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Chinese Perception in Mexico

From Threat to Opportunity

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***Abstract*— The Sino-Mexican relationship was developed amidst diplomatic divergences, economic competition, and the creation of new alliances. It is not new that the rise of China as a worldwide economic power brought some collateral consequences to the international community. Mexican economy is mostly specialized in manufacturing production; therefore, the inclusion of Chinese massive manufacture into the international market is causing high repercussions within the country. In addition, the evident inequality in trading and lack of representative investment from China indicates a clear disadvantage for Mexico. Meanwhile, Mexico maintains a positive attitude towards the PRC and could develop a change in the direction of the policies applied to China. This study exhibits the causes and consequence of the market competition between both countries. Within the study, one can conclude that Mexico is the perfect example of a country that valued a possible threat to transform it into an opportunity for both parties.**

***Keywords*—Mexico, China, Competition, Foreign Investmen**

I. Introduction

The rise of China into a global economic power reveals the importance of increasing business operation with this country. Nowadays, the relationship between China and Latin America has been predominantly positive and mostly economic. China’s active engagement in the region has engendered the relationship of Latin America with China and the international community.

In addition, China’s road towards a world economy power amplified the necessity of goods and raw material that Latin America seems to posses. The interest of China in Latin American fields has enhanced since the last decade. China’s investments in infrastructure and soft loans have helped the economy of many Latin American countries development. In this regard, countries such as Brazil and Chile maintain trading relationship, providing ore, soybeans and copper to China, and in return, acquiring manufacturing products from the PRC.[1] Unfortunately, Mexico has been claimed as “the big loser” in the Chinese trading and investment whilst China has become the second largest trade partner of Mexico after the USA, less than two percent of Mexico’s exports enter to the Chinese market.

Moreover, Mexico provides evidence of distrust in diplomatic and economic relations with the People Republics of China (PRC). The closure that Mexico has with its neighbor from the north might represent a bias towards China.

Since the 90s, Mexico has become a leader in manufacturing in the area and a link to the market share in North America. In this respect, there are two important matters in the development of a partnership between the PRC and Mexico: the rise of China as the main manufacturer of the world and the effects of NAFTA's integration on Mexico.[2]

In this regard, China might represent both a threat and an opportunity to Mexico. On one hand, Mexico is a country with an economy that depends on manufacturing. China’s lowest paid wages in the manufacturing industry contributes to its surge as an economic power. Consequently, Mexican manufacturing companies generate medium and low technology, garments, and toys that cannot compete with China's cheap and massive production. Certainly, the PRC could be perceived as a threat to their production.

On the other hand, the investment that China is making in Latin America is appealing to the Mexican government and represents an opportunity. This opportunity not only improves their infrastructure, but could also help them integrate with the Asian market that maintains millions of consumers.

Under those circumstances, the last decade has been crucial for the development of the relationship between China and Mexico. The Sino-Mexican relationship is directed not only to the growing interest of the People’s Republic of China in the acquisition of raw material, but also on the potential that Mexico has because of its geographical position.

This study will start with the description of the development and maturity of the commercial relationship between China and Mexico. Likewise, it will clarify the Mexican sentiment towards China and how some events over time distress any improvement in their relationship.

It is important to recognize how manufacturing became an essential foundation of the Mexican economy development. In contrast, China has an economy that is not dependable of only one type of production, which also makes this country more resourceful in overcoming any competitiveness. This study will also display the importance of Sino-Mexican trading and foreign investment that develops advantages and disadvantages of both parties.

Finally, this is an impartial study that will conclude whether China represents a threat to the manufacturing production or an opportunity that helps the sustainable development of Mexico.

II. Overview of Sino-Mexican Relationship

A. *Sino-Mexican Relationship Through History*

The relationship between Mexico and China started during the Spanish colonial period. At that time, China was at the center of the global preindustrial economy, while Latin America was the world's source of precious metals.[3]

In 1571, Acapulco was the first Spanish port of the area and developed a constant trade with the port of Manila, Philippines. Consequently, trading between China and Latin American Countries (LAC) was not direct. Chinese traders carried their products in small boats with stopovers at the port of Manila, but directed them to Acapulco, Mexico.[4] Many Spanish Galleons consolidated their shipment of silver from the Mexican highlands and sailed to other colonial ports. Likewise, the Spanish colonies in America received silk, porcelain, medicines, and high-quality furniture while East Asia received precious metals, such as silver, from the Americans.

