

## Conference Paper

Red académica de américa latina y el caribe sobre China

# Free Trade Agreements as mechanism of transfer of Non-traditional Economic Influence among nations: China and the deepening of relations with pragmatic countries of Latin America

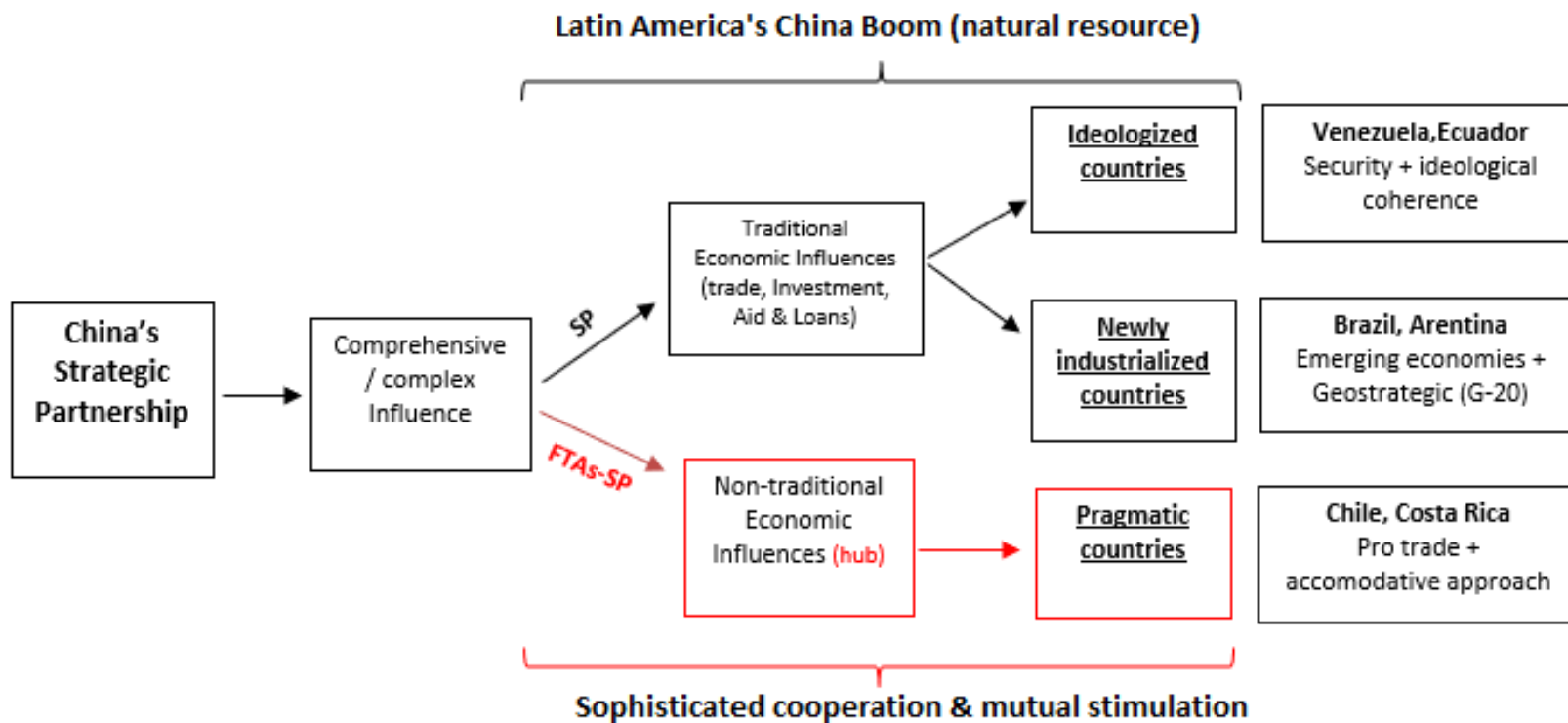
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# Overview

1. Introduction
2. Research Question & Arguments
3. Theoretical frameworks
4. Research Design
5. Findings
6. Implications

# 1) Introduction



# 2) Research Question & Arguments

**RQ** : Why does **China choose** to expand its **non-traditional economic influence** in Latin America **with pragmatic** countries via deepening FTAs instead of other strategies like Strategic Partnerships??

