



LXIV
SIXTY-FOURTH SESSION



Chinese State Council

Berkeley Model United Nations



Dear Delegates, 亲爱的代表们,

Welcome to Chinese State Council! 我是 Rita Hu 胡小忱。很荣幸可以与我的副主席 Haochen Zhou 周浩琛还有 Lucia Zhang, 一起主持第 64 届 BMUN 的中英双语中国国务院会场。This is the second time BMUN opens a Chinese bilingual committee. It is truly my honor to work with BMUN members and my Vice Chairs to design this committee. In this committee, everyone of you will be representing either a ministry or a state-owned organization. we will debate two current issues in China: Unrest in the West-Xinjiang 新疆问题 and Investment in Latin America. I believe the essence of bilingual committees is not to practice language skills but to experience different ways of thinking influenced by language, culture and many other factors. As you will see in the topic synopsis, I used purely Chinese sources while writing 新疆问题, and my dais and I used mostly English sources for the English topic. If your language ability is allowed, I would highly encourage you to do the same thing while you are researching. You will be amazed by the differences in Chinese and English political discourse. Our Committee blog will be live by the end of January. On the blog, we will first post a language ability questionnaire to get a sense of where everyone's language level is at. Then, I will be posting a short description in both Chinese and English of each ministry and organization you are representing. In addition, Haochen and Lucia will be posting related current event updates. Please feel free to contact us as we are always more than happy to answer your questions.

Now, please allow me to introduce the dais. My name is Rita Hu (胡小忱). I am the Head Chair of BMUN 64's Chinese State Council. I am a third-year UC Berkeley student majoring in psychology and social welfare. I was born and raised in China. And I moved to Marin County, Bay Area several years ago for high school. I have participated in BMUN conference as a delegate and have been serving as a chair for three years now. This year, in addition to being a Head Chair, I am serving as the Under-Secretary-General of External Relations. Outside of school, I am working on an education startup and interning at Berkeley International Office. If you have any questions or concerns, please do not hesitate to email me at external@bmun.org.

In addition to me, our committee has two extremely supportive and smiley Vice Chairs: Lucia Zhang and Haochen Zhou. Lucia Zhang is a first-year intending to study Economics at Berkeley. She did a little bit of Model UN in high school but Berkeley has really been the first in-depth exposure she has had to it. Although New York is on her birth certificate, she grew up in the Chicagoland area so truly. She is a city girl at heart. She is a coffee addict, sushi enthusiast and frequent traveler. Her favorite place to go is Versailles, France (go for the macaroons!) and she hope to return soon. She is excited to explore the intricacies of international relations within the Chinese State Council and is even more excited to meet all of you in March. This Conference is going to be fantastic. See you all soon! You can reach her at lzhang@bmun.org.

Haochen Zhou is a second year in Berkeley majoring in Econ and Statistics/Pre-Business. He is also an international student from China. Haochen has been involved in Model United Nations for five years now. In high school, he was the Secretary General of Shaanxi Model United Nations and held the Ninth Session of Shaanxi Model United Nations. Besides MUN, he is also the Resource Access Director of Associated Students



of the University of California (ASUC). In his free time, he likes listening to music, playing board games and travelling. He is excited to be the Vice Chair for Chinese State Council in BMUN 64 and he cannot wait for the conference. You can reach him at hzhou@bmun.org.

The three of us are really excited about our committee and the creative ideas you all will bring into the debate! Please do not hesitate to reach out to us. See you all on March 4th, 2016 at UC Berkeley!

Go Bears!

Rita Hu
Head Chair of CSC



Introduction

Chinese State Council 中国国务院

The State Council of the People's Republic of China, also called the Central People's Government (中央人民政府), is the highest executive organ of State power. The State council includes a premier, vice-premiers, State councilors, ministers, the auditor-general and the secretary general. The premier of the State council is nominated by the president, reviewed by the National People's Congress (中国人民代表大会) and appointed and removed by the president. Other members of the State Council are nominated by the premier, reviewed by the NPC and appointed and removed by the president. In the State Council, a single term of each office is five years, and incumbents cannot be reappointed after two successive terms.

The State Council is responsible for carrying out the principles and policies of the Communist Party of China as well as the regulations and laws adopted by the NPC, and dealing with such affairs as China's internal politics, diplomacy, national defense, finance, economy, culture and education.