In the 19th Century, after the independence of America, the relationship with China lost its high relevance, thanks to the weakness of the Latin American Republics. In the particular case of Mexico, after the independence revolution, the Mexicans perceived Chinese immigration as a threat. For instance, the Chinese were highly proficient in commerce and represented a menace to Mexican businessmen.

Moreover, in both Sonora and the Mexicali area, the Chinese started to dominate the merchant class, turning them into hardworking, frugal, and mutually supportive communities. Consequently, Mexicans of that era maintained strong anti-Chinese sentiments, especially in these cities.[5]

With the Mexican politics revolution, the notion of "Mexicaness" (Mexicanidad) became the source of persecution towards immigrants in the area. Certainly, it led to the deportation and illegal expulsions of the Chinese-Mexican families in the 1930s.

In the 1960's, Chinese-Mexicans that were unfairly expelled from their country could repatriate to Mexico. Presidents Lazaro Cardenas and Adolfo Lopez Mateo were important icons in this repatriation movement. Nowadays, there are two major Chinese communities in Mexicali and Chinatown in Mexico City.

In December 1899, China and Mexico established diplomatic actions after signing the Treaty of Amity, Commerce and Navigation. However, it was not until 1942 that Mexico established a diplomatic mission in Chongqing. Unfortunately, relations had to be shut down again due to the absence of recognition of the People's Republic of China at the United Nations.

On October 1971, the Mexican Deputies in the UN subscribed the recognition of China with the resolution 2758 of the XXVI General Assembly of that Institution.[6] This statement declared the People's Republic of China to be a single and legitimate representing in that Organization. Consequently, it was not until 1972 that the Sino-Mexican relationship started again.

B. *Current Sino-Mexican Relationship: Between Political Tensions and Economic Agreements*

For Sergio Ley, an ex-diplomatic deputy of Mexico, the twentieth century has a distant and different course in Sino-Mexican Affairs, in his experience as a Diplomatic deputy of Mexico in China. Furthermore, over the last twenty years, four important events had repercussions on the Sino-Mexican relationship:

b.1 The Annexation of Mexico to the North America Free Trade Agreement (NAFTA): In 1990, Mexico, looking for an opportunity to narrow its entrance into the North American market, chose to adhere to the North American Free Trade Agreement (NAFTA).[7] Consequently, the progress of the Mexican economy was evident, and it gained recognition as a second supplier to the USA market. This annexation represented Mexico an asset and a failure. The firm application of the Washington consensus in Mexico led to free-trade agreements with the US. Meanwhile, China's approach to globalization brought the excelled reform of the economic system of the PRC that helped them to increase their competitive advantage over the rest of the world.

Mexico's specialization in manufactures of little value added was suitable for its entrance in the NAFTA. However, in current times, having a Chinese manufacturer with a lower paid wage and competing for a share of the market in the USA affected Mexican production and its perception towards China.

The Mexican perception of China has been shown to vary between the different fields. For small businessmen and manufacturing ("maquila") workers, the import of the Chinese products, which are subsidized by Chinese Government, represents an unfair competition for the middle and small factories in Mexico. As a result, in 2001, around 500 Mexican small businesses had to shut their doors and increase the rate of unemployment.[8]

In contrast, big enterprises seem to perceive the stock market in China as an opportunity. Pursuing Chinese investments or partnerships could help them improve their infrastructure in manufacturing production and share benefits on both sides.

b.2 The Integration of China in the WTO (World Trade Organization): By the late 90s, most of the Latin-American countries had agreed to China's entry into the WTO, but not Mexico. By 2001, Mexico was the last country to accept the admission of China to the WTO; it was a bilateral negotiation. On December 2001, both countries agreed that Mexico could keep anti-dumping measures for more than 1300 tariff lines, covering products such as textiles, clothing, footwear, organic chemicals, toys, and pencils.[9]

Furthermore, Mexico negotiates with China mostly about the strong Chinese competition of labor-intensive products with the U.S. market. As was mentioned before, Mexican exports of manufactured products increased with NAFTA in 1994, and about 90% of it was directed to the U.S.A.

