China's Latin Leap

Case Study Analysis of China's Relations with Chile and Mexico (2000-2018)

Master's Thesis

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Abstract

The global aspirations of the Peoples' Republic of China have led to much discussion on a potential shift in international power and the dawn of an alternative, non-western order. Given its strategic location, economic structure and historical relations, Latin America plays a crucial role in this debate. Despite this, academic discussion on the implications of China's rise on Latin American foreign policy has been relatively limited. The overarching objective of this thesis is to address this topic through a case study analysis. Mexico and Chile's foreign policy is investigated by examining their position towards China on issues that have mattered to Chinese policymakers. Building on Scott Kastner's (2016) framework, these issues include China's bid for WTO market economy recognition, Taiwan, and Tibet. This thesis finds that China's ability to influence the foreign policies of Latin American countries is mixed and is contingent on its ability to harness existing preference alignment. A congruence analysis, evaluating the explanatory strength of international relations theories commercial liberalism and neo realism, provided a theoretical framework to interpret this finding. It establishes that commercial liberalism gives a more comprehensive explanation of states' behaviour towards China.

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Abbreviations

BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CELAC	Community of Latin America and Caribbean States
CRCC	China Railway Construction Company
CON	Congruence (analysis)
COV	Co-Variational (analysis)
CPT	Casual Process Tracing (analysis)
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
MES	Market Economy Status
IMF	International Monetary Fund
IR	International Relations
NME	Non-Market Economy
OECD	Organisation for Economic Co-operation and Development
PRC	Peoples' Republic of China
SAM	Security Assistance Monitor
SIPRI	Stockholm International Peace Research Institute
TRA	Taiwan Relations Act
UN	United Nations
UNGA	United Nations General Assembly
US	United States
WTO	World Trade Organisation
USMCA	US-Mexico-Canada Agreement

Chapter 1: Introduction

No region lies further from the People's Republic of China, both in geographical and historical terms, than Latin America.[1] Despite this considerable distance, relations between Latin American countries and the People's Republic of China (hereby "China" or "PRC") have flourished since the turn of the 21st century. China's commodity boom during the 2000s pushed Beijing to expand its global outreach, establishing bilateral partnerships across the globe. Africa has become a focal point for studying China's increasing global footprint. In comparison, Latin America has received relatively less attention. Traditionally considered the "backyard" of the United States (US), Latin America has slipped from US foreign policy priorities over the last two decades. In its place, China has gradually stepped forward as both an economic and political alternative. In contrast with Western models, Chinese economic diplomacy has been framed by a "no-strings attached" approach. Far removed from the "baggage" of colonial and historical relations with Europe and the US, this strategy has proved an increasingly attractive option.

Relations between China and Latin American states have grown in variety and scope over the last two decades. Partnerships have been established on a bilateral and multilateral basis, as well as through international organisation such as the China- CELAC Forum (Community of Latin America and the Caribbean States). Trade relations with China have expanded at a staggering pace: in 2018, China's trade with Latin America reached US$ 306 billion, rising from just a few billion in 2000 (Wise, 2020). Inward flows of foreign direct investment (FDI) have increased steadily whilst China's two policy banks have lent an astounding US $ 137 billion to Latin American countries and state-owned firms since 2005 (Gallagher & Myers, 2020). Additionally, China has become an observer of two institutions at the heart of Inter-American relations, the Organisation of the American States, and the Interamerican Development Bank. In short, China has come to matter for Latin American states and vice versa.

Since the end of the 1970s, China has undergone significant transitions enabled by its modernisation and integration within the world trade system. These transitions have shaped how, and to what extent, China can influence the global agenda. Yet despite its growing capacity to exercise influence, the Chinese Communist Party (CCP) has consistently emphasized its ambition for a "harmonious world". As such, China's foreign policy papers stress state-to-state relations based on five core principles: "mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence" (Ministry of Foreign Affairs PRC, 2014). These principles are reiterated in China's official policy papers on Latin America alongside other foreign policy goals (Ministry of Foreign Affairs PRC, 2016). Herein, lies a

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[1] Latin America refers to the 20 countries of the American continent(s) which were previously part of the Spanish, Portuguese or French empires and where Spanish, Portuguese, and French continues to be spoken.

paradox. How can Chinese policymakers achieve these objectives in Latin America without "interfering" or using its economic prowess as leverage? This thesis seeks to unpack this phenomenon by analysing the position of two states towards issues at the heart of China's foreign policy. Chile and Mexico were selected as they fulfil the criteria for "crucial cases" to apply the chosen case study design, congruence analysis. The time-period under study, 2000- 2018, was selected as 2000 marks the beginning of China's commodity boom whilst data sources were available until 2018. Additionally, a period of 18 years was deemed sufficiently long enough to analyse primary trends emerging from the analysis.

1.1 China's Foreign Policy

Three issues have been central to China's foreign policy over the last two decades (Kastner, 2016). Firstly, China has actively pursued market economy status (MES) at the World Trade Organisation (WTO). Since its entry into the organisation in 2001, China has been recognised as a WTO nonmarket economy (NME) for the purpose of dumping investigations. As such, investigators can verify dumping allegations against China using a 'surrogate country' method; Chinese export prices can be compared against market prices or production costs in another country, such as India, to judge whether exports are priced at below fair value (Green, 2004). Essentially, China's NME status makes its firms easier to be accused of dumping and discriminated against (Kastner, 2016). By 2003, China began lobbying individual WTO members for MES. MES alters how dumping allegations against companies are judged which makes it more difficult to accuse them of dumping overseas. This is particularly significant within the context of Latin America as, when states are grouped together, Latin America has launched more dumping inquiries and implemented more final measures against Chinese companies than any other jurisdiction (IBA, 2010). Thus, Beijing's pursuit of MES is central to its trajectory in the international trade system and to overcoming its concerns of Western protectionism (Green, 2004).

A second issue concerns Taiwan and the propagation of the "One China Policy", the political basis through which China conducts international relations (Ministry of Foreign Affairs PRC, 2016). Rooted in the legacy of the Chinese Civil War, the policy reiterates the PRC as the lone representative of China, Taiwan forming an inalienable part of its territory. However, Taiwan adamantly rejects Beijing's authority. Latin America plays a crucial role in this debate. It is the epicentre of diplomatic competition between Taiwan and China; half of all states who recognise Taiwan are located in Latin America (Lizarma, 2011). Accordingly, the recognition and maintenance of the One China Policy has been at the forefront of China's agenda in the region.

Tibet is a third issue of Chinese national interest and central to PRC territorial integrity (Kastner, 2016). Beijing claims its sovereignty over the Himalayan region is rooted in centuries of rule. This is disputed by many Tibetans who view China as a colonising power. Their allegiances lie with the

exiled spiritual leader, the Dalai Lama, who fled to India after a failed uprising in 1959 (BBC, 2019). The Dalai Lama continues to be a contentious focus of China's international diplomacy. Beijing maintains that the Dalai Lama is not only a religious figure but also a political one who actively promotes Tibet's separatist movement (Xinhua, 2017). As such, Beijing considers official reception of the Dalai Lama as a "severe insult to the feelings of the Chinese people and a deviation from their commitment to recognising" the PRC as "the sole legal government representing the whole of China" (Xinhua, 2017, para. 8). China has also faced mounting scrutiny over Tibetan cultural and religious restrictions as well as the treatment of anti-government protesters. Therefore, Tibet has played an influential role not only in how China conducts its foreign policy but also in how it is perceived abroad.

1.2 Research Objective

China's growing reach in Latin America is undisputable. Subsequently, it is worth pondering what implications this will have for individual states and their foreign policies towards China. The overarching aim of this thesis is to unpack this phenomenon by examining whether and, if so, how PRC economic diplomacy shapes foreign policy in Chile and Mexico towards China. A congruence analysis will evaluate the explanatory strength of two theories, (neo) realism and (commercial) liberalism, in this context. The position of Chile and Mexico will be investigated by looking at whether they adopt Chinese preferences across the abovementioned issues: WTO market economy recognition, Taiwan, and Tibet. Crucially, the degree of states' pre-existing preference alignment with China will be taken into consideration. To reiterate, the time-period under study was chosen as 2000 marks the beginning of China's commodity boom whilst data sources were available until 2018.[2] This thesis will be guided by the central research question: *How has China's economic diplomacy influenced foreign policy towards China in Chile and Mexico?*

1.3 Theoretical Relevance

Theoretical relevance relates to the value a study contributes to scientific discourse and towards the understanding of a phenomenon (Miller & Wonka, 2007). This thesis contributes to the existing body of literature by examining relations between China and Latin America through a case study approach. Limited research has examined Latin American foreign policies towards China and even less have gauged how their policies have changed over time. Thus, the application of established theories of international relations to a relatively under-studied empirical domain, contributes to the theoretical relevance of the study. A congruence analysis, testing the explanatory strength of diverse theories, will also enhance the theoretical focus of the study. This approach emphasizes the connection between

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[2]Subsequently, the implications of the US-China trade war for Latin America, coinciding with the imposition of tariffs on certain Chinese imports in 2018, will not be addressed in this thesis.

empirical observations and theory through previously untested hypotheses. Moreover, abstract theoretical concepts such as "economic diplomacy" and "influence" will be developed in a new empirical setting. Together, these factors contribute to the theoretical relevance of the thesis and strengthen the "cumulative character of research" (Miller & Wonka, 2007, p. 25).

1.4 Social Relevance

Research can be characterised as socially relevant if it furthers the understanding of a social and political phenomena which directly affects peoples' lives (Wonka & Miller, 2007). Together, China and Latin America span 21 countries, a population of over 1.5 billion as well as a considerable membership of international organisation such as the United Nations (UN). Consequently, the potential to affect the lives of a substantial share of the global population and influence international relations is significant. Moreover, this phenomenon directly affects lives through facilitating migration as well as research and educational exchanges. Hence, this analysis provides additional information and understanding for different groups involved in China- Latin American burgeoning relations. This may range from private corporations participating in trade and investment to civil societies and NGOs engaged in bilateral dialogue. Finally, an improved understanding of China- Latin American relations is significant within the context of international shifts in power. China, as an emerging actor, is consolidating its position in Latin America through the increased depth and scope of its relations. Subsequently, understanding how these interactions manifest is crucial to comprehending what impact China's relations will have on Latin American lives.

1.5 Reader's Guide

This thesis is composed of seven chapters. The first chapter introduces China's relations with Latin America and its foreign policy objectives, before presenting the research question and objective of this thesis. Additionally, the social and theoretical relevance of this study are developed. A literature review is conducted in the second chapter, sketching the existing body of literature before focusing on the contribution this thesis aims to make. The third chapter will develop the study's core concepts in addition to theoretical propositions derived from (neo) realism and (commercial) liberalism. Chapter four illustrates and justifies the chosen research design and methodology. The use of congruence analysis will be defended alongside the operationalisation of independent variables, case, and theory selection. Chapter five will be split into two subchapters to present the analysis of China's relations with Chile and Mexico. Following this, the congruence analysis will be presented and discussed in the sixth chapter. Chapter seven will draw conclusions from the discussion, answer the sub questions and research question before identifying the study's limitations and opportunities for future research. Lastly, the practical implications of this research will be presented.

Chapter 2: Literature Review

The second chapter will provide a contextual understanding of China- Latin American relations through examining the existing body of literature. The chapter will begin by focusing on China's ascent in global politics before concentrating on its role within Latin America. Scholarly debate on China's influence over foreign policy will also be discussed to shed light on gaps in existing research. Finally, the contribution this thesis aims to make will be outlined.

2.1 The Rise of China

The rise of China reflects one of the most fundamental recent shifts in international politics and, as such, has attracted increased attention from scholars of global politics (Kastner, 2008). An expanding body of literature focuses on various aspects of China's ascent, tracing potential causes to likely implications on a global level. China's staggering rise to new heights as both an economic and trading force, has been widely acknowledged (Mingjiang, 2008; Stuenkel, 2016). Today, it is the largest trading partner for over 60 countries as well as becoming a global infrastructural and technological presence (Orsmond, 2019). China's increasing military capabilities have also been acknowledged particularly with regards to its nuclear modernisation. The PRC's nuclear arsenal is estimated to amount to 250 warheads carried by land-based ballistic missiles as well as aircraft and submarine fleets (Schreer, 2015). According to Schreer (2015), Beijing's increasing military capabilities indicate an assertion to become the leading power in the Western Pacific. He maintains that China has demonstrated a willingness to challenge US regional leadership, a long-held position due to its superior military capabilities (Schreer, 2015).

A second reoccurring subject is China's growing influence and interest in issues of international governance (Goh, 2011). As well as having a permanent seat at the United Nations Security Council, China's influential position in the G20, G77 and BRIC groupings has been highlighted. Goh (2011) contends that Beijing has responded to calls from the international community to take a more pro-active role in global governance. China has reacted by adopting a more dynamic approach either in managing issues of global finance, climate change or by increasing participation in the UN through peacekeeping missions (Goh, 2011). Alternative forms of financing, including China's Development Bank and China Export-Import Bank, have also become increasingly popular alternatives to the International Monetary Fund (IMF) (Myers & Bernhard, 2019).

Additionally, scholars have debated what implications China's ascent as a global actor will have for the established order. According to Stuenkel (2016), China's rise has called the West's dominant position into question. He maintains that China is the only power capable of challenging the Western based order. Ikenberry & Niblett (2014) argue that although China has made unprecedented steps towards global leadership, its ability to project this by creating a new order is limited. China's

approach is based on a "mercantilist", state-to-state model where infrastructural development, trade and resources are dangled as "carrots" to potential allies. Thus, China will not challenge the existing liberal order as, to some extent, it relies on its model to further its own advance (Ikenberry & Niblett, 2014). This conclusion has also been reached by other academics (Stuenkel, 2016; Lampton, 2006). Stuenkel (2016) argues that China is more likely to re-structure the hierarchal order to reflect shifts in global power relations than alter it entirely. Additionally, Lampton (2006) stresses that China will not threaten the established order as it must first satisfy domestic needs and overcome internal challenges. However, this is debated by Graham Allison (2017), who claims that China and the US are prone to conflict due to "Thucydides Trap". Following a historical reading of cases, Allison (2017) concludes that the shift in global relations, coinciding with China's rise, is likely to escalate into war.

2.2 China's Role in Latin America

China's growing influence in Latin America remains largely under-investigated (Lafargue, 2006; Jenkins, 2010). Much of the academic literature centres on Chinese commercial and investment ties with specific Latin American countries. The mineral wealth of Peru, as well as oil suppliers Venezuela, have been discussed in this context (Diaz & Lee, 2009). Lafargue (2006) highlights that 45% of the world's copper reserves, a quarter of its silver reserves and a third of its pewter reserves can be found in Latin America, invaluable sources for China's manufacturing economy (Lafargue, 2006). Agriculture is another sector which has received significant attention given China's strong demand for soya and beef (Lafargue, 2006).

Some scholars have argued that China's relations with Latin America has intensified its reliance on primary commodities and limited the diversification of exports. Yet, Lafargue (2006) maintains that this pattern has also been replicated in trade relations with the European Union (EU) and US. Harris (2015) develops this by arguing that Western accounts of Chinese involvement are fuelled by misinformation, preconceptions, and fear. Harris (2015) explores western bias through dominant media discourse and the portrayal of Latin American politicians as "villains" for pursuing a model of development based on a state-led approach. He argues that Chinese initiatives are increasingly taking broader social and environmental issues into account. These include Green Credit Policy Initiatives and guidelines for banks (Harris, 2015). Jenkins (2010) concludes that increased relations with China have been relatively beneficial for Latin American economies in terms of generating export revenue. Negative economic implications have been limited to certain countries or sectors, but the overall outlook has been positive (Jenkins, 2010).

China's presence in technological and structural infrastructural sectors within Latin America has become the subject of recent debate. Stuenkel (2020) highlights the skirmish between US and Chinese companies concerning the launch of infrastructural projects, such as 5G technology, in Brazil and Mexico. According to Stuenkel (2020), the competition over the propagation of 5G is the most recent

manifestation of a growing global power struggle. Studies have demonstrated that Chinese investment has substantially increased in heavy industries and infrastructure within Latin American economies (Gallagher, Irwin, & Porzecanksi, 2012). As Vadell (2019) highlights, given that neither the IMF nor World Bank offer direct lines for infrastructural projects, China has become an increasingly important investor and creditor in this context. Additionally, Beijing's financing of specific, strategic projects such as the expansion of the Panama Canal has been examined (Youkee, 2019). Accordingly, these scholars indicate China's ambition to become an infrastructural giant in Latin America (Stuenkel, 2020; Vadell, 2019).

