LA INICIATIVA DE LA FRANJA Y DE LA RUTA: LA PRÓXIMA ETAPA DE LAS RELACIONES SINO-ESPAÑOLAS

THE BELT AND ROAD INITIATIVE: THE NEXT STAGE OF THE SINO-SPANISH RELATIONS

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RESUMEN

Mientras las relaciones sino-españolas celebran 45 años de existencia, la Iniciativa de la Franja y de la Ruta (BRI) tiene el potencial de llevar estos lazos políticos e económicos a un nuevo ciclo. A medida que la BRI avanza hacia una economía global más integrada, España debe de estar preparada a aprovechar este proyecto masivo de manera que pueda beneficiar tanto a su economía como a su imagen en el exterior. Para China es fundamental que sea más hospitalaria para la inversión extranjera externa (IED) mientras busca soluciones que sean mutuamente beneficiosas. La historia nos enseña que ambos los países han demostrado gran pragmatismo al establecer vínculos políticos en 1973, una actitud que este artículo considera necesaria hoy y en el futuro.

PALABRAS CLAVE: la Iniciativa de la Franja y de la Ruta; relaciones sino-españolas; vínculos económicos y políticos

ABSTRACT

As the Sino-Spanish relations celebrate 45 years of existence the Belt and Road Initiative (BRI) has the potential of taking these political and economic ties to a new stage. While the BRI moves towards a more integrated global economy, Spain has to be up to the task of taking advantage of this massive project in a way that may benefit both its economy and its image abroad. For China, it is crucial that it be more welcoming of foreign direct investment (FDI) while looking for solutions that are mutually beneficial.

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History shows that both countries demonstrated great pragmatism while forging political ties back in 1973, an attitude that this article deems necessary today and in the future.

KEYWORDS: Belt and Road Initiative; Sino-Spanish relations; economic and political ties


INTRODUCTION

The contacts between Spain and the People’s Republic of China (PRC) have been marked by practicality. The establishment of formal diplomatic ties in 1973 demonstrated how Francisco Franco and Mao Zedong were willing to set aside ideological differences in pursuit of their own political goals. Franco desired to be part of the Western European club in a time when many of these countries were establishing diplomatic ties with the PRC. For Beijing, it was a question of gaining momentum after its acceptance as a United Nations (UN) member. In spite of the fact that both countries recently celebrated the 45th anniversary of these ties, for years the relations were almost stagnant. In September 1985 President Felipe Gonzalez visited China where he was received in Beijing by Deng Xiaoping, Hu Yaobang and Zhao Ziyang. During his visit (which included Xi’an and Shanghai), Gonzalez and Deng showed willingness to deepen the Sino-Spanish relations. A $300 million plan to build an oil refinery was the third largest foreign investment in the PRC at the time. Also, President Gonzalez stated that there were similarities between the decolonisation of Hong Kong and Gibraltar and signalled the Chinese support for the 1992 Barcelona Summer Olympics³.

In general the Sino-Spanish relations have been marked by commercial ties. The current atmosphere that encompasses the Belt and Road Initiative (BRI) will bring forth new challenges will concern both parties involved. Even though formal diplomatic ties

between Francoist Spain and Maoist China came up at a time when both were seeking international recognition, the BRI envisions the possibility of maintaining a great deal of pragmatism. Nonetheless, Spanish presence in Chinese territory dates back to the 16th century and should be understood as a foundation for what it is today. Its implications can still be felt today as some level of ignorance regarding Spain is present in China.

