

“One Belt, One Road” Lessons to Mexico

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China and Mexico in search of Development

Despite the huge geographical distance, China and Mexico are two countries with many similarities. The two countries have ancient history. Both countries are inheritors of a rich culture that has been shaped by the worldview of ancient farming communities. Also, their societies are based on similar values. In both cases the family is a fundamental pillar as well as ancestor worship. At the same time, during the nineteenth century, both countries were violated in their internal processes of consolidation as modern states. Indeed, these countries suffered from various interventions by foreign powers thirsty for riches that both countries possessed. In addition, those imperialist countries imposed a model of incorporation into the capitalist system that benefited the industrialized economies and small local elites. The two countries were venues of important social revolutions in the twentieth century. The goal of these revolutions was to improve the living conditions of the vast population living in subhuman conditions. Since then, they have sought the political, economic and social modernization as a way to provide better living conditions for the population.

Currently, Mexico and China are middle-income countries that share common challenges. According to the World Bank, by 2014 the GNI per capita PPP of China was \$ 13.170 USD, while Mexico's was \$ 16.640 USD (World Bank, 2016). As for the Human Development Index, China ranks 90 and Mexico, 74 (UNDP, 2015). The two countries also belong to the G20, which seeks to create more appropriate conditions to build a new architecture for development. The Foreign Policy of both nations has supported the principle of non-intervention in other States and dialogue as a means of conflict resolution. Moreover, these countries believe that cooperation is an effective mechanism to build a better world.

In addition, China and Mexico launched at the beginning of the 1980s a series of reforms to modernize the economy. China and Mexico were closed economies seeking to become open to the outside and to be internationally competitive economies. Therefore, both countries sought to attract foreign direct investment as a means for financing the demands of their development projects and considered that exports should be the engine for economic growth. Thus, they conducted a series of structural

reforms for economic modernization.

However, the results have been different. While China's GDP grew in the period between 1980 and 2014 at an average annual rate of 9.82 %. Mexico in the same period accumulated an average growth of 2.68%. (World Bank, 2016). By 2016, the projected growth of the Chinese economy is 6.3% while for Mexico it is 2.6%. (IMF, 2016). In Mexico, the GDP per capita (in USD currency) increased from 2,830 to 10,325 between 1980 and 2014. By contrast, in the same period, China's story was different because it went from 193.3 to 7,590 (World Bank, 2016). That is to say, in the case of China, it grew more than 12 times while the Mexican economy growth was slightly less than 4 times.

In this context, it is clear that the development formula adopted by Mexico has not fully potentiated the possibilities that Mexico has as a country. Perhaps the main reason for this is that Mexico dogmatically adopted a model of economic modernization. However, in China, the trial and error formula provided further advance in this process. We are thus faced with two positions. While in Mexico, neoliberal dogmatism has not produced the necessary economic growth, in China the key player has been the creativity in designing an original model of economic modernization of their own with Chinese characteristics. Obviously, this path has led to better results for the Chinese economy.

Thus, I propose that the results obtained by the processes of economic modernization in Mexico require both government elites and academia to reflect more upon the process of Chinese economic modernization. Particularly regarding the initiative of President Xi Jinping "One Belt One Road". This initiative is an important point in analyzing new routes for development. My suggestion is that in so far as is known, to analyze and reflect upon this initiative, and it will be possible to learn some lessons for middle-income countries such as Mexico on new paths for development. Evidently, it is not possible to think of an exact copy of what China has implemented. Despite the similarities described above, China and Mexico have different contexts. However, I say that the better we know the proposal resulting from this initiative, it will be plausible to incorporate elements into public policy that could help Mexico in its own path to development in the context of a globalized world.

The third wave of economic modernization: One Belt One Road

The "One Belt One Road" (OBOR) initiative has been described by the Chinese government as the third wave of China's opening economy. The first was the establishment of Special Economic Zones. The second was the accession to the World Trade Organization. Now, this third wave

focuses on improving and building new trading routes, links and business opportunities. Specifically, the OBOR initiative are plans for a Silk Road Economic Belt on land and the 21st Century Maritime Silk Road at sea, which is an infrastructure investment involving 65 countries and 4.4 billion people or 63% of the world's population (Tsao, 2015). At first, this initiative was promoted as a network of regional infrastructure projects, but the scope of the "Belt and Road" initiative has continued to expand and will now include promotion of enhanced policy coordination across the Asian continent, financial integration, trade liberalization, and people-to-people connectivity (Kennedy and Parker, 2015).

So, one part of the initiative is a planned network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that will stretch from Xi'an in central China, through Central Asia, and ultimately reach as far as Moscow, Rotterdam, and Venice. The other part is a maritime route. In fact, it is a network that includes ports and other coastal infrastructure projects from South and Southeast Asia to East Africa and the northern Mediterranean Sea. The scope of this initiative extends beyond an infrastructure project: "The plan includes promoting greater financial integration and the use of the Renminbi by foreign countries, creating an "Information Silk Road" linking regional information and communications technologic networks, and lower barriers to cross-border trade and investment in the region, among other initiatives. New regional institutions, such as the Asian Infrastructure Investment Bank (AIIB) and New Silk Road Fund (NSRF), are also designed in part to complement and support the Belt and Road's development" (Kennedy and Parker, 2015).