Certain strands of literature suggest that increased Chinese presence in Latin America is a "threat" to the status quo. Most prominently, Ellis (2011) views escalating Chinese military presence in the region as a constraint to US power. Latin American states are increasingly turning towards China as a security and military partner including in arms purchases and personnel training (Ellis, 2011). Ellis (2011) contends that this poses significant implications for US strategic operations. Diminished reliance on the US in the military sphere will change the bargaining position of states in relation to intelligence sharing and joint operations. Ellis (2011) concludes that China's increasing presence will make states less likely to comply with US operations and threaten its established regional position.

The rising number of diplomatic links between China and Latin America has been discussed in the context of its soft power presence. Soft power can be understood as "the ability to affect others to obtain preferred outcomes by… means of framing the agenda, persuasion, and positive attraction" (Nye, 2011, p 11). Increasing numbers of Confucius institutes in Latin America is one example of the "softer" dimension of Chinese power (Zhang, 2010). Lafargue (2006) argues that diplomatic visits to Latin America mark a significant turning point in overall attitudes towards the region. Additionally, Myers & Bernhard (2019) highlight the link between this "softer" approach and one of the PRC's core political objectives, the isolation of Taiwan internationally. They point out that increasing economic ties with China have led several Latin American nations to sever ties with Taiwan including Panama and Costa Rica. Hence, in their view, PRC foreign policy towards Latin America has both economic and political repercussions (Myers & Bernhard, 2019). This is contested by Diaz & Lee (2009). The authors maintain that China's foreign policy towards Latin America is shaped by food and energy security with little ambition to penetrate politics (Diaz & Lee, 2009). This debate will be elaborated in the next section.

2.3 China's Sway over Foreign Policy

Studies examining China's ability to shape foreign policy trajectory have predominately focused on its relations with South East Asian partners (Ross, 2006; Goh, 2011). Ross (2006) argues that South East Asian secondary states, defined as neither great nor rising powers, are more likely to align with China's foreign policy goals than oppose them. He concludes that neither economic dependency nor

other factors, such as those relating to domestic politics, can explain this behaviour (Ross, 2006). Instead, Ross (2006) argues that both neorealist and classical realist explanations drive foreign policy choices. Accordingly, relative changes in Chinese and US military capabilities vis-à-vis East Asian states determine foreign policy influence. Ross (2006) concludes that states which are more exposed to China's military might (South Korea, Taiwan) adopt policies aligned with Chinese interests. Conversely, states which are not as affected by China's military capabilities balance against China by siding with the US.

Goh (2014, 2016) also focuses on China's ability to exercise foreign policy influence within South East Asia. However, rather than solely concentrating on economic or military spheres, Goh (2014, 2016) widens her approach to incorporate indicators on growing cultural and diplomatic influence. Her study applies an influence framework to account for the degree of pre-existing preference alignment between the target states and China (Goh 2014). She reaches three significant conclusions; firstly, China demands less of its neighbouring state than anticipated. Secondly, target states take advantage of Chinese interests and defy China's influence more than expected. Lastly, the degree China can influence other states is strongly mediated by broader strategic factors. Goh (2014) concludes that analysing China's influence requires a thorough analysis of target states motivations and behaviour. Researchers must examine cases where target states' both converged and diverged from Chinese preferences to accurately capture its ability to influence.

Quantitative studies measuring the relation between China's burgeoning economic power and foreign policy influence have tended to focus on international spheres of governance such as the UN (Strüver, 2016; Flores-Macías & Kreps, 2013). Flores-Macías & Kreps (2013) examine whether increased trade linkages between China and developing countries in Africa and Latin America, have led to greater foreign policies alignment in the United Nations General Assembly (UNGA). More specifically, the authors measure UNGA votes relating to country specific human rights issues as these are crucial to PRC foreign policy. Their results demonstrate that the higher a state's trade volume and dependency is with China, the more likely they will vote according to Chinese preferences. Hence, this study finds supportive evidence for China's ability to influence the foreign policy of other states.

Strüver (2016) also applies a quantitative approach to address the research problem. His study employs a logistic regression model to analyse countries' voting patterns at UNGA. Strüver's (2016) aim is to broaden the discussion on explanatory factors accounting for foreign policy similarities He concludes that that China's ability to exert direct influence over other states' foreign policy is only one possible explanation for foreign policy alignment. Important preconditions for foreign policy decisions are grounded "in shared regime characteristics and, albeit to a lesser degree, in comparable levels of political globalisation" (Strüver, 2016, p. 187). Hence, Strüver (2016) concludes that multiple factors must be considered when investigating alignment with China's foreign policy

objectives. Knill (2005) confirms that China's ability to influence foreign policy is dependent upon country specifics. He recommends that analyses should account for factors including socio-economic structure, institutional similarity, and cultural likeness. Together, these factors can help facilitate cross-national foreign policy transfer (Knill, 2005).

Kastner (2016) investigates the link between trade dependency on China and foreign policy convergence across three issues. These issues touch on matters at the heart of Chinese foreign policy including WTO market economy recognition, Taiwan, and Tibet. Kastner's (2016) article explores this quantitatively by examining what position countries have taken regarding these issues through examining their reactions to specific events over ten years. His findings do not establish a systematic correlation between economic relations and a state's willingness to follow Beijing's agenda. Nevertheless, Kastner (2016) highlights that economic dependency on China is more likely to translate into greater Chinese influence in economic rather than political affairs. Regarding the latter, he concludes that economic dependence is more likely to render political influence when the stakes are relatively low for the secondary country. Additionally, given the difficulty in operationalising China's influence over other states foreign policies, Kastner (2016) stresses the need for case studies to account for country specifics.

2.4 Thesis Contribution

This thesis will address various gaps in the literature. Firstly, it will provide an updated account of China's relations with two Latin American countries, Chile, and Mexico. Secondly, it will contribute to the limited body of research on Latin American foreign policy towards China. To address this second gap, a case study approach to Kastner's (2016) quantitative study will be applied. Accordingly, the position of two states, Chile, and Mexico, will be analysed looking at three foreign policy issues: WTO market economy recognition, Taiwan, and Tibet. However, instead of focusing on reactions to specific events, this study will provide a more comprehensive analysis by gauging changes over a longer timeframe (2000- 2018). Thirdly, Goh's (2014) influence framework will be applied to a new empirical setting. As such, countries' degree of preference alignment with China will be considered when investigating whether that country adopts China's preferences (or not). Finally, this thesis will apply a congruence analysis to test the explanatory strength of international relations theories, (neo) realism, and (commercial) liberalism, in a new empirical setting. Accordingly, this thesis will be guided by the central research question and sub questions:

How has China's economic diplomacy influenced foreign policy towards China in Chile and Mexico?

Sub questions:1) What form has China's economic diplomacy taken in Chile and Mexico from 2000-2018? 2) How do neo realists and commercial liberalists explain Chilean and Mexican foreign policy towards China?

Chapter 3: Theoretical Framework

A theoretical framework provides an overarching structure to investigate a research problem. Subsequently, the purpose of this chapter is to develop the central theories and concepts that structure this thesis. The propositions derived from (neo) realism and (commercial) liberalism are elaborated in this section. These propositions will provide the basis to conduct the congruence analysis in Chapter four.

3.1 Economic Diplomacy

Economic diplomacy is a foreign policy practice which combines economic, commercial, and political tools to achieve foreign policy goals. The instruments and policy expressions of economic diplomacy vary according to the country under study and its foreign policy trajectory. China's economic diplomacy will be examined by focusing on its structural and instrumental dimensions. Although mutually reinforcing, these aspects are distinct and will be developed separately in this thesis. Firstly, structural economic diplomacy refers to instruments which are primarily economic, commercial and security orientated (Okano-Heijmans, 2011). These aspects will be explored through examining China's trade and investment relations with Chile and Mexico. Additionally, the distribution of military capabilities will be considered given the context of international security. Secondly, instrumental economic diplomacy refers to the use of political and diplomatic processes to achieve foreign policy objectives (Fairfield, 2015). Examples include China's use of bilateral negotiations to bargain or apply diplomatic pressure. Thus, instrumental economic diplomacy will be examined through analysing China's influence over Chile and Mexico's positions regarding three foreign policy issues: WTO market economy recognition, Taiwan, and Tibet. As the study of influence is inherently complex, clarification on the concept is elaborated below.

3.1.1 Influence

Traditional theorists have fused concepts of power and influence (Hobbes, 1651; Dahl, 1957). However, this thesis draws a distinction between power as "latent capability" and influence as the "actual effect" on the behaviour and actions of partner states (Goh, 2014). Hence, influence is understood as the act of changing or otherwise bearing an impact upon the preferences or actions of another actor to suits one's own (Goh, 2014). To conceptualise influence, researchers must explicitly define "who is influencing…whom (domain) with respect to what (scope)'' (Baldwin, 1985, p. 20). Bearing this in mind, influence will be studied within the context of China's relations with Chile and Mexico regarding the abovementioned foreign policy issues. Importantly, Goh's (2014) framework will measure whether state's preferences had previously aligned with China regarding these issues. This will indicate whether preferences have changed and how China's influence has materialised in both cases.

3.2 A Theoretical Approach to Foreign Policy

Foreign policy is understood as the actions or undertakings adopted by states to reach goals beyond their territorial boundary (Hill, 2003). Together, these actions dictate how states behave towards each other in the international system. This analysis will explore a theoretical approach to foreign policy by viewing it through the lens of international relations theory, specifically (neo) realism and (commercial) liberalism.

3.2.1 Realism

Realism is a founding theory of international relations (IR) which emphasizes the conflictual and competitive nature of states. Like other IR theories, it is used to analyse and predict state's behaviour and decisions within the international system. Although realism has branched into several sub-theories, scholars nonetheless share fundamental assumptions. Firstly, to survive, people need the cohesion and structure provided by a group. The most significant expression of this is the nation state. Thus, states are recognised as the principle actors in global affairs (Wohlforth, 2016; Waltz, 1979). Secondly, states are assumed to be rationally orientated; they will pursue strategies in which their gains will be perceived to be greater than losses (Elman, 1996). The third assumption relates to the anarchical structure of the international system. As there is no over-arching world government, anarchy will be the driving force behind state behaviour, intentions, and actions (Grieco, 1988). Under anarchy, states adopt a "self-help" approach, prioritising their own position of power and security (Waltz, 1979). As such, realists convey the world as a zero-sum game in which states seize every possible means to attain relative advantage over competing states. Predisposed to conflict and competition, states ability to cooperate is restricted leading us to the fifth and final assumption: international institutions' ability to prevent conflict is limited (Grieco, 1988). Subsequently, "realism paints a rather grim picture of world politics' because war is always a threat" (Mearsheimer, 1995, p. 9). Crucially, realists diverge in their conceptualisation of certain key aspects. These will be elucidated below in the discussion on the link between realism and foreign policy.

Classical realists, such as E.H. Carr and Hans Morgenthau, relate global trends in conflict and competition to the underlying characteristics of human societies (Waltz, 1979). Classical realists maintain that states motivation towards war is grounded in human nature. Neorealists diverge from this assumption. They perceive the anarchical nature of the global system as the driving force behind conflict and competition. A founding father of neorealism, Kenneth Waltz (1979), argued that the central capability of the state is power, channelled through economic or military means. Although states are functionally alike, they are differentiated based on their material capabilities and, as such, their capacity to wield power. Accordingly, neorealists maintain that the parameters of state interaction and foreign policy will be dictated by states' material capabilities. The greater a state's

capabilities, the less it will feel obliged to bend to the will of another state, leading us to the first realist proposition:

1) The greater a state's national capabilities, relative to total global capabilities, the less likely it will be to accommodate the policy preferences of another state.

Additionally, neorealists emphasise the significance of states positionality in the international system. Driven by the instinct to survive, states are acutely aware of any depletion to their relative position (Grieco, 1988). As such, states may allow their absolute capabilities to diminish if, by doing so, others will be prevented from making greater gains. Therefore, states' foreign policy will aim to restrict others from expanding their relative capabilities and power. This is particularly significant in the context of the increasing regional and global power of emerging actors such as China. Mearsheimer (2006) maintains that a rising power, such as China, will increasingly seek to project its power in the Western Hemisphere triggering other states to react against it. The Balance of Power Paradigm predicts that states will either build up their own military capabilities (internal balancing) or combine forces with another state (external balancing) depending on the system's structure (Waltz, 1979). Following this logic, states which perceive their relative position to be encroached by the rise of another state, will take measures to counteract it:

2) The greater a state's capabilities, relative to those of the rising power, the less likely it will be to accommodate the policy preferences of that power.

 A fundamental understanding of the Balance of Power Paradigm is that secondary states may form coalitions with a relatively weaker major power to balance against the system's dominant state (Waltz, 1979). According to this logic, Latin American states have three options. Firstly, they could "bandwagon" or affiliate themselves with China to balance against the military and economic dominance of the US (Waltz, 1979). Alternatively, they could balance against China by applying either internal or external balancing mechanisms as elaborated above. However, "states may (also) aim to preserve, or further entrench the status quo of power distribution" when it is in their interests to do so (Goh, 2008, p. 15). Hence, one must account for states prevailing relations with the dominant power of the Western Hemisphere, the US, when considering the likelihood of accommodating China's policy preferences. Moreover, realists maintain that when security and economic priorities clash, security priorities take precedent (Brooks, 1997). Accordingly, the more dependent states are on another country to ensure their own security- through alliance formation or security cooperation- the more likely they will be to appease the policy preferences of that country. This leads us to the final realist proposition:

3) States which are more dependent on the US for security assistance are less likely to support the foreign policy preferences of another state when they conflict with the position taken by the US.

3.2.2 Liberalism

Liberal theories are expansive in meaning and scope. According to Doyle (1996, p. 1152), "liberalism resembles a family portrait of principles and institutions, recognisable by certain characteristics". Certain variants focus on the role of commerce whilst others centre on the role of international institutions, or universal, utopian ideals such as human rights or democracy (Nye, 1988). Moravcsik (1997) differentiates between three strands of liberalism: republican, ideational, and commercial. The latter will be applied in this thesis given the crucial role trade and commerce play in driving economic diplomacy.

Liberals believe that the international system, composed of states and other political actors, is anarchical in nature (Axelrod & Keohane, 1985). Whilst they recognise the Balance of Power Paradigm, they view it as an aspect of the international system as opposed to its defining principle (Owen, 1994). Liberals, like realists, consider states to operate as rational actors (Moravcsik, 1997; Moravcsik, 2010). Hence, state leaders pursue foreign policies for the instrumental purpose of securing benefits offered by other international actors. By making these calculations, states can establish the most cost-effective path to reach their preferences.

The use of international trade as an instrument to exert political and economic influence has been extensively studied (Hirschman, 1945; Abdelal & Kirshner, 1999). In his analysis of German trade strategy during the interwar period, Hirschman (1945) explores how and why foreign trade is used as an instrument of national power. He concludes that asymmetries in trade volume and value will lead to differing levels of interdependency between partners. Subsequently, the less dependent state is deemed to hold leverage over the other, more dependent state, which it can exercise through "the influence effect" (Hirschman, 1945, p. 15). The more dependent trading partner will be willing to grant more concessions- whether military, economic or political- to retain trading relations (Hirschman, 1945). This is contingent on the difficulty of the dependent state in severing ties with the less dependent partner and/or replacing market access and supply (Hirschman, 1945; Abdelal & Kirshner, 1999). Subsequently, the first proposition can be formulated as follows:

1) States that are more dependent on a trading partner, will be more likely to accommodate its foreign policy preferences than states which are less dependent.

Overall, commercial liberalists do not factor in the type of goods traded between partners and what impact this might levy on political influence. This diverges from strategic commercial liberalists who focus on the impact of the exchange of "strategic goods" on a state's foreign policy (Goenner, 2010; Onderco & Wagner, 2014). Strategic goods are defined as those essential for the survival of the state and its economy including energy or arms. Therefore, a fall in the trade of strategic goods would jeopardise the economy and threaten the security of the state (Onderco & Wagner, 2014). As such,

states with considerable bilateral trade in strategic goods are expected to accommodate their partner's policy preferences to a greater extent. They will adopt this approach to limit damage to their economy and minimise risks to state security. Accordingly, the second liberal proposition can be developed:

2) States which are dependent on the trade of strategic goods are more likely to accommodate the foreign policy preferences of their trading partner.