I. HISTORIC CONTEXT

The Spanish Crown, led by Phillip II, had a growing interest in China, enticed by how the Portuguese had established a foothold in Macao. In 1513 Jorge Álvares had become the first European to have reached China through a maritime route4. After the concession of Macao by Imperial China in 15575, Portugal greatly benefited from trade in the region as the territory’s geographic position allowed for it to become an important trading post in the region. Spain also had a presence in the region thanks to its colony in the Philippines. In spite of that, the new lands did not turn into a steady source of income for the crown. Famed for its spices, only Mindanao had some cinnamon, meaning that the costs were simply too high for the Spanish to cross half the world. However, Spanish sailors had a regular contact with Chinese merchants and reports from the sultanates of Borneo and Mindanao spoke of riches far beyond silk. Phillip II understood that it would be profitable to maintain close ties with Imperial China a fact that was made easier after the monarch became king of Portugal in the wake of a succession crisis in the neighbouring country (1581). However, it did not guarantee a strong Spanish position within the Middle Kingdom. Although there were plans to conquer the nation using the experience taken from Hernán Cortés and Francisco Pizarro’s expeditions in Mexico and Peru, respectively, king Phillip did express desire in any of these plans. As we know today, the crown concentrated its efforts in eliminating its closest rival, England. The construction of the Invincible Armada was the kingdom’s main priority in its attempt to rival with the Anglo-saxons and eventually

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conquer them. The failure of this grand plan left Spain with little resources to endeavour in future conquests and, as such, contacts with China were limited to some trade and to jesuits that were still in the country as part of an evangelisation effort.

Regardless of these issues, the Manilla Galleon had an extraordinary impact on the trade between both powers. Initiated by López de Legazpi in 1565 and covering a distance between Mexico and Philippines, the Galleon at its height transported 2000 tones of merchandise and 180 crew-members. In 1785 the Compañía de Filipinas monopoly had a firm control over the Pacific trade that only ended in 1815 with the Mexican independence war. Although silk, spices and others were being constantly taken from China, the Middle Kingdom witnessed a steady influx of silver from Mexico for the duration of the Galleon. An estimated 25000 tones of silver and 515 million coins were circulating in Qing China with the effigies of Spanish kings. Also, the culis or the Chinese that emigrated to Cuba after the end of the slave trade are part of this extraordinary heritage of contacts between the kingdoms. From 1847 to 1874 around 150 thousand Chinese went to the Caribbean island to work in the countryside. The mistreatment of this population forced the Spanish government to sign deals with the Qing dynasty that would assure the protection of these individuals, to the point that Chinese consulates were opened in Habana and Matanzas.

The Qing dynasty also offered an opportunity for the expansion of religious orders in China. The Spanish Empire made an effort to aid missionaries in their evangelisation objectives. The Treaty of Friendship and Trade signed in 1864 by both nations set forth the possibility of these religious orders to set foot in China. The treaty was revised in 1877 and 1879, but in essence, it maintained a series of agreements that were envisioned to facilitate trade between both parties. In that sense, Spain gained access to various ports in China, including Ningbo, Amoy (Xiamen) and Nanjing. Furthermore, it opened the opportunity for the establishment of embassies on both sides.

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7 Ibidem, p.153.
10ARCHIVO CHINA-ESPAÑA, “Tratado de comercio y navegación entre China y España, 10 de octubre de 1864”, Gaceta de Madrid, February 15th, 1868, available at: http://ace.uoc.edu/files/original/af524acc6f1825e4227de0e2b089584c.pdf; art. V.
of the treaty. In the following years, Spanish consulates could be found in Shanghai, Guangzhou, Wenzhou and others, as well as an embassy in Beijing\textsuperscript{11}.

It is possible to conclude that the Sino-Spanish contacts, up until the signing of the aforementioned Treaty, were mostly concentrated in commerce and the evangelisation process\textsuperscript{12}. In fact, the beginning of the 18th century was marked by the ousting of religious orders in China and only in 1787 did the Spanish set up the Real Compañía de Filipinas\textsuperscript{13} in Guangzhou, a key institution in the regularisation of trade and commerce between Spain and Asia\textsuperscript{14}. Although it took about 100 years to finally inaugurate diplomatic, the Spanish Crown and its initiatives had some impact in Imperial China. For instance, the Spanish campaign to combat smallpox within the empire reached China. Despite the resistance of local authorities from April 1805 to February 1806 a vaccination campaign was conducted in China\textsuperscript{15}.