Under the current Constitution, the State Council exercises the power of administrative legislation, the power to submit proposals, the power of administrative leadership, the power of economic management, the power of diplomatic administration, the power of social administration, and other powers granted by the NPC and its Standing Committee.

The Party vs. The State

People's Republic of China is run by the Chinese Communist Party (中国共产党). However, it is still a state. Therefore, it is critical to distinguish the party and the state. In this session, let us look at a couple of core differences including the military (中国人民解放军). Since the State called China is run by the Party, the Party has power over the State. The State Council is actually run by the Communist Party. Although Li, Keqiang



leads the State Council, he cannot act alone without President Xi, Jinping, who leads the Party.

The best example here is China's military system. Although the army's name is The Chinese People's Liberation Army (中国人民解放军). Unlike U.S. military, which serves the people and the State, People's Liberation Army is founded and serves the Party. Xi is the Chairman of the Party and the Commander in Chief of the army. The reason that the army is protecting Chinese people is that the Party is running the State. Therefore in the book *The Party*, McGregor uses Xinjiang as an example. In the case of unrest and terrorist attack in Xinjiang. CSC only has the power to send money, supplies and police (公安) to help the local people (134). CSC has no power to send out armed police (武警) to secure the region (135).

While you are reading the topic synopsis and doing research, please keep in mind the relationship between the party and the state and the limitation of the State Council.

Unrest in the West- Xinjiang

新疆问题

一、新疆维吾尔自治区介绍

新疆，全称新疆维吾尔自治区，古称“西域”，地处欧亚大陆交汇处，以及丝绸之路中段。其特殊的自然地理环境，使它在历史上就成为了各民族迁徙、角逐、定居、交汇和融合的大舞台，也成为了各民族文化交流的大熔炉。新疆早在公元前 60 年，从汉朝在此设置西域都护府其，便是中国自古以来不可分割的一部分。

新疆独特的地理位置、丰富的地理资源、多元的民族文化、使得新疆在中国国内乃至世界格局中都占据着举足轻重的地位。相似的地理环境、相近的自然人文条件，以及诸多的同族同教的跨国界民族，使得中国新疆与中亚国家之间有了个昂为亲密的交往和关系，中国新疆以其特殊的条件代表中国进入了东亚。

1. 新疆独特的地理位置是沟通东西方的要塞



新疆维吾尔自治区位于中国的西北，面积 166 万多平方公里，约占全国陆地总面积的 1/6，是全国陆地面积最大的省区，周边与蒙古、俄罗斯、哈萨克斯坦、吉尔吉斯斯坦、塔吉克斯坦、阿富汗、巴基斯坦、印度 8 个国家接壤。新疆的特殊地理位置使其很早就称为联系东西方关系的交通枢纽，沟通东西方、闻名于世的“丝绸之路”就经过新疆境内。这无疑奠定了新疆在中亚地区的战略地位（吴福环）。

2. 新疆拥有丰富的能源矿产以及直通中亚的石油管道

新疆拥有石油、天然气、煤、油页岩、和铀 5 种能源矿产，其石油、天然气和煤是新疆最具有优势的矿产资源。新疆是中国陆地石油最有远景的地区之一。据预测新疆石油资源量为 300 亿~500 亿吨，占全国陆上石油资源的 30%；天然气资源占全国陆上天然气资源量的 34%。随着新疆石油天然气资源投资开发力度的不断加大，新疆有望成为中国陆上第一大产油地区。

矿产资源的丰富是新疆战略地位突出的一个重要因素，新疆战略地位的重要性，还主要表现在它是中国从中亚进口石油和天然气的重要通道。1997 年 9 月，中国与哈萨克斯坦签署了以开发里海东岸的石油并建设通往中国新疆的输油管道为内容的总额为 95 亿美元的协定。近年来，中国多家石油公司在中亚以勘探开发、炼油化工、管道运输和成品油贸易为带遍的产业链初步形成，并建成了可在中亚石油石油储蓄国开展工作的工程技术服务基地。仅“中石油”在哈萨克斯坦的总投资已达 65 亿美元，成为该公司在国外石油投资和经营活动的重点（张抗）。而中国新疆作为中国向西开放的门户，伴随其经济发展水平的不断提升，在与中亚的合作中逐渐开始发挥其支撑基地的作用，在充分利用中亚的资源，同时输出多种精加工制成品，发展双向贸易中凸显其特殊的战略地位。

