

Challenges and Solutions for Sino-Mexican Relations:

From the Perspective of Chinese Scholars

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Development of Sino-Mexican relations and its challenges

China and Mexico, both with long and ancient civilizations, share a time-honored friendship. Since the establishment of the Sea Silk Road in the 16th century, these two countries have communicated and cooperated for more than 400 years. Thus, the profound friendship and mutual understanding not only lead to the building of Sino-Mexican diplomatic relations in 1972, but also set a solid basis for the following strategic partnership under the new historic conditions.

As a regional power and China's important strategic partner in Latin America, Mexico plays a very important role in the relationship between China and Latin America. As developing countries, China and Mexico share common interests and similar viewpoints in many fields, such as the protection of independence, self-construction and the solution of international affairs etc. What's more, both sides maintain cooperation in establishing a new international political and economic order. Based on these achievements, Sino-Mexican relations develop rapidly and comprehensively.

Politically, China and Mexico have been keeping close and high-level association at all times. In the past 8 years, both top leaders met 19 times bilaterally and multilaterally. And in 2003, Mexico established a strategic partnership with China. One year later, a permanent Sino-Mexican Committee has been set up in Beijing. Then, a Joint Action Plan (2006~2010) was signed in 2006 and a strategic dialogue mechanism was also found in 2008. Up to now, Sino-Mexican relations are at its best period and their strategic partnership become more and more pragmatic.

Economically, Sino-Mexican cooperation also has great achievements. Mexico is China's second trade partner and first importer in Latin America. According to the General Administration of Customs of the People's Republic of China, Sino-Mexican trade amounts to 14.97 billion dollars in 2007, with Chinese export of 11.71 billion

dollars and import of 3.21 billion dollars, and grows compared to the same period by 31%, 28.1% and 32.8% respectively. Mexico ranks top as China's major investor in Latin America, mutual investment amounting to more than 50 programs. All in all, many areas have been involved in the cooperation, like physics, chemistry, mathematics, agriculture, industry, transportation, energy, etc.

Sino-Mexican relations become more rich and diversified in culture and science, and the relevant bilateral cooperation stays enhanced. Mexico has the most cultural exchanges with China among Latin American countries. In the past 5 years, China offered 32 scholarship quotas to Mexican students annually while Mexico gave 30 to Chinese students, which ranks peak in history. Meanwhile, Mexican students in China grow apparently. The Confucius Institute in Mexico City, the first of its kind in Latin America, was established in February 2007.

In this sense, the two countries have great potentiality for further exchange and cooperation. Being an emerging market, Mexico possesses unique geographic advantages: the location in the globally largest market in North America, the link between Central America and South America, the junction connecting the Asia-Pacific area and South-North America, and also has the most free trade agreements with foreign countries. As a result, China and Mexico can benefit each other: on the one hand, Mexico can bridge Latin America, USA and Europe for China, on the other, China can help Mexico make inroads into Asian markets.

However, some problems and challenges, as we have seen, also emerged, especially on Sino-Mexican trade imbalance and the following antidumping policies against China. The two issues concern governments, entrepreneurs and scholars for a long time in that they block the sound development of Sino-Mexican relations. Nowadays, although both countries remain different views of some issues, fortunately they positively deal with the problems and constructively confront the challenges. Consequently, China and Mexico have reached a consensus: Sino-Mexican trade cooperation faces both opportunities and challenges. Under the guide of this knowledge, both countries will achieve win-win from a fresh new start by frequently making dialogues and exchanges and by fully tapping cooperative potentials.

Chinese Scholars on Sino-Mexican Trade

Chinese scholars paid early attention to Sino-Mexican trade, but wide and deep investigation into bilateral trade conflicts began in 2004 or so when the China Threat was spread worldwide as Chinese economy grows rapidly and its influence expands widely. Even some Latin American countries also began to view China as their potential contender or opponent in the world market. Although the China Threat means different in Latin America and the developed world: for the former, China Threat concerns economy but not with international geopolitics. However, as Sino-Latin trade conflicts in late 1980s and some Latin American countries' antidumping against China intertwines with the China Threat issue, trade conflicts mount up to the biggest challenge between China and Latin America, especially Mexico. In this context, more and more Chinese scholars pay attention to Sino-Latin trade conflicts and no doubt, Sino-Mexican trade imbalance and conflict was given top priorities.

