Geopolitics and geoeconomics in the China-Latin American relations in the context of the US-China trade war and the COVID-19 pandemic

Gachúz Maya, Juan Carlos; Urdinez, Francisco

GIGA | Journal of Current Chinese Affairs

Journal of Current Chinese Affairs
2022, Vol. 51(1) 3–12

DOI: 10.1177/18681026221098770
journals.sagepub.com/home/cca
SAGE

Geopolitics and Geoeconomics in the China–Latin American Relations in the Context of the US–China Trade War and the COVID-19 Pandemic

Juan Carlos Gachúz Maya[1]
and Francisco Urdinez[2]

Abstract
The Bretton Woods institutions have failed to accommodate a rising China, and many authors describe this moment as a crisis of the liberal order, which China is intentionally contesting. The World Trade Organization was incapable of offering a solution to the trade war, and more recently, the World Health Organization was incapable of reducing – and rather partly contributed to – tensions between the US and China in the management of COVID-19 crisis. This Special Issue is made up of six manuscripts that address the most sensitive issues of the China–Latin American relationship amid the challenges of the growing dispute with the United States. The manuscripts assess the four main concerns that are shaping the agenda in China–Latin American relations in times of increasing geopolitical and geoeconomic competition between the United States and China: the Belt and Road Initiative, the One-China policy, the trade war, and the COVID-19 crisis.

Manuscript received 14 April 2022; accepted 18 April 2022

[1] Universidad de las Américas Puebla (UDLAP) and Colegio de Defensa Nacional, Cholula, Mexico
[2] Pontificia Universidad Católica de Chile, Santiago, Chile

Corresponding Author:
Francisco Urdinez, Pontificia Universidad Catolica de Chile, Campus San Joaquin, Macul, Santiago 7820436, Chile.
Email: furdinez@uc.cl

Keywords
China–Latin American relations, China–US rivalry, trade war, hegemonic competition

Introduction

During much of the post-Cold War period, China benefited from economic relations with the United States and the relative global stability that the US hegemony provides through unipolarity (Johnston, 2003: 32). However, as China has become an emerging power, its policy has become more assertive and confrontational (Breslin, 2009; Brown, 2020; Zhang, 2014). The United States has reacted as typically described by the Theory of Hegemonic Stability, with protectionism and unilateralism (Webb and Krasner, 1989). This has been particularly visible in Latin America and the Caribbean (LAC), a region that has historically been considered its geopolitical "backyard" (Long, 2015; Paz, 2012; Urdinez et al., 2016).

The Trump administration tried to use "sticks" to maintain order in its area of influence. For example, it has strongly supported Taiwan's claim to sovereignty, going as far as threatening the nine Latin American countries that still recognise Taiwan to not to change their status to recognise China. The US State Department strongly questioned the countries that approached Huawei to implement 5G technology (Pompeo, 2020). Biden's foreign policy during his first year in office maintained the same characteristics with regards to Latin America as those of the previous administration, although pundits and policymakers in Washington DC were vocal on the importance on countering Chinese influence through the Build Back a Better World program (The White House, 2021).

As the bipolar logic of the Cold War returns, the diplomatic exchanges and collaborations are also transforming (Gallagher, 2016). We are at a time when the Chinese rise is leading to a hegemonic competition with the US. In addition, Latin America is increasingly moving away from its historic political and economic dependency pattern on the US and many of its countries are approaching China in search of investments, trade, loans, and aid (Gachúz Maya, 2012; Malacalza, 2019; Wise, 2020).

If we compare the economic influence of the US and China in LAC, we can clearly see how China has displaced the US in the region (see Figure 1). In 2001, Cuba and Dominica were the only cases in the entire hemisphere where China's economic influence surpassed that of the United States. In 2010, they were joined by Antigua and Barbuda, Argentina, Ecuador, Guyana, Panama, and Uruguay. By 2020, fourteen out of the thirty-three countries in LAC had China as their major economic partner, representing 67 per cent of the region's population.

