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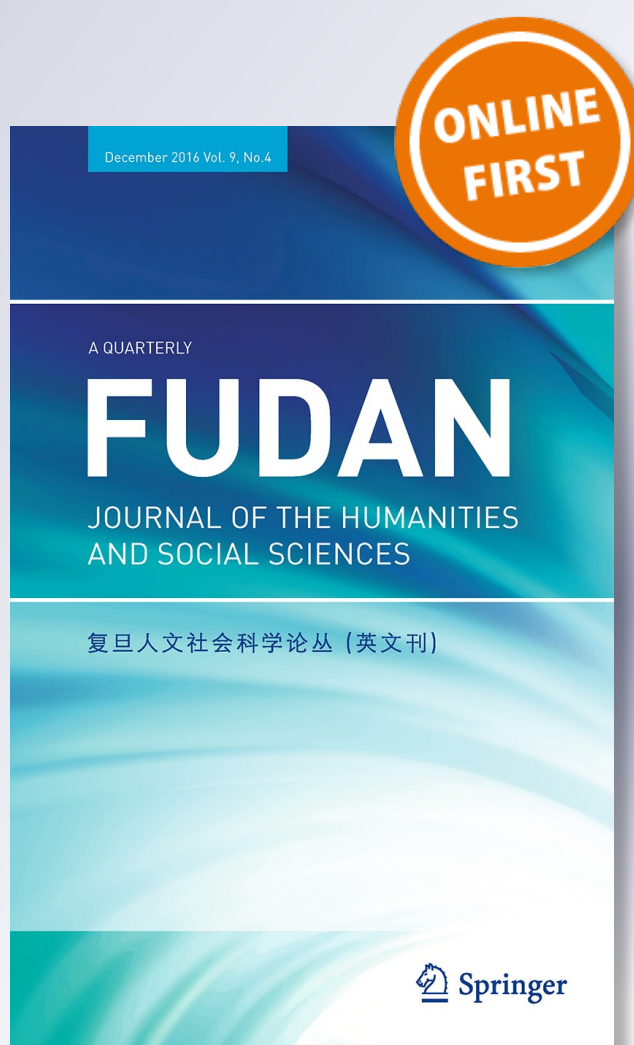
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Chinese Economic Development Policies as an Example for Mexico: The One-Belt-One-Road Program

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Abstract The purpose of this article is to analyze China's economic development policies of the last few years from the viewpoint of some Mexican actors (businesspeople, public officials, and scholars) who live and work in China. The idea is to learn from these policies and perhaps transfer the best practices to Mexico through horizontal international cooperation, with the hope of contributing to Mexico's growth and development, based on its reality. We put forward that there are international circumstances that could bring this about, thanks to sudden changes on the global scenario. Finally, the article highlights the importance of fostering, understanding, and deepening bilateral relations between Mexico and China.

Keywords Public policies · Mexico · China · Cooperation · International

1 Introduction

Latin America and Mexico must consider efforts by the Chinese government to set up a 60-country economic development mechanism in Central Asia, Europe, and Asia. The so-called one belt, one road project, which seeks to rescue the ancient silk route, by land and by sea, is the path the Chinese government is following. It is doing so through an ambitious modernization and infrastructure-creation plan to be created with international economic cooperation; it seeks to create better levels of connectivity and economic growth and development in the regions where it will be

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put into place. When the Chinese president Xi Jinping visited Central and Southeast Asia in September and October 2013, he announced, together with other nations, the creation of the “21st Century Silk Route and Economic Silk Sea Route,” known today as the Belt and Road Project. As we have noted, it is a systematic undertaking with other players, bringing together the interests of all participating nations. We should note that the Chinese believe that efforts must be made to bring together the development strategies of all the Belt and Road countries (RDCY 2016, p. 346).

We should then ask ourselves why this project would be important for Latin America, particularly for Mexico. We should consider that it is important to rescue or adopt successful public policies that have helped some so-called developing or lagging countries to develop. Ugo Pipitone (1994) did a country-by-country revision and a comparative analysis of the history of the recent development of eight nations, four of which managed to catch up (Denmark, Sweden, Japan, and Italy) and four of which did not (Brazil, India, Nigeria, and Mexico). The author shows that even though there is no general formula for each country because each has its own reality, there are successful cases of public policy that have set some nations on the path to development and that could serve as lessons. Pipitone refers to a series of educational, agrarian, industrial, and political reforms, but the study was done more than 22 years ago. Many things have changed since then.

It is very important to study the Chinese Economic Development Policies as an example for Mexico, particularly the One Belt, One Road program. The purpose of this article is to offer different perspectives on a country that has undergone an incredible economic transformation over the last few years, as the international financial community fully accepts, such as the International Monetary Fund (IMF), which recently accepted the yuan as a freely convertible currency (the dollar, the euro, the yen, and the pound are the others).

It is obvious that we have a lot to learn from the Chinese experience with development policies, but what? Would they work in our country with its unique history, so different from Chinese history? There are so many questions we could ask. This text could be full of these questions, but we are sure that the Chinese experience could serve as an example for Mexicans to draw a path to follow to reach our national goals. These goals are more than clear: to comply with the rule of law, to reduce poverty, to achieve greater economic and political equality, to see economic growth and development, to reach national reconciliation, and to have a strong, effective democracy.

