



CENTRO DE ESTUDIOS  
SOBRE CHINA Y  
ASIA-PACÍFICO

UNIVERSIDAD DEL PACÍFICO

## **APEC STUDY CENTERS CONSORTIUM CONFERENCE 2019**

### **THE CHINESE BELT AND ROAD INITIATIVE (BRI) AND PERU: STRATEGIC VISION FROM THE PERSPECTIVE OF SOUTH AMERICAN PHYSICAL INTEGRATION AND COMPETITIVE INSERTION IN ASIA-PACIFICO**

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**May 13th, 2019**

**Hotel Sheraton Miramar, Valparaiso**

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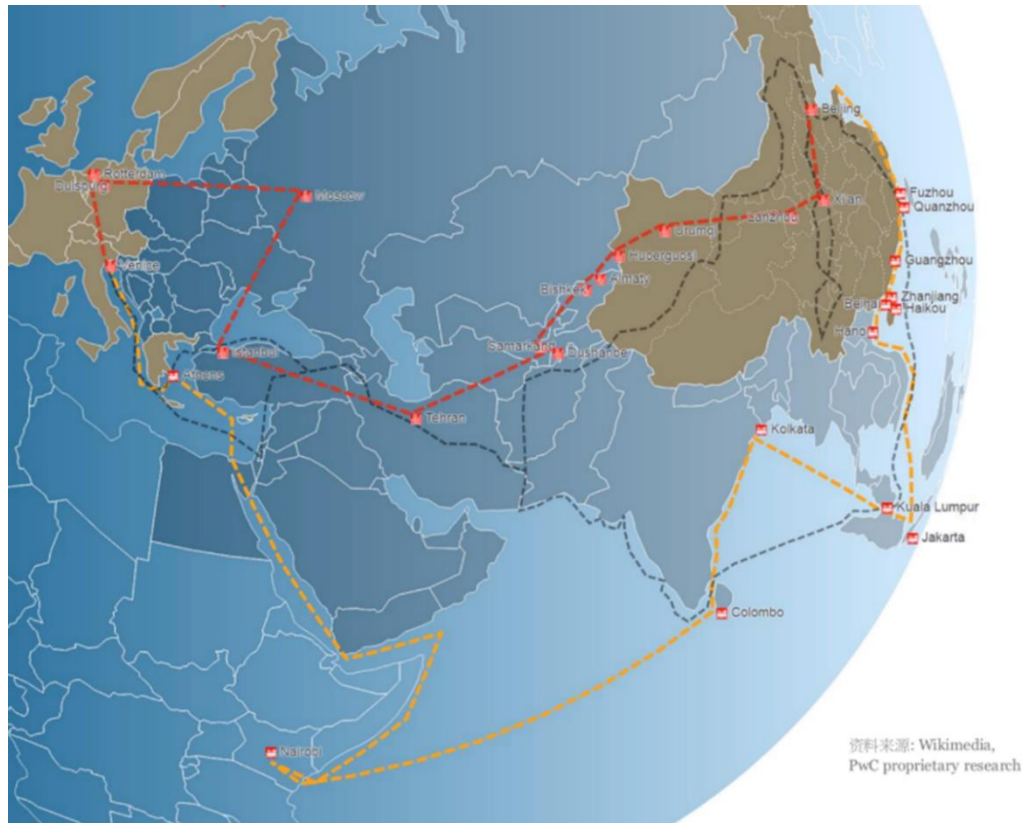
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- Understanding BRI: approach and principal concepts
- Extension to Latin America: ¿How to built a strategy for Peru?
- Design a specific vision for transpacific relations

# The Belt and Road Initiative (BRI)

- Proposed by President Xi in 2013. Therefore it has already more than 5 years of implementation.
- The number of countries that have joined BRI is growing. The membership amounts to 138 countries (official webpage consulted on May 7, 2019):
  - ✓ 40 from Asia
  - ✓ 39 from Africa
  - ✓ 32 from Europe
  - ✓ 19 from Latin America and the Caribbean
  - ✓ 8 from Oceania
- Connectivity is conceived as a new platform for international cooperation based on:
  - ✓ The Silk Road Economic **Belt** (connectivity by land) and
  - ✓ 21st Century Maritime Silk **Road**.
- The routes (by land and sea) compose six **economic corridors**

