

## The Geopolitical Factor of Belt and Road Initiative in Latin America: The cases of Brazil and Mexico

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### Abstract

In the context of Chinese growing influence in Latin America, the purpose of this paper is to analyze how geopolitical factors impact the Belt and Road Initiative (BRI) implementation within the region. Specifically, this paper illuminates how Brazil and Mexico, the two largest economies in Latin America, have different predispositions towards their relationships with China. Through the review of secondary sources, this paper sets the background to analyze the geopolitical factor of the BRI in Latin America, which is complemented by the use of international databases to contrast how the US factor has molded the relationships between these countries. Finally, a comparative case study method is used to illustrate how geopolitics have influenced the Chinese investment possibilities in both economies. Although China's presence in Latin America through investments, trade, loans, and official development aid, has grown, we conclude that the United States influence is still a relevant factor to understand the differences between bilateral relationships amongst Brazil-China, and Mexico-China. This particular finding emphasizes the importance of geopolitics on BRI's implementation in Latin America.

**Keywords:** Geopolitics; Belt and Road Initiative; China; Brazil; Mexico.

### Resumen

En el contexto de la creciente influencia china en América Latina, el propósito de este trabajo es analizar cómo los factores geopolíticos impactan la implementación de la Iniciativa de la Franja y la Ruta (BRI) en la región. Específicamente, este documento ilustra cómo Brasil y México, las dos economías más grandes de América Latina, tienen diferentes predisposiciones respecto de sus relaciones con China. A través de la revisión de fuentes secundarias, este artículo establece los antecedentes para analizar el factor geopolítico de BRI en América Latina. Esto se complementa con el uso de bases de datos internacionales para contrastar cómo el factor estadounidense ha moldeado las relaciones entre estos países. Finalmente, se utiliza un método de estudios de caso comparados para estudiar cómo la geopolítica ha influido en las posibilidades de inversión chinas en ambas economías. Aunque la presencia de China en América Latina a través de inversiones, comercio, préstamos y ayuda oficial para el desarrollo ha crecido, concluimos que la influencia de Estados Unidos sigue siendo un factor relevante para comprender las diferencias entre las relaciones bilaterales entre Brasil-China y México. China. Este hallazgo enfatiza la importancia de la geopolítica en la implementación de BRI en América Latina.

**Palabras claves:** Geopolítica; Iniciativa de la Franja y la Ruta; China; Brasil; México.

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## **Introduction: China, Brazil, and Mexico beyond economic relations**

During the Second Ministerial Meeting of China - CELAC Forum, held in Santiago, Chile in 2018, Chinese Foreign Minister Wang Yi invited the countries of Latin America to participate in the Belt and Road Initiative (BRI) (Gao, 2018). This initiative has been defined as the most ambitious geopolitical-economic infrastructure investment strategy in history (Chatzky y McBride, 2019). Also, BRI is considered one of the most important geopolitical initiatives of our time (Erthal y Gonzalez, 2018, p. 7). Furthermore, the Chinese overseas investments in infrastructural projects and foreign trade under the proposals of the BRI could be understood as much as the search of the Chinese government to find an opportunity to employ the enormous overcapacity in industries such as steel and heavy equipment (Narins, 2016). Moreover, President Xi has emphasized that this initiative comprehends “policy, infrastructure, trade, financial, and people-to-people connectivity” (OECD, 2018, p. 4). While the BRI initiative provides coherence to public and private investment to build an infrastructure network that facilitates trade with China, it also aims to generate a consistent discourse that introduces China as a partner that desires to establish a win-win relation. However, in this region, the geopolitical aspects are deeply influenced by the interests of the United States.

The presence of the United States has been considered a critical issue that has limited foreign policy options of Latin American Countries (Neto y Malamud, 2015). Although several Latin American countries have played historically leadership roles in organizations such as the United Nations Conference on Trade and Development (UNCTAD), the Non-Aligned Movement, and the Organization of Petroleum Exporting Countries (OPEC) (Hey and Mora, 2003); this region conventionally has been considered to be under the sphere of influence of the United States (Chávez, 2014, 73). In this way, Latin American foreign policy was largely shaped to avoid confrontation of the US interests in the region. However, this situation slowly changed since the end of the Cold War. Since then, the United States has focused its strategic resources on other regions of the world such as the Middle East, where new risks emerged (Loveman, 2010). At the same time, there was a turnaround in many Latin American countries that adopted leftist governments and sought more autonomous foreign policies (Ward and Wilson, 2018). This moment coincided with the growing presence of China in Latin America; China, since the beginning of the 21st century, searched to establish a strategic relationship with Latin America through persistently extending its economic and political involvement in the region (Yu, 2015). Nevertheless, we suggest that the US geopolitical factors remain a serious element that limits the expansion of China in Latin America when the US perceives that its interests in the region can be threatened.

