THE INTERSTATE RELATIONS BETWEEN THE PEOPLE’S REPUBLIC OF CHINA AND CHILE

A case study of the PRC’s foreign political and economic relations.

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Abstract

In the recent years, the PRC has demonstrated strong economic growth and intensified its diplomatic connections with the globalized world. The Deng reforms of the 1970s were the starting point for this ‘open-up’ approach. The particular relevance for the LAC region became an utmost important part in the development of the PRC in the 21st century. Therefore, natural resources are the driving force of their economic growth and a high supply of agricultural products is essential to feed their growing population. These two economic aspects are in the center of the foreign political and economic interests of the PRC. However, the intentions of nation states are always unclear, which gives room for various theoretical interpretations. The possible threat of the rising PRC is consequently contrasted by the perspective of a ‘peaceful rise of the PRC’. It is inevitable that the LAC region looms large over this debate.

This research will analyze and contribute towards a better understanding of the rise of the PRC. To be able to provide a precise contribution, this research focuses on the case of the China-Chile economic and foreign political relations after the coming into force of the FTA in 2006. Based on a conceptual analysis of the foreign and economic relations of the PRC with Chile, this research will also apply defensive neorealism and neoliberal institutionalism to provide a better understanding of the strategies and motivations of the PRC towards Chile. Even though Chile is an independent country of the LAC region, this research will also partly integrate the research finding into the bigger picture of the relations between the PRC and the LAC region in general.

**Keywords:** Latin America, The PRC, Chile, China-Chile relations, economic relations, foreign political relations, smart power, PRC-Chile FTA

**Word Count:** 23 566
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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>BRICs</td>
<td>Brazil, Russia, India, China</td>
</tr>
<tr>
<td>CECLAC</td>
<td>Spanish acronym for Community of Latin American and Caribbean States</td>
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<tr>
<td>ECLAC</td>
<td>Economic Commission for Latin America and the Caribbean</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
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<tr>
<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IR</td>
<td>International Relations</td>
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<tr>
<td>LAC</td>
<td>Latin America and the Caribbean</td>
</tr>
<tr>
<td>MINREL</td>
<td>Spanish acronym for Ministry of Foreign Affairs of Chile</td>
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<tr>
<td>MIR</td>
<td>Spanish acronym for Movement of the Revolutionary Left</td>
</tr>
<tr>
<td>MOD</td>
<td>Ministry of National Defense People’s Republic of the PRC</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RTA</td>
<td>Regional Trade Agreement</td>
</tr>
<tr>
<td>TPP</td>
<td>Trans-Pacific Partnership</td>
</tr>
<tr>
<td>U.N.</td>
<td>United Nations</td>
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<tr>
<td>US</td>
<td>United States (of America)</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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1. Introduction

1.1 Interest and Relevance

In the past decades, the ‘rise of the Peoples Republic of China’ (hereinafter PRC) became one of the most relevant developments in IR and demonstrates a prime example of geopolitical change. The recent history of the PRC tells a story of political, economic and military progress. Since the late 1970’s the PRC is undergoing a process of “market-orientation reforms and liberalization” which focuses “more on pragmatism than communist ideology (…)” (Reddies, 2007, p. 3). This development can be summarized under the terminology of ‘the PRC's open-up’ policy. According to the World Bank, the IMF and high ranked Chinese politicians such as President Xi Jinping, the PRC is still considered as a development country and part of the ‘global south’ (Fish, 2014). With regard to the enormous economic growth of the PRC, this estimation is to a certain extent questionably. However, in particular, through the cooperation with countries of the ‘global south’, the PRC represents an impressive example of rapid change and socioeconomic improvements. Nonetheless, the geopolitical interests of the PRC and their strategies towards other development countries are very complex and widely unknown. To be able to contribute towards a more nuanced and precise understanding of this ‘new global power’, in-depth research is essential.

As a consequence, this research contributes towards opening the ‘black box’ of the PRC's foreign political and economic strategies in the LAC region in general, and in Chile in particular. The economic dimension of the PRC's involvement in Chile and other countries of the LAC region is of utmost importance for the global economic growth of the PRC. Thus, the PRC's ‘open-up’ strategy aims to strengthen its power by exploring new markets, extracting raw materials, securing food supply, building new alliances and fostering the ‘one China principle’ (Leiteritz, 2012, p. 68). These strategic landmarks are also visible in the PRC's involvements in Chile and other countries of the LAC region. Since the millennium, the general Sino-Latin American bilateral trade relationships “(…) has grown at an annual rate of 24 percent (…)” (Aronso et al., 2007, p. 1). Concerning raw materials, the extractivism of natural resources such as copper, oil, wood, and lithium are fundamental exports from the LAC region to the PRC. Consequently, in 2005, the PRC “(…) surpassed the United States as the most important destination for South American exports.” (Ray and Gallagher, 2015, p. 1). In this context, the PRC further strengthened its relations with the LAC region by establishing partnership agreements with Brazil, Venezuela, Peru, Argentina, and Chile. Moreover, the PRC-Chile FTA was a novelty in the PRC's relations towards the LAC region, followed by
additional FTA’s with Peru and Costa Rica. With the signing of a ceremonial statement to upgrade the PRC-Chile FTA in 2016, the PRC and Chile underlined the importance of the FTA in their relation to each other. Furthermore, this event was a clear symbol of their mutual willingness to progressively expand their relationships. Besides the aspect of economic ties, the PRC also focuses on building closer foreign political ties. The geopolitical relevance and the continuing ‘rise of the PRC’ are centrally related to its role in the LAC region. Besides trade, the aspect of Chinese FDI’s is another important and useful part of financially supporting the structures, which enable the extractivism of natural resources.

To be able to concretize the aim of representing the PRC’s current economic and foreign political relations with the LAC region, this research focuses on the PRC’s relations towards Chile. Thus, in the 1970 Chile was the second country in the LAC region, which established diplomatic ties with the PRC. Furthermore, during the 1990s Chile was one of a handful of other nations that supported the entry of the PRC into the WTO. In addition, Chile was the first country in the LAC region that recognized the PRC as a market economy, which played a significant role in the context of the China-Chile relations. Based on these major cornerstones, the connection between the PRC towards Chile was intensified at the beginning of the 21st century. In 2005, Chile became the first individual country in the world with which the PRC signed an FTA (Zárate, 2016, p. 36). These aspects are demonstrating that the PRC’s relation towards Chile is playing a unique role in the context of Sino-Latin American relations. In 2006, “25% of all LAC trade to the PRC came from Chile” (Leiteritz, 2012, p. 72). The case study of the PRC’s foreign political and economic involvement in Chile will contribute towards a better understanding of the PRC’s foreign policy and economic relations with the LAC region.

The importance of this research contribution is based on the need to analyze further the changing geopolitical interdependencies, which occurred with the fall of the Berlin Wall in 1989. Multilateral participants and interdependent possibilities with new challenges are the central consequences, which are omnipresent. Increasing ‘South-South’ relations can be named as a notable example of the contemporary changing dynamics. As a result, the PRC’s relations towards Chile are in this regard of particular relevance, because both countries are defined as prime examples of neoliberal market orientation. Consequently, this case study will provide meaningful insights into the PRC’s current state of foreign political and economic relations towards Chile in particular, and the LAC region in general. Additionally, the scheme of smart power will be tested and the explanatory power of defensive neorealism and neoliberal institutionalism will be examined.
Within academia, authors such as Hearn, León-Manríquez, Dösch and Goodman have observed that “the PRC’s relations have steadily been moving beyond economic to involve social, political and cultural interactions.” (Dosch & Goodman, 2012, p. 15). The aspect of the PRC's various power political ambitions is consequently another aspect which will be considered. Thus, the case of the PRC’s relations towards Chile will concentrate on economic and foreign political strategies. This approach allows analyzing the interdependence between economic and foreign policies.

1.2. Research Questions

This research examines the PRC’s foreign political and economic relations and interrelated strategies towards Chile. Thus, this research will provide a concrete contribution towards the academic understanding of the PRC's economic and foreign political involvements in Chile and the LAC region in general. Therefore, this research will examine the following research questions:

1) Why does the PRC have become increasingly involved in the LAC region within the past decade?
2) How do the PRC's economic and foreign political relations with Chile evolve after the coming into force of the FTA in 2006?
3) What are the primary drivers (economic, geopolitical, diplomatic) of the PRC’s relationship towards Chile and can the PRC’s attitude be considered as part of a ‘smart power’ scheme in that sense?
4) Which of the chosen school of thoughts can best explain the PRC’s behavior towards Chile in the fields of power maximization, cooperation, and the creation of a structure?

1.3 Limitations

This research focuses on the PRC's economic and foreign political relations towards Chile. Thus, quantitative wise, this research examines the aspect of trade and FDI under the PRC-Chile FTA. Concerning the PRC's foreign political relations towards Chile, this research further focuses on the aspect of diplomacy and a variety of exchange programs. The political dimension of this research is, therefore, limited and could be extended by other variables such as tourism, humanitarian aid, and participation in multilateral institutions (Zheng, 2012, p.3). Moreover, the aspect of FDI will only marginally considered. Thus, the primarily focus of the empirical part is based on an economic analysis. This research is also limited in time and space.
and focuses on the timeframe between 2006 until 2014. Thus, the year 2006 represents the coming into force of the PRC-Chile FTA. Moreover, between 2013 and 2014 the PRC imported goods worth US$ 16 billion from Chile, which led to the fact that the PRC became Chile’s most important trading partner. The analysis, however, is primarily considering the perspective of the PRC in its relations towards Chile. This means that this research is limited in the sense that Chile’s potential influences on the PRC will neither be discussed extensively nor analyzed in detail.

Regarding the conceptual and theoretical dimension of the analysis, this research is limited to the boundaries of realist and liberalist school of thought (defensive neorealism and neoliberal institutionalism). Furthermore, the central concept of this research will be smart power which encapsulates the economic hard power and the ‘softer’ dimensions of diplomacy and exchange programs (cultural, academic, etc.).

1.4 Literature Review

This research examines the foreign political and economic relations between the PRC and Chile, after the coming into force of the PRC-Chile FTA in 2006. Most of the existing studies on the PRC’s involvement in the LAC region did not extensively address the particular case of the China-Chile relations. However, to be able to understand the context of the topic at hand, a review of what is already known is of utmost importance. This chapter will consequently provide a literature review of previous studies. Therefore, to develop a short review, two main areas will be examined. Thus, the first part examines those studies which dealt with the relations between the PRC and the LAC region. The second part discusses a sample of principal authors, which have investigated the China-Chile relations.

Previous research on the relations between the PRC and the LAC region

Li (2007), Cheng (2006), Dosch & Goodman (2012), Armony and Velásquez (2015), León-Manríquez (2006), Narins (2016), OECD, (2015a); (2017), ECLAC (2015), Zárate, (2016), Ray and Gallagher (2015), Margaret Pearson (1999), Peters (2015), Pion-Berlin (1989), Soliz Landivar and Scholvin (2011), and Ellis (2013) addressed the issue of the PRC’s involvement in the LAC region and examined the influences on the region from different angles. Furthermore, they discussed the global impact of the increasing Chinese power aggregation. Thus, Li’s research (2007) investigates the potential consequences of the PRC’s rise on the international balance of power system (p.833). The analysis is firmly based on a two-fold approach and focuses on the political and economic dimension of the PRC’s
involvement in the region. Li’s research (2007) also provides the necessary analysis of the PRC’s use of smart power in the LAC region and focuses on the concepts of economic diplomacy, political diplomacy, and cultural diplomacy. In contrast to offensive realists like Mearsheimer (2001), scholars such as Tang (2008), and Wang (2004) arguing that the PRC has developed itself from being an offensive realist state, towards a more defensive neorealist state under the Deng reforms in the 1970s, in particular when it comes to the LAC region. Tang’s study (2008) on the changing attitude of the PRC provides significant inputs towards the investigation of the PRC’s foreign political and economic strategies from a defensive neorealist perspective. He further argues that the PRC’s relations with countries of e.g. the LAC region are "now firmly rooted in defensive realism (...)" which provides a new approach towards bringing defensive neorealism back in examining the rise of the PRC (p. 162).

Margaret Pearson (1999) research examines the PRC’s increasing neoliberal institutionalist perspective. Thus, she focuses on the international institutions such as the IMF and WTO and their influence on the PRC’s involvement in the LAC regional. Armijo’s research (2007) on the BRICs countries further contextualizes the role of the PRC in the context of other ‘rising southern states’. He includes the aspect of soft and hard power in his research on the role of the PRC in the LAC region (p. 29).

Regarding the historical background of the PRC’s involvement in the LAC region further research provides relevant information on the contemporary classification of the PRC’s strategy. The research by Cheng (2006) provides a clear insight look into the field of the PRC’s present foreign policy approach in the LAC region. The institutionalist perspective of this research examines the increasing cooperations between the PRC and the LAC region. The aspect of the ‘one China principle’ is also named as a relevant part of the PRC’s foreign policy strategy. The aspect of ‘dollar diplomacy’ as a tool to strengthen diplomatic ties is also of indirect relevance to this research. Moreover, the dispute over diplomatic recognition between mainland the PRC and Taiwan takes mostly place in the LAC region and is related to the named aspect of ‘dollar diplomacy’. Cheng’s research consequently reminds us that the issue of Taiwan should be considered when analyzing the PRC’s foreign policy strategies towards the LAC region.

Hearn, León-Manriquez, Dösch and Goodman (2012) have further observed that “the PRC’s relations have steadily been moving beyond economic to involve social, political and cultural interactions.” (Dosch & Goodman, 2012, p. 15). This notion demonstrates a reality of complex interdependent layers of cooperation, which developed between the PRC and the LAC region. Nonetheless, many scholars focusing primarily on the central aspect of trade relations
between the PRC and the LAC region. Within this context, León-Manríquez (2006) research concentrates on the countries of the LAC region, which have the strongest economic ties with the PRC. Thus, Chile, Brazil, Argentina, and Peru were analyzed from a macroeconomic perspective. The aspect of increasing demand by the PRC for raw materials is to a large extent in the center of these types of analyses. León-Manríquez (2006) analyzes in a separate chapter the case of the PRC’s activities in a manufacturing intensive country like Mexico. Therefore, his research provides a nuanced methodological approach of quantitative and qualitative data with a focus on multiple countries of the LAC region. He accentuates the complexity behind the PRC’s involvements with countries of the LAC region. In this regard, this balanced method provides a sensibility to recognize the LAC region as a diverse geographical territory with different countries. The PRC’s relations with this region is portrait as being heterogenic and complex. The research by Narins (2016) does not purely focus on an economic analysis. Instead, he examines "the political-economic factors shaping Chinese business and government actors in Latin America, focusing on Bolivia and Chile" (2016, p. 21). The methodological approach concentrates on a comparison of two different cases. Thus, Chile and Bolivia provide two cases with "distinctive demographic histories and political economies." (2016, p. 21).

Regarding the aspect of measuring the concept of soft power, Armony and Velásquez (2015) providing a quantitative approach to examine the attitude towards the PRC in the LAC region. Therefore, they applied various techniques to capture data from comments by individuals on Facebook, newspapers pages, etc. Their research applied an interesting methodology to provide quantitative insights into the concept of soft power. The Pew Research Center’s Global Attitudes Survey (2013) also significantly contributed to the analysis of the condition of the PRC’s soft power attraction in countries of the LAC region. This survey was of particular relevance to this research and provided relevant data for the conceptual analysis of the PRC’s smart power strategy in Chile.

