economy has long-term high-speed growth, and the structural problems are becoming more and more prominent. The "dislocation of supply and demand" of overcapacity and insufficient consumption has become a major burden of the sustainable development of the

domestic economy. China needs to transfer excess capacity to foreign countries and is seeking a diversified investment direction. Latin American countries are in urgent need of upgrading their manufacturing capacity to solve the problems of shortage of foreign capital and weak infrastructure in economic development. At present, China has the largest foreign exchange reserve in the world. In comparison with Latin America, Chinese enterprises have the dual advantages of cost and technology. Economic complementarity between China and Latin America is the biggest driving Force for deepening trade and investment relations between China and Latin America. While the "One Belt and One Road" is the best chance. Integrating Latin America into the "One Belt and One Road" construction will further strengthen Sino-Latin American relations, give full play to the advantages of both sides, and promote bilateral trade and investment cooperation in order to achieve national development and common prosperity.

China's Mutually Beneficial and Win-win Model will Lead Latin America to Meet "China's Opportunities"

During this period, China extended "One Belt and One Road Initiative" to Latin America in order to realize the sharing of resources and the integration of the advantages, and further promote the mutual benefit of the two sides and the development of economy can realize a virtuous circle. Latin America realizes the integration with the development of the global economy with the help of its own railway, infrastructure and other fields of technology and financial advantages. The "Trans-Pacific Partnership Agreement" enabled "One Belt and One Road" to break through the limitations of regional development, and "RCEP" and "FTAAP" were upgraded to China's "global program." As a result, the world economy can be further integrated, contribute to the "economic community," contribute to the global governance capacity in the world, and also provide "China opportunities" for global economic development.

The Current Situation of Cooperation between China and Latin America

China's Output Pattern in the Latin American Region has been Deepening

Affected by the malaise of global trade, China's trade exchanges with Latin American countries have also experienced weak growth. On the other hand, China's direct investment in Latin America and the Caribbean is increasing, gradually developing into a new driver of international trade relations. Not only has China optimized the amount and field of investment, but also made further improvements in the trade structure. Both parties also jointly planned the development path of the new energy model, which greatly promoted the friendly trade relations between China and Latin America. As shown in Fig. 1, the net investment in 2009 reached \$7.3 billion, with a growth rate of 99%, with a leap-forward growth in Latin America's investment; the net direct investment in 2016 reached the highest value of the record, that is, US \$272.2 billion, with the growth rate of 115.9, which was much higher than the global growth rate of 34.7 in China.

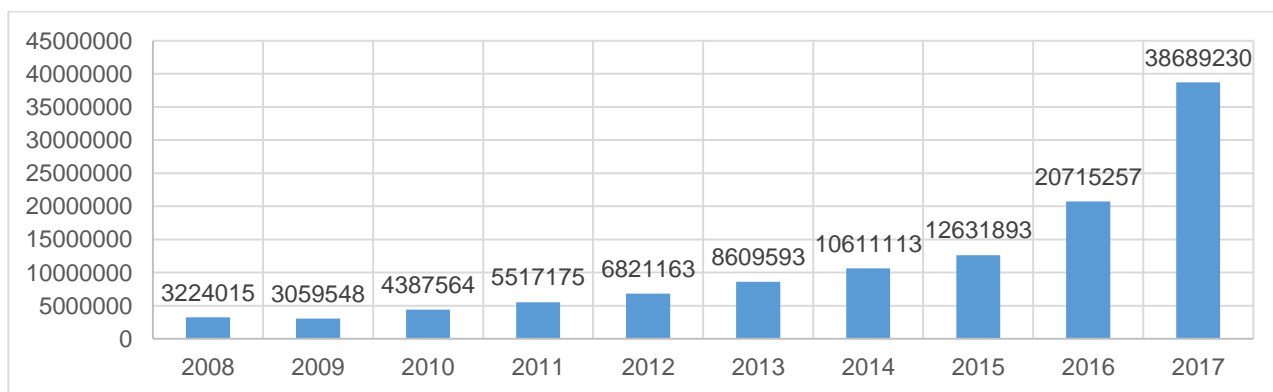


Figure 1. Date Sources of China's Net Direct Investment in Latin America (10,000Yuan).
Collate in accordance with the data of the National Bureau of Statistics

In terms of the amount of Chinese investment in Latin America, the scope has changed, however, in terms of the stock of direct investment, it is still on the rise as a whole (see Fig. 2).