The following years were the last of the Qing dynasty. Its fall was propelled by the Boxer rebellion, a movement that was deeply displeased by the way the empire had been torn apart by the interference of foreign powers in the internal affairs of the country. The role that Spain played in the ending of the rebellion was of extreme importance. The diplomat Bernardo José Cologán served as a representative of the foreign powers and a representative of their interests when meeting empress Cixi. The Treaty of Xinchou (1901) was actually signed in the embassy of Spain, putting to an end the revolt\textsuperscript{16}. However, these events did not result a renewed relation. Both states remained interested in trade and did not further their contacts even after the proclamation of the Republic of China in 1912. The Spanish Civil War also had a negative impact on these relations. During that period, the Republicans had closer ties with the Maoists in China, while Franco was closer to Chiang Kai-shek. After the end of both the Spanish Civil War and World War II the Francoist regime signed various treaties with the Republic of China that acknowledged its position as the sole

\textsuperscript{13}It was founded in 1785. Ibidem, p.4.
\textsuperscript{14}Ibidem, pp.4-5.
\textsuperscript{15}Ibidem, p.5.
\textsuperscript{16}Ibidem, p.6.
representative of the Chinese people\textsuperscript{17}. The Kuomintang had also an important role in the integration of Francoist Spain into the international order. Since 1945, Franco had attempted to make Spain part of the United Nations. The political survival of the regime depended on the international recognition from its peers. In 1955, finally, Spain became part of the UN and the Republic of China voted in favour. One must not forget that Taiwan (Republic of China) was one the five permanent members of the UN Security Council\textsuperscript{18}. Had it voted against the participation of Spain as a member of the UN, Franco would have struggled in the following years to survive the continuous international isolationism.

As mentioned before, the formalisation of the PRC-Spain political ties came out of necessity rather than ulterior benevolent motives. They marked the end of the diplomatic relations with Taiwan not because of a change of the internal policies of both countries, but rather that the West was also making a move into recognising the PRC after president Nixon’s visit to Beijing in 1972. Madrid understood that China as a leader of the Non-aligned movement could be an important partner as a way of improving the country’s image in the exterior. The first five years, though, were tumultuous. After the oil crisis (1973) and the death of Franco (1975) the relations only picked up some steam after democracy was a reality in Spain. Adolfo Suarez visited China in 1978\textsuperscript{19} in preparation for the visit of the Spanish monarchs. Even before the Cortes Generales, Madrid signed three agreements with Beijing: one related to the protection of commercial brands (1977), another about civil aviation (1978) and a commercial convention (1978)\textsuperscript{20}.

Up until 2000, however, little progress was made to improve the Sino-Spanish relations. Commercial ties were kept but there was still little mutual understanding of each other. The government of José María Aznar (1996-2004) brought forth some important changes of the Spanish foreign policy in general that led to a greater engagement with China in particular. The Foreign Affairs Minister Josep Piqué stepped

\textsuperscript{17} Frienship (1953), Commercial (1956) and Cultural (1958).


\textsuperscript{20} Ibidem, p.8.
in 2000 and marked the beginning of the Strategic External Action Plan (Plan Estratégico de Acción Exterior). This framework was the direct successor of the foreign policy that had been followed by previous governments, “Spain in its place”. The democratic, economic and social development that the country went through in the late 20th century set the tone for its internationalisation\textsuperscript{21}. Asia a rising continent was seen by the Spanish authorities as a series of countries that were potentially viable to further political and economic relations. As such, the Plan Marco Asia Pacífico was created to respond to the challenges that Spain could face in the region. The actions of this plan would stretch from politics to trade and included new agreements to promote cooperation and better understanding of cultural differences to strengthen relations\textsuperscript{22}. In spite of the willingness and desire of the Spanish government to engage with a part of the world that had been, for the most part, forgotten in the past, the original plan was profoundly based on economics.

