

APEC STUDY CENTERS CONSORTIUM CONFERENCE 2019



The role of Non-Traditional Economic Initiatives in Sino-Chilean relations: Going forward to new roads of cooperation in the Asia-Pacific region

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Outline

1. Introduction
2. Theoretical Paradigms in China
3. Empirical Puzzle
4. Non-traditional Economic Initiatives (*hubs*)
5. Next Steps

1- Introduction

More active China concerning the international scene

Alternative models: AIIB, Belt & Road Initiative, hub platforms, etc.

The increase in China's participation cannot be understood only from economic growth:

- **Political attitude**
- **Bilateral Political Mechanisms (Strategic Partnership-FTAs)**

These mechanisms **not only reflect the search for material security**, they also represent **sophisticated cooperation proposals** to keep international trade open.

2- Theoretical Paradigms

Balance of 3 forces (holistic approach)

Articulation between its structural forces and strategic affinities

- Position of developed country, but with a foreign policy of a developing country (vice versa).

Harmony from difference as a basic element for a peaceful ascent

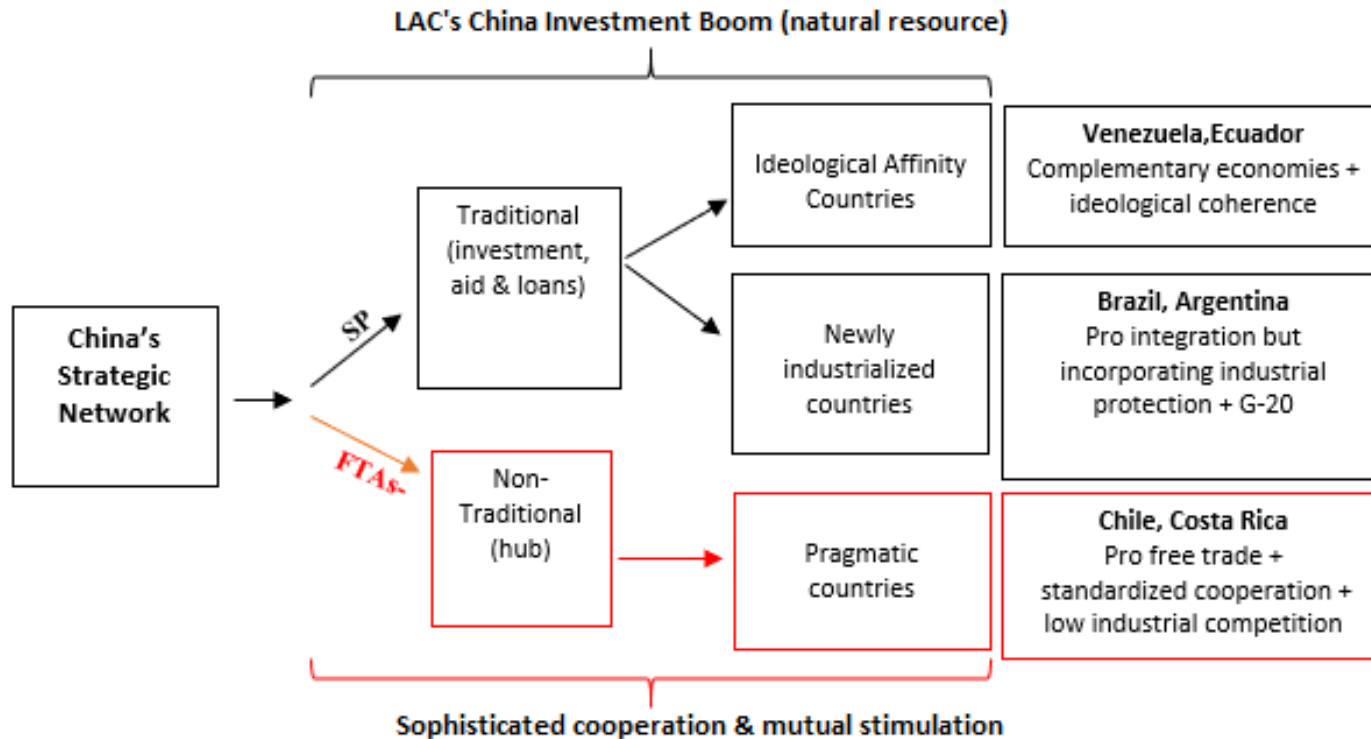
- China does not seek to promote a specific model of governance
 - There is also no promotion of a single concept of freedom and security.

Balance between the material and ideational world

- Beyond economic growth, maintain cooperation under the parameters of mutual gains and benefits

3- Empirical puzzle

Empirical regularities LAC (strategic network)



4- Non-traditional Economic Initiatives

Building a new concept

Cooperation platforms focused on the participation of the **global supply chain**, where **two nations agree** to establish a link in which both use **their competitive resources in search of a common benefit**.