Generally speaking, Chinese scholars make research into Sino-Mexican trade imbalance in two perspectives: first, general study through systematic analysis of product and market structure of Sino-Mexican foreign trade and both countries' national competitiveness and industry competitiveness; second, case study through comparative analysis of a specific export's structure and its competitiveness. A representative article of the former includes *Characteristics and Trends of Sino-Mexican Trade Relations* by Xie Wenzhe (2005), *New Dynamics of Sino-Mexican Trade Should Be Given Special Attention* by Wu Guoping (2007), *Some Thoughts on Development of Sino-Mexican Relations* by Xu Shicheng(2007), *An Empirical Analysis of Sino-Mexican Trade Relations* by Liu Xiaohui(2007) and *China & Mexico: Comparison of Trade Competitiveness* by Yue Yunxia(2008). The latter mainly includes *Comparison of China and Mexico's Textile Export to United States: A Sub-discussion on Crowding-out of China's Export on Mexico* by Chen Jian and Shi Xiusong(2006).

Chinese scholars didn't make special and deep research into Sino-Mexican trade

conflicts, but some thoughts emerge in the relevant articles which include *Mexico's Antidumping Law and Its Influence on China* by Yang Dan, *Characteristics of Mexico's Antidumping and Its Policy against China* by Cheng Gao and *An Analysis of Sino-Latin Trade Conflicts* by Yue Yunxia.

Taking full analysis of Chinese scholars' articles, I generally give a summary classification by their conclusions as follows:

First, Sino-Mexican trade competition truly exists and their trade conflicts will not escape as both countries share rapid economic growth, expansion of export and oversea market. Mexico is one of countries among Latin America who implement most antidumping policies against Chinese commodities and goods, even among the developing world who impose the most and toughest market access restriction on China. The Chinese scholars argue that the reasons for this problem are multiple and Sino-Mexican statistical discrepancy in trade is the most important one. In this context, there appears the understanding gap of Sino-Mexican trade imbalance, which finally triggers some unconstructive actions against bilateral trade cooperation (Wu Guoping, 2007).

Second, having its own advantageous industry and common dominant sector, China and Mexico will compete in industry level for sure. Similarities of industrial restructuring and trade policies, as well as comparatively high level of concentration of export and market structure, contribute to remarkable trade conflicts between China and Mexico in some sectors and markets (Yue Yunxia, 2007). However, Sino-Mexican high competition in the USA is confined to some sectors. Of Chinese and Mexican commodities and goods exporting to the USA, 40% is competitive and 60% is not. Moreover, the competition is located in the sectors such as electronics, electric appliances, textiles and clothes, among which the competition in the former two is mainly conducted among transnational companies (Xie Wenze, 2005).

Third, there is a duality of competition and complementarity in Sino-Mexican trade. China and Mexico have much potential for cooperation in many fields, especially in crude oil, which is Mexico's first export and China's second import goods (Liu Xiaohui, 2007). Holding its own comparative advantages, China and Mexico are

complementary both in the global and the leading third party market. Given in the USA market, China is highly competitive in electro-mechanics, toys, home appliances, shoes and leather products while Mexico in auto parts, televisions, coffee and food (Xie Wenzhe, 2005). In recent years, there are greater complementarities in Sino-Mexican trade and no zero-game competition in the general market share. Beyond Europe and USA, China and Mexico do not hold the same target markets as top priority schedule to expand and their market crossing is limited to a relatively low level. Consequently, China does not pose truly competitive threat to Mexico but holds potential restrictions on the latter's market expansion (Yue Yunxia, 2007).

Fourth, China's first trade partners around the globe are the United States, EU and Hong Kong Special Administrative Region respectively, which amounts to 64% of China's total export. Contrary to China, Mexico's export is highly concentrated and dependent on the United States market. Both China and Mexico are highly dependent on the United States, so their competition is mainly shown in the dynamics of their position of relative competition in the United States. It must be noted that the decline of market share of a Mexican commodity should not be entirely attributed to China's competition or crowding-out. The reasons for this decline are multiple, such as America's lower economic growth, larger market share of other countries (China excluded) in the United States and weaker competitiveness of Mexican small-medium enterprises.