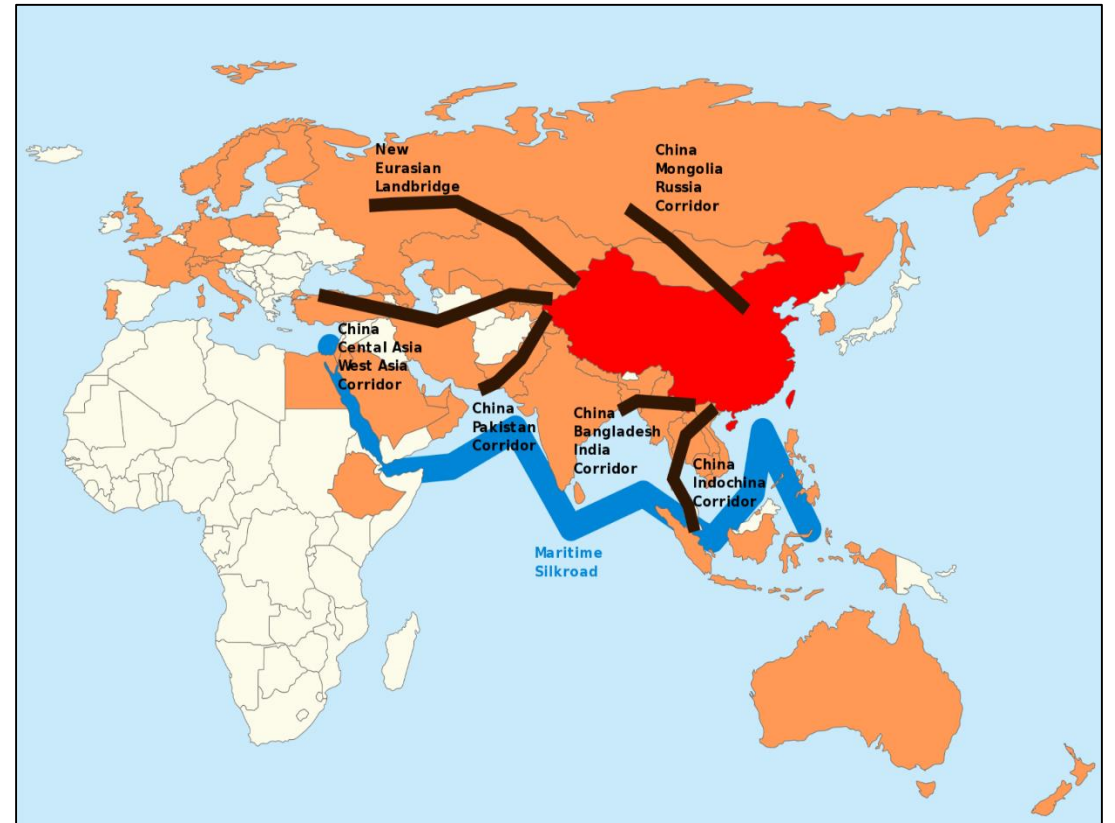
# Routes and Economic Corridors of the BRI



资料来源: Wikimedia, PwC proprietary research

- - - The Silk Road Economic **Belt**
- - - 21st-Century **Maritime Silk Road**
- ..... **Marco Polo** (1276-1291)

Source: Course project of International Logistics (lectured by Dr. Lei Zhao) at Tsinghua University



Source: Wikimedia Commons (2017)

# The pillars of economic corridors

- **Investment in infrastructure is key... but not the only element** for building the economic corridors.
- **Five pillars:**
  - ✓ **Coordination of development policies**
  - ✓ **Investment in infrastructures for connectivity**
  - ✓ **Free trade**
  - ✓ **Financial** integration
  - ✓ **People to people** links
- The BRI is a **comprehensive integration program** with a territorial vision through economic corridors (including not only infrastructure but also production such as special economic zones, among others)

## Extension of BRI to Latin America and the Caribbean (LAC)

- Formal invitation from China to LAC countries for the first time was made during the I BRI Forum for International Cooperation, Beijing, May 14-15, 2017.
- II Meeting of Ministers of Foreign Affairs of the Community of Latin American and Caribbean States (CELAC) and China, Santiago, Chile, January 21-22, 2018 issued a special declaration about BRI.
- Peru signed its Memorandum of Understanding with China in the context of the II BRI Forum for International Cooperation, Beijing, April 25-27, 2019.