Main characteristics

- ✓ **Comprehensive platform:** interact with traditional initiatives (investments, loans and aid) and with BRI dynamics.
- ✓ **High level of sophistication:** participate in different parts of the supply chain, including technology transfer and the development of administrative platforms overseas.
- ✓ **Hub logic:** bilateral initiative with regional impact.
- ✓ **Win-Win logic:** concerted activities to achieve common objectives.
- ✓ **Public-private collaboration:** memorandums, reciprocal agreements, articles of FTAs (operationalization mainly private actors).
- ✓ **Both Countries pay the bills:** costs and benefits are shared.

4- Non-traditional Economic Initiatives

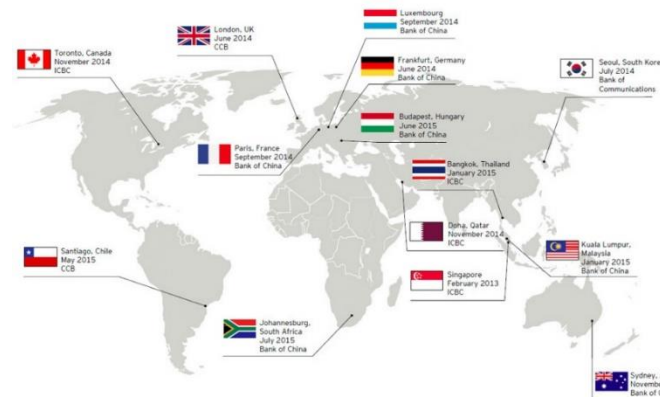
Regional financial hub of the Chinese currency

Make payments in the Chinese currency by reducing costs of financial operations, international payments and foreign trade financing

Establishment:

- Currency SWAP agreement, 2015
- Renminbi clearing bank, 2015
- Renminbi Qualified Foreign Institutional Investor Program, 2015

Operationalization: Bank of China, Chinese Construction Bank and Central Bank of Chile



Source: The People's Bank of China, Annual Report on the Internationalization of Renminbi (2015); collected by EY Knowledge, excluding Hong Kong, Macao and Taiwan areas

4- Non-traditional Economic Initiatives

Center of Astronomy of South America (CASSACA)

Platform for collaboration in astronomical research and development of technologies related to the energy needs of South America

Establishment:

- Agreement on the donation of scientific equipment, 2010
- Agreement of understanding collaboration between the Chinese Academy of Sciences and the National Commission of Scientific and Technological Research of Chile (CONICYT), 2016
- China-Chile Plan for Cooperation in Science and Technology, 2017

Operationalization: Chinese Academy of Sciences, CONICYT, Universidad Católica del Norte



4- Non-traditional Economic Initiatives

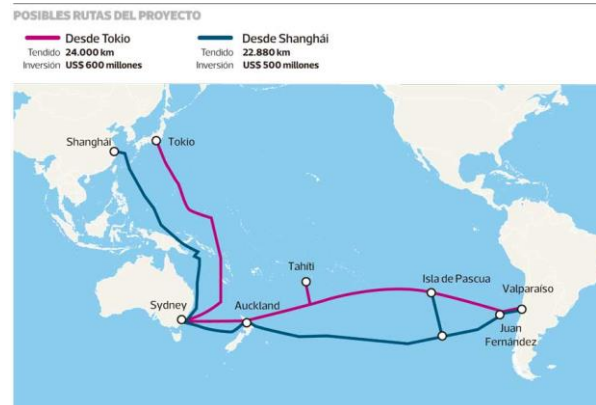
Digital Hub China-Chile

Direct connection platform (data transmission) between South America and China through a fiber optic cable that will cross the Pacific Ocean.

Establishment:

- Memorandum of Understanding on Cooperation and Technology between the Chinese Academy of Sciences and CONICYT, 2016
- Feasibility Agreement between the Secretariat of Telecommunications of Chile (SUBTEL) and the Chinese Ministry of Industry and Information Technology, 2017

Operationalization: SUBTEL and Huawei (technical study 2017)



4- Non-traditional Economic Initiatives

China's initiatives in LAC

- China-Chilean Free Trade Zone Shanghai Pilot (2015)
- Confucius Institutes Regional Center for Latin America (2014)
- Free Trade Zone of Central America in Costa Rica (2017-prefeasibility)
- Multipurpose Port Terminal of Chancay in Peru (2018)
- Innovation China-Chile Hub (2019)
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5- Next Steps

Short Term

- Non-traditional Economic Initiatives Database (LAC).

Long Term

- Case Studies and Ex-post impact analysis.

Thank you for your attention

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