The Bretton Woods institutions have failed to accommodate a rising China, and many authors describe this moment as a crisis of the liberal order (Ikenberry, 2018), which China is intentionally contesting (He, 2019; Morse and Keohane, 2014). The World Trade Organization (WTO) was incapable of offering a solution to the trade war, and more recently, the World Health Organization (WHO) was incapable of reducing – and rather partly contributed to – tensions between the US and China in the management

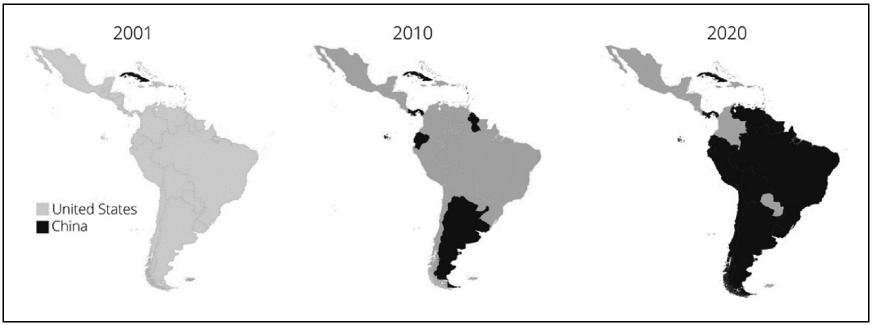

Figure 1. Each country's largest economic partner in Latin America.
Note: To compare the US and China's economic influence in each country we sum (a) foreign trade (imports and exports), (b) the stock of foreign direct investment, (c) the sum of credits granted by political and commercial banks, (d) and official development aid.

of the COVID-19 crisis. China is timidly encouraging the creation of institutions that better reflect its interests, such as the Asian Infrastructure Investment Bank (Knoerich and Urdinez, 2019). The Belt and Road Initiative (BRI), on the other hand, serves as a macro-policy to channel the former capital that its state-owned companies have amassed over the past thirty years (Narins and Agnew, 2020).

Since 2018, China and the United States have been in an ongoing trade war that has its roots in the complications produced by the non-recognition of China's market economy status within the WTO (Urdinez and Masiero, 2015), long-standing accusations by US companies of non-respect of intellectual property patents (Meijer, 2016), and the use of subsidies by the two countries (Hopewell, 2020). For commodity-exporting countries in Latin America, this meant huge economic losses due to falling international prices. However, this war has provided an opportunity for these commodity exporters to cover exports to China that were previously covered by the United States. At the same time, Brazilian and Mexican industries saw the opportunity to supply some manufacturing exports to the United States in substitution for Chinese manufacturers.

The economic effects of this war are not yet fully understood in Latin America, but it is known that they have been mainly negative. Empirical evidence suggests that it is almost impossible for presidents in the region to govern successfully in contexts of falling commodity prices and rising international interest rates (Campello and Zucco, 2016; Carlin and Hellwig, 2020), which partly explains why there have been serious governance crises in Peru, Argentina, Chile, Brazil, and Ecuador between 2016 and 2020.

We are at the gates of a proto-bipolar system (Wagner, 1993; Yang, 2018). In this context, the challenge for Latin American countries will be how to maintain good trading relations with both superpowers. How much will the US condition the countries of the region so that they do not deepen their economic ties with China? How much will China condition Latin American countries to move away from their historic relationship with the US?

The WHO decreed the start of the COVID-19 pandemic in March 2020. During the first year of the pandemic, China deployed an international aid program that was dubbed by the press as "mask diplomacy." The virus was disparagingly called a "Chinese virus" by US President Donald Trump, and this attack offered an opportunity for China to counter these accusations by donating health inputs and reinforcing its soft power (Edney et al., 2019), and projecting the image of a "responsible power" (Pu, 2019).

Meanwhile, the pandemic offered China the opportunity to demonstrate that its scientific development was already on par with developed countries. The five Chinese laboratories that developed COVID-19 vaccines – Sinopharm, Sinovac, CanSinoBIO, Anhui Zhifei Longcom and the Institute of Medical Biology of the Chinese Academy of Medical Sciences—either sold them or tested them in Latin America. This allowed China to use the negotiation of vaccines to strengthen itself politically: More than 65 per cent of all vaccines administered in Latin America at the end of 2021 were from Chinese laboratories.

In the last fifteen years in Latin America, the United States gradually ceased to be seen by governments as the sole provider of global public goods in the region. In this period, China replaced the United States in the provision of many of these goods, such as credit to finance infrastructure, investment, and scientific and technological cooperation. The COVID-19 pandemic was part of this trend. Some questions arising from this period are: What role did political variables play in the vaccine sales by Chinese laboratories to countries in the region? How much has the pandemic affected Chinese and US soft power?