# LAC members of BRI

19 LAC countries have joined BRI

- ✓ 8 from South America (Peru, Ecuador, Chile, Surinam, Venezuela, Uruguay, Guyana y Bolivia)
- ✓ 3 from Central America (El Salvador, Costa Rica, Panama)
- ✓ 8 from the Caribbean (Jamaica, Barbados, Cuba, República Dominicana, Granada, Dominica, Antigua y Barbuda, Trinidad y Tobago).

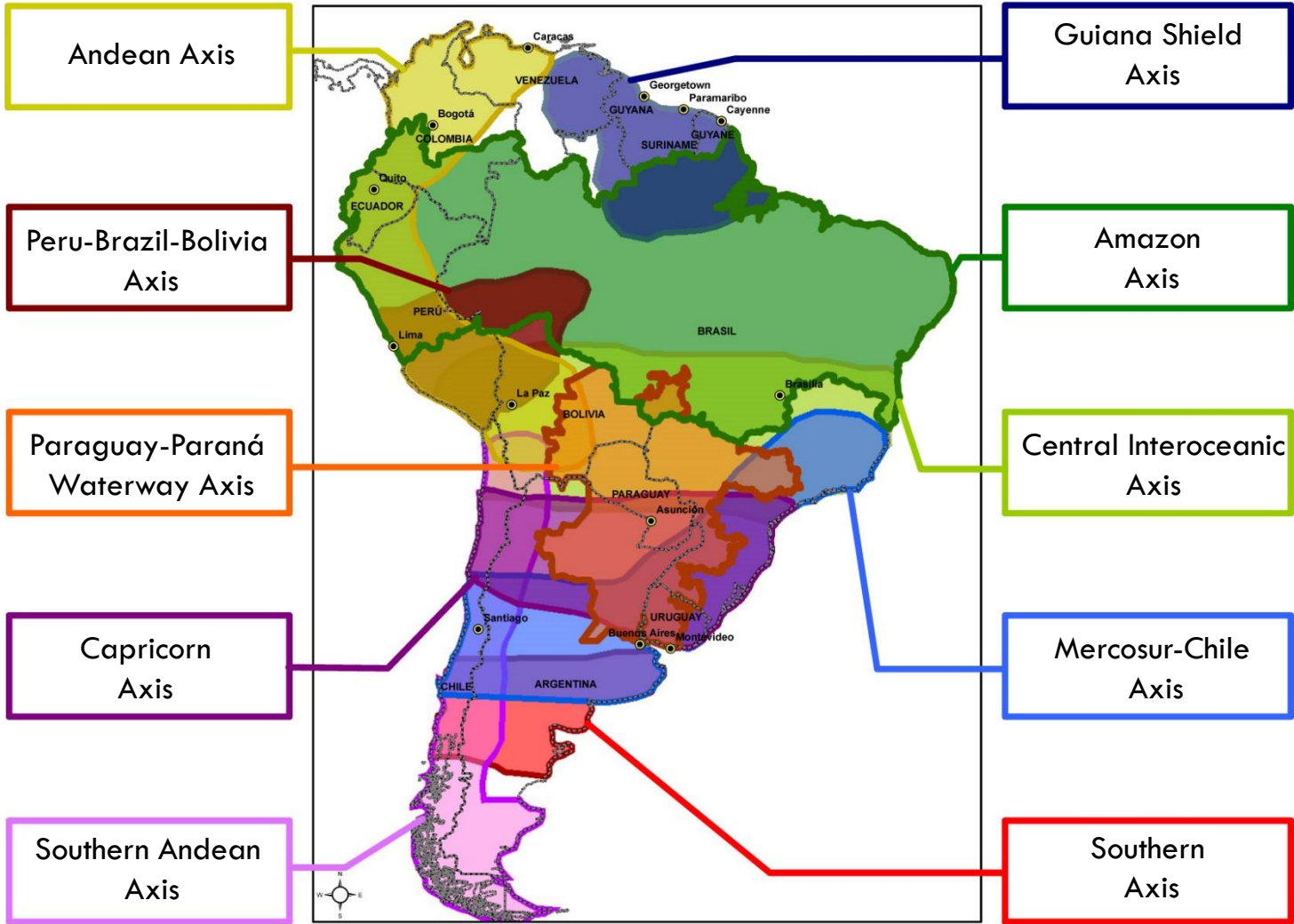


Source: BRI webpage consulted on May 7, 2019