## **Arguments:**

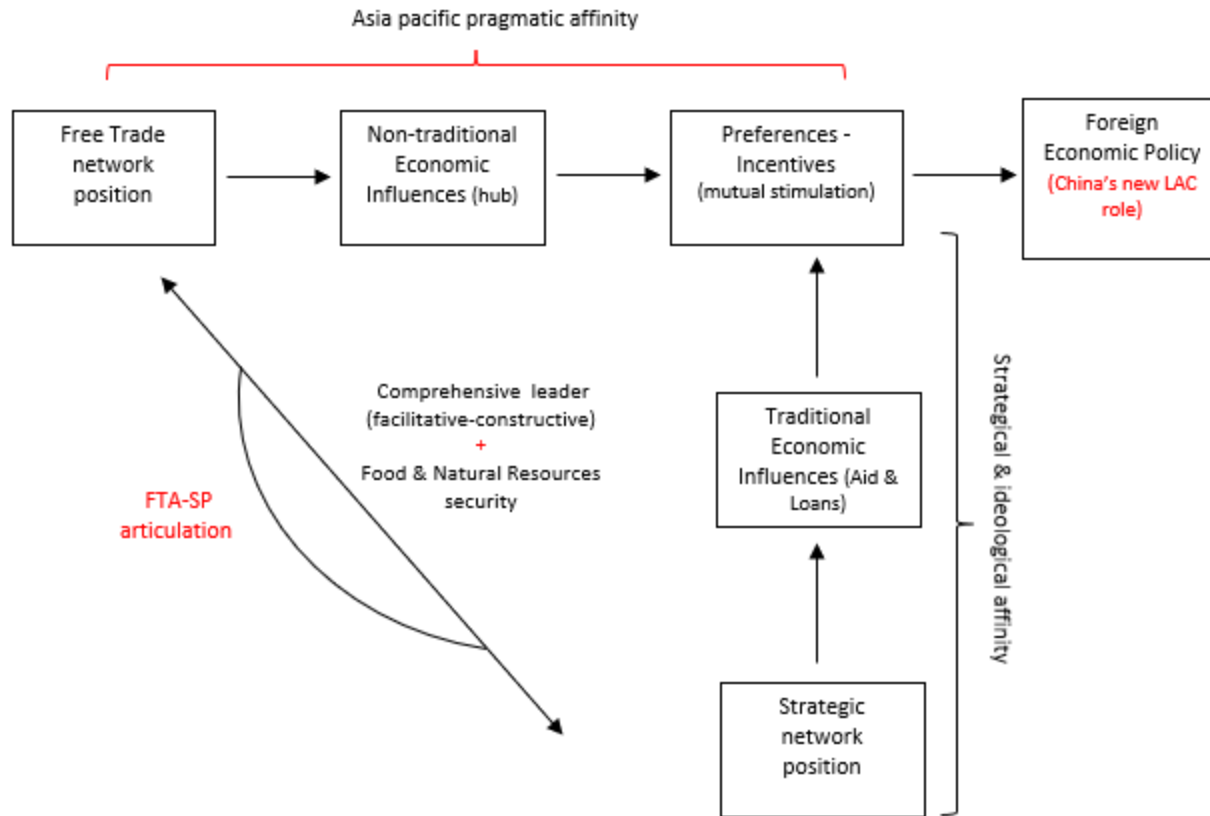
1. Any **strategic bilateral association** is expressed in a **formalization**: materialized mainly through
  - Strategic Partnership (SP), Comprehensive Strategic Partnership (CSP)
  - or/and Free Trade Agreement (FTA).
2. FTAs and CSPs **have similar objectives and logics, but their implications** and the signing countries are different.
3. China is **diversifying** its forms of cooperation while ***expanding its influence in new regions***.
4. This new approach comprises more **sophisticated** initiatives that include a **high level of linkage**.
5. FTAs → good balance between **security and flexibility**, achievement of **material objectives**, opportunity to **be a facilitative leader**.
6. FTAs widely used by the countries of the **Asia-Pacific, key area in global governance**

