PART II

Perspectives from Key Countries

5

Mexico–United States–China

Conditions and Challenges of This New Triangular Relationship from a Mexican Perspective

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Mexico and the United States share a long—in some cases problematic—history of political, military, social, immigration, cultural, and economic relations, in part as a result of a common border of more than 3,000 kilometers. These long-lasting ties were also reflected in the signature and implementation of the North American Free Trade Agreement (NAFTA) since 1994: in the case of trade, for example, Mexico has been among the three main trading partners of the US in the last decades, while the US is the number one trading partner of Mexico since we have statistics in recent history.

In this context, the goal of this chapter is to examine the "new triangular relationship" (Dussel Peters, Hearn, and Shaiken 2013) between the US, Mexico, and China and particularly from a Mexican perspective. With the global reemergence of China since the last decade of the 20th century the historical relationship between Mexico and the US has substantially shifted from a group of perspectives, including those in the political and economic fields.

The analysis will be divided into three sections. The first will highlight the general socioeconomic triangular relationship of Mexico with the US and China, based on a literature review that specifies the main topics in this relationship; a group of issues regarding China in trade and foreign direct investments (FDI), among others, are relevant, as well as the overall relationship of Latin America and the Caribbean (LAC) with China. The second section will discuss a group of items that are currently being analyzed in Mexico in this triangular relationship, particularly regarding China. These selected topics will refer to literature that deepens this debate. Finally, the third part of the analysis concentrates on the main characteristics of this "new triangular relationship" and its resulting policy and future research issues.

1. Mexico-China in the Latin American and Caribbean Context

The LAC-China relationship has increased qualitatively since the last decade of the 20th century in terms of massive political and economic relations, but also in the field of language and culture, among other fields (Arnson, Heine, and Zaino 2014; Dussel Peters 2005a; Roett and Paz 2008; Red ALC-China 2013, 2015). In general, these documents highlight the increasing relevance of both regions in terms of trade, investments, and finance: these "seismic changes" (IADB 2012:xiii) were not only the result of market forces, but also of the strategies and active policies of respective governments. As a result, the LAC-Asia relationship—and particularly with China—proved to be one of the most dynamic and relevant in terms of trade, with an average annual growth rate (AAGR) of 20.5% between Asia and the Pacific and LAC during 2000–2011. Costs of trade (IADB 2012), including items such as tariffs, transportation, and overall transaction costs (Santiso 2006), were some of the main topics in the suggested agenda between the regions. The new trade diversification—in 2014 China accounted for 12% of LAC's trade, second only to the US.[1] Also China posed opportunities and challenges for LAC in this new "South-South" relationship and specifically in terms of trade and investment cooperation, infrastructure, competitiveness and innovation, climate change, and policy dialogue on cooperation (ECLAC 2011). Particularly relevant for the case of China—as well as for India and Asia in general—is that LAC's growing trade deficit with the region, as well as for China and India, is significant in terms of its content: LAC's exports to Asia and China include mostly raw materials with little value-added and technological content, while LAC's imports from the region are manufactured goods with increasing value-added and products of medium and high-level technological content; in the last decade only 5% of LAC exports to China were of medium and high technological level, while over 60% of Chinese exports to the region were of these types (see figure 5.1). This typical "center-periphery" productive and trade structure is also deepened by the high levels of concentration

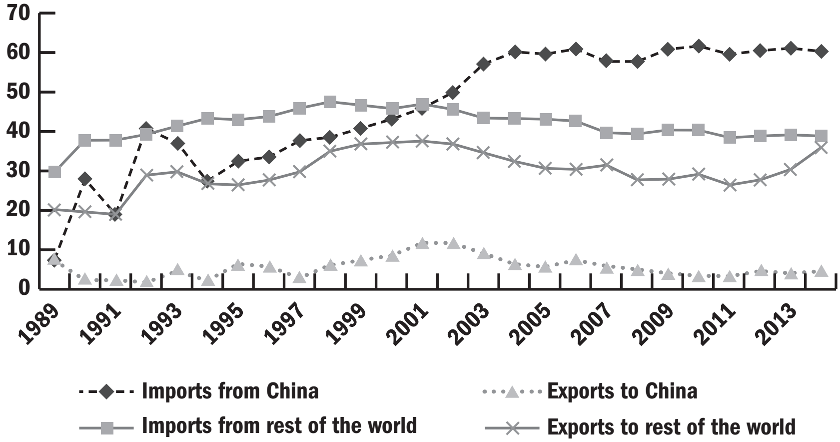

Figure 5.1. LAC: trade at medium- and high-technology level (% of total) (1989–2014)
Source: Based on data available at UN-Comtrade Database, https://comtrade.un.org.