3. 新疆多民族多宗教聚居的格局，以及大量跨国民族的存在

据中国全国人口普查统计，2008 年新疆总人口为 2130.8 万人，其中汉族以外的其他民族 1294.5 万人，占全省人口的 60.8%。在新疆，百万以上人口的民族有 3 个：维吾尔族（965.1 万）、汉族（823.9 万）、哈萨克族（148.4 万）。除这 3 个民族以外，新疆还有回族、满族、锡伯族、俄罗斯族等共 13 个民族。新疆人口分



布除了具有分布不平均、民族间区域分布明显的特点外，还具有一个重要的特点是：由于历史原因，新疆形成了大量跨国民族，他们与周边的蒙古、俄罗斯、哈萨克斯坦、吉尔吉斯斯坦、塔吉克斯坦、阿富汗、巴基斯坦、印度等国的民族在形成和发展中存在着各种联系。这部分人口的存在对当今新疆贯彻中央睦邻友好方针、加快经济文化交流、保持社会稳定、维护边防安全具有重要的影响。

作为丝绸之路的枢纽，早在伊斯兰教传入新疆之前，佛教、道教、摩尼教、景教等就相继沿着丝绸之路传播到了新疆。在新疆信仰伊斯兰教的人口有一千多万，占新疆总人口的 50% 以上，占新疆总信教人口的总数的 95% 左右（《新疆的发展与进步》白皮书）。

4. 中国新疆在中国发展中亚地缘战略中发挥的重要作用

中国新疆由于历史和地缘的原因，在中国与中亚五国间建立了正式的外交关系后，在与中亚五国间的交往中发挥了重要的作用。随着中国新疆与中亚国家间的交往不断，中国与中亚国家间的交流的范围也逐步扩大到政府、民间团体、军队部门，而交流的内容也从最初的经贸扩展到了文化、科技、军事等各个方面，这对促进中国与中亚国家的交往起到了举足轻重的作用。

1) .□□□展

据中国官方统计，21 世纪以来，中国与中亚国家间的进出口额迅猛增长，从 2001 年的 15.09 亿美元迅速增长到 2004 年的 58.4 亿美元，是 1992 年的 12.6 倍，2005 年这一数字超过了 80 亿美元。而这其中 70% 以上的贸易额都主要集中在中国新疆与中亚国家之间。（《中国对外贸易年鉴》）

2) .能源□略

随着中国的发展，中国对石油的需求也越来越大。据预测，2010 年中国石油缺口是 2000 万~300 万吨；天然气的需求量，在 2020 年将达到 1400 亿立方米。到 2020 年，中国天然气进口将给有关国际创造超过 600 亿美元的市场机遇。而拥有石油和天然气丰富的俄罗斯和中亚国家都表示准备向中国输送石油和天然气资源。新疆所处的区域环境和地理特点使其毫无疑问地成为俄罗斯和中亚地区向中国输入石油和天然气的战略安全通道（杨仁发）。



3) .□□中国□界安全和□定

中国与 3 个中亚国家接壤，有 3300 多公里的边境线，这占到了中国陆地边界的 1/7，同时还居住着 9 个同源跨境民族，这一边界的安全与稳定是中国在中亚利益的重要构成之一。如果没有边境的安全和稳定作保障，中国与中亚间的深层次信任和合作关系是很难发展起来的。2001 年 6 月，中、俄、哈、吉、塔组成的五国联盟打击恐怖主义、分裂主义和极端主义。中国政府在中亚进行反恐的根本目的就是抑制中国新疆的“东突”实力，维护中国新疆地区的安全和稳定，防止国家分裂。中亚作为中国“东突”实力境外发展和活动的重要地区，对中国打击“东突”势力具有特殊的重要意义，也证实基于此中国开始重视发展与中亚国家不仅是经贸合作关系还有经济合作关系（叶自成）。