In this article, starting on the assumption that paradigmatic knowledge is created through a single type of conceptual relation, we used four paradigmatic cases as part of our methodological approach. Through its originality, the case is placed beside the set. However, that limited singularity is only ever possible by the relation that the case has with the set to which it is deemed to belong, as the case is never precisely particular or universal regarding the set. And it is precisely in that state of suspension, on the side of a class/set, that the latter is shown, or becomes important (Pavlich, 2012). In this sense, we analyze four cases of Mexico and Brazil to understand how geopolitical factors limit the expansion of China in Latin America.

Brazil and Mexico are both the most populous countries and the two largest economies in the region (Fernandes, et. al., 2018). At the same time, there has been a historical rivalry between these nations to lead the region. While Mexico is the US's main trading partner and defends free trade, Brazil is a relatively closed economy and it opposed the United States in some issues in the last years, such as the two countries' divergent policies toward Cuba, Venezuela, Colombia and Honduras, the regional political institutions such as the Union of South American Nations (UNASUL), the South American Defense Council, and the Community of Latin American and Caribbean Nations - CELAC. (Barbosa, 2011; Kopf, 2019; Covarrubias, 2016). As a consequence, while Brazil became part of the BRICS block and strengthened its ties with China in multiple ways (Tavares and Nedal, 2009), Mexico considers China more as a strategic competitor and aligns its interests towards the US vision of the world (Guajardo, 2016).

Based on the concept of geopolitical codes, we compare the economic relationship between Brazil, Mexico, and China adopting the comparative method to contrast the main economic trends of the interrelations between the two nations and China. According to Ragin (2014), we use the comparative approach to explore similarities and differences across comparable situations by pooling similar cases and analyzing them as configurations that can assess which ones display identical configurations of causal conditions and which ones differ in one or more causally relevant conditions. In this way, we introduce a panoramic view of economic and political relations among China, Brazil, and Mexico and contrast four specific cases that clarify how the geopolitical factor is present in the relationship between the three countries.

This paper adopts the traditional qualitative method, referring to different types of reliable and authoritative Chinese and Latin American scholars, books and articles. This information is the background to analyze the geopolitical factor of the BRI in Latin America. This methodological approach is complemented by the use of international databases to contrast how the U.S. factor has molded the relationships between Brazil and Mexico with China. Finally, we adopt a comparative case study method to illustrate how geopolitical has influenced the possibilities of investment in China in both countries. Specifically, the four cases that we choose are China Molybdenum - Anglo American, State Grid - CPFL, High-speed train between Mexico City and Queretaro and, Dragon Mart. The sectors selected were mining, energy, transportation, and trade. China has a vast experience in this type of projects around the world and offers terms of international competitiveness. We selected these cases because each one received enormous media attention and the decision of allowing the Chinese investment was beyond economic rationality. Besides, the debate about the presence of Chinese investment with its risks and opportunities became a public issue. The cases demonstrated how political factors could affect Chinese investment in Latin America. In this way, this paper contributes to the understanding of how geopolitics factors influence China's interactions in Latin America.

This article is organized in the following sections. First, we analyze the geopolitical concepts that explain how foreign policy between the two countries can be influenced by the interests of a third one. In the second section, we present a panoramic vision that contrasts the characteristics of China's political and economic relations with Brazil and Mexico. Subsequently, we analyze four specific cases that may or not illustrate the geopolitical factors behind the expansion of China in both nations. Finally, we conclude by emphasizing the role of geopolitics as an element that limits China's expansion in this region.

## **The power of the Geopolitics and the limits of the BRI**

To understand the Chinese expansion in Latin America under the BRI formula, we propose to assume a geopolitical perspective. Geopolitics alone is not sufficient to explain the complexity of relations between China and Latin America, ideational factors are also important. Specifically, ideological issues can be seen as a backdrop to some of the events in this relationship and in the foreign policy that Latin American governments assume vis-à-vis the United States and China. According to Van Dijk (1998) “ideologies are systems of 'ideas' and hence in need of a psychological approach will be an interesting suggestion only if we realize at the same time that these 'ideas' are also social (and political and cultural) and that we, therefore, need to account for them in terms of the study of social representations and their functions for social cognition” (15). The use of Van Dijk’s definition helps to understand the decisions of Latin American leftist governments - for example, Lula in Brazil, Chávez in Venezuela, and the Kirchners in Argentina - that promoted strong links with China. However, the recent arrival of a leftist government in Mexico led by López Obrador and the triumph of President Bolsonaro, from the extreme right in Brazil, demonstrate that there has been no radical change in the orientation of these countries regarding their relationship with China or the United States. In consequence, we propose that geopolitics, in certain circumstances, plays a crucial role in understanding these relationships.

