American Journal of International Relations and Development
http://www.scirea.org/journal/AJIRD
October 18, 2023
Volume 1, Issue 1, 2023
http://www.scirea.org/journal/ajird3151001

The Impact of Bilateral Relations on Chinese Multinational Enterprises' Investment in Latin America

Bowen Song [1], Yuanzhou Wei [2], Meiyan Gao [2], Ya He [3], Bolin Huang [4], Yuanhao Tian [2,*]

[1]Institute of International Relations, Yunnan University, China

[2]Florida International University, United States

[3]Capital University of Economics and Business, China

[4]University of Southern California, United States

* Correspondence: ytian020@fiu.edu (Yuanhao Tian)

Abstract

This research explores Chinese investments in Latin American countries through the lenses of international relations theory and international political economy. It assesses the impact of government relations on Chinese foreign direct investment (FDI) and examines the current state and future prospects of China-Latin America government relations. The study delves into how diverse Chinese companies, including Huawei, Chongqing Lifan Group, and H Company, leverage their strengths and government relations to expand in host countries. The findings highlight that both technology-intensive and demand-responsive Chinese enterprises benefit from friendly government relations, contributing to overall bilateral relationships and tangible advantages for multinational corporations.

Key words: International Political Economy, FDI, International Relation, China-Latin America, Bilateral Relation

Introduction

As the relationship between China and Latin American countries continues to develop, the increasing investment activities of Chinese companies in Latin America have attracted growing attention. In Latin America, China's diplomatic relations have expanded from less than 10 countries at the beginning of the reform and opening-up period to 24 countries as of 2020, covering the majority of the American continent. At the same time, China's investment in the region has increased from a meager amount in the early stages of reform and opening up to several hundred billion US dollars by 2020. Existing studies have revealed the connection between these seemingly disparate areas: enhancing bilateral government relations promotes bilateral investment and trade activities.[1] However, while previous research has predominantly explained this connection from a macro perspective, there remains an unresolved question at the meso level: whether all types of Chinese enterprises can directly benefit from the warming of bilateral government relations. This paper addresses this question by analyzing the investment and trade experiences of three significantly different domestic Chinese enterprises in Latin American countries. It examines how Chinese companies' overseas investments can fully leverage the development of bilateral government relations between their home country and the host country to expand their investment and trade activities abroad, as well as how to mitigate risks arising from changes in the political relations between the two governments. The emergence of this question also lends practical significance to this research.

Method

This research will employ qualitative analysis to examine and analyze the recent developments in China-Latin America relations in order to summarize the macro trends of bilateral political relations between China and Latin American countries. Additionally, through the examples of specific enterprises, we will analyze the development of bilateral government relations between China and the host countries at the micro level, thus facilitating a better analysis of the local operational conditions for these enterprises. Besides, this research will incorporate the discussion on "bilateral relations and foreign direct investment (FDI)" within the framework of extensive case studies. The study will be conducted through a case analysis method. One advantage of choosing this research method is that case analysis can

[1] Zhang Jianhong, Jiang Jiangang. The impact of bilateral political relations on China's OFDI [J]. World economy and politics, 2012, (12): 133-155

complement the limitations of previous literature discussions on this topic. While the cases analyzed in this study may not overturn the conclusions of the literature mentioned above, this study will discuss this topic from a more specific perspective and provide additional support to the current research through detailed narratives. This study selects three companies that have invested in Latin America for comparison: Huawei, which has invested in Venezuela and Chile; Lifan Group, which has invested in Uruguay; and Company H, which has invested in Brazil. By comparing the scale of these three companies and examining the benefits they receive from bilateral relations and the governments of the two countries, the study further illustrates the different roles played by different enterprise models in the dynamics of "bilateral relations - company investment in the host country" and "bilateral government relations - company investment in the host country." Furthermore, in order to further support the case analysis in this paper, interviews will be conducted with relevant company executives to provide more specific information from the perspective of the enterprises. Additionally, a large amount of literature and media sources will be collected to corroborate the case companies' narratives further.

Chapter 1: Overview of China-Latin America Relations

China's relations with Latin American countries began at the early stages of the establishment of the People's Republic of China. However, due to the international situation during the Cold War and other factors, the relations between China and Latin America were initially conducted in the form of "people-to-people diplomacy." The establishment of diplomatic relations between China and Latin American countries on a large scale began in the 1970s. The development of China-Latin America relations can be described by the guidance given by Premier Zhou Enlai in the early stages of the establishment of the People's Republic of China: "We should adopt a gradual and accumulative approach in our relations with Latin America." History has proven that the relations between China and Latin American countries were indeed built step by step. After the reform and opening up, China's relations with Latin American countries developed rapidly. In 1985, China put forward four basic principles for its relations with Latin American countries: "peaceful coexistence, mutual support, equality and mutual benefit, and common development." Subsequently, China experienced a wave of establishing diplomatic relations with Latin American countries, and economic and trade relations deepened as well. In 2008, China explicitly outlined the strategic framework and policy objectives for cooperation with the Latin American region through the *China's Policy*

Paper on Latin America and the Caribbean."Since then, China-Latin America bilateral relations have started to develop within a framework and set of rules.

Entering a new era of socialist construction, China's relations with Latin American and Caribbean countries have reached new heights. The focus has shifted from bilateral relations between individual countries to relations between China and the Latin American and Caribbean community as a whole. President Xi Jinping has attached great importance to relations with Latin American countries since taking office. Since 2013, President Xi Jinping has exchanged in-depth views on promoting overall cooperation with leaders of member countries of the Community of Latin American and Caribbean States (CELAC), reaching important consensus. In 2014, the second CELAC summit passed the "Special Declaration on Support for the Construction of the China-CELAC Forum," laying the foundation for further deepening cooperation between China and Latin American countries. In July of the same year, President Xi delivered a speech at the "China-Latin America and Caribbean Countries Summit," making an accurate assessment of the relations between China and Latin American countries. He emphasized, "China-Latin America relations are at their best in history and have reached a new starting point. There are better opportunities, a stronger foundation, and more favorable conditions for deepening comprehensive and mutually beneficial cooperation between China and Latin America. There is every reason to achieve greater development." As a result, Xi and the leaders of participating countries reached a consensus and jointly announced the establishment of a comprehensive partnership of equality, mutual benefit, and common development between China and Latin America. They committed to building a new five-dimensional framework for China-Latin America relations, characterized by sincere mutual trust in politics, win-win cooperation in economy and trade, mutual learning in culture and education, close coordination in international affairs, and mutual promotion between overall cooperation and bilateral relations.[2]