# 3) Theoretical frameworks

## Typology of International Influence

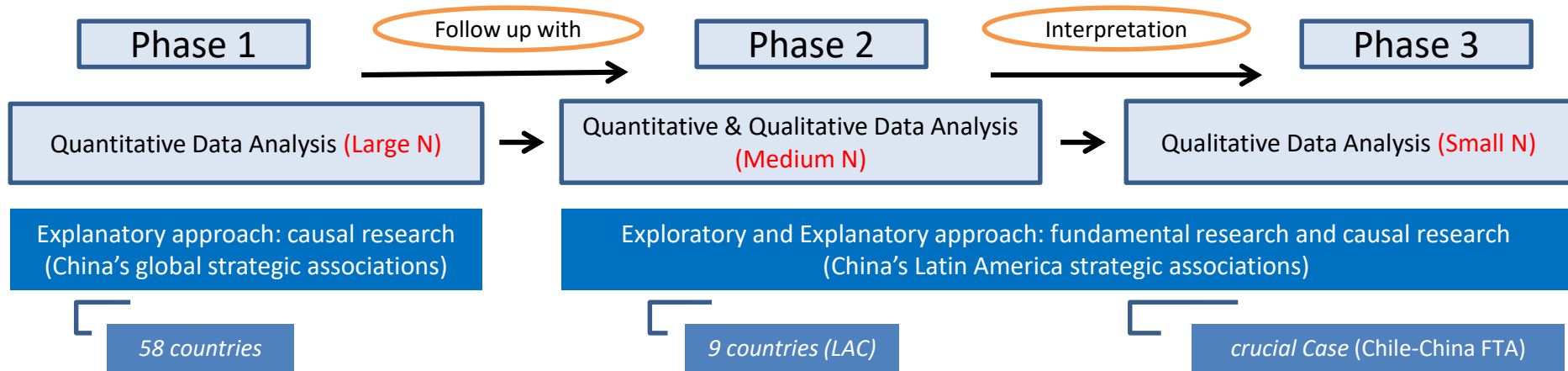
- **Complex influence:** ability of a state to apply political, economic, or technocratic influence; **indirectly**, through **strategic and concerted interactions**, in other specific countries or regions:
  - **Non-traditional Economic Influence (Hub initiatives):**
    - kind of complex influence
    - bilateral agreement between two countries that expands, influencing third countries (e. g. headquarters, currency hub, free trade zone, regional logistic platform).
    - mixture of **sophisticated investment, technology transfer and development of financial and administrative overseas platforms**
- **Pragmatic countries :**
  - cooperate mainly under the logic of **common interests**
  - **not build** their international relations **aligned to certain domestic model of governance or specific nations** (avoiding prejudice).

### 3) Theoretical frameworks



- China's 'network strategy of embedded rise theory by Xun Pang,
- Facilitative leadership theory by Zhimin Chen,
- Social influence theory by Herbert Kelman
- Non-zero-sum theory by Robert Wright.

# 4) Research Design



## Logistic Regression

- Which factors influence the establishment of the different Chinese levels of bilateral strategic relations since the country's entry into the WTO?
- Test of SPs, CSPs and FTAs by six political-economic indexes (international behavior of the signatory countries)

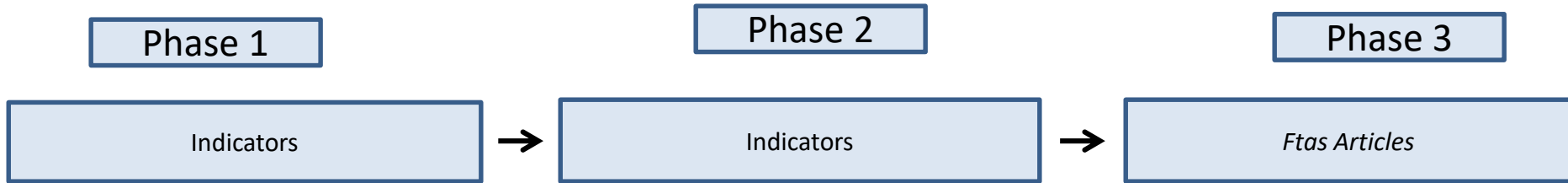
## Fuzzy-Set Comparative Analysis

- Which (combinations of) conditions are necessary and/or sufficient for a Latin American country to sign a FTA with China?
- Identify regularities around certain characteristics