of LAC's trade with China and in particular of its exports: the top-three export categories to China—ores, oil seed, and copper (followed by oil and wood pulp)—increased from 50% to 72% of total exports from 2000 to 2014. Over the same period, Latin America's exports to the world in these three categories fell from 42% to 32%. China's imports from Argentina and Brazil, and particularly from Venezuela, account for the highest concentration degrees—in Venezuela for levels above 99% in the last decade—while Chinese imports from Mexico have also increased substantially, but still to levels below 70% (see figure 5.2). After this first stage of the recent encounter between LAC and China in the last decade in terms of trade, three new levels and stages have been achieved.[2]

First, China started investing massively in LAC,[3] particularly since the international crisis of 2007–2008, accounting for levels above $10 billion annually for 2000–2014, but FDI is quite different from that of other countries. From 2000 to 2012, 87% of China's Latin American–bound FDI came from public-owned firms. This FDI is also highly concentrated, with 57% focused on the acquisition of raw materials (Red ALC-China 2013).

Second, China is also increasing its financing presence. From 2005 to 2014, loan commitments totaled more than $118 billion. Venezuela alone accounted for more than 50% of total loans and 42% of infrastructure projects in the region (Gallagher and Myers 2015; Gransow 2015).

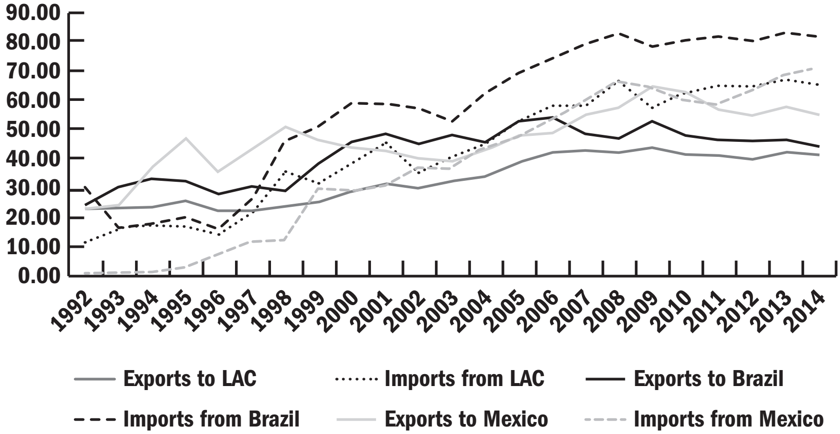

Figure 5.2. China: trade with LAC by degree of concentration (top three items' share of total respective trade) (1992–2014)
Source: Based on data available at UN-Comtrade Database, https://comtrade.un.org.

These new Chinese economic activities will likely grow substantially, given the expected increase in Chinese infrastructure projects.

Third, in addition to China's very recent and aggressive global policies to promote infrastructure projects globally under the heading of the "New Maritime Silk Road" and "One Belt–One Road Strategy" (Long 2015)—China today is able to offer turnkey projects that make it much more difficult for local and national suppliers to integrate into their processes (Dussel Peters 2014b), i.e., China offering financing, Chinese firms able to manage all parts of the project (design, logistics, construction, and many other segments), technology, and all required goods and services (Dussel Peters 2015a). These new opportunities, rather than improving existing trade and OFDI structures, might even worsen development results for LAC in its relationship with China: opportunities for LAC firms to compete and integrate to trade and OFDI from China, from this perspective, are more limited than with US or European firms.