Based on this, China-Latin America relations in the new era have shown four major characteristics: deepening of political and strategic mutual trust, leapfrog development of pragmatic cooperation, active promotion of overall cooperation, and rich and diverse cultural exchanges.[3] Firstly, political and strategic mutual trust between China and Latin America

[2] See http://www.xinhuanet.com/world/2014-07/18/c_1111688827.htm?prolongation=1

[3] Special Activity of "Latin America Bridge" Qingdao railway station - Speech by Chen Luning, Deputy Director General of the

continues to deepen. Since the 18th National Congress of the Communist Party of China, General Secretary Xi Jinping has visited Latin America five times, meeting with leaders from the region in bilateral and multilateral settings. Leaders of Latin American countries have, for the most part, visited China during their tenure, achieving historical full coverage of top-level diplomatic exchanges. Both sides have established a cooperative relationship characterized by equality, mutual benefit, and comprehensive development. Additionally, China has established diplomatic relations with Panama, the Dominican Republic, and El Salvador. Secondly, practical cooperation between the two sides has made leapfrog progress. China and Latin America have established a new pattern of "Five-in-One" cooperation and a pragmatic cooperation framework of "1+3+6," which consists of "One Plan" and covers three engines of trade, investment, and financial cooperation, as well as six key areas: energy resources, infrastructure construction, agriculture, manufacturing, technological innovation, and information technology. China has made significant arrangements for financing in Latin America, including the implementation of a package of financing arrangements for Latin America, specific arrangements for the $35 billion financing plan promised at the China-Latin America Leaders' Summit in 2014, which includes concessional loans to Latin America, infrastructure project-specific loans, and the China-Latin America Cooperation Fund. The concessional loans amount to $10 billion and are divided into two types: concessional loans for foreign aid and concessional loans for export buyers' credits, which are medium- to long-term low-interest loans provided by Chinese government-designated financial institutions for assistance purposes. Additionally, $20 billion is designated for special loans for basic projects between China and Latin America, to be implemented by the China Development Bank for infrastructure construction. Finally, $5 billion is allocated for the China-Latin America Cooperation Fund, which consists of two parts: the first is a joint financing fund for China and the Latin American and Caribbean region, with a Chinese contribution of $2 billion, entrusted to the Inter-American Development Bank to provide financing support for education and hydropower projects in Latin America; the second part is a $3 billion equity investment fund, with the China Exim Bank responsible for its implementation, mainly investing in new energy, infrastructure, agriculture, manufacturing, technological innovation, and information technology, and moderately expanding into other fields.[4]

Department of Latin America and Latin America of the Ministry of Foreign Affairs, at the exchange meeting on forms of cooperation with Latin America

[4] Special Activity of "Latin America Bridge" Qingdao railway station - Speech by Chen Luning, Deputy Director General of the

Thirdly, overall cooperation between the two sides is actively promoted. China has introduced a package of financing measures for Latin America and the Caribbean, established a dialogue and consultation mechanism with the Andean Community, and become a member of the Inter-American Development Bank, as well as an observer country in the Organization of American States and the Pacific Alliance. Lastly, people-to-people exchanges between China and Latin America have also become more diverse.[5] This includes the establishment of 45 Confucius Institutes and 15 Confucius Classrooms in Latin America, the inauguration of Argentina's deep space station as China's first deep space station, the opening of five air routes between China and Latin American countries, the designation of 24 Latin American countries as travel destinations, facilitation of visa procedures by multiple countries for Chinese citizens, and the establishment of Spanish and Portuguese language programs in over 120 domestic universities and Latin American country-specific research institutes in over 60 academic institutions in China.[6]

Chapter 2: The Current Situation of Chinese Investment in Latin America

Section 1: Overview of Chinese Investment in Latin American Countries

Undoubtedly, Latin American countries have been excellent partners for China in foreign economic cooperation since the reform and opening-up. Latin American countries possess vast market potential. According to World Bank statistics, Latin American countries have a population of 640 million and a GDP of nearly $6 trillion. Additionally, in the "World Economic Outlook (Economic Recovery During the Pandemic)" report released by the International Monetary Fund on October 12th of this year, it was mentioned that the economic growth rate in the Latin American region exceeded the global average growth rate in 2021, with an increase of 6.3%.[7] This demonstrates the market potential and economic growth rate of Latin American countries. Therefore, in the new era of socialist construction, China has

---

Department of Latin America and Latin America of the Ministry of Foreign Affairs, at the exchange meeting on forms of cooperation with Latin America

[5] Special Activity of "Latin America Bridge" Qingdao railway station - Speech by Chen Luning, Deputy Director General of the Department of Latin America and Latin America of the Ministry of Foreign Affairs, at the exchange meeting on forms of cooperation with Latin America

[6] Special Activity of "Latin America Bridge" Qingdao railway station - Speech by Chen Luning, Deputy Director General of the Department of Latin America and Latin America of the Ministry of Foreign Affairs, at the exchange meeting on forms of cooperation with Latin America

[7] Ministry of Commerce of the People's Republic of China: International Monetary Fund Raises Economic Growth Expectations for Dominica http://dm.mofcom.gov.cn/article/jmxw/202110/20211003207260.shtml

also increased its economic and trade cooperation with Latin American countries, aiming for win-win outcomes between nations. China's economic and trade investment in the Latin American region mainly consists of three major aspects: bilateral trade, direct investment in Latin America, and contracting projects. In terms of bilateral trade, according to China's customs statistics, the total trade volume between China and Latin America reached $316.64 billion in 2020. China's exports amounted to $150.76 billion, while imports from Latin America amounted to $165.88 billion. Additionally, China's top five trading partners in Latin America are Brazil, Mexico, Chile, Peru, and Argentina. Regarding investment in Latin America, according to the "Statistical Bulletin of China's Outward Foreign Direct Investment," by the end of 2020, China's accumulated investment stock in Latin America and the Caribbean reached $436.05 billion. The main destinations for investment are the Cayman Islands, British Virgin Islands, Brazil, Venezuela, and Argentina. In terms of contracting projects, by the end of 2020, Chinese companies had signed contracts for a cumulative value of $217.17 billion in Latin America and the Caribbean, with completed turnover reaching $144.43 billion.[8] Therefore, it is evident that the Latin American region holds a considerable share in China's foreign economic and trade activities and is an indispensable part of China's outward investment.