## Case Study

- Ex-ante and Ex-post comparative analysis: non-commercial impacts.
- X-ray of the Chile-China FTA
  - at signature
  - ten years later.
- **complementary analysis: Peru and Costa Rica FTAs**

# 4) Research Design



## Logistic Regression

- Entry into force
- Openness globalization (KOF)
- Regulatory quality (World Bank)
- Political orientation (World Bank)
- Political stability (Global Report on Conflict, Governance & State Fragility)
- Region

## Fuzzy-Set

- Recognition of China as a market economy
- Pragmatic and ideological moderation level (flow, restriction, participation & rule of law)
- Value added by the manufacturing sector (World Bank)
- Level of industrialization (IMF classification)
- Level of quality regulation (World Bank)

## Case Study

- FTA Scope
- FTA policies
- FTA Institutionalility



# 5) Empirical Findings

## Phase 1

### Logistic Regression

**CSPs** and **FTAs** show a similar significant relationship:

- high level of **regulation quality**
- opening to **globalization processes**

Differences:

- **CSPs** are **more** likely to have a close **political orientation** with China
- **FTAs** are **more** likely to be **signed** by countries in the **Asia Pacific Region**
- **FTAs** are **less** dependent on the **political orientation**

## Phase 2

### Fuzzy-Set Comparative Analysis

FTAs factors in LAC:

#### **Necessary conditions:**

- recognition of China as a market economy
- moderate level of industrialization
- high level regulatory quality

#### **Sufficient conditions:**

high level of pragmatic and ideological moderation

#### **Logics behind**

- countries operating relations based on international standardized and normalized mechanisms
- highly complementary economies

## Phase 3

### Case Study

#### **Chile- China FTA**

- FTA as **Flexicurity** instrument (flexibility, while maintaining security framework).
- **Technocratic initiatives** (Hub)

China-Chile FTA transformed into a more **comprehensive instrument** (new clauses incorporated gradually)

- *RMB Lac Hub*
- *LAC Scientific Research Center*
- *LAC Data Center*
- *Austral Fiber Optic Hub*