Many analyses which are dealing with the PRC’s relations towards countries of the LAC region have a strong focus on the economic perspective. A nuanced combination of soft and hard power elements is, however, of utmost importance, because both types are interdependent and cannot be strictly separated from each other. Those studies failed to grasp the diversity of the PRC’s power aggregation. In addition, the generalization of the LAC region is another visible limitation of many previous studies. Thus, focusing on a clear set of cases is necessary to be able to provide a precise analysis. Furthermore, it is a major flaw to perceive the LAC region as a homogenous region, in particular when it comes to the analysis of the PRC’s effects on the individual economies of the LAC region.
Previous research on the China-Chile relations

The aspect of the PRC’s economic and foreign political relations towards Chile has not been extensively studied. Among the existing research on the rise of the PRC, the Sino-US American relation is a dominating field of research. In this context, offensive realism has been extensively used to paint a picture of an increasingly power maximizing attitude of the PRC. The result is related to military confrontation, especially when it comes to the PRC’s engagement in the LAC region, the ‘historical backyard’ of the US. In the case of the PRC’s economic and foreign political relations with Chile, the offensive neorealist notion of power maximization and the focus on relative gains cannot be applied. Thus, offensive realist stream of thought is limited in explaining the economic and foreign political relations between the PRC and Chile. In particular, when it comes to the coming into force of the FTA in 2006, this threat based theory reaches its limits (Kirshner, 2010, pp. 59-62). Scholars such as Waltz (1979) and Tang (2010) arguing for the relevance of defensive neorealism to provide explanations for the question why likely minded defensive states such as the PRC and Chile can cooperate with each other without any military aggression. Tang (2010) further provides valuable insights into the capacity of defensive neorealism to explain long lasting peace between two (or more) states. Furthermore, research by e.g. Montalva & Navia (2007), MINREL (2015), Bingqiang (2006), Cesarin (2005), Changhui (2006), Guilisasti (2006), Gouzheng (2006), Matus (2006), Shicheng (2006), Xinsheng (2006), and Zhihua (2006) examining the particular relationship between the PRC and Chile. The paper “Chile and China: Building Relations Beyond Trade?” by Montalva and Navia (2007) analyzes the question of how far the PRC’s relations with Chile are more than just based on hard economic ties. The clear focus on the PRC and Chile starts with the long-lasting diplomatic relations between both nations. The research also refers to neo-liberalism and the importance of international institutions in the process of fostering cooperation. This theoretical notion is of direct relevance to the research at hand. Finally, Montalva and Navia (2007) arguing that trade is the central core of the PRC’s relations with Chile. Moreover, they are claiming that this relationship "seems to have no incentive to grow beyond trade (…)" (2007, p. 12). The increasing importance of diplomatic, cultural, and academic exchange is consequently not considered as an important part of the contemporary PRC’s relations towards Chile.

Guilisasti’s research on the China-Chile relations (2006) focuses on the relevance of the FTA for both nations. The research underlines the frequently mentioned ‘win-win’ situation between the PRC and Chile. In addition, Guilisasti (2006) also touched upon the important question in how far the FTA will empower the diversification of Chilean exports to the PRC.
The high demand by the PRC for natural resources is named as a central aspect of the economic relationship, however, the need for value adding through the process of e.g. increasing innovation is also formulated. The overall research provides a valuable foundation of information and expectations on the China-Chile relations before the FTA came into force in 2006. In addition, the research by Guilisasti (2006) accentuates the special economic and diplomatic relationship between the PRC and Chile and argues for a multilayered approach of cooperation. Thus, Guilisasti (2006) argues that the strategy of cooperation between the PRC and Chile has to take place along the lines of public and private cooperation. Furthermore, the cultural and political differences between the PRC and Chile and the related challenges are also part of the examination.

Sergio Cesarín and Carlos Moneta (2005) research is a comprehensive study on the PRC involvement in the LAC region. The issue of Chile is also examined in-depth. The research refers to various subtopics such as the different companies of the PRC, which are increasingly involved in Chile and the LAC region in general. Additionally, the diplomatic relations between the PRC and Chile are part of the examination (Cesarín & Moneta, 2005, p. 220). One central aspect of the research is related to its ability to connect the dots to show the bigger picture of the China-Chile relations. In other words, the research demonstrates the possible effects of the China-Chile FTA on the Asia-Pacific relationships. Cesarín and Moneta’s research (2005) provides consequently a perspective toward the aspect of complex interdependencies and includes the possible far-reaching consequences on the international level.

Under recognition of the reviewed relevant academic contributions, the following research will further expand the input towards the understanding of the PRC’s economic and foreign political involvements. Therefore, this research will focus on a concrete examination of the PRC economic and foreign political relations towards Chile after the coming into force of the FTA in 2006. In addition, the generalizability of the findings on the China-Chile relations will be consciously elaborated. In this regard, the LAC region is a widely diverse and complex region. This means that individual countries research can only be applied to other countries in a limited way.

1.5 Structure of this research

First, the research design and methods will be explained which lays down the research structure. The background behind the single case of the PRC-Chile will be also analyzed. Furthermore, the particular focus on the PRC’s economic and foreign political engagements in Chile are named. Within the research design, the applied concepts and theories will be
described. The research strategy provides a clear insight look into the time frame, the type and sources of data, and the potential limitations of the sources. Second, this research provides an overview of the applied theories and concepts which will be applied. In addition, the historical development of defensive neorealism and neoliberal institutionalism will be provided. The conceptual overview of soft, hard and smart power will be the second part the chapter. Third, this research provides the utmost important background information on the topic at hand. The aspect of the PRC’s relations towards the LAC region and Chile in specific will be provided. Furthermore, the background information chapter will also show the historical context of economic and foreign political involvements in the LAC region, and in particular in Chile. Fourth, the empirical results and the analytical part are separated. Thus, the part on the empirical results will focus on the aspect of economic and foreign political relations. The economic part examines the PRC-Chile FTA and the China-Chile trade and investment relations after the coming into force of the agreement in 2006. The foreign political analysis deals with the diplomatic, cultural, academic, and military exchange initiatives between the PRC and Chile since 2006. Based on the empirical results the concept of smart power will be examined. The analytical part explores the research question from a defensive neorealist and neoliberal institutionalist point of view. Fifth, the final chapter provides conclusions and summarizes the findings, which will give answers to the research questions.

2. Design and Methods

This part of the research defines the design type and the method of data collection, which will be applied to answer the research questions. Thus, the first phase of this research will build a knowledge foundation of the geopolitical dimension of the PRC’s political and economic interests. In this regard, this research will provide a historically shaped insight look into the PRC’s ‘rise’ in the LAC region. By using a deductive style of reasoning, the second phase shifts the focus towards Chile. This research will portrait the PRC’s foreign political and economic and FDI’s interests and strategies in Chile. The final phase of this research will specifically examine the evolvement of the PRC-Chile economic and foreign political relations since 2006. In this context, the role of ‘smart power’ will be examined as well.
2.1 Research Design

This research uses a case of the PRC’s foreign political and economic involvement in Chile. The aim is to examine one interstate interaction which is of regional and geopolitical relevance. Thus, the relation between the PRC and Chile is the central core of this work. This examination is based on the PRC’s economic and foreign political relations towards Chile. Therefore, Chile was chosen for three main reasons. Firstly, the diplomatic ties between the PRC and Chile are strong. Thus, diplomatic relations already started in the 1970’s when Salvador Allende was president of Chile. Under the Pinochet dictatorship, the diplomatic relationship with the PRC declined. However, it did not break off. Instead, under the dictatorship of Pinochet, Chile recognized the ‘one China principle’ which laid down an important foundation for the future of their diplomatic ties. Secondly, the economic relation between Chile and the PRC are relatively stable. Chile is among the three Latin American countries which have an FTA with the PRC. This reveals the importance for Chile as being a possible economic bridge between the LAC region and Asia. As being the largest seller of copper and lithium worldwide, trade with natural resources is the backbone of the China-Chile relations (Narins, 2016, p. 22). Furthermore, Harvey defines Chile as the first "example of ‘pure’ neoliberal practices (…)" (Harvey, 2005, p. 74; Narins, 2016, p. 23). As a consequence, having many bilateral FTA’s with e.g. the US, Chile is widely considered as a trade-friendly and liberal state. Thus, the PRC as the emerging potential ‘leader’ of global trade, faces now Chile, one of the most neoliberal countries in the LAC region. Thus, the economic relations between the PRC and Chile are therefore firmly based on similar ‘neoliberal values’ which are an essential precondition to providing an in-depth analysis of the China-Chile trade and investment relations. Thirdly, Chile’s geographical position at the Pacific Coast demonstrates a relevant aspect in the analysis of the PRC’s ties with Chile. Thus, Chile is of strategic importance to the PRC, which contributes to its status as a ‘cooperative-partner’ (Dosch & Goodman, 2012, p. 10). In comparison to e.g. Venezuela, Chile “is seen as a more reliable partner” (Domínguez & Covarrubias, 2015, p. 10). Therefore, the three top reasons are an indication of the importance to examine the PRC’s foreign political and economic strategies with Chile. This research is aware of the possibility that some of the outcomes can also be relevant to other regions and continents. Possible linkages to other cases and regions will be included.

The single case study approach is often criticized for its ambiguous and very narrowed and limited perspective, which can only partly produce empirical generalizations. However, Pascal Venesson, a renowned political scientist argues that case studies are relevant and providing through their focused research a “significant contribution to knowledge” (Della Porta
& Keating, 2008, pp. 12-13). Additionally, the PRC-Chile case study contributes also to a wider research field on the PRC’s involvement in the LAC region. The historical and political dimensions of the PRC’s economic and foreign political development is not a single case centric phenomenon. There is no doubt that the PRC’s patterns of involvement in natural resource rich regions can be found in many Latin American and African countries. Even though this research focuses on Chile, it aims to develop a contribution towards the bigger picture of the debate. However, this research is aware of the problem of overstretching the generalizability of its findings. The rise of the PRC will deductively contribute towards the specific case of the PRC’s foreign and economic relations towards Chile, but also provides steps towards the wider discourse on the PRC’s involvement in the LAC region. The concrete procedure of this case study will, firstly, examine the PRC’s interest and strategies behind their foreign policy and economic engagement to Chile. Secondly, this case study further explains the developments of the China-Chile relations since the coming into force of the FTA in 2006. The theoretical approach will be based on a ‘neo-neo debate’. Defensive neorealism and neoliberal institutionalism “seeking to explain the behavior of individual states” with a view towards an international dimension (Taliaferro, 2000, p. 135). The ‘neo-neo debate’ will provide two perspectives, which complement each other. Thus, this approach enables to better understand the motivations and dynamics behind the PRC’s relations towards Chile. Aspects such cooperation, the perspective of power, and the role of an order will be examined. Due to the use of a “theoretical framework” which aims to "provide an explanation of a particular case", this study is defined as an interpretative case study (Della Porta & Keating, 2008, p. 227). Furthermore, this research does not treat this single case study as an isolated event; rather it considers the importance of placing it in a broader context. Thus, the PRC’s foreign policy and economic relation towards Chile is not the only dimension of this research. This research also provides steps towards a better understanding of the PRC’s foreign policy and economic relationship with the LAC region. Therefore, this interpretivist perspective aims to “examine the reasons that actors give for actions and behavior (…)” (2008, p. 233). In contrast, positivism focuses to “establish and evaluate the link (or absence of a link) between different factors though the use of histories, archival documents, interview transcripts and other sources.” (2008, p. 232).

2.2 Research Strategy

The interpretivist single case study aims to explain the interstate relations between the PRC and Chile by focusing on trade and investment on the one hand (hard power) and foreign
policy, diplomacy and (cultural, military) exchange programs on the other hand (soft power). This research focuses on the time frame between the coming into force of the FTA in 2006 and the year 2014 in which the PRC became Chile’s number one trading partner. About this strategy, this research will be a qualitative study, which uses documents and statistics. This research is based on a combination of analyzing a primarily numeric condition (trade and investment) and a mostly qualitative condition (foreign policy in the form of e.g. diplomatic relations).

Regarding the method, this research focuses on the dependent variable of the China-Chile trade in goods and services and investment relations since the coming into force of the FTA in 2006. The source of this data will be received from the official websites of the OECD, China’s Ministry of Commerce, Pew Research Center, National Bureau of Statistics of the PRC, Ministry of Foreign Affairs (Chile). In advance, data from the SICE (Foreign Trade Information System), MOD (Ministry of National Defense People’s Republic of the PRC), The State Council of the PRC, and ECLAC reports will be used as sources.

The central aim of this research is to examine the motivations and strategies behind the PRC’s relations with Chile. In the words of Max Weber, qualitative research seeks to "understand the motivations that lie behind human behavior (...)" (Della Porta & Keating, 2008, p. 26). In the context of this research, a holistic understanding is needed to understand the mechanisms and motivations behind states interests and their political acting. Thus, “qualitative research (...) investigates the ‘why and how’ of social action.” (Della Porta & Keating, 2008, p. 299). Consequently, this research is based on primary and secondary sources. Official governmental statements, speeches and policy papers such as the China’s policy paper on Latin America and the Caribbean or the legal text of the FTA are taken into account. Additionally, academic journals, newspaper articles, and other academic work will be used to deepen the analysis. Additionally, to increase the level of input accessibility and validity this research refers to sources written in German, English, and Spanish.

The economic and foreign political relations between the PRC and Chile are taking place in a context of power aggregation. By focusing on power in an unrelated, unmeasurable and purely theoretical way, it is tough to grasp its meaning and related consequences. Therefore, the conceptual anchoring of this research is the concept of ‘smart-power’. From my point of view, the PRC will not challenge the US hegemonic position in the LAC region by using hard military power. However, the PRC’s interest in the region will not decline in the near future. Thus, this research provides an in-depth understanding of the PRC’s perspectives and interests in the field of foreign policy and economic relations with Chile. From a defensive neorealist
and neoliberal institutionalist point of view, the concept of power will consequently be an indispensable subject. Therefore, to be able to analyze the different understandings of power this research will examine the role of ‘smart-power’. Thus, hard power in the form of trade and investment will be related to the soft power dimension of diplomacy and e.g. promotion of culture.

One central limitation is related to the dependency on the perceived data. Due to the limited amount of time and resources this research will not use self-conducted data. In particular, when it comes to the use of official data from the state level, it is important to take a variety of other sources into consideration. In the case of the PRC’s growth or investment statistics, which are a central soft and hard power engine, datasets must be viewed with a critical eye. Furthermore, the aspect of reliability is a fundamental aspect. Thus, the national data sets should be viewed critically. However, this research refers to a representative and diverse pool of information. The World Bank, OECD, and ECLAC are highly reliable sources of information, which can be used to verify the national based sources of data. Besides the technicalities of the use of data, it has to be mentioned that the own sociocultural perspective and previous knowledge creates a condition in which new information will be interpreted in a certain way. In this particular case, the language and cultural barriers towards the PRC is an important limitation which should not be underestimated. In contrast, I speak Spanish, and I do have experiential knowledge in the LAC region. This research is aware of this imbalance and will consequently work on a conscious analysis.

3. Theories and Concepts

The following part of this research provides the theoretical foundation for this research. Moreover, the central concept of smart power will be examined as well.

In the words of Jack Donnelly (2005) “theories are beacons, lenses or filters that direct us to what, according to the theory, is essential for understanding some part of the world” (p. 30). The central and driving factor of this research is related to develop a contribution towards a more profound understanding of the PRC’s economic engagements and foreign political acting in Chile. The case of the PRC’s foreign policy and economic relations towards Chile has been selected because it is an exact case scenario, where in-depth research will also be of relevance to the LAC region. Furthermore, by focusing on Chile, this research will contribute towards a more profound understanding of the PRC’s way of power aggregation, cooperation with other states, and its foreign policy behavior. Aspects of power, cooperation, investment,
and diplomacy are cornerstones in this context, which will be summarized under the central concept of ‘smart power’. Concerning the theory, this research will make use of the debate between neoliberal institutionalism and defensive neorealism.