Mexico firstly disagrees with the negotiations with China in the WTO. As a result, Mexico demanded a clause that, for two decades, would deny China the right to call for the WTO's mechanism of dispute, but it couldn't be established.[10] Hence, as a final covenant with China in the WTO, Mexico could use compensatory and protective tariffs against Chinese products imported in Mexico. Nevertheless, the final arrangement only allowed Mexico to apply compensation tariffs ranging from 800 to 1000 percent on Chinese products in the sector of tools, toys, and textiles, until 2008.[11]

As a consequence, Mexican foreign affairs office actions displayed protection of their industry. As the Mexican Deputy, Ernesto Derbez explained, the bilateral agreement with China would help Mexico to have the necessary tools to restructure their production within the seven years of anti-dumpling tariffs towards the Chinese imports. Therefore, Mexico would become competitive. Mexican Deputies made many declarations stating how the relations between China and Mexico seem to be "tense but cordial."

b.3. The Wake of Fears of a Worldwide Swine Flu Pandemic in 2009: As the flu started in Mexico, China imposed the decision to quarantine seventy Mexican citizens, despite none of them showed symptoms of the virus. Therefore, the Mexican government responded with outrage. The Foreign Minister of Mexico in China at the time, Patricia Espinosa, advised compatriots not to travel to China. China also encouraged Chinese citizens not to travel to Mexico and brought back around of 100 Chinese citizens that were living in Mexico. Finally, Beijing froze pork imports from Mexico, which not only affected the relationship between them but had repercussions over the image of Mexican production and consequently its economy.

For Enrique Berruga, ex-diplomatic deputy from Mexico, the incident of the Swine flu in Mexico represented an overpass to the Sino-Mexican relationship.[12] The actions and reactions of both countries reminded them of the little knowledge both parties have of each other.

b.4. The Welcoming of the Dalai Lama as a Representative of Tibet in Mexico: In 2013, Mexican President Calderon accepted the visit of the Dalai Lama in Mexico as a representative of Tibet. Chinese newspapers such as China Daily displayed strong discontent and opposition to the meeting between Mexican President Felipe Calderon and the Dalai Lama. Jose Luis Lopez Zamorano, a Mexican economics analyst, affirmed that the welcoming of the Dalai Lama to Mexico represented a bias against the foreign policy of China.[13]

These events showed there is a lack of knowledge and no strategic framework between the two countries. After almost two decades, China and Mexico have developed a strained relationship full of contradictions, especially in the industrial field.

Nevertheless, the current government of Enrique Pena Nieto declared that is necessary not to inherit former administration problems and moved forward seeking new alliances with the PRC. The interest of Mexico in China and the new direction of the current government have changed the Mexican international policy, improving its relationship with China.

For Mexico, China represents a potential market of more than one thousand five hundred million consumers, including a high income of three hundred millions American dollars. In 2005, the reduced requirements for import permits and tenders improved the conditions for that market. Moreover, China has reduced its tariffs on industrial products by over 8.9% and on agricultural products by over 15%.

Moreover, China has an open market in continuing transformation that allows significant business opportunities. Enrique Dusel Peters, Mexican scholar and foreign affairs deputy stated that the bilateral relationship between China and Mexico is currently in a phase of long-term strategic decisions.[14] Unfortunately, the trade and economic dynamics between the two nations do not coincide with their political and diplomatic weight.

The Chinese foreign policy to Latin America was displayed at the Chinese white paper published in 2008, revealing the importance of the area towards China. In contrast, the lack of a strategic agenda form Latin American countries affected the commercial relationship between China and Mexico. Therefore, while the high-level deputies from both countries started a political engagement, the relationship did not improve.

Therefore, in 2012, then-Mexican president presented a new strategic agenda, focusing strictly on maintaining an active Sino-Mexican relationship. The Mexican government created the Sino-Mexican Committee and High-Level Group Institutions to narrow the bilateral interaction between the governments of China and Mexico. These institutions maintain private and public funding and establish a nexus between Mexico's private and public sector and Chinese investors.

Both institutions have led several projects and actions that could overcome any structural difficulties between the commerce and investment of both countries, but so far, there are no concrete results. Nevertheless, Mexico is trying to execute policies in commerce, politics and culture; it would help to increase Chinese tourism, sustainable development plans, and educational exchange.