Geopolitics covers the study of the exterior spatial relationships of States and refers particularly to the geographical aspects of these external relations and the problems of particular States which impact the rest of the world (Cairo, 1993). In consequence, Geopolitics offers a mode of perceiving the world in which a great deal of emphasis is placed on exploring and explaining the role of geographical factors, such as territorial location and access to resources, in modeling national and international politics (Dodds, 2004, p. 1). According to Robert Kaplan, geography plays a central role in the relationships of each nation-state, as it governs the way in which the individual challenges are tackled and thus affect outcomes. Natural characteristics such as rivers, seas, hills, mountains as well as climatic differences mark both culture and ideology and also the way in which historical challenges are confronted (Kaplan, 2012). In this sense, we adopt the definition of Cohen (2015) who affirms that Geopolitics is the analysis of dynamic interaction between geographical settings and perspectives and political process, which includes forces that operate at the international level and those on the domestic scene that influence international behavior.

In one sense, Geopolitics implies the practice of the states controlling and competing for territories (Flint, 2012). However, the territory is not only a physical space but also an imagined place (Lemus and Bravo, 2017). Therefore, geopolitical is also a system of visualizing the world with deep historic roots; it is a constructed view of the world, not a simple spontaneous look of it (Agnew, 2003). The preeminence of the “territorial” state is not a trans-historical given but is specific to diverse ages and distinct regions of the world (Agnew and Corbridge, 1995). As a social construct, Geopolitics provides a justification for national interests in the international stage determining how the world should be and what the role of world powers should be. In this context, it is denominated geopolitical code the way in which the state orientates itself towards the world (Flint, 2012). The geopolitical codes could be defined as the geographical-political assumption about the interest of any country in the world, the potential threats to these interests, the suitable responses to these threats and the justification for those responses (Naji and Jawan, 2011).

Therefore, we suggest that China's expansion in Latin America is determined not only by economic but also by geopolitical factors. China's growth and deep relationship with Latin American countries are due to the boom in commodities and the complementarity of their economies, such as China's search for natural resources in Latin America, in particular, oil, iron, copper and soybeans, which account for more than 70% of the country's imports from the region (Freitas da Rocha y Bielschowsky, 2018). Besides, BRI, similarly to other regions of the world, has provided a solid discourse of interactions between CELAC members and China, based on the rhetoric of a win-win relationship (Danilovich, 2018). For example, China has established new multilateral financial instruments to support the creation of large infrastructure projects that are presented as a different way of development (Liu and Dunford, 2016). From the BRI strategy, China presents itself as a partner of the Global South that promotes a different model of International Development Cooperation and contributes to international public goods in the line of economic liberalism. It reflects that BRI's strategy is more defensive than offensive by nature (Wang, 2016).

However, when contrasting the Mexico case with Brazil, regarding economic and political ties with China, a critical factor is the perception of the United States about the importance of the south territory of its border. This perception is forged from the geopolitical codes of the US government. Thus, Mexico has not only been imagined as a distant neighbor or a threat to American identity due to the Hispanicization derived from increasing migration but above all, as a priority area where Chinese advancement must be contained (Huntington, 2004). In the following section, we compare the generalities of the economies of Brazil and Mexico as antecedents to the specific cases that illustrate the presence of the geopolitical factor in China's relations in Latin America.

### **An overview of the economic relations between China, Brazil, and Mexico**

Brazil and Mexico are the two largest economies in Latin America. In 2018, according to the size of their Gross Domestic Product (GDP), Brazil occupied 9<sup>th</sup> place in the world while Mexico occupied 15<sup>th</sup> place (World Bank, 2018) in the list of the world's largest economies. At the same time, Brazil and Mexico are the most populous and most extensive countries of this region; Brazil has a surface area of 8,515,800 and Mexico 1,964,400 square kilometers (World Bank, 2019). As for the population, Brazil has 209 million and Mexico 119 million (World Bank, 2019).