The main objective of this text is to describe and show as clearly as possible the Chinese success story in hopes that Mexico will analyze it, so that we can take as a base our own reality and abilities and follow a path toward a prosperous nation, one where peace, social justice, and equality prosper in every sense and become a reality for all Mexicans. We hope to follow the example of the “OBOR” economic policy for international cooperation. None of this is possible if we do not start with two aspects: economic prosperity and political will.

Regarding political will, we consider the liberal–idealist theory or interpretation of international aid. Liberal–idealist authors recognize the power of egoism and the destructive aspects of human nature, but they do not accept the realist conclusion; on the contrary, they believe that morality is possible in international relations. They

also believe that we all have the same guarantees in the world. To them, the realist notion of state relations ignores cooperation and works as a mechanism that perpetuates conflict (Lumsdaine 1993).

One of the most representative authors of this line of thought is David Halloran Lumsdaine, who argues that international aid cannot be based solely on the economic and political interests of donor countries. Lumsdaine believes that the evolution of international aid programs shows the humanitarian and egalitarian principles of donor countries; he also sustains that the basis for international order lies in the fact that states have the opportunity to work effectively toward peace and prosperity. The liberal-idealists are convinced that the governments of developed countries are obligated to aid developing countries. We should mention that they criticize the quality of international aid and sustain that it should be improved. They condemn the transfer of aid to elites, to landowners, and to groups that qualify only marginally, because they are not precisely less developed and are not the ones who should receive aid (Lumsdaine 1993, p. 30).

Our research assumes that “accumulated experience in successful public policies in the People’s Republic of China over the last few years could be part of a new dynamic in relations between China and Mexico. It could be framed by new types of international cooperation, where China’s one-belt, one-road strategy is being carried out and could act as a frame of reference that could strengthen bilateral cooperation through the transfer of good practices of public policies that, adjusted to the Mexican reality, would work to trigger growth and development in Mexico. This growth would in turn be the spearhead for a new strategy of improved relations between the two countries and for fostering diversification in the country’s economic and diplomatic relations.”

2 The Importance of Economic Relations Between Mexico and China

February 14, 1972, is a historic moment for both nations, because it was when China and Mexico established diplomatic relations. Since then, many people have noted that this step has strengthened and balanced development in both countries. The leaders of both nations have visited the other several times, and in 1993, the Political Consulting Mechanism was set up between the Mexican and Chinese chancellors. The Chinese prime minister Wen Jiabao and the Mexican president Vicente Fox Quesada announced in 2003 the establishment of the Strategic Association between the two countries, and in August 2004, the Permanent Binational Commission was set up. Its third meeting was held in Beijing in 2008. The Mexican president Felipe Calderón Hinojosa traveled to China in July 2008 and, together with his Chinese counterpart Hu Jintao, agreed to celebrate the Strategic Dialogue between the two countries. In August 2009, the Chinese vice chancellor Li Jinzhang visited Mexico and, together with his Mexican counterpart Lourdes Aranda—the undersecretary of Foreign Relations—held the first Strategic Dialog Meeting. President Enrique Peña Nieto continued strengthening this policy, and in 2013, the relationship was relaunched as “strategic.”

China and Mexico cooperate equally in coordinating and supporting mutually multilateral fora (including the UN, G5, G20, APEC, and others), to contribute to the creation of a new political and economic world order and to search for solutions to global issues. Let us not forget that Mexico voted for China to be included as an observer at the Organization of American States (OAS) and COPA and supported its joining the Inter-American Development Bank (IDB). Mexico has become China's second-largest trade partner in Latin America and the main destination for Chinese exports in the region.

China and Mexico made a binational agreement on China's admittance to the World Trade Organization (WTO) in September 2001, where Mexico agreed to lift antidumping measures that violated the binding rules of the WTO for the next six years. Both countries also signed the Agreement on Trade Compensation Measures in June 2008, when Mexico once again agreed to lift compensation measures against Chinese products in 2012. According to the Ministry of the Economy, in 2015, bilateral trade reached US \$74.8 billion, including US \$4.8 billion in exports and US \$69.98 billion in Mexican imports, for a deficit of US \$65 billion for Mexico. China exports mainly computers and communications equipment, clothing, television sets, and radios, as well as data processing equipment accessories, and it imports electronic products, integrated circuits, and microelectronic modules.

These data show the exact size of trade between the two countries, as well as an opportunity to do business, as annually there is a high amount of investment. Today, Mexico is one of the main destinations for Chinese investment in Latin America. As can be seen, China sees Mexico as a potential investment field that it can tap into to have access to products through Mexico's free-trade agreements with other countries, under a trade triangulation format. We also must not forget that Mexico has 24 APPRIS¹ that offer preferential conditions and protection in reciprocal investment, and in 2016, Mexico hopes to reduce the risk of national expropriations to create compensation at market value.

Challenges include the growing trade disparity with China, which Mexico has earned with the USA. Evidently, it is a tough situation for Mexico, because it was the US second-largest trading partner, so as we can see, it is important not only to build relations with China but also to recover and strengthen those that we have lost with our traditional trade partners. We should point out that China's economic dynamism has placed it as the world's second-largest economy. Eugenio Anguiano talks of a sustained growth rate of 9.7% from 2000 to 2015 (Anguiano 2016).