As a result, in 2013, Mexico and China signed several agreements on energetics, tourism, commerce, and investment to seek reduced negative balance in Mexico.

III. Sino-Mexican Trading: Facing The Challenge

Mexico is a country with high potential, but struggles between the overprotective tax regulation and the lack of infrastructure in the liberalization of its market. Though, the unexpected rise of Chinese economy in the world has brought expectations to the Mexican Government of whether these matters will represent a threat or an opportunity.

The presence of an over-standing rival in China against the Mexican production has made the Mexican economy struggle against the Chinese performance in the market. Many Mexican scholars agree that the difficulties Mexico has, as a competitor determines the consequences of Mexico's own political decision-making. In this regard, Enrique Dussel-Peters, a Mexican major scholar, gives five different reasons of why Mexico has displayed a disappointing performance in the last decade:

1) Since 2000, the actions to improve sectors of petrochemicals, electricity, and pension system have been released in legislative reforms of the public sector. Looking for the ideal liberalization, these reforms must include the labor sector.
2) Other reasons that affected the Mexican economy are the high tariffs, the deregulation in the opening in foreign investment, and a decrease of participation of the public sector. Besides, there should be executed action towards the existence of monopolistic structures in the area of telecommunications, such as AMX or Telmex.
3) Mexico's GDP and GDP per capita growth performance is historical and potentially below the levels of standards as a result of low investment growth.
4) The export-oriented manufacturing sector is the main engine of Mexico since the 1980s. Unfortunately, it makes Mexico a dependent of NAFTA and the US market.
5) Finally, the lack of financing for the private sector and a continuous overvaluation of the exchange rate.[15]

Therefore, a political analysis issued by Sergio Ley exhibits that China's engagement in Latin America is directed towards its strategic partnership, and that leaves Mexico as a country that takes fewer benefits in the relationship. [16] One of the main reasons as to Mexico's trade structure is that it is integrated mostly with the US economy.

The rise of China as the world's largest supplier affects everyone, from the US market with Mexico to the Brazilian production engaged with Europe and Africa. In 2006, Mexico became the country with the largest trade deficit with China. It was over US$22 million. In 2009, Mexico bought products from China worth US$31.9 billion, while sales to China were only US $2.2 billion.[17] The problem is that the Chinese investment in Mexico was under 62 million dollars in 2012, whilst the rest of Latin America received around 2 billion dollars per project.

It is evident that the trade between China and Mexico has been extremely unprofitable. Nowadays, many Mexican entrepreneurs have tried to attract investors from Mainland China. Hence, Mexico needs to overcome the hostility that happened in the past. For the current Mexican government, it is clear that it is for an effective foreign policy to use the recent partnership with China as an advantage to invest in infrastructure.

Unfortunately for the relationship, the Mexican mass media rather highlighted the main characteristics of a threat in China's rising economic power. Business conditions, including those that seem as dangerous as Chinese imports such as toxic fabrics, paint, toys, and copyright violations, are the main reason for the increase of pleas for protective tariffs and anti-dumping measures. Sergio Ley, Mexican deputy in foreign affairs, explained that for the majority of Mexicans, the Chinese government represents a menace in the commercialization of shoes and garments. Hence, it is cheaper to buy imported Chinese products than to produce it.

The trading relationship between Mexico and China has been characterized by a competition favoring China. Nevertheless, China has become the second commercial partner of Mexico since 2003.

Despite the adverse highlights on China, the Mexican perception of China as a threat is still uncertain. Mexico is attracted to Chinese goods. Therefore, as an overview of the general knowledge of China from the Mexican population, Pew Research Global Attitude Center has performed an accurate survey on this respect. The survey asked Mexicans businessmen about their feelings toward China and its government. Consequently, the figures below show the Mexican perception of China from 2007 to 2014.

