

An Analysis of the Barriers and Countermeasures of Sino-Latin American Economic and Trade Cooperation

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Abstract: Since the 21st Century, China has become increasingly closely related to Latin American countries, and economic and trade cooperation has also increased rapidly. However, there exist various barriers in the process of cooperation between the two sides. Based on the data and descriptive statistics concerning economic and trade cooperation, this paper analyzes barriers, propose countermeasures, and the prospects of the future relationship between China and Latin America.

Keywords: Sino-Latin America; the economic and trade cooperation; barrier factors; solutions and countermeasures; prospect.

INTRODUCTION

With the deepening of economic globalization and the degree of openness, the relationship between China and Latin America has enhanced and made a qualitative leap. With the establishment of bilateral trade relations and the opening of the free trade area, the mutual economic relations between China and Latin America cannot be ignored.

There are two notable features in the development of Sino-Latin relations: First, the development shows a leaping feature, which is not only reflected in the growth of trade volume, but also in the bilateral relations of China and Latin America; Second, the relationship between China and Latin America is characterized by interdependence, and the past practice has proved that China has created a "Chinese effect" to Latin American countries. Chis Jenkins, a British Latin American scholar, concluded by analyzing the data of 15 bulk commodities: China's demand for primary products continues to rise, stimulating the prosperity of the global bulk commodity market, pushing up the international price of bulk commodities, and playing an important role in increasing the export earnings of Latin American countries [1].

But in recent years, there have been many problems in their economic and trade cooperation, especially the problems caused by the economic slowdown and trade frictions. The relationship between the two sides is now at a stage of multiple contradictions. So both sides need to improve them in various aspects, so as to make the economy of both sides develop harmoniously in mutual promotion and contribute to the their both economy.

The paper is divided into five parts. The first part is the analysis on the relationship between China and Latin America which includes three aspects of politics, culture and economy; The second part is the in-depth analysis on the current trade situation of the two sides through data and charts; The third part is the detailed analysis on the factors that impede the development of their economic and trade cooperation, and then find the problems; The fourth part is the solutions and countermeasures of the problems raised in the third part, to provide strategies for a better development of their cooperation. The final part is the conclusion, the prospect and good hope for their future cooperation.

The Sino-Latin American Current Situation

Since the establishment of People's Republic of China, the relationship between China and Latin America has been deepened, especially since twenty-first century, the relations between the two sides have been steadily developing.

Political Relations

At present, China has established diplomatic relations with 21 Latin American countries. Since 1970s, the relationship between China and Latin America has gradually eased, and China has increasingly close relations with Latin American

countries. Since the 90s of last century, the rapid development of the process of globalization has further drawn the distance between China and Latin American countries. In addition, the active exchange visits between China and Latin American countries have greatly promoted the good cooperative relationship between the organizations of the two regions. In recent years, Chinese leaders have visited Latin America many times. At the same time, more than 30 Latin American heads of state visited China in different periods. The frequent interaction between the leaders of the China and Latin America has promoted the rapid development of the two sides.

Cultural Relations

2016 is the "cultural exchange year of China and Latin America". The cultural activities between China and Latin America are becoming more and more frequent, aiming to expand the influence and affinity of Chinese culture in Latin America by holding a large-scale and high-level exchange activities, at the same time, to introduce some excellent cultures of Latin America to Chinese.

Economic Relations

In the context of the friendly and active cooperation between the two sides, bilateral trade in China and Latin America have developed rapidly over the past 20 years. The close economic and trade exchanges between China and Latin America make both sides an important trading partner. Although the Sino-Latin American trade growth between China and Latin America has been decreasing since 2011, the two sides still maintain the pattern of inter-industry trade, expressed as Latin America exporting raw materials to China and importing industrial manufactured goods from China. At present, China's economic growth is slowing down to a new normal transition stage, which provides opportunities for changing the Sino-Latin American trade pattern and laying a new foundation for expanding and deepening bilateral economic cooperation.