Brazil is the largest economy in Latin America, with a GDP of US\$ 1.9 tn. After contracting by almost 7% during the 2015-16 recession, real GDP grew by 1.1 % per year in 2017 and 2018, while growth is expected to stay subdued at 0.8% in 2019 and 2.4% in 2020. Regarding the Brazilian economy, the service sector is the largest component at 67% of the country's GDP, followed by the industrial sector at 27.5%, and agriculture at 5.5%. The central bank has held the policy rate at the historic low of 6.5 percent since March 2018, providing the economy with some monetary stimulus. Headline inflation is around the 4.25 percent inflation target for 2019. The current account deficit is foreseen to deteriorate to 1.5 percent of GDP in 2019. Nonetheless, Brazil's external position remains strong thanks to a large amount of foreign reserves, a flexible exchange rate, and a contained current account deficit fully financed by large FDI inflows.

There are several challenges faced by Brazil to speed up economic growth. First, to put public debt—currently at 88 percent of GDP—on a more sustainable path because Brazil's debt is high by international standards. Second, to deal with critical reforms, such as the pension system, the tax system, and the public sector -the structure of the government-. Third, to open the economy as Brazil is one of the most closed economies in the world due to both tariff and non-tariff barriers. Opening up to more trade is essential to improve competitiveness and could give a much-needed fillip to investment. Finally, to close the large infrastructure gap because Brazil's public capital stock and quality of infrastructure are lower than in peer countries due to the country's low public investment in infrastructure over the past two decades.

If Brazil and Mexico are the countries with the strongest economies in Latin America and with the largest domestic market, then it is expected that both countries will be China's strategic partners in the region. Brazil has been recently an important partner of China; however, it is not the case in Mexico. In December 2003, Mexico and China established a "strategic partnership" that places relations, from the Chinese perspective, at a very high level (Rosas, 2010). In August 2004, the Permanent Binational Commission was created, which meets every two years since 2004, intending to strengthen ties between the two nations (González, 2012). Finally, in 2013 the President of China, Xi Jinping visited Mexico; as a result, the relationship between China and Mexico upgraded to "Comprehensive strategic partnership", which encompasses different economic, political and social aspects. These two countries will likely strengthen their cooperation and coordination (González, Mendoza and Zhang, 2015).

However, despite the agreements signed between Mexico and China, the link between both countries is still weak. Indeed, as Navarrete (2016) has pointed out, the lack of substance in the bilateral political relationship since the mid-1980s, as well as the insufficient, unbalanced and unsatisfactory development of the economic relationship were replaced - in order to maintain a positive image - by qualifications increasingly grandiloquent and distant from reality. Today there is a debate about a "comprehensive strategic relationship" between the two countries, but the reality of trade relations; investment; economic and technological cooperation; and political and diplomatic relations, neither justify nor substantiate that characterization.

This situation has prevailed even when a change of political regime has occurred in each country. In Brazil, although the end of the era of the *Partido dos Trabalhadores* lead by the leftists Lula da Silva and Dilma Rousseff and the start of the era of the right-winger President Jair Bolsonaro foreshadowed a change in relations with China, in practice the economic ties between the two countries remained very solid. On the other hand, Mexico elected, for the first time in contemporary history, a president, López Obrador, from the left side of the political spectrum. However, the Mexican economic dependence of the United States has driven the search for the ratification of the new USMCA trade agreement. Thus, a closer approach to China is only an intention from Mexico's side. At the first impression, the collaboration between China and Mexico can increase now more than ever under the Chinese BRI strategy. However, this article suggests that the reasons for the somewhat cold relationship between Mexico and China are not only economic but also geopolitical factors. In the next section, we analyze four cases that demonstrate the importance of the geopolitical codes in China's relations with Brazil and Mexico.

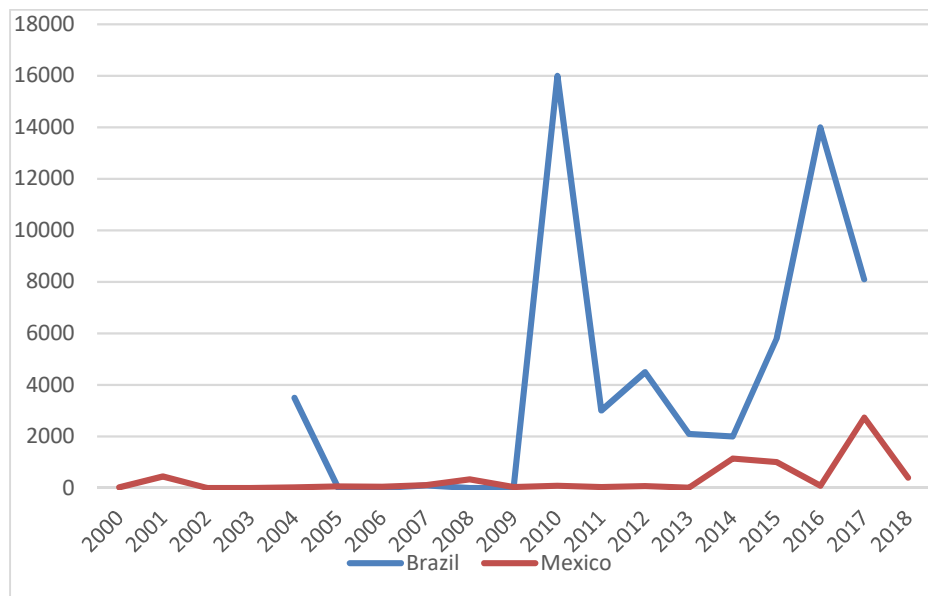
### **A comparative approach to the expansion of China in Brazil and Mexico: four emblematic cases**