3.1 Neorealism

Neorealism is not the counter model of classical realism. It can be seen as a broad paradigm with a variety of different sub-models. This research has started with the classical realist perspectives to understand further and classify the complexity of neorealism. The following part focuses therefore on the aspects of the role of order and the condition of anarchy, the concept and understanding of power, and the motivation and perception towards cooperation among states. The allocation of neorealism is not clear. Therefore, this research refers to Waltz’s neorealism, which can be equated with structural realism. Furthermore, within the neorealist paradigm, it must be differentiated between an offensive and defensive form. The Waltzian neorealism is categorized as defensive neorealism.

Neorealists are largely following the classical position that the nation state is the central actor in international relations. However, the theoretical perspective of neorealism primarily focuses on the structure of the international system. Thus, anarchy is seen as the primary aspect which defines the structure. Like classical realism, neorealists such as Waltz set the issue of anarchy in the center of the theoretical discourse. The problem of anarchy “(…) and the preservation of the plural political order of the anarchic state system depends on a favorable distribution or balance of power, and the ability of states to maintain it” (Deudney, 2011, p. 17). The pursuit of survival in an anarchic condition of international relations predominates the will to aggregate power.

Moreover, neorealists do not agree with Carr who defines power by (a) military power, (b) economic power, (c) power over opinion (Carr, 1981, p. 102). Thus, neorealists such as Waltz are questioning the American form of defining power as an equation with control (Waltz, 1979, p. 191). Waltz widely agrees with the driving Lust for power, but he refuses to give a clear opinion on the aspect of human nature in realism. He further suggests the definition that “(…) an agent is powerful to the extent that he affects others more than they affect him.” (1979, p. 193). Thus, power becomes a more reasonable term, which describes a conglomerate of the nation states abilities to interact with other countries in the international system. With regard to Waltz, he clearly says that power among nations does not make the system. Instead, it depends "on their policies and behavior." (Waltz, 1979, p. 48). The action of the state is consequently a result of its position in the international system (Lamy, 2005, p. 209). Defensive neorealists
such as Waltz have been very critical of the offensive neorealist notion of power aggregation. Thus, unlimited singular nation state power will lead to the fact that "the system will punish them if they attempt to gain too much power." (Mearsheimer, 2013, p. 78). Thus, defensive neorealists arguing that an act of balance will take place. This perspective stands in stark contrast to the offensive notion of neorealism, which argues that states should strive to ensure their relative power political advantages which foster that “(...) power is an end in itself.” (2013, p. 78).

The defensive neorealist view towards cooperation accepts many of the classical realist perceptions. Thus, cooperation is directly interlinked with the competition for power. The neorealist perspective towards cooperation is conflictual because state ambitions are uncertain and cooperation is seen from a relative standpoint. Joseph Greco stresses precisely the problem of relative gains in the realist paradigm. Thus, from a neorealist view cooperation is highly uncertain, because states fear the scenario that the cooperating state will receive a relatively larger share. Defensive neorealists such as Waltz do not argue that powerful states should seek to gain a hegemonic power to shape the balance of power in their favor. However, he mentions that states should strive "(...) to ensure that other countries do not gain power at their expense" (Mearsheimer, 2013, p. 82). This can lead to the situation that smaller states, who are not able to act in a self-help system, build a balancing alliance with other smaller countries. Or they join a powerful state and hope for a share of power in the international system (bandwagoning) (Mearsheimer, 2013, p. 82). As a consequence, the variation of strategies depending on whether it is a stronger or weaker state.

3.2 Neoliberalism

Neoliberalism is not a single theory; it rather consists of a variety of different versions. This paper refers to neoliberal institutionalism, which is according to Steven L. Lamy (2005) “the most convincing challenge to realist and neo-realist thinking” and provides valuable insights into the dynamics of cooperation in the framework of international institutions. Therefore, this theoretical approach is of utmost importance for a better understanding of the FTA between the PRC and Chile which takes place within supranational WTO requirements. Neoliberalism is largely a state-centric theory, which perceives the international system as anarchic. However, the state is not seen as the only important actor. From the 1970th onwards liberal institutionalists such as Keohane and Nye argued for “transnationalism and complex interdependence” (Lamy, 2005, p. 213). The approach demonstrates that states and societies are increasingly interrelated based on various complex connections and a diverse range of
actors. The increasing importance of non-governmental actors can be named as one example of a new field of relevant actors within the paradigm of complex interdependencies. The central notion in this context is the growing role of economic connections between states vis-à-vis a decline in military force as a form of doing politics.

It becomes evident that certain neoliberal institutionalist characteristics can be traced back to the idealist notions during the 1920th. For example, the League of Nations characterized an active liberal institutionalist approach of developing a mediating supranational institution. This strong idealist approach culminated in the dissolution of the League of Nation after World-War II. Therefore, the post-war liberal institutionalist generation acted more pragmatic and more realistic (Lamy, 2005, p. 213). In comparison with neorealism, the aspect of survival is not viewed from a strong pessimistic angle. Therefore, the existence of a mutual interest of states to increase productivity and trade to generate more wealth and peace in absolute terms can be labeled as precise liberalist characteristics. The intermediate variable in this context is based on institutions, which are ‘state made’ to increase cooperation and competition “even in an anarchic international system” (Lamy, 2005, p. 213).

Within the neoliberal institutionalist theory, the understanding of power moves apparently away from taking military force as the representative variable of measuring state power. The driving dynamic of neoliberal institutionalism is based on the idea that states can cooperate in areas where they have mutual interests, which are based on states “intentions and preferences” (Lamy, 2005, p. 215. The aspect of promoting open trade systems can be named as a central example. However, military and national security cooperations are a rather difficult to realize (Lamy, 2005, p. 214). Thus, cooperation between states “in areas where leaders perceive they have no mutual interests” becomes harder to achieve (Lamy, 2005, p. 214). The neoliberal institutionalist perspective towards power is, therefore, more related to “non-military issue areas such as international environmental concern” (Lamy, 2005, p. 215). In the context of hard power, the economic aspect consequently prevails the military dimension. Another important contrast to the realist school of thought is the understanding of gains. Thus, neoliberal institutionalists believe that cooperation will ultimately lead to absolute gains. This means that by cooperation, both countries/actors will be finally better off, regardless if one might gain relatively more than the other. The power political dimension is not theoretically based on fostering zero-sum games.

The aspect of cooperation remains a characteristic feature of neoliberal institutionalism. Thus, cooperation is possible even if anarchy is the constant situation. Wealth creation and the increase of wealth only works out if actors are progressively operating within
the framework of interdependencies. Due to increasing globalization, these interdependencies are omnipresent and demonstrating that states and their wealth are to a high degree depending on "access to one another’s markets and consumers" (Sterling-Folker, 2013, p. 118). The economic dimension plays an utmost important role in this context. The institutions are created by nations states, which equipped them with a legitimization to act as a ‘supranational’ intermediator. This position is important because in theory institutions safeguard the rules of trade and have the authority to punish in the case of e.g. non-compliance, cheating, and free-riding. However, from a neoliberal institutionalist perspective cooperation is not seen as self-evident and easy to achieve. Therefore, one central aspect is the role of information and the uncertainty about the intentions of the other actor. In the field of neoliberalism, this core problem is visualized by the ‘Prisoner’s Dilemma’. Without going into detail, this experiment reveals that the “lack of information or transparency about the potential payoffs” of two prisoners creates a scenario in which a “fear of being cheated” evolves (Sterling-Folker, 2013, p. 120). The final individual decisions worsen the situation of both prisoners because the decisions are firmly based on irritation. The aspect of exchanging information and make them ‘transparent’ mitigates the chance of distrust. Consequently, neoliberal institutionalists arguing for major institutions, which regularly work on strengthening the exchange of information and reducing the ‘fear of being cheated’.

3.3 Concepts

Within the context of increasing global complexities, the actors and their forms of acting became more complicated as well. The aspect of power within the paradigm of states and their interaction and relations to each other is not new. However, power among states is not a loose and uniform force. Power is reciprocally linked to a particular context, which means that a changing context fosters a change in power and vice versa. Thus, Joseph Nye (2011) argues that there is a need to specify “who is involved in the power relationship (the scope of power) as well as what topics are involved (the domain of power)” (p. 6). Depending on the issues he further states that there is a softer and harder form of power.

Under the concept of soft power Nye refers to a persuasive form of attraction, which defines the ability “to get preferred outcomes through the co-optive means of agenda setting, persuasion, and attraction” (Nye, 2011, p. 16). Nye (2011) refers to three primary resources to generate soft power: (1) culture, (2) political values, and (3) foreign policy (p. 84). These broad groups can consequently contain subgroups such as diplomacy, academic exchange program, tourism, and the image of the country abroad. Within these categories, intensive training and a
deep strategic approach becomes evident. Thus, states do realize the increasing complexities of the world. The need for new response mechanism towards the diversification of power became a major strategic challenge. The aspect of soft power is, therefore, a very nuanced and sensible subject matter, which is strongly interrelated with the perception of another party. In this regard, soft power aims to ‘attract’ without using strong force. A nuanced and adequate soft power strategy depends therefore widely on information and must offer a story, which creates a pulling effect (Cooper, 2004, p. 176). In most of the cases, the state which wants to apply a soft power strategy through e.g. cultural diplomacy must study the other party in advance. However, soft power approaches “can stem from governments and nongovernmental actors—businesspeople and Peace Corps volunteers and pop music stars, as well as politicians and leaders.” (Kurlantzick, 2007, p. 6). The study of ‘the other’ always considers a diverse range of e.g. socio-cultural and historical aspects. Furthermore, the accumulated information are further processed. On the state level, decisions regarding the training of diplomats and high officials are therefore firmly based on the aggregated information. Other forms of soft power can be related to the vast and controversial field of development aid or foreign investments. Nonetheless, not every successful soft power mechanism was necessarily planned. A coherently planned soft power strategy becomes rather unlikely when it comes to lifestyle, youth culture or other forms of culture. The ‘pull’ aspect of soft power is therefore not only related to the creation of new soft power elements, but it can also focus on the promotion of existing attracting factors. Also, soft power is a highly-sophisticated concept, and sometimes the different involved non-governmental actors are not necessarily following the strategic approach of the government. The aspect of the internet and the globalization of information is another rather difficult variable which, however, plays a relevant role in the context of soft-power creation. The internet expands, therefore, the framework where soft power takes place also expands.

**Hard power**, however, refers more to a ‘push’ approach with primarily military and economic resources. Nonetheless, these two sub-concepts cannot be strictly separated from each other. Classical economic hard power mechanisms such as economic resources “can produce soft power behavior as well as hard” (Nye, 2011, p.52). Impressive economic growth is, for example, a hard power element, but can also create a strong attraction for other countries to cooperate. The realist school of thought it historically strongly related to the concept of hard power. Thus, the *Realpolitiker* Bismarck famously stated that “this policy cannot succeed through speeches (...) and songs; it can be carried out only through blood and iron” (Cooper, 2004, p. 169). The changing dynamics of global politics, a supranational western institution such as NATO and economic cooperation create a condition in which soft power is often used
as a powerful legitimization tool to make hard power even more potent (Cooper, 2004, p. 178). Cooper (2004) further argues that due to the state need for power and legitimacy, “there is hard power without soft power” and vice versa (p. 179).

In this regard, a nuanced strategic combination of hard and soft power is labeled by Joseph Nye as **smart power**. Joseph Nye (2011) defines smart power as a strategic concept, which provides answers to five central questions: (1) What goals or outcomes are preferred? (2) What resources are available and in which context? (3) What are the positions and preferences of the targets of influence attempts? (4) Which forms of power behavior are most likely to succeed? (5) What is the probability of success? (pp. 208-209). The relevance of this nuanced, smart power approach is based on the increasingly complex challenges and threats which countries are facing. For instance, the aspect of international anti-terrorism policies, the strengthening of economic ties, extractivism of natural resources in foreign countries, or the signing of free trade agreements require more than hard power strategies. Therefore, hard power strategies are decreasingly able to respond to many of the challenges of the 21st century. Thus, the challenge for states to create legitimacy and trust are fundamental aspects which matter in the age of information and global interdependencies. Thus, trust building processes are getting increasingly important, because powerful actors of the global south such as Brazil, India, or the PRC have entered the global arena. To be able to lay the foundation for e.g. economic relations, soft power strategies in the form cultural exchange programs, diplomacy and foreign aid are getting increasingly important. Nye (2011) strongly argues that smart power is the ‘next step’ in studying the concept of power. The aspect of soft power is named in this context as an “increasingly important part of smart power strategies” (Nye, 2011, p. 84).

4. Historical Background

The following chapter provides the necessary ground structure for the analytical part of this research. Firstly, the historical framework of the development of the LAC region will be provided. The focus on the epoch of colonialization towards the Cold-War will be the starting point. Secondly, a link towards the utmost important situation of Chile in the 1970s will be provided. Based on this linkage the particular research interest for Chile will be underlined. Thirdly, a condensed overview of the political, economic, and historical dimension of ‘the rise of the PRC’ will be provided. Fourthly, the increasing contemporary involvement of the PRC in the LAC region will be analyzed. Resulting from the growing China-Chile relations, the fifth part will provide an overview of the FTA.
4.1 The development of the LAC region: From colonialization towards the Cold-War

Bortoluci and Jansen (2013), two renowned scholars in the field of postcolonial political sciences, are naming three main Latin American experiences with colonialism. First, the Spanish and Portuguese colonial strategies are a central axis. The correlating experiences of “Catholicism, the distinctiveness of Iberian legal traditions and mercantilist policies, lower levels of racial and ethnic closure due to fetters upon representative government, and the coupling of higher levels of state control with low levels of bureaucratization on the ground” are named as “unique features” (Bortoluci & Jansen, 2013, p. 202). Secondly, the colonialist epoch “subjugated societies and territories” in the LAC region (2013, p. 202). These conditions laid the foundation for the marginalization and discrimination of ethnic groups, and the justification of their exploitation based on the belief in ‘white supremacy’ (2013, p. 203). Thirdly, the economic, political, social, and cultural dimensions in the LAC region were extremely influenced by colonialism (2013, p. 203). For example, the aspect of trade was constructed along the lines of exploitations, zero-sum games, and dependencies. Also, the cruel heritage of imperialistic trade structures has been transferred to the epoch of post-colonialism. Thus, Great Britain and the US sustainably influenced the domestic and foreign policies of the countries of the LAC region (Bortoluci & Jansen, 2013, p. 203)

The post-colonialist phase started in Latin America with the independence from the colonial imperialistic rule in the time after 1820 (Bates et al., 2006, p. 3). The end of imperialism and colonialism led to also to a collapse of previous existing governmental structures. Thus, the protection of the new territories created costly border wars of the new republics. The combination of economic instabilities, violence and political instabilities led in following decades to ‘Latin America’s falling behind’ (Prados de la Escosura, 2006; Bates et al., 2006, p. 12). This epoch was also an end of European colonization and created a ‘vacuum’ of governance, power and political intervention. The US foreign policy approaches increasingly started to fill the gap and aimed to prevent European recolonization. Consequently, in 1823 US President James Monroe and his cabinet formulated the so-called ‘Monroe Doctrine’ which explicitly demanded the power political and hegemonic role of the US in the LAC region. Thus, this doctrine was a self-constructed power political plan were the US defined their imperialistic role in a newly decolonized LAC region1. The doctrine was not a single event, it was rather a

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1 „The key of understanding the 19th century Monroe Doctrine is the simultaneity and interdependence of anticolonialism and imperialism. The historian William Appleman Williams perhaps summed it up best when he labeled American statecraft imperial anticolonialism” (Sexton, 2011, p. 5).
“never ending building-project” with long lasting impacts on the LAC region, especially in terms of foreign political involvement in that region (Sexton, 2011, p. 4).