2. The Current Socioeconomic Bilateral Relationship between Mexico and China

For the Mexican case, parallel to this regional literature, there has been an increasing analysis of the Mexico-China relationship from a general or macroeconomic perspective discussing trade and business experiences, the issue of China as an "opportunity or threat," but also in terms of cooperation and cultural and educational exchange, as well as from a historical perspective. From a general Mexican perspective, the Mexican government has continued, with few exceptions, with a consistent liberalization strategy started at the end of the 1980s and only very recently began to seriously consider Asia as an important strategic partner, particularly in terms the "diversification of its economic ties" (PND 2013:148), i.e., only until very recently Mexico considered Asia as part of a globalization process, and beyond the North American Free Trade Agreement (NAFTA) (Dussel Peters 2014a; Fernández de Castro and Díaz Leal 2007). Even more recent analysis since the 2000s (Lafourcade, Nguyen, and Giugale 2001) has not included Asia explicitly; policy makers and officials until 2013 had difficulties in integrating explicitly Asia (Acevedo and Zabludovsky 2012; Leycegui Gardoqui 2012), although the TPP (Trans-Pacific Partnership) and the Alliance for the Pacific could be functional for further reforms in Mexico (Rozenzweig 2012). Thus, while formally Mexico has been participating in a large group of Asian forums such as APEC, ASEAN (Association of Southeast Asian Nations), FOCALAE (Forum for East Asia-Latin America Cooperation), and PCEC (Pacific Council for Economic Cooperation), among others (Dussel Peters 2014a), it is only since 2013 that the Plan Nacional de Desarrollo (2013–2018) presents a group of "lines of action" (PND 2013:148) with specific goals and strategic objectives for Asia, including China and India. Mexico has also maintained important political relations with China in several multilateral groups such as the G20 and in the United Nations system.

Regarding China,[4] there has been an increasing analysis with a group of results: (a) Contrary to the increasing economic relationships of Mexico with Asia—and specifically with China—public, private, and academic institutions are weak and recent, with little capabilities of analysis, proposals, and funding of particular projects of relevance of the bilateral ties; (b) China and Mexico have developed a group of bilateral institutions since 2004—including the Binational Commission Mexico-China and at least three high-level groups (on general topics, the economy, and investments)—that have included most of the relevant bilateral issues; until 2015, rather surprisingly, most of these issues—from statistics

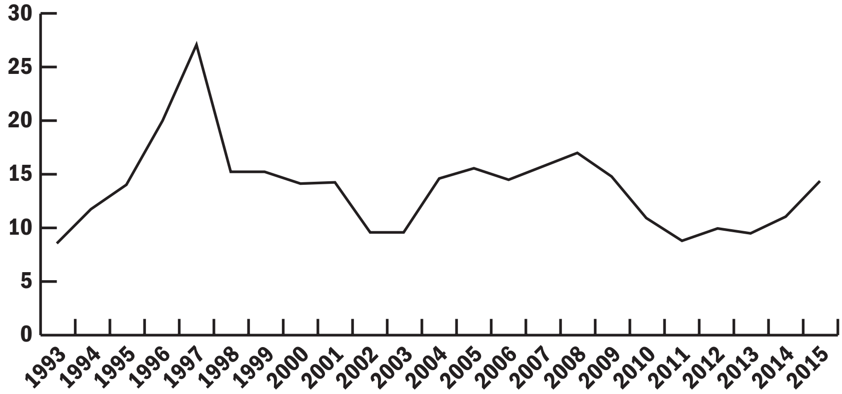

Figure 5.3. Mexico: import/export coefficient with China (1993–2015)
Source: Based on Cechimex (2016)

to education, tourism, immigration, trade, and investments—have neither been solved nor analyzed systematically and/or strategically. There are, however, important expectations that as a result of the new qualitative relationship between Mexico and China since 2013—as a result of 2 presidential meetings between Enrique Peña Nieto and Xi Jinping in 2013 and another in 2014—there will be important concrete results in this bilateral agenda;[5] (c) China has consolidated its position as Mexico's second-largest trading partner since 2003, yet accounting for a significant trade deficit (see figure 5.3) and an increasing "Latinoamericanization" of Mexico's trade with China, i.e., increasing exports in raw materials (oil and copper), while more than 60% of China's imports have medium- or high-level technological content; (d) foreign direct investment (FDI) from China accounted for less than $410 million dollars or less than 0.1% of Mexico's total FDI (in firms such as Hutchinson Ports, Sinatex, Golden Dragon, and Huawei) (see table 5.1), thus manifesting an important gap in the context of overall economic and trade intensification; (e) A group of Mexican "translatinas" have also been very active investing in China, accumulating around $320 million through 2011, including firms such as Bimbo, Nemak, Katcon, Gruma, Softek, Cemex, Interceramics, and Grupo Kuo (Dussel Peters 2013); and (f) China has made an important cultural contribution in Mexico through five Confucius Institutes, one of the largest numbers in any country in the world. Finally,