In the words of Chinese President Xi Jinping OBOR: "... is expected to boost China's cooperation with the countries along the road, improve mutual trust and create a win-win situation. It can also be a new platform and mechanism of maritime security. The MSR is not just a road for China, but for the whole of Asia-Africa. It may also be called 'Civilizational Road', 'Economic and Trade Road,' and 'Tourism Road' of the Asian countries. China needs to connect with peoples of the Asia-African countries, of the West Pacific and the Indian Ocean so as to develop an industrial chain, guarantee maritime security passage, and deal with maritime non-traditional security" (Karim, 2015).

As for Mexico, in a way this country transited only the first two waves of economic modernization. The first was a structural adjustment to adapt to the neoliberal model of market economy. This adjustment began in 1982 derived from the pressure of international organizations to the state of bankruptcy that the Mexican economy was in. The second

phase was joining international organizations that promote free trade. The first significant step was joining the GATT in 1986. Perhaps the most decisive step was the signing of the North American Free Trade Agreement in 1993. However, these two processes while improving the competitiveness of certain industrial sectors, in the end did not generate a high and sustained economic growth. These measures were important but insufficient for economic modernization.

In particular, the free trade agreement with the United States and Canada was an important impetus for economic growth, but did not laid the foundation for development. Mexico grows at moderate rates. Poverty remains a huge problem. Income inequality is very large. The main problem was that NAFTA created an enabling environment for certain economic sectors, but did not build adequate mechanisms to promote development. Under NAFTA, no new forms of financing were established, nor the construction of infrastructure was boosted, and the establishment of a network of trust and commitment to the idea of a common future with common but differentiated responsibilities was not pushed. For example, some prominent politicians in North America today think more about building walls than they do on establishing bridges. The solution from some sectors of the US government is to separate and exclude than to integrate and include. For this reason, OBOR can be an opportunity to reflect on how to rethink the relationship of Mexico with Canada and the United States.

Economic modernization 3.0

In the constant process of change and transformation of the world economy it is essential that public policies in each country meet the structural changes in the global economy. Particularly, after the financial crisis of 2008, new challenges for the growth of the world economy emerged on the horizon, in which each country faced particular challenges. For example, Mexico and China, traditionally exporting countries were threatened by a pervasive environment of economic slowdown. This situation led the Chinese authorities to rethink the sources of economic growth. So it was decided to strengthen domestic consumption and growth of the tertiary sector of the economy. The OBOR initiative originated in this context. This initiative is, in the end, China's economic modernization 3.0. From this initiative, there are valuable lessons to be learned.

Lessons for Mexico

The main lessons that the Mexican government can get from OBOR are:

a) To think beyond a free trade area. Trade liberalization is a first step to

increase the competitiveness of certain industries and regions, but it is an insufficient step. One can not expect that all sectors may be competitive in such disparate economies. Therefore, without denying the benefits free trade can bring, it is important to go beyond trade agreements. So far, the vision of free trade is reductionist because it was adopted as the only way for development. Free trade should be perceived as an instrument to boost economic growth. But without forgetting that it is not the only thing to do. The potential benefits that free trade brings are diluted when everything is left to the market and a strong public policy is lacking, one that would allow a transition to economic modernization in an orderly manner.

b) To adopt a medium and long term planning for the integration of the region of North America, beyond short-term issues arising from specific contexts. The Mexican government must assume a medium and long term vision that considers broader trends, for example, migratory flows, the change in population dynamics, the evolution of industries, the performance of other regions of the world. Likewise, to adopt a prospective vision to understand current trends and their implications for the future. In China, the design and implementation of the five year plans are an example of how to conduct a policy aimed at specific targets in a long range public policy. OBOR is the latest example of this planning in the medium and long term. While specific measures are defined and gradually reached, the long-range vision is the one that drove the most significant transformations. The Chinese experience is very enriching about this. The famous phrase coined by Deng Xiaoping, "crossing the river by feeling the stones", truly describes this process.

c) To accompany free trade with the building of solid infrastructure. There is a disparity in the infrastructure that each country has. If you want to steadily increase competitiveness, it is important to build a solid infrastructure in the region. To raise the quantity and quality of ports, railways, highways and airports in Mexico. To adopt a regional vision that potentializes the dynamics and vocations of each region of Mexico. But this must happen within a framework of cooperation between the two countries. The Chinese lesson is very enriching. The establishment of this infrastructure can be an opportunity for companies and the government sector, to coincide in an effort to improve infrastructure in Mexico through specialized financial mechanisms and technology transfer. This infrastructure will not only facilitate the transit of goods and movement of people, but it will also give a new boost to tourism both ways.

d) Think of networks. While there are already certain industrial clusters in Mexico, such as the automotive in Central Mexico and the biomedical in the Tijuana-San Diego corridor, these cases are isolated experiences.