It is clear that we have been losing the competition with China, so it is important for Mexico to set up and maintain a clear, responsible, strategic economic policy with China that will last throughout several administrations, because that creates the sought-after long-term consistency and trade confidence.

¹ APPRIS: They are international foreign investment treaties signed between states to foster capital flows and offer investors from both countries judicial security. These treaties are also an effective means to diversify the origin of foreign direct investment flows to the national territory, making the opening up policy efficient and non-discriminatory regarding investments. The main APPRIS are linked to investment treatment (national most favored nation treatment), transfers, expropriation and indemnization, and controversy-solving mechanisms. From <http://americaeconomica.com/portada/leyes/mexico.htm#3>.

Mexico would benefit from creating a historical analysis that allows the country to identify the internal and external factors that have kept it from adequate development of trade relations with the region, and then from seeking and maintaining cooperation, management, and acquisition agreements for new businesses not only in China but also in neighboring countries with huge potential on the continent, such as Japan, Taiwan, Singapore, South Korea, and Malaysia, to name a few.

Mexico must get China to look at us again, and we cannot do so until our country redefines scenarios in which it takes on a dynamic, diversified role, leaving behind the idea that Mexico is a stepping stone to the USA for the idea that our country is an economic anchor for exporting not only Chinese goods but also capital and technological transfer, where bilateral sectorial integration will have to play an important role.

The key to all of this lies in finding a way for Mexico and its investors to compete on the regional Asia–Pacific scene, specifically in China, where there would be training, market power, and cost and localization advantages.

We must not forget that the need to insert itself into the international economy was the solid strategy China used to strengthen its development model. That is what our country should do, giving priority to the conditions that meet with national interests. To do so, Mexico must focus and redesign its financial systems, support the development and competitiveness of its industry, and support quality academic preparation.

To conclude, we think there is a need to link national policies to: (a) state efforts and needs and (b) sectorial policies in sectors such as energy, petrochemicals, agribusiness, and electronics. From here an interesting basis of pro-growth cooperation and collaboration and shared economic development could be taken.

3 The Chinese Economic Miracle, Pragmatism, or Planning: A Mexican Viewpoint from Inside of China

In this section, we shall analyze the public policies introduced by the Chinese government four decades ago that led the country down a path toward sustained, two-digit economic growth and development, today in the single digits (Anguiano 2016, p. 15). At the same time, through testimonies by successful Mexicans living in China, we will offer a proactive outlook on China's experience and on transferring the best Chinese public policies. Furthermore, it offers national development and reconstruction options, specifically in the socioeconomic makeup of the country, locked in a series of contradictions that exist today. We will take the theory of interdependency between nations to sustain the need for international cooperation to develop a horizontal perspective of this cooperation.

According to the Chinese government, in 2016, the economy will grow at a rate of approximately 6.5% (The Economist 2016). We take on the assumption that, "Some Chinese public policies, especially the economic ones, could be considered an example to create a solid, long-term, cross-administrative National Development Plan inspired by the Chinese five-year plans, without forgetting about the Mexican

perspective and reality or the experience of these plans in the history of receiving administrations in Mexico.”

The architecture of what we call today the Chinese model was the result of a series of reforms introduced by Deng Xiaoping, who, with a much more moderate policy, began to de-Maoize the country. Basically, three structural changes were fostered: (1) the dismantling of popular communes; (2) the opening-up to foreign capital—the creation of mixed businesses; and (3) the installation of multinationals, with government consent. In 1993, the experiment was called a “socialist market economy,” and in 1999, the Constitution was modified to recognize private property as the foundation for development.

All of this has brought about a profound change in daily life and, with it, many challenges for a country that at the end of 2015 had approximately 1,374,620,000 inhabitants. One change is property ownership. Each family has the right to own property for 70 years, and then the state again becomes the owner. Conflict is on the horizon, especially when 2019 marks precisely 70 years from the triumph of the communist revolution. The economic development and growth have led policies from the 1970s to be overturned or reinterpreted, such as the one-child policy (The Economist 2016). Today, Chinese couples can have two children. There has also been a lot of social mobility. The middle, upper-middle, and upper classes (approximately 200 million Chinese) did not exist 30 years ago (The Economist 2016).

Taking this into account, our task is to go over four aspects, the so-called transition of the political economy of the Mao Zedong era to the Deng Xiaoping era; the international circumstances that allowed for the change; the Chinese model of control vs the vital domestic market to make the model work; and the exporting of capital along with the promotion of the export and import substitution models. We feel that the combination of these four factors contributed to the economic growth and development that today ranks China as the second-largest economy in the world.

According to Héctor Larios, “from 1978 until the 2000s, China conceptualized three important measures for progress. The first was set up in the agrarian sector, with dual prices, some set by the market and others by the state; in the industrial sector, they worked on attracting foreign direct investment (FDI) and in urbanization processes related to earlier policies. In other words, they took on liberal measures. The second measure allowed for the importing of foreign goods, to strengthen and development industry. This measure was complemented by attracting FDI and the new role of the Chinese financial sector, which led to an open-door policy. Lastly, China introduced specific geographic areas divided into special economies, geared toward the free market and exports, the development of cutting-edge technology industries that were free of customs duties, which we know in Mexico as ‘Special Economic Zones’” (Larios 2016, p. 10).