Section 2: Current Chinese MNEs' investment in Latin America

1. Huawei in Venezuela and Chile

The rapid development and scale of Huawei have given it tremendous influence in China's economy and society. In 2002, Huawei and its subsidiaries had just surpassed $2 billion in revenue.[9] By 2008, Huawei's annual revenue had exceeded $18 billion.[10] In 2018, this figure more than doubled, reaching over $105 billion.[11] As its economic scale continues to expand, the number of employees at Huawei has also been increasing. It is well-known that Huawei, which started as a 14-person entrepreneurial team in 1987, has now grown to a global team of approximately 200,000 employees (with approximately 37,000 employees outside of China)

---

[8] Ministry of Commerce of the People's Republic of China: Overview of Economic and Trade Relations between China and Latin American Countries
http://mds.mofcom.gov.cn/article/Nocategory/200210/20021000042975.sht

[9] Huawei Technologies Co., Ltd, "Annual Report 2006" (Shenzhen, China: 2007), p. 4, available at https://www.huawei.com/ucmf/groups/public/documents/annual_report/092583.pdf.

[10] Huawei, "Annual Report 2008" (Shenzhen, China: 2009), p. 2, available at https://www.huawei.com/ucmf/groups/public/documents/annual_report/092581.pd

[11] Huawei Investment & Holding Co., Ltd, "2018 Annual Report" (Shenzhen, China: 2019), p. 8, available at https://www.huawei.com/-/media/corporate/pdf/annual-report/annual_report2018_en_v2.pdf.

as of 2019.

The development of Huawei's scale is closely related to China's promotion of technological advancement. On the one hand, since the beginning of the reform and opening-up policy, China has attached great importance to the strategic deployment of science and technology, recognizing it as the primary productive force. These strategies have to some extent benefited companies like Huawei, as the industry to which Huawei belongs is highly technology-intensive and talent-intensive. For example, various projects such as the National High-Tech R&D Program (863 Program), the National Basic Research Program (973 Program), and various technological special research and development funds have received strong financial support from the government, which has effectively sponsored Huawei's research and development activities.[12][13]

Furthermore, in recent years (2015-2019), Huawei's publicly available annual reports indicate that the company has received approximately 235 million USD in government subsidies each year, totaling nearly 1.2 billion USD over the past five years. The majority of these funds have been allocated to Huawei's own technological research and development activities.[14] On the other hand, as a tangible technology company, Huawei can effectively implement the government's technological strategies and translate advanced scientific and technological achievements into convenient technological products for the market. For instance, Huawei has

---

[12] For a good overview, see Micah Springut, Stephen Schlaikjer, and David Chen, "China's Program for Science and Technology Modernization: Implications for American Competitiveness" (Arlington, VA: CENTRA Technology Inc., 2015, available at http://sites.utexas.edu/chinaecon/files/2015/06/USCC_Chinas-Program-for-ST.pdf.

[13] For example, in 2004, Huawei received 18 million renminbi from the 863 Program to design base station components for China's homegrown 3G standard, a suboptimal approach to 3G that Beijing was propping up in a bid to reduce the nation's reliance on U.S. and European technology. "863 Jihua 2004 nian di er pi xinlixiangketixinxilingyu (52 xiang)" ("The second batch of new projects of the 863 plan in 2004 in the field of information (52 projects)"), available at http://m.1mpi.com/doc/ec36dfaa203d4e89b977182d/2. See also "863 Jihua 2005 nian di er pi lixiangketimingdan: Xinxijishulingyu (65 xiang)," ("List of the second batch of projects approved by the 863 Program in 2005: Information Technology (65 projects)"), November 23, 2006, available at http://muchong.com/html/200510/128507.html

[14] Huawei Investment & Holding Co., Ltd, "2015 Annual Report" (Shenzhen, China: 2016), available at https://www-file.huawei.com/-/media/corporate/pdf/annual-report/annualreport2015_en.pdf; Huawei Investment & Holding Co., Ltd, "2016 Annual Report" (Shenzhen, China: 2017), available at https://www.huawei.com/-/media/CORPORATE/PDF/annual-report/AnnualReport2016_en.pdf?la=en; Huawei Investment & Holding Co., Ltd, "2017 Annual Report" (Shenzhen, China: 2018), available at https://www.huawei.com/-/media/corporate/pdf/annual-report/annual_report2017_en.pdf?la=en; Huawei Investment & Holding Co., Ltd, "2018 Annual Report" (Shenzhen, China: 2019), available at https://www.huawei.com/en/annual-report/2018; Huawei Investment & Holding Co., Ltd, "2019 Annual Report" (Shenzhen, China: 2020), available at https://www-file.huawei.com/-/media/corporate/pdf/annual-report/annual_report_2019_en.pdf?la=en-us. Average based on reported annual renminbi totals of government grants from 2015 to 2019. Conversion to U.S. dollars is based on the year-end exchange rate of renminbi to U.S. dollars

adopted a business model centered around government procurement contracts and government support. It provides electronic devices to various government agencies and institutions, including the People's Liberation Army, public security bureaus, national security agencies, and the Ministry of Railways.[15] Moreover, enabling Huawei's internationalization is a critical aspect of China's overall development strategy, particularly in the field of technology. Supporting Huawei's expansion is advantageous in breaking foreign technological monopolies and avoiding a situation of dependence on others. It is well-known that global standards encompass technological contributions from different companies. Once standards are established, companies producing and selling products using those standards must pay licensing fees to the original technological contributors. Undoubtedly, the continuous growth of Huawei's business scale enhances its technological competitiveness globally, allowing the company to propose and participate in the formulation of global rules in high-tech areas, thereby reducing the dominance of foreign monopolies.