On a broader level, exports and imports may have different propensities to generate political influence. Lampton (2008, p. 100 as cited in Kastner, 2016) notes that in the case of China, ''though the perception of China as a 'buyer' is often positive globally, China as a 'seller' creates anxieties that Beijing needs to assuage''. More generally, export dependence on another state might create a set of domestic industries that have a strong interest in preserving a stable relationship with trading partners. Conversely, imports from the same country are likely to be viewed as a threat by domestic industries competing with those sectors. Accordingly, the third liberal proposition is formulated:

3) States reliant on the market of another state for exports will be more likely to accommodate policy preferences than states reliant on the same market for imports.

States can be viewed as representative institutions which channel the preferences of individuals and societal groups (Moravcsik, 1997). Accordingly, the state is constantly evolving, adapting to the rise and fall of these preferences. These fundamental shifts account for variations in state behaviour as opposed to other factors such as strategic circumstances (Moravcsik, 1997). Considering this, the allocation of market gains and the effect this has on dominant societal groups, will determine what foreign policies states pursue. As societal actors seek to maximise their interests and wealth, the ability of private interests to organise and advance their collective interests will dictate their ability to influence foreign policy. If powerful interests benefit from trading relations, the greater their incentive to protect the dyadic partnership. Conversely, where powerful interests lose, the greater their drive to disrupt trading relations. This leads us to the final liberal proposition:

4) Where powerful private interests do not benefit from trading relations with a bilateral partner, the greater their incentive to pressurise the government to oppose their partner's foreign policy preferences.

The propositions derived from both theories are summarised in Table 1 and 2:

Table 1 Neorealist Propositions

1 The greater a state's national capabilities, relative to total global capabilities, the less likely it will be to accommodate the policy preferences of another state.
2) The greater a state's capabilities, relative to those of the rising power, the less likely it will be to accommodate the policy preferences of that power.
3) States which are more dependent on the US for security assistance are less likely to support the foreign policy preferences of another state when they conflict with the position taken by the US.

Table 2 Commercial Liberal Propositions

1) States that are more dependent on a trading partner, will be more likely to accommodate its foreign policy preferences than states which are less dependent.
2) States which are dependent on the trade of strategic goods are more likely to accommodate the foreign policy preferences of their trading partner.
3) States reliant on the market of another state for exports will be more likely to accommodate policy preferences than states reliant on the same market for imports.
4) Where powerful private interests do not benefit from trading relations with a bilateral partner, the greater their incentive to pressurise the government to oppose their partner's foreign policy preferences.

Chapter 4: Research Design and Methodology

The objective of this chapter is to elaborate on the chosen case study design of this thesis, congruence analysis. Firstly, potential research methods will be outlined before justifying the chosen method as well as the selection of cases and theories. Additionally, the methods for data collection and operationalisation will be specified.

4.1 Case Study Design

According to Blatter & Haverland (2012), the advantages of using case study research are twofold. Firstly, the researcher gathers diverse observations regarding specific cases. Secondly, the researcher can reflect intensively on the connection between empirical reality and theoretical concepts. Given that the objective of this thesis is to explore China- Latin American relations through focusing on a specific research situation (dyadic relations between China and Latin American states), a case study is deemed most applicable. This approach allows the exploration of complex phenomena in greater depth as variables can be conceptualised in diverse, intricate, and multidimensional ways (Kellstedt & Whitten, 2009). As such, researchers have greater scope to account for geopolitical and historical factors shaping dyadic relations. Lastly, foreign policy is difficult to conceptualise evenly across countries and control variables are impossible to introduce. This renders the application of quantitative methods more difficult and further justifies a case study approach.

4.1.1 Case Study Methods

According to Blatter & Haverland (2012), there are three dominant approaches to case study research: co-variational analysis, causal-process tracing, and congruence analysis. The first two methods will be outlined briefly before exploring congruence analysis in greater depth.

Co-variational analysis (COV) has dominated the field of case study research since the 1970s (Blatter & Haverland, 2012). Its objective is to determine whether specific characteristics of social reality have a significant impact on outcomes. COV presents empirical evidence of co-variation between an independent (X) and dependent (Y) variable to establish causality (Blatter & Haverland, 2012). The second approach, causal process tracing (CPT), is a technique which provides in depth analysis of the interaction of causal factors through time and space. The accessibility of information concerning the perceptions and motives of actors is a crucial pre-requisite for applying CPT (Blatter & Haverland, 2012). Finally, congruence analysis (CON) gauges the explanatory strength of diverse theories. This is evaluated by comparing empirical observations to sets of theoretical expectations. By contrasting or combining distinct theories, researchers can contribute significantly to the scientific discourse either through theoretical innovation or refinement (Blatter & Blume, 2008; Blatter & Haverland, 2012).

CON analysis was selected as the most appropriate method for this research. This centres on the fact that one of the study's core objectives is to gauge which theory best explains the phenomenon under study. CON analyses can be applied using either a complementary or competing theories approach (Blatter & Haverland, 2012). Given the opposing theoretical underpinnings of the selected theories, (neo) realism and (commercial liberalism, a contrasting theories method is apt. This process examines which theory holds greater explanatory weight for (certain aspects of) the case.

4.1.2 Internal and External Validity

Internal validity refers to the accurate measurement of a study's concepts whilst external validity indicates the generalisability of its findings. In CON analyses, causality is established by the degree of congruence between the propositions derived from theory and empirical observations. To ensure internal validity, theoretical propositions should diverge significantly so that inferences can be made regarding their confirmation or rejection (Blatter & Haverland, 2012). Secondly, propositions should remain open in their conceptualisation to avoid bias (Blatter & Blume, 2008). Consequently, all predictions must accurately capture the abstract underpinnings of the chosen theory. To achieve this, all propositions made by this study will be grounded in established IR theory. The rivalry between theories is the principal mechanism of control in CON analyses (Blatter & Blume, 2008). Therefore, the use of rivalling theories, (neo) realism, and (commercial) liberalism, enhances the internal validity of the study.

Regarding external validity, the generalisability of findings can be difficult to establish as CON analysis explores specific cases. However, external validity is achieved through contributing to the wider academic discourse and theoretical generalisations (Blatter & Haverland, 2012). In this study, external validity is enhanced by examining two theories. This will have a greater impact on theoretical debate than engaging a single theory.

4.1.3 Reliability

Reliability indicates the degree that research is consistent and repeatable. As such, reliable research produces the same results should the analysis be replicated according to the same measurement rules (Kellstedt & Whitten, 2009). Following Yin (2003), this thesis will ensure reliability by collecting multiple sources of evidence and corroborating these succinctly to achieve data triangulation. Additionally, when collecting data through interviews, this research has considered that interviewee responses may be different if interviewed again. Hence, data triangulation is an important step to reduce the risk of measurement error and ensure the reliability of interviewee information. Finally, the formulation of theoretical propositions before analysing empirical information contributes to this study's reliability as it reduces the risk of researcher bias (Yin, 2003).

4.1.4 Theory and Case Selection

Theory provides a structural framework to interpret the knowledge and understanding of empirical reality (Blatter & Haverland, 2012). Given CON analysis's aim to evaluate the relative strength of theories, the selection of theory should be based on their standing within academic and scientific discourse (Blatter & Haverland, 2012) Consequently, two central IR, (neo) realism and (commercial) liberalism, have been selected. Both theories are "conceptually rich" ensuring that many explanatory factors can be operationalised in the examination of the cases (Blatter & Blume, 2008).

According to Blatter & Blume (2008), the selection of cases within a CON analysis is the most theory driven of case study methods. As such, it is recommended that theory selection precede case selection except in socially significant cases (Blatter & Haverland, 2012). Considering the social importance of studying China- Latin American relations, this overarching research theme was selected first. However, when selecting the countries to base a case study approach on, the logic of "crucial cases" was applied. As such, case selection includes a most likely case with respect to one theory and a least-likely case regarding the opposing theory (Blatter & Haverland, 2012). Additionally, cases must be chosen based on prior expectations in connection with theory. Chile was one of the first countries in Latin America to begin trading relations and establish a free trade agreement (FTA) with China in 2006 (Wise, 2020). Based on the researcher's prior understanding of the theory, Chile would fit the most likely case criteria for commercial liberalism. Conversely, considering Mexico's close historical, economic, and political ties with the US, it was considered as a least likely case to apply (commercial) liberalism and a most likely case to analyse (neo) realism.

4.1.5 Data Collection

The data required for CON analysis is subject to the propositions derived from theory and requires a diverse range of predictions and observations (Blatter & Blume, 2008). According to Yin (2003), the quality of case study research is conditioned on three principles: using multiple sources of evidence, constructing a case study database, and establishing a chain of evidence linking the initial research question to the conclusion. Additionally, analysing the data collection techniques of experienced social scientists allows potential sources and methods to be identified (Yin, 2003). Bearing this in mind, the main data collection methods, desk research and interviews, are outlined below.

4.1.5.1 Desk Research

The principal approach for compiling data for this thesis is desk research. This includes gathering official government policy documents, press releases and research reports conducted by national institutions, foreign ministries, and embassies. Given that foreign policy is a sensitive subject area, official documents can be difficult to find online. Moreover, researchers must also consider the risk that this documentation carries a reporting bias (Yin, 2003). To control for this, previous secondary

sources and think tank reports will be consulted whilst newspapers will provide a running account of events. This thesis will avail of Chilean and Mexican national newspapers as well as referring to China's state news agency (Xinhua).

4.1.5.2 Interviews

Interviews were conducted to glean additional information on the official position of Chile and Mexico towards China concerning the three issues discussed. Interviews were conducted on a semi-structured basis to prevent leading questions and to introduce flexibility into the conversation. This allows the researcher to develop themes or issues which may arise unexpectedly. For this study, individuals from diverse professional backgrounds were approached to gauge different perspectives on China- Latin American relations. Importantly, interviewees were offered anonymity at the outset of the interview. By doing so, the researcher mitigated potential risks evolving from "socially desirable answers", non-participation or incomplete responses (Blatter & Haverland, 2012). Notably, all interviewees permitted the use of their names. An overview of interviewee information is provided in Table 3 as well as a list of interview questions in Appendix A.

Table 3 Interviewee Information

Interviewee A	Fernando Reyes Matta	Former Chilean Ambassador to China, Director of the Centre for Latin American Studies on China, Andrés Bello University, Chile
Interviewee B	Sascha Hannig	Journalist at Chilean think tank, Fundación para el Progreso.
Interviewee C	Carol Wise	Professor of International Relations at University of South Carolina
Interviewee D (pre-recorded interview)	Fernando Urdinez	Assistant Professor, Institute of Political Science, Pontifcia Universidad Católica de Chile
Interviewee E (Email correspondent)	Tonatieuh Fierro de Jesús	Researcher on China- Latin American relations, Universidad Colegio de México
Interviewee F (Email correspondent)	Jorge Heine	Former Chilean Ambassador to China, lawyer, and IR scholar

4.2 Methodology

4.2.1 Measuring Foreign Policy towards China

The foreign policy of Chile and Mexico towards China will be analysed through a case study approach. The position of two states, Chile, and Mexico will be studied regarding three strategic issues: WTO market economy status, Taiwan, and Tibet. Countries positions over an 18-year period (2000-2018) will be analysed. Applying a case study approach to Kastner's (2016) quantitative framework, the dependent variable (states foreign policy toward China) is operationalised by examining whether states embrace policies consistent with China's preferences across all three issues. Kasnter (2016) justifies this method as it effectively captures policy convergence on issues which are a priority for Beijing. Subsequently, this thesis will follow Kastner (2016) in defining the degree which states adopt Chinese preferences as "policy accommodation".

4.2.2 Measuring Economic Diplomacy

This section outlines the operationalisation of economic diplomacy. Firstly, the structural elements of China's economic diplomacy (economic, commercial and security factors) will be elaborated. Secondly, the measurement of instrumental tools of economic diplomacy will be developed. Finally, the measurement of influence will be discussed alongside its connection with instrumental economic diplomacy.

4.2.2.1 Structural Economic Diplomacy

Dyadic trade data from UN International Trade Statistics Database (UN Comtrade, 2020) is compiled regarding imports, exports, and total trade in goods between the chosen state and China. Trade data is also compiled for the US to conduct comparisons. UN Comtrade is widely acknowledged as the most comprehensive trade database with over three billion records (UNCCD, 2020). Importantly, as data is reported by individual states, diverse methodologies may result in data discrepancies. For example, import data reported by one state may not match export data reported by its trading partner. Bearing this in mind, Chile and Mexico will be considered data reporters in this study.

Investment flows are measured using OECD data on bilateral foreign direct investment (FDI) flows tracking the total value of cross border transactions per year (OECD, 2020). Data is compiled using OECD Benchmark Definition of FDI 4th edition (BMD4) which presents data from 2009- 2018. As no consistent data was available from 2000, this timeframe was selected as China's FDI to Latin America only began in earnest after 2008 (Diaz & Lee, 2009). To supplement limited information, data on sector investment was collected for the same period (2009- 2018) from Red Académica de Latina y el Caribe (REDALC). This is an academic platform ran by the National Autonomous

University of Mexico. REDALC (2020) collects annual FDI data from national sources, regional statistical offices, and international institutions (Ortiz Velásquez, 2016).

National capability can be operationalised using multiple indicators (total urban population, energy consumption etc). Given the importance attributed by realists to countries' military power to ensure survival, a state's military power is taken as a proxy for national capabilities. Accordingly, national capabilities are calculated by measuring states' annual military expenditure using SIPRI Military Expenditure Database (available from 1949-2019). This is composed of time series data on countries' military expenditure measured in constant US dollars (2018) to account for inflation and conduct cross-country comparisons. Of course, using this proxy carries certain limitations. Firstly, SIPRI compiles data from open sources meaning that data availability varies amongst countries and may omit certain expenditure (SIPRI, 2020). Additionally, although military expenditure is important in determining military power other factors, including equipment quality, also play a role. Bearing these limitations in mind, this operationalisation was chosen based on its grounding in previous academic research (Smith, 2017).

Relative capability is also calculated by taking military power as a proxy for capabilities to ensure consistency with the prior operationalisation. Following Reiter (1999), this thesis operationalises relative capabilities by capturing how many times more (or less) states spend on capabilities relative to each other. In this study, relative capability is calculated by measuring states' military expenditure as a percentage of China's military expenditure. Data will also be compiled using SIPRI Military Expenditure Database (2020).

Security assistance is evaluated using data compiled from the Security Assistance Monitor (SAM), a non-governmental organisation which synchronises data from 30 US security aid funding programs (SAM, 2020a). The database contains four indicators: economic assistance, trainee programs, arm shipments, and security aid. The latter was selected as a proxy for measuring security assistance, capturing how effectively the US strengthens the military capabilities of an ally. US security assistance is measured as a fraction of a state's total military expenditure compiled from SIPRI database. This captures the relative importance of US security assistance to states' national defence budget.

Trade dependency is operationalised through measuring total trade between China and the selected state as a percentage of that state's gross domestic product (GDP). Data on GDP is gathered using World Bank Development Indicators measured in constant US dollars (2010) to account for inflation (World Bank, 2020). This is commonly accepted as an accurate measurement of an economy's dependency on dyadic trade (Barbieri & Levy, 2003; Onderco & Wagner, 2014).

Strategic goods are calculated using disaggregated trade data collected from UN Comtrade (2020). Following the classification established by Cullen Goenner (2010), this thesis measures six groups of strategic goods: energy, non-ferrous metals, chemicals, electronics, nuclear materials, and armaments. Data was collected using Standard International Trade Classification revision two (SITC 2) to ensure consistency with Goenner's (2010) classification. Trade in strategic goods with China is calculated as a share of states' total trade in strategic goods. Goenner's (2010) full categorisation is included in Appendix B. A summary of all independent variables and indicators is listed in Table 4.