Regarding China’s public policies, Alejandro Javier Salas Montelongo,² ProMéxico’s trade advisor in Shanghai, noted in an interview that, “Shanghai is one of this country’s most dynamic cities. It could be considered the beachhead for

² Interview in the ProMéxico offices in Shanghai, September 26, 2016.

Mexico's trade interests here. There are many lifestyles; it can be both passionate and overwhelming. In the end, we are talking about more than 1.35 billion inhabitants. It's the most populated country in the world. According to several international agencies, by 2050, it will be the country with the most powerful Gross Domestic Product (GDP) in the world. That's where we're headed. How does China seem to me? Unstoppable. I work fostering investment between Mexico and China, and it's very dynamic and progressive. We've seen a continuous investment flow, especially in the auto and auto parts industry. We've also seen more trade in fresh foodstuffs, especially avocado, which is growing at an annual rate of 300%. Avocado is very well accepted, as this trend shows, so we think the trade relation with China is prospering. It's a young relationship that's becoming stronger and stronger."

With regard to the most important factor that has helped China develop economically in recent years, he mentioned that, "The economic model has been very important, the five-year plans, and the orientation the government has given it. In this economy, the state sets the guidelines to be followed. The most-recent example is this new policy called 'OBOR,' where the Chinese government sets a strategy to move outward, using as an example the ancient silk route. The state has promoted and strengthened several state-run businesses, which, thanks to the reforms in the 1970s and 1980s, are successful today. That's why the economic or business class is very young and grew up with this state model. The result we've seen is the emergence of a second generation of private businesspeople geared toward specific industries and in some ways, more autonomous from the state guidelines. In the 1970s, Deng Xiaoping took the helm; in fact, he is affectionately called the little helmsman. He influenced the change of direction, leaving behind the orthodoxy of a pure communist state to move toward an opening to the outside world, detecting its strengths and the need to create infrastructure to sustain this large of a population. It's important to have strong industries so that people have jobs. Forty years ago, the economy was sustained by a rural context, and this changed to technification with the development of secondary and tertiary sectors (services). The sheer size of the economy demands technification."

I then asked him if he thought the successful Chinese public policies could be exported to Mexico, and he replied, "You can't just transfer or copy and paste a Chinese or Asian public policy in Mexico. That's utopian. Our government structures are very different. Mexico doesn't have a dominating party with a national assembly. We are in a different type of context. I can say that it depends on the economic history we're discussing. For example, if you ask me what would be good for Mexico under the structural reforms that were approved there, I could say that Mexico has to foster the demand for infrastructure that has been a priority in China. We have lot to learn from China here. They have created very quickly a link between all the cities in the country, especially the coastal ones, with plans of extending it to the rest of the country. The economy is set up that way to create the arteries and veins through which the economy's blood and nutrients will flow. I think it's important to learn from this experience, more than just wanting to copy its model for trains or airports. We have to be very honest and efficient. We must ask ourselves why we want it, if we do want to import it. It makes no sense to build 30

airports in Mexico, where you have small cities, and they don't need to be the size of the Shanghai Airport. Not like that. Everything has to fit with reality, our reality."

Finally, he talked about the feasibility of exporting the Chinese model to Mexico. "I think what China is doing is very interesting. It's not even an economic or political model but rather a strategy to direct its industries' efforts. We mentioned the 'one belt, one road' project. I don't think it would be good to follow the same strategy, but we could follow a united national path. That would be very good. We had NAFTA 22 years ago, which our industry initially resisted, and in the end, we saw positive outcomes. It has given us a new business culture and made many of our products more competitive, and it freed us from our dependence on the oil industry. These types of strategies could be studied and analyzed. A trade strategy with Asia could be like the Galleon of Manila, in this case the Chinese economic Galleon, and from there we could move to other nations in the region. Lastly, I think there is another strategy that could be important for us. I'm talking about *Made in China 2025*. The world sees a product made in China as a bad product, pirated, poorly made. The Chinese are working so that in 2025, Chinese products will be synonymous with reliability and quality. These types of strategies could be taken as an example to optimize Mexico's production."

Seeking out even more information, I talked with two businessmen living in Shanghai. They help not only Mexican but also Colombian and US businesses to penetrate the Chinese market. They also co-created a training program for Mexican businesspeople interested in Asia.

Diego and Eduardo³ said that China gave them an opportunity, even though they got there late. They set up their first business in 2010, when China was already developed. "China has opened a world of possibilities for us, and I think Mexico and Mexican businesses don't really tap into it. Mexico tends only to import Chinese products, which is the easiest form of foreign trade, but not the other way around; it doesn't seek out markets in China for Mexican products. China is a completely different country from Mexico. Everything is handled differently, like the work and business culture. Besides, we have to add in the global context. You can work with people from all over the world, Chinese, Russians, Latin Americans, North Americans, Europeans, Asians, etc."