At the end of the 19th century and beginning of the 20th century, the US political, strategic, and economic interest in the LAC region increased. Thus, especially in the course of the inter-war period, US involvement in trade and investment in e.g. Venezuela (oil industry) and Chile (copper industry) became increasingly evident (Brands, 2010, p. 11). The strategic dimension of Washington’s approach in the LAC region also became an important aspect of the US involvement in the 20th century. The territories of the Panamanian canal zone, Guantanamo Bay, Puerto Rico and other Caribbean countries were part of Washington's aggressive power political, strategic approach (Brands, 2010, p. 11).

Furthermore, the 1950s were shaped by socio-political tensions. Rising inequalities, regional political divide, and strong antipathy towards the US were the perfect breeding ground for the revolutionary thoughts of the Cuban Revolution (Brand, 2010, pp. 24-26). The spillover effect on the LAC region increased in the 1960s when Fidel Castro got into power. The LAC region developed towards a central ‘battleground’ of the Cold War. The Cuban missile crisis demonstrates in this context the closest event which could have turned the Cold War tensions into a nuclear conflagration (Brands, 2010, p. 50).

In this context, the US government increasingly sought to influence the LAC region in their political, strategic, and economic interest. The example of the Chilean coup d'état in 1973 represents one of the most famous historical events of US involvement in the internal affairs of a Latin American country. The following part will provide an insight into the historical context of Chile’s economic and political developments between the 1970s and the millennium.

4.2 The development of Chile: From the 1970s until the millennium

The influence of the Cuban revolution in the LAC region was of importance for the development of the entire LAC region in the late 1960s. Therefore, during the 1960s different Chilean socialist political movements and other left minded parties aimed to follow in the footsteps of the Cuban revolution. The Movement of the Revolutionary Left (MIR), one of the left Chilean parties, represented an increasingly popular opinion, which demanded an “armed struggle to overthrow capitalism” (Collier & Sater, 2004, p. 321). The aspect of violence was a widespread tendency among many parties and militant groups in Chile during the late 1960s. Furthermore, among the leading figures of the Chilean Socialist party also existed the pursuit of creating a “revolutionary state” (Collier & Sater, 2004, p. 321). Other socialist figures such as Salvador Allende, however, supported the ‘old’ strategy of democratic elections (Collier &
In the course of the continuing spread of socialist and communist movements in the post-Cuban era, the Chilean people democratically elected Salvador Allende in 1970. This election was a symbol for a democratic path to socialism and demonstrated a stark contrast to the Chilean neighbors, which were under military regimes at that time. Therefore, the “advent of a second socialist government in Latin America exerted a turbulent effect on regional affairs” (Brands, 2010, p. 107). The ideological relevance of Allende’s election was of importance for the socialist and guerrilla movements on the regional level. In this regard, even if the Cuban revolution ended in 1959, the election in Chile demonstrated a new socialist impulse. Fidel Castro even went so far as to say that the election of Allende was “the most important event after the Cuban revolution in Latin America” (Brands, 2010, p. 107).

Allende’s agenda strongly focused on the nationalization of the copper industry, the increase in wages, and the growth in the expenditure for social programs in the field of e.g. health, education, and child assistance. The total investment for social programs (millions of US$) has been increased from 562.8 (average for the years 1965-96) up to 1,012.6 (1972) (Collier & Sater, 2004, p. 331). The support for this vision of a democratically based socialism was not high among the Chilean people and many of Allende’s follower. Nonetheless, the beginning of the Allende government can be seen as a success. After the first twelve months, the situation changed and the government found themselves confronted with an increasing inflation rate, workers strikes, and a growing unemployment rate. The situation within the nationalized mining industry can be named as a tumultuous example. Therefore, the central agenda focus of nationalizing the Gran Minería led to an increasing wage conflict with the miners. The announced increase in wages did not happen, which further empowered the political discontent. In particular because the “Christian Democrats (…) who dominated the mining unions” encourage the miners discontent “to embarrass the government” (Collier & Sater, 2004, p. 336).

On the party-political level, the tensions were increasing as well. Within the governing coalition Unidad Popular, which consisted of six different parties, radicalism, and internal divide grew in the 1970s. The Unidad Popular became more distinctly split between those who believed in the important road towards socialism and the radical ‘ultras’ (Collier & Sater, 2004, p. 333).

Under the Nixon government, the US were a major actor which proactively fueled the political destabilization of Chile. Thus, with the support of the US Navy, the military coup against Allende began on 11 September 1973 (Collier & Sater, 2004, p. 357). After the bloody coup, which had overthrown the government of Allende, General Pinochet came to power. In
the further course, many Chileans experienced for almost two decades the cruelties of a military junta. Left wing politicians and any other political opposition were arrested, murdered, or escaped into exile. The entire academic institution was controlled by "uniformed delegate-Rectors" (Collier & Sater, 2004, p. 359). Regarding the economic situation, Chile experienced an ideological shift towards an extreme form of neoliberalism. Thus, trade unionism became prohibited, the minimal wage was abolished, import taxes were “brought down by an average of 70 percent to 10 percent”, and the privatization of the economy further increased (Collier & Sater, 2004, pp. 360-366).

In 1982, the increased ‘liberalized’ Chilean economy was severely hit by the global financial and economic crisis. Parallel to the crisis, the voices for political change became louder in the following years. In 1990, the government changed, and Chile started a new phase towards becoming a democratic, progressive country. In the following years, the economy further increased its neorealistic approach. The 1990s were characterized by "Chile's highest economic performance" in this century and an "evolution of poverty reduction and other the improvement of other social indicators" (Collier & Sater, 2004, p. 398). The relative political and economic stabilization of Chile also led to a change in its regional and global role. Thus, increasing globalization was politically ‘welcomed’, and Chile started to deepen their economic relationship with its neighbors, but more importantly with the US and the PRC. The following part will consequently provide a historical insight look into the ‘rise of the PRC’. Additionally, the PRC’s interests and involvements in the LAC region with the beginning of the millennium will be provided.

4.3 The ‘rise of the PRC’

Regarding the fields of trade, investment, and foreign exchange reserves, the PRC demonstrates an impressive development since the reforms by Deng Xiaoping in the 1970s (Seitz, 2000, pp. 17-20). Thus, as the largest exporter and second largest importer in the world, the PRC’s merchandise exports and imports increased on average by 18 percent between 1990 and 2014 (Morrison, 2013, p. 20). Approximately one-third of the PRC’s exports require low skilled workers and a high level of natural resources (Deloitte, 2016, p. 46). The PRC’s in- and outflow of investments is of utmost importance. Thus, with US$ 116 billion in 2014, the PRC’s annual FDI outflows is “according to U.N. estimates (…) the third largest source of global FDI in 2014” (Morrison, 2013, p. 18). Considering the purchasing power parity (PPP), the GDP

2 „China’s foreign exchange reserves peaked at nearly US$ 4.0 trillion in August 2014” which are the world largest reserves in foreign currencies (Morrison, 2013, p. 18)
from 2014 would rise to US$17.6 trillion which “would indicate that the PRC overtook the US as the world’s largest economy” (Morrison, 2013, p. 9).

The developments in Latin America are based on national and regional reorientations through market-orientated, and structural reforms after the end of the Cold War (Cesarín, 2007, p. 17). On the other side, the 1978 ‘Deng-reforms’ defined an utmost important starting point for the PRC’s ‘open-up’ strategy. Fast shifting dynamics become visible. Thus, this new dynamism consists of a new multilateral post-Cold War structure, and an increasing shift “from the established industrial countries to the ‘emerging economies’” (Lowenthal & Baron, 2015, p. 35). Thus, the PRC’s economic and foreign political involvement in the LAC region is one of the most exciting developments in this context. Based on the provided historical dimensions of the PRC, the LAC region, and Chile, the following part provides information about the PRC’s interests and involvements towards the LAC region in the 21st century.

4.4 the PRC’s interest and involvement in the LAC region in the 21st century

The PRC’s involvement in the LAC region is a multilayered and highly complex field of research. Based on the provided historical context of the PRC and the LAC region, it becomes evident that the these ‘two streams’ do share in many aspects similar ‘sources’. Thus, the history of the PRC and the LAC region are telling a story of extremes. The lieu de mémoire of being an early high culture which experienced its bloody ‘decline’ do have a formative influence on a contemporary national/regional identity. Furthermore, the PRC and the LAC have experienced the devastating and formative consequences of colonialism and imperialism which should not be underestimated in this context. With regard to the rather vague framework of ‘socialism’ the PRC and the LAC region were also on ‘the same side’ during the Cold War. Furthermore, the post- Cold War era in the LAC region was dominated by leftist governments. This fact also played an increasingly important role in the field of the PRC’s involvement in the region. However, even if the PRC’s involvement in the LAC region represents an important topic in IR, it remains unclear how and in which form the PRC will act in the LAC region in the near future and which consequences this may cause. However, this research will not substantiate the pure realist threat debate of the ‘rise of the PRC’. Instead, the analytical part of this research will contribute towards the academic understanding of the PRC’s rise by providing a comprehensive analysis of the PRC’s foreign political and economic relations towards Chile. For this purpose, it is essential to provide a meaningful historical foundation. This understanding is necessary because of certain historical events, such as the PRC’s and Chile’s
path towards neoliberalism, correlating with the contemporary involvement of the PRC in the region.

Since the millennium, the economic interests and involvements of the PRC towards the LAC has increased. In April 2001, Jiang Zemin, President of the PRC at that time, went on a two-weeks journey to the LAC region. From this visit onwards, the PRC further widened and deepened its relationship with many states of the LAC region. Thus, an important aspect of the PRC’s involvement towards the LAC region was related to the construction of strategic partnership agreements. Strategic partnership agreements were signed with Argentina (2004), Brazil (1993), Mexico (2003), Venezuela (2001) which further led to tighter strategic actions between the PRC and the LAC region (Soliz Landivar & Scholvin, 2011, p. 2). The extensive strategic plans between e.g. the PRC and Brazil were set down in an official action plan. This plan included concrete ideas in the fields of trade, mining, financial policies, and education (2011, p. 2). The interest of the LAC region was to further strengthen the ties with the PRC, which were also related to the view that the PRC will become the new global superpower. At the beginning of the new millennium, the main focus of the PRC lied on the named four countries. The most important motivation of the PRC government was to coordinate political decisions within the LAC region and to build a cooperative foundation and trust. Regarding the aspect of developmental support, the PRC became also a new an utmost important source for monetary aid. Thus, as an example, in the early 2000s, the PRC established a US$ 12 billion development fund with Venezuela. This was the start for closer economic cooperation and wide-ranging financial assistance between the PRC and the LAC region. These developments correlating with a decreasing presence of the USA in the LAC region with the beginning of the 21st century. Thus, the events of 9/11 led to the scenario in which “the U.S. almost immediately adjusted its geopolitical interest towards the Middle East after declaring war on Terror in 2001.” (Lee, 2016, p. 237). Meanwhile, the PRC’s political reforms which further fostered an ‘open-up policy’ provided a suitable condition “for the PRC to enter into the LAC region to fill the void.” (2016, p. 241). The involvement has resulted in a remarkable increase in investment, trade, loans and stronger diplomatic and cultural ties (Harris, 2015, p. 154). With regard to total trade (import and export) between the PRC and the LAC region the numbers increased from US$ 12.6 billion in 2000 to US$ 70.22 in 2006 (Li, 2007, p. 842). In this context, the aspect of raw materials plays a fundamental role in the PRC’s trade interests. Regarding the economic boom of the PRC, the manufacturing sector requires an enormous supply of raw materials. This hunger for natural resources is a primary engine for the PRC’s orientation towards the resource-rich LAC region. Within the past decades "the PRC has become a principal consumer of food,
mineral, and other primary products from Latin America” (Domínguez, 2006, p. 2). This demand for raw materials led to an increase in prices which has been under pure economic terms a beneficial progress for the LAC region (Harris, 2015, p. 154). Nonetheless, the PRC’s increasing interest in commodity products further intensifies the shrinking diversification of the exports from the LAC region. The demand for the similar range products among the LAC countries can lead to a volatility of the commodity prices because a wide variety of suppliers is competing for the lowest price. This problem is strongly visible in the field of agrarian products such as bananas and cocoa.

Another dimension of this competitive pressure is related to the negative influence of cheap Chinese products on the domestic markets of some countries of the LAC region. Thus, in the context of the LAC region, Mexico has the highest trade deficit with China. The reason for this development is strongly related to the fact that the industrial parts of the Mexican and Chinese economy are very similar. This means that the competition between both countries for similar products is very high. The affected sectors are primarily those industries which are characterized by labor intensive productions. The textile industry is of utmost importance for Mexican exports. The maquiladora industry plays, therefore, a central role in the production of export goods. With the increasing Chinese competition, the maquiladora industry significantly decreased in its production which consequently affects the Mexican export industry. In addition, Utar & Ruiz (2013) found out that “employment growth and entry are negatively affected by Chinese competition” (p. 26). Furthermore, their comprehensive research has also provided evidence that “competition especially affected the most unskilled labor-intensive sectors among the ones that are threatened most by Chinese competition, leading to sectoral reallocation.” (2013, p. 26).

Regarding trade, bilateral relations between the PRC and the LAC region has been increased since the turn of the millennium. The closer economic ties are extensively intervened with the political dimension. Thus, a key political-economic objective for the PRC was to become recognized as a market economy (Li, 2007, p. 841). Moreover, the accession to the WTO in 2001 was a major strategic cornerstone for the PRC’s economic future in e.g. the LAC region. Many countries have not accepted the definition of a Chinese market economy. In the context of the LAC region, however, “Chile, Venezuela, Peru, Argentina, and Brazil agreed to recognize the PRC as a ‘market economy’” in 2004 (Li, 2007, p. 841). These close ties are also

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3 In the case of Mexico, “Maquiladoras are export assembly plants historically specialized in labor-intensive products such as apparel, footwear, electronics and toys” (Utar & Ruiz, 2013, p. 2). In addition, “a typical maquiladora plant imports inputs mostly from the United States, processes them, and then ships them back.” (2013, p.5).
becoming visible in the field of investment. Thus, Chinese FDI’s are another important economic objective. Thus, most of the PRC’s FDI’s in the LAC region are going to tax havens on e.g. the Cayman Islands. Another major part of the PRC’s investment volume “has gone to natural resource extraction” (Koleski, 2011, p. 10).

It becomes evident that the PRC has diversified its strategies in the recent years to become deeper involved in the LAC region. Thus, the expansion of diplomatic ties became an increasingly important form of the PRC’s involvement in the LAC region. Since the millennium, the PRC increased its high-level political, military, technological and cultural exchanges towards the LAC region. The 2016 China’s Policy Paper on Latin America and the Caribbean explicitly formulates the PRC’s interest and visions towards the LAC region. Among the mentioned fields of cooperation, the recognition of the ‘one China principle’ is clearly named as a central precondition for any deeper form of Chinese cooperation. Most of the countries who do not accept the ‘one China principle’ are from the LAC region. This fact demonstrates that the Taiwan issue plays a role in the context of the PRC’s involvements towards the LAC region. However, the fight for the ‘one China principle’ can be defined as less important than the PRC’s economic and foreign political aspirations towards the region. Moreover, the history of the PRC’s involvement in the LAC region shows that the PRC does not pursue an approach of aggressively challenging the US dominance. The academic focus on analyzing the regional effects of the PRC’s future involvement remains of utmost importance. The particular case of the China-Chile relations will be further examined. Thus, information on the PRC-Chile FTA will be provided in the next paragraph.