Therefore, the development scale of Huawei is closely intertwined with China's development in key technological fields. As discussed earlier, since the beginning of the reform and opening-up policy, science and technology have been crucial elements in China's overall development. As a leading technology company that implements and realizes technological advancements, Huawei naturally aligns with China's overall development goals. When viewed from the perspective of China's participation in globalization, Huawei's scale allows it to relatively easily obtain bilateral advantages in relationships. After all, the main task of China's diplomacy is to "safeguard the country's sovereignty, security, and development interests, create a favorable external environment for building a moderately prosperous society in all respects and accelerating socialist modernization, and actively promote world peace and development." Huawei, which integrates its own development scale with the country's strategic development in key areas, becomes an indispensable part of the overall national development strategy. Therefore, when domestic development goals align, China's diplomatic relations will make efforts to assist relevant entities in promoting the achievement of China's development objectives in key areas. Therefore, once China signs relevant agreements in diplomacy with other countries regarding communication infrastructure, Huawei, with its

[15]See，http://www.c114.com.cn/news/ 126/a104316.html; Tai Ming Cheung, Fortifying China: The Struggle to Build a Modern Defense Economy (Ithaca, NY: Cornell University Press, 2013); Voice of America Chinese Edition, “Lulu pengbihuaweiweihe nan ling xifangshiyi” (“Again and again hitting the wall, why Huawei has difficulties dispelling Western doubts”), December 11, 2018, available at https://www.voachinese.com/a/china-huawei-impact-2018211/4695653.html.

development scale closely aligned with national interests, is likely to benefit from the advantages of bilateral agreements.

In Latin America, Huawei greatly benefits from the China-Venezuela relationship. Huawei's business in Venezuela directly or indirectly benefits from the strong economic ties developed between China and Venezuela over the past two decades.[16] Starting in 2007, Venezuela and China established a series of bilateral development funds, including the China-Venezuela Joint Fund (CVJF), known as "Fondo Chino" in Spanish.[17] These intergovernmental funds serve as a financial source for Venezuela's technology, infrastructure, satellite, technical assistance, mining, energy, and development projects. The China Development Bank (CDB) and the National Development Fund of Venezuela (FONDEN) largely provide financial support to these funds. In some cases, these loans support Chinese companies in purchasing goods and services for the aforementioned projects in Venezuela.[18][19] Scholars have also found that Chinese companies such as Huawei and ZTE engage in financing activities through the Venezuelan funds and enjoy privileges to enter the Venezuelan market.[20][21] Additionally, Huawei is involved in the "oil-for-goods" program with Venezuela through payment arrangements facilitated by the China Development Bank.[22] Through the "oil-for-goods" mechanism, Huawei can sell technology to Venezuela, which in turn delivers oil to China, and Venezuela subsequently makes payments to Huawei through the China-Venezuela Joint Fund.[23] Furthermore, the host country, the Venezuelan government, also supports Huawei's development in the local market. Another specific strategic action of Huawei's cooperation with the Venezuelan government is the establishment of a joint venture to produce a low-cost mobile phone called "Orinoquia," which is sold by the CANTV mobile phone provider

---

[16] Carlos M. Baldo, Richard Vail and Julie Seidel. 2020. Huawei in Venezuela: a review of 2006–2019. Revista de Gestão.

[17] Kaplan, S. B., &Penfold, M. (2019). China-Venezuelan economic relations: Hedging Venezuelan bets with Chinese characteristics. SSRN Electronic Journal, (February), 1–40. doi: 10.2139/ssrn. 3459035.

[18]Romero, C. A. (2016). Nuevasdirectricesen la asociacion Venezuela-China. Tempo Do Mundo, 2(2), 118–129. Available from: http://www.ipea.gov.br/portal/images/stories/PDFs/rtm/160609_rtm_v2_n2_art07.pdf.

[19] Yin-Hang, E., & Acuna, R. (2019). China and Venezuela: South-South cooperation or rearticulated dependency?. Latin American Perspectives, 46(2), 126–140. doi: 10.1177/0094582X18813574.

[20] Giacalone, R., & Ruiz, J. B. (2013). The Chinese-Venezuelan oil agreements: material and nonmaterial goals. Latin American Policy, 4(1), 76–92. doi: 10.1111/lamp.12006

[21] Weston, J., Campbell, C., &Koleski, K. (2011). China's Foreign Assistance in Review: Implications for the United States. Washington, DC: U.S.-China Economic and Security Review Commissi

[22] Ellis, E. (2017). The Influence of Extra-hemispheric Actors on the Crisis in Venezuela. Testimony to the Subcommittee on Western Hemisphere Affairs. Washington, DC: Cambridge University Press. doi: 10.1017/CBO9781107415324.004.

[23] Sender, H. (2014). China's Lenders are Best Placed to Fix the Region's Infrastructure. Financial Times, 1–3. Available from: https://advance.lexis.com/document/index?crid5d1c48353-be17-41a4-b643-d99ad053cc86&pdpermalink506e69798-850b-4be3-ac3b-300f72958d75&pdmfid51516831 &pdisurlapi5true%0D

Movilnet.[24] Based on the aforementioned evidence, Huawei's business in Venezuela seems to directly or indirectly benefit from the strong international relationship development between China, the Venezuelan government, during the tenure of President Hugo Chávez. The significant flow of funds available from China and Venezuela for project implementation in Venezuela provides excellent opportunities for Chinese companies. This favorable and fortunate situation, coupled with the company's existing knowledge and capabilities, creates unparalleled potential for Huawei's business development in the local market.[25]