I appreciated how easily our conversation flowed and asked them about the factor that had contributed to these rapid changes that they had mentioned. Eduardo noted that there are very special points. "One of them is the Chinese political structure. It makes them more effective for decision making and the strategy where they invest resources to boost development, which I think leads to faster economic growth. Another point I think has to do with how the Chinese act, the weight of their culture. Their Confucian bases are important, along with their nationalism and their pride in their nation. I think this helps them move forward most of the time. That same pride allows them to overcome the obstacles that China has faced throughout its history. These two aspects are fundamental. It's also important to consider the context and circumstances of the last ten years. Another point worth mentioning is when they

³ The interview was held on September 29, 2016, in the offices of the Tec de Monterrey in Shanghai, China.

became members of the World Trade Organization (WTO). From that moment on, they experienced incredible economic growth. I think the Chinese have faith in themselves, but that made it even stronger. They followed the rules of world trade and won the international community's trust.

Diego added that, "China's development is due to its dual system, having both capitalism and communism. Every day Chinese consumption is growing, but communism is still there. We see it when the government intervenes. It simply does what it thinks it should. Everyone follows the rules and does what they have to do without protesting. That's good. I would add the importance of remembering history. The Chinese keep alive in their memory the hardships they experienced just a few decades ago. I'm including the period after the triumph of the communists, the Cultural Revolution and what it meant. Most don't want to go through that again. They want to continue to develop and grow. I'll never forget when we got here in 2010. They stopped us on the street and thanked us for coming. There weren't as many foreigners back then. At the same time, I think their sense of organization has really helped them. They don't break out of the mold, and that allows them to have what we see now: respect for institutions and for authority in general. The system is schematic, and I think that helps."

Regarding the Chinese government's role in the change, Diego noted that, "At first the five-year plans helped, but every five years they analyzed them, and if a change was needed, they made one. It's not just the need for a long-term plan but to adapt it to the situation at the time. That and industrial planning through clusters supported by government advantages and aid was decisive. Slowly, the clusters drove development.

On this point, Eduardo noted that, "They have been very accurate in their economic policy. Since they opened up to the world, they've known what the key industries are, the ones they were going to support or privatize so that they could develop better, taking into account the competition. That's why we see that the coast is more developed. It was a competitive-advantage strategy that allowed for port access. Each part has its function. Everything in China has one: Shanghai, Beijing, and other strategic cities. Nothing is left to chance. They organized the economic structure. That, along with their organizational base, came together and led to the success we see today. Going back to authority, if the authority says something, people do it."

Regarding successful public policies and the feasibility of exporting them to Mexico, Eduardo answered that, "It's a complex question. Some of them could work. One has to do with punishment for corruption. There's another one where Chinese tourists respect the places they visit, but the model in and of itself, I don't think it can be exported. It's different, beginning with the culture, and it wouldn't work in another country. Maybe a possibility would be aspiring for the common good like they do, but certain policies are only for China."

Diego added that, "The model is not 100% exportable, but some parts can be exported. Respect for the legal framework and controlling and punishing corruption. Here, punishment is non-negotiable. If someone harmed the people's interest, he or she is punished. There's no flexibility, like in the West. So, the government is signing extradition agreements with many countries to bring back the offenders."

Regarding the Mexico–China relationship, Diego noted that, “Mexico and other countries have seen China as a competitor, so we’ve missed out on a lot of opportunities. We who are in contact with the market can see it. We see a lot of advantages for Mexican businesspeople if they seek out a strategic alliance with China. We have to seek out Chinese–Mexican business alliances. I think that’s the difference in improving the trade relation. There are many sectors, footwear for example. Mexico has the geography and the trade treaty network to re-export (exporting platform) products in a business alliance.”

Eduardo concluded by saying that, “Relations between the two countries have seen a series of setbacks, but that makes for a great opportunity. It’s unexplored territory because there’s been misinformation on both sides; the Chinese don’t know about Mexico and we don’t know about them. There are other Latin American countries who have beaten us, such as Chile and Peru. It’s sad, because if we consider the size of Mexico’s economy and its importance in the region, we should have a greater presence in China. We’re aware that our proximity to the United States is a factor that determines Mexico’s trade with that country, but I think we should see China as an opportunity rather than a threat. We should also realize that in China things are changing very quickly. There are better-educated people every day, with a high, sophisticated purchasing power. We should bring products and services to meet these needs. We should turn toward China and stop putting all our eggs in one basket. We should come to China, find out what it is and tap into the opportunities it offers, such as tourism. It’s a good idea to promote Mexico and its destinations. We can’t just insist on selling them the same thing. Tequila is a good example. We insist on selling it without taking into account that many Chinese people are allergic to alcohol. And others don’t know about it. There are no positioning strategies like the French had. They’ve been holding French wine tastings for 40 years. How many have we held? So, there’s also a niche of opportunity in promoting our products and services as exportable supply and demand. Business is not just buying and selling. It’s a long process, especially in a young market like China. You have to be aware of the advantages and the quality of the product for the Chinese consumer, and I’m sure that the Chinese would buy it.”

Linking these ideas with Elías’,⁴ a Mexican businessman who has been traveling to China constantly for more than 20 years, I found some points in common.