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Figure1. Mexican Favorable Perception of China (2007-2014)

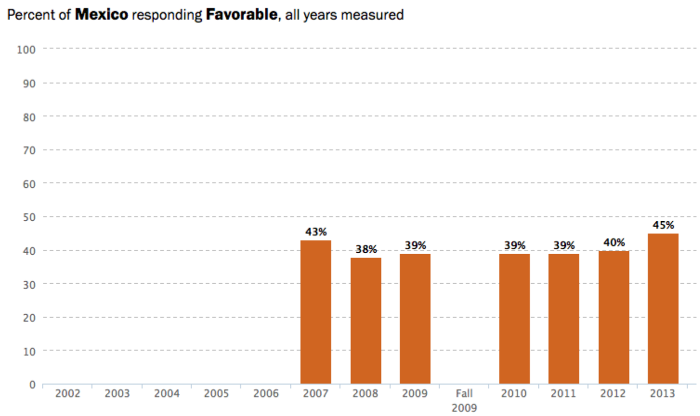

Figure one determined that there is no major predominance towards positive or negative perceptions of China in Mexico. In the last two years, China has increased it popularity in this country. Likewise, the current Mexican government's main concern was to communicate to its people that China represents an opportunity.

After the crisis of the virus AH1N1 and the visit of the Dalai Lama to Mexico, several Chinese and Mexican declarations have resulted in a stressed and unfriendly relationship. Meanwhile, the Mexican government expects that current foreign policies will lead to cooperation with the PRC.

Finally, many international political and economic annalists agreed that Mexico could represent the platform to the industrialization of Chinese production as a bridge between the developed and developing countries in America. The question remains as to which are the proper policies that will help use Chinese partnership for the development of the Mexican economy.

IV. Sino-Mexican Manufacture Competitiveness: Transforming the Threat into an Opportunity

The manufacturing production in Mexico is well-known as "Maquila" or "maquiladoras." Maquila in Mexico is an industry or a subsidiary company that works for a Foreign Corporation. In the beginning, the "maquiladoras" were created as a source of employment for the population at the U.S.-Mexican border.

Initially, foreign companies hired establishments that carried out labor-intensive activities using precarious conditions. Manufacturing facilities proceed under the regulation of special customs regime, categorized as temporary importation or inward processing.[18] In this respect, the temporary importation procedure is a total or partial relief from import duties that help decrease expenses from production.

The development of "maquila" grew from 1985 until 2000, carrying garments, low and intermediate technology items, and auto parts.[19] During this period, there was a transformation in the industry, especially in electronics and auto parts. Moreover, at the beginning of the 90s, many companies started to reorganize their decision-making process to seek a strategic advantage within the national market.

In general, the technological improvement of the Mexican maquiladoras displays the evident integral institutional learning that led to the development of Mexico as a multinational manufactory.

Eventually, Mexico joined NAFTA, and the maquiladoras of technology became one of the highest productions in the country. As expected, the convenient location of Mexico narrowed the integration of the region. For Sargent and Matthews, scholars from Washington University, dispositions of NAFTA brought advantages and disadvantages to Mexico. Mexico had to sell a high percentage of its production back to the USA market. During the American economic crisis in 2001, Mexico resented the instability of this industrialization model that seemed to be vulnerable to the fluctuations of the American economy.

Hereafter, Mexico and China together specialized in technologic products (IT), consumer electronics, electronic components, clothing, transport equipment, and miscellaneous manufacturing (textiles, basic manufactures, and leather products.) The production similarity relies on the exports sector; China's competition is not relevant merely in transport equipment.

Mexico's specialization in electronics manufacturing with a less added value was appropriate to its entrance in NAFTA. Unfortunately for Mexico, China also produced these kind of goods at a lower cost and more abundantly. Besides, China's authorities foster this sort of labor-intensive industries through their "One-Stop Shop Program."[20] This program granted tax exemptions and technical assistance to Chinese manufactories that sells their products abroad.

By 2003, the incorporation of China in the OMC reduced the tariffs for imports in the US. Mexico lost its share of the US market in 47 of the 152 categories of imports to the neighboring country. The categories included toys, furniture, appliances, television and video, and garments and textiles.

As mentioned, Mexican businessmen made a significant investment in the establishment of high technology manufactories to sell its production to USA. The presence of Chinese manufactories endangered the Mexican market. Since the rivalry between Mexico and China for the share of the market in the US is distinctive, Mexico has shown a lack of strategy against this new and overwhelming competition outbreak. Therefore, many foreign factories see more convenience in moving their production from Mexico to China.