Just like in Venezuela, Huawei also benefits from bilateral relations and government support in Chile. Chile was the first South American country to establish diplomatic relations with China, and since then, the bilateral relationship between the two countries has developed smoothly. The two governments have frequent interactions and maintain good cooperation on international issues. Among them, the economic and trade cooperation between China and Chile has been the most successful. Chile was the first Latin American country to sign bilateral agreements with China regarding China's accession to the World Trade Organization, recognizing China's full market economy status, signing a bilateral free trade agreement with China, and signing an upgraded protocol to the free trade agreement with China.[26] The two countries have established a government-mixed committee for economic and trade cooperation, which has held 20 meetings to date.[27] Indeed, while Huawei may not directly obtain projects from the host country's government or receive direct support from bilateral cooperation institutions as it does in Venezuela, it is undeniable that Huawei benefits from bilateral relations and government support. After China's accession to the World Trade Organization, Chile was the first Latin American country to sign bilateral agreements with China, recognizing China's full market economy status and signing a bilateral free trade agreement with China.[28] Therefore, the bilateral economic and trade relations between China and Chile are conducted in accordance with the WTO provisions and the bilateral free trade agreement signed between the two countries. As a result, the economic and trade relations between the two countries have been smooth, without significant trade disputes. Consequently,

---

[24] Hernandez, S. (2011). Venezuela y China relacioneseconomicasen el regimen de Hugo Chavez (1999– 2011). Observatorio de La Economıa y La Sociedad China, (15), 1–34. Available from: http:// www.eumed.net/rev/china/15/shr.pdf?origin5publication_detail.

[25] Shao, J., Zhang, T., Wang, H., & Tian, Y. (2022). Corporate Social Responsibility and Consumer Emotional Marketing in Big Data Era: A Mini Literature Review. Frontiers in Psychology, 2483.

[26]See https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/nmz_680924/1206_681216/sbgx_681220/t8019.shtm

[27] See https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/nmz_680924/1206_681216/sbgx_681220/t8019.shtml

[28] See https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/nmz_680924/1206_681216/sbgx_681220/t8019.shtml

Huawei's entry into the Chilean market is not heavily constrained, and this has been reflected in reality.

When Huawei entered Chile in 2000, it initially faced some skepticism from the industry. However, in order to dispel customer doubts about Huawei's technology, the company persisted in providing free equipment and technical support to customers in Chile from 2000 to 2002. Since 2003, Huawei gradually entered the fixed telephone equipment market in Chile, surpassing Alcatel and capturing a 50% market share. In early 2007, Huawei entered the mobile communications field in Chile, ranking third after Nokia and Ericsson. In 2017, Huawei-branded smartphones became one of the top three in the Chilean smartphone market. Throughout the process of integrating into the Chilean market, the bilateral relationship has aided Huawei's development in the local market. In the presence of Premier Li Keqiang and Chilean President Bachelet, Dr. Daxi Funzalida, General Manager of Huawei Chile and President of UTFSM in Chile, signed an agreement worth millions of dollars to establish a Sino-Chilean Joint Astronomy Data Center. This signing further demonstrates how the bilateral relationship has supported Huawei's development in Chile.[29][30]

Huawei, a company that continues to expand its scale, is increasingly receiving attention and support from the governments of both China and Chile. For Huawei, the focus in Chile is on achieving mutual benefits. The company is striving to expand its business in Chile while also working towards raising the country's technological level. Huawei's goal is to transform Chile into the "heart of Latin America" in terms of technological capabilities. "In the next three to five years, we will invest over 100 million US dollars," said Yong. "We will build infrastructure in Chile to support this cloud service."[31] At the same time, Huawei Cloud, with an investment of over 100 million US dollars, will focus on open services and provide space for customers in need of privacy, aiming to attract government and other users.[32]

This mutually beneficial concept, coupled with Huawei's accumulated influence in Chile over

[29] See https://www.businessinsider.com/huawei-stargazers-are-data-mining-the-night-sky-2016-8

[30] CASSACA. 2015.Chinese Premier Li Keqiang and Chilean President attend the Signing Ceremony of China-Chile Joint Astronomical Data Center. http://www.cassaca.org/en/activities/2015/05/chinese-premier-li-keqiang-and-chilean-president-attend-the-signing-ceremony-of-china-chile-joint-astronomical-data-center/

[31] Contzto. 2019. https://contxto.com/en/chile/huawei-invests-us100-million-in-chiles-internet-infrastructure/

[32] Latinamericanpost.2019. https://latinamericanpost.com/29872-huawei-cloud-the-first-public-storage-cloud-in-chile

the years, has largely encouraged Chilean authorities to protect Huawei from unjust accusations by the Trump administration's team in the United States. According to Chile's Financial Daily (June 19, 2019), Deputy Minister of Foreign Affairs for Trade, Analía spoke in an interview while attending the G20 Trade Ministers' Meeting in Japan, stating that Chile would not exclude Huawei from the development of 5G networks. Regarding the US sanctions on Huawei, Analía stated, "We understand some trade partners' concerns regarding the use of Huawei equipment, but we have listened to various opinions and made this decision." She further added, "Chile is an open and competitive small economy, and we will not exclude any high-tech company domestically." On the Chinese side, in addition to the support mentioned earlier, when Huawei faced lobbying efforts by the Trump administration in Chile, the Chinese government expressed its dissatisfaction with the treatment of Huawei. Chinese Ambassador to Chile, Xu Bu, emphasized that Huawei is an independent private company in China, with its employees holding all of Huawei's shares. He argued that Pompeo's accusations against Huawei are merely an attempt to use security as a pretext to stifle the legitimate operation of Chinese high-tech companies.

2. Lifan in Uruguay

Another example of obtaining government support and bilateral relationship benefits based on the scale of the company is Lifan in Uruguay. Firstly, it is evident that Uruguay prioritizes its bilateral relationship with the Chinese government in its foreign policy. Uruguay recognizes China's indispensable role in the world and its growing global influence. Moreover, Uruguay's policy has different focal points, namely "subregional-regional-hemispheric-Ibero-America-global." Under this model, César Ferrer, the former Uruguayan ambassador to China, emphasized that the diplomatic relationship between Uruguay and China is given priority because Uruguay's foreign policy must also achieve diversification. In recent years, the warming of China-Uruguay relations indicates the growing maturity of the bilateral relationship. This is manifested in the development of bilateral trade and the strengthening of business interactions. The two countries also provide significant support to each other in international organizations. Therefore, it can be observed that the bilateral relationship between China and Uruguay is in a stable state.