In 2008, the Chinese government issued "China's policy document on Latin America and the Caribbean", and advocated the comprehensive partnership of equality and mutual benefit between China and Latin America. In July 2014, president Xi Jinping successfully had a historic meeting with the leaders of Latin American countries in Brasilia. The two sides jointly announced the establishment of a comprehensive cooperation partnership between China and Latin America with equality, mutual benefit and common development, and the formal establishment of

the Sino-Latin America forum. Thus, the regional multilateral cooperation framework, which is initiated by China, is mainly oriented to the vast majority of developing countries, and has achieved global coverage. In January 2015, the first ministerial meeting of the Sino-Latin American and the community forum of Caribbean countries was held in Beijing. The conference adopted three important documents on the cooperation between China and Latin America, which constituted the policy basis, the programme of action and the guarantee of the mechanism of the Sino-Latin America forum. China and Latin America, the two most important developing economies in the world, have stepped forward into a new era of overall cooperation [2].

The Current Situation of Sino-Latin American Economic and Trade Cooperation

Causes of Cooperation

Sino-Latin American economic and trade cooperation originates from complementary advantages and win-win cooperation between the two sides. From the strategic position of Latin America to China, Latin American resources are rich and the market has broad prospects, which has a powerful role in the development of China's export-oriented economy. As we all know, Latin America is rich in soy, corn, coffee, beef, wool and other agricultural and livestock products, coastal and freshwater fisheries are also very rich. At the same time, Latin America is more rich in copper, iron, aluminum, coal and other mineral resources, providing China with the source of resources supply. In addition, 600 million of the population and the higher level in developing countries have also provided China with a broad market for export sales [3].

On the other hand, with the rapid development of China's economy and the gradual globalization of Latin American economy, Latin America needs a larger market for commodity sales, and China with a large population, will also have bigger demand. However, the Latin American economy is in the process of development, facing the difficult problem of upgrading the industrial structure, while China's relatively perfect industrial structure can provide technical support and experience for them. And also the large scale of China's economy, the large amount of foreign exchange reserves and the rapid development of the financial sector can provide abundant financial support for the Latin American countries, accordingly to solve the problems of the decline in trade financing and the lack of funds for infrastructure constructions, which the Latin American countries may confront in the process of economic development.

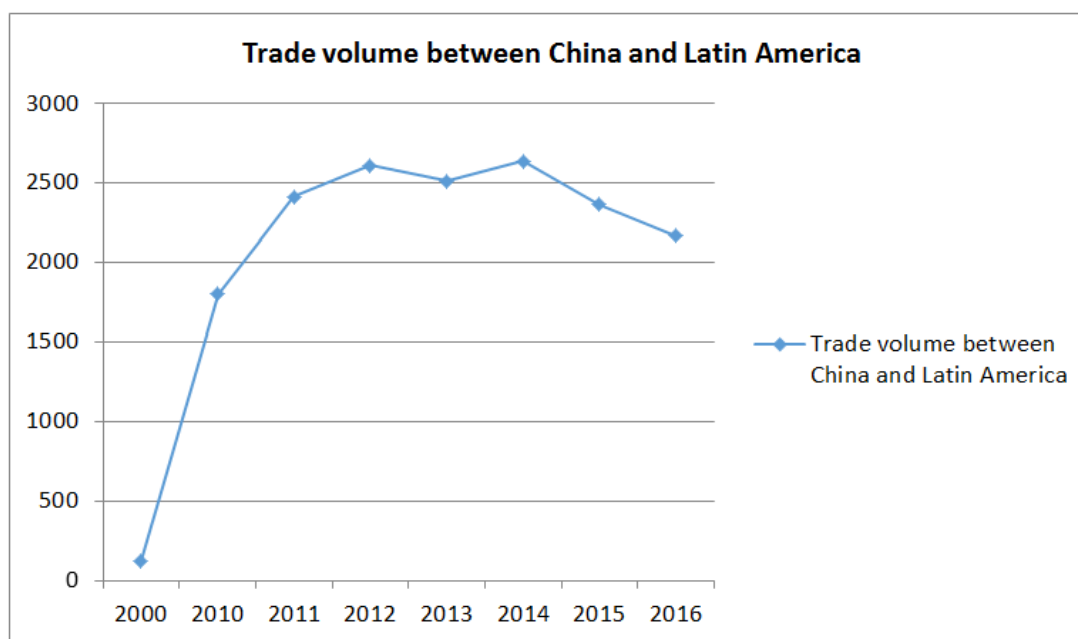


Fig-1: Trade Volume between China and Latin America

The figure shows that the scale of trade between China and Latin America has risen sharply in the new century, and the total trade volume in 2016 was 16 times higher than that in 2000. The two sides have always maintained good trade relations, and China has become the second largest trading partner of Latin America only after the US. In addition, China's investment in Latin America has increased rapidly after the 2008 financial crisis. In 2010, the investment flow of China to Latin America was over 14 billion 540 million US dollars, up 43.8% from the same period, accounting for 15.3% of the total foreign direct investment flow in China. In stock, the total amount in 2010 reached 43 billion 880 million US dollars, accounting for 13.8% of the total stock of China's foreign direct investment in the year. Latin America has now become the second largest region of China's foreign direct investment, second only to Asia [4].