二. “东突”分裂势力的形成及流变

在新疆历史上一度出现了一些旨在分裂中国，妄想将新疆从中华人民共和国版图中分裂出去，成立所谓的“东突厥斯坦”的民族分裂势力，他们为了实现建立这一“独立国家”的涂抹，不惜歪曲现实，并制造出一系列严重危害祖国边疆稳定和各族人民生命财产安全的暴力恐怖事件。2009 年 7 月 5 日，发生在新疆乌鲁木齐的打砸抢烧杀严重暴力恐怖事件，就是一起典型的由“东突”分裂分子的分裂本质，也让我们看到了“东突”分裂势力所具有的极大破坏力。

1. 中国对“东突”分裂势力的界定

“东突”是一个政治概念，主要指的是在新疆近代史上产生和发展起来的一股极端反动的思潮和运动，其宗旨就是谋求将新疆维吾尔自治区从中华人民共和国的版图中分裂出去。

2. “东突”与中国外交

中国政府认为，在美国的羽翼庇护下“东突”分裂势力仍在继续发展壮大。“9.11”事件后美国在反恐斗争中时常执行“双重标准”，根据自己国家的利益需要来判断哪些属于恐怖主义（李景治）。“9.11”事件后，2002 年 1 月 21 日，中国国务院新闻办公室首次以国家的名义发表了《“东突”恐怖势力难脱罪责》披露了“东突”分子在新疆



的罪行累累。国际社会的压力和自身政策的需要，美国将“东突厥斯坦伊斯兰运动”宣布为恐怖组织，却又以“补充说明”的方式宣布了对新疆民族分裂组织网开一面，以所谓的恐怖主义是犯罪行为，分裂主义是人权问题，从而为“东突”势力的恐怖行为披上了“人权”的外衣，帮助其保妥国际反恐斗争的打击。比如，民族分裂分子热比娅·卡德尔到美国后，美国前国务卿赖斯与其见面，并表示支持。2008年北京奥运会前后，“东突”分子先后制造了“8.4 喀什袭警案”等针对中国公安民警、武警战士和政府工作人员的一系列暴力恐怖事件是屠宰国际社会上造成影响，破坏北京奥运会。2009年正值中华人民共和国成立60周年之际，新疆乌鲁木齐市发生了“7.5”打砸抢烧严重暴力犯罪事件。此事件共造成197人死亡（其中绝大部分是无辜民众）、1700多人受伤，331个店铺和1325辆汽车被砸烧，中国市政公共设施被损毁（杨云华）。胡锦涛在《“七·五”事件：分裂不得人心注定要失败》讲话中指出“7.5”事件是一起由境内外精心策划组织的打砸抢烧严重暴力犯罪事件，给各族群众生命财产造成极大损失，给社会稳定造成严重破坏。

三．面对来自中亚名族问题方面的各种影响，做好自己的事才是关键

处在中亚地缘政治格局影响下的中国新疆也不可避免地承受着来自中亚民族问题方面的多重影响和冲击。我们必须认清形势、内强素质、外树形象、把自己的事情做好，自强不息、奋发图强，才能防患于未然，抵御来自外界的种种不良影响和冲击。

1. 以科学发展观的要求推进新疆跨越式的发展

我们应该清楚地意识到，新疆的经济建设虽然从纵向来看取得了高速发展，但是与全国特别是东部地区横向比较还存在很大差距，沿海发达地区相比，新疆的社会经济发展差距就更加明显了。上海、北京、江苏等东部发达地区人均GDP是新疆的2-5倍，新疆的社会发展水平指标如文盲率、人口平均预期寿命、婴儿死亡率、人口自然增长率等与沿海发达地区相比更是明显落后。新疆仍处在现代发展的第三梯队（李建新）。



同时，在新疆社会整体迅速发展的同时，新疆内部天山南北及各地区的发展差距、收入差距也在急剧扩大。以 2008 年数据比较，天山北以 23.1%的人口承载了 54.8%的全疆 GDP 比重和 38.2%的投资比重。相比较，以喀什地区、和田地区为主的南疆，占全疆总人口比重的 30%，但 GDP 比重和投资比重分别只有 9%和 12%（王建君）。新疆地区经济发展的不平衡以及民族间发展的差距，不仅引发了不同地区、不同阶层、不同民族的人民群众的不满情绪，并开始在一些民族群体当中产生了一定的共鸣。在民族、宗教和外来各种负责因素的综合影响下，新疆的社会经济发展问题是最主要的民心工程。民族之间的发展差距不仅关乎民族平等、民族发展、也关乎于各民族的共同团结奋斗，更关乎国家的根本利益和国家的统一安定。均衡各地区和民族的经济的发展必将稳定当前新疆局势。