What we see in China, says Elías, comes from the idea of a great leader, Deng Xiaoping, who died, and then Mao Tse-tung didn’t fight against his image but rather immortalized it and strengthened it for the change the country needed. The first opening up was in the south of the country. Something else to consider was the rapprochement between the USA and China at the beginning of the 1970s. At that time, there was an opening. Nixon and Kissinger were visionaries. Several things worked for them. I can point out state control over businesses that at that time were key to development; second, control over the currency, and third, control at that time, because today it’s different, over the exchange rate. Something else that has worked for them is that they understand that the value of currency is completely subjective. When China began to open up, it exported goods at below their real cost,

⁴ The interview was held on October 22, 2016, in Shanghai, China.

but it didn't matter because they started to accumulate currency and dazzled the West, which turned to China to manufacture everything it could, as it was very cheap. Today, China is the US biggest creditor, and it has the biggest investment in US treasury bonds. At the same time, 12 years ago China started to diversify its reserves with other currency such as yens, pounds, euros, and most important, gold.

Who removed the gold standard? Richard Nixon. In the end, gold is the only thing with value, and that's why the Chinese are so careful. That's where today's inflationary problem comes from. There's an excess of liquidity. These aspects are fundamental to understanding China's growth and development, but the Chinese people's work discipline is basic. They aren't afraid of anything. They realized that they could sell what they built, and they industrialized. Let's not forget their past as a country of inventors. They never stop and they never say no when asked to do something. Something else we don't understand about this country is how business is done. It's difficult for us to do it. When we figure it out, we're already involved in a business that may or may not benefit us. The strategic factories I told you about earlier, the steel factories, the printers, the hydroelectric factories, the thermoelectric factories, the coal mines were all controlled by the government and were very important in the design of industrial policy. But that wasn't all. The government realized that besides that, it had to build infrastructure, and so it did. After that, they sold almost everything. Thirty years ago, the government controlled a lot of businesses, but little by little they sold them to the managers or made co-investments. In many cases, they kept from creating monopolies through diversification when selling business stock. They've done very well with that. In other countries, that didn't happen. It led Chinese companies to compete among themselves. That's why when in one place people start to become specialized in some product, it's very likely that the region will turn into an ecosystem for that product. Copying isn't considered something bad, and the government often fosters it so it can produce to export.

I don't think the model can be exported to other countries because of the essence of China's control system. In other places, they would have to break the democratic mold, but it doesn't always work. Take a look at Venezuela or Cuba. As to the country's motto, two systems, I'd like to comment that they left the Western system open in Hong Kong, but they controlled the financial system to create a link with the outside, since the international community didn't recognize Chinese currency as convertible. This has changed recently, as the International Monetary Fund recognized the yuan among its currencies. China is a communist country, where the common good is more important than anything else, but there are no unions. Everything is perfectly defined for firing someone. Nobody is afraid of firing someone who doesn't work out, and people know that if they don't do a good job, they get fired. What's the point? In Mexico, unions harm everyone: the workers, the owners, and the government. The worker loses out the most. In Mexico, it's very expensive to fire someone, and that translates into corruption, and it's a bigger problem.

What we could learn from them is the incredible strength the people have for working; they are very hardworking. They are getting educated and trained. Shanghai is a perfect example. The educational model is worth following. Nothing

is free, and spots in schools and universities are based on merit and quality. Lastly, I think something else we should learn is that they aren't afraid of challenges at school, at work, in business, or anywhere that they have to do something so they can live. They simply aren't afraid and they work hard; weekends and holidays take on another dimension. You've seen that when there's a holiday in the middle of the week, they have to make it up on the weekend. There is also honesty. We have to know what we can and cannot do. Finally, I think there is a lot of opportunity. The Mexican government should be more prone to opening relations with China, who should be an ally. The trade deficit is not the only part of a relationship. Tourism is an option that could balance little by little the relationship, as could some agriculture and livestock products."

Finally, in this part, the vision of Mexico's Ambassador to China, Julián Ventura,⁵ complements and categorizes the bilateral relationship on the following premises.

Embajador Ventura, how does China see Mexico? "Mexico is seen as an increasingly attractive destination for China in Latin America and the Caribbean. Since the establishment of diplomatic relations in 1972, the political relationship has been very solid. In the first three decades of the relation, different cooperation plans were developed in language instruction, for example, but it wasn't until China became a member of the World Trade Organization (WTO) in 2001, that the economic aspect of the relation started to grow significantly. The solid political aspect of the relationship has allowed us to navigate challenges such as China's joining the WTO and international trade flows. Today, we have a mature relationship, which has grown progressively, beyond its political aspect, and that includes a wide-ranging institutional and judicial framework, the dialogue in the United Nations and in fora such as the G20, and several cooperation programs. There is a great interest in our culture and in the opportunities that our economy brings to trade and investment."

Regarding the economic success or Chinese miracle of the last few years and what it means, from your position as Ambassador, what can you tell us and what can we learn from this country in terms of public policies for development in Mexico?