Table 5.1. Mexico: Realized FDI flows by country of origin (1999–2015)

		1999	2005	2010	2011	2012	2013	2014	2015	**1999–2015**
		(millions of dollars)								
	TOTAL	13,940	25,971	26,431	23,649	20,437	45,855	25,675	30,285	436,188
	Top 5 countries	10,618	17,612	18,821	17,330	14,887	38,913	14,946	20,033	265,900
	China	5	15	15	28	88	25	57	30	409
		share (percentage of total)								
	TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	Top 5 countries	76.17	67.82	71.21	73.28	72.84	84.86	58.21	66.15	60.96
1	United States	54.24	48.25	26.61	51.66	46.94	29.98	30.17	52.16	45.80
2	Belgium	0.24	-0.08	0.14	0.69	0.00	28.98	4.91	2.84	2.73
3	Holland	7.79	16.12	34.64	10.95	8.03	11.86	6.33	2.97	3.92
4	Canada	4.95	2.66	7.65	6.05	9.05	9.86	11.61	3.60	5.94
5	Japan	8.95	0.86	2.17	3.92	8.83	4.17	5.18	4.58	2.57
25	China	0.04	0.06	0.06	0.12	0.43	0.05	0.22	0.10	0.09

Source: Based on SRE data (2016).

the current administrations of Enrique Peña Nieto and Xi Jinping have concentrated on the issue of Chinese investments in Mexico (Dussel Peters 2014b; Qiu 2014); in Mexico the Finance Ministry (Secretaría de Hacienda y Crédito Público, SHCP) has been in charge of its implementation, as part of becoming “integral strategic partners” since 2013. Thus, one of the most relevant challenges in the Mexico-China relationship involves the implementation of concrete projects in the prioritized agenda regarding investments, beyond already established formal agreements in terms of tourism, education, and culture and scientific cooperation, such as the signature of an APPRI (Agreement for the Promotion and Reciprocal Protection of Investments) in 2008.

After November 2014, however, the bilateral relationship between Mexico and China fell into a new low as a result of a group of failed Chinese investments.[6] These tensions had not been solved by the end of 2015. A group of issues stand out in explaining these increasing structural tensions beyond the diplomatic and formal “strategic integral relationship.”

First, there is the Dragon Mart project—an exhibition center for Chinese goods in Cancún with links through Mexico to Central America—which started in 2007 and was presented to local and federal authorities in 2011. With an investment of around $180 million dollars—only 10% of which was Chinese capital—the project was authorized by a group of local institutions in 2013, but later cancelled by federal officials in 2014 for insufficient compliance with environmental regulations. Throughout the period the wrongly called "Chinese project" received very harsh criticism from different social, political, and business groups that went far beyond the project and made reference to China in general, but also to labor, environmental, human rights, and regional discussions in China.

Second, the high-speed train from Querétaro to Mexico City (around 200 kilometers) had a much stronger effect on the bilateral relationship. The public bidding was published in August 2014 and most participants complained that there was too little time to comply with the project's sophisticated requirements. Mexico's secretary of communication and transportation received only one proposal for the joint venture between China Railway Construction Corporation (CRCC) with other four Mexican firms, led by Grupo Higa; this group won the bidding process in early November. Three days later, just a few days before President Peña Nieto's official visit to China, he cancelled the project as a result of corruption and conflict of interest involving Grupo Higa and officials at the highest level of the Mexican executive. Public bidding was opened again in January 2015 but, as a result of international oil price fall and subsequent fiscal limitations, "definitively cancelled" two weeks later. Premier Li Keqiang openly questioned this decision in Mexico and CRCC has been requesting compensation for the costs of the project, which reflects the level of frustration of China's public sector, understanding that reimbursement of these costs is economically insignificant, but politically symbolic.