The perception of China as a threat changed over time. One of the reasons for this change of attitude might be the Chinese's investment in the Mexican manufacturing industry. Many economic analyses displayed a negative point of view over the overwhelming competitive advantage that China had in their subsidized products and over an aggressive minimum wage. Hence, several small and intermediate factory businesses had to shut their operations against this rivalry.

After 2008, the engagement of China in Latin America brought a real image to the entire region, and Mexico was not an exception. Mexican companies pursued a partnership with Chinese companies and worked to bring benefits to both parties. Despite the stressed diplomatic ties between the two countries, there was an extended campaign from the Mexican government that prevailed to the population that did not classify China as a threat, but as an opportunity. Certainly, an administration that tries to facilitate interaction between Sino-Mexican partnerships will attract at least the interest of the community.

In addition, Mexico and China had learned to improve their production over the years. Before 2008, several corporations moved their production to China because of the lower labor wage and consequently a lower cost of the production. However, after 2008, Chinese low-quality product and logistics' problems made certain firms come back to Mexico, such as DELL and OSRAM.[21] It was evident that not only Mexico struggled in the improvement of their production; China also had to overcome high-quality control and logistics difficulties.

Enrique Berruga, economics analyst and President of the COMEXI, declared that the secondary problem with Mexico is a high crime that has developed at the US border. It is evident for Mexico that USA is the first market of exports, but the convenience of the geographic closure between the two countries seems spoiled by the process and delinquency.

Ultimately, the competitive advantage of Mexico improved. Several USA companies looked at both countries as suppliers, and Mexico started to look for Chinese FDI in the manufacturing field.

In conclusion, once again, China started as a threat to Mexico but became an opportunity to improve their competitive advantage. It means that Mexico could fulfill the American market, but it was not competitive worldwide. Consequently, with the induction of the Chinese manufactories in their share, Mexico struggled, but in the end, improved its production.

V. Chinese Investment in Mexico: Success, Failure and Good Intentions

One of the primary goals of the Mexican government is to appeal to Chinese investment in Mexico. Certainly, Chinese investment or FDI in Mexico has seen success, failure, and an abundance of good intentions.[22] However, economic analysts and scholars are trying to determine how the interest of China in Latin American Countries (LAC) can help the development of Mexico and how important the improvement of the relationship with this country is.

The import-export relationship between China and Mexico has a difference of an average of 300%. However, for the Mexican government, China also represents an opportunity in the industrial field and foreign investment.

Unfortunately, Chinese investment does not even represent 0.1 % of the Chinese Foreign Direct Investment (FDI) in LAC from 1999 until 2012. [23] Moreover, 16,000 Chinese enterprises in 179 countries earned an average of US $532000 million until 2012, in which 15.11% of the investment was directed to the countries of LAC.[24]

In more than $61000 million from 2004 to 2012, 90.35% went to the destination of Cayman Island and the Virgin Islands. As a result, Mexico solely represents the 0.05% of the total Chinese FDI or 0.36% of the Chinese FDI in LAC. In Mexico's perspective, the Chinese FDI could be higher.

As an illustration, the Golden Dragon Precise Copper Tube Group has become the most successful example of Chinese investment in Mexico. Consequently, with an initial investment of US$100 million, it became the world's largest producer of copper tubes, with factories targeting the U.S. market.

Other examples revealing the importance of Chinese investment in Mexico are Huawei and Giant Motors Latin-American. There will be a short explanation of four cases of Chinese FDIs in Mexico: Grupo Diamante, Huawei, Giant Motors, AMX, and NEXTEL.

A. *Case 1: Huawei*

Huawei Investment & Holding is a multinational company that designs products in sciences, telecommunications, multimedia, and technology. During its first four years in Mexico, Huawei started "positioning" in the Mexican market; four years later, it was established in the most important cities of Mexico. Nowadays, Huawei have relocated massively into the Mexican market.

Later on, Huawei became the principal supplier of the biggest telecommunication company in the area: TELCEL (later America Movil). Huawei provided TELCEL medium and high technology. They started as small suppliers of added-value technology so it could enter into the market. Huawei also became a supplier to public institutions, such as Mexican Social Security (IMSS), the Office of the Secretary of Transport and Communications (SCT), and the Foreign Affairs Office (SRE), between 2004 and 2005.[25]

As Huawei gained some prestige, it became an important supplier of the competition of TELCEL. Over time, it tested the quality of its services, products, and median price. Finally, it became the most important supplier of TELCEL in Mexico and all of Latin America.