The primary objective of the first plan (2000-2004) was to increase the number of Spanish companies operating in Asia. The second plan (2005-2008) was far more ambitious. The Spanish government was concerned with the lack of presence in the region\textsuperscript{23}. In other words, Spain was missing out on a great opportunity to be part of political frameworks which could be used to extract the full potential from a region that had been showing signs of becoming a centrepiece of international politics. To tackle these questions, political, economic, cultural and cooperation objectives were brought forth to promote the dialogue amongst different civilisations, to fight against terrorism and human rights violations or to offer a model for countries embroiled in political transitions\textsuperscript{24}. Of particular importance were the concerns that little was known about Spain in Asia in general and in China in particular. The Instituto Elcano conducted a study in 1996 to understand how the Chinese perceived Spain. The respondents viewed the Iberian country as virtually unknown, although nice. Even if it may seem discouraging it cannot be understood as an abnormal situation. As of 2006 only 450

\textsuperscript{24}Ibidem, p.154.
Spanish companies and enterprises were doing business in China, a small number when compared to Italy (1500) or France (2500). Furthermore, only 2% of the Chinese had been in contact with a Spanish citizen. Besides, the mental image of Spain was intrinsically connected with tauromachy and sports, with football being the most recognisable of the sporting world. In spite of some changes, the Chinese still held strong stereotypes regarding Spain and that policies should be pushed forward to broaden the cultural spectre with which the Chinese could contact with Spain.

The 2008-2012 plan was a continuation of what had been achieved in the second. China, alongside Vietnam and the Philippines, was considered one of the priority states for the four year plan. Development cooperation, natural disaster aid, security, human rights issues, incrementation of multilateralism, interreligious and civilisation dialogue were still part of Spain’s foreign policy for the region.

For the most part the Action Plans have been crucial to increase the level of bilateral trade and investment between the countries. However, there has not been dramatic changes to the trade balance. There has been willingness to better political ties as a way to improve trade and yet, this negative trade balance has increased even with the Chinese economy registering a slower growth. Chinese foreign direct investment from 2010 to 2014 was 250 million euros. In 2015, the numbers reached 600 million euros and are directed mostly at the energy sector, real estate and hotel business. Spanish investment, however, is greatly restricted by the PRC’s policies that limit the fields in which foreigners can invest. As such, most investment is related to construction jobs through public contracts, luxury products (including food and drink) and undergraduate and graduate students.

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II. A GENERAL PERSPECTIVE OF THE BRI: SUCCESSES AND FAILURES

The BRI was announced in 2013, first in Kazakhstan and then in Indonesia. In those occasions, president Xi announced the revitalisation of the old Silk Road and the inauguration of the Maritime Silk Road as part of a globalisation effort to improve trade, people and capital exchanges with the Eurasian continent at the center of the whole process. It is a project of a massive scale that involves the Silk Road Economic Belt that runs through Central Asia to the heart of Europe and the 21st Century Maritime Silk Road. The creation of the Asian Infrastructure Investment Bank (AIIB) was set to aid in the financing of these projects. President Xi has announced that the total cost of the BRI will be around $1 trillion\(^{29}\). A further $3 trillion may be necessary to guarantee its success\(^{30}\), even though only about $50 billion have been injected into the initiative in the last five years\(^{31}\). In total around 50 state owned enterprises (SOE’s) partook in more than 1700 projects.

For president Xi Jinping, the BRI has become the centrepiece of China’s foreign policy. Far from being a plan that objectively pursues improving globalisation and creating a business environment conducive with development for those that embark in it, the political aspects of the initiative must not be underestimated. The newest version of the Communist Party of China (CPC) Constitution which was approved on October 24th 2017, includes the BRI\(^{32}\). One may argue that this just the culmination of decades of diplomacy used to improve the PRC’s image abroad, especially in developing countries that feel disenfranchised by the West and its financial institutions. Sub-Saharan Africa is one of these key regions. A poverty stricken often war engulfed region, its nations have engaged with Beijing since their independence in the wake of the decolonisation process. From financial support to medical teams and infrastructure investment, Beijing has set a foot in the region as it extracts minerals and other


resources as a means of payment for its contributions. It is undeniable that the influence exerted by the PRC on such countries has an impact on major multilateral forums. At the UN General Assembly, the interdependency that these actors display has been fundamentally linked to support that Beijing gets in several voting sessions. By steadily building its influence and soft power, China offered the world a plan that could revitalize the globalisation process after the 2008 financial crisis. As Zhao (2018) indicates: “Against such backdrop, the Belt and Road cooperation provides and important opportunity and an effective platform out of the quagmire the world has found itself.”

Having strong political relations with countries that were built through decades of contacts further leverages the PRC’s capacity to commence such an initiative.