It's difficult to copy the plans from a system so different from ours. One aspect we could use has to do with the fact that they have a culture of strategic planning and its influence on the development of public policies. This is not only the case in China but also in other countries of the region, in differing degrees, such as Japan and the Republic of Korea. The sustained application of this focus has been fundamental to the success of the economic reforms that China started to apply in 1978. It has not been a linear process, nor has it been free of the difficulties inherent in the Chinese political system, but the study of the Chinese experience in strategic planning could be useful for Mexico and other countries.

Regarding a good political relationship, where is the relation with China headed, considering the economic asymmetry seen in the trade deficit we have with them?

⁵ The interview was held on November 3, 2016, at the Mexican Embassy in Beijing, China.

We should keep working harder on political dialogue. It's an important ingredient for the dynamism of the entire relationship. China is an indispensable player for Mexico as an important geopolitical actor and the world's second-largest economy. We are both countries on the Pacific Basin, deeply integrated in the global economy and relevant actors in the main international bodies and fora. China is our second-largest trade partner. There is a significant structural deficit, but the makeup of Chinese exports to Mexico has changed substantially in just under a decade. Today, almost three-fourths of Chinese exports to our country are intermediate goods that help make our manufactured goods more competitive. The other change is that China is our third export market, after the United States and Canada. We export more to China than to Japan, Brazil, Korea, or Germany. We must understand the market, take care of it and cultivate it. A boost in the presence of our products on the Chinese market is one of this administration's priorities, and we're seeing concrete results. In 2015, for example, Mexico was the country that signed the most sanitary protocols with China for access to Mexican agriculture business products. Our tequila, beef, pork, berries, seafood, leaf tobacco, and dairy producers and exporters could find opportunities in the world's main consumer market. We're working to maintain this situation and to support our exporters as well as we can in the development of their strategies for reaching the Chinese market. Our economic relation with China is different than with other Latin American countries. We don't export raw materials. Our main export products are autos and auto parts. The levels of Chinese investment in Mexico, which officially are at no more than 400 million dollars, are much lower than in other countries in the region. There is a potential that has not been sufficiently tapped into and where both governments are working.

Ambassador, can you envision a free-trade agreement with China?

It is not part of the bilateral agenda at this moment. Since the presidents of Mexico and China held their first meetings in 2013, they agreed that the first important task was to build a relationship based on the opportunities behind the strengthening of economic ties. To do so, they agreed first to work together to make it easier for our products to access and be present in the Chinese market, and to create new platforms to ease production investment in Mexico. Today, we have a binational investment fund made up of the sovereign Chinese fund and the Mexican development bank, that has a seed capital of 1.2 billion dollars, administered by the World Bank's International Financial Corporation with the highest governance standards, and which has already made an initial investment of 200 million dollars in a Mexican hydrocarbon business. A subsidiary of the Chinese ICBC bank was also set up, the largest bank in the world in terms of capital. Another characteristic of the economic relation that makes us stand out from other emerging economies in China is investment in China by large Mexican businesses such as GRUMA, BIMBO, Metalsa, Softek, and Interceramic.

Regarding this point and considering current world events, particularly US elections, do you think our country should seek out a system of counterweights in its foreign relations, in this case with China as a political ally?

I don't see it like that. We are a country with the ability to insert itself simultaneously in several global scenarios. The size and weight of our identity as North Americans is undeniable, as is our being a part of Latin America. We can at the same time deepen our insertion in Asia-Pacific, including China, and other regions. They are not exclusive processes and we are well positioned to do so.

Is there anything else you would like to tell us, Mr. Ambassador?

We should see China as an important partner with which we have an increasingly deep and wide relationship. It is in our best national interest to take advantage of where opportunities crisscross, moving beyond the government stage to include all public and private actors who influence the relationship. Our shared traits, including in the economic arena, are more evident than in the past, and we should take advantage of them.

Special Economic Zones in Mexico and Links to the Chinese Model.

On November 27, 2014, Mexico's president Enrique Peña Nieto announced the creation of three Special Economic Zones in the South of Mexico, with the goal of creating an "immediate, comprehensive development strategy that allows us to create formal, well-paid jobs" (Peña Nieto 2016). The zones will be: Lázaro Cárdenas Port, The Inter-Oceanic Industrial Corridor, and the Port of Chiapas. On average, 62% of the population of these states (Chiapas, Guerrero, and Oaxaca) is living in poverty and contributes only 7% to the Gross Domestic Product.



A Special Economic Zone is a specific geographic area, located in a place that has natural and logistical resources that could turn it into a highly productive region. These zones offer an exceptional business environment for attracting investment, creating quality jobs and support programs, improving infrastructure, implementing good customs formats, and offering more fiscal and labor benefits.

According to the President of Mexico and “Moving Mexico,” the goal is to democratize productivity in the region so that citizens in the South can have the same opportunities for progress and wellbeing as the rest of the country. The idea is to close the regional gaps through the creation of new points of industrial development to attract investment, create jobs, develop value chains, trigger a demand for local services, and bring benefits to neighboring populations. These industrial points would support in-depth changes in the regions’ productive structure, by highlighting the presence of high-productivity economic activities. “These zones will offer an exceptional business environment, with fiscal and labor incentives, financial assistance, eased regulations and foreign trade, and quality infrastructure. They will also be the center for programs that make businesses more competitive, through strengthening human capital, promoting innovation, having organized urban development, and creating value chains” (Zamora Torres 2015).