胡锦涛在 2010 年中共中央、国务院召开的新疆工作座谈会上强调了禁止民族区域自治制度，坚持各民族共同繁荣发展，深入实施稳疆兴疆、富民固边战略，始终把推动科学发展作为努力推进新疆跨越式发展和长治久安的基础。

2. 以和□促□展、□□加□和深化同中□各国的全方位合作与共□。

与中亚国家间“坚持共同安全、互利合作，实现共同繁荣；坚持包容精神，共建和谐社会”（王公龙）。

四．中国政府在新疆的政策例子

1. 教育

中国政府加大在新疆实施双语教育的力度。在尊重各民族和宗教的语言和文化传统的同时，加强汉语的普及教育。汉语普及教育不仅可以降低新疆的文盲率，还可以鼓励新疆人民走出新疆和中国其他地区建立经济、社会及文化联系。积极推进双语教育和职业教育，帮助新疆各族群众特别是年轻人学好用好国家通用语言文字，为他们带来更多发展机遇。2015 年 5 月，教育部宣布在南疆实施“12 年义务教育”。与全国的“9 年义务教育”不同，南疆的高中教育将是免费的。虽然自 2013 年起已开始实施减免南疆学生高中学费，而南疆高中升学率已提高至 60%，但是这



一数字还是低于全疆 80% 高中升学率的水平。所以，南疆 12 年义务教育将大大提高当地人民的受教育水平，同时达到稳疆的目标同时，为鼓励新疆的学生报考东部的高等学府，政府实施了少数民族学生高考报考分数优惠政策。

2. 口源开口利用

李克强表示：新疆的发展要用好特色优势资源，在资源开发利用上，要让新疆更多受益，提高当地加工、深加工比例，把资源优势转化为经济优势，增强地方自我发展能力，更好地造福当地各族人民。要加大环保投入，加大高效节水灌溉工程建设力度，加强重点流域治理和水污染防治，提高可持续发展能力。以通道建设为依托扩大对内对外开放。加强铁路等基础设施建设，发展现代物流，立足区位优势，建设好丝绸之路经济带核心区。采取特殊的财政、投资、金融、人才等政策，加大扶贫攻坚和民生改善力度，促进南疆加快发展。

3. 对口援疆

自 2011 年起，政府开始了“对口援疆”的项目。“对口援疆”指的是把中国东部的发达省市和新疆特别是南疆的各村县连接起来。比如说上海市对口援助喀什地区巴楚县、莎车县、泽普县、叶城县。上海政府实施把喀什地区的资源优势与上海的产业、科技、人才、管理等优势结合起来，大力引进产业项目，帮助发展设施农业，支持喀什农特产品在上海开拓市场，增强当地经济社会的长远竞争力。在经济援疆的同时，加大干部、人才、科技、教育等“软件”方面的支持力度，特别是选派优秀的干部到新疆去参与到当地的经济社会建设中。

思考问题：

1. 新疆民族问题的根源是什么？这些问题的根源是如何产生的？
2. 东突组织的目的都是什么？国内外对东突的态度有何相同和不同？
3. 中央政府提出了那些政策来解决新疆民族问题？这些政策和利弊是什么？
4. 新疆当地人民在问题中处在什么位置？起到什么作用？
5. 国务院各部门可以如何合作和分工推动新疆民族问题的解决？国务院应与那些其他地方或民间甚至国际机构和组织合作？如何合作？



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China's Investment in Latin America

Background

Over the past few decades, China has become a leading world player in the realm of international trade and finance. While the rest of the world, including the US and the European Union, was dealing with their own respective financial crises, China intensified its global expansion strategy to garner more influence both economically and politically on the international stage.

Spurred by its insatiable appetite for sustained economic growth, China has been searching predominantly for energy sources, raw materials and export markets and has looked to Latin America to meet this demand. Most recently, China has pledged to invest upwards of \$250 billion in the region over the coming years focusing primarily on infrastructure and commodities. An increased Chinese presence in the Latin American and Caribbean region will have subsequent long-term ramifications both economically and politically.