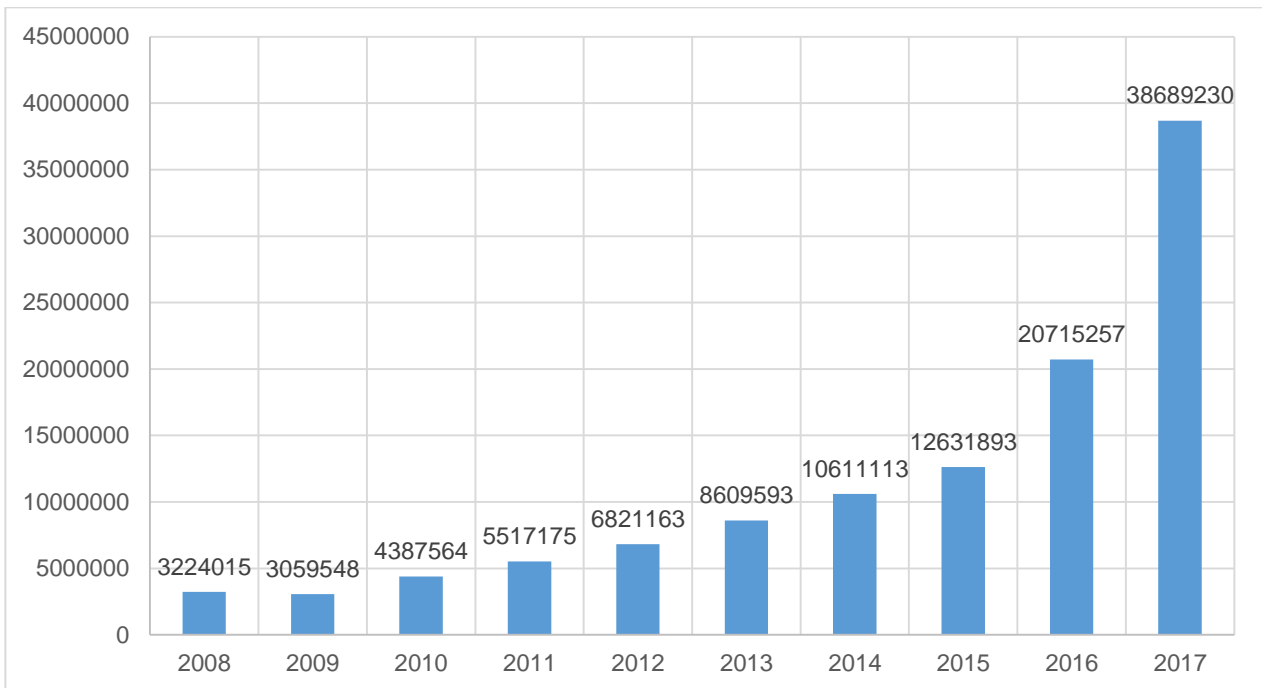


Figure 2. China's Stock of Direct Investment in Latin America.
Data source: Collate in accordance with the data of the National Bureau of Statistics