They were way behind in creating these zones due to corruption problems. For the rule of law to work, corruption needs to be stopped and punished. According to the 2014–2015 World Economic Forum Global Competitive Index, the biggest problem in doing business in Mexico is corruption. The Mexican government has taken on the task of legally setting up this program with the Federal Special Economic Zones Law, to establish a political framework and help the zones to develop comprehensively and in an organized manner. “The SEZs will be created through Decrees by the Executive Branch, and the businesses set up within the established perimeter will enjoy the benefits set in the Decrees.”

- Incentives are offered based on productive inclination and initial condition.
- A special customs regimen is set up.
- Planning instruments such as a development plan and a master plan are offered.
- Coordination agreements are set up between the three branches of government.
- A special desk will be created for the three levels of government to make the necessary paperwork and requirements easier to process.
- The Zones set up on public government property will be subject only to federal laws and their jurisdiction (with the Local Congress’ approval).
- The Bill proposed contains protections that will guarantee high transparency standards and accountability throughout each stage of Zone planning and operation.

(President’s Office)

Despite efforts by the Mexican government to deal similarly in exports with other countries, the Chinese government policies are the ones that have been the most relevant in export development and can serve as an example. The Chinese government established better industrial mechanisms to create and update competitive advantages, which allows it to specialize more efficiently within the international division of production and allows its industries to earn international market fees.

The largest cities in China are Beijing, Shanghai, Shan Dung, Chongqing, Taichung, Tai Nan, and Hong Kong (even though it is an independent territory). They represent an advantage for the country because they are all located at strategic

geographic points. They are key sectors in the Chinese economy due to their high level of trade and exports, and to their locations, because they are all coastal cities, which is a competitive advantage for the continent.

In Mexico, meanwhile, the largest cities are Mexico City, Guadalajara, León, Monterrey, Puebla, and Puerto Vallarta. They are important cities for companies, and the business done there is what helps Mexico grow economically.

The importance of the SEZs is their valuable geography that the country can offer in Asia–Pacific trade; Mexico will play a role in agreements such as the Trans-Pacific Partnership (TPP).

This partnership is a trade and investment strategy for Mexico in Asia–Pacific, the region that will register the highest growth over the next 25 years. With the TPP, Mexican products will have access to six markets with which it previously had no trade agreement (Australia, Brunei, Malaysia, New Zealand, and Vietnam) and that make up a market of 155 million potential consumers. Likewise, the treaty strengthens Mexico's production integration with the USA and Canada and deepens the trade relation with strategic partners such as Japan, Chile, and Peru.

4 Final Remarks

Although it is true that China's public policies over the last several years are not a recipe that could be implemented in Mexico exactly as is, they could serve as an example. We could learn and incorporate into our reality some aspects of them. This article invites us to study them as an example, highlighting the following points:

1. The Chinese political model where one party rules does not necessarily mean bureaucracy and obstruction. On the contrary, it plays a role in cohesive aspects and planning and carrying out different projects that lead toward the development of strategic areas to develop the country. Here, the most important lesson is the demythification that state participation in national development highlights the contradictions in management and leads to a worsening of underdevelopment. The Chinese case shows us that multiyear (at least five) strategic planning and a continuous revision of the goals to be reached makes possible a critical route toward development, by aligning and supporting strategic areas in the country.
2. Having two systems (capitalist and communist) that work together and are at the same time opposing forces does not mean failure, at least not in China, and perhaps in other countries that are aiming their economic development strategies in that direction, such as Vietnam. Economic pragmatism is perhaps a viable option for moving away from orthodox ideas, especially when these ideas are created for different realities, and then an attempt is made to export the economic development or growth model.
3. Cultural and social models can equal development strategies and economic growth. Each country must find the parallelisms or cultural aspects that somehow add to rather than take away from development and help them catch up.

4. Putting into practice particular geoeconomic programs (with geopolitical hues) is necessary in the creation of a particular, sovereign route that fits in with each nation's national interest. The Chinese program launched in 2013, OBOR, is one example. By setting up the special economic zones mentioned in this article, Mexico could create a logistical base for trade protection, investment, and infrastructure for Mexican companies in the Caribbean and Central and South America that could very well be called the "Pochteca route," referring to the trade relations the Mexicans had with Mesoamerica before the Spanish colonization.
5. International cooperation for development with horizontal approaches is an option to optimize, transfer, and set forth successful public policy practices. Here, we refer to Lumsdaine, who argues that international aid cannot be based solely on the economic and political interests of donor countries but on the humanitarian and egalitarian principles of the donor countries that could then help create an international order of all states through the sovereign right of countries to choose their own paths toward development and to catch up. At the end of 2016, Mexico was in a critical situation with its main North American partners. The diversification in economic and political relations will be extremely important to finding a counterweight with traditional regional actors or trading partners.
6. Finally, this article leaves open the possibility of continuing with the comparative study of global growth and economic development phenomena. As the interviews included show, there are no recipes or implants of original models to other realities. There are examples to follow to help goals be met strategically, drawn by the government of developing countries to overcome the economic lag and all that it implies: poverty, marginalization, a lack of opportunities in all areas of human development (education, medical services, public services, and food security), and economic sovereignty.

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