The Rise of the Chinese Economy

Pre-1979

The China the world knows today has come a long way from the economy it once was. Prior to 1979, China was still a developing economy with little infrastructure of its own, under the leadership of Chairman Mao Zedong (Morrison 203). Mao upheld a centrally planned command economy in which a large part of the economy's output was directed and controlled by the state by means of set production goals, controlled prices and strict resource allocation. This economy policy kept the country poor, stagnant, centralized, vastly inefficient and relatively isolated from the global economy at large (204).

The mindset for achieving economic stability at the time emphasized the need for self-sufficiency. This led the Chinese central government to undertake large-scale domestic investments in physical and human capital to support rapid industrialization



plans to promote self-sufficiency. By 1978, nearly 75% of industrial production was produced by centrally-controlled, state owned enterprises (SOEs) and foreign trade was limited exclusively to goods that could not be obtained in China (206).

Transitional Reforms

Since integrating trade liberalization into its economic reform thereby opening up to foreign trade and investment, China has been one of the fastest growing world economies at roughly a 10% real annual GDP growth through 2014 (206). Decentralization allowed economic control of various enterprises to be divided up among provincial and local governments, allowing them to operate on beneficial free market principles.

1979 – Present

China has sustained its unparalleled economic growth and industrialization into today. Two factors driving this growth are (1) large-scale capital investments in human capital and infrastructure and (2) rapid productivity growth (208). The improvements to productivity were caused largely by a reallocation of resources to more productive areas, especially in sectors that were formerly heavily controlled by the central government, such as agriculture, trade, and services.



A Look at Latin America

The Economies

The Latin American region includes the countries Argentina, Brazil, Chile, Cuba, Ecuador, Mexico and Peru, to name a few, and is officially defined by the predominance of Romance languages spoken in the region. However, Latin America is also known to have one of the lowest standards of living and one of the highest rates of income inequality in the world, despite its other identifiers (204 - 205).

A largely tourism based economy, Latin America also specializes primarily in the production of commodities and natural resources.

Argentina alone exports more than a third of the world's soybean oil while adding on Brazil, Bolivia and Paraguay drives the total up to 60%. Furthermore, these countries and Uruguay are also responsible for 45% of the world's soybean exports.

Latin American countries also dominate the ores and metals space, leading exports of crude oil, copper, iron ore and natural gas.

Trade Blocs

Latin America has split up into two primary trade blocs: the Mercosur and the Pacific Alliance. The Mercosur is comprised of six permanent member nations – Argentina, Bolivia, Paraguay, Uruguay and Venezuela – and seeks to promote free trade and the fluid movement of people, goods and currency without barriers (Kotschwar 211). The Pacific Alliance is a new trade and integration initiative that joins together the economies of Chile, Colombia, Costa Rica, Mexico and Peru. The primary focus of this bloc is to promote trade and economic growth by better integrating regional supply chains into those of their international counterparts by negotiating Free Trade Agreements (FTAs) as a group with Asian countries, the US and the EU (212 - 213).

This groups of countries are often referred to as the Pacific-oriented countries, or “21st-century capitalists” that favor more open trade and investment regimes with countries like China.

The alliance's pursuit of trade and investment with Asian countries, including China, is viewed as part of the expanding relationships between developing countries



known as “South-South cooperation” (215). Formation of this relationship is perpetuated by the desire for Latin American countries to diversify their economic relationships while lessening their economic dependence on the United States.

Within this alliance, only Chile and Peru, both natural resource exporting countries who have benefitted greatly from trade with China, and Costa Rica have signed FTAs with China.

Ties to the US and Europe

While Chinese investment and trade in relation to the Latin America has increased exponentially, the region’s primary trade partners are still Europe and the US. As a whole, the region sends close to 15% of its exports to Europe. Mexico and regions in Central America and the Caribbean fall heavily on the US with export dependencies of 75% and 40% respectively (215).

Latin America knows all too well both the benefits and detriments of European and US intervention. Many feel that the US and Europe are in part responsible for historic economic shortcomings and the consequences therein and hope to distance themselves from the two in the future. Asian countries, like China, present a viable solution as a potential export market outside of the US and Europe.

There is evidence that supports this theory as China’s growing influence is exhibited through recent currency exchanges in favor of the Chinese yuan. In 2009, Argentina and China signed a currency swap agreement that allowed Argentine importers to pay for goods in yuan instead of the international trade currency of US dollars, giving international trade between Argentina and China virtual liquidity in all aspects. A similar currency swap agreement occurred between China and Brazil in 2013 (215).