The current investment is still far from being the total sum of the BRI and it is still early to fully access if it will bring progress and economic growth not only for China, but for all its participants. After five years, though, news outlets and various publications have been keen to offer there take on the BRI’s implementation. In general, reactions have been mixed. On the positive side, the initiative seems to have an influence on the economies that are both directly in the path of the BRI and neighbouring the PRC. Kazakhstan has registered a significant spur in growth and president Nursultan Nazarbayev has supported the BRI from the get go. The $9 billion Nurly Zhol project envisioned the construction of infrastructure in the country creating a goods and cargo hub based on the improvement of Kazakhstan’s railways. Broadly speaking it is an attempt to lower transport costs from China to Europe while bypassing Russian territory. Increasing exports may also help cope with China’s internal issues, namely, the accumulated debt deriving from housing and manufacturing projects from past decades. Other theories indicate that the AIIB is a direct competitor of the Bretton

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Woods institutions and that by exporting its mature industries like civil engineering it may solve some of its unemployment concerns\(^{37}\).

Moscow did not endorse the BRI in the beginning. From Russia’s perspective at the time, the massive project would completely skip Russian territory and had little benefit to the country’s economy. Furthermore, president Vladimir Putin and other government officials were largely concerned with Beijing’s hidden agenda for Central Asia, a region historically connected to Russia and one of its primary spheres of influence. Fears are related to the potential loss of influence in the region because of Moscow’s lack of economic capacity to compete with China. Of special concern was the survival of the Eurasian Economic Union (EEU) that promised the reintegration of the former Soviet republics under the Kremlin’s political clout. Matters were mad worse by the choice of venue for the presentation of the BRI, i.e. Kazakhstan, the richest country in Central Asia and a major Russian ally\(^{38}\). However, political events outside and inside Russia forced president Putin to reinvent Russia’s approach. Firstly, the sanctions imposed by the West have hindered its economy. Furthermore, the conflict in Ukraine has distanced both countries, meaning that it is unlikely for Kiev to be part in any regional framework led by the Kremlin (like the EEU). As Lukin states: “Without Ukraine, the second-largest post-Soviet economy and a market of about 44 million people, Moscow’s hopes to create and integrated bloc that would be on par with the European Union and other centers of global economic power were essentially dashed.”\(^{39}\)

Acknowledging these challenges, president Putin rapidly moved to overcome them: in March 2015, Russia joined the AIIB\(^{40}\); in May the same year, Putin and Xi signed an agreement liking the BRI to the EEU, propelling the presentation of about 40 investment projects to China’s Vice-Premier of the State Council, Zhang Gaoli\(^{41}\). A further 70 projects under the EEU have been approved and will be co-financed by China. This action will eliminate barriers for Chinese investment in Eastern Europe,


\(^{39}\)Ibidem.

\(^{40}\)Ibidem.

Central Asia and even in the Arctic. In June 2018, president Putin recognised the importance of the Belt and Road Initiative as a way of improving industrial cooperation.

There are, however, many instances that certainly worry Chinese officials, in particular in South and Southeast Asia. Of the aforementioned initial projects presented by EEU states none was approved by Chinese authorities given concerns that the projects were not financially viable and there were little guarantees that would be profitable. Gabuev speculates that the Chinese authorities are most likely becoming more cautious when it comes to finance projects because of the 2015 stock market crash that provoked a rise in local debt. The subsequent audit on the financial sector also focused on two major institutions that finance projects along the OBOR, namely, the China Development Bank (CDB) and the Export-Import Bank (Eximbank). Foreign states are also concern about how the financing of infrastructure may be closely linked to corruption within their own political system. This was one of the key aspects of the Malaysian legislative election back in May 2018. Eventual prime-minister Mahathir Mohamad campaigned against Najib Razak’s links with China that, from his perspective, were spreading corruption. The $22 billion Chinese railway project on Malaysia’s east coast was cancelled.