In this particular case, Mexico represented the door to the Latin American market and was also the main supplier of technology to the US. It is evident that China recognized the potential of making business with Mexico. Thereafter, the Huawei supply center established in Guadalajara has brought its products from China to North America and the Caribbean. Huawei already opened a supplier in Brazil in 2007, filling up the market in 42 countries from Canada to Ecuador.

At the present stage, the problem that represents Chinese establishment in Mexico is that the quality of service is inferior to that in China. However, the improvement is disreputable noticeable over time.

B. *Case 2: Giant Motors in Mexico*

On 2006, the "strategic partnership" between Giant Motors Latin America (GML) and FAW Trucks or FAW Jiefang Truck started. Giant Motors was a leading company in Mexico. In the beginning, the relationship between the two companies was only a mere commercial import/exports exchange. Moreover, FAW trucks did not have much experience and did not manage its own label.

Nowadays, the Chinese company has higher requirements and standards to their clients. From 2006 to 2014, the experience, the logistics, and the quality of the products of FAW trucks improved substantially.[26] It was also evident that the primary interest of the Chinese FDI in Mexico, in this particular case, is related to the proximity that Mexico has to the USA market.

On the other hand, the strategic partnership of GML and FAW implied a deep learning process. For example, FWA used to send inferior quality auto parts by a 45 day shipping to Mexico. This produced rust and defects. In the process, FWA learned to change the quality of the materials and use anti-oxidation products. FWA is still looking to diversify their products depending on the clients.

C. *Case 3: Grupo Diamante (Diamond Group Inc.)*

Another case of Chinese investment in Mexico is the Diamond Group (Grupo Diamante GP) that started its operations in 1949. A manufacturing enterprise of garments integrated within the American market. Nowadays, this company counts with 307 enterprises that have maintained a Chinese inflow since 2004. The Chinese investment in this multinational company only gets an average of .05%

The Chinese FDI's framework in the Grupo Diamante follows a standard procedure. First, China provides the machinery and the raw material. Second, Mexico is in charge of the manufacturing. Third, the product is distributed to the NAFTA region: Canada, USA, and Mexico. Finally, to improve its production, Grupo Diamante maintains a factory in Shenzhen, China.

D. Case 4: America Movil (AMX)

China's new target is the biggest telecommunications enterprise in Mexico: AMX.[27] America Movil is a Mexican company in around 18 countries in the world with more than 260 million clients; it has become one of the most significant companies in the world.

To start such an investment, China fused its more prominent communication enterprises towards the creation of Communications Facilities Service Corporation Limited (FSCL). It includes China Mobile, China Telecom, and China Unicom.

Chinese investment in the Mexican corporation is still in negotiations. It is directed to the construction of the infrastructure to improve the spectrum of the well-known business. This new association has brought positive Mexican opinion in the media.

It is evident that a company like AMX had brought the interest of many investors, but the potential networking to a bigger market is more attractive. In addition, the increase of a worldwide network could benefit both parties. This represents the position of Mexico as a potential partner to China. The case of AMX displays that Mexican companies not only are asset to integrate the American market, they also represent the door of the rest of the countries in Latin America and the Caribbean.

In conclusion, the amount that China invests in Mexico still plays a secondary role. The participation in import and exports of products in a high-level market contrast the capital and intermediate level investment. The FDI in Mexico from China is related with mines, commerce, and manufacturing. Therefore, the enterprises in China are the example of a smart social, economic development, but just like Mexico, China had a learning stage that eventually helped to improve them both.

Furthermore, for the Mexican Government, the Chinese FDI has become an important goal, and there is public support to avoid discredit campaigns over any bilateral tension or technological problems that could affect Chinese companies. The cases already studied in this paper show the advantages and disadvantages of the relationship. A high level of specialization and dedication from the Mexican production seems crucial.

Michael Shifter, President of Interamerican Dialogue Magazine, concluded, "the proximity of China towards Mexico represents a particular alliance and independence towards the USA, but Mexico still has to face with energetic reforms." [28] Mexico is aware that in order to become competitive in the international market, it is necessary to have severe, active changes in infrastructure in manufacturing and production.