Table 4 Summary of Independent Variables and Indicators

Variable	Indicator	Source
Dyadic trade data	Exports, imports, total trade	UN Comtrade (2020)
Investment flows	Bilateral FDI inflows Sector investment (FDI)	OECD Bilateral FDI flows (2020) Red Académica de América Latina y el Caribe sobre China (2020)
National capability	State's military expenditure % World military expenditure	SIPRI Military Expenditure Database (2020)
Relative capability	State's military expenditure % China's military expenditure	SIPRI Military Expenditure Database (2020)
Security Assistance	US security assistance % state's military expenditure	Security Assistance Monitor (2020) SIPRI Military Expenditure Database (2020)
Trade dependency	Total bilateral trade % state's GDP	UN Comtrade (2020) World Bank (2020)
Strategic goods	Bilateral trade in strategic goods % Total trade in strategic goods	UN Comtrade (2020)

4.2.2.2 Instrumental Economic Diplomacy

The instrumental tools of China's economic diplomacy refer to the political and diplomatic processes used to achieve foreign policy objectives. These tools will be operationalised by examining diplomatic interactions regarding the abovementioned foreign policy issues (from 2000 to 2018). Specifically, this thesis will examine how China has exercised instrumental economic diplomacy through bilateral negotiations and crucial events such as visits paid by the Dalai Lama to both states. The selection of events was based on the importance attributed to them by secondary and media sources- ascertained during desk research- as well as through interviewee insights. As instrumental economic diplomacy is innately difficult to translate into concrete indicators, its analysis will be woven through the "influence" subsection of each case study. Hence, in this analysis, instrumental economic diplomacy will be assessed through China's influence.

4.2.2.2.1 Influence

To measure state's foreign policy towards China (and, subsequently, China's ability to exert influence over their policies), the degree of preference alignment between China and both states must be taken into consideration. Accordingly, the influence framework set forth by Goh (2014) will be operationalised. This framework operationalises three modes of China's influence. Where preferences align, China will exercise influence through a "multiplier effect", activating similar preferences into joint action. Where preferences are debated or undecided, China will attempt to influence its partners through "discursive persuasion". Finally, where preferences are opposed, China must coerce, induce, or persuade other states. This thesis will adhere to the steps established by Goh (2016, p. 15):

1) *Identify China's most prominent strategic issues or foreign policy goals*
2) *Determine whether the preferences of the target countries are divergent, mixed, or convergent*
3) *Examine the context and process-trace significant decisions taken by the targets states as far as possible to trace evidence of attempted Chinese influence; and*
4) *Describe their results and the patterns of their findings.*

In relation to the steps above, the strategic issues for analysis have already been identified (WTO market economy recognition, Taiwan, and Tibet). Step two will be determined during the country analysis (Chapter 4). Step three will be carried out through extensive desk research to trace states' positions and decisions. Finally, step four will be realised during the discussion and concluding chapters (Chapters 6, 7). It must be acknowledged that the possibility of "false negative", the failure of this approach to identify relevant documentation, exists. To circumvent this, multiple searches using diverse search engines and terminology will be employed. Additionally, interviewee insights will provide fine-grained knowledge to understand the phenomena. Goh's (2014) influence framework is sketched in Table 5.

Table 5 The Influence Framework

Mode of Influence	Extant Preference	Aim	Tools of Influence	Potential for Converting Resources into Influence	Cases
Preference Multiplier	Aligned	To exploit structural position for mutual benefit using policies to generate deliberate collective outcomes	Structural intensification, inducement, persuasion	Ideal	Economic regionalism
Persuasion	Debated/ undecided	To tell the better story, to convince and assure	Argumentation, inducement, demonstration	Mixed	Countering the "China threat" discourse
Ability to prevail	Opposed	To ensure that self-interest and preferences are protected by altering other actors' preferences and behaviour	Coercion, inducement, persuasion	Unpredictable	South China Sea territorial disputes

Note. Adapted from Goh, E. (2014, p. 831). The Modes of China's Influence: Cases from Southeast Asia. Asian Survey, 54 (5), 825- 848.

Chapter 5: Analysis

Chapter five will be split into two subchapters, one for each county. Each subchapter will begin with a brief background of state relations with China before examining China's structural economic diplomacy (capabilities, trade, and investment). The second part of each subchapter will investigate China's instrumental economic diplomacy (political and diplomatic processes) within the context of its influence over foreign policy issues: WTO market economy recognition, Taiwan, and Tibet. This analysis will be guided by the research question, how has China's economic diplomacy influenced foreign policy towards China in Chile and Mexico?

5.1 Chile

Over the past two decades, Chile has experienced one of the fastest growth rates of any South American state reducing poverty levels from 30% in 2000 to 3.7% in 2017 (World Bank, 2020a). It is generally perceived as the "poster boy" of the neo-liberal developmental model, focusing on macroeconomic stabilisation and the high presence of market forces within the domestic economy. Chile's foreign economic policy has been shaped by an ambition to build an extensive network of bilateral agreements, known as "open regionalism". Today, it has 29 trade agreements with 65 countries in place (Subsecretaría de Relaciones Económicas, 2020).

5.1.1 Background of Chile- China relations

2020 marks the fiftieth year of official diplomatic relations between China and Chile. Diplomatic relations were established under the socialist government of President Salvador Allende in 1970, Chile being the first country in South America to officially recognise the PRC (Ampuero Ruiz, 2016). Additionally, Chile supported the 26th United Nations General Assembly (UNGA) vote on the recognition of the PRC as a UN member in 1971 (He, 2012). In subsequent years, bilateral diplomatic relations continued despite clear ideological disparities between the military dictatorship of General Pinochet (1973- 1990) and the PRC. Upon the arrival of democracy in 1990, the newly instated democratic government reaffirmed their recognition of the PRC. Additionally, in 1999, Chile signed a bilateral agreement supporting China's entry into the WTO (Heine, 2016). The relationship was solidified as a "strategic partnership" in 2015, extending cooperation to include sectors such as ecommerce (Heine, 2016).

5.1.2 National and Relative Capabilities

This thesis assesses the national and relative capabilities of states by measuring military expenditure as a proxy of military power. In 2000, Chile's military expenditure amounted to US $3.09 billion, representing a 0.3% share of total world military expenditure (SIPRI, 2020). This figure has remained constant over the last two decades (Figure 1). However, relative to China, Chile's military expenditure

has fallen from 7% in 2000 to 2% in 2018 (Figure 1). This indicates that the rate of China's military expenditure, representing relative capabilities in this study, has far exceeded that of Chile.

Relative to GDP, Chile's military expenditure is one of the highest in Latin America; in 2000, it ranked second (after Colombia) spending 2.7% of GDP (SIRPI, 2020a). Several factors have contributed to this phenomenon. Most significantly, Chile's Restricted Law on Copper, has required the state copper company (CODELCO) to transfer a 10% share of profits to funding national military budgets (El Mostrador, 2019). These transfers amount to approximately one quarter of Chile's military expenditure (El Mostrador, 2019).
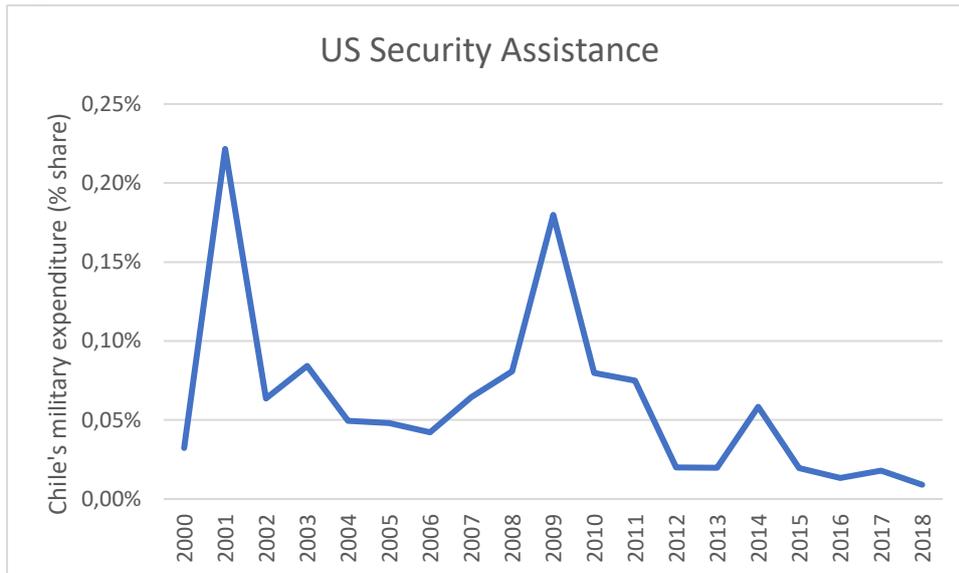
Figure 1. Chile's Military Expenditure
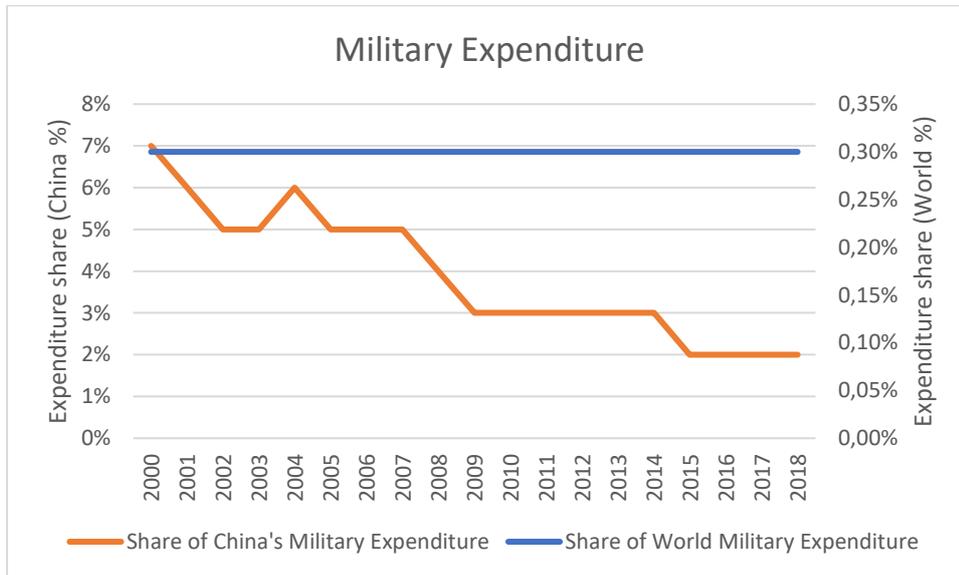
Note. Adapted from SIPRI Military Expenditure Database, 2020

5.1.3 US Security Assistance

Compared to other Latin American states, Chile has received comparatively limited US security assistance. From 2000-2018, Chile accounted for less than 1% of total US security assistance to the region (SAM, 2020). Due to its sizable military budget, as well as the strength of its police and military institutions, Chile has traditionally been less dependent upon international security assistance. This extends to its military relations with the US. As a fraction of Chile's military expenditure, US security assistance amounted to less than 0.3% of its budget (Figure 2). As such, US security assistance represented a marginal source of funding for national operations.

Figure 2. US Security Assistance to Chile

US Security Assistance

5.1.4 Trade in Goods

Bilateral trade between Chile and China has grown exponentially over the last two decades, expanding from US $1 billion in 2000 to almost US $42 billion in 2018 (UN Comtrade, 2020). This has led to considerable trade diversion amongst Chile's Latin American partners. China's competitive edge drove Brazilian imports down and priced Argentina out of Chile's top importers (Barton, 2009). Additionally, China eclipsed the US to become Chile's top trade partner by 2009 (Figure 3). Coinciding with the expansion of dyadic trade, Chile's trade dependency on China has also risen. Represented as a share of GDP, trade dependency rose from 1% in 2000 to 15% by 2018 (Figure 3). As such, China's trade has become increasingly important to Chile's economic vitality.

Figure 3. Chile's Trade with China and the US

Chilean Trade
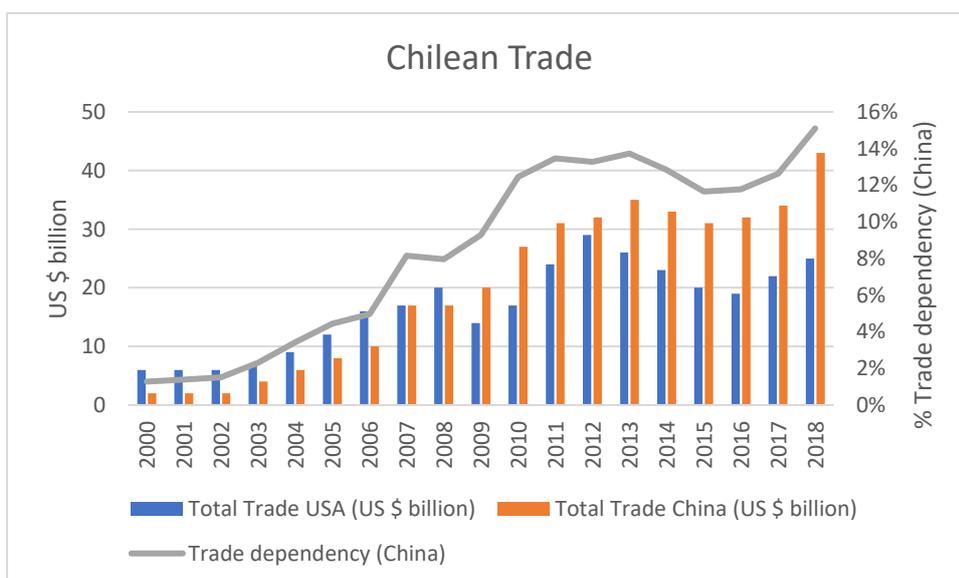
Bilateral trade has been characterised by the deepening scope and variety of bilateral agreements. Chile became the first South American country to sign an FTA with China in 2005, securing immediate, tariff-free access for 92% of Chilean exports and 50% of Chinese imports (Wise, 2020). Hence, Chile was amongst the first Latin American countries to recognise the economic potential and establish the necessary institutions to harness PRC trade. However, in recent years, total annual trade has experienced its first contractions: 0.05% in 2014 and 0.07% in 2015 (UN Comtrade, 2020). This trend reflects the deceleration of China's economy resulting in widespread impacts for its trading partners.

5.1.4.1 Strategic Goods

China's share of Chile's global trade in strategic goods has expanded in tangent with increasing bilateral trade. In the Chilean context, the expansion in strategic goods reflects the growth in the trade of non-ferrous metals; by 2018, 83% of China's share of Chilean strategic goods was composed of non-ferrous metals (UN Comtrade, 2020). These metals are deemed "strategic" as they are relatively rare, non-substitutable, and are required for the manufacture of steel and electronics goods (Goenner, 2010). Thereafter, electronic, and chemical goods represented 14% and 3% of China's share in 2018 whilst radioactive materials and armaments represented less than 1% (UN Comtrade, 2020). Overall, strategic goods, especially non-ferrous metals, have driven bilateral trade expansion.