Fifth, a case study of China and Mexico's textile export to USA also favors the said argument: China's textiles are highly competitive in the United States and undoubtedly produce some influence on Mexico's textiles export to USA. However, this situation is not solely brought about by China, but other developing countries such as India, Turkey, Pakistan and Thailand also contribute to crowd out Mexico's export in that these countries are exporting more and more textile to USA. Even if there is indeed a crowding-out effect of China on Mexico, it only emerged in low value-added industries or sectors. Both as developing countries, China and Mexico, with its pros and cons, make a fierce competition in the world, especially in the USA textile market. The conclusion is that, China has a greater advantage of textile export

to the USA market over Mexico, but how long such an advantage can keep is uncertain. For further development of Chinese textile industry, promotion of such comparative advantages and creation of sound textile trade environment should be top priorities for China (Chen Jian and Shi Xiusong, 2006).

Sixth, comparative advantages between China and Mexico were relocated and direct competition in the leading market grew tougher before 2004, and after that, eased off.

The last, Latin America's antidumping against China centers on their highly competitive industries or sectors, and most antidumping probes launched by Latin American countries aim to labor-intensive products which are the core of Sino-Latin competition. Similarities of comparative advantages contribute to Sino-Latin/Mexican trade conflicts. Besides, Chinese exports made a great impact on some Latin American, especially Mexican industries (Yue Yunxia, 2008; Yang Dan, 2005). Sino-Latin trade conflicts, particularly Mexico's massive antidumping against China has to some degree impacted on further economic cooperation between China and Latin America/Mexico.

The Chinese scholars conclude that Sino-Mexican trade conflicts seem to be inevitable as the bilateral trade expands quickly. Negative or adversarial approaches will not offer an available solution but backfire on oneself instead, giving rise to lose-lose. Wu Guoping, a Chinese scholar with the Institute of Latin American Studies, Chinese Academy of Social Sciences, notes that, "bilateral trade well dealt, Sino-Mexican trade cooperation may go on and scale up to a fresh new stage, and such opportunity offered by this will promote bilateral relations far and wide, thereby creating a mutual-benefit and win-win situation; however if badly dealt or greater trade imbalance will lead China and Mexico into high occurrence of trade conflicts, which consequently hinders bilateral trade from further cooperation and poses challenges to the development of Sino-Mexican strategic partnership(Wu Guoping).

In the context of rapid globalization, competition is unavoidable and should not be fearful. The key is how to view and confront the competition: as a challenge and consequently positive solutions made, competition will transform into impetus,

strengthening its competitiveness in the end; as a threat and negative or adversarial approaches taken, the result will be the destruction of healthy trade environment and the following backfire on itself. China has had such a history of suffering experience. In the early of opening-up and reform, China once considered foreign competition as threat and tried to escape from it, leading to some unfavorable results. Nowadays, Chinese government and enterprises grow stronger in the global competition. They unconsciously view competition as a challenge to confront, changing pressure into impetus and finding new opportunities from new challenges.

Chinese scholars' suggestions for further development of Sino-Mexican relations

For economic and trade cooperation

China and Mexico have reached a consensus that both countries have greater potentials and opportunities for further economic cooperation, that the existing problems between two countries can be well solved by strengthening mutual confidence and deepening bilateral cooperation. However, it should be noted that a good approach is extremely necessary on how to solve the problems and promote Sino-Mexican economic cooperation far and wide. Chinese scholars dealt with this issue in two ways.

First, strengthening complementarities through policies. Sino-Mexican economic cooperation lasts for centuries and shows a bright prospect in that China and Mexico are complementary in general. In recent years, Sino-Mexican trade conflicts occur but mainly result from high similarities of their structures of traditional industries, exports and markets. To tackle the problem, both countries have to make joint efforts to rearrange their export strategies, increase complementary exports, optimize their export structures, strengthen their advantageous industries or sectors, and to promote the upgrading of export goods as soon as possible. For China, it is highly necessary to try to change the overconcentration of export market, guide and promote enterprises to take the initiative to explore Latin American markets and beyond, maximize diversification of export market and increase to export high-tech and high

value-added products. For Mexico, it is an alternative to export some crude oils, petrochemicals and minerals China desires for.