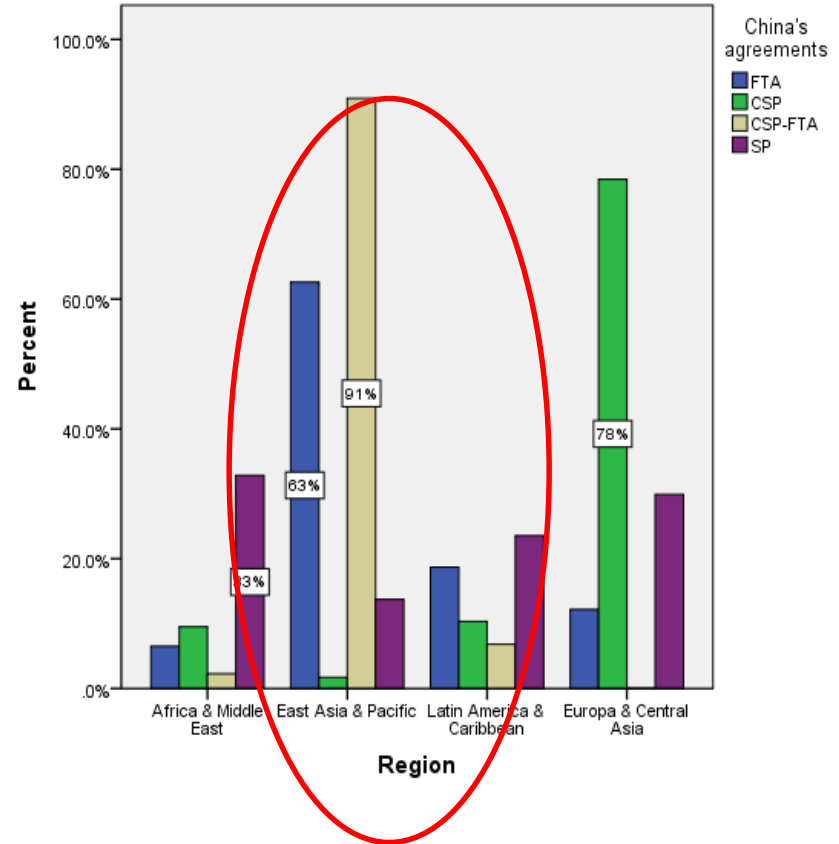
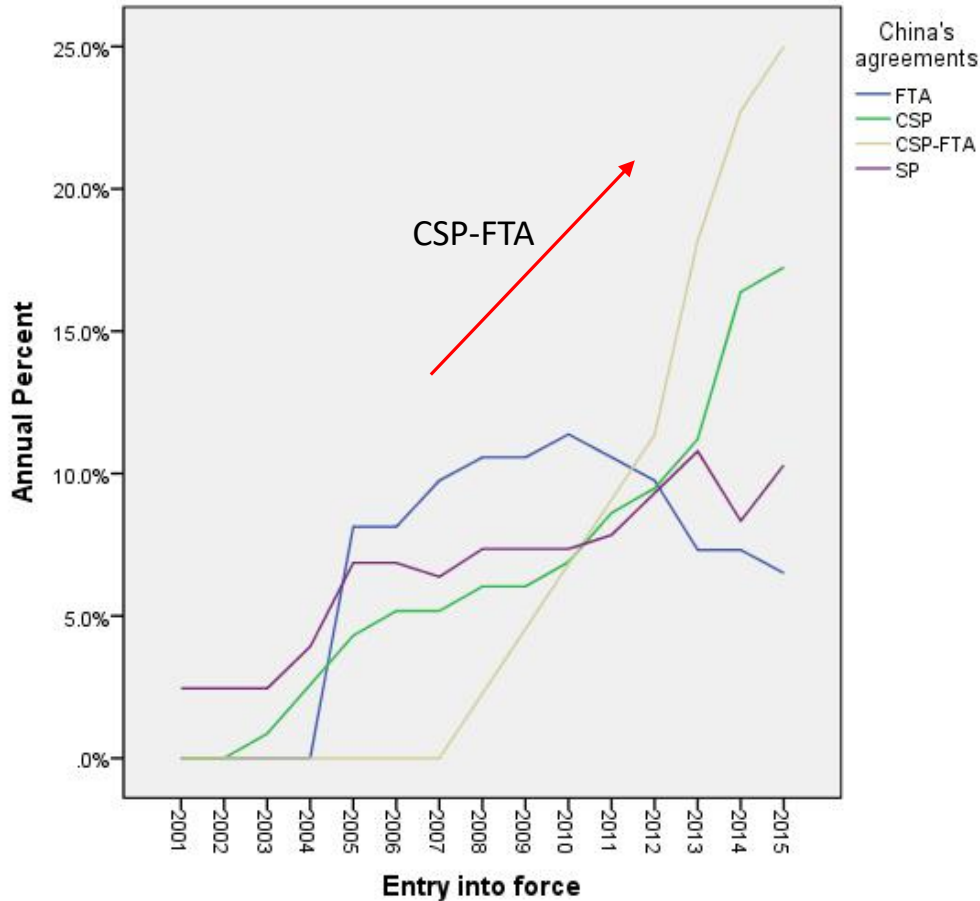
#### **Other cases**

#### **China- Costa Rica FTA**

#### **/ China- Peru FTA**

- *Central America Free trade Zone*
- *LAC Food distribution Center*
- *G.fast technology regional testing*

# 5) Findings