What's Happening Now

In 2008, China revealed its Latin American policy in an official document called the “White Paper”. The stated purpose of the paper was to “further clarify the goals of China’s policy in this region, outline the guiding principles for future cooperation between the two sides in various fields and sustain the sound, steady and all-round growth of China’s relations with Latin America and the Caribbean” (202).

The White Paper identifies Latin America as a critical trade prospect, citing its abundance resources and growing international influence as key drivers of its value. Goals of Chinese policy towards Latin America include increased trading dynamics and enhanced investments, particularly in Latin American infrastructure and natural resources (203).

Natural resources are crucial to China, whose rapid industrialization has fueled a strong appetite for energy, minerals and food from outside sources. Latin America and the Caribbean are quickly becoming one of China’s fastest growing trade partners with imports from and exports to the region growing at an average annual rate of over 30% for the past decade. Today, China is the top trade partner of Brazil and Chile and the second largest trade partner of Argentina and Peru (Brandt 174).

According to Economic Commission for Latin America and the Caribbean (ECLAC), China accounted for half the global increase in consumption of soybean oil and a third of the rise in demand for soybeans from 2000 – 2008. China’s share of global consumption of ores and metals was about 40% of lead, nickel, tin, zinc, and primary steel in 2009; and 39% of refined copper.

Chinese focus on commodity acquisition has led to a significant increase in prices of many of these commodities and as a result, the terms of trade for several South American countries have significantly improved. Prices for crude oil, copper, iron ore, natural gas, meat and offal, all saw a steep rise (MacFarlane 933).

Chinese investments have seen a massive uptick in valuation since initiating its “going out” globalization strategy. China’s total FDI in Latin America has increased nearly six-fold; from \$285 million in 2004 to \$1.6 billion in 2009. Since 2010, Chinese companies have invested, on average, about \$10 billion per year in the region (ECLAC, 2013).



Investment Spotlight: Infrastructure

China's infrastructure investments are geared towards facilitating the transport of goods and services obtained through China's FDI projects. China sees infrastructure as a key component of economic development and holds infrastructure investments with high priority.

In 2011, Latin America had one of the lowest proportions of paved roads across the region at 22.2%, second only to Sub-Saharan Africa at 18.8% (Brandt 176). Since then, the Inter-American Development Bank (IDB) and the Export-Import Bank of China have agreed to establish an infrastructure investment mechanism to finance public and private sector projects in regions like Latin America. Specific to this region, China has proposed a \$5 billion cooperation fund for infrastructure investment and a \$10 billion credit line to support infrastructure construction (Kotschwar 203).

For Latin America, these projects mean that other aspects of their economies like competitiveness, productivity and trade will benefit while on China's side, infrastructure investment allows for a better export and import environment and further expansion of the RMB currency in new markets.

Investment Spotlight: Risky Countries

China has also been looking heavily into investing in unpopular countries like Argentina, Venezuela and Ecuador. Ecuador has been largely shut out of global markets since defaulting on its bonds in 2006 and Venezuela's nationalization program has made many international investors skittish. Due to these countries lack of access to other international capital and the attractiveness of China's non-interventionist policies, trade negotiations have been moving smoothly (215).



Sources of Controversy

Latin America will be primarily commodity driven economy.

Even if it helps to enhance trade diversification, high Chinese demand of commodity goods will intensify the already high commodity composition of the region's economy. This pattern of overconcentration in a small number of primary exports fuels the rise of the dependence theory that leaves Latin American countries vulnerable to external shocks such as price swings and changes in demand.

Deindustrialization of Latin America

Profitability of commodity and natural resource production have propelled Latin America into a series of curse outcomes. Many analysts have pinpointed emerging industrialization in the region as a direct result of dwindling competitiveness and progress as the region's focus shifts away from higher value activities.

Chinese Product Dominance

It goes without saying that China's economic foothold allows it to produce many goods much more cheaply and efficiently than most other nations. As an economy deeply rooted in manufacturing, China's large labor and capital intensive capabilities produce larger and cheaper quantities of manufactured goods, often overshadowing their smaller, higher cost rivals.