Figure 4. Chile's Total Global Trade in Strategic Goods
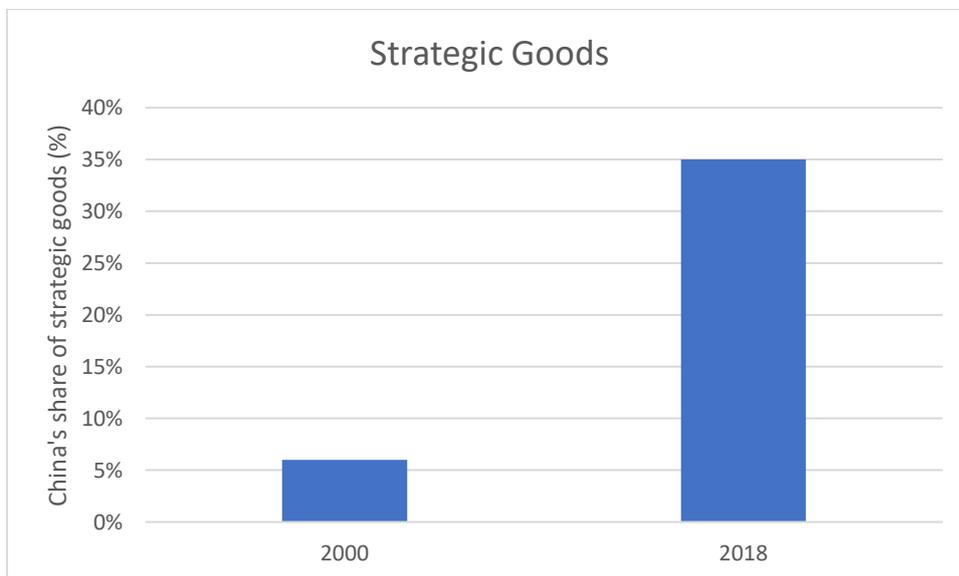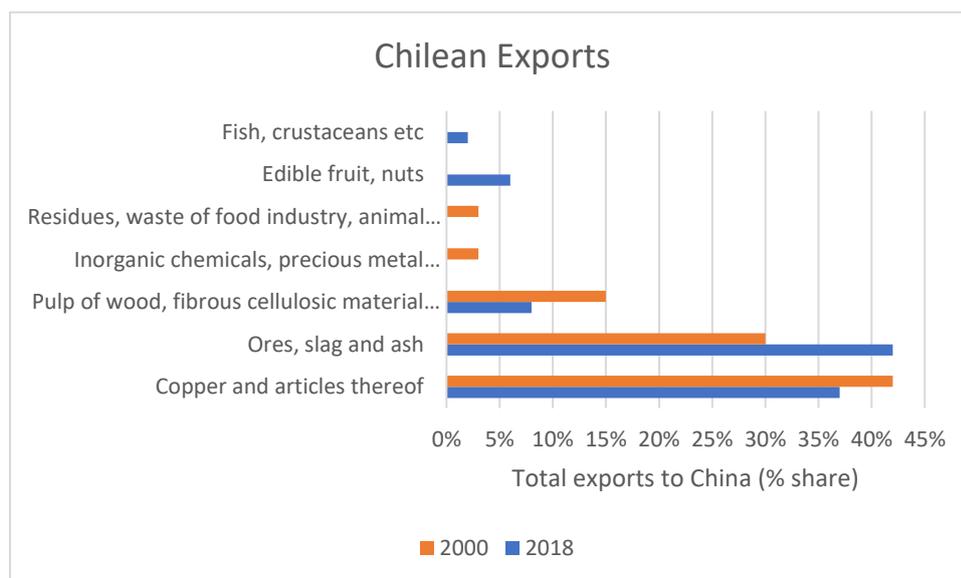

Note. Adapted from UN Comtrade, 2020

5.1.4.2 Exports

China's interest in securing a steady supply of raw materials prompted its interest in trading with many Latin American countries including Chile (Jenkins, 2010). Accordingly, the expansion of raw material exports is a visible feature of the Chile- China trading pattern. In the year following the implementation of the FTA, from 2006- 2007, total Chilean exports to China soared from US $5.25 billion to US $10.5 billion (UN Comtrade, 2020).

Chilean exports have been dominated by copper which, alongside ores, slag, and ash, make up over 70% of all exports (Figure 5). A key factor in determining this expansion is the wealth of Chile's primary commodities; Chile holds a 28% share of global copper markets (Saéz Leal, 2019). These commodities are essential ingredients for China's manufacturing industries. In the 2000s, surging Chinese demand triggered higher global commodity prices increasing the value of Chilean exports to all international partners. Additionally, China's consistent demand for copper despite the global financial crisis in 2008, cushioned the Chilean economy from the most adverse effects of the crisis, restoring GDP growth in 2009 (World Bank, 2020c). Responding to calls from domestic industries, some export diversification has occurred. Most significantly, Chile has surpassed Thailand to become the largest exporter of tropical fruit to China (Wise, 2020). Beverages, spirits, and vinegars, amounting to just over US $ 3 million in 2000, rose to US $ 350.6 million by 2018 (UN Comtrade, 2020). Nonetheless, as indicated by Figure 5, unprocessed primary materials continue to dominate the export sector.

Figure 5. Chile's Top 5 Exports to China

Note. Adapted from UN Comtrade, 2020

Over the last two decades, Chinese imports have consistently comprised of five categories of consumer goods including electronics, clothing, and footwear (Figure 6). Increases in Chile's economic development have prompted higher consumer demand for electronics as reflected by their increasing share of Chinese imports (Figure 6). Notably, the basket of Chinese imports is considerably more diversified than Chilean exports. In 2018, the five categories of goods illustrated in Figure 5 accounted for 95% of all Chilean exports (UN Comtrade, 2020). Conversely, 51% of Chinese imports were composed of the five categories presented in Figure 6 (UN Comtrade, 2020). This reflects the tremendous diversity of China's export basket. Finally, Chile has maintained a significant trade surplus with China since 2001. The widening ratio between exports and imports has facilitated a substantial surplus reaching US $ 7 billion by 2018 (UN Comtrade, 2020).

Figure 6. Chile's Top 5 Imports from China
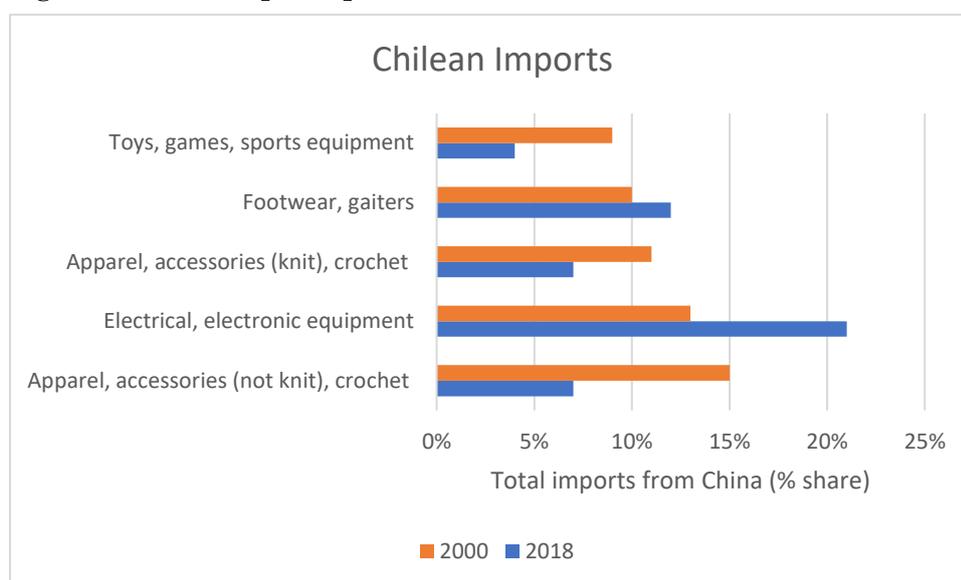
Note. Adapted from UN Comtrade, 2020

5.1.5 Investment

Chile is perceived as a hub of foreign investment in Latin America given its institutional and political stability as well as the wealth of its natural resources (Heine, 2016). Attracting foreign direct investment with the aim of diversifying the economy, has shaped the policy agenda of recent administrations (Heine, 2016). However, in contrast with trade, Chinese FDI flows to Chile have been relatively limited (Figure 7). Compared to Chile's three largest investors, China's FDI represented less than 1% of total inward FDI from 2009- 2018 (OECD, 2020).

Figure 7. Chile's Inward FDI
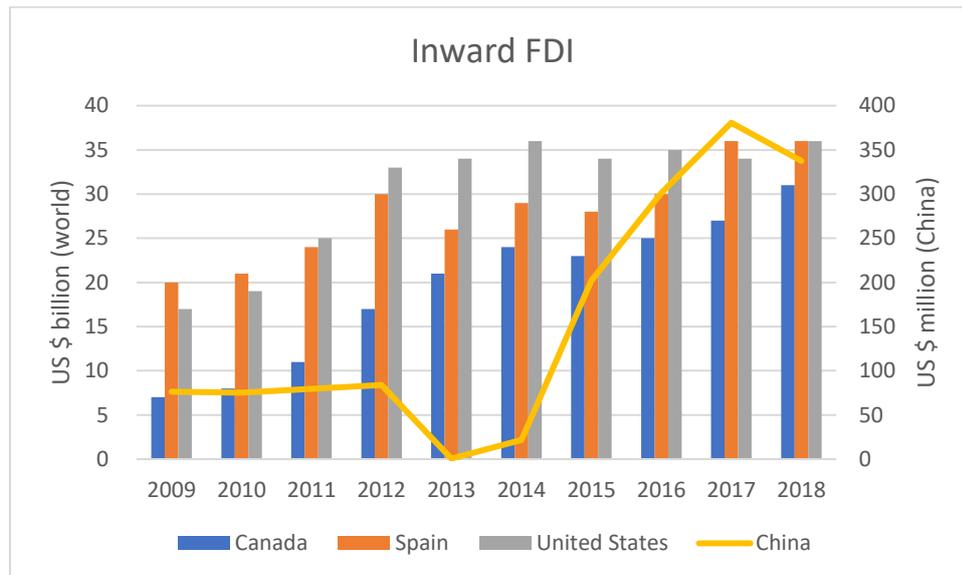
Note. Adapted from OECD bilateral FDI flows, 2020

Three sectors of the Chilean economy have received the highest number of Chinese investments including electrical components, energy, and finance (REDALC, 2020). Concerning the latter, three notable Chinese banks have made substantial investments since 2008 (REDALC, 2020). One of these institutions, the China Construction Bank, obtained authorisation to operate as the first renminbi clearance bank in South America (Xinhua, 2016). Additionally, Chile became the seventh Latin American country to sign up to China's global infrastructural project, the Belt and Road initiative (BRI), in 2017 (Reuters, 2020). Accession to the BRI, was regarded as an invitation for Chinese organisations to invest in Chilean public concession scheme. Under this system, the government awards a contract to a private company in exchange for public infrastructure projects (Manders, 2019). This involves a competitive and costly public tendering process which has traditionally been dominated by firms from the US, Netherlands, and Spain. The first Chinese company to win a public tendering process, the China Harbour Engineering Company, is currently constructing and maintaining a water reservoir for 19 years (La Tercera, 2019). However, given the complexities and costs of navigating Chile's system, investment has remained restricted (Heine, 2016). Additionally, Chile is a relatively small economy with a population of just over 18 million (World Bank, 2020d). Subsequently, returns for Chinese investors are less attractive than in other states (Interviewee Wise, 2020).

In summary, China's structural economic diplomacy in Chile has been shaped by deepening trade ties. China has carved out a significant role as Chile's leading trade partner, chiefly as a destination for exports. Conversely, the structure and prevalence of public private partnerships, has made Chile's system difficult to navigate for unaccustomed Chinese investors (Heine, 2016). Finally, China's relative capabilities, measured by military expenditure, have expanded at a greater rate than Chile's.

The next subsection will investigate China's instrumental economic diplomacy through analysing its influence over WTO market economy recognition, Taiwan, and Tibet. The position of the US regarding these issues will also be outlined.

5.1.6 Influence

5.1.6.1 WTO Market Economy Status

As outlined previously, Chile became the first Latin American country to sign a bilateral agreement for China's accession to the WTO in 1999 (Heine, 2016). Additionally, during President Hu Jintao's tour of Latin America in 2004, Chile, alongside Argentina and Brazil, officially recognised China as a WTO market economy (Ministry of Foreign Affairs PRC, 2004). As was the case in Peru, MES was a crucial step in initiating negotiations for an FTA with China. However, Interviewee Reyes Matta (2020) alludes that Chile was able to stand its ground during negotiations. In exchange for recognition of China as a market economy, Chile secured a chapter excluding 152 sensitive products from the bilateral FTA (Wise, 2020). Additionally, the terms of the FTA, entering into force in 2006, would supersede the implications of China's MES for bilateral trade (Interviewee Wise, 2020).

In comparison with some Latin American neighbours, Chilean negotiators faced comparatively limited domestic backlash. Chile's industrial sectors had been largely dismantled in the 1970s', meaning that opposition towards Chinese imports was limited (Interviewee Urdinez, 2020). Minimal resistance was reflected by the fact that the FTA passed through the Chilean Senate without opposition or modifications (Senado de la República de Chile, 2005). Hence, closer ties with China have been supported by a national consensus (Interviewee Heine, 2020). Additionally, supporting closer economic links with China, and subsequently endorsing its bid for MES, was perceived as an opportunity for Chile to diversify its trade partners and consolidate its own development (Interviewee Hannig, 2020).

Chile's early endorsement of China's MES contrasts significantly with the position taken by the US. The last US official review on China's MES, conducted in 2017, concluded that "the state's role in the economy and its relationship with markets and the private sector results in fundamental distortions in the Chinese economy" (Morrison, 2019, p. 2). Accordingly, the US has deemed that Chinese costs of production cannot be relied upon to conduct dumping investigations (Morrison, 2019). The US has not deviated from this position and, as such, has led opposition towards granting MES to China which, to date, it is yet received.

5.1.6.2 Taiwan

Despite its diplomatic links with the PRC, Chile has retained commercial ties with Taiwan. These relations are maintained through Taipei's Office of Commerce and Culture in Santiago and its Chilean equivalent in Taipei. Trade reached US $ 1.61 billion in 2017, making Chile Taiwan's third largest

trade partner in Latin America (Bureau of Foreign Trade, 2018). Additional agreements have been established between universities and visa restrictions have been relaxed. However, in terms of trade volume, Taiwan remains a marginal partner in comparison with China.

An interesting observation is the differing positions between the Chilean executive and members of the legislative body concerning Taiwan and other issues. In one example, Chilean parliamentarian, Jaime Naranjo, presented a resolution on the condemnation of human rights violations in China (and Venezuela); the resolution was passed by 102 votes, 12 opposing and 16 abstentions (Muñoz, 2018). In 2018, Chilean parliamentarians were scheduled to debate a friendship agreement with the Legislative Yuan, Taiwan's legislative body. However, after receiving calls from the Chinese embassy and Chilean executive, the proceeding was prevented from going ahead as it "went against the One China Policy" (Muñoz, 2018, para. 6). One can conclude that a willingness to oppose, or at least challenge, the premise of the One China Policy exists in the Chilean parliament. However, this has been curtailed by the Chinese embassy in Chile and consistently reinforced by the Chilean executive branch (Interviewee Hannig, 2020).

The US has adopted a "strategically ambiguous" policy towards Taiwan (Kasnter, 2006). This ambiguity derives from Washington's aim to persuade Taipei against formal independence whilst simultaneously discouraging PRC aggression towards the island (Kasnter, 2006). The Taiwan Relations Act (TRA), passed in 1979, laid the legal basis for interactions between Taipei and Washington (Horton, 2019). Significantly, the wording of the TRA stresses "acknowledgement" of Beijing's dominion over Taiwan (as opposed to "recognition"), differing slightly from China's preferred protocol (Bergsten, Freeman, Lardy, & Mitchell, 2009). The US also remains one of the only countries with official diplomatic links with the PRC to sell arms to Taipei and invite Taiwanese officials to the White House (Horton, 2019). However, the differing positions taken by US administrations as well the changing climate of Sino-American relations, makes it difficult to establish a clear US policy trajectory (Bergsten et al., 2009). Whilst the US position does not explicitly support Taiwan diplomatically, severing ties with the island would damage US credibility by undermining its support for democratic governance (Lowsen, 2019). Hence, the US has deliberately adopted an ambiguous position.

5.1.6.3 Tibet

Controversy concerning Tibet surfaced during the Dalai Lama's visit to Chile in 2006, coinciding with his tour of Latin America (Interviewee Hannig, 2020). Organisers of the Dalai Lama's visit were told by Chilean President Michelle Bachelet's government that the president "did not undertake these types of visits" (EMOL, 2006, para. 8). Additionally, Eduardo Frei, the former Chilean President and serving President of the Senate, was reportedly walking towards the Marriot Hotel for a meeting with the Dalai Lama when he received a call and was pressurised to turn back (Muñoz, 2018). 2006

marked the first occasion when the Dalai Lama was not received by a sitting Chilean President. His previous two visits, in 1992 and 1999, had included a consultation with the President, although the latter was not recognised as an official visit (EMOL, 2006). According to Interviewee Hannig (2020), the 2006 visit was a clear demonstration of Chile's conformity to China's position on Tibet and its bid to isolate the Dalai Lama internationally.

In 2008, Chilean President Bachelet paid a four-day official visit to China to attend the BOAO forum; an international organisation which promotes economic integration in Asia. Significantly, it was the first time a Latin American president had been invited to the BOAO conference, a "huge moment" in China- Chile relations (Interviewee Reyes Matta, 2020). The 2008 visit coincided with widespread protests in Tibet and Tibetan areas of Sichuan, Qinghai, and Gansu, reflecting long-standing grievances surrounding PRC rule (Kastner, 2016). China's subsequent clampdown included tight restrictions on communication and significant arrests (Kastner, 2016). Reactions to the clampdown diverged significantly amongst the international community. Some states officially condemned China's handling of the situation whilst others issued statements in support of China's response (Kastner, 2016).