4.5 The China-Chile relations

The ties between the PRC and Chile have a relatively long history. Thus, in 1970 Chile was the second South America country which established diplomatic relations with the PRC under the recognition of ‘one-the PRC’ principle. This diplomatic step by the Allende government was also of importance on the international level. Thus, only “Italy, Canada, and Cuba had endorsed the one-the PRC policy before Allende did” (Montalva & Navia, 2007, p. 3). The two different political situations and their different paths towards market liberalization hampered both countries to enlarge and intensify their relations consistently. Even though total trade between the PRC and Chile developed during the Pinochet dictatorship, the ‘breakthrough’ took place with Chile’s return to democracy. Thus, with the end of the Pinochet dictatorship, the Chilean economy was further ‘liberalized’, and the PRC followed its ‘open-up policy’. These important steps provided the foundation for a new phase of the China-Chile
economic relations. The end of the 20th century was, therefore, a new beginning of the China-Chile relations which further developed in the 21st century. In this regard, in 1991 the PRC exported goods in the value of US$ 100 million to Chile (Montalva & Navia, 2007, p. 6). This number has grown by 800 percent in the year 2000, which led to the fact that Chile became “the PRC’s third most important trade partner in the LAC region” (Montalva & Navia, 2007, p. 6). Moreover, the primary interest of the PRC’s relation towards the LAC region is economic. Already around the turn of the millennium, Chile’s main exports to the PRC were copper and other minerals. In return, the PRC exported mainly manufactured goods to Chile. The underlying dynamic of the PRC’s relations towards Chile was highly politicized. In this regard, at the end of the 20th century, Chile was the first country in the LAC region which supported the entry of the PRC into the WTO. Thus, these political signals were important cornerstones for the future of the China-Chile relations.

5. Empirical Results & Analysis

The following chapter is divided into a part which presents the empirical results and an analytical part. This structure aims to answer the following research questions.

1) Why does the PRC have become increasingly involved in the LAC region within the past decade?
2) How do the PRC’s economic and foreign political relations with Chile evolve after the coming into force of the FTA in 2006?
3) What are the primary drivers (economic, geopolitical, diplomatic) of the PRC’s relationship towards Chile and can the PRC’s attitude be considered as part of a ‘smart power’ scheme in that sense?
4) Which of the chosen school of thoughts can best explain the PRC’s behavior towards Chile in the fields of power maximization, cooperation, and the creation of a structure?

Therefore, the first part of this chapter deals with the creation of empirical results of the PRC-Chile FTA. The empirical results are based on an examination of the PRC’s economic and foreign political relations towards Chile after the coming into force of the FTA. To deepen the analysis the second part will apply theory. Furthermore, this chapter analyzes the question in how far the PRC’s foreign political and economic evolutions towards Chile can be considered as part of a smart power strategy.
5.1 Empirical Results

5.1.1 The PRC-Chile FTA

In 2005, the PRC and Chile entered a new phase of economic cooperation. The signing of the PRC-Chile FTA was the first FTA “China signed with an individual country” (Zárate, 2016, p. 36). The FTA is a bilateral agreement which formulates in its preamble the promotion of free trade, the promotion of mutual benefits, and the aim of strengthening the “special bonds of friendship and cooperation” (China’s Ministry of Commerce, 2005, p. 2). Moreover, the agreement states further to support the “wider liberalization process in the Asia-Pacific Economic Cooperation (APEC)” (2005, p. 2). An interesting point is the far-reaching recognition that the agreement should “be implemented with a view towards raising the standard of living, creating new job opportunities, and promote sustainable development in a manner consistent with environmental protection and conservation and (…) promote the public welfare within each of their countries” (2005, p. 2).

The PRC-Chile FTA is a comprehensive agreement, which includes a wide range of statements and actions towards trade in goods and the central aspect of the reduction of import Custom duties. Therefore, Annex 1 of the FTA deals with the ‘Elimination of Import Customs Duties’. This approach provides four categories of reducing tariffs on imports from the PRC to Chile. The four categories are (1) one year, (2) 5 years, (3) 10 years, and (4) products which are “not subject to tariff elimination” (China’s Ministry of Commerce, 2005, p. 64).

Chapter 4 entails another important economic regulation, namely the ‘Rules of Origin’. Thus, under Article 15 the rule states that goods must be wholly produced and obtained in the PRC or Chile, or they must be produced in the named countries, but the materials can be from other countries, “with a regional value content no less than 40 percent” (China’s Ministry of Commerce, 2005, p. 9).

Among the economic rules and regulations on trade and investment, Article 110 takes the aspect of Cultural Cooperation into account. Thus, under Article 104 the diversity of cooperation already becomes evident. Thus, the FTA formulates six distinctive dimensions of cooperation which should be further developed. In this regard, Article 104 states that the different parties shall establish close cooperation aimed inter alia at:

(a) promoting economic and social development;
(b) stimulating productive synergies, creating new opportunities for trade and investment and promoting competitiveness and innovation;
(c) increasing the level of and deepening cooperation actions while taking into account the association relation between the Parties;
(d) reinforce and expand cooperation, collaboration and mutual interchanges in the cultural areas;
(e) encouraging the presence of the Parties and their goods and services in their respective markets of Asia, Pacific and Latin America; and
(f) increasing the level of and deepening collaboration activities among the Parties in areas of mutual interest.

Source: (China’s Ministry of Commerce, 2005, p. 52)

5.1.2 The PRC-Chile trade relations post 2006

The signing of the PRC-Chile FTA in 2005 and the coming into force in 2006 was a milestone in the bilateral relations between the PRC and Chile, and for the LAC region in general. On the individual state level, this agreement provided a strong basis for the national economic development, in particular in the case of Chile. Thus, “Chilean presidents Lagos, Bachelet, and to some degree, Piñera, for example, made Sino-Chilean trade relations the cornerstone of Chile’s economic policy” (Ellis, 2013, p. 35).

With the coming into force of the FTA in 2006, the reduction of trade barriers became a central policy aspect. Within a period of less than one decade, almost 100 percent of the PRC’s and Chile’s reciprocal trade in goods received free access to their domestic markets. Therefore, of the 7,750 Chinese products which are constantly exported to Chile, 98.1 percent are now exempt from any import tax (MINREL, 2015, p. 5). Concerning Chilean exports to the PRC, 97.2 percent of the 7,336 Chilean products can enter import duty-free (2015a, p. 5). This neoliberal market approach contributed significantly towards an increase in the PRC-Chile total trade. Therefore, Figure 1 shows the trade development between the PRC and Chile between 2003 until 2014. This time frame clearly shows the changing dynamics after the FTA came into force. In 2006, total trade between the PRC and Chile accounted for approximately US$ 9 billion and increased up to US$ 34 billion in 2014. On the other side, the PRC’s imports from Chile started to rise from 2005 onwards. In the course of the global economic crisis, this trend temporarily stopped. On average, however, the PRC’s imports from Chile increased by “15.2 percent between 2005 and 2014” (MINREL, 2015, p. 14). Furthermore, it becomes evident that with the coming into force of the FTA in 2006, the PRC’s exports to Chile started to increase as well. Nonetheless, according to an ECLAC report from 2015, Chile generated a US$ 4.2 billion trade surplus (in 2014) vis-à-vis the PRC (p. 41). This development underlines Chile
distinctive role in the context of the LAC region. Thus, most the countries of the LAC region do have a trade deficit with the PRC. This development is strongly related to the different characteristics of the traded goods, the conditions of trade, and the development of the world market prices for certain goods.

**Figure 1: Development of the PRC-Chile trade relations, 2003-2014 (in US$ millions)**

![Graph showing the development of the PRC-Chile trade relations, 2003-2014](image)

Source: MINREL, 2015a, p. 13

Thus, by analyzing the sample period between 2009 and 2014, minerals accounted for 82.3 percent of the PRC’s imports from Chile (MINREL, 2015, p. 15). In this regard, the portion of copper\(^4\) represented over 75 percent of Chile’s exported minerals to the PRC in 2014 (2015, p. 14). The import value of Chilean copper to the PRC significantly increased from approximately US$ 4.5 billion (2006) up to approximately US$ 14 billion (2014) (MINREL, 2015, p. 15). This significant increase in imported value correlates with the increasing quantity of imported copper, which is strongly related to the reduced tax burden. However, Chile’s dependence on copper exports demonstrates a high-risk potential to their economy, because it requires an increasing Chinese demand and a stable world market price to spur growth. According to OECD estimates “a two-percentage point reduction in the growth rate of domestic demand in the PRC would result in a one-half percentage point reduction in Chile’s GDP growth” (OECD, 2015b, p. 9). This scenario demonstrates the risky state of the Chilean economy.

\(^4\) In terms of the variable ‘copper’ this research uses the UN Comtrade Database and refers to the following ‘HS Commodity Codes’: (740311) Copper cathodes and sections of cathodes unwrought, (260300) Copper ores and concentrates, (740200) Unrefined copper, copper anodes, electrolytic refining, (740400) Copper/copper alloy waste or scrap, and (740100) Copper mattes; cement copper (precipitated copper).
economy. Therefore, the PRC-Chile FTA explicitly stated under Article 2a the necessity to “encourage expansion and diversification of trade between the Parties (the PRC and Chile)” (China’s Ministry of Commerce, 2005, p. 3). In this regard, throughout the years after the coming into force of the FTA in 2006, Chile diversified its exports to the PRC in the fields of bottled wine, salmon, fresh fruits, animal meal and pellets, sawn wood, wood pulp, and chemicals (OECD, 2017). As an example, the exports of wood pulp to the PRC increased from US$ 278 million (in 2005) up to US$ 1.08 billion (in 2014) (MINREL, 2015, p. 15). The export in fruits also increased from US$ 5 million up to US$ 739 million which was strongly facilitated by a zero-duty policy (2015, p. 15).

The economic relation between the PRC and Chile further demonstrated an increasing bilateral trade of goods, even though the PRC remains to play the part of a strong importer of Chilean copper. The FTA, however, was not designed to be ad-hoc. The general interest was to widen and deepen the China-Chile relations. The year 2008 and 2010 are representing two historically steps towards the singing of a complementary agreement. In 2008, the PRC and Chile agreed to sign a service trade agreement which came into force in August 2010. The implemented complementary service trade agreement led to a further opening procedure of different Chinese and Chilean (sub)-sectors. Therefore, the PRC agreed to provide further access to (sub)-sectors such as “service in sector of computer, management and consulting, real estate, mining, environment, sports and air transport” (SICE, 2010). Regarding the Chilean economy, the following (sub)-sectors were included in the agreement: “service in sector of legal service, construction and architecture, engineering, computer, R&D, real estate, advertisement, management and consulting, mining, manufacturing, leasing, distribution, education, environment, tourism, sports and air transport” (SICE, 2010).

This development represents a further important milestone in understanding the PRC’s interests towards Chile. As the first nation in the world, the PRC decided to sign such an agreement with Chile. The necessary base of trust is often underlined by Chinese and Chilean presidents and other high officials. The neoliberal open market approach to duty-free trade and investment are the primary goal. For the PRC, Chile represents the necessary supplier of copper on the one hand, but also a stable partner towards a wider LAC regional market on the other hand. Thus, the PRC is interested in fostering a stable and reliable Chile which further aims to strengthen neoliberalism in a regional context. In this regard, one visible tendency is that the PRC supports Chile on its path towards becoming a regional economic leader. In this context, ex-Chilean President Lagos stated in 2004 “Chile would like to be the link between Asia and

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5 Ricardo Lagos Escobar’s term of office was between 2000 and 2006.
Latin America (…) what will give us the edge will not be just our FTA’s with Asian countries but our connectivity to Asia (…)” (Frohmann & Wilhemy, 2016, p. 229). The complementary agreement in service underlines this strategic approach by further facilitating financial services and other forms of investment in e.g. the field of infrastructure. Moreover, in 2015 the Chinese Premier Li Keqiang proposed six suggestions to deepen the Sino-Chilean relationship further. In this regard, he explicitly suggested to expand further and deepen the “financial cooperation by offering financial services and support for production capacity cooperation between China and Chile, as well as Latin America, making Chile the important gateway of the China-Latin America capacity cooperation.” (The State Council, 2015). This statement provides evidence that the PRC’s foreign political and economic strategies towards Chile contain a regional interest.

5.1.3 The PRC’s FDI outflow towards Chile

The aspect of FDI’s is playing another important role in the “international economic integration” of the PRC (OECD, 2016, p. 76). Thus, FDI’s is creating and strengthen the “long-lasting links between economies” (2016, p. 76). In this regard, Chinese FDI’s in the LAC region are demonstrating an increasingly important process of developing economic linkages. In the context of development aid, it is widely discussed and questioned in how the aspect of FDI can be a catalyst for development and which particular interests are behind it (2016, p. 76). The problem with the official data on Chinese FDI outflows towards the LAC region is that they “do not reflect the real scope (…) because Chinese companies usually channel most of their investments through third countries” (ECLAC, 2015, p. 60). The data are either based on estimations by e.g. ECLAC and OECD or they are only a representation of the FDI outflows according to the Chinese government. Therefore, the aspect of analyzing FDI’s in the context of economic cooperation demonstrates the difficulty of finding reliable data. This limitation stresses the importance of focusing on the analysis of trends, rather than concrete data.

In the context of the LAC region, this form of economic cooperation plays an increasing role consequently. About the PRC’s FDI’s in the LAC region, it becomes evident that they weren’t very strong in the in the 1990s and early 2000s. Thus, the year 2010 represents a turning point in FDI outflow from the PRC to the LAC region. Nonetheless, FDI remained relatively low and centered to certain high investment activities. The increase from estimated US$ 7 billion (1990-2009) up to US$ 14 billion (2010) FDI’s to the LAC region was mainly based on two major investments. The Brazilian oil company SINOPEC and the Argentinian oil company CNOOC received Chinese FDI inflows of estimated US$ 9.75 billion (ECLAC, 2015, p.59).
This trend of high scale FDI inflows into certain countries and firms of the LAC region further increased in the following years. In this development, Chile remained one of the countries which have attracted limited FDI’s from Chinese. According to the ‘National Bureau of Statistics of the PRC’ (see Figure 2) Chinese outward FDI flows to Chile accounted for less than US$ 11 million between 2006 and 2015, which is less than 1% of total Chinese FDI outflows to the LAC region in the same period. Although Chinese FDI’s to Chile are rather weak, certain trends are still apparent. Thus, the mining and agriculture sector has received an increasing inflow of Chinese FDI’s in the past years. In 2008, Hong Kong (excluded from official Chinese outward FDI statistics) company Elegance Ltd “paid US$ 600 million for 60 percent of the assets of Bellavista Holding Group Ltd, a mining company in Chile” (Gachúz, 2012, p. 145). Furthermore, an ECLAC report from 2015 on the economic cooperation between the PRC and the LAC region analyzed an upward trend of Chinese FDI in the Chilean agricultural sector. The China National Cereals, Oils and Foodstuffs Corporation (COFCO) and Joyvio, a branch of a Chinese investment group, increasingly invested in Chilean vineyards and fruit farms in 2010 (ECLAC, 2015, p. 63). In the field of technology and innovation, the PRC’s technology companies Huawei and ZTE increased their engagement in Chile as well, even though, in comparison with e.g. Brazil this development remained relatively low (Ellis, 2013, p. 56). Furthermore, the PRC increasingly invested in renewable energy in Chile. Since 2012, with the support of the China Development Bank, the Chinese company Goldwind started to construct wind farms in Chile (Ellis, 2014, p. 117). Additionally, the PRC started to increase their investments in the field of solar energy. Thus, in 2013 the Chinese company Sky Solar received ‘green lights’ by the Chilean government to invest approximately US$ 900 million over the next few years in a solar energy project in the Chilean Atacama Desert (2014, p. 117). This new dimension of Chinese FDI in Chile is also mentioned by Chinese Premier Li Keqiang in 2015. Thus, he stated that “Chinese enterprises are encouraged to invest in the construction of Chile’s wind power plants and hydropower stations” (The State Council, 2015). These developments are demonstrating the investment potential and interests of the PRC in Chile.
Figure 2: The PRC’s outward FDI in Chile according to the ‘National Bureau of Statistics of the PRC’ (2006-2015)