Besides the fear of being a breeding ground for corruption, the BRI has drawn attention to China’s practices when financing infrastructure building. In general, there are no significant political concessions for a country (aside from the recognition of the One China policy) to be part of the BRI. As a matter of fact, this has been the PRC’s modus operandi even before the Belt and Road initiative was a reality. One must not forget that in order to “feed” its industrial complex Beijing has struck deals with developing countries that entailed the payment of loans through natural resources. This model became known as the Angola mode has been replicated throughout Sub-

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Saharan Africa and different parts of Asia for more than 35 years and it provided struggling states with an easy way of developing their infrastructure framework without the myriad of rules and obligations imposed by the World Bank or the International Monetary Fund (IMF). For dictators like president José Eduardo dos Santos of Angola, this was a clever way of not jeopardising the regime’s survival while offering a way out of the destruction of the civil war that ravaged the country for 27 years. However, what has been witnessed in some countries involved in the BRI is that there are risks of falling into a debt trap that may lead a government to give away strategic projects or resources in order to repay Chinese loans. The most publicised case is the Hambantota port in Sri Lanka. The country emerged from a civil war with the Tamil Tigers in 2009 and seemed keen to initiate its reconstruction process. President Mahinda Rajapaska turned to China to get the loans needed to build a massive port that would benefit from the maritime traffic that flows in the Indian Ocean. Despite the fact that many indicated that the port would be a massive failure for Sri Lanka, president Rajapaska continued to renegotiate its construction with the Chinese partners (in this case the China Harbor Engineering Company). In the end the $1 billion accumulated debt was too much to bear and the Sri Lankan government had no other choice but to hand over the port in a 99 year lease plus 15,000 acres of land around it.

The corruption scheme that fuelled former president Rajapaska’s campaign aides derived from the port payments themselves. This situation only pulled the country further down and let the new government with little choice but to concede defeat. Nonetheless, even as the Finance Ministry predicted $14.8 billion revenue for 2018, the debt repayments were as high as $12.3 billion. Besides the financial risks that such deals with China entail, that are also security concerns given that the Hambantota port may serve as a base for China’s PLA Navy to operate. India views this as a form of encroachment by Beijing into its own controlled area, the Indian Ocean.

Pakistan may also be the next target of the Chinese debt trap. As one of the main beneficiaries from the BRI, Islamabad had welcomed Chinese investment as part of the China-Pakistan Economic Corridor. This year’s repayments total $12.7 billion and in

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48Ibidem.
June 2018 Pakistan’s central bank only around $10 billion in foreign currency reserves\textsuperscript{50}. Montenegro, Myanmar and Cambodia have also been under threat by large amounts of debt. Public opinion is gradually taking notice of these mishaps. In a recent poll conducted by the ISEAS-Yusof Ishak Institute in all of the Association of Southeast Asian Nations (ASEAN) member states, around 70% of respondents believed that local governments should be careful when negotiating any agreement related to the BRI\textsuperscript{51}.

Some of these worrying signs seem to have little effect on China’s push to promote the BRI. More than just a grand scheme that promotes better connection between states, it should be perceived as a political instrument with which the country may project power and become more assertive at a global scale. For those involved the risks should be accounted for and should serve as an example for those wanting to take part of the BRI.

III. THE BRI: AN OPPORTUNITY FOR SPAIN?

2018 marked the 45th anniversary of the Sino-Spanish relations. Various initiatives were organised to celebrate this ephemeris. On May 17th the Chinese Minister of Foreign Affairs Wang Yi met in Madrid with his Spanish counterpart Alfonso Dastis. A follow up audience with King Filipe and Prime-minister Mariano Rajoy reaffirmed the friendship of these countries\textsuperscript{52}. In November 2018 president Xi Jinping visited Madrid and met with the new prime-minister Pedro Sanchez. Xi affirmed the desire to make the comprehensive strategic partnership stronger through the BRI and the Mediterranean Corridor. Spain’s “Strategic Vision for Spain in Asia” was also mentioned by Xi during his visit as an approach that may help the implementation of the Belt and Road Initiative\textsuperscript{53}. As for the Spanish government, Sanchez confirmed it is of the country’s interest to promote multilateralism and

\textsuperscript{50} FINANCIAL TIMES: “China’s Belt and Road Initiative is falling apart”, Financial Times, July 29, 2018, available at: https://www.ft.com/content/47d63fec-9185-11e8-b639-7680cedcc421.


contribute to the Europe-China relation. These high-level contacts come at a time when trade has registered remarkable gains: exports from Spain increased by 24.4% in 2017 (6.2 billion euros); 15000 companies export to China; and around 600 have established themselves in the PRC\textsuperscript{54}. It is safe to say that the BRI will contribute with the deepening of these relations. As a matter of fact, Spain has been a key part of the initiative almost from the start.