## How to build a strategy for Peru ?

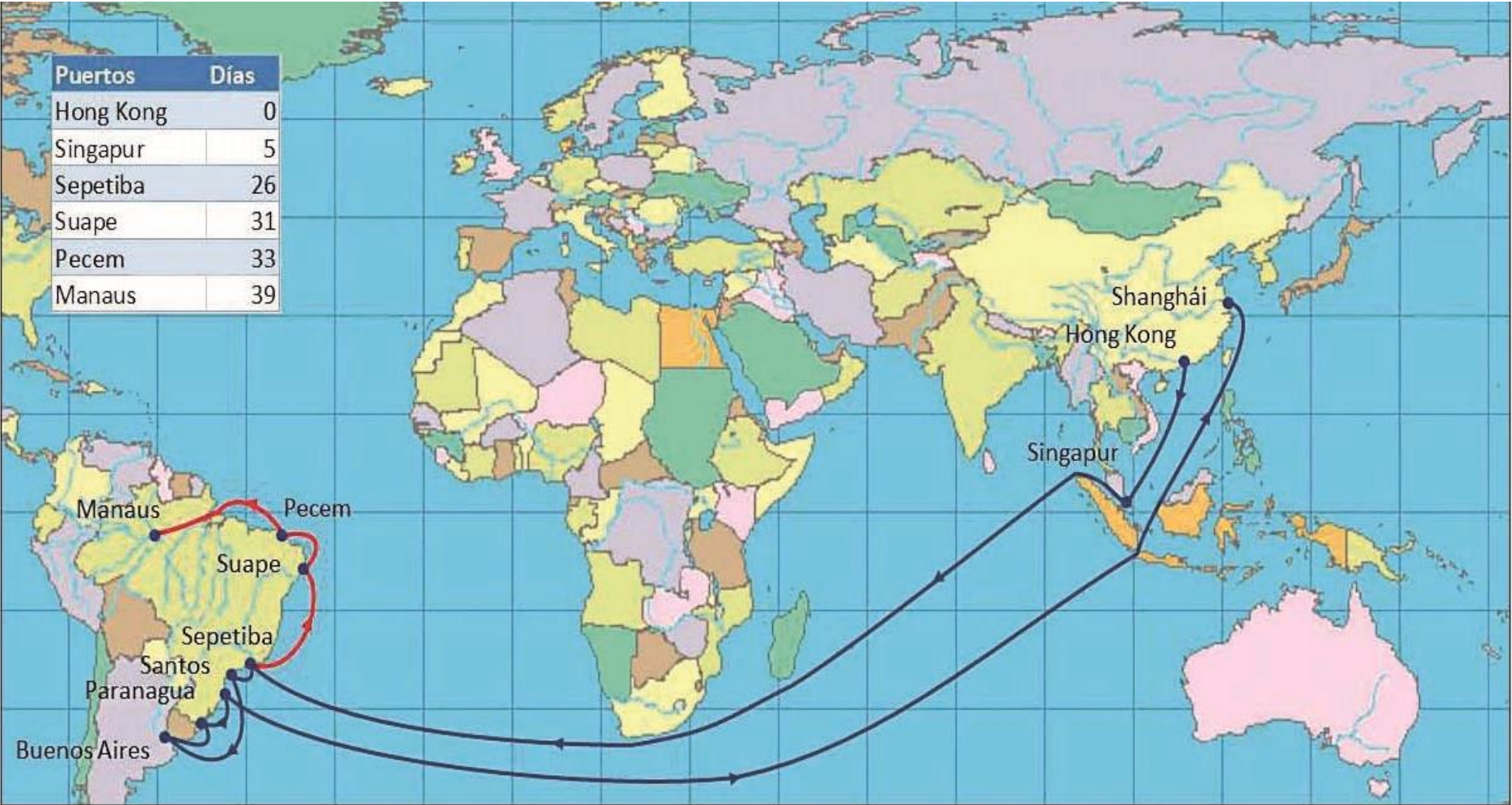
- Efforts in infrastructure: connectivity with China.
- Raise the question of the **transpacific maritime connection** between South America and Asia and how to make it viable.
- Convergence of concepts between the **territorial approach** of the BRI (economic corridors) and the South American physical integration (axis of integration and development).