While inexpensive goods from China have offered Latin American consumers greater variety from which to choose, the strong growth of Chinese products entering comes hand in hand with production side issues of reduced costs. Over the last several years, concerns over quality of Chinese imports have increased as users cite reports of contaminated toothpaste, cough syrup, pet food, tires and countless other products as having safety issues. To further exacerbate the problem, it is estimated that 60% of all Chinese exports to Mexico are illegal, most notably in the apparel sector (Hearn 2009).

Destruction of the Local Economy

Inexpensive goods imported from China drive out local competition of the regional economy since consumers have access to cheaper, more cost-efficient goods.



Furthermore, infrastructure investments are conditional on the basis that the projects funded by China will use Chinese equipment and labor, diverting employment and growth opportunities away from regional populations.

What's more, economic activity, regionally based or not, appreciates the value of the local currency resulting in the decreased purchasing power of many households in the Latin American region. As value of goods in the region increase due to higher demand, price is driven up thereby decreasing affordability of good for local populations.

Moreover, many Latin American countries have not used the influx of foreign capital funding to invest back into manufacturing, research and development and other value-added stages of production to elevate the quality of economic output. This runs the risk of not advancing socio-economically and putting continued strain on the primary commodity sector to perform year in and year out, keeping the Latin American region in a stagnant, commodity based economy.



Case Study

Mexico and China: Competitors to Partners

Both Mexico and China have enjoyed celebrity status among developing countries from the 20th century onward. Both economies and their success depended overwhelmingly on the availability of cheap labor and a low valued currency manipulated by government. Thus, the economic relationship between China and Mexico has been a historically competitive one (Chen 52).

The key point of interest of this competition is in export dominance to the US market. Both targeted the US because of its standing as the largest and most developed economy in the world. Additionally, the high GDP per capita in the US allowed US consumers to purchase more goods, making the US a prime market for export dominant countries like Mexico and China (OECD Economic Surveys).

However, as China becoming one of the largest economy in the world, China is looking for an opportunity to play a bigger role in the current global market. Instead of focusing on competing with Mexico, China has become one of the biggest investors in Mexico and Latin America. For example, based on the State Council's Ministry of Commerce, since 2009 China and Mexico have worked closely together. By 2013, Chinese produces had occupied 40.3% of Mexico's furniture and toy markets. In the recent years, Chinese government started to export its high-speed train and other infrastructure building projects to Mexico.

In 2015, both Chinese and Mexican governments were ambitious about China's infrastructure investment in Mexico. When the President of Mexico visited China, he stated that both sides have decided to allocate \$2.4 billion for infrastructure building projects in Mexico and the number could rise to \$9 billion. Nevertheless, by the end of the year only \$1.2 billion had been actually invested in Mexico from Chinese companies. One of the biggest cause of this is the cancellation of China's high-speed train's first foreign investment.

China's high-speed train technology has benefited its own people and showed China's growing capability on infrastructure building. In 2014, the government decided to export this technology. And Mexico became one of the first countries, since its



President initiated many infrastructure building projects. Mexico government announced its railway building project on August 15, 2015 and encouraged foreign competitive tenders. Since the Mexican government decided to close the bidding in two months, many companies gave up. This made China Railway Construction Corporation (中国铁路建设集团公司) the only bidder.

Nevertheless, in November, the President announced that the government decided to cancel this investment project and reopen for competitive tenders for a longer period. To the Chinese government, this felt like being played. And the lack of trust on the Mexican side had significantly decreased Chinese investment in Mexico. CRCC had invested millions of dollars in following the Ministry of Commerce's policy and forming partnerships. Who should pay for this? What can the State Council do to prevent this from happening again?

Contract cancellation has been common on China's investment path. China's oil and pipe companies had invested billions of dollars in Venezuela. However, due to corruption and inefficient local government, the projects are burning money. In addition, China Development Bank has supported multiple infrastructure building projects in Venezuela with billions of dollars. The government was unable to pay back the debt. This led to not only Chinese companies with foreign investments but also Chinese people to question and criticize the government on its regulation and protection on investment.



Questions to consider

1. What are the main fields that China has invested in and why?
2. What are the positive and negative outcomes of China's foreign investment?
Politics? Society? Economy?
3. What is the role of China Development Bank? How can the State Council encourage and at the same time regulate than bank?
4. How can all the ministries work together to not only encourage investing in Latin America, but also protect and regulate China's foreign investments?



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