The Yiwu-Madrid railway was inaugurated on November 2014 and with 13,000km it is the longest rail track in the world, having surpassed the Trans-Siberian railway. Its main purpose is to provide a more direct route for merchandise to arrive in Europe and avoiding the longer maritime course. The choice of Yiwu was not random: since the September 11th 2001, the city has received thousands of Middle Eastern and African businessmen that have used it as a trading hub. Merchandise is expedited to the four corners of the world from Yiwu, home of about 13,000 foreigners and visited by half a million traders form across the globe\textsuperscript{55}. In Spain, the Yiwu-Madrid railway is seen as a major opportunity for small and medium sized companies (SME’s) to sell their products in China. For many enterprises it is a chance to internationalise and gain a foothold in growing markets. The Spanish government perceives the railway proper as a physical manifestation of its ties with the Middle Kingdom. This goes well with the Spanish government’s efforts to promote its economic interests and improve its image in the emerging markets of Asia. The line runs through eight countries: China, Kazakhstan, Russia, Belarus, Poland, Germany, France and Spain. In spite of the different railway gauges used in each country, it is expected that the transportation of goods may smoothen with time \textsuperscript{56}. As for the objects of trade, the PRC sends to Madrid various commodities and gets olive oil, wine and cured ham in return \textsuperscript{57}.

The celebration of the 45th anniversary of the China-Spain relations marked a new era of possibilities for both countries. It is foreseeable that there is desire to pursue a


tighter connection that may benefit all sides. There are historic moments that sustain this theory. Not only were the relations established in a period of great ideological divide, but Spain has behaved in a cautious manner when it comes to react to China’s internal issues. The events of Tiananmen Square in 1989 offer a compelling case: although the Spanish government at the time did condemn the crackdown, it also indicated that it would be wrong to enforce heavier sanctions that would isolate the country. The reasoning was that such sanctions could lead to a tightening of the PRC’s policies that would ultimately contribute to isolationism. It is worth noting that the first EU minister to visit China after these events was Foreign Affairs minister Francisco Fernández Ordóñez in 1990. Furthermore, Spain did not cease to cooperate with the PRC in the aftermath of Tiananmen. The development cooperation and the joint commission were kept when other EU members backed down. The comprehensive strategic partnership established in 2005 is also another sign that the bilateral relations are greatly valued by both parties. Nonetheless, these relations as being different for Spain and China. The former’s perspective is to improve the economic sphere while the latter seems to be interested in forming strong political ties.

Some signs are not as positive as they would seem. To start with, trade has been performing in a lacklustre style and below the standard the countries expected. History has shown us the Manilla Galleon was leading trade between the Chinese and Spanish empires. However poetic this may be, Spanish does not export much to China. In 2013, only 1.7% of all the country’s exports had the Middle Kingdom as their destination. The other issue the trade balance favours China immensely. Although Spanish exports to the PRC totalled $4080 million, the PRC exported $19.7 billion worth of goods in 2014. Even with a massive increase of its exports (28.3%) in 2017, Spain still had a $19.4 billion deficit. As for foreign direct investment (FDI), China’s interest in Spain became apparent after 2012 when the level of investment rose to €520

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60 Ibidem.
million. The numbers continued to rise in the following years and in 2018 reached more than $1 billion. The destination of the FDI is, as in other European countries, strategic sectors that may offer know-how and a strong position in these key markets. As such, most of the FDI is concentrated in the energy and real-estate sectors. It is important to stress that the investment in the energy sector came indirectly: China Three Gorges acquired part of Energias de Portugal (EDP), a company that had an important share of the Spanish market. As such, the Chinese giant was able to takeover the Spanish branch of EDP. From 2013 to 2015 China Three Gorges has invested 1,676 billion euros in EDP España. Moreover, Gingko Tree Investment bought 35% of Madrileña Red de Gas for 741 million euros back in 2015.