A fundamental characteristic of BRI is to support large infrastructure projects. Basically, infrastructure projects have been a very important part of China's economic success story, which the Chinese government is currently seeking to replicate to other regions of the world (Rolland, 2017). Although there is a huge variety among the participating actors, investment funds, loans, and concessions; in general, the model has been to facilitate the presence of Chinese companies with local partners that, financed by the Chinese government, carry out the expected works. The range of infrastructure financed by China is very wide and includes communication and transportation, as well as obtaining primary resources that the Chinese economy requires. This model has been usually repeated in Latin America. However, in this region, many of the Chinese newcomers are private enterprises, with the same interest in profiting as their local counterparts (Valderrey, Montoya and Sánchez, 2019). The companies will use hard bargaining as soon as they feel prepared to compete in global markets.

If we assume that the geopolitical codes are geographical-political assumptions about the interest of the countries, the fact is that when bureaucratic elite perceives potential threats to these interests, it takes measures to limit these supposed or real threats (Naji and Jawan, 2011). In this regard, the Mexican history shows plethora examples. The Mexican ex-ambassador in China, Eugenio Anguiano (2019), has demonstrated that along with the phenomenon of Mexico-China-United States asymmetric commercial interdependence, there is the growing economic and political penetration of China in Latin America and the Caribbean. Additionally, the Chinese rise to global economic and political-military power levels, which in recent events have led to a new concern for Washington, differs from the Cold War years of containment to Chinese communism. In this sense, today the emphasis is clearly on finding ways to stop the rapid escalation of the People's Republic to the peak of world power. Obviously, due to the geopolitical factor of the relationship between Brazil and China, the Brazilian government's framework for deciding its foreign policy regarding China is broader compared to the Mexican nation. The next four selected cases illustrate this logic of China's participation in Brazil and Mexico.

Both in the Brazilian and Mexican cases, China has become a relevant source of inbound FDI to Latin America's largest economies. It is widely recognized that the analysis of FDI inflows is subject to methodological constrains, as the identification of the original investor country may be biased due to the operations through tax heavens. To overcome this problem, and in order to correctly identify the incoming Chinese investment, we use different information sources covering greenfield, mergers and acquisitions investment announcements, in order to construct a useful picture to analyze Chinese FDI into Brazil and Mexico (Dussel Peters, 2019). This is presented in Figure 1, which shows a remarkable difference in the scale of Chinese FDI in both countries. The FDI inflows remained very low until 2009, peaked in Brazil in 2010 and 2016, while Mexico presented a modest FDI inflow after 2014.

**Figure 1: Mexico and Brazil: Foreign Direct Investment Flows of Chinese Origin, 2000-2018**



Source: author's elaboration based on Dussel Peters (2019).

The two cases of Chinese FDI into the Brazilian economy presented in this article offer pieces of evidence of Chinese appetite for Brazilian companies in the infrastructure sectors, such as mining and energy, respectively. The increase of the Chinese influence in Brazil's infrastructure suggests the beginning of the weakening of the United States' leadership position in this South American country.