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI outflow (US$ Mio.)</th>
<th>FDI outflow (according to OECD data) (US$ Mio.)</th>
<th>Share (%) of total Chinese FDI’s in LAC region</th>
<th>Share (%) of the PRC’s total FDI’s worldwide</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5.6</td>
<td>2.2</td>
<td>0.04%</td>
<td>0.008%</td>
</tr>
<tr>
<td>2007</td>
<td>7.2</td>
<td>2.5</td>
<td>0.03%</td>
<td>0.001%</td>
</tr>
<tr>
<td>2008</td>
<td>5.1</td>
<td>8</td>
<td>0.02%</td>
<td>0.005%</td>
</tr>
<tr>
<td>2009</td>
<td>3.2</td>
<td>6.5</td>
<td>0.02%</td>
<td>0.003%</td>
</tr>
<tr>
<td>2010</td>
<td>14.6</td>
<td>10.2</td>
<td>0.11%</td>
<td>0.01%</td>
</tr>
<tr>
<td>2011</td>
<td>16.7</td>
<td>12.4</td>
<td>0.13%</td>
<td>0.01%</td>
</tr>
<tr>
<td>2012</td>
<td>20.7</td>
<td>17.2</td>
<td>0.21%</td>
<td>0.02%</td>
</tr>
<tr>
<td>2013</td>
<td>20.9</td>
<td>8.3</td>
<td>0.25%</td>
<td>0.02%</td>
</tr>
<tr>
<td>2014</td>
<td>6.2</td>
<td>12.5</td>
<td>0.08%</td>
<td>0.005%</td>
</tr>
<tr>
<td>2015</td>
<td>5.2</td>
<td>11.2</td>
<td>0.06%</td>
<td>0.004%</td>
</tr>
<tr>
<td>2016</td>
<td>NDA</td>
<td>NDA</td>
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The reasons for the modest outflow of Chinese FDI to Chile is strongly related to the core economic strategy of the PRC towards Chile. Thus, safeguarding a high supply of copper is the top priority for the PRC in the context of economic interaction with Chile. Because the copper industry is largely in the hands of the Chilean state, possibilities for FDI’s are limited. Additionally, Matías Mori, executive vice-president of Chile’s Foreign Investment Committee
stated that “(...) a lot of Chinese companies don’t know the comparative advantage that Chile has” (Gachúz, 2012, p. 145). This statement is made evident by Zhang Yunling’s (2011) empirical research (see Figure 3) on the benefits and costs of the PRC-Chile FTA. Thus, among the 190 responding PRC firms, only 24 (12%) stated in a survey (conducted in 2010) that “Promoting FDI and new business opportunities” is perceived as a benefit of the PRC-Chile FTA (Yunling, 2011, p. 118). The majority of the responding firms mentioned the ‘Increased market access’ (23%) and the ‘Greater convenience due to enhanced trade facilitation’ (19%) as the largest benefit of the FTA (2011, p. 118).

**Figure 3: Benefits and costs of FTAs as indicated by PRC firms (number of respondents)**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>ASEAN-PRC CECA</th>
<th>PRC-Chile FTA</th>
<th>PRC-Pakistan FTA</th>
<th>PRC-New Zealand FTA</th>
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<tbody>
<tr>
<td>Cheaper intermediate goods due to lower tariffs</td>
<td>63</td>
<td>25</td>
<td>17</td>
<td>20</td>
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<tr>
<td>Increased market access</td>
<td>124</td>
<td>43</td>
<td>33</td>
<td>50</td>
</tr>
<tr>
<td>Promoting FDI and new business opportunities</td>
<td>76</td>
<td>24</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td>Greater convenience due to enhanced trade facilitation</td>
<td>89</td>
<td>36</td>
<td>36</td>
<td>37</td>
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<tr>
<td>Concentration of production, including deepening of production networks and supply chains</td>
<td>39</td>
<td>9</td>
<td>9</td>
<td>14</td>
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</table>

**Costs**

- Increased competition: 69, 18, 16, 20
- Documentation related to FTA use: 54, 27, 16, 19
- Competitive disadvantage: 18, 3, 6, 6
- Relocation of production: 14, 5, 4, 4

Source: Yunling, 2011, p. 118

5.1.4 **The PRC-Chile foreign political relations post 2006**

From the aspect of the PRC’s engagements towards Chile and the LAC region in general, the analysis of foreign political ties plays an essential role. The following part demonstrates the multiple strategic approaches by the PRC’s towards the LAC region. As previously stated, the *China’s policy paper on the LAC region* from 2008 and e.g. 2016 are formulating clear ambitions towards fostering e.g. cultural, social, academic, military, and diplomatic cooperation and exchange programs with the LAC region. With regard to the PRC’s relations towards Chile, the FTA mentions the goal to expand and strengthen bilateral cooperation reciprocally. To be able to grasp the term of foreign political relations this analysis focuses on diplomacy (such as presidential visits) and exchange programs (research, cultural, and military).

In quantitative terms, it becomes evident that the PRC’s premier and presidential total visits to the LAC region increased from fourteen (2001-2009) up to seventeen visits between
2010 and 2015 (Peters, 2015, p.7). Concerning Chile, two visits took place before the implementation of the FTA, followed by two additional visits in the years 2012 and 2015 (Peters, 2015, p.7). This situation, however, should not be interpreted as a lack of increasing diplomatic interest. Thus, the aspect of presidential visits between the PRC and Chile were rather a vehicle for further diversification of strategic cooperation in other areas.

Thus, military exchange relations are an increasingly frequented field of interest, which becomes evident in the PRC’s reciprocal strategic relations towards Chile. These engagements are best understood by categorizing them into the following two categories: “(1) meetings between senior military officials, and (2) lower-level military-to-military interactions (Ellis, 2013, p. 90). In this regard, Figure 4 provides examples of military cooperation between the PRC and Chile after the signing of the FTA in 2005. The table is divided into two categories, namely ‘Senior Military Officials’ and ‘Lower-level military-to-military interactions’ and the years when certain cooperations took place. This table visualizes an extract of military cooperation’s between the PRC and Chile in the years after the signing of the FTA in 2005. Therefore, this approach provides an overview of the military cooperations between the PRC and Chile. Furthermore, elements such as teaching Mandarin Chinese language to Chilean military officials demonstrates that cultural and military exchange programs are partly interlinked. This table consequently provides a more nuanced and detailed picture of the PRC’s power political strategies towards Chile.

Figure 4: Examples of Military cooperation between the PRC-Chile, 2005-2015

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<td>Category</td>
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<td><strong>Senior Military Officials</strong></td>
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<td>Chinese military delegation went to Chile to foster ‘diplomatic’ ties</td>
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<td>Defense ministers met in Beijing to strengthen cooperation in fields of security</td>
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<td>Commander in Chief of the Chinese Airforce met with Chinese Defense Minister in Beijing to discuss cooperation and training</td>
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<td>Chinese and Chilean Defense Ministers met to strengthen military cooperation</td>
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<td><strong>Lower-level military-to-military interactions</strong></td>
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<td>Chinese Navy Ship Emeryuda made its first visit to China</td>
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<td>Reciprocally, Chinese Destroyer Shijiazhuang visited Valparaiso</td>
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<td>After China’s support, Chile was invited to the Western Pacific Naval Symposium</td>
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<td>In the Center of Military instruction of the PLA, Chilean marines attending martial arts courses</td>
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<td>Chilean Military training (naval, air force, military strategy, etc.) by the Chinese Defense Studies Institute in Changping</td>
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Source: Visualization by the author based on information by Elli, 2013, pp. 92-107; Kavalski, 2016, pp. 199-201; MOD, 2015
Other forms of exchange are becoming visible in the field of research and development. Thus, the PRC and Chile established in February 2013 “a joint astronomy research center to support enhanced collaboration in space activities” (Ellis, 2013, pp. 69-70). The exchange of academics and students is very important in the field of the PRC’s foreign political strategy towards Chile. Thus, the promotion of Chinese language and culture abroad is a constantly developing aspect of the PRC’s foreign policy. The Confucius Institutes are the central Chinese international tool to promote Chinese language and culture. Furthermore, they enable the cultural and academic exchange between the PRC and other countries such as Chile. The two Institutes in Chile were both established in 2008. The cooperation between Chinese and Chilean universities is an essential cornerstone in the process of cultural promotion and academic exchange and collaboration. Other campaigns such as the ‘Year (2015) of Chinese Culture in Chile’, ‘Chinese New-year’ in Chile, or ‘the Chile Week’ in the PRC, aimed to further strengthen the ties between the PRC and Chile (Xinhuanet, 2015).

5.1.5 Interim résumé

Since the coming into force of the FTA in 2006, it became apparent that the PRC is increasingly focusing on the development of a more nuanced form of economic and foreign political cooperation towards Chile. Thus, the hard power political foundation is based on trade which has increased significantly due to the elimination of trade barriers. The aspect of trade, especially in the field of importing copper, remains the top priority in the PRC’s economic relation towards Chile. However, the analysis also showed that the diversification of Chilean exports to the PRC increased since 2006 as well. With regard to FDI’s, the analysis demonstrated that Chile had attracted limited FDI’s from Chinese. Nonetheless, in the fields of renewable energies and infrastructure, Chinese FDI’s increased. On the policy level, the PRC and Chile signed a complementary service trade agreement, which provided new investment possibilities, including a stronger outreach to the region. Thus, Chinese Premier Li Keqiang underlined the PRC’s interest in supporting Chile in their ambition to become a ‘bridge’ between the LAC region and the PRC. These predominant hard power aspects are increasingly supported by the use of soft power. The example of the ‘Chile Week’ demonstrates the interconnectedness between these two forms of power aggregation. In this regard, the PRC proactively works on the realization of the strategies mentioned in the China’s policy paper on the LAC region. In this regard, the aspect of the PRC’s development of smart power is becoming evident. Regarding Chile, the increasing Chinese smart power scheme is, however,
dominated by trade, a rather hard power element. The aspect of Chinese soft power demonstrates certain limitations. In this regard, the cultural and language differences between the PRC and Chile are limiting the soft power ambitions among the wider public. Nonetheless, according to the Pew Research Center’s Global Attitudes Survey (2013), 75 percent of the questioned Chilean interviewees stated that they “admire the PRC’s technological and scientific advances” (p. 27). This demonstrates a possible strength of the PRC’s strategy towards increasing the involvement in the field of technology and research. The enhanced collaboration in space activities could be named as one example of a softer form of smart power. Nonetheless, the PRC applies a rather ‘hard’ form of smart power towards Chile.

5.2 Analysis

The following part further analyses the PRC economic and foreign political relations with Chile by applying defensive neorealism and neoliberal institutionalism. These two theoretical lenses will deepen the understanding of the PRC’s behavior towards Chile in the fields of power maximization, cooperation, and the creation of a structure? In this regard, to be able to examine this question, the two theories will focus on the following three main reference points: (1) The role of order and structure, (2) the role of power, and (3) the role of cooperation.

5.2.1 Defensive Neorealism

(1) The role of order and structure

The Chinese state is in the view of neorealists not much different from Chile or other states (Waltz, 1979, p. 97). In this regard, Figure 5 shows that states ($x_1; x_2; x_3$) such as the PRC and Chile are the units which are part of the structure of an international political system (circle). Thus, even though “states retain their autonomy, each stands in a specifiable relation to the other” (Waltz, 1979, p. 100). Furthermore, Waltz (1979) states that these interdependent relations are finally forming “some sort of order” which also reciprocally “affects both the interactions of states and their attributes” (p. 100). This circle of an international political system visualizes a structure “that makes it possible to say what the expected organizational effects are and how structures and units interact and affect each other.” (Waltz, 1979, p. 100).
Regarding the China-Chile relations, defensive neorealists such as Waltz providing a holistic perspective of the interdependence between the single units (states) and the system. According to Waltz (1979), this approach “solves the problem of separating changes at the level of the units from changes at the level of the system” (p. 100). In this regard, different units such as the PRC and Chile shape systems and their structures. This argumentation stands in contrast to classical realism, which argues that states (units) are one dimensional affected by the structure of a system. Furthermore, because the international system is anarchic (which Waltz agrees with) states are only able to be reactive, but never proactive. In this regard, defensive neorealists arguing that even the PRC is primarily following its national interest, the relation towards Chile creates a new dynamic, which reciprocally affects the autonomous single units, the system, and its structure.

(2) The role of power

The aspect of power is the dominating form of interaction between states in the international realm. Therefore, power plays an utmost important part in the PRC’s relation towards Chile. It is important to understand that the described interdependent relationship between the PRC and Chile is multidimensional. In this regard, economic and foreign political ties are interrelated, but they are not the same. The nuanced understanding of different versions of power is, therefore, fundamental to provide a valid analysis of the PRC’s interest and strategies towards the LAC region in general, and Chile in particular. In the realist school of thought, the defensive version provides valid perspectives on the ideal level of power, balance of power, security, and hegemony.

The aspect of power in relation to the PRC’s engagement in Chile and the LAC region is a highly-debated field of research. Under the offensive thinkers of neorealism, the PRC’s engagement in the LAC region is viewed as an omnipresent threat towards the US. The aspect of power in a constant state of anarchy is always viewed as relative. Furthermore, being a
regional hegemon is what every superpower aims to achieve (Mearsheimer, 2010, p. 387). Regarding the increasing involvement of the PRC in Chile and the LAC region, a regional conflict with the US is under this ‘offensive’ notion inevitable. In other words, “the PRC cannot rise peacefully” (2010. P. 382).

The defensive version of neorealism offers another perspective. In this regard, the PRC does neither aim to use military force in Chile, nor to provoke any form of military competition with the US in the LAC region. The aspect of balance of power is one essential aspect which explains this non-military behavior of the PRC towards Latin American countries such as Chile. Thus, any pursuit of the PRC to become a regional hegemon in the LAC region would lead to a balancing mechanism among the involved Latin American countries. Panama’s FTA with Taiwan could be named as an example of such a balancing mechanism, which prevents “the PRC from becoming too dominant” in the region (Li, 2007, p.839). This behavior is explained by the defensive assumption that the primary concern of states “is not to maximize power, but to maintain their position in the system” (Waltz, 1979, p. 126). Therefore, the maximization of security, not power, is what states are mostly striving for to guarantee their survival. The differentiation between power and security is an important aspect of understanding the PRC’s peaceful engagement towards Chile. Thus, defensive neorealism reveals the limits of power. Consequently, the PRC is aware that an aggressive attempt of power maximization would provoke the coming into force of a balance of power mechanism. However, the act of balancing can also be realized by using hard military forces. Thus, the defensive neorealists balance of power mechanism can be violent as well. The (neo) realist perspective do not preclude the use of ‘preventive wars’ as a form of balancing in general.

Nonetheless, defensive neorealism gives rise to the assumption that the PRC’s engagement towards Chile will remain peacefully. The portrayed involvement of the PRC in Chile shows a multidimensional smart power strategy which is strongly built upon the PRC-Chile FTA and the importation of Chilean copper. Nonetheless, this relationship also demonstrates that it consists of more aspects than simply the hard power dimension of importing commodity goods. In this regard, the PRC’s nuanced strategy aims to build up a long-lasting relation towards Chile, and the LAC region in general. The aspect of soft power in the form of e.g. diplomacy, cultural, and the exchange of military officials is a resource-intensive, time-consuming, but an appropriate approach. This behavior underlines the defensive neorealist assumption that pure use of hard power is “just a means to the end of security” (Schmidt, 2007, p. 55).
Defensive neorealism does not equate an increase in power with an increase in control. Thus, for defensive neorealists, aggressive power political strategies will not provide state security. Instead, it will jeopardize it. the PRC’s external strategy towards Chile and the LAC region, in general, is part of a balancing scheme in which the PRC is proactively seeking to apply the “ideal level of power” (Waltz, 1979, p. 40). Thus, the PRC-Chile FTA is an important part of this interdependent relationship. This agreement is bilateral and aims to strengthen the economic and foreign political ties. A dominating power political approach by the PRC would consequently risk this fruitful cooperation. The aspect of cooperation is, therefore, another important dimension in the PRC’s strategic behavior towards Chile.