Contribution of This Special Issue to the Understanding of China–Latin American Relations

This special issue is made up of six manuscripts by academics working in universities in Latin America, the US, and Europe, that address the most sensitive issues of the China–Latin American relationship amid the challenges of the growing dispute with the United States. This special issue helps to assess the four main concerns that are shaping the agenda in China–Latin American relations in times of increasing geopolitical and geoeconomic competition between the United States and China: the BRI, the One-China policy, the trade war, and the COVID-19 crisis.

This Special Issue is the third of Special Issues published by the *Journal of Current Chinese Affairs* in the last two years that address the effects of Chinese economic statecraft in-depth (i.e. the issue "The Regional Impacts of China's Belt and Road Initiative" guest-edited by Jeremy Garlick in 2020; and the issue "PRC Economic Statecraft Explored: How Uniquely Chinese Are Its Characteristics?" guest-edited by Priscilla Roberts in 2021). This particular Special Issue, which focuses on Latin America, is organised following a general to particular logic. The first two manuscripts (Jenkins, 2022; Pu and Myers, 2022) provide a snapshot of the scope of the BRI in Latin America and the geopolitical competition between China and the United States in the region. Then, the four manuscripts that follow delve into the effects of the trade war (Dussel Peters, 2022;

Gachúz Maya, 2022), the mask diplomacy during the COVID-19 pandemic (Telias and Urdinez, 2022), and the recent trends in Chinese overseas finance in renewable energy (Gélvez Rubio and González, 2022).

In the first manuscript, Jenkins (2022) raises the question of whether the extension of the BRI to Latin America is leading to a significant change in relations between China and the countries in the region. The article answers three questions: Has it led to closer economic links with China? Have the drivers of China's relations with Latin America changed? Has the BRI contributed to a change in the nature of China's involvement in the region, away from the emphasis on trade toward a more comprehensive relation based on infrastructure projects, policy coordination, financial integration, and tourism? To answer them, Jenkins avoids the polarised views of Sino–LAC relations that are prevalent in much of the literature by carrying out a detailed analysis of recent trends. He argues that there has not been a step-change in China's engagement in Latin America but rather a continuation of existing trends that have been evolving over the past two decades, particularly since the global financial crisis of 2008-2009. Indeed, he points out, Latin America was not included in the original concept of One Belt One Road, and China's second Policy Paper on Latin America issued in 2016 did not refer to it either. It was only in January 2018 at the China–CELAC Forum in Santiago that the Chinese Minister of Foreign Affairs invited Latin American countries to participate in the BRI and the participants signed a "Special Declaration on the Belt and Road Initiative," in rather vague terms. Jenkins, indeed, raises the question of why so many countries in the region have chosen to participate in the BRI in the absence of any clear benefits from doing so. The countries that have signed the memorandum of understandings with China tend to be the smaller countries of the region and those that are most dependent on China for export markets, inward investment, or loans.

Given that the COVID-19 pandemic has also brought a restructuring of trade networks and its impact has not been fully analysed yet, Jenkins argues that it is difficult to predict how Sino–LAC economic relations will evolve in the immediate future. Research will have to disentangle the effects of the pandemic and the BRI as further data become available and there is time to assess the longer-term effects.

The second article of the special issue, by Pu and Myers (2022), focuses on how China's economic relationship with Latin America, along with expanding diplomatic, political, and security-related ties, has provoked a strong reaction from the US. The authors point out that the US reaction to China's growing dynamism in Latin America will very likely boost the region's importance in domestic discussions in China about the risks of strategic overstretching, especially if the US–China competition intensifies in the region. The authors consider that there is a particular focus on the question of strategic overstretching. As China's global role expands, the various and mounting obstacles to Chinese overseas engagement have led some Chinese elites to rethink China's overseas outreach. Chinese analysts emphasise that China should avoid confronting the US in the LAC. As China extends the BRI to the LAC, Chinese analysts also highlight potential risks of BRI projects.

Both Jenkins (2022) and Pu and Myers (2022) have one point in common, which is that China's geostrategic benefit in pushing the BRI in the Western Hemisphere is not entirely clear and that the Ministry of Foreign Affairs of the People's Republic of China can deepen its ties with the region without confrontation with the United States.