But it can also be seen from the figure that the total trade volume between China and Latin America has been declining in recent years, because China's economy has shifted from high speed to medium and high speed growth in recent years, and the Latin American economy has also been stagnant for two years. Influenced by many factors, such as the weakness of the global economic recovery, the sustained downturn in commodity prices, the turbulence in the international financial market, and the instability of the political and political situation in some Latin American countries, Latin America has a bottleneck in its own development and lack of social demand. Thus, it can be seen that the trade relations between China and Latin America have come into problem and need to be solved urgently.

Barriers to Sino-Latin American Cooperation

The Sino- Latin American economic and trade cooperation is facing many challenges, and there are many Barriers.

Sino-Latin American Industrial Adjustment

The economy of China and Latin American countries has entered the industrial adjustment period in the past three years. There are structural problems in China's economy, while Latin America has entered the period of economic transformation, the growth rate of both sides has slowed down. China has entered a stage of "New Normal" and suspended the high growth model. The growth rate of GDP in 2014 and 2015 was 7.4% and 6.9% respectively. China continues to optimize the economic structure, proposed the supply-side reform, internet plus and other ideas of developing innovation industry and service industry, and reduced the demand for commodities such as mineral resources in Latin America. The fall in prices of commodities and agricultural products cut the export earnings of a large number of Latin American countries, at the same time, the domestic economic situation in Latin America is bad, Brazil is in a "stagflation" crisis, whose economic recession continues to worsen, and the positive economic activity weakened rapidly; The sharp drop in oil prices in Venezuela has reduced the income of its major financial sources and directly affected the total value of GDP. In addition, the Latin American countries are also faced with the problem of malignant inflation and a large number of unemployment. All these factors have adverse effects on the Sino-Latin American economic and trade cooperation.

Increased Trade Frictions

While the scale of the trade between China and Latin America is increasing, the frictions between the two sides are growing, and the phenomenon of anti-dumping is particularly serious. Due to the low price of Chinese products and the increase of export volume, China has got an increasing number of anti-dumping investigations by Latin American countries, and Latin America becomes one of the key areas to launch anti-dumping against China. Over the years, Latin American countries have continued to launch a number of anti-dumping, security or special security investigations on China, and even finally adopted severe punitive measures. Meanwhile, the trade frictions between China and Latin America involve a growing range of countries and commodities, many Latin American countries, including Mexico, have taken anti-dumping, safeguards and special safeguards to China, and the number of countries carrying out trade relief in China has been expanded from 1 to 11, with more than 7000 kinds of products including clothing, daily necessities and industrial products. Some Latin American countries even took various trade remedy measures such as customs valuation, minimum price, export certification and so on, trying to reduce Chinese products entering the Latin American market. All these actions have led to the deterioration of the terms of trade between China and Latin America, which is not conducive to friendly and cooperative exchanges between the two sides.

The Imbalance of the Sino-Latin American Trade Structure

Since China and Latin American have carried out trade cooperation, most Latin American countries have a long-term trade deficit with China. Only three South American countries, Chile, Brazil and Venezuela, gained trade surplus with China in 2014 for export of raw materials. For other countries, the trade deficit is more obvious. For example, since 2003, the trade between Mexico and China has maintained a large deficit, and in 2014, Mexican trade deficit to China accounted for 77% of the total trade deficit of Latin America. The Latin American trade deficit shows that its trade is at a disadvantage, the total import trade is more than that of the export trade, the capital outflows and the sales volume of domestic products are decreasing, which is not conducive to the sound economic development of the country. Being in a disadvantaged position for a long time may strike the enthusiasm of the Latin American countries to cooperate with China, which is not favorable to maintaining a good economic and trade relations between the two sides.