With regards to the Chinese FDI, there is a universal feeling: financial aid is always welcome. In comparison with competition in manufacturing, China is not a threat for the Mexican industry. Moreover, a part of the manufacturing industry in Mexico is starting to associate with Chinese companies that possess the infrastructure, which is missing in their production.

In contrast, another issue to discuss is why Mexican citizens could perceive Chinese FDIs negatively. The economic rationale describes that the FDI will facilitate a faster economic growth. Nevertheless, the economic impact of FDI is not always positive, and it brings secondary effects. Market failure is the consequence of different conditions in receiving countries. The economic and political controls in the host countries have to be taken into consideration with the FDI strategy.

This strategy needs to be properly implemented, ensuring that both parties will have benefits and that the local economy will be able to enjoy those benefits. On the other hand, there is no clear evidence that receiving capital from abroad develops local businesses. To be specific, the case of Huawei setting a company in Mexico brought many flaws in the use of the know-how. Moreover, the quality of service and experience were improved in China, but its Mexican subsidiary had inexperienced human resources.

Hereafter, there will always exist a learning stage that is continuously improving. Likewise, the results of the study displayed the beginning of a new understanding between the parties, with equal terms to foreign and domestic investment as the ultimate purpose.

VI. Conclussions

Ariel C. Armony, scholar in Latin American studies, established that Mexico is considered as the fourth strategic partner of China. Despite the outstanding effort of the Mexican government to promote trade with China, the Mexican Government's spending on the promotion of Mexican products abroad is limited compared to other western countries.

Furthermore, one of the major successes of Mexico in the Chinese market is the import of alcoholic beverages and spirits such as the Mexican beer "Corona," and tequila. Also, BIMBO as a brand, together with Mexican tequila, exhibits the successful case of the insertion of a Mexican product in a large market.[29] In contrast, the Mexican market is overfull with Chinese products such as toys, garments, shoes and textiles.

Despite the insistence from the Government to promote a cooperation agreement, the imbalance between the relationship between Mexico and China could affect the sustainable trade between them in the long term.

In this respect, a declaration of Mexico becoming a strategic partner of China could have different denotations. On one hand, the PRC appreciates Mexico as the entrance to the American market, considering Mexican Agreements with North America, its unique expertise and the development of the Mexican manufacturing Industry. Moreover, the establishment of Chinese investment in this industry and eventually the maturity of the relationship with Mexico represent an apparent interest in a possible partnership.

On the other hand, the trade deficit of Mexico with China conducts them into an imbalanced relationship. Mexico is conscious of its scarcity in infrastructure and knowledge, but thorough their competition with China, Mexico has learned to recognize it competitive advantage in logistics.

Furthermore, Mexico is building a strategy that seeks to take advantage to the eventual partnership with China. Mexico's interest in China is exhibited with the creation of a Chinese agenda for the government, nature of institutions that will administer their partnership, and the understanding of the culture. Likewise, Mexico's intellectual infrastructure is the most developed in Latin America. The Universidad Nacional Autonoma de Mexico was the first to create a center dedicated to Chinese studies in Latin America. Mexico was also the first Latin American nation establishing the Confucius Institute.

Finally, based on Mexican economic and political analysis, the perception of China in Mexico has variations. Before 2008, diplomatic events and the aggressive incursion of China in manufacturing created a tense environment in both countries. Once again, the low and intermediate businessmen did consider China a threat to their production, and the lack of understanding between the countries was notorious and public. In distinction, in the last decade, the presence of the President of China in Mexico to settle strategic agreements improved the Chinese image in the country.

The effort of the Mexican government to change the precedent relations is starting to have rewards. It was displayed in many articles that both parties seem to have a mutual understanding of how to use their potential and take advantage of the partnership.

Conclusively, the Mexican perception of China represents the best example of transformation from fearing the threat to seeking the opportunity. In this respect, the Mexican government could establish overprotective policies against the intrusion of Chinese products. Instead, it pursued a partnership that could help them to improve their production infrastructure and obtain major benefits in the future.

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The Sino-Mexican Relationship has seen success, failure and abundant good intentions