Both projects and other recent cases[7] reflect an increasing desperation from a Chinese perspective, i.e., in spite of President Peña Nieto's openness to Chinese FDI, the above analyzed cases show that Mexico is apparently not able to understand and/or host Chinese FDI. CRCC not only requests the reimbursement of the project costs, but also guarantees for future projects; the "word" of the Mexican public sector at the highest level, from this perspective, is apparently not sufficient. The experience of CRCC and other Chinese firms, on the other hand, also reflects that they have to improve their preparation and understanding to materialize their investment, not only in financial and technical terms, but also regarding social, environmental, and political topics. Large projects, particularly in infrastructure, have to include these items in detail, and improve their risk analysis and the openness and willingness to negotiate with the respective local and national groups.

3. Selected Debates on the "New Triangular Relationship" from a Mexican Perspective

China currently poses a massive challenge to Mexico's export-oriented industrialization and its long-term strategy within NAFTA: can Mexico continue to specialize in cheap labor power and cheap energy? On both terms China could reply that labor power and energy will be much cheaper in China and the Asian region—from China's rural areas to large regions further west of the coast, as well as Vietnam and other Asian countries—than in LAC for the next few decades. If China does not pursue the same development strategy as in the last two decades in LAC, what kind of room does China leave for LAC in the near future? This challenge is not only relevant for Mexico, but for the NAFTA region as a whole (Dussel Peters and Gallagher 2013) for specific value-added chains such as telecommunications, electronics, automobiles and auto parts, and yarn, textiles, and garments.

Based on this methodology, table 5.2 shows some general results regarding Chinese competition with Mexico in the US market and with the US in the Mexican market. In all cases, the competition—or "threat"—is very significant for the period 2000–2013:

1. For the Mexican market, in which the US and China compete, levels are the highest: 86.2% and 66.5% of US exports in manufactures and total to Mexico compete with China. China dramatically increased its share of total US imports during 2001–2014, from 9% to 16%. Latin America and the Caribbean's share also increased, but less dramatically—from 16% to 19%. China's share of Latin America and the Caribbean's imports increased sharply, from 3% in 2001 to 17% in 2014, while the United States' share fell from 46%

TABLE 5.2. Matrix of competitive interactions between China and other countries in export markets

		China's export market shares	
		Rising	Falling
Other countries' export market shares	Rising	A. No threat Both China and the other country have rising market shares and the latter is gaining more than China	C. Reverse threat No competitive threat from China. The threat is the reverse, from the other country to China
		B. Partial threat Both are gaining market share but China is gaining faster than the other country	
	Falling	D. Direct threat China gains market share and the other country loses; this may indicate causal connection unless the other country was losing market share in the absence of Chinese entry	E. Mutual withdrawal: no threat Both parties lose market shares in export markets to other competitors

Source: Lall and Weiss (2005); Dussel Peters and Gallagher (2013)

to 32%. As a result, for the period 2001–2014 72.24% of the United States' exports to Latin America and the Caribbean were threatened by Chinese exports. The impact of this loss of market share in Latin America and the Caribbean on jobs in the United States is significant. It can be estimated as follows: if the US share of the region's imports had remained the same as in 2001 (46%), the value of US exports to the region would have been $145 billion higher in 2014. Based on recent estimates by the Department of Commerce (International Trade Administration) of jobs supported per billion dollars of exports, the additional $145 billion would have generated 840,000 jobs in the United States in 2014 alone, all related to manufacturing and 55% related to automobiles and auto parts.

2. In the US market, in which Mexico and China compete, 67% and 56% of Mexican exports in manufacturing and total compete with China.
   a) The trade relationship of Mexico and China is economically and politically not sustainable in the short run. While China is Mexico's second-largest trading partner since 2003, the import/export ratio was 14/1 in 2015 (figure 5.3), i.e., China accounted for 16.6% of Mexican exports and only 1.5% of its exports, as well

Table 5.3. Percentage of "Chinese threat" in Mexican and U.S. markets (2000–2013)

U.S.		Direct	Partial	Total
	percent of manufactures exports to Mexico	84.4	1.8	86.2
	percent of total exports to Mexico	64.5	2	66.5
Mexico				
	percent of manufactures exports to US	37.2	29.8	67
	percent of all exports to US	31.6	24.4	56