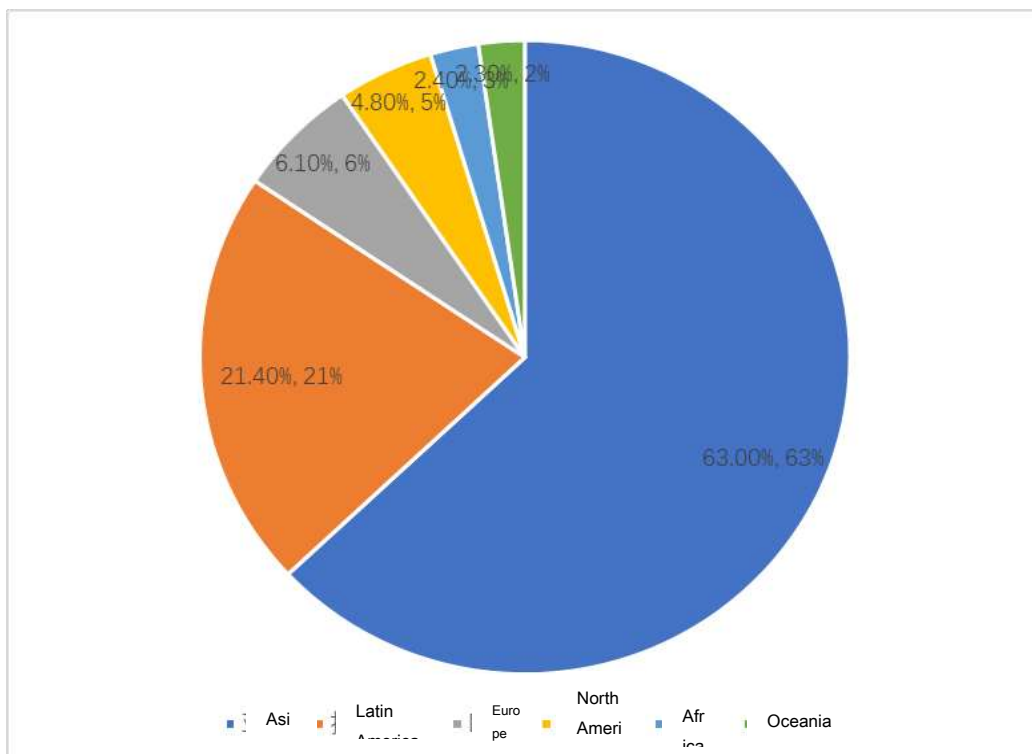


Figure 3. China's Distribution of Direct Investment in Store Areas in Latin America.
(Asia, Latin America, Europe, North America, Africa, Oceania).

It can be said that Latin America is currently an important region of the Chinese "Get out of here" strategy. In comparison with the slow recovery of bilateral trade, the scale of Chinese investment in

Latin America is increasing, which has become a new driving force for the development of bilateral trade exchanges.

China's Trade Depth with Latin American Countries Continues to Improve

An Analysis of Bilateral Trade between China and Pakistan. In 2018, China was as the country's most important trading partner, and the trade amount between the two countries amounted to \$36.16 billion. With increase of 27.5% over the same period last year, in which the Chinese exports \$786 million, with an increase of 1.5 % over the same period last year, with an increase of \$2.83 billion in Chinese imports, an increase of 37.2 % over the same period last year. It can be seen from this that Brazil has very close trade with China. In 2018, due to the abnormal floating of the Brazilian currency, the economy of countries with depreciated currencies experienced a recession in GDP, with GDP of about \$1.87 trillion for the whole year, decreasing more than US \$18 billion from last year. The people's average GDP was also falling, falling \$1,000. It can be seen from this that Brazil is not optimistic in terms of total economic development and per capita GDP, and there is also a certain gap between Brazil and China. In recent years, the economic development of Latin America has been characterized by imbalance between countries, like 3.7 in the Caribbean, 2.2 in Central America and Mexico, and -0.1 in South America. The fastest growing countries were the Dominican Republic, namely, 5.4, followed by Panama, 5.2, Paraguay, 4.4, Bolivia, 4.3, Chile 3.9 and so on. Both Argentina and Venezuela showed negative growth. In 2018, China had a new round of growth in Brazilian investment, up to \$362.3 million so that Brazil has become China's largest capital investment region in the Pacific. Moreover, China had a huge amount of money to undertake projects in Brazil, reaching \$693 million a year in 2018 alone.

The Present Situation of Trade between Chile and China. Chile was the first South American country to sign a free trade agreement with China, which has established diplomatic relations with China in its early years. China-Chile FTA "upgraded version" was signed at the end of 2017 and planned to formally implement the upgraded version of the "Protocol" from March 1st, 2019, which is the first free-trade zone upgrade agreement signed between China and Latin American countries, and the second free-trade zone upgrade agreement implemented after the China-ASEAN free-trade zone upgrade. The relationship was suspended healthily and steadily driven by a free trade agreement. With regards to Chilean customs statistics, China's trade with Chile reached an all-time high of \$39.59 billion in 2018, with an increase of 26.5% over the same period last year. In the future, the trade position of the two countries will lead to a more positive and steady development of China-Chile trade.

Trade analysis from Chile: China is the first exporter of surplus and the source of import. By country, China, the United States and Japan are the top three exporters of Chile. In 2018, its exports to the three countries were \$24.5 billion, \$10.52 billion and \$6.83 billion, respectively, with an increase of 36.5, 8.9 and 18.4, accounting for 32.5, 14.0 and 9.1 of Chile's total exports, and the total proportion was about 55.6. China, the United States and Brazil are the main importers of Chile. In view of the statistics, Chile's imports from the three countries in 2018 were \$15.1 billion, \$12.88 billion and \$6.52 billion, respectively, with an increase of 13.2, 19.1 and the total proportion was about 55.6. In addition to the Republic of Korea, from the import of Chile, Chile has increased its imports from other countries, constantly increasing the demand for imported products.