The following two manuscripts by Dussel Peters (2022) and Gachúz Maya (2022) analyse the impacts of the US–China trade war on Latin American international trade. Both authors analyse the case of Mexico, the main industrial economy in Latin America and the most exposed one to the US economy, demonstrating that the trade war between the world's two leading economies produces significant trade externalities in other countries. The manuscript by Dussel Peters (2022) focuses on recent trade debates on the "new triangular relationship" between the US–China and LAC and Mexico, and specifically on trade in the auto parts–automobile global value chain (GVC) during 2000-2019.

In addition to the discussion on GVCs and their implications, the manuscript analyses in detail qualitative and quantitative global changes in the autoparts industry and specifically in US imports from 2000 to 2019, highlighting the performance of Mexico and China in trade, tariffs, and transportation costs. The author discusses the triangular relationship formed by China, the US, and Mexico, and details the trends in a trade that is important from a "glocal" perspective and for future scenarios: offshoring/near-shoring tendencies, the increasing importance of disruptive technologies – but in several cases, such as in Mexico, with minor effects so far – and, in general, the increasing share of services (versus manufacturing) in the autoparts–automobile GVC. Dussel Peters shows how these trade trends have significantly impacted Mexico's Gross Domestic Product and employment, as one of the key GVCs that benefitted from the liberalisation strategy since the end of the 1980s through the North American Free Trade Agreement and the United States–Mexico–Canada Agreement (USMCA).

In the following manuscript, Gachúz Maya (2022) also focuses on the current economic relationship of Mexico with China and the United States in a triangular scheme, the impact of the USMCA on the China–Mexico relationship, and Mexico's trade relationship with both economies in the context of the trade war. Gachúz Maya argues that paradoxically, in the context of the US–China trade war, the Mexican economy has benefitted from the increase in tariffs that the United States has imposed on Chinese products. In 2019, for the first time, Mexico displaced China as the main trade partner of the United States.

Gachúz Maya's main hypothesis is that the current Mexican trade policy and the negotiation and signing of the USMCA have prioritised the commercial relationship with the United States as the agreement is designed to guarantee the economic interests of the United States in a global context of the trade war. In a triangular trade relationship, Mexico benefits by rising exports to the United States, but there are also costs from increasing asymmetric interdependence on the US and facing a growing trade deficit with China. Gachúz Maya argues that the short-term benefits of the US–China trade war are not sustainable for Mexico in the long term, in the absence of a strategy on the part of Mexico to size and redesign its commercial relationship with China.

The following manuscript by Telias and Urdinez (2022) analyses a novel dataset comprised of a universe of 537 donations in thirty-three countries in LAC, between 11 February and 20 June 2020, during the outbreak of the pandemic. The authors suggest that the outbreak of COVID-19 offered a unique opportunity to understand the political drivers of China's foreign aid. In this context, their research describes the main donors, the main recipients of donations, what was donated to each country, and which variables explain why some countries received more aid than others.

Findings of the research revealed that, although seemingly uncoordinated, donations made by China's central government, Chinese companies, cities, and foundations were strongly affected by two political determinants, namely the recipient's partnership status with China and the One-China policy. Furthermore, aid provided by China's central government was larger in autocracies than in democracies. Telias and Urdinez also show that regardless of the level of development and severity of the pandemic in each country, China donated more to its strategic partners and that the One-China policy strongly affected both Taiwanese and Chinese donations.

The mask diplomacy, then, was a statecraft tool to improve China's soft power in the region. Overall, Telias and Urdinez's analyses are strongly related to the conclusions taken by Pu and Myers (2022), who argued that

> an array of actors in the region – ranging from Confucius Institutes and the International Department of the Chinese Communist Party delegations to foreign-language media outlets, think tank missions, and cultural troupes – is tasked with shaping views of China in the LAC and other regions. (p. 8)

The last article by Gélvez Rubio and González Jáuregui (2022) analyses to what extent Chinese investment and lending in renewable energy projects are contributing to the energy transition strategies and sustainable development of South America's two largest economies, Brazil and Argentina. The manuscript provides a reading of Elinor Ostrom's postulates of energy transition as an increasingly relevant driver of certain states' relationships with other countries. General trajectories of Chinese foreign direct investment and lending in Latin America provide a background to Chinese investment in solar and wind power projects in Argentina and Brazil. Gélvez Rubio and González Jáuregui argue that the long-term approach of Chinese companies along with Chinese policy banks' financing in these two countries has seized the opportunity following the space left by the United States, which has gradually abandoned its historically close relations with the region in recent years. The backdrop of the strategic rivalry between China and the United States has intensified this tendency. This article complements the analysis of the recent book by Kaplan (2021).