# Strategic vision of South American physical integration



Source: South American Council on Infrastructure and Planning (COSIPLAN) and Initiative for the Integration of the Regional Infrastructure of South America (IIRSA)

# International trade routes between South America and Asia (1)



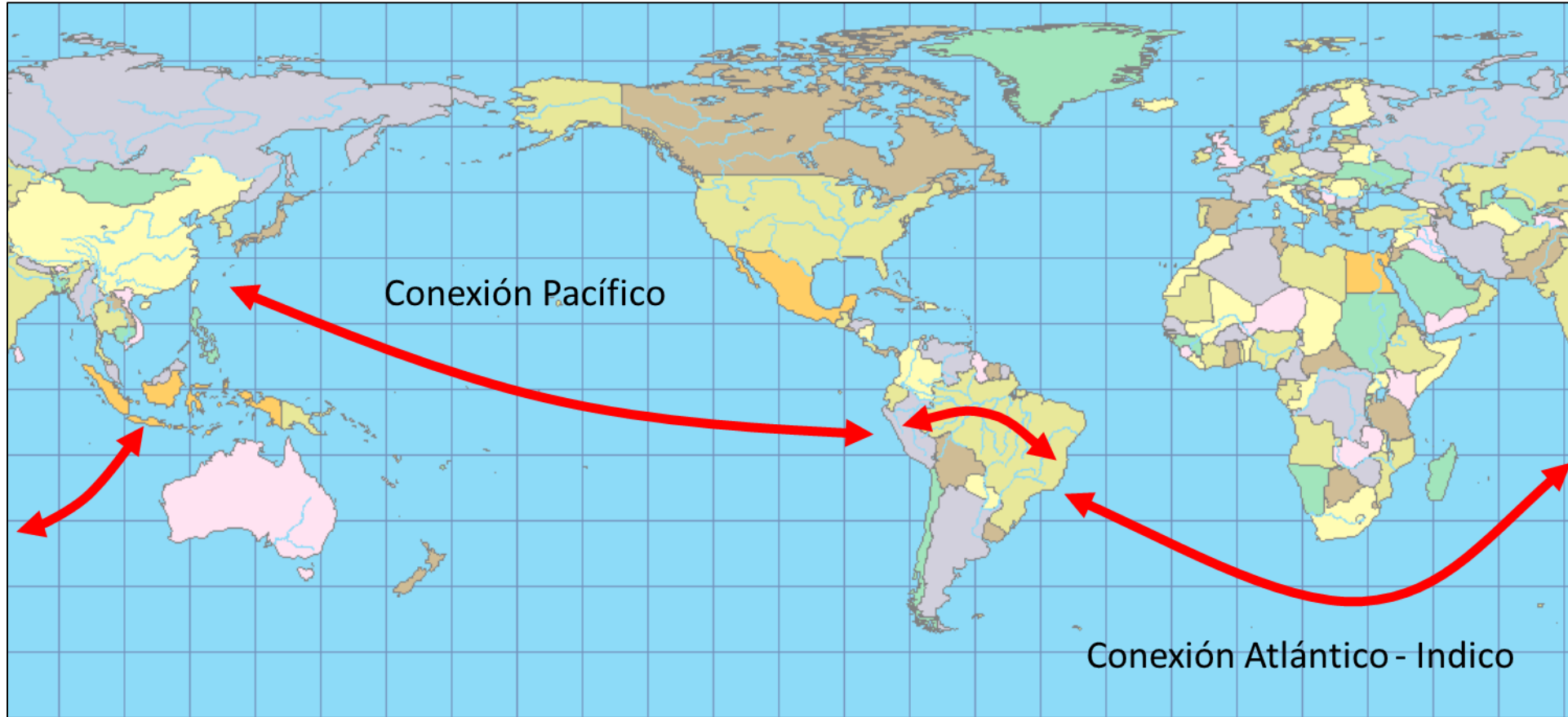
Source: Barceló, Marcel, in Santa Gadea, Rosario (2012), (Ed.) *South American Physical Integration Ten Years Later: Impact and Implementation in Peru*. Lima: Inter-American Development Bank, Peruvian Center for International Studies and Universidad del Pacífico (BID/CEPEI/UP).