Source: Based on data available at UN-Comtrade Database, https://comtrade.un.org, and on Lall and Weiss (2005)

as a $60.3 billion trade deficit in 2014; the share of trade with the US, meanwhile, declined substantially, from above 81% of total trade in 1999 to levels below 65% since 2008. While it is true that most Chinese imports are intermediate and capital goods (more than 91% of Chinese imports), so far Mexico has not been able to overcome this massive structural deficit. These structural problems might even worsen in the short run: initial information for the first half of 2015 (Banco de México 2015) reflects that imports from China increased by 8%, while exports to China fell by almost 24%.

b) In the last few decades Mexico has been able to significantly increase its technological levels in production and trade: the share of medium- and high-technology products in total exports increased from levels below 50% in the 1990s to 58% in 2013. For the case of China, however, medium- and high-technology products accounted for only 36% in exports and 74% in imports in 2013, i.e., technology in trade with China accounts for massive differences in value-added.

c) Even though the respective new administrations in Mexico and China since 2013 focused on Chinese investments in Mexico, these have not increased: Chinese FDI accounted for less than $410 million or 0.09% of Mexico's accumulated FDI during 1999–2015 and there has not been an increasing trend in the last five years (see table 5.1). As discussed in detail in the last chapter, there are good reasons to believe that this performance will not change substantially. Until the end of 2015, both presidents made a significant effort to improve the political and strategic relationship, but have so far not been successful in concrete results in terms of trade, FDI, and infrastructure projects as a result of weak and ineffective institutions and various tensions in the trade and investment areas.

d) In addition to the topic of China's challenges to NAFTA, there is an important discussion regarding the active role of Mexico in the Trans-Pacific Partnership (TPP) and the Pacific Alliance (PA) and its effects on China. While China has openly criticized and distanced itself from TPP, it is not clear if China might be more open to the PA proposal in the short and medium run.

4. Conclusions, Policy Suggestions, and Future Research

As a result of geography, history, immigration, and culture, the US is today by far the most important "partner" of Mexico. NAFTA, for example, is critical for understanding Mexico's economy and its high integration to the US economy. As a result, until very recently, Mexico's policy makers have almost exclusively focused on institutions, mechanisms, and instruments related to the US, and not to Asia and China.

As a result of not acknowledging the importance of Asia and China, Mexico today has rather weak public, private, and academic institutions regarding Asia, particularly China, with little capacity of generating knowledge, discussions, and detailed proposals. As analyzed in the first chapter, this institutional weakness in Mexico, however, is not only a "Mexican characteristic", i.e., public, private, and academic institutions are probably as weak in most of LAC and in China. Two recent experiences in 2015, the First Ministerial Meeting between China and LAC of the Community of Latin American and Caribbean States (CELAC) that took place in January in Beijing and the Latin America-China Business Summit in Guadalajara in October both reflect these structures. The Business Summit is supposed to be the major business meeting between LAC and China and the level of representation and lack of any participation of most LAC countries was surprising, while the temporary status of the secretariat of CELAC does not allow for any relevant monitoring and evaluation of its activities. Both institutions should be of strategic relevance for LAC and China.

During 2013–2014 the bilateral relationship between Mexico and China improved significantly as a result of a group of efforts of both administrations and presidents; since November 2014, however, new general tensions arose. Both governments invested substantially in their bilateral relationship and the results were disappointing. It is not clear if the bilateral relationship in the future will pick up the same dynamism as in 2013–2014, but through 2015 clearly it had not; there are good reasons for believing that it will not happen, particularly because the Mexican government is already in the second half of its administration and other enormous domestic and international pressures.

As discussed in detail concerning the economic bilateral relationship, China has become a major partner in this "new triangular relationship" for both the US and Mexico. China has not only significantly displaced US exports to Mexico, but also changed important structures of Mexico's trade (in terms of the share of medium- and high-technology products over total trade). So far, Chinese FDI has been very limited and the efforts of both administrations have not succeeded in allowing for Chinese FDI. There are good reasons for this lack of Chinese FDI. On the one hand, as a result of political tensions before 2012, China's public sector decided not to incentivize its private and public firms. In addition, the Mexican market, as part of NAFTA, is more complicated and determined by regional regulations that do not exist in other LAC and developing countries, i.e., learning processes and costs are more complex compared to other nations. Finally, based on the Chinese disappointment with the fast-speed train and other failed projects in 2014–2015, it cannot be expected that China will invest heavily in Mexico, contrary to other LAC countries.