The Risks of International Cooperation between China and Latin America

International Risks of Cooperation between China and Latin America

Unbalanced Investment Structure. China's direct investment in Latin America and the Caribbean is concentrated in only a few countries and regions, and most of the investment has poured into two big tax havens. In 2016, our investment stock has been close to \$20 billion, accounting for over 90% of China's total investment in Latin America. However, Chile, Mexico and Central American countries need a lot of productive investment, while it is difficult to obtain investment from Chinese enterprises, especially large state-owned enterprises. China's capital

exports are close to 190 countries and regions, and 39,200 foreign enterprises have been set up, with an increase of more than 200 over last year, which covers more than 80 countries and regions in the world. It can be seen that China's investment coverage in Latin America is below the average of nearly 80% of the world. However, in the 33 countries in the Latin American region, half of the countries (regions) have failed to enjoy China's investment opportunities. Therefore, it can be said that even though China's investment has brought economic benefits to Latin America and the Caribbean, many countries have not enjoyed the dividends of Chinese investment. It is also said that China only pursues the scale of investment in Latin America, which does not contribute much to the sustainable development of the local economy. These words based on the imbalance of investment structure between China and Latin America have become a stumbling block to the further deepening of cooperation between China and Latin America.

Economic Uncertainty Risk in Latin American Countries

Risk of Investment Income. In the trade of international trade, the demand for commodity order in the market is decreasing, and the Latin American economy is in a slow recovery period. As mentioned earlier, since 2011, the economic growth in Latin America has continued to decline, and the region's GDP in 2015 and 2016 was negative. Every country in Latin America has been hit by the economic recession, and most enterprises are in the face of financial difficulties and operating difficulties. The proposal of the Chinese "One Belt and One Road" is to help the friendly countries along the line to realize the interconnection of resources and funds, in addition, the countries of the Latin American region hopes to promote the development of the national economy with the construction of the infrastructure. However, the construction period of the basic project is relatively long. In the event of insufficient economic growth or even recession, the supply of funds in Latin American countries will not be available, which may lead to a break in the cooperative capital chain. The investment project was abandoned halfway and the funds could not be recovered. Although the Latin American economy recovered in 2017, the growth rate was only 1.3. Yunxia, Yue, director of the inquiry department of the Chinese Academy of Social Sciences, said that in the foreseeable future, the Latin American region's economic growth would lag behind the developing and emerging countries. In order to solve the problems arising in the development of Latin American countries, the speed of economic development must reach more than 3.6%, however, the current situation is not optimistic.

Debt Risk. The economic recovery in Latin America has been slow, which has effect on the fiscal position of Latin American countries and shown a trend of obvious deterioration, so that most countries cannot escape the pressure of debt repayment. In 2016, the overall external debt of the Latin region reached its highest level in more than a decade. Moreover, Brazil's debt laws and regulations did not have a good control of the external debt situation, so that foreign debt continued to rise up. Argentina has become the first sovereign debt-issuing country in the world from 2016 to 2018, and China's large loans to Latin American countries, such as Venezuela, may also face a risk of default.

The Backwardness of the Infrastructure of Latin American Countries

Whether the construction of infrastructure is perfect or not has become an important index to judge the degree of development of a country. The steady growth of the economy is also closely related to the transportation of the country. Not only is the infrastructure closely related to the daily life of people, but also has a great impact on the production cost. From the current point of view, the demand for the movement of people and goods in Latin American countries is increasing, however, the current situation of railways, roads and ports is difficult to meet the needs of social development, and the cost of logistics is still at a high level. The slow infrastructure construction has become an important obstacle in the process of economic development in the Latin American region, and the high logistics cost that is still at a high level, making the total cost of the goods difficult to cut down. In OECD countries, the proportion of logistics costs is only 1/2 of that in Latin America. If Latin American countries can adjust traffic and transport in Latin America to the consumption level of normal countries, which is a great driving force for the economy. Only from the point of view of

traffic, even in countries with high economic development in Latin America, the contradiction between transport infrastructure and economic development is also very obvious.

Frequent Trade Friction

Since the reform and opening up, the trade cooperation between China and Latin America has been expanding, however, the trade friction is also becoming more and more obvious, which has become an obstacle to trade friendly cooperation. In accordance with the anti-dumping data of WTO, in the 20 years of 1995-2016, Latin America has conducted as many as 195 surveys of Chinese goods, accounting for 23.6% of the total number of cases in China. In the same period, it took 208 anti-dumping measures against Chinese goods, accounting for 25.2% of total anti-dumping measures against China. In 2013, China received more than 90 trade relief surveys in Latin America, accounting for 1/3 of the total, based on data from the Ministry of Commerce. In the first three quarters of 2014, China received 16 trade relief surveys from Latin American countries, and anti-dumping cases were also on the rise. In the first half of 2015, trade frictions between China and Latin America also increased, up 27 % from the same period last year. The trade frictions between China and Latin America have affected the normal exchanges of bilateral trade, which is not conducive to the circulation of international commodities and it also hinders the facilitation and development of trade connectivity.