Second, upgrading cooperation through policies. For the purpose of taking the lead in the global competition, China and Mexico have to strengthen their competitiveness, which is the only way to win-win. Both countries should focus on the promotion of export ways, expansion of mutual investment and establishment of joint ventures. At present, China mainly makes investments in the sectors such as textiles and clothes, plastics and trade. In fact, many Chinese enterprises still have the ability and will to explore their potential investments in Latin American markets. Likewise, Mexican enterprises with the industrial competitiveness also have much ability but little will to invest in China. Both countries have their comparative advantages in some industries or sectors, accordingly, full utilization of the advantages will help to expand the areas of cooperation and benefit two parties in the end. In addition, flexible ways of economic cooperation, such as collaboration with financial institutions and enterprises, mutual investments in the key industries or sectors, enhancement of capacity of Sino-Mexican economic cooperation, are available. Other Chinese scholars suggest, China and Mexico take positive consideration of chances of signature of Sino-Mexico Free Trade Agreement as early as possible in order to advance cooperation, further open the markets and avoid the existing lose-lose competition. Nowadays of no free trade relationship though, it is feasible to establish Sino-Mexican maquila industry belt along the Mexican coast of Pacific through special and partial free trade arrangement, aiming to jointly develop the third party (mainly the United States) market.

In my opinion, scholars can play greater role in the fields mentioned above. Chinese and Mexican scholars should lay great emphasis on cooperative research and together devote a full length of discussion on the possibilities and available ways of expansion of Sino-Mexican complementary trade. What's more, scholars should pay special attention to complementary products and sectors between China and Mexico based on their requirements of cooperation and characteristics of local markets, consequently proposing available suggestions to trigger the restructuring policies and

promotion of complementarities, contributing to further develop bilateral economic and trade cooperation. China and Mexico have put the development of mutual investment on priority schedule, therefore, I propose enhancing multiple levels of discussion and exchange, such as among government, enterprise and academic community, making full research into the topics of improvement of investment environment, program choice and market positioning, and presenting information about the local laws and regulations, corporate culture and corporate operation. Additionally, Chinese and Mexican scholars should study the statistical gap in bilateral trade. The trade experts from two countries can jointly make a thorough investigation on the problem and find out the origin of statistical gap and trade imbalance. Based on the investigation, scholars may offer proper suggestions for policies and contribute to sound and sustainable development of Sino-Mexican economic cooperation.

For further development of Sino-Mexican relations

Beyond well dealing with trade imbalance and deepening economic cooperation, advancement and improvement of Sino-Mexican relations also depend on political cooperation and cultural and scientific exchange from which much cooperation can be explored. In my opinion, it should be the necessary part of cooperation for China and Mexico to focus on enriching and deepening Sino-Mexican strategic partnership, remaining exchange of higher level officials, fulfilling Joint Action Plans:2006~2010 and allowing full play to mechanism of strategic dialogue established in 2008. Furthermore, both countries should emphasize on cultural exchange, highlight strategically importance of development of cultural exchange and put it in practice. At present, Sino-Mexican relations ascend to strategic partnership, and economic exchange and bilateral cooperation advance far and wide. Unfortunately, Sino-Mexican cultural exchange just takes off, mutual understanding still comes to be reinforced and psychological distance of two peoples of China and Mexico needs to be closer.

The relations among nations all develop progressively, from non-governmental to

political and economic, and then up to cultural exchange. Establishment of cultural exchange will help to increase mutual confidence and decrease suspicion, thereby stabilizing political and economic cooperation. As a result, advancement of cultural exchange in width and depth, as well as Chinese and Mexican peoples' more knowledge of the other culture, help to absorb and draw excellences from the other culture, making Sino-Mexican relations more stable.

For this purpose, China and Mexico, on the one hand, have to further promote cultural exchange. We hope more Confucius Institutes are established, thereby allowing more people from Latin America, Mexico included, know more Chinese culture. We also hope that more Chinese know more Latin American and Mexican culture. Days witness more and more Chinese, particularly young people show much interest in Latin America and its culture. A number of Chinese young people set their websites and blogs to introduce Latin American culture, share their knowledge of Latin America and upload their recent papers. Therefore, Mexico can create more ways to allow Chinese, especially Chinese youth to know more Mexico, which will contribute much to the future of Sino-Mexican relations.

On the other hand, China and Mexico should learn from each other, in which scholars can do more. In the past two or three decades, both China and Mexico carry out a series of political, economic and social reforms and implement open-up policy. Up to now, the course of reform and open-up still goes on. Both countries may have their own experience and lessons to share. I propose Chinese and Mexican governments take the initiative to offer financial aid to facilitate scholar exchanges and information exchanges. No doubt, the National Autonomous University of Mexico (UNAM) is making a good running. This international seminar covers wide by which Chinese and Mexican scholars can discuss on how to further advance Sino-Mexican relations and on what experience of reforms to be exchanged and what lessons to be drawn. We will in turn try our best to sponsor another seminar and initiate more cooperative researches.

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