Governments should consider building productive networks that allow the finding of other common grounds. Networks must take advantage of complementarities in the economies of the region.

e) To look at development as a result of cooperation. Yafei noted that: founded in the idea of building a new network of global partnerships, OBOR provides a fresh way of thinking about regional and global cooperation, by including both bilateral and multilateral cooperation in political, economic, cultural and other fields. It emphasizes the adaptability of development strategies in China and other participating nations, in order to produce benefits that are shared by all in an economic “win-win” outcome (Yafei, 2015). In the case of US-Mexico, cooperation beyond national security issues must be emphasized, as it has been in the case of drug trafficking or migration so far. And it must be built on a genuine win-win principle.

f) To strengthen the idea of shared progress. The experience of East Asia, known as the “flying geese paradigm” indicates that countries need to design public policy that at the end of the day allows everyone involved in the region to have the opportunity to obtain concrete benefits. This first happened with Japan and the Asian Tigers. Now, China is becoming the pivot to drive a shared progress in the countries of Central Asia, Southeast Asia and Africa. The lesson is clear. Without a shared progress it is difficult to imagine a stable world stage. Therefore, the Mexican authorities have to advocate for dialogue aimed at generating a shared progress in the region. Benefits should not remain in one country.

g) Construction of trust. Perhaps the greatest contribution to the future that the OBOR initiative will generate is to bring people and communities of the countries within the route. This approach will result in a relationship based on greater trust. Trust is the key to generate an atmosphere of cordial relations. Trust allows moving from mistrust to mutual support and allows looking at issues from a common perspective. Trust builds empathy and creates bonds of solidarity. Obviously the problems are always present, especially when it comes to a complex relationship like that of Mexico and the United States. However, as shown by the peaceful rise of China, despite differences with neighbors, when there is a genuine commitment to a win-win relationship, differences can pass to the background. OBOR is proof of it. It is possible to drive on a route beyond simple economic benefit. China is starting to walk this path through measures derived from OBOR. Mexico and its trading partners in North America can also try.

Recommendations for China

The OBOR initiative can be a turning point in the way it conceptualizes development and concrete measures are taken to achieve it. But, because of its importance, the impact of this Chinese initiative cannot be reduced to the benefits it can have on the countries of Asia, Africa and Europe directly related to this initiative. China's experience can be useful for other countries and regions. A case in point is Mexico's relationship with its partners in North America. To do this it is necessary to:

a) Systematically disseminate experiences, challenges and opportunities resulting from the OBOR initiative. In this regard, you can take advantage of the institutional framework of the Comprehensive Strategic Partnership established by the presidents Enrique Peña Nieto and Xi Jinping in June 2013, which is aimed at achieving that bilateral ties reach their full potential in all areas. These meetings can set up a table to exchange experiences in which Chinese officials share to their Mexican counterparts the lessons learned in the implementation of the OBOR initiative, particularly regarding mechanisms for financing infrastructure.

b) Increase student exchange. In the case of Mexican students, to particularly encourage students to have the opportunity to study in Chinese universities located in the provinces that are most involved with the OBOR initiative, such as Xinjiang, Qinghai, Gansu, Shaanxi, Sichuan and Yunnan. At the same time, these student exchanges could favor the study programs associated with civil engineering, petrochemical engineering, telecommunications, economy and finance, among others.

c) Work tables among academics. Organize international conferences between academics to analyze the risks and opportunities of the OBOR initiative. In addition, these conferences can be a platform for academics to work together in the search for complementarities derived from this project with other world regions, not only North America but also Latin America. Similarly, these conferences allow you to have an objective and balanced view on this initiative, banishing the false fears about the rise of China.

d) Explore the possibilities of technology transfer, particularly with regard to the construction of oil pipelines, gas pipelines and railways. The launch of the OBOR initiative enhances technological capabilities in specific sectors. The transfer of these technologies may allow a beneficial relationship for both nations.

Conclusions

President of China, Xi Jinping, has made that the OBOR initiative be a centerpiece of both foreign policy and national economic strategy. For his part, the Minister of Foreign Affairs Wang Yi has established that this

initiative "in the spirit of mutual learning and harmonious coexistence reminiscent of the ancient Silk Road, are designed to boost common development and shared prosperity in all countries along the routes, As They uphold the vision for a community of shared destiny" (Zhang, 2015).

Thus, One Belt One Road is a joint effort that aims to promote both cooperation and economic growth as a prerequisite for development and prosperity of a region. Without these two components, cooperation could be useless or economic growth could be more polarizing, widening the gap between nations. Therefore, the most important teaching of OBOR is inviting us to think that it is possible to move to higher levels of development as long as cooperation and boosting economic growth go hand in hand. This fact should make Mexico rethink its trade agreements with its northern neighbors. In other words, it must take a step towards the next stage of economic modernization. Modernization 3.0. On a broader vision that builds bonds of trust and shared but differentiated commitment between the countries of NAFTA to successfully face the new challenges of the XXI century.