China Molybdenum Co (CMOC) is primarily engaged in the mining, processing, and marketing of mineral products. The organization is one of the world's largest molybdenum and tungsten producers. On September 30<sup>th</sup>, 2016, CMOC announced the acquisition of Anglo American's Brazilian Niobium and Phosphates businesses for US\$1.5 billion. The purchase involving the Niobium businesses includes the phosphate business, a mine, a beneficiation plant, two chemical complexes, and two further mineral deposits. The acquisition of the niobium business consists of one open-pit mine, two non-operating mines, three processing facilities, two further mineral deposits, and sales and marketing operations in the United Kingdom and Singapore. There are several strategic and business reasons for the purchase, first, the niobium business is an important strategic addition to CMOC's existing molybdenum and tungsten business, as it is a critical value-added input for specialized alloys and a key ingredient for the production of specialized high-strength steels used in gas pipelines and jet engines. Second, the phosphates business includes an open-pit mine, beneficiation plant, two chemical complexes, and two further mineral deposits. This business unit provides strategic diversification benefits to the CMOC's metals portfolio because the phosphates sector has attractive long-term fundamentals and positive outlook. This thanks to the robust demand and supply dynamics in Brazil as phosphates are used in the large agricultural sector in Brazil. Third, CMOC will also benefit from economies of scale because the firm will become the second-largest supplier of phosphates in Brazil and the second-largest niobium supplier worldwide. Finally, CMOC took advantage of financial difficulties faced by Anglo America, who used the proceeding of the deal to refocus its business portfolio and reduce debt. The strategic importance of the deal occurs because the acquisition gave the company a foothold in one of the most important international mining jurisdictions (Brazil) and



it confirms the company's resource-seeking strategy (Kaltenecker, 2018) of finding sources of rare earth, specially minerals. Although initially, the CMOG deal seems to be a standardized acquisition by a Chinese company of a business unit under financial stress, the geopolitical component of the deal should be emphasized because Niobium, Molybdenum, and Tungsten are best examples regarding the geopolitical supply risk of mineral resources (Habib, Hamelin, Wenzel; 2016).

On the other hand, we analyze China's State Grid acquisition of Brazil's CPFL Energy. In 2106, China's State Grid International Development Ltd (State Grid), the world's largest utility which provides electricity to 88% of China's territory and it is ranked 2nd in the Fortune Global 500 in 2016, bought a controlling stake in the CPFL, Brazil's largest power distributor, for US\$1.8 bn. In 2017 and 2018, State Grid launched tender offers to buy the remaining shares that the firm did not own in CPFL and fully acquired CPFL's renewable energy business unit. An important note to State Grid's purchase of Camargo Correa's stake in CPFL: Camargo Correa, a construction company, was under financial stress due to its involvement in the Car Wash operation. The investigation has impacted the company operations, raising questions on its ability to pay debts. Therefore, Camargo sold non-core assets, such as its energy business, to improve its cash situation.

The internationalization strategy of State Grid in Brazil evidences the firm's focus on regulated power generation, power transmission, and distribution assets. The Chinese company actively invested in the Brazilian power market and with the CPFL deal, the Asian organization expanded in Brazil beyond the power transmission assets it already managed. In addition, State Grid has been actively participating in concession bids and has successfully won the concession agreement of Brazil's Belo Monte Phase 1 and Phase 2 Ultra-High-Voltage hydroelectric transmission project. Currently, State Grid is the fifth largest power transmission company in Brazil; SGCC operates nearly 7,600 kilometers of power transmission lines and has another around 8,000 kilometers power transmission lines under construction in Brazil.

It is important to note that the president of Brazil of that time, Mr. Temer, attended the signature of the deal in the presence of the Mayor of Shanghai, as well as other Chinese and Brazilian officials. This provide the deal with a strong binational symbolism and making the acquisition a milestone to the cooperation in the energy and power sector between China and Brazil. The presence of high-level government officers from both countries suggests that not only the deal is a movement of Grand Chinese Strategy but also that Chinese FDI is welcomed in Brazil.

In line with projects of Chinese product exhibition centers in different countries of the world (such as in the United Arab Emirates and Bahrain), in 2011 the investment to build a Dragon Mart Cancun, in the Mexican Caribbean, was announced. The goal of the project was the construction of a shopping complex to show, promote and sell Chinese goods in Mexico and Latin America. The investment would be 180 million dollars in almost 600 hectares of land, with the presence of more than two thousand Chinese companies and more than five thousand direct jobs would be created in Mexico. The project was presented in 2011 but the capital structure of the developer, Real Estate Dragon Mart Cancun, was not clear. Later, the company was presented as an investment of 90% of Mexicans (45% of Carlos Castillo, 45% of Monterrey Cancun Mart) and 10% of Chinamex, a private Chinese company established by the Chinese Ministry of Commerce in 1999 to develop sales center projects and exhibitions (López, 2013). From the beginning, the project had attracted criticism from civic and non-governmental organizations, who said it would seriously affect the environment of the area. Between 2013 and 2014, the Dragon Mart

Cancun project was fined because of the lack of environmental permits. In 2015, the Federal Attorney's Office for Environmental Protection of Mexico announced that it was permanently closing the project (Downie, 2015).