In 2012, Lifan Group acquired a local automobile manufacturer in Uruguay for $140 million, enabling cooperation in production and sales and officially entering the Latin American market. The company exports parts from China to Uruguay, where they are assembled and sold in the Southern Common Market countries, primarily Brazil.[33] During Lifan's investment in Uruguay (2012) and its subsequent development in the country, the company obtained significant support from both governments and benefited from the favorable bilateral relationship. In fact, the scale of Lifan's enterprise played an indispensable role in its participation in China-Uruguay economic relations. The company's scale enabled Lifan to meet the investment requirements for entering Uruguay through acquisition. First, acquiring a presence in Uruguay through acquisition necessitated a scale that met the conditions for the purchase. According to interviews conducted for this article, in order to have greater autonomy in deploying its sales strategy, Lifan's best option was to acquire SESIEY S.A., a subsidiary of its former partner EFFA MOTORS, in Uruguay. This required Lifan to have a large scale, strong capital, and sound management capabilities for the acquisition and subsequent operations. After all, the acquisition of SESIEY S.A. involved taking over its $32.2 million debt. Thanks to its economic capacity as a listed company and its 29 years of accumulated management experience, Lifan successfully acquired its partner in Uruguay. Second, for Lifan, a company interested in investing in local automobile enterprises, participation in China-Uruguay economic relations itself posed high barriers. Uruguay's policies and government have rigorous legal protections for labor rights, wages, and benefits. Companies face challenges in motivating and disciplining employees, especially considering wages are adjusted twice a year based on the inflation index and can only increase but not decrease.[34] This poses a significant challenge to controlling operating costs for companies and is why foreign companies find it difficult to penetrate the Uruguayan market. It is also a crucial factor in Uruguay's lower score in global rankings of overall national competitiveness. Additionally, although Uruguay is a typical agricultural and livestock country with a slow work pace, the trade union culture is strong.[35] According to a senior manager at Lifan in Uruguay, the enterprise's scale plays an irreplaceable role in such a situation. Years of large-scale operations have endowed Lifan with meticulous operational management capabilities and a strong corporate culture, enabling the company to overcome local

[33] MERCOSUR (Spanish: Mercado Com ú n del Sur, Portuguese: Mercado Comum do Sul) is the largest economic integration organization in South America and the world's first common market composed entirely of developing countries. On March 26, 1991, the presidents of Argentina, Brazil, Uruguay, and Paraguay signed the Treaty of Asuncion in Asuncion, the capital of Paraguay (which came into effect on November 29 of the same year), announcing the establishment of the Southern Common Market.

[34] See http://world.people.com.cn/n1/2018/0131/c1002-29797307.html

[35] See http://world.people.com.cn/n1/2018/0131/c1002-29797307.html

investment challenges smoothly.

Furthermore, the larger scale of the enterprise contributes to Lifan obtaining support from both the Chinese and Uruguayan governments, as well as favorable bilateral political relations. Building upon the foundation of long-term friendly and stable China-Uruguay relations, Lifan's significant operating scale and a strong sense of social responsibility have garnered immense favor from the Uruguayan government. Lifan Group has created irreplaceable value for Uruguay's economy. The main business activity of Lifan in Uruguay involves assembling imported parts from China and exporting them to other Southern Common Market countries. In this process, Lifan benefits from the South Common Market Agreement, which allows the company to save up to 35% on tariff costs compared to direct exports from China to Brazil while generating foreign exchange earnings for the host country. It is reported that Lifan's long-term vehicle exports to Brazil accounted for more than 40% of Uruguay's total automotive exports to Brazil.[36] Particularly during the period from 2014 to 2016, which saw relatively strong performance, Lifan received the Annual Largest Contribution Award for three consecutive years in Uruguay's automotive and parts export industry.

Regarding employment, through interviews, we learned that Lifan had created over 100 job positions locally, and at its peak, the number could reach 400 positions. In Uruguay, with a population of only 3.5 million, this represents a significant proportion. According to a People's Daily Online report, in addition to providing employment opportunities for local residents, Lifan also offers skill training in sheet metal and painting.[37] It is evident that Lifan has a considerable economic and social impact on the host country. To some extent, Lifan's survival and development status in the local market is intertwined with the local economy and society. Therefore, with the influence of large-scale operations, Lifan has gained significant support from the local government. "Due to Lifan's main orders coming from Brazil, the economic fluctuations, including currency depreciation, in Brazil since 2015 forced Lifan to halt production," stated a senior manager at Lifan. "The impact of insufficient local demand in Brazil has persisted until now (2020), but the local government has always paid great attention to and supported Lifan." After Lifan resumed production in 2017, according to People's Daily Online, Uruguayan Vice President Raúl Sendic, among others, expressed gratitude to Lifan for bringing "more employment and more opportunities" to Uruguay during

[36] See http://world.people.com.cn/n1/2018/0131/c1002-29797307.html
[37] See http://world.people.com.cn/n1/2018/0131/c1002-29797307.html

the ceremony of the first car rolling off the production line. In the same year, the President of Uruguay also presented new opportunities for Lifan. President Tabaré Vázquez revealed that the presidential office would lead in establishing a working group to support Lifan in conducting new energy projects. The government hopes that Lifan will expand local production capacity in Uruguay and establish a new energy vehicle production line. Therefore, due to Lifan's significant social and economic benefits in Uruguay, even during the most challenging times for Lifan in Uruguay, the Uruguayan government holds a positive outlook on Lifan and provides support.

Furthermore, Lifan's strong relationship with the Uruguayan government has further benefited the company in bilateral political relations. In order to better support Lifan's local development, the Uruguayan government has actively participated in bilateral relationship building, as further development in bilateral relations is advantageous for both governments to serve Lifan. Typically, the establishment of a consulate is considered a symbol of deepening relations between two countries according to the Vienna Convention on Consular Relations. However, more accurately, the Uruguayan government aims to promote Lifan's development through the establishment of a consulate at the bilateral level. According to Xinhua News Agency, in August 2018, Uruguayan Foreign Minister Rodolfo Nin Novoa led a delegation to attend the first Smart China Expo in Chongqing, expressing the desire to establish a permanent institution in Chongqing. Subsequently, in June 2019, the two governments reached an agreement on the establishment of a Consulate General of Uruguay in Chongqing, which officially opened on December 20th. According to a senior manager at Lifan, an essential factor in Uruguay's establishment of a consulate in Chongqing in 2019 was the country's desire to provide more convenient services to Lifan's headquarters, as the Uruguayan government highly values Lifan's investment. In short, the Uruguayan government actively strengthens bilateral relations with China to better support Lifan's investment in Uruguay.