In the case of Chile, an official statement was released three weeks prior to the President's visit. The statement ambiguously regrets the "recent acts of violence" and "loss of life" in Tibet, reaffirming Chile's respect for the territorial integrity of the PRC "which has remained unchanged" (Ministerio de Relaciones Exteriores, 2008, para. 1). This is one of the few cases when an official statement addressing Tibet has been issued. Secondary sources confirm that cancelling the visit was never considered (Brun, 2018). Furthermore, a joint statement released towards the end of the visit reiterated Chile's confirmation to the One China Policy: "The President Bachelet reiterated that Chile firmly adheres to the One China Policy" … "recognising that Taiwan and Tibet form part of China" (Ministerio de Relaciones Exteriores, 2008a, para. 4). Brun (2018) emphasizes that Chile's conformity to the One China Policy has been unwavering. She contrasts the position taken towards Tibet with the same administration's condemnation of government violence against protestors in countries with weaker economic links (Brun, 2018). An official statement condemning government suppression of protestors in Myanmar was released in 2007 (Ministerio de Relaciones Exteriores, n.d.).

Former Chilean Ambassadors to China have confirmed that Chile's executive body has unfalteringly supported the One China Policy (Interviewee Reyes Matta, 2020; Interviewee Heine, 2020). Although various Chilean parliamentarians have visited Tibet and met with the Dalai Lama in an unofficial capacity, this has not signified a deviation from the official state position (Interviewee Reyes Matta, 2020). Overall, bilateral relations have been framed by the fact that "Chile is the biggest producer of copper in the world and China is its biggest buyer". This has resulted not only in Chile's adherence to

Chinese policy preferences but has also afforded Chile a privileged position amongst China's global partners (Interviewee Heine, 2020).

The "Tibet Question" remains a point of antagonism in US- China relations. Strategically, the US recognises Tibet as an integral part of PRC territory. However, Washington's dealings with the Tibetan issue have transgressed from China's preferences on various occasions. Firstly, various US presidents have welcomed the Dalai Lama to the White House with President George W. Bush bestowing him the Congressional Gold Medal in 2007 (Office of the Press Secretary, 2007). Additionally, the US has passed various legislation which have irked Chinese officials. The Reciprocal Access to Tibet Act, passed in 2018, requires the State Department to penalise Chinese officials who prohibit American diplomats, journalists, and citizens from moving freely in Tibet (Wong, 2018). Additionally, US official spokespersons have released statements outlining their "disappointment" with the detention of Tibetan activists and protesters (US Embassy in China, 2018). Responding to these remarks, China has accused the US for meddling in its internal affairs. In short, although the US recognises Tibet as part of China, various actions have undermined its full compliance with Chinese preferences. Subsequently, it is difficult to delineate a firm US policy stance (Bajoria, 2008; Nair & Sharma, 2017).

Following the analysis of Chile, the next subchapter will examine relations between Mexico and China.

5.2 Mexico

Mexico is the second largest economy in Latin America with a population of over 130 million (World Bank, 2020b). Its GDP is approximately five times that of Chile's reaching $ US 1.2 trillion in 2018 (World Bank, 2020c). Despite this, Mexico has failed to achieve the levels of growth and poverty reduction as other countries in the region; economic growth averaged just two percent a year from 1980 to 2018 (World Bank, 2020d). Mexico's developmental path has largely followed the core principals of the Washington Consensus: liberalisation, privatisation, and deregulation (Wise, 2020).

5.2.1 Background Mexico-China relations

Prior to the 1990s, relations between China and Mexico were cordial in nature (Wise, 2020). Mexico was a strong supporter of PRC membership in the UN, establishing official diplomatic relations soon after its recognition, in 1972. Significantly, Mexican President Echeverrías became the first Latin American president to visit China in an official capacity (Interviewee Wise, 2020). Mexico was also the first country to welcome high-level diplomats following the Tiananmen square tragedy in 1989. However, bilateral relations began to fray in the 1990s. This was primarily due to Mexico's high levies against Chinese imports reaching 1105%, on certain products (Hernández, 2012). Various initiatives to strengthen the relationship have been launched. In 2003, China and Mexico established a

"strategic association" which was upgraded to a "strategic partnership" in 2013 (Embajada de la PRC en México, 2019).

5.2.2 National and Relative Capabilities

This thesis assesses the national and relative capabilities of states by measuring military expenditure as a proxy of military power. In 2000, Mexico's military expenditure amounted to US $ 3.22 billion equivalent to a 0.3% share of world military expenditure (Figure 8). By 2018, this figure had increased to $ US 5.84 billion, consistent with a 0.3% share of world expenditure. Like Chile, Mexico's expenditure has consistently fallen relative to China's military spending (Figure 8). Overall, Mexico's military expenditure has been traditionally low in comparison with other Latin American states. As a share of GDP, military spending represented an average of 0.5% (SIRPIa, 2020).

Figure 8. Mexico's Military Expenditure
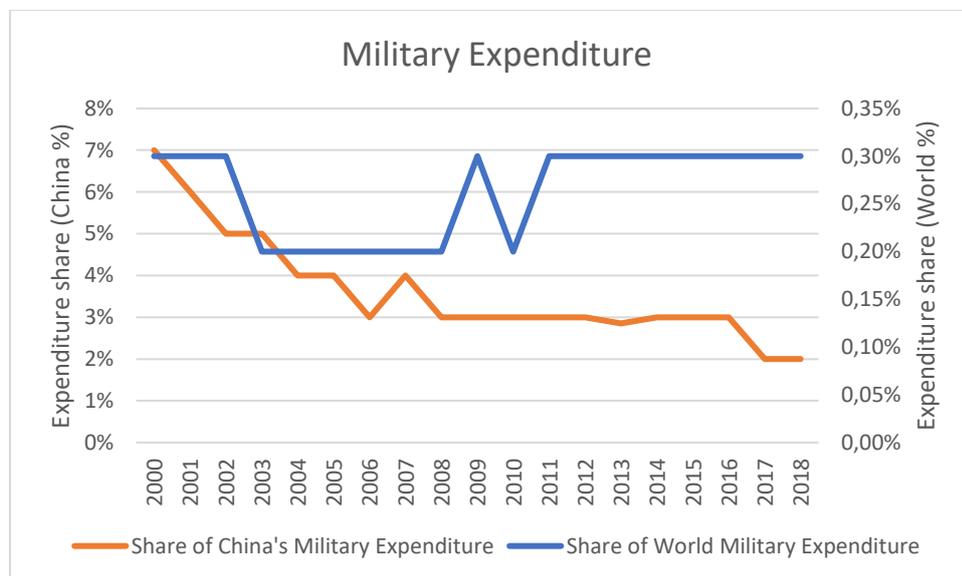
Note. Adapted from SIPRI Military Expenditure Database, 2020

5.2.3 US Security Assistance

Due to its geographic location, Mexico is considered an important strategic ally for the US in Latin America. Historically, Mexico has been reluctant to strengthen relations between its national military and that of the US. This uncertainty has been brokered by joint initiatives to tackle international drug-trafficking and secure border regions. The Mérida initiative, launched in 2008, has aimed to strengthen institutions to tackle international criminal organisations (Ribardo Seelke, 2020). 2009 marked the peak of US security assistance to Mexico, representing 42% of US annual security assistance to the region (SAM, 2020). As a fraction of Mexico's military expenditure in 2009, it represented over 16% (Figure 9). Hence, in contrast with Chile, Mexico relies on US security assistance to a greater extent. However, it must be noted that US security assistance has fluctuated. Relative to Mexico's military expenditure, it represented just 1% in 2000 and 2% in 2018 (Figure 9).

Figure 9. US Security Assistance to Mexico
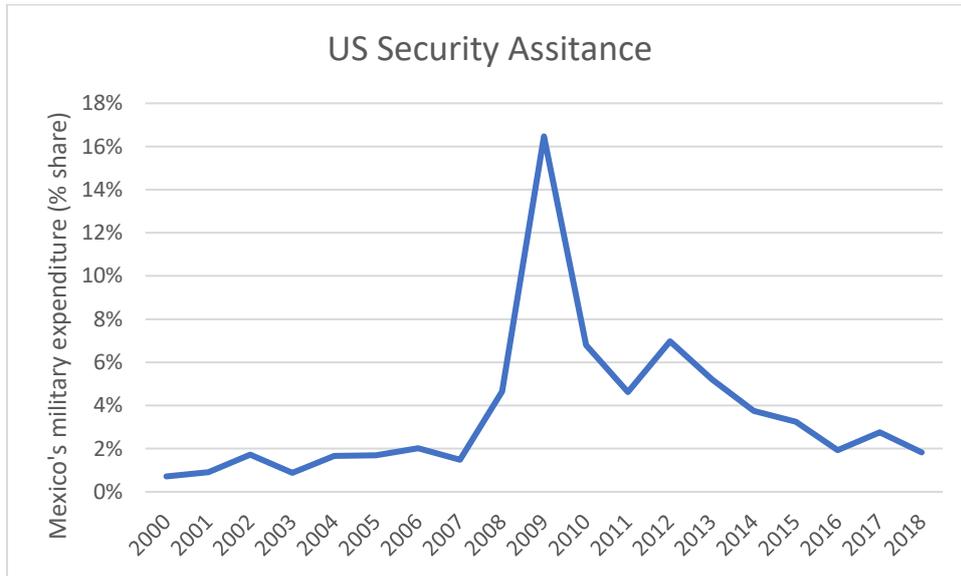
Note. Adapted from SIPRI Military Expenditure Database, 2020; Security Assistance Monitor, 2020

5.2.4 Trade in Goods

Total trade between Mexico and China has increased steadily over the last two decades (Figure 10).
Although the US still retains a significant margin in total trade, China has displaced Spain, Germany,
and Canada to become Mexico's second trade partner. In conjunction with an increase in trade,
Mexico's level of trade dependency on China has also increased from 0% to 7% (Figure 10). In
contrast with Chile, Mexico has neither an FTA nor preferential trade agreement with China (OAS,
2020). Moreover, open competition between Mexico and China in US markets has shaped trade
relations. Amongst other Latin American partners, Mexico is the most vulnerable to Chinese
competition with 97% of its manufacturing exports- constituting 71% of its national export base- in
open competition with China (Hernández, 2012). Additionally, China eclipsed Mexico to become the
second trading partner of the US in 2003 (Hearn, Smart, & Hernandez, 2011). Hence, competitive
Chinese products offset the initial benefits of NAFTA for certain Mexican sectors including textiles,
toys, and electronic equipment (Dussel Peters, Hearn, & Shaiken, 2013).

Figure 10. Mexico's Trade with China and the US

Note. Adapted from UN Comtrade, 2020

5.2.4.1 Strategic Goods

Coinciding with the expansion of dyadic trade, China's share of Mexico's strategic goods has also risen (Figure 11). In contrast with Chile, the expansion of strategic goods reflects the growth of trade in electronics goods, a category where both Mexico and China enjoy comparative advantage. Electronic goods represent 84% of China's share, followed by non-ferrous metals (10%), chemicals (4%) and energy (2%) (UN Comtrade, 2020). Significantly, radioactive materials and armaments represented less than a 1% share (UN Comtrade, 2020). Like Chile, China's increasing share of Mexican strategic goods has been focused on a specific category of good.

Figure 11. Mexico's Total Global Trade in Strategic Goods
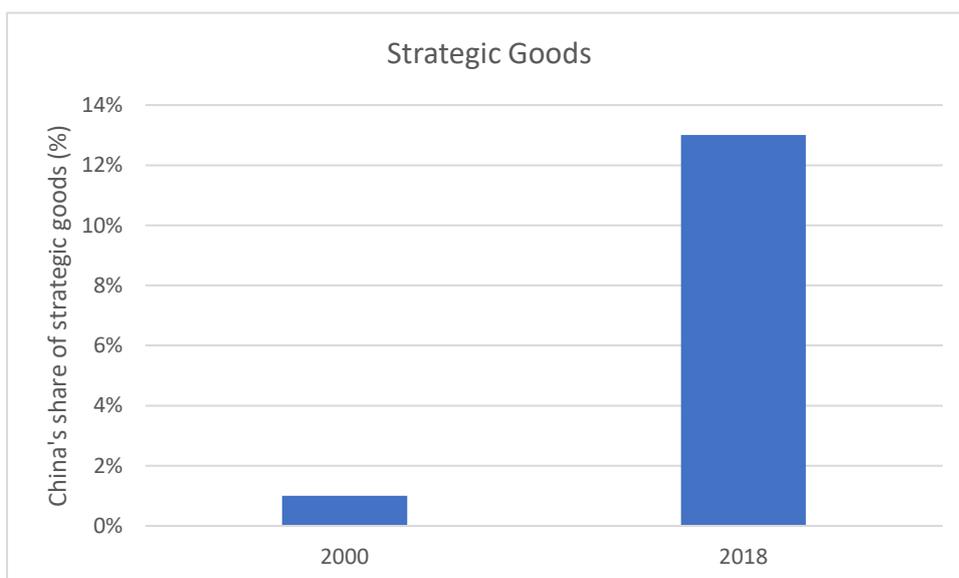
Note. Adapted from UN Comtrade, 2020

5.2.4.2 Exports

Over the last two decades, the composition of Mexican exports to China has shifted. Most notably, the exportation of primary products has increased whilst higher valued goods, such as nuclear machinery, has fallen. Figure 12 indicates a trend towards increasing exports from Mexico's automobile industry. However, the overall trend towards the increasing exportation of primary products has resulted in considerable opposition from industrialists. Since the 1940s, Mexico has strived to combat raw materials 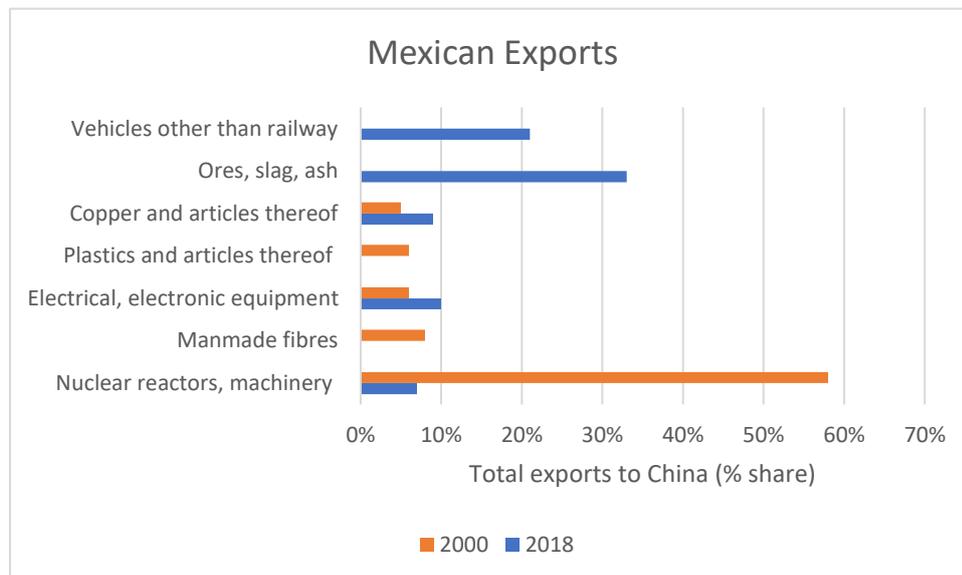exportation by producing manufactured goods for exports. Hence, the increasing exportation of primary products to China, has exacerbated political and social tensions.

Figure 12. Mexico's Top 5 Exports to China

Note. Adapted from UN Comtrade, 2020

5.2.4.3 Imports

Diverging from most Latin American states, Mexico's trade with China has been principally through imports. Figure 13 indicates that Chinese imports to Mexico have been dominated by manufactured products and consumer goods, notably, nuclear, and electronic equipment. As manufacturing industries are vital to Mexico's economy, the importation of Chinese consumer goods has had a direct impact (Cornejo, Haro, León-Manríquez, 2013). Industry contraction and substantial job losses have led to lobbying for protectionist action vis-à-vis Chinese imports (discussed further below). Dyadic trade has been characterised by a significant trade deficit over the last 20 years. This has reached levels as high as US $76 billion in 2018 (UN Comtrade, 2020). Opposition from domestic industries, alongside this significant trade deficit, has contributed to the image of China as a "threat" to Mexican economic development.