"Interference" of the United State

As the "backyard" of the United States, Latin America is bound to be disturbed by the United States in the process of Sino-Latin American economic and trade cooperation. The United States believes that China's active cooperation with Latin America is an

attempt to infiltrate the back yard of the United States, which is not advantageous to the development of Sino-US relations. Therefore, the United States has taken measures to combat Sino-Latin American cooperation. In the trans Pacific Partnership Agreement (TPP) led by the United States, Chile, Brazil and other Latin American countries are in the column, while China did not join, which can be considered that a list of Latin American countries stand in the United States in a certain sense, and their economic activities are interfered by the United States, which is harmful to China.

Countermeasures to Deal with those Barriers

Sino-Latin American cooperation is a model of "South to South cooperation", but the above four aspects have great resistance to their cooperations. This means that when China is dealing with Latin American relations, it should not stick to stereotypes, but adapt to the new situation and solve problems with new structure.

Developing and Innovating the Mode of Cooperation

In the cooperation of China and Latin America, the both sides should make new contributions to the "South to South cooperation" by means of innovative cooperation. As the main body of the subject, it is necessary to improve the attention and participation of both sides. The first ministerial meeting of Sino-Latin American Forum established a timely cooperative mechanism, in which China and Latin America have pledged to develop cooperation beyond trade and promote the link between production and technology. In the process of cooperation, the both sides should organize technology and industry forums to promote exchanges and cooperation in technology, expertise and capabilities, strengthen participation of private companies and non-governmental organizations, improve social participation and deepen bilateral cooperation.

Combining with Latin American Market Demand

The capacity cooperation between China and Latin America needs to meet the demands of Latin American countries and build three major channels of logistics, electricity and information; follow the law of the market and carry out a cooperative mode of cooperation between the three enterprises, the society and the government; and center on the Sino-Latin American cooperation project, expanding the three financing channels of fund, credit and insurance. Only to meet the needs of Latin American countries, the products can be maximally accepted by the Latin American market.

Focus on Sustainable Development

To maintain a sustainable development, the both sides should try their best to reduce trade friction and strengthen exchanges between the two sides, in order to avoid Latin American predatory prejudice

against China; reduce the similar products trade and the Latin American trade deficit by improving the trade structure; and increase the export of Latin American high value-added products, manufactured goods and agricultural products, to promote the healthy development of bilateral economic relations.

Using Tools that Can Support Sino-Latin American Cooperation

The above tools include: Sino-Latin cooperation fund, Sino-Latin Special fund for agricultural cooperation, preferential loans to Latin American and Caribbean countries, Sino-Latin special loans for infrastructure and Sino-Latin production capacity cooperative investment fund. These tools can provide funds and loans for the development of Sino-Latin American economy, solve the problems of bilateral economic development, strengthen economic ties between China and Latin America, encourage free competition in the economic process, and promote Latin American cooperation in the market.

Strengthening the Sino-Latin Cultural Exchanges

Strengthening cultural exchange is to improve China's soft power. The Chinese media should insist on the strategy of "come out and bring in", using Confucius colleges to spread Chinese culture and set up a new image of China in Latin America. At the same time, the both sides should strengthen the cooperation opportunities of cultural performance, exchange and language learning, to cultivate the deep friendship of the Chinese and Latin American people.

In addition to the above countermeasures, China should also respond positively to the United States in order to reduce its threat

CONCLUSION

The cooperations between China and Latin America countries have further reached both the political and cultural aspects except of the economic and trade area, and achieved good results. Both Latin American countries and China are now in the period of economic transformation and industrial structure upgrading, and they all want to seek a way of development adapted to their own national conditions. Although this process will be long, both sides will develop well and quickly under the context of economic globalization and technological revolution. The steady economic growth trend and the growth of residents' income will create more powerful conditions for the economic and trade cooperation between the two sides.

In a word, although the Sino-Latin American cooperation has gradually discovered the issue of trade frictions and development inequalities since twenty-first century, the opportunities for Sino-Latin economic and trade cooperation are still greater than the challenges, under the background of the overall adjustment of China's diplomatic strategy and the rapid and stable

development of Sino-Latin American relations. It is believed that the cooperation relationship between the two sides will move towards a more compact era.

End note

- [1] Chis Jenkins, "the Chinese effect" of commodity prices and Latin American export benefits
- [2] http://news.xinhuanet.com/ziliao/2015-05/18/c_127813443.htm
- [3] Hao Liang, Analysis on Sino-Latin American relations, Page 1.
- [4] Biliang Hu, The Pacific and Latin American centuries, Page 3.

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