However, there were other reasons behind the story about the cancellation of Dragon Mart. First, the differences between the local and federal governments that considered that the project would politically benefit local authorities. Second, the opposition of Mexican entrepreneurs in fear of the arrival of cheaper Chinese products to Mexico. Third, a feeling of rejection of the possible arrival of Chinese citizens in a massive way. Fourth, the suspicion of corruption to obtain the contracts that would allow the construction of the project (Downie, 2017). As explained by Jin (2017), “the project did not consider [environmental and social benefits] fully enough, and, to a greater extent, neglected public relations work on these aspects”. However, both in the collective imagination that presents China as a threat, as well as in the pressure of the federal government to enforce environmental laws that were not respected in similar cases, the possibility of the US influence in the project cannot be disregarded.

One of China's most important investment projects in Mexico is the construction of a high-speed train between Mexico City and the city of Querétaro. It was a project with a route a little more than 200 kilometers of railway lines and that could transport up to almost 30 thousand people a day in its maximum capacity (Villafranco, 2015). The total investment was over 3 billion dollars (Villafranco, 2015). The corridor between these two cities is one of the most densely populated in the country, with economic growth above the national average and a major road congestion problem that the train project would partially solve. The investment for the high-speed train was a Joint Venture between China Railway Construction Corporation (CRCC), a Chinese state-owned company, and Constructora y Edificadora GIA, Prodemex, GHP Infraestructura Mexicana and TEYA of HIGA Group (Dussel Peters, 2018). The project was publicized in 2014, the consortium between Chinese and Mexican companies won the bidding process, with the criticism that it had been the only bidder (Koop, 2019).

The project had a shadow of conflict of interest because HIGA Group, who was inside the consortium that would build the train, had also built the house of the first lady Angélica Rivera and worked with the government of the State of Mexico during the administration of Peña Nieto. The explanation about how the presidential family can build a luxury and expensive mansion never was convincing, so the impression was that the house was a payment for the benefits obtained by the HIGA Group. There was no consensus about why the high-speed railway project failed. One argument put the responsibility on the Mexican side because of its unpredictability, while most of the blame was placed on the Chinese enterprise. Some observers criticized the low price competition strategy since the winning project was cheaper than a similar project in China (Lin, 2014). Others praised the Chinese firm's local partnership strategy but thought the company should have paid attention to opposition parties in the Mexican Congress, as well as civil society (Niu, 2018). One day before the signing of the contract, an article about the house of President Peña Nieto was published simultaneously in Mexico and the United States and therefore, the project was canceled. Furthermore, the Chinese government claims to Mexico the payment of 600 million dollars for the cancellation of this project, because the authorities “did not act in a transparent manner, in good faith, nor did they guarantee due process of law” (Barragan, 2017). At present, with President López Obrador, the limits to Chinese investment to the strategic projects in Mexico have not changed. In fact, according to Maldonado (2019), the plan to construct a new cargo train in the Isthmus of

Tehuantepec only with Mexican investors is the consequence of the pressures of President Trump's son-in-law, Jared Kushner. In a private meeting with the Mexican president, Kushner expressed the interest of the US government to block Chinese investment in Mexico in key sectors.

**Table 1: Analysis of each case**

#	Case name	Country	Sector:	Chinese Investor	Partner or Target company	Objectives:	Entry-Mode:	Were the deals successful?
1	China Molybdenum-Anglo American	Brazil	Mining (Infrastructure)	China Molybdenum Co (CMOC)	Anglo American's Niobium and Phosphates businesses	Resource-seeking strategy, Access rare-earth mineral, Foothold in an important mining country	FDI, Brownfield	Yes
2	State Grid-CPFL	Brazil	Energy (Infrastructure)	State Grid International Development Ltd (State Grid)	CPFL Energy	Strengthening of State Grid's presence in Brazil, Vertical integration of power generation, transmission, and distribution	FDI, Brownfield	Yes
3	High-speed train (Mexico-Queretaro)	Mexico	Transportation (infrastructure)	China Railway Construction Corporation (CRCC)	Constructora y Edificadora GIA, Prodemex, GHP Infraestructura Mexicana & TEYA (HIGA)	Construction of a high-speed train at the center of Mexico. Very important and populous area of the country	Greenfield, Joint venture with Mexican investor	No
4	Dragon Mart Cancun	Mexico	Tradable	Chinamex Middle Investment & Trade Promotion Center	Real Estate Dragon Mart Cancun	Construction of shopping complex, a base for showing, promoting, and selling of China goods in Mexico and Latin-American	Greenfield, Joint venture with Mexican investors	No

Source: Elaborated by the authos.