Figure 13. Mexico's Top 5 Imports from China

Mexican Imports
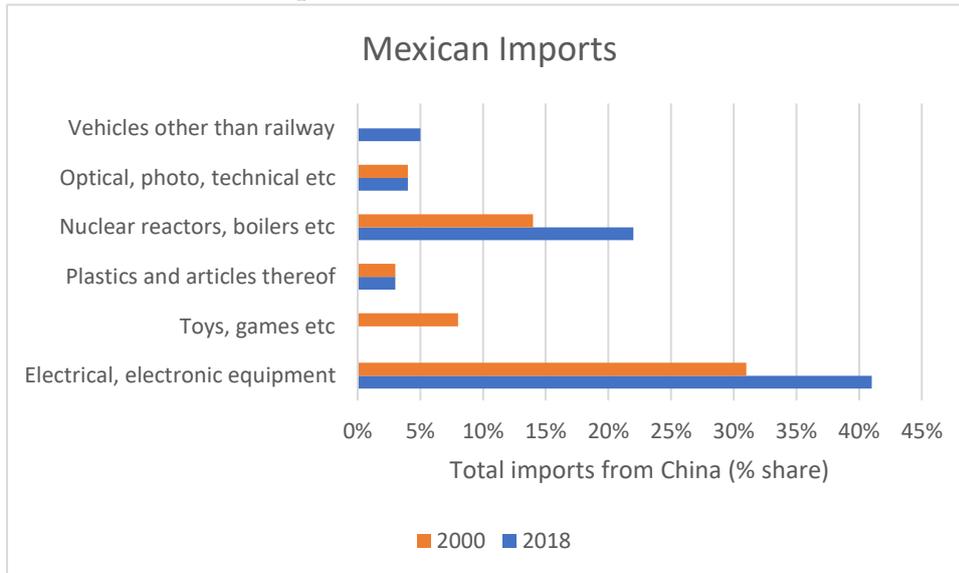
Note. Adapted from UN Comtrade, 2020

5.2.5 Investment

Due to its proximity with the US, one of the world's largest economies, as well its own extensive trade network, Mexico is a leading destination for inward FDI in Latin America. In 2018, it ranked second in receipt of total inward FDI (Morales, 2019). Like Chile, Mexican receipt of Chinese FDI has been marginal. In comparison with Mexico's three leading investors, China accounted for just 0.3% of total inward flows (Figure 14). Compared to Mexico's top three investor, the US played a leading role accounting for 44% of total inward FDI (OECD, 2020).

Figure 14. Mexico's Inward FDI
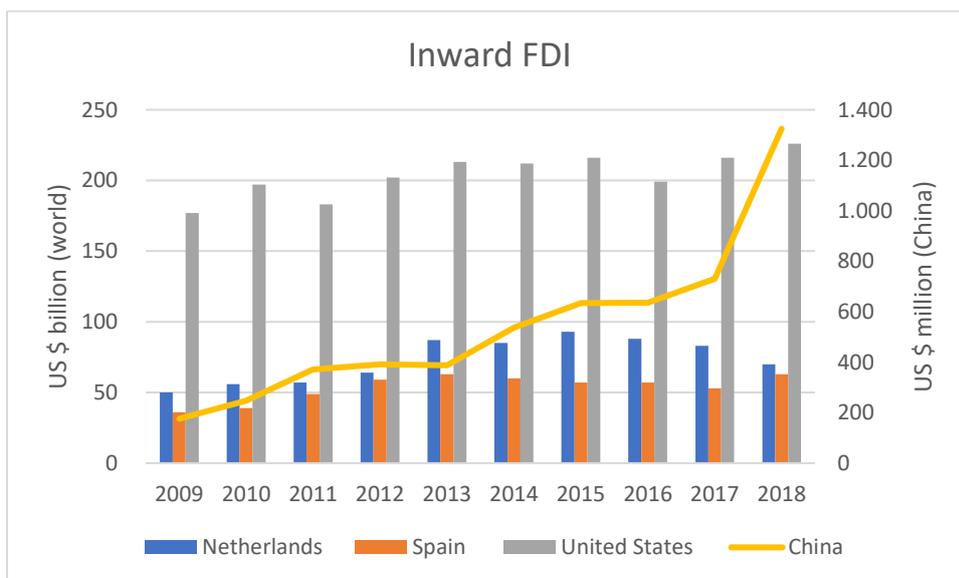
Inward FDI

Note. Adapted from OECD bilateral FDI flows, 2020

The destination of Mexican inward FDI has diverged according to the sender country. FDI from the US focuses on Mexico's manufacturing industries whilst Spanish investment is largely directed towards finance and insurance (El Economista, 2019). Figures for Chinese FDI indicate trends towards Mexico's two largest manufacturing industries: car and electrical goods manufacturing (REDALC, 2020a). As a fraction of total transactions from 2009- 2018, the automotive component sector received 23% of Chinese investments followed by electronical components receiving 13% (REDALC, 2020a).

Several failed investment projects have soured bilateral relations and investment potential in recent years. The most prominent involved the cancellation of a bullet train to be built by China Railway Construction Company (CRCC) alongside four Mexican firms. The project was cancelled due to allegations of corruption at the highest levels of the Mexican executive (El Proceso, 2014). The cancellation of the project drew criticisms from Chinese government officials and the CRCC has since filed for compensatory costs (El Proceso, 2014). Although, failed projects also characterise China's relationship with other countries, their failure in Mexico has drawn greater political and media salience (Dussel Peters, 2016). Additionally, Mexico perceives itself to be in competition with China for attracting FDI. Interviewee Wise (2020) contends that Mexico has squandered numerous opportunities for increasing investment ties particularly in the oil sector. Despite Mexican legislation approving foreign exploration and exploitation, regulatory obstacles impede new investors. As such, Chinese exploitation of Mexican oil sources has been limited. This signifies substantial losses in potential revenue generated through royalties (Interviewee Wise, 2020).

In summary, China's structural economic diplomacy in Mexico has been defined by increasing trade ties. However, in contrast with Chile, rising trade has been driven by an expansion in Chinese imports leading to a substantial trade deficit. This has generated considerable resentment towards China amongst Mexico's manufacturing industries. Like Chile, Chinese inward FDI has remained minimal. This has resulted from a poor institutional environment highlighted by several failed investment projects. Finally, as was the case in Chile, China's relative capabilities have expanded at a greater pace than that of Mexico's.

The next subsection will investigate China's instrumental economic diplomacy through analysing its influence over WTO market economy recognition, Taiwan, and Tibet.

5.2.6 Influence

5.2.6.1 WTO Market Economy Status

Mexico was the last of 142 member states to approve of China's accession to the WTO and the last to conclude a bilateral agreement under WTO framework (Carrillo Garcia, Minglu, & Goodman, 2011). Additionally, out of 36 countries to negotiate a bilateral agreement with China, Mexico secured some

of the most beneficial terms (Leycegui Gardoqui, 2012). This included compensatory costs for Mexican industries affected as well as protectionist mechanisms for up to 1310 products (Leycegui Gardoqui, 2012). Applying for six years after China's accession, these measures were designed to insulate Mexican industries from increased Chinese competition. However, the "acrimonious" negotiations were to set the tone for subsequent interactions at the WTO including China's bid for MES (Wise, 2020).

The issue of MES was broached during the meeting of GAN, a bilateral group of high-level Chinese and Mexican officials set up to strengthen bilateral relations. Under this framework, China requested the creation of a subcommittee dedicated to examining its recognition as a market economy. However, during a meeting held in 2005, Mexican officials denied granting China MES (Cornejo et al., 2013). Mexico maintained that the Chinese state continued to carry out "unfair practices" to support domestic industries which rendered MES a non-viable option (Leycegui- Gardoqui, 2012). In recent years, this position has been further entrenched under President Xi Jinping (Interviewee Wise, 2020). By reversing many of the reforms made to open-up the Chinese economy, President Jinping has undone much of the progress made towards achieving MES (Interviewee Wise, 2020).

Two interconnected reasons underline Mexico's position (Fierro de Jesús, 2020). Firstly, Mexico has adopted a defensive, protectionist strategy towards China's global trade campaign (Hernández, 2012). Since China's accession to the WTO, Mexico has been one of the most prominent members to implement anti- dumping measures against China (IBA, 2010). Driving this protectionist position, is the strength of Mexican manufacturing industries whose advocacy groups have consistently lobbied for greater protection vis-à-vis Chinese imports. These efforts have proved successful. In response to Mexican pressure, China extended compensatory measures agreed under its bilateral transitionary agreement until 2011 (Hernández, 2012). Accordingly, Mexico's has rejected China's MES on the basis that it would be more difficult to bring dumping charges against it and subsequently, more difficult to protect domestic industries (Interviewee Urdinez, 2020).

Secondly, it is impossible to interpret China-Mexico relations without taking Mexico's continued dependence on US trade and investment into account (Interviewee Urdinez, 2020). Mexico has less incentive to endear itself to China by granting it MES than other states (Interviewee Urdinez, 2020). Additionally, the US-Mexico-Canada Agreement (USMCA) implemented in 2018, foreclosed the possibility of formalising stronger trade ties with China. Should one party sign an FTA with an NME, the other two parties are permitted to dissolve the USMCA and form a bilateral agreement (USMCA, 2019). Therefore, Mexico's dependency on the US, as well as its protectionist stance, is fundamental to understanding its interactions with China at the WTO including the issue of MES.

5.2.6.2 Taiwan

Like Chile, official statements from Mexican sources on issues concerning Taiwan are limited. Since recognising the PRC in 1972, empirical evidence has demonstrated limited deviation from China's preferences. Over the last two decades, secondary sources illustrate two examples of Mexico's explicit compliance. The first relates to the flight of the Taiwanese president through Mexican airspace to celebrate the election victory of Daniel Ortega in Nicaragua. In response to pressure from Chinese officials, Mexico diverted the return flight, ensuring it did not pass through Mexican airspace (Fierro de Jesús, 2020). In a second example in 2008, former president, Vincente Fox, was pressurised to cancel a scheduled visit to Taipei to attend the first global forum for emerging democracies (Carrillo García et al., 2011). This position was considered "extreme" in comparison with other countries, such as South Korea, whose leaders attended the event (Cornejo et al., 2013). Cornejo et al. (2013) links this event to the extension of China's transitionary trade agreement with Mexico occurring in the same year, 2008. Mexican officials feared exacerbating bilateral tensions, already strained by tense negotiations, and acted conscientiously to accommodate China's policy preferences as a result. Hence, issues concerning Taiwan have not triggered controversy in bilateral relations over the last two decades. Considered as a "minor" issue to its bilateral relations, Mexico has complied with China's policy preferences overall (Interviewee Wise, 2020; Interviewee Fierro de Jesús, 2020). Lastly, Mexico's diplomatic relations with the PRC have not prevented it from developing commercial ties with the island; Taiwan is Mexico's third largest Asian investor, after South Korea and Japan (Piñeda, 2018).

5.2.6.3 Tibet

Issues relating to Tibet, and more specifically to visits by the Dalai Lama, have caused a higher degree of controversy in bilateral relations. From 2000- 2018, the Dalai Lama visited Mexico twice. During the 2004 visit, the Dalai Lama gave a speech at the Federal House of Representatives where he criticised the PRC for "stifling Tibetan culture" (Fierro de Jesús, 2020). He also met with the wife of President Fox (though not the President himself) along with a senior cabinet member (Fierro de Jesús, 2020). In a press conference held shortly afterwards, the PRC ambassador criticised those who met with the Dalai Lama as "opportunistic and ignorant on the Tibet issue" (La Reforma, 10 October 2004 as cited in Carrillo García et al., 2011, p. 432).

During the second visit of the Dalai Lama in 2011, President Felipe Calderón held a last-minute meeting with the Dalai Lama (El Proceso, 2011). The meeting triggered a response from Ma Zhaoxu, spokesperson for the Ministry of Foreign Affairs, calling the meeting "a gross intervention" and "damaging" to bilateral relations (Consulado Geral de PRC em São Paulo, 2011, para. 1). Following the incident, Mexico issued a statement reiterating its recognition of PRC dominion over the autonomous region of Tibet (El Proceso, 2011). Secondary sources contextualise this incident within a

timeframe, 2009- 2012, regarded as "the worst period of bilateral political ties since the establishment of diplomatic relations" (Dussel Peters, 2016, p. 635). A main source of this deterioration concerned the outbreak of swine flu (AH1N1) in Mexico and the subsequent quarantine of Mexican passengers and residents in China (The Guardian, 2009). In response to Mexico's condemnation, the PRC halted pork imports and closed its consulate in Mexico temporarily (Carrillo García et al., 2011). Hence, friction concerning visits by the Dalai Lama must be viewed within a timeframe characterised by acrimonious diplomatic relations. However, some improvements have since been made. President Xi Jinping visited Mexico soon after assuming the Chinese presidency and established a strategic partnership with his Mexican counterpart, President Enrique Peña Nieto, in 2013 (Fierro de Jésus, 2020). In a joint statement released afterwards, Mexico reaffirmed its "strong support" for the One China Policy (Ministry of Foreign Affairs PRC, 2014a). Additionally, China's preferences towards Tibet are acknowledged: "issues relating to Tibet are internal issues for China" (Ministry of Foreign Affairs PRC, 2014a, para. 7).

Secondary sources agree that Mexico has continuously de-prioritised relations with China (Fierro de Jésus, 2020; Dussel Peters, 2016). A national development plan which included a strategic approach to China was only released in 2013 (Gobierno de la República, 2013). This explains the "clumsy", inconsistent position taken towards China which surfaces by way of diplomatic standoffs (Fierro de Jésus, 2020). However, although there has been an occasional slippage from China's preferences towards Tibet, this does not signify an overall deviation (Carrillo García et al., 2011). Nonetheless, it indicates a bilateral relationship which is more prone to friction than China's other relations (Interviewee Fierro de Jesús, 2020). According to Dussel Peters (2016), the structure of dyadic trade is crucial for understanding this. Social tensions emerging from trade asymmetries, as well as Mexico's continued reliance on the US, has laid the premise for government policy.

Following the analysis of Mexico, the main findings of both cases will be summarised with reference to Goh's (2014) influence framework.

5.3 Summary of Main Findings

The foregoing analysis has demonstrated that China's ability to channel economic diplomacy as foreign policy influence produces mixed results. When pre-existing preferences align, China's influence will be most effective (case of Chile). Conversely, where pre-existing preferences diverge, China is unable to effectively exercise influence (case of Mexico). Evidently, when issues have higher stakes, countries defend their interests firmly and are less likely to comply with the preferences of others. However, when issues pose lower costs, states will be more flexible to adopt the preferences of others. This indicates that China's influence is restricted to issues where it faces relatively limited resistance.

5.3.1 Chile

Table 6 Summary of Chilean Analysis

Issue	Preferences (pre-existing)	Preferences (post)	Mode of Influence	Tools of Influence
WTO Market Economy Status	Aligned	Aligned	Preference multiplier	Prospect of economic integration and FTA negotiations
Taiwan	Aligned	Aligned	Preference multiplier	Joint statements reaffirming position regarding Taiwan. Diplomatic pressure to foreclose friendship agreement with Taiwan's parliament
Tibet	Aligned	Aligned	Preference multiplier	Persuasion to isolate the Dalai Lama. Joint statements reaffirming support of China's position on Tibet

The Chilean case demonstrates that China will be more successful in influencing other states when their pre-existing preferences align (Table 6). Chile's desire for further trade integration with China triggered the swift approval of MES. Similarly, Chile has had a self-interest in preserving diplomatic relations with China. Therefore, it has been careful to comply with Chinese preferences regarding Taiwan and Tibet. This approach has been consistently followed by the Chilean executive regardless of their political orientation. According to Goh's framework (2014), the activation of similar preferences into joint action falls under the "preference multiplier" mode of influence (Table 6).

5.3.2 Mexico

Table 7 Summary of Mexican Analysis

Issue	Preferences (pre-existing)	Preferences (post)	Mode of Influence	Tools of Influence
WTO Market Economy Status	Opposed	Opposed	Ability to Prevail	Attempts to persuade under official bilateral group (GAN)
Taiwan	Aligned	Aligned	Preference multiplier	Diplomatic pressure to divert Taiwanese President's air-travel and cancel visits to Taipei
Tibet	Aligned	Aligned	Preference multiplier	Persuasion to isolate the Dalai Lama. Joint statements reaffirming support for China's position on Tibet

The Mexican case demonstrates that China's ability to exert influence is limited when pre-existing preferences with another state are opposed; Mexico has repeatedly refused to grant China MES. Concerning Taiwan and Tibet, although there have been minor deviations, Mexico has complied with China's preferences overall. As outlined previously, when the costs of accommodating China's preferences are higher for states, such as Mexico's granting of MES to China, countries are less likely to adopt the policy line of others. Finally, emerging from the analysis is the striking difference between the approaches of Mexico and Chile towards China. Whilst Chile established institutions early on to harness budding trade relations with China, Mexico has repeatedly prioritised US relations.