In fact, the Chinese government has provided support and attention to Lifan's "going global" strategy. First, high-level leaders have shown concern for Lifan's operations in foreign markets during their visits. In 2017, Uruguayan President Tabaré Vázquez and the Vice Chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) Ma Peihua, visited Lifan's new energy exhibition booth. They were briefed on Lifan's comprehensive industry layout in car manufacturing, usage, energy operations, and services along the entire value chain. Vice Chairman Ma Peihua also inquired about vehicle range and battery technology, expressing a strong desire for Lifan to continue innovating and advancing new energy technologies.[38] In fact, gaining the attention of critical national leaders is closely related to the influence and outstanding achievements of the company in Uruguay. Through its significant impact and remarkable performance in Uruguay, Lifan has become a prominent enterprise during visits by leaders from both countries. As a result, Lifan has attracted the attention of important leaders from bilateral governments. Additionally, Lifan Group's size has allowed it to benefit from deeper diplomatic cooperation between China and Uruguay. In 2018, Uruguay became a signatory to China's Belt and Road Initiative (BRI). Vice President of Uruguay, Lucía Topolansky, believed that Lifan's investment in Uruguay would be a model for the Belt and Road Initiative. Lifan's scale in Uruguay and its outstanding achievements along the Belt and Road countries, such as being the top-selling Chinese automotive brand in the Russian market for seven consecutive years, the leading Chinese brand for new car sales in the Ethiopian market for eight consecutive years, and the winner of the Chinese brand car sales championship in Brazil for two consecutive years, have successfully positioned Lifan to participate in China-Uruguay Belt and Road cooperation projects. As China-Uruguay Belt and Road cooperation further advances, Lifan will also benefit from the favorable opportunities that arise.

3. Company H (pseudonym) in Brazil

Since 1993, China has established a long-term, stable, and mutually beneficial strategic partnership with Brazil. China has always attached great importance to cooperation with Brazil and considers it a concrete manifestation of South-South cooperation. Despite occasional fluctuations caused by recent Brazilian trade protectionism, the bilateral relations between the two countries have been steadily and continuously developing. However, a Chinese electronic equipment assembly company (Company H) based in Brazil presents a different narrative from the aforementioned cases. Unlike Huawei and Lifan, this company has a much smaller role in benefiting from bilateral policies and the favorable actions of the governments of both countries.

[38] Lifan Information. In 2017, the President of Uruguay wants Lifan's new energy vehicles to run in Latin America https://www.lifan.com/news/qyzx/2017-12-04/2262.html

Firstly, the small scale of the company in its home country makes it difficult for it to participate in bilateral policy benefits or directly obtain support from the home government. Unlike Huawei and Lifan, Company H does not possess significant multinational scale, especially in China. Both Huawei and Lifan are multinational companies with headquarters in China and have subsidiaries and branches in multiple countries. They engage in extensive business activities and have significant economic and social influence in both their home country and the host country (Latin America). On the other hand, Company H, being a company directly invested by Chinese nationals in Rio de Janeiro, is only involved in importing components and has minimal production and operations within China. At first glance, it may seem that the company's operational model, rather than its scale, prevents it from participating in bilateral economic activities. However, the fact is that due to its choice of operating on a small scale domestically, Company H has a lower level of activity in its home country, to the extent that it does not participate in bilateral economic cooperation like other companies with a certain level of multinational scale. Furthermore, China has not explicitly imposed restrictions on the participation of "export-assembly" enterprises in the country's bilateral/multilateral projects, so the scale of the enterprise cannot be replaced by its operational model in this context. As a result, the statement "Company H is rarely involved in China's production and livelihood" holds true, and a senior manager of the company stated, "Our (company's) presence in the domestic market is low," which makes it almost impossible for the company to meet the standards for entering China-Brazil economic projects. The manager further expressed, "Our low level of activity also limits our contact with the Chinese government, and as a result, we have limited knowledge of what support our home country can provide."

Secondly, the company's operational scale in Brazil makes it difficult for it to enter into bilateral relations or receive favorable treatment from the host country government. Unlike Huawei and Lifan, the company has not received robust support from the local government during challenging times. As mentioned earlier, Huawei and Lifan have received varying degrees of attention and support from the host country government during their respective difficulties. One significant reason is that Huawei and Lifan have strong economic and social influence in the local context. They are involved in major infrastructure projects or employ a significant number of workers, so if Huawei or Lifan were to face difficulties, it would have a certain impact on the host country government. However, Company H has not received support from the Brazilian government. The Brazilian government has not provided support to the company or offered an opportunity for it to overcome difficulties through bilateral relations. According to the manager, as more well-known foreign (electronic equipment) companies entered Brazil after 2011, the survival challenges for Company H increased, and it has entered the phase of applying for bankruptcy protection since 2014.

Indeed, this limited scale influence is largely due to the company's inability to consistently provide significant value and employment in the local context. Although the company could generate up to 3,000 job positions in its best fiscal year, unfortunately, due to fluctuations in Brazilian economic policies, the number of employees hired by the company varies greatly each year. The senior manager of the company revealed, "At the best of times, 3,000 people, and during downturns, a few hundred people, or even tens of people." It is understood that the company's top management considers the ongoing Brazilian anti-dumping investigations against Chinese imported goods, which results in frequent changes in the company's operating projects. This uncertainty significantly limits the company's scale development and makes it difficult to consistently provide a large number of job positions in the local context. Therefore, the company's impact in the local area is also unstable.