Acknowledgements

The guest editors of this Special Issue would like to thank the reviewers of its manuscripts as well as the editors of the *Journal of Current Chinese Affairs* for their support along the review and publication process.

Declaration of Conflicting Interests

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

Funding

The authors received no financial support for the research, authorship, and/or publication of this article.

ORCID iDs

Juan Carlos Gachúz Maya https://orcid.org/0000-0002-6770-0357
Francisco Urdinez https://orcid.org/0000-0003-3333-478X

References

Breslin, Shaun (2009) Understanding China's regional rise: interpretations, identities and implications. *International Affairs* 85(4): 817–835.

Brown, Kerry (2020) The Beijing perspective: the political and diplomatic context for Taiwan and the World Health Assembly. *International Journal of Taiwan Studies* 3(1): 28–43.

Campello, Daniela, and Cesar Zucco Jr. (2016) Presidential success and the world economy. *The Journal of Politics* 78(2): 589–602.

Carlin, Ryan E., and Timothy Hellwig (2020) The world economy, political control, and presidential success. *The Journal of Politics* 82(2): 786–799.

Dussel Peters, Enrique (2022) The new triangular relationship between the US, China, and Latin America: the case of trade in the autoparts-automobile global value chain (2000–2019). *Journal of Current Chinese Affairs* 51(1): 60–82.

Edney, Kingsley, Ying Zhu, and Stanley Rosen (2019) *Soft Power with Chinese Characteristics: China's Campaign for Hearts and Minds*. London: Routledge.

Gachúz Maya, Juan Carlos (2012) Chile's economic and political relationship with China. *Journal of Current Chinese Affairs* 41(1): 133–154.

Gachúz Maya, Juan Carlos (2022) Mexico's trade relationship with China in the context of the United States–China trade war. *Journal of Current Chinese Affairs* 51(1): 83–107.

Gallagher, Kevin P. (2016) *The China Triangle: Latin America's China Boom and the Fate of the Washington Consensus*. Oxford University Press.

Garlick, Jeremy (2020) The regional impacts of China's Belt and Road Initiative. *Journal of Current Chinese Affairs* 49(1): 3–13.

Gélvez Rubio, Tatiana, and Juliana González Jáuregui (2022) Chinese overseas finance in renewable energy in Argentina and Brazil: implications for the energy transition. *Journal of Current Chinese Affairs* 51(1): 137–164.

He, Kai (2019) Contested multilateralism 2.0 and regional order transition: causes and implications. *The Pacific Review* 32(2): 210–220.

Hopewell, Kristen (2020) *Clash of Powers: US–China Rivalry in Global Trade Governance*. Cambridge University Press.

Ikenberry, John G. (2018) The end of liberal international order? *International Affairs* 94(1): 7–23.

Jenkins, Rhys (2022) China's Belt and Road Initiative in Latin America: what has changed? *Journal of Current Chinese Affairs* 51(1): 13–39.