Chapter 6: Discussion

This chapter will present the congruence analysis by evaluating the strength of theories, (neo) realism and (commercial) liberalism, against empirical observations. The propositions formulated in the theoretical framework will be tested against the empirical data gathered in the analysis, chapter five. The discussion will end with a concise summary of the main theoretical findings.

6.1 Neorealist Propositions

1) *The greater a state's national capabilities, relative to total global capabilities, the less likely it will be to accommodate the policy preferences of another state.*

The measurement of military expenditure captured the national capabilities of states in terms of military power. Surprisingly, despite the difference in the economic size of Mexico and Chile, measurement of their national capabilities yielded similar results; in 2000 and 2018 both states retained a marginal share of world military expenditure (0.3%). This challenges realists' understanding of how power is distributed in the international system. Realists maintain that larger states will be innately more powerful, expressed by greater national capabilities. The empirical analysis of Mexico and Chile challenges this assumption as both states retained an equal share of global capabilities. Additionally, the empirical finding contradicts realists' expectations concerning policy accommodation. Although Chile retained the same level of national capabilities as Mexico, it accommodated China's policy preferences across three issues in comparison with Mexico's two. This disproves the realist proposition that the greater a states' national capabilities, the less likely it will be to bend to the will of another state. Accordingly, the first realist proposition is refuted by the empirical evidence.

2) *The greater a state's capabilities, relative to those of the rising power, the less likely it will be to accommodate the policy preferences of that power.*

The measurement of states' military spending as a share of China's military expenditure captured the relative capabilities of states in terms of military power. In relative terms, Chile and Mexico's share of Chinese military expenditure has remained constant vis-à-vis each other but has fallen considerably compared to China; 7% in 2000 and 2% in 2018. From this analysis, one can deduce that the rate of China's military expansion has far surpassed that of both Chile and Mexico. This contradicts the realist assumption that states will balance internally (by building up their military capabilities) in response to the increasing strength of a rising power. Additionally, neorealists stipulate that states with greater relative capabilities will be less likely to bend to the will of another state. Empirical evidence has demonstrated otherwise. Although Chile maintained the same relative capabilities as

Mexico, it accommodated China's policy preferences across three issues in comparison with Mexico's two. Therefore, the second realist proposition has not received empirical support.

3) *States which are more dependent on the US for security assistance are less likely to support the foreign policy preferences of another state when they conflict with the position taken by the US.*

US security assistance was measured as a fraction of states' total military expenditure, capturing the relative importance of US assistance to national security. As indicated by the analysis, China's bid for MES was the only issue the US took a firm position on. US official position on Taiwan and Tibet has been ambiguous, a strategic choice made by policymakers (Kastner, 2006; Bergsten et al., 2009). Accordingly, the comparison between the positions taken by the US, compared to Mexico and Chile, can only be investigated regarding MES.

Chile and Mexico have received varying amounts of US security assistance. Mexico shares a geographical border with the US and is more strategically significant in the combat against international drug-trafficking and illegal border crossings. As such, Mexico's receipt of US security assistance has exceeded that of Chile. When analysing the issue of market economy recognition, Mexico has repeatedly denied granting MES to China. In stark contrast, Chile was one of the first Latin American states to approve of China as a WTO market economy. Subsequently, proposition three is backed empirically. Mexico, dependent on US security assistance to a greater extent, converges with the US position when it directly conflicts with Chinese preferences. This finding demonstrates that one must account for states relationship with status quo powers when analysing how they behave towards emerging actors.

6.2 Commercial Liberal Propositions

1) *States that are more dependent on a trading partner, will be more likely to accommodate its foreign policy preferences than states which are less dependent.*

Trade dependency was operationalised by measuring a state's total trade with China as a percentage of their GDP. In the case of Chile, increasing trade dependency coincided with policy accommodation across the three issues discussed. Chile has acted strategically to bolster its relationship with China and, as such, has been careful to manage issues central to China's foreign policy. Although Mexico's rate of trade dependency with China has also risen, it remains comparatively less than that of Chile. As such, commercial liberalism's understanding that policy accommodation is more likely when greater levels of dependency exist, is backed empirically; Chile accommodated China across three issues in comparison with Mexico's two. More generally, this finding indicates that Hirschman's (1945) "influence effect" may emerge in uneven ways for rising powers. Closer economic relations may yield more influence in some countries than in others.

2) *States which are dependent on the trade of strategic goods are more likely to accommodate the foreign policy preferences of their trading partner.*

States dependency on trade in strategic goods with China was calculated as a share of their total trade in strategic goods. In both cases, the expansion of total trade coincided with an increase in China's share of strategic goods. In Chile, China's share jumped to 35% in 2018 coinciding with increased trade in copper, ores, and their derivatives. In comparison, China's share of Mexican strategic goods amounted to 16% in 2018. Accordingly, given its higher dependency on strategic goods trade, commercial liberalists would expect Chile to accommodate China to a greater extent. This has been reflected by the analysis; Chile accommodated China's preferences across three issues in comparison with Mexico's two. Subsequently, proposition two is endorsed.

An additional two observations can be drawn from the analysis on strategic goods. Firstly, the findings indicate that trade with China has reinforced specialisation within exports sectors, electronics in the case of Mexico and copper in the case of Chile. This reflects the prevailing challenge of diversification faced by Latin American countries in the global trade system. Secondly, China's share in the bilateral trade of armaments represented less than 1% in both countries. This counteracts the argument made by Ellis (2011) regarding China's increasingly role as an arms supplier to Latin America. Additionally, the findings of the analysis indicated that neither state has bolstered military capabilities at China's pace. Subsequently, one can conclude that Chile and Mexico have not perceived China as a danger to their national security.

3) *States reliant on the market of another state for exports will be more likely to accommodate policy preferences than states reliant on the same market for imports.*

Chile has retained a significant trade surplus with China resulting from its strong export push. This has proved crucial not only in counteracting the image of China as an economic "threat", but also in establishing and strengthening political ties. Conversely, Mexico has faced a staggering trade deficit compounded by its reliance on Chinese imports and diminishing exports. Consequently, proposition three is backed empirically. Chile, registering higher levels of exports, accommodated China's preferences across three issues in comparison with Mexico's two. Thus, the analysis has confirmed Lampton's (2008 as cited by Kastner, 2016) expectation regarding the diverging impacts of imports and exports on domestic industries. However, calls of opposition towards Chinese imports in Mexico were considerably stronger than calls of support from Chilean export industries. Hence, although the proposition is back empirically, it does not indicate degrees of support or opposition. This can only be determined on a case by case basis.

4) *Where powerful private interests do not benefit from trading relations with a bilateral partner, the greater their incentive to pressurise the government to oppose their partner's foreign policy preferences.*

As outlined previously, bilateral trade interactions have been driven by Chile's exports to China (primarily in copper). As Chile's manufacturing and industrial sectors are marginal, opposition to supporting China has been limited. Conversely, Mexico's manufacturing industries have vehemently contested the increasing presence of Chinese imports in domestic markets. Persistent lobbying by powerful advocacy groups has played a significant role in shaping government policy. This is evident when examining Mexico's interactions with China at the WTO and its reluctance to grant China MES. As such, powerful private interests opposed China's increasing presence leading Mexican authorities to reject China's bid for MES. As opposition from powerful actors in Chile was limited, it played no part in shaping government policy. Consequently, proposition four finds empirical support. This finding also strengthens the argument made by proposition three. It reiterates that degrees of domestic support and opposition are important to consider when analysing policy accommodation between states.

To summarise, this congruence analysis has found greater empirical support for commercial liberalism as opposed to neorealism. All commercial liberal propositions were backed empirically in comparison with a single neorealist proposition. Accordingly, strong evidence endorses liberals' link between closer trade relations and policy accommodation. The discussion also highlights the role that various aspects of trade play in shaping bilateral interactions. Factors including the role of imports, exports, strategic goods, and the power of societal groups, affect state behaviour. Conversely, this analysis did not support neorealist expectations concerning the role the distribution of capabilities or relative position will have on state behaviour. Although this finding is restricted to this specific case, it nevertheless indicates that neorealism should be evaluated and critiqued in new empirical settings. Neorealists' understanding of policy accommodation could benefit from additional nuances provided by other realist branches such as classical realism.

Chapter 7: Conclusion

The concluding chapter will address the sub questions and central research question of this thesis. Thereafter, limitations to this study will be outlined alongside opportunities for future research. Lastly, the practical implications of this research will be considered.

7.1 Addressing the Sub Questions

Two sub questions guided the central research question of this study. The first sub question was elaborated as follows: *What form has China's economic diplomacy taken in Chile and Mexico from 2000- 2018?* In both states, China's economic diplomacy is composed of both structural and instrumental dimensions. Structural economic diplomacy has been driven by a desire to trade rather than an ambition to invest. However, interactions in trade have produced diverging results. Chile has maintained a growing trade surplus with China whilst Mexico has retained a staggering trade deficit. Additionally, China's relative military capabilities have expanded at a greater pace than both Chile and Mexico's. Instrumental economic diplomacy was examined within the context of China's influence over three foreign policy issues. The result indicates that bilateral negotiations and diplomatic pressure have shaped instrumental economic diplomacy. Together, these structural and instrumental factors have influenced what form China's economic diplomacy has taken in both states.

The second sub question referred to the central theories developed in this thesis: *How do neorealists and commercial liberalists explain Chilean and Mexican foreign policy towards China?* Commercial liberalists focus on the importance of trade in dictating state behaviour and, subsequently, foreign policy. Additional nuances, including the role of imports, exports, and strategic goods, lend insights into how states approach China. Conversely, neorealists explain foreign policy in terms of power and capability distribution in the international system. Moreover, neorealists account for state's relations with the status quo power, the US. Although dependency on the US affected interactions to a certain degree, the congruence analysis found that commercial liberalism holds greater explanatory strength for this case overall.

7.2 Addressing the Research Question

This thesis has been guided by the central research question: *How has China's economic diplomacy influenced foreign policy towards China in Chile and Mexico?* The answer to this question is straightforward. Where preferences align, China's ability to channel economic diplomacy as foreign policy influence is most effective. This was demonstrated by the case of Chile. Conversely, where preferences diverge, China's capacity to exert economic diplomacy as influence is less successful. The diverging positions of Chile and Mexico were highlighted by their approach towards granting China WTO market economy status. Accordingly, Goh's (2014) influence framework has been

endorsed in a new empirical setting; China will be most successful in influencing foreign policy when it can harness existing preference alignment with other states.

7.3 Limitations and Future Research

This thesis is subject to several limitations. Firstly, it is not clear whether Mexico and Chile's response to the three issues, WTO market actor recognition, Taiwan, and Tibet, can be generalised to other issues or countries. Future studies could expand upon this thesis by widening the scope of issues and cases explored. Possible investigations could examine interactions between subregions of Latin America, such as Central America, and China. Alternatively, analyses could explore the effects of China's economic diplomacy on specific regions or sectors within states. Thus, researchers could portray a more comprehensive picture of the implications of China's economic diplomacy for a single state. Additionally, quantitative studies could provide updated accounts of China- Latin American interactions at UNGA or through analysing state behaviour at the WTO.

A second limitation involved difficulty in accessing data on the motivations and decision-making processes behind states' approach to China. This may have included classified reports, memos or inter-departmental communications which could have shed additional light on official positions. Interviews were arranged to collect additional data to triangulate the available sources. However, interviewees with similar professional background could not be secured for both cases. Although numerous individuals with a diplomatic background in Mexico were contacted, respondents were hesitant to speak about foreign policy issues. Future research on foreign policy should consider these limitations to ensure data availability and accuracy.

Thirdly, as outlined previously, this thesis faced difficulty converting certain neorealist concepts into concrete indicators. The selected measurements were justified based on their operationalisation in previous literature, however their application still carries limitations and should be construed with a degree of caution. Building on this study, researchers could operationalise alternative variables in the China- Latin American context. Variables from neoclassical realism could bring additional understanding as to how ideas interplay with power in the international system. Lastly, this study has highlighted the importance of continuously assessing our understanding of theory. Researchers should strive to establish additional methods and measurements to apply theoretical concepts to empirical reality.

7.4 Practical Implications

The foregoing conclusions carry practical implications for consideration. Firstly, this thesis has highlighted the role that trade can play in shaping bilateral relations. More specifically, this thesis stresses a more nuanced understanding of the impacts of trade. Moving beyond trade volume, factors such as trade dependency, imports, exports, and strategic goods, will combine to shape state relations

and perceptions of each other. Policymakers should account for these aspects when assessing relations with their trading partners as well as the feasibility of foreign policy objectives.

Secondly, this thesis attributes greater credence and agency to China's partner states than previous studies. It does this by taking account of states reactions to China and whether their interests diverged or converged with China's preferences in the first instance. States motivations and reactions towards each other will dictate how effectively states can exercise influence. Accordingly, China's influence may be restricted to issues where it faces relatively limited resistance. Policymakers should take this into consideration when strategizing for the implications of China's ascent in Latin America and across the globe.

Finally, one can conclude that China's approach to Latin America shows a long-term, strategic awareness. For the most part, China has been able to prevent major conflicts of interest from arising. It has done this by concentrating its foreign policy on issues where preferences are aligned and where the costs of adopting China's preferences are relatively low for other states. Although rising powers are usually expected to generate conflict and perceptions of threat, China's ascent in Latin America has indicated that this is not always the case. Instead, China has demonstrated that perhaps the most successful rising powers will be those with the long-term awareness to anticipate and trouble-shoot conflict. Overall, additional work is needed to refine and develop our understanding of China's global ambitions and their implications. Only then, can policymakers create comprehensive strategies to adapt to potential shifts in international power coinciding with China's rise.

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Appendix A

Semi-Structured Interview Questions

1) Could you please outline what area you have focused on within Chile- China and/ or Mexico-China relations?

2) In your experience, what have been the most important changes in Chile- China/ Mexico-China relations in the last 20 years?

3) How have trade and investment links evolved over the last 20 years?

4) How would describe Chile- China/ Mexico- Chinas' relationship at the WTO?

5) What position did China/ Mexico take regarding China's accession to the WTO and later, to its bid to be recognised as a market economy? What factors influenced this position?

6) Do you know of any groups within society who supported or opposed this position?

7) How would you describe cooperation between Chile- China/ Mexico- China regarding the One China Policy? What official position has been taken towards the One China policy over the last 20 years?

8) How have Mexican/ Chilean administrations approached issues surrounding Taiwan and Tibet over the last 20 years? What factors have influenced this position?

9) In your view, has Chilean/Mexican foreign policy been influenced by a third country over the last 20 years?

Appendix B

Categorisation of Strategic Goods

Strategic Category	Commodity SITC Code	Description
Energy	32	Coal, coke & briquettes
	33	Petroleum, petroleum products & related materials
	34	Gas: natural & manufactured
	35	Electric Current
Non-ferrous metal	287	Ores & concentrates of base metals n.e.s
	681	Silver, platinum & other metals of the platinum group
	682	Copper
	683	Nickel
	684	Aluminium
	685	Lead
	686	Zinc
	687	Tin
	689	Misc. nonferrous base metals employed in metallurgy
Chemicals	51	Organic chemicals
	522	Inorganic chemical elements, oxides & halogens salts
	523	Other inorganic chemicals
Electronics	87	Professional, scientific & controlling instruments
	764	Telecommunications equipment & parts
	77	Electrical machinery, apparatus & appliances n.e.s.
Nuclear	286	Ores & concentrates of uranium & thorium
	524	Radio-active & associated materials
	7187	Nuclear reactors & parts
Armaments	792	Aircraft & associated equipment & parts
	7931	Warships of all kinds
	9510	Armoured fighting vehicles, arms of war & ammunition

Note. Adapted from Goenner, C. (2010, p. 550). From Toys to Warships: Interdependence and the Effects of Disaggregated Trade on Militarized Disputes. *Journal of Peace Research*, 47(5), 547-559.