Two other sectors that have felt the weight of Chinese FDI are the sports and agriculture ones. Grupo Rastar and Desport have acquired Espanyol and Granada respectively two clubs from the Spanish top flight. Furthermore, Wanda Group bought 20% European powerhouse Atlético de Madrid, making the grand total of these three acquisitions to rise to 281 million euros. As for the food and agriculture sectors, FDI reached 525 million euros, given the growing demand for foreign food products in China. It is also possible to conclude that food safety is major concern for Beijing officials. It is not just a question of finding a steady supply of high-end products it is also the fact that China is concerned with feeding its people in the following decades. Years of development have left the country in a dire climate situation with pollution spreading far and wide. The PRC’s strategy has, as such, more to do with guaranteeing food supply lines from different parts of world in preparation for a future that has greater uncertainty by the day.

Spanish FDI in China, however, seems far less promising. The heavy restrictions imposed on foreign investment have hampered any attempt from Spanish companies. Furthermore, Spanish companies wanted to take advantage of the Chinese low-cost

66 Ibidem, p.77.
labour and use the country as a base to export to other nations. Yet, the the PRC’s economy in the last decade has shifted towards an approach that stimulates domestic consumption, leading to a slow decline of Spanish FDI67.

CONCLUSIONS

The present state of the Sino-Spanish relations indicates that there is room for improvement. After 45 years of political and economic ties, the BRI may offer new opportunities for both countries. At the 2017 Belt and Road Forum held in Beijing, Spain took part in it with the presence of then prime-minister Mariano Rajoy. It is also worth mentioning that Spain was one of the founding members of AIIB 68, This level of commitment has not been completely followed by Sanchez’s cabinet. Even though China will continue to operate its Yiwu-Madrid railway, specially because it has been extended to Barcelona and there are plans to do the same in Zaragoza69, prime-minister Sanchez supported the EU’s plans to create a separate infrastructure framework that will compete with the BRI. For this reason, the Spanish government did not sign the agreement to officially be part of the Belt and Road initiative70. Fears that were mentioned before cannot be underestimated. From different cases that have been presented, the debt trap and the possibility of the territory becoming a spearhead for China’s geostrategic ambitions have to concern any government. To alleviate the pressures that come from dealing with Beijing it is important for Madrid to work closely with the EU. While in the past the Spanish Empire was able to deal in more equal footing with the Qing dynasty, the size and weight of the former colonial power cannot stand alone against a world power that is slowly becoming more assertive in its position.

Another aspect that has to be taken into consideration is how to balance the current trade deficit. While it is true that China has a trade superavit with most of its

67 Ibidem, p.77.
partners (Angola is a notable exception), better cooperation may make its effects less damaging for the Spanish economy. Besides aligning with the rest of the EU members in key areas (such as environmental issues), Madrid has to promote better cooperation in the technological field. As China moves to a high-end technology based economy, further joint ventures and accords be procured. Nonetheless, there are security questions to be taken into account. For instance, Huawei has been under scrutiny for its 5G network developing as there are suspicions of it being a cyberthreat to any country. Alarms sounded when Portugal agreed to with Huawei to aid the country in the construction of its 5G network\(^7\). As such, technologic cooperation is desirable but not at the cost of Spain’s national security.

In conclusion, the Sino-Spanish relations are entering a new stage that is part of the BRI framework. These countries are clearly interested in continuing to better their ties as long as they are deemed fruitful. For China, having a presence inside Spain’s economy, whether through exports, whether through company acquisition in strategic sectors is perceived as fundamental. For Spain, there is still great desire to do trade with the PRC. However, the trade balance has to achieve a better equilibrium, something that might only happen if Beijing lifts its restrictions on FDI. Regardless of the future, the Sino-Spanish relations are on track to continue learning from the past 45 years. For the time being, there seems to be favourable conditions to advance the current partnership into a more mutually beneficial cooperation.

BIBLIOGRAFÍA