# International trade routes between South America and Asia (2)



Source: Adapted from Barceló Marcel., in Santa Gadea, Rosario (2012), (Ed.) *South American Physical Integration Ten Years Later: Impact and Implementation in Peru*. Lima: Inter-American Development Bank, Peruvian Center for International Studies and Universidad del Pacífico (BID/CEPEI/UP).

# Connectivity of South America with Asia-Pacific: a direct maritime route?



Source: Barceló Marcel., in International Seminar on South American Physical Integration Ten Years Later: Impact and Implementation in Peru. Universidad del Pacífico, 2010.

# Viability conditions for the direct transpacific maritime route from SA to China and Asia

- Brazil represents approximately 45% of South America's total trade with China (2018).

Country	Total Value (billions US\$)	Participation
Brazil	98,9	47,4%
Chile	42,8	20,5%
Peru	23,2	11,1%
Colombia	14,3	6,8%
Argentina	14,2	6,8%
Ecuador	5,8	2,8%
Paraguay	3,8	1,8%
Uruguay	3,1	1,5%
Bolivia	2,5	1,2%
Total	208,7	100,0%

Source: TradeMap. Data from Venezuela is not available

- Intermediate this trade is key for the viability of a direct transpacific maritime connection.
- That is why physical integration of South America is a complement of such transpacific direct route.
- The projects of bioceanic railways should be examined in this perspective.

# Designs of bioceanic railways reaching Peruvian ports

**Analyze railway projects comparatively** with regards to ingoing and outgoing cargo, and conditions of the maritime port in the Pacific.



Source: elaborated by Leolino Rezende based on CREEC (2017) and COSIPLAN (2017), in Santa Gadea, Rosario (2018). "The Belt and Road Initiative and Peru: Strategic Vision from the Perspective of South American Physical Integration and Competitive Insertion in Asia-Pacific", in Cunhai, Guo and Carolina Mera, eds., *The Belt and Road Initiative and Latin America: New Opportunities and New Challenges*. Beijing: China Intercontinental Press and CECLA, 2018 (Spanish version) and Guo Cunhai, ed., Beijing: Blossom Press, 2018 (Chinese version).

## Difficulties of the bioceanic railway Peru-Brazil with the participation of China

- There is a need to clearly quantify the benefits for Peru (specially with regards to the possibility of becoming a hub of international trade between China and South America).
- It is necessary to address the important socio-environmental concerns raised by the project.
- It is indispensable to reduce the huge amount of investment estimated by China that represents 20% of Peruvian GDP.

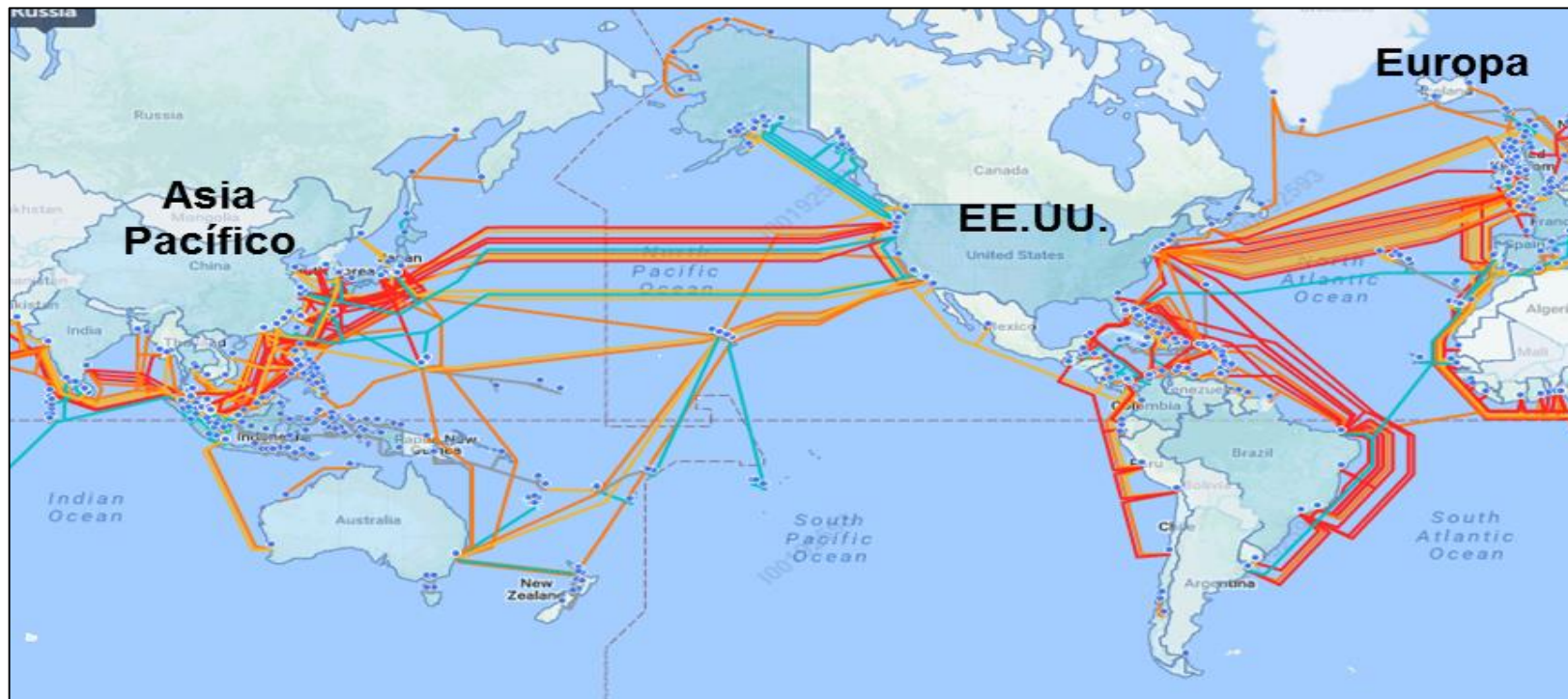
Bioceanic railway Brazil-Peru: investment required  
(in billions US\$)