(3) The role of cooperation

The aspect of cooperation is an increasingly important part of the PRC’s general ‘open-up’ strategy. The cooperative spirit is in this regard interrelated with the PRC’s notion of security maximization. The constellation of international politics has provided the possibility for the rise, of southern economies such as the PRC. However, the mentioned defensive neorealist notion of a rapidly evolving balancing mechanism is preventing an aggressive ‘pre-Cold War type of growth’. In the case of the PRC, the security-driven approach prevails the power maximization approach. From this perspective, the PRC’s strategy towards Chile is defensive. The protection and further development of the PRC’s economic interest abroad is a central cornerstone of the PRC’s strategy. From a defensive neorealist perspective, the PRC is strongly interested in a peaceful increasing cooperative presence in Chile.

From a defensive neorealist perspective, the aspect of cooperation is, however, ambiguous. According to Waltz (1979), cooperation depends on the structure of international politics (p. 105). Thus, the key question is whether the international realm is organized or unorganized. An unorganized realm underlines the conditions of self-protection and “limits the cooperation of states in two ways” (1979, p. 105). First, in a self-help world states acting under the belief of relative gains. This means that cooperation among states is perceived as a threat situation in which the cooperating state could gain more which would foster a disproportional distribution of power. This security dilemma is directly interrelated with the threat to survive because the cooperating state “will use its increased capabilities” against the other (1979, p.105). Second, cooperation fosters interdependencies. This condition of dependency is consequently perceived as a loss of state autonomy and power. From a defensive neorealist view, cooperation is rather unlikely if the international realm is “unorganized” (Waltz, 1979, pp. 104-106). The condition of an organized realm, however, changes the defensive neorealist
perspective on cooperation. Thus, a formally organized international realm provides the foundation for the specialization of the individual units (countries) without “concern for developing the means of maintaining their identity and preserving their security in the presence of others.” (1979, p. 104). The different capabilities of states can be further strengthened through the process of specialization. Therefore, this partial specialization of the various units creates an overall gain which is not overshadowed by the fear of increased interdependencies. Quite the contrary, the act of specialization also increases the overall value and provides a higher outcome of gain. Furthermore, Waltz (1979) states that this fruitful form of interdependent cooperation would lead to an increase in the world’s well-being (p. 106). This statement is related to an economic and security dimension. Thus, the security argumentation is based on the defensive neorealist claim that “states seek to control what they depend on (…)” (Waltz, 1979, p. 106).

This two-sided view on cooperation through the lenses of defensive neorealism provides a few important explanations of the PRC’s behavior towards Chile. Thus, the primary approach is to act against the omnipresent reality of mistrust and the security dilemma. Long lasting diplomatic cooperation and the ambition to ‘organize’ the realm is a central part of the PRC’s strategy towards Chile. In this regard, the signing of the FTA in 2005 and the complementary agreement in 2008 are important pillars of the ‘organization’ approach within the PRC’s foreign policy. The FTA is not a self-contained agreement. Thus, it is rather a vehicle for an ongoing widening and deepening procedure. The stated aspect of interdependencies and specialization becomes evident in the field of Chile’s mining and agriculture sector. To be able to guarantee a sustained economic growth, the PRC is dependent on natural resources. Defensive neorealism provides, therefore, an explanation of the PRC’s profound interest in intensifying not only their own specialization but also the specialization of the Chilean economy. The mentioned promotion of the PRC-Chile exchange programs in the fields of research and science and the marginal rise in FDI’s are indicators for the PRC’s support of Chile’s specialization process. Furthermore, the mentioned securitization interest among depending countries should not be misunderstood. Thus, in the case of the China-Chile relations, the term of securitization is not related to military buildups. Instead, the PRC aims to build up a long-lasting relationship with Chile, based on a friendly and fair form of bilateral engagement. Nonetheless, the aspect of anarchy is the constant required condition of neorealism. Without the view of an anarchic international realm, (defensive) neorealism could not make any assumptions.
5.2.2 Neoliberal Institutionalism

(1) The role of order and structure

From a defensive neorealist perspective, the nation-state is perceived as the principal actor in IR. In addition, the international system is characterized by a constant situation of anarchy. Nonetheless, in comparison to defensive neorealism, neoliberal institutionalism provides an utmost important new aspect towards the question of how order can be created under the condition of anarchy. In other words, neoliberal institutionalism formulates a different understanding of order by mentioning the possibility to reduce the effect of anarchy. Thus, the creation of legitimized institutions^7 is named as an entity which is capable to ‘fill’ the gap of uncertainty and fear between states. Through the creation of binding rules, a dispute settlement mechanism, and the exchange of information, anarchy and the interrelated distrust among nations can be mitigated. According to neoliberal institutionalists, the nation-state remains the center of gravity, but states are increasingly “enmeshed in webs of interdependence and international organization” (O’Brien & Williams, 2013, p.14). Therefore, international organizations such as the WTO, the IMF, and international economic agreements such as FTA’s and RTA’s (Regional Trade Agreement) are central liberal platforms which promote economic cooperation between individual nation states. The neoliberal institutionalist approach of developing binding institutions provided the regulatory foundation of globalization. Thus, legitimised supranational institution such as the WTO became the liberal driving force of global trade. Nonetheless, institutions such as the WTO are not independent of the nation-state. This leads to an ambiguous reciprocal relationship between influential, powerful states and binding supranational rules. Consequently, this conditions gives rise to the belief that the ‘universally-applicable’ rules and regulations are often ‘deliberatively constructed’ without equally taking the concerns of e.g. the developing world into consideration. The PRC’s ‘open-up’ reforms are demonstrating a good example to understand the relevance for a developing state to become an accepted part of the institutional status quo. Thus, the PRC’s liberalization reforms heavily focused on the participation in international organizations. From a neo-liberal institutionalist perspective, the PRC’s rising success in international trade was strongly related to its joining of the WTO in 2001. Furthermore, the neoliberal institutions played, therefore, an important role in shaping the structure of the system,

^7 From a neoliberal intuitionalist perspective, international institutions (regimes) are defined as „a set of mutual expectations, rules and regulations, plans, organizational energies and financial commitments, which have been accepted by a group of states.” (Ruggie, 1975, p. 570).
but also in shaping the behavior of the PRC. The compliance with the ‘rules of the game’ can be named as an example.

Regarding the PRC’s relations towards Chile, neoliberal institutionalism provides a valid approach to understand why a sovereign state like the PRC decides to sign a comprehensive bilateral FTA under the prevailing condition of anarchy. Thus, the PRC and Chile are using the foundation of institutions as an ‘intermediate variable’ to overcome the situation of mistrust and fear. From a neoliberal institutionalist perspective, states can consequently deepen their cooperation in the field of mutual interests, because institutions can provide legitimized rules and regulations, and implement a horizontal communication structure which fosters the exchange of information. The establishment of the PRC-Chile FTA was consequently based on the recognition of ‘Article XXIV of GATT 1994’\(^8\). The FTA is, therefore, an institutionalized form of cooperation which is in compliance with the WTO and related to a binding set of rules and regulations such as the ‘Rules of Origin’. The neoliberal institutionalist school of thought consequently underlines the relevance for the PRC to use international institutions to put emphasize on the doctrine of a ‘peaceful rise’, increase trust, foster the exchange of information, and reduce costs of e.g. trade.

As previously analyzed, the PRC’s foreign political and economic strategy towards Chile is based on a diverse range of connections. In this regard, the PRC’s relation towards Chile is strongly affected by an interdependent liberal market orientation approach on the one hand and a strong national self-interest on the other. Neoliberal institutionalism, therefore, extends the theoretical analysis by recognizing complex interdependencies as a relevant part in understanding the institutionalized system and the PRC’s national intentions. Therefore, Nye and Keohane (1989) defined three key characteristics of ‘complex interdependence’. First, *multiple channels* are referring to the diverse range of existing connections between states which are not necessarily governmental. Thus, connections can exist in the form of e.g. business relations, non-governmental involvements, multinational involvements, and trade agreements (Rana, 2015, p. 292). Thus, formal and informal interconnections are perceived as an increasingly important issue. Based on the governmental and non-governmental exchange, it becomes evident that this notion exists in the China-Chile relations. Thus, the smart power scheme underlines the importance of an involvement of a diverse range of actors in addition to the dominating state actors. The relevant aspect of information exchange is multilayered which

\(^8\) Article XXVIII of GATT 1994 states that „Customs unions, free-trade areas, and interim agreements leading to the formation of a customs union or free-trade area, to be consistent with Article XXIV, must satisfy, inter alia, the provisions of paragraphs 5, 6, 7 and 8 of that Article. “(GATT, 1994).
is taken place among Chinese and Chilean state officials and non-governmental actors. The Annual Meeting of the China-Chile Business Council can be named as an institutionalized form of information exchange. This procedure consequently reduces the development of loopholes in the field of information exchange. Second, the absence of hierarchy among issues deals with the transitional process between the PRC’s domestic politics and foreign policy (Rana, 2015, p. 292). The aspect of foreign policy consists of different layers, which are according to neoliberal institutionalism not organized by any specific hierarchy. The security maximization principle which dominates defensive neorealism is not the top priority for neoliberal institutionalist. Instead, “any issue-area might be at the top of the international agenda at any particular time.” (2015, p. 292). However, the economic focus and the interrelated promotion of trade is the driving force of any political accentuation by the PRC towards Chile. The path towards this main goal is, however, rather flexible. This is shown by the fact that within a relatively short amount of time, the PRC’s interest in Chile’s agricultural products (fresh fruits), and bottled wine strongly increased which led to a diversification of traded goods. The supply of natural minerals will be without a doubt remain the top priority for the PRC. Third, the minor role of military force is according to neoliberal institutionalists a visible tendency among states. Thus, the utmost important political mechanism to react to political conflicts under the condition of complex interdependencies will be more ‘pacified’. Thus, in the case of an occurring conflict the institutionalized dispute settlement procedure ‘replaces’ the use of military force as a political tool. The non-military form of political engagement is consequently a visible scheme in the PRC’s relations towards Chile. Furthermore, neoliberal institutionalism underlines the notion of a peaceful rise of the PRC in the LAC region, and in Chile in particular. The foreign political and economic strategy of the PRC is strongly institutionalized and provides an important perspective towards the diversity of the PRC’s relation towards Chile. According to neoliberal institutionalists, an order is, therefore, constructed along the lines of focusing on the nation-state on the one hand, and the international realm in the form of e.g. FTA’s on the other hand. The intermediate level is based on institutions, which are the hub between the different actors and are relevant in analyzing state strategies. The following part will analyze the role of power in the PRC’s economic and foreign political strategy towards Chile.

(2) The role of power

Based on the provided information of the PRC’s way of institutionalizing their foreign and political relations towards Chile, the aspect of power is another relevant element in the
context of complex interdependencies. Analyzing the aspect of power in the context of the PRC’s foreign political and economic relation, the aspect of history must be acknowledged. Thus, overcoming colonialization and e.g. starting to develop from an ‘isolated’ state towards a rising power from the global south, reveals the density of relevant information which are related to the PRC’s foreign political and economic approach towards Chile. The neoliberal institutionalist theory acknowledges these multiple interconnections. Thus, the analyzed smart power scheme explains why cultural and diplomatic exchange has received more attention in the PRC’s strategy towards Chile. These non-military forms of power aggregation are consequently serving the neoliberal notion of strengthening the platform of economic exchange.

The definition of power is multidimensional and not set in stone. According to Keohane, the often-focalized form of military force is not of any particular significance in understanding the PRC’s strategy towards Chile (Keohane, 1984, p. 10). Furthermore, Keohane (1984) argues that “the behavior of states (and of transnational actors as well), may not be fully explicable without understanding the institutional context of action” (p. 14). The defined institutionalized order is, therefore, important from some points of view. Firstly, this order, combined with the notion of complex interdependencies, creates a context in which the use of hard military power becomes unlikely and relatively ineffective. Secondly, the institutionalization of the PRC’s relations towards Chile provides meaningful information on the PRC’s strategy towards Chile. Under the lens of neoliberal institutionalism, “power is no longer used to account for behavior; rather, it provides a language for describing political action.” (Keohane, 1984, p. 20). The complex interdependence goes, therefore, hand in hand with the multidimensional notion of smart power. About the PRC’s relations towards Chile, smart power can be used as a meaningful concept to describe the process of widening and deepening. According to neoliberal intuitionalism, the aspect of military power, however, is not viewed as a tool to either generate or foster cooperation (Keohane, 1984, p. 25).

(3) The role of cooperation

The aspect of cooperation is directly related to the institutionalization of rules and regulations. Therefore, the nation-state pursuit to expand their interests culminates with the structure provided by international institutions. The central question is, therefore, under which conditions are states able and willing to cooperate? (Keohane, 1984). In contrast to the realistic school of thought, neoliberal institutionalists are focusing on the goal of maximizing the absolute gain of power through cooperation. The correlations between power and cooperation are, therefore, not interrelated with a security dilemma. A disproportional gain of power is not
a direct threat to the sovereignty of the nation-state. Under real life conditions, however, order, power, and cooperation are not clearly separable from each other. Thus, these parameters are interrelated with each other and provide a holistic perspective and valid insights into the interest of states to cooperate.

The PRC-Chile cooperations are based on the interest to develop mutual interests which are in accordance with individual national interests. Thus, throughout the analysis, it becomes visible that the development of interests is following a highly rational approach. The neoliberal institutional perspective towards cooperation is that the PRC and Chile are mutually interested in the development of cooperative solution processes which consequently requires the interrelated development of institutions. The described constant anarchic condition of the international system and the national interests and constraints are creating a need for action. According to Keohane (1984), “cooperation should be defined not as the absence of conflict (…) but as a process that involves the use of discord to stimulate mutual adjustment.” (p. 46).

From a neoliberal institutional standpoint, the PRC-Chile economic and foreign political relationships are complementary rather than competitive. In comparison to other states of the LAC region, Chile’s exports are not part of a race to bottom with the PRC’s exports. The attraction of a huge sales market for Chile’s commodity goods creates a huge incentive to deepen the cooperation. Reciprocally, the PRC’s manufacturing sector and the general economic rise is dependent on the importation of natural resources. Furthermore, the PRC’s manufactured exports do not have a significant influence on the Chilean economy like it happened in Mexico. Thus, despite different power political capacities, the PRC and Chile are promoting the neoliberal message of a ‘win-win’ situation. Consequently, neoliberal institutionalism argues that asymmetries of power among states “do not necessarily inhibit cooperation because asymmetries of power do not always lead to asymmetrical results.” (Cameron & Tomlin, 2002, p.25).

Regarding the signing of the PRC-Chile FTA in 2005, it becomes evident that the development of a diverse platform of interdependencies was the foundation of this agreement. Based on a high level of trust, comprehensive economic cooperations could develop. Nonetheless, neoliberal institutionalists do not argue that cooperation between states will always easily occur. Under general terms, it can be said that “interdependence creates interest in cooperation” (Keohane, 1984, p. 8). The analyzed long-lasting diplomatic ties between the PRC and Chile can be seen as a ‘preparatory phase’ which was relevant to build trust. The omnipresent goal of a long-lasting economic relation is, therefore, a continuation of fostering trust building mechanism. This further requires a constant focus on the process of strengthening
interdependencies to create the interest for deeper cooperations. The PRC-Chile FTA is in this regard a suitable platform on which interdependence and cooperation will be extended. Nonetheless, the PRC’s foreign political aspirations are not limited to Chile or the LAC region. The aspect of interdependence must be viewed from a global perspective. The neoliberal institutional argument that strong regimes will provide the framework of cooperation is rather vague in the case of the China-Chile relations. Thus, the influence of the WTO on global trade is based on its promotion of multilateralism. However, the PRC-Chile FTA is a bilateral agreement which discriminates other countries in their neoliberal pursuit to participate. Thus, even if the WTO accepts the ‘fast track’ approach by states to develop bilateral, instead of multilateral agreements, this tendency stands in stark contrast to its main provision. The argumentation that international institutions will mitigate the constant threat of anarchy of the international system gets blurred because bilateralism does not increase global interdependencies.