On the other hand, the company also faces difficulties in aligning its development scale with the government's development direction, similar to Huawei, in order to obtain support from the host country's government. In terms of Brazil's economic and social development, the company does not closely align with the Brazilian government's expected direction of economic and social development. In the manufacturing sector, the Brazilian government is highly concerned about developing domestic manufacturing enterprises and thus implements strong trade protection policies to avoid the deindustrialization of domestic industries. Particularly regarding Chinese goods, Brazil has initiated numerous anti-dumping investigations against Chinese products and holds the highest number of anti-dumping investigations among developing countries. Although the company circumvents Brazil's trade protection policies by importing components from China and assembling them locally, H Company cannot solve the economic and social problem of "deindustrialization" that Brazil is facing. The phenomenon of "deindustrialization" in Brazil is mainly characterized by a significant decline in the share of manufacturing value-added in the domestic economy and a noticeable decrease in the share of industrially manufactured goods in foreign trade.[39] However, the manufacturing value-added generated by the company's model of "importing components from China and assembling them locally" is relatively small and does not transfer valuable technology to the local industry. Therefore, it provides limited assistance in addressing the issue of "deindustrialization" and does not align well with the development direction of the Brazilian government, which is a major concern for them. Furthermore, according to the company's senior manager, due to the increasing number of foreign companies investing and establishing factories in the local market, the company faces growing competition and becomes more substitutable. As a result, the company's development scale and its connection to the local economic and social development are diluted by the presence of foreign companies that entered the market later. In such circumstances, Company H finds it challenging to obtain support from the local government by closely integrating itself with the local economic and social fabric.

Chpter 3: Conclusion

In conclusion, the impact of bilateral relations and the support from the governments of both countries on Chinese investments in Latin America varies across different enterprises. By comparing the cases of Huawei, Lifan, and Company H, as assumed in this study, it can be observed that larger enterprises (such as Huawei) receive more favorable treatment and support from bilateral relations and the governments of both countries, while smaller enterprises (such as Company H) receive fewer benefits and face challenges in directly obtaining support from the governments of both countries. One explanation for this disparity, as provided by this research, is that the scale of the enterprise endows Chinese companies with a certain level of influence over the economic and social development of at least one side of the bilateral relationship (host country, home country, or both). After all, larger enterprises have the capacity to bring more economic vitality to the host country or home country, assume greater social responsibilities such as promoting employment, and contribute positively to development through advanced technologies and other beneficial factors. Thus, the size of an enterprise largely determines its influence in the local context (both in the home country and the host country). For example, Huawei's control over critical technological aspects of a country's communication development goes beyond simple economical and social

[39] Haibin Niu. 2013. Analysis of the Issue of "Deindustrialization" in China Brazil Relations. Modern International Relations, Issue 5, 2013

influence, deeply embedding itself in its strategic development in crucial areas. In this scenario, Huawei not only gains support from the governments of both countries based on its economic and social influence but also aligns itself closely with the national development as a "pioneer in critical technological domains." As a crucial task of diplomatic work is to support the country's development strategy and promote national progress, Huawei, as a part of national development, can relatively easily obtain support from diplomatic efforts and enjoy the benefits of bilateral relations.

While Lifan is much smaller in scale and has less influence in its home country than Huawei, it holds significant influence in the host country, leading to strong support from the local government and relevant leaders. Similar to the reasons behind Huawei's support from the home country, Lifan also garners support from the host country due to its substantial positive influence on the host country. The host country even actively promotes bilateral relations to better serve Lifan. Finally, a distinct case is presented by H Company, where the company lacks involvement in national development strategies and lacks significant social influence. As a result, the enterprise needs help in obtaining support from both the home country and the host country, as well as the benefits of bilateral relations.

Reference

[1] Jianhon， Z & Jiangang, J.(2012) The impact of bilateral political relations on China's OFDI [J]. World economy and politics, 2012, (12): 133-155

[2] Carlos M. Baldo, Richard Vail and Julie Seidel. (2020). Huawei in Venezuela: a review of 2006–2019. Revista de Gestão

[3] Kaplan, S. B., &Penfold, M. (2019). China-Venezuelan economic relations: Hedging Venezuelan bets with Chinese characteristics. SSRN Electronic Journal, (February), 1–40. doi: 10.2139/ssrn. 3459035.

[4] Romero, C. A. (2016). Nuevasdirectricesen la asociacion Venezuela-China. Tempo Do Mundo, 2(2), 118–129.

[5] Yin-Hang, E., & Acuna, R. (2019). China and Venezuela: South-South cooperation or rearticulated dependency?. Latin American Perspectives, 46(2), 126–140. doi: 10.1177/0094582X18813574.

[6] Giacalone, R., & Ruiz, J. B. (2013). The Chinese-Venezuelan oil agreements: material and nonmaterial goals. Latin American Policy, 4(1), 76–92. doi: 10.1111/lamp.12006

[7] Weston, J., Campbell, C., &Koleski, K. (2011). China's Foreign Assistance in Review: Implications for the United States. Washington, DC: U.S.-China Economic and Security Review Commissi

[8] Ellis, E. (2017). The Influence of Extra-hemispheric Actors on the Crisis in Venezuela. Testimony to the Subcommittee on Western Hemisphere Affairs. Washington, DC: Cambridge University Press. doi: 10.1017/CBO9781107415324.004.

[9] Sender, H. (2014). China's Lenders are Best Placed to Fix the Region's Infrastructure. Financial Times, 1–3. Available from: https://advance.lexis.com/document/index?crid5d1c48353-be17-41a4-b643-d99ad053cc86&pdpermalink506e69798-850b-4be3-ac3b-300f72958d75&pdmfid51516831 &pdisurlapi5true%0D

[10] Hernandez, S. (2011). Venezuela y China relacioneseconomicasen el regimen de Hugo Chavez (1999– 2011). Observatorio de La Economıa y La Sociedad China, (15), 1–34. Available from: http:// www.eumed.net/rev/china/15/shr.pdf?origin5publication_detail.

[11] Shao, J., Zhang, T., Wang, H., & Tian, Y. (2022). Corporate Social Responsibility and Consumer Emotional Marketing in Big Data Era: A Mini Literature Review. Frontiers in Psychology, 2483.

[12] Haibin Niu. 2013. Analysis of the Issue of "Deindustrialization" in China Brazil Relations. Modern International Relations, Issue 5, 2013