Estimates	Total	Peru	Brazil
<b>China (2017)</b>	72	41.6	30.4

Source: Santa Gadea, Rosario (2018). "The Belt and Road Initiative and Peru: Strategic Vision from the Perspective of South American Physical Integration and Competitive Insertion in Asia-Pacific", in Cunhai, Guo and Carolina Mera, eds., *The Belt and Road Initiative and Latin America: New Opportunities and New Challenges*. Beijing: China Intercontinental Press and CECLA, 2018 (Spanish version), and Guo Cunhai, ed., Beijing: Blossom Press, 2018 (Chinese version).

# Potential transpacific digital connectivity (1)

- BRI foresees the construction of cross-border and transcontinental submarine optical cable projects that would form the "Information Silk Road". Latin America has only few links with Asia through the USA and Europe and no direct connection for information/data transmission.



Source: Huang (2017) in Santa Gadea, Rosario (2018). "The Belt and Road Initiative and Peru: Strategic Vision from the perspective of South American Physical Integration and Competitive Insertion in Asia-Pacific", in Cunhai, Guo and Carolina Mera, eds., *The Belt and Road Initiative and Latin America: New Opportunities and New Challenges*. Beijing: China Intercontinental Press and CECLA, 2018 (Spanish version), and Guo Cunhai, ed., Beijing: Blossom Press, 2018 (Chinese version).

## Potential transpacific digital connectivity (2)

- Is a direct submarine cable between Latin America and China feasible? Where the digital hub could to be located?



Source: Huang (2017) in Santa Gadea, Rosario (2018). "The Belt and Road Initiative and Peru: Strategic Vision from the Perspective of South American Physical Integration and Competitive Insertion in Asia-Pacific", in Cunhai, Guo and Carolina Mera, eds., *The Belt and Road Initiative and Latin America: New Opportunities and New Challenges*. Beijing: China Intercontinental Press and CECLA, 2018 (Spanish version), and Guo Cunhai, ed., Beijing: Blossom Press, 2018 (Chinese version).

# Towards a transpacific economic corridor? The potential role of Peru

Peru can be the anchor of a transpacific economic corridor between China and South America, not only because its geographical location, in the center of the Pacific coast of South America, but also because of the density of its relations with China.

- Comprehensive Strategic Alliance.
- FTA Peru-China
- Membership on the AIIB
  
- 2nd destination of Chinese direct investment in Latin America (after Brazil).
- 3rd trading partner of China in South America (after Brazil and Chile).
- Largest Chinese immigration community in Latin America.
  
- Member of the Pacific Alliance and APEC.
- Peru and Chile are the two countries in Latin America that have more FTA signed with Asian countries.



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**THANK YOU VERY MUCH**

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