In the last few decades, competition based on cheap wages between Mexico and China has diminished, i.e., wages in increasing parts of China have surpassed those of Mexico, in part as a result of very substantial changes in real exchange rates in both countries. It is not clear, however, if this strategy—offering cheaper wages than China—will pay off in Mexico. On the one side, China is supporting massive strategies to upgrade its productive and trade sectors, shifting in parallel from exports to services, in contrast to the rather primitive and simple value-added and technology levels in Mexico. On the other side, other countries such as Bangladesh, Pakistan, Myanmar, and Vietnam particularly, offer still much cheaper wages than most of LAC and China is increasingly transferring segments of value-added chains in which wages play an important role.

Based on the discussion on Mexico-China-US relations, in general much more detailed and specific analysis is required in order to overcome current tensions and shifts in this new triangular relationship. Surprisingly, there are rather few proposals in the fields of statistics, trade for specific sectors, tourism, visas, education, FDI in specific segments of value-added chains, etc. There are a group of public, private, and academic sectors (Agendasia 2012) that have been able to establish short, medium and long-terms goals vis-à-vis China. Surprisingly, these heterogeneous groups have focused not only on the topic of the firms interested in exporting to China, but also the issues of domestic competition and third markets, as well as achieving “reciprocal” treatment, i.e., requesting sectorial and goods-level reciprocity and respective negotiations if necessary. Skepticism, however, prevails among many social and business groups and it is not surprising that there no concrete discussion of a trade and FDI agreement with China, despite China's insistence on an FTA in the last decade.

Unless public, private, and academic institutions in Mexico and China are supported to work in this direction, there are few expectations that current tensions will decrease; the gap between economic growth and institutional development, meanwhile, has increased in the last years substantially. There has not been any effort by the NAFTA governments to update, modernize, or upgrade the North American integration process. Even in the case of the TPP, strictly from a Mexican perspective, it would make at least as much sense to participate in the TPP as to modernize and upgrade NAFTA; Mexico has FTAs with the US, Japan, and Canada, by far the most relevant TPP economies. And, of course, the TPP does not tackle the enormous challenges posed by China.

Finally, it is also surprising how little interest the US has shown in terms of these bilateral, trilateral, and regional challenges. As discussed in the paper, the US has become the main loser in the trade competition with China in Mexico and LAC, with massive impacts on job losses as a result of LAC imports increasingly shifting from the US to China.

NOTES

1 Statistics vary widely depending on sources. Based on Chinese data, Latin America has a trade surplus with China; the opposite is true if looking at numbers coming from the region. In Mexico-China trade, for example, analyses of Chinese exports versus Mexican imports differ by more than 250%. For a detailed analysis, see Dussel Peters (2005) and Morales Troncoso (2008).

2 For a full, detailed debate, see Dussel Peters (2015a, 2015b).

3 All the information on FDI in the text and tables refers to realized or effective FDI, in contrast to intended or announced FDI.

4 For a full discussion, see Cechimex (2014) and Dussel Peters (2014a, 2014b).

5 Through the end of 2015, however, there was general disappointment with the Peña Nieto administration's dealings with China. A recent document (Dussel Peters 2016), with the participation of 18 experts from the public, private, and academic sectors from China and Mexico, highlight that Mexico has not been able to establish a persuasive strategy vis-à-vis China and that Mexico lacks the required institutions to effectively overcome this shortcoming.

6 For a full analysis, see Dussel Peters 2015a; Dussel Peters and Ortiz Velásquez 2015.

7 In January 2015 Sinohydro won the public bidding for a contract worth around $400 million to construct a hydroelectric power station (Chicoasén II) in the province of Chiapas. Since then, however, the project has faced major problems with local residents as well as with trade unions and it cannot be ruled out that additional environmental problems might slow its implementation even further.

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