Johnston, Alastair Iain (2003) Is China a status quo power? *International Security* 27(4): 5–56.
Kaplan, Stephen B. (2021) *Globalizing Patient Capital: The Political Economy of Chinese Finance in the Americas*. Cambridge University Press.
Knoerich, Jan, and Francisco Urdinez (2019) Contesting contested multilateralism: why the west joined the rest in founding the Asian Infrastructure Investment Bank. *The Chinese Journal of International Politics* 12(3): 333–370.
Long, Tom (2015) *Latin America Confronts the United States: Asymmetry and Influence*. Cambridge University Press.
Malacalza, Bernabé (2019) What LED to the boom? Unpacking China's development cooperation in Latin America. *World Affairs* 182(4): 370–403.
Meijer, Hugo (2016) *Trading With the Enemy: The Making of US Export Control Policy Toward the People's Republic of China*. Oxford University Press.
Morse, Julia C., and Robert O. Keohane (2014) Contested multilateralism. *The Review of International Organizations* 9(4): 385–412.
Narins, Thomas P., and Johh Agnew (2020) Missing from the map: Chinese exceptionalism, sovereignty regimes and the Belt Road Initiative. *Geopolitics* 25(4): 809–837.
Paz, Gonzalo S. (2012) China, United States and hegemonic challenge in Latin America: an overview and some lessons from previous instances of hegemonic challenge in the region. *The China Quarterly* 209: 18–34.
Pompeo, Michael (2020) The United States further restricts Huawei access to U.S. technology. Press Statement. US Department of State. 17 August. Available at: https://2017-2021.state.gov/the-united-states-further-restricts-huawei-access-to-u-s-technology/index.html (accessed 4 April 2022).
Pu, Xiaoyu (2019) *Rebranding China: Contested Status Signaling in the Changing Global Order*. Stanford University Press.
Pu, Xiaoyu, and Margaret Myers (2022) Overstretching or overreaction? China's rise in Latin America and the US response. *Journal of Current Chinese Affairs* 51(1): 40–59.
Roberts, Priscilla (2021) Economic statecraft with Chinese characteristics: strange, new, and different, or old wine in new bottles? *Journal of Current Chinese Affairs* 50(3): 267–293.
Telias, Diego, and Francisco Urdinez (2022) China's foreign aid political drivers: lessons from a novel dataset of mask diplomacy in Latin America during the COVID-19 pandemic. *Journal of Current Chinese Affairs* 51(1): 108–136.
Urdinez, Francisco, and Gilmar Masiero (2015) China and the WTO: will the market economy status make any difference after 2016? *The Chinese Economy* 48(2): 155–172.
Urdinez, Francisco, Fernando Mouron, Luis L. Schenoni, et al. (2016) Chinese economic statecraft and US hegemony in Latin America: an empirical analysis, 2003–2014. *Latin American Politics and Society* 58(4): 3–30.
Wagner, R. Harrison (1993) What was bipolarity? *International Organization* 47(1): 77–106.
Webb, Michael C., and Stephen D. Krasner (1989) Hegemonic stability theory: an empirical assessment. *Review of International Studies* 15(2): 183–198.
The White House (2020) FACT SHEET: President Biden and G7 leaders launch build back better world (B3W) partnership. Briefing Room. June 12. Available at: https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/12/fact-sheet-president-biden-and-g7-leaders-launch-build-back-better-world-b3w-partnership/ (accessed 4 April 2022).
Wise, Carol (2020) *Dragonomics: How Latin America Is Maximizing (or Missing Out On) China's International Development Strategy*. Yale University Press.

Yang, Yuan (2018) Escape both the 'Thucydides Trap'and the 'Churchill Trap': finding a third type of great power relations under the bipolar system. *The Chinese Journal of International Politics* 11(2): 193–235.

Zhang, Jian (2014) The domestic sources of China's more assertive foreign policy. *International Politics* 51(3): 390–397.

Author Biographies

Juan Carlos Gachúz Maya is a full-time professor at the Department of Political Science and International Relations at the Universidad de las Américas Puebla, Mexico. He is also a professor at the Colegio de Defensa Nacional, Mexico. He holds a PhD in government from Essex University. He was a Rajawali Fellow at the Ash Center for Democratic Governance at Harvard University and a visiting scholar at Rice University. His research interests are geopolitics and geoeconomics of Asia. He is the author or co-editor of six books including *BRICS: the New Agenda* (2013), *Chinese Foreign Policy and Cooperation* (2014), *China–Latin America: A Relationship in Transition* (2015), and *International Contemporary Scenarios* (2019). He is a member of the SNI CONACYT level 1. Email: juan.gachuz@udlap.mx

Francisco Urdinez is an associate professor at the Institute of Political Science and an affiliated researcher at the Center of International Studies and Center of Asian Studies, Pontificia Universidad Católica de Chile, Chile. He is interested in international political economy, with a focus on emerging powers, particularly China's relations with Latin American countries. His research has been published in *Comparative Political Studies*, *The Journal of Peace Research*, *The Chinese Journal of International Politics*, *Foreign Policy Analysis*, among other academic journals. Email: furdinez@uc.cl