The Solutions to the International Cooperation between China and Latin American Countries To Improve the Investment Structure of Latin America Countries by Using of Capital of the “One Belt and One Road” Strategy

Latin American countries contain huge mineral resources, however, China's investment in Latin America countries was mostly based on resources, heading to an inadequate investment structure. Through an empirical analysis, it is found that China's current resource-based direct investment potential in the six Latin American countries has become saturated gradually. So we can keep developing other investment markets while maintaining the existing market share in Latin America countries, expand investment field, rather than only limited in the field of resource development. The enterprises should choose appropriate overseas investment projects based on their own advantages, for instance, we can integrate China's original advantageous industries into the process of re-industrialization in Latin America countries by investing certain industries, such as animal husbandry and transportation, since Argentina attaches great importance to them. At present, Latin America countries are actively promoting the digital economy strategy actively, it is a good opportunity for China's high-tech industries, such as internet and renewable energy sources, to open up new markets and new capital flow and further promote the upgrading between industrial structures. We need to improve investment risk audits for Latin America countries to ensure the safety and effectiveness of trade. When China's companies invest in Latin America countries, we will inevitably consider the investment risks since the economic and political risks of Latin American countries are relatively large. So, for minimizing or reducing the impact of uncertainty risks, the Chinese government can sign and improve bilateral investment agreements with Latin American countries, and the relevant departments set up financial professional assessment surveys and external financial guarantee institutions, helping China's trade enterprises to reduce investment risks effectively and improve the development of overseas credit industries.

To Improve the Protection of China's Companies' Investment in Latin America Countries

Since China and Latin American countries have more frequent capital exchanges, there are many China's joint ventures in Latin America countries, and we have cooperative relations with them. With the advantages of information collection and acquisition, the Chinese government can provide timely, professional and sufficient market information to multinational enterprises, and provide information security for the well operation and external cooperation of multinational enterprises. We can also give professional guidance when multinational companies encounter difficulties. The

government departments establish a broad and fast-sharing commercial platform and investment and financing channels, build a policy database for Chinese companies for investing in Latin America countries, and provide enterprises with the latest policies and regulations. While improving the protection of Chinese enterprises' investment in Latin America countries, the government can also guide and support Chinese enterprises to invest overseas by system and policies, reduce the cumbersome approval procedures, and try the best to facilitate the investment of Chinese enterprises in Latin America countries. As a result, the companies can predict the risk of overseas investment timely and accurately, and ultimately improves the companies' ability to resist risks.

To Strengthening the Infrastructure Construction of Latin American Countries

The infrastructure construction is one of the most important procedures in economic development, and it is also the strategic focus in the context of the "One Belt and One Road" initiative. The guarantee of traffic construction can improve the facilitation of trade and personnel circulation, thereby reducing costs and improving efficiency, creating a high standard and friendly mode of transportation, and promoting the strategic integration of the "One Belt and One Road" strategy in Latin America countries. We can see that: the infrastructure construction in Latin America countries is still in a backward situation, affecting the normal recovery of its economy and becoming an important factor hindering cooperation with foreign countries. However, Latin American countries are generally lack of the support of funds, technology and ancillary services. China has accumulated valuable experience in infrastructure construction and mature equipment skills in the process of rapid and stable development, and the establishment of the Asian Investment Bank in China provides a financial guarantee for infrastructure construction. Then China should encourage powerful enterprises to actively participate in the construction of transportation, logistics, mobile communications, and water and electricity power facilities in Latin America countries, promote the planning and development of infrastructure projects in Latin America countries, and facilitate the development of bilateral trade and investment to achieve mutual benefit and a win-win result.

To Face the National Trade Friction in a Positive Attitude

With the deepening of trade relations between China and Latin America countries, we need to open our eyes. The trade friction is also becoming more frequent. If the company can't take effective measures and respond in time, it will have a chain effect, which is not only bad for the development of the company, but also will become a hindrance to the expansion of bilateral trade cooperation in the long run. As the initiative country of the "One Belt and One Road" strategy, China has always adhered to the principle of mutual benefit and win-win, and traded with countries along the One Belt and One Road in order to promote the economic and social development of these countries. It not only reflects China's openness and tolerance in international contact and cooperation, but also build consensus for the participating countries of the "One Belt and One Road" strategy. In dealing with trade friction cases, we should adhere to the principle of "negotiation, building, sharing." "Negotiation" means each part need to strengthen communication, and solve various contradictions and disputes in a mutually agreed manner, so as to achieve friendly and equal trade and share development results together.

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