5.3 Findings and Implications

Regarding the aspect of order, or the development of a system, defensive neorealism, and neoliberal institutionalism perceive states as the most important actor in IR. Moreover, states are perceived as units with different capabilities which are interdependently related to each other. In a circle of international politics, the PRC and Chile are consequently pro-actively involved in developing and influencing a system. Therefore, the system level and the state level are not separated from each other. This form of interdependence leads consequently to a scenario in which order has a reciprocal influence back onto the state level. Furthermore, defensive neorealism assumes that the primary national goal to survive can be achieved through cooperation and reciprocal relations between states. The PRC-Chile FTA is, therefore, a good example of different units which are generating an order, based on cooperation. The neoliberal intuionalists are in accordance with the notion that states are able to mitigate the anarchic condition through the process of cooperating. However, the aspect of international institutions demonstrates are a contrast of the form of the order provided by neorealists. Thus, states transmit certain competencies to supranational institutions such as the WTO or the IMF which, in return are providing binding rules and regulations. This relationship, however, is also reciprocal. In other words, international institutions are also influencing the ‘socialization’ of states. Thus, the PRC’s path towards becoming a member of the WTO was characterized by diplomatic lobbying with e.g. Chile, which in return supported the entrance of the PRC in the WTO. Since 2001, the PRC further developed their market economy, domestically, and within
the institutions. The early symbolic value of being a member of the WTO consequently moved towards being a progressive relevant actor.

The aspect of military power is under defensive neorealist and neoliberal institutionalist perspectives not perceived as an effective tool when it comes to fostering economic relations. When it comes to questions like if the PRC’s rise (e.g. in the LAC region) will be peaceful, defensive neorealists arguing for the balance of power mechanism, which would take place when one state is becoming too powerful. The argumentation is, therefore, that the PRC is not interested in pursuing an aggressive form of power maximization in the LAC region, due to the balancing mechanism. Furthermore, power has to be contextualized, otherwise, it remains an abstracted form of force. The defensive neorealist assumption is consequently that safeguarding the survival of the state, and maximizing security outweigh the interest of power maximization. Like defensive neorealism, neoliberal institutionalism argues for the contextualization of power and the notion that a pure use of hard power is an end because it undermines the pursuit of maximizing security. Therefore, neoliberal institutionalism provides a valid perspective on the motivations behind the PRC’s multilayered smart power expansion in Chile.

Regarding the role of cooperation, the ‘neo-neo debate’ provides different valuable opinions. Thus, the fear of the consequences of relative gains and increasing interdependencies plays a prevailing role in the defensive neorealist notion on cooperation. However, Waltz argues for the possibility of cooperation under the condition of an ‘organized’ international realm. Thus, the ‘organized ‘international realm can be found in e.g. multilateral and bilateral trade agreements. Thus, the PRC-Chile FTA is a good example of such an ‘organized’ realm in which cooperation and specialization are perceived as being beneficial for both countries. When it comes to the belief in increasing wealth, fostering prosperity, and opportunity through cooperation and international regimes, liberalists are the dominating scholars in this field of research. The aspects of interdependence and cooperation are interwoven with each other. Thus, the relatively long existing diplomatic ties between the PRC and Chile can be seen as a preparatory phase for the increasing cooperation.

Regarding the development of the PRC’s relations with Chile, the following part will formulate potential challenges and effects of the PRC’s involvement in the LAC region.

The mentioned smart power strategic development of the PRC will have an increasing regional focus. Thus, official presidential visits of Chinese high official are often taking place in more regional context. Concerning the aspect of focusing on Chile as a regional bridge between Asia and the LAC region, future development highly depends on the development of the PRC’s involvement in other countries of the LAC region. Regarding the major project in
Nicaragua. The construction of the canal would have a significant influence on Chile’s aspiration to become a bridging country, and on global trade in general. Furthermore, as already stated the PRC-Chile FTA is not the only bilateral FTA between the PRC and a country of the LAC region. Nonetheless, an increasing successful development of the PRC-Chile FTA will be of symbolic importance for other countries of the LAC region. The mentioned difficulty of competing with Chinese cheap labor intensive products can further increase the problem of negative terms of trade like in Mexico. The importance of the PRC’s multilateral approach towards the LAC region can also be realized through e.g. an increasing expansion of the role of the CECLAC. The reciprocal of the African continent on the PRC’s relations towards Chile in particular, and the LAC region, in general, remains unforeseeable. The hunger for natural resource will dominate the relations and the influence. Thus, similar approach systems are visible in both cases, because the primary goal of resource extraction is similar.

By pointing to the political and economic influence of the PRC on Chile and the LAC region in general, three final factors should be mentioned. First, it remains questionable in how far the PRC’s economy will develop in the near future. Consequently, the effect on the imports from the LAC region is uncertain. This factor demonstrates that the PRC’s interest in LAC products cannot perceive as linear. Regarding the recent substantial decline in the growth of the PRC's economy\(^9\), the analysis briefly mentioned an estimated high influence on the demand for Chilean products with significant influence on the Chilean economy. Second, the sociopolitical and economic developments in e.g. Brazil, Argentina, and in Venezuela are already indicating that the PRC’s involvement is facing increasing challenges. Thus, the PRC has to develop a new mechanism to be able to guarantee the continuation of the implementation of their interests in countries, which are in the midst of a crisis such as Venezuela. The question in this context is in how far will the situations in the different countries in the LAC region affect the general relation between the PRC and the LAC region and which role will Chile play in this context? Finally, the increasing uncertainty of the US foreign political strategy also affects the LAC region. Thus, the economic ties between the LAC region and the US are becoming more uncertain than ever (Gallagher, 2017). President Trump’s action of abandoning the TPP and the declared aim of renegotiating NAFTA strongly influences the conditions with the LAC region. It remains uncertain in how far the PRC will react to this increasing gap. The named \textit{China’s Policy Paper on Latin America and the Caribbean} already extensively provides insights into the interest in further expanding its relations with the LAC region. This involvement, however,

\(^9\) “China’s economy grew by 6.7% in 2016, compared with 6.9% a year earlier, according to official data, marking its slowest growth since 1990. “(BBC, 2017).
does not come without any form of concerns. Thus, as an example, the ecological and sociopolitical consequences of extreme resource extraction will further lead to rising social preoccupations towards the PRC’s involvement in Chile and the LAC region in general. The image of the peaceful rise of the PRC is regarded critically because the LAC region already experienced the aggressive hegemonic involvement of the US in the past decades. As mentioned through this research, the view towards the PRC is also embedded in a historical context. These challenges are demonstrating the difficulty of formulating any prediction. The developments are consequently taking place in a web of multiple interdependent relations. In the process of examining the PRC’s foreign political and economic relations towards Chile, and the LAC region in general, further research, in particular in the named three areas is necessary.

6. Conclusion

This research has started with an examination of the PRC’s increasing interest in the LAC region in the past decades. Following a deductive approach, this research went on with an analysis of the PRC-Chile foreign political and economic relations in the period after the coming into force of the FTA in 2006. The variable of foreign policy was concretized by referring to the subcategories of diplomatic relations, cultural/language exchange, research cooperations, and military exchange of ‘senior military officials’ and ‘lower-level military-to-military interactions’. The empirical part of the PRC’s economic relations with Chile focused on trade of goods, services, and FDI’s. This research continued with a conceptual analysis, which offered a deeper insight into the scheme of smart power. Furthermore, the theoretical part of the analysis referred to neoliberal institutionalism and defensive neorealism. These theoretical lenses deepened the understanding of order, cooperation, and power in the context of the PRC’s relations towards Chile. In the course of this research, the relevance for the China-Chile relations was confirmed by a comprehensive analysis of the following four research questions:

1) Why does the PRC have become increasingly involved in the LAC region within the past decade?
2) How do the PRC’s economic and foreign political relations with Chile evolve after the coming into force of the FTA in 2006?
3) What are the primary drivers (economic, geopolitical, diplomatic) of the PRC’s relationship towards Chile and can the PRC’s attitude be considered as part of a ‘smart power’ scheme in that sense?

4) Which of the chosen school of thoughts can best explain the PRC’s behavior towards Chile in the fields of power maximization, cooperation, and the creation of a structure?

From the inside perspective, it becomes evident that the PRC has started to implement an 'open-up' strategy of their economy proactively. Thus, from the 1970s onwards, new pragmatic reforms led to economic liberalization and the de-collectivization of the agriculture sector. The ‘open-up' process of the PRC’s economy became a driving force for a rapidly growing economy. Consequently, the PRC’s relevance in the context of global trade started to change as well dramatically. The development of the PRC’s rising economy is directly interlinked with a high demand for natural resources. Thus, the PRC’s growing economy and the growth towards becoming the largest exporter and second largest importer in the world emphasized also the PRC’s need to increase its relations towards resource-rich regions further. This research consequently demonstrated that the PRC’s involvement in the LAC region significantly grown in the past decades. The turn of the millennium was thus followed by an epoch of increasing Chinese investment, trade, loans, diplomatic and cultural ties with the LAC region. The goal of safeguarding an increasing supply of imports from the LAC region was at the center of the PRC’s interests. This research focused on four main reasons which are providing a strong perspective towards understanding the increasing involvement of the PRC in the LAC region in the past decade. First, in 2005 the PRC became the largest importer of goods originated from the LAC region. The aspect of minerals and other natural resources such as copper accounted for a large part of those imports. Second, food security became an increasingly relevant aspect of the PRC’s growth. The economic relations towards the LAC region consequently further increasing in the field of agriculture and the importation of e.g. soy beans and fresh fruits. A third perspective on the PRC’s increasing involvement in the LAC region is related to the aspect of fostering diplomatic ties. The interest towards the LAC region is consequently also related to promotion of the ‘one-the PRC’ principle. The reasons behind the PRC’s increasing involvements in the LAC region are diverse and multilayered. Through this research, it has been demonstrated that the promotion of trade of natural resources can be, however, named as the backbone of the PRC’s increasing involvement in the LAC region. It is also important to mention the asymmetrical condition of the PRC’s relations towards the different countries of the LAC region. This research, however, did not use a multiple case study
which leads to the fact that the generalizability of the findings is limited to the case of the China-Chile relations.

Based on a general understanding of the PRC’s increasing involvement in the LAC region, the case study of the China-Chile relations was analyzed in depth. Thus, this research focused on the development of China-Chile relations after the coming into force of the FTA in 2006. Two main analytical dimensions contextualized the analysis of the period after the signing of the FTA. First, the economic development between the PRC and Chile was examined based on the factor trade and FDI. Second, based on diplomatic relations, cultural/language exchange, research cooperations, and military exchange of ‘senior military officials’ and ‘lower-level military-to-military interactions’ foreign political development between the PRC and Chile was analyzed. Concerning the economic development, throughout this research, it became evident that the PRC-Chile FTA was a comprehensive agreement which primarily concentrated to fully eliminate barriers to trade, encourage diversification of trade, and promote fair competition (China’s Ministry of Commerce, 2005, p. 3). Therefore, regarding the economic relationship, this research demonstrated a significant increase in copper imports from Chile. Moreover, the PRC’s imports from Chile increased consequently by approximately “15.2 percent between 2005 and 2014” (MINREL, 2015, p. 14). This development was strongly related to the substantial reduction of import tax duties. The aspect of copper represented approximately an import value of US$ 4.5 billion in 2006 and increased up to US$ 14 billion in 2014 (MINREL, 2015, p. 15). As a consequence, Chile became one of the few countries of the LAC region which developed a trade surplus with the PRC. Additionally, since 2006, the traded goods between the PRC-Chile were further diversified. Thus, Chile’s exports to the PRC started to develop in the fields of bottled wine, salmon, fresh fruits, animal meal and pellets, sawn wood, wood pulp, and chemicals (OECD, 2017). This research further showed that the PRC-Chile FTA is an ongoing condition of development. The complementary service trade agreement which was signed in 2008 demonstrates the ongoing process of further widening and deepening the Sino-Chilean relations. This research also has shown the relatively limited relevance of the PRC’s outward FDI’s in Chile in the past decade. Nonetheless, Chinese investment projects in e.g. the field of solar energy in Chile have increased in the past years. This research, however, underlined the aspect of trade in goods, as the central part of the PRC-Chile economic development after the signing of the FTA in 2006.

The concept of smart power, which has been used to expand the understanding of the China-Chile relations, demonstrated that soft and hard power elements are both existent and interrelated with each other. Thus, the dimension of cultural exchange, exchange of military
officials, presidential visits, and research cooperation revealed the importance to gain a more nuanced picture of the PRC-Chile strategies. However, the smart power concept does not argue that hard and soft power elements should be evenly distributed. In the case at hand, the hard power dimension dominates the smart power scheme between the PRC and Chile. Nonetheless, the analysis of this research also focuses on the importance to grasp the interdependence between smart and soft power in the PRC’s strategy towards other ‘southern’ states such as Chile.

Concerning the primary driver(s) of the China-Chile relationship, the economic aspect consequently prevails. Nonetheless, this research could demonstrate that pure economic hard power is not effective. In combination with the smart power concept, this research extended the analytical frame by applying defensive neorealism and neoliberal institutionalism. These two ‘neo theories’ could consequently contribute towards a deeper analysis and could provide an understanding of the main drivers of the China-Chile relations. In a more narrowed sense, an essential contribution of defensive neorealism was that the maximization of power is not the PRC’s main interest. Instead, the PRC wants to "maintain their position in the system" through the process of maximizing security, rather than through aggressive power maximization (Waltz, 1979, p. 126). Thus, the balance of power mechanism was used as a theoretical tool to provide useful insights into the strategy of the PRC’s involvement in the LAC region, and towards Chile in particular. Regarding neoliberal institutionalism, it provided a useful springboard for the investigation of the China-Chile relations, in particular concerning the role of the FTA. Thus, the role of (supranational) economic agreements was analyzed. Throughout the theoretical analysis, this research portrayed the PRC-Chile FTA as a central element, which mitigates the omnipresent condition of mistrust among states. The concern of being cheated is under neoliberal institutionalism not the logical end of any form of cooperation. The FTA is the trust setting framework, which makes cooperation under the condition of anarchy possible. This research, consequently, provided a comprehensive and valid case related contribution towards a more in-depth research understanding of the PRC’s strategic, economic, and foreign political attitude towards Chile. The neoliberal institutionalist perspectives, however, provided overall the better theoretical approach. Thus, regarding the notions of power, cooperation, and order/structure of the system, neoliberal institutionalism could provide a valid explanation for the development of the PRC’s economic cooperation with Chile.

In conclusion, it is proposed that future research on the topic of the ‘rise of the PRC’ should concentrate on the diverse framework of relevant theories, concepts, and related subtopics and not rely so much on the dominating offensive realist threat debate. Thus, the role
of trade cooperation of the PRC will become an increasingly relevant topic. In particular, due to the changing attitude of the US which symbolizes a rising trend of nationalism which will have an effect on the neoliberal and globalized world. Consequently, the PRC is increasingly becoming the role model of global neoliberalism. In this context, the cooperation with natural resource rich countries such as Chile remains of central importance. Nonetheless, ecological, and sociopolitical concerns in e.g. the LAC region or in the PRC itself, will require a constantly adapting Chinese attitude to face the new challenges ahead adequately. Further in-depth research on the PRC’s relations will be of central importance in the context of IR. The role of the LAC region and African states will become increasingly important in this regard.
7. Bibliography

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