## **Discussions and conclusions**

Brazil and Mexico are the two most important countries in Latin America due to their population and economy size. Besides, both countries maintain close commercial ties with China. However, these countries have a very different behavior regarding how could benefit from the Chinese expansion in Latin America. In other words, each country has different approaches to investment and infrastructure projects. This situation occurs despite the renewed impulse of the Chinese government to have a greater presence in the region. The invitation to participate in BRI during the Meeting of China - CELAC Forum can be interpreted as a more consolidated strategy of the Chinese government, in a long-term vision, to have a more coordinated and effective presence in Latin America.

The four cases analyzed show how economic rationality is not the most important factor to evaluate the expansion of China in Latin America, even if the project is promising both to Chinese companies and to the countries that receive the investments. In the Brazilian cases, the two projects that we analyzed were in the infrastructure sectors, mining, and energy. In the first case, the goal was to support a resource-seeking strategy to allow the Chinese company to access a rare-earth mineral. We can infer that the principal benefited will be Chinese companies. This example can be related to the case of Dragon Mart in Mexico. While it is true that the construction of a shopping complex would be used for showing, promoting, and selling China goods in Mexico and it could generate jobs to the people of the region, the environmental risks were high and the construction would demand more quality and productivity of many small and medium businesses that eventually would compete with Chinese commodities. Therefore, it is logical to think that people opposed this project beyond an economic point of view. Unexpectedly, a similar opposition did not appear in the case of Brazil.

In the second Brazilian case, the goals of the investment were the strengthening of State Grid's presence in Brazil and the vertical integration of power generation, transmission, and distribution. Obviously, this investment represents a key factor in the Brazilian economic development. We can observe the same situation in the case of the High-speed train in Mexico. Mexico needs a confiable, modern and effective net of transportation to communicate one of the most populous city in the world with other near cities to create a solid productive cluster. These cases (infrastructure for energy and transportation) represent an opportunity for a win-win relationship between China and Brazil or Mexico. However, inexplicably from an economic perspective, the opportunities for the Chinese investment in Mexico were rejected.

Until now, the results have been very different regarding big infrastructure Chinese investment projects in Brazil and Mexico. As a consequence, the central question when we observe the cases of Brazil and Mexico is: Why do these countries have different behavior in the face of China's advance in Latin America? Multiple factors can explain the chances of success or failure of BRI in Latin America. First, the regional difference within Latin America is very wide. In this sense, there is no monolithic face of Latin American countries towards the growing Chinese presence. If the Chinese government wants to succeed in its incursion in Latin America, it is important to consider these regional differences as evidenced for the cases of Brazil and Mexico. Second, at the beginning of the 21st century, the complementarity of the economies of many Latin American countries, including Brazil, led to the boom in the export of raw materials to the Chinese market. As the top suppliers of manufactured goods to the North American market, China and Mexico have typically been in direct competition over the past

decade. Also, many low-cost Chinese products destroyed or decimated traditional local industries such as shoe-making, textiles, and manufacturing of toys. Third, the political orientation initially facilitated the rapprochement with China as the case of Brazil during the leftist government of President Lula and his successor, Dilma Rousseff, found points of coincidence in the expansion of a sheltered international agenda under the emergence of the BRIC. Meanwhile, Mexico was governed by right-wing or center-right governments that prioritized trade relations with North America and left in the background a foreign policy that would diversify its dependence on the United States.

However, a key piece to understanding Brazil, Mexico and China relations under BRI is the geopolitical interest of the United States. Specifically, although the US government has not put Latin America's in its foreign policy priority list, the case of Mexico is different. Due to a complex historical relationship, a strong economic interrelation, and an extensive border of more than three thousand kilometers that includes issues such as migration and drug trafficking, Mexico continues to be under the US influence zone. At the end of the day, geopolitics is the determining factor of the chances of success of BRI because geopolitics implies the practice of the states controlling and competing for territories (Flint, 2012).

The importance of geopolitics is evidenced in the cases analyzed. These cases show how in four major infrastructure projects, in which companies with strong links to the Brazilian or Mexican State are involved, the geopolitical factor has played a key role. In Mexico, under pressure from the interests of the United States, two iconic projects were stopped. In Brazil, on the contrary, geopolitical conditions facilitated the concretization of these projects. Thus, we conclude that the cases of Brazil and Mexico evidence how the geopolitical factor is a fundamental element to evaluate the chances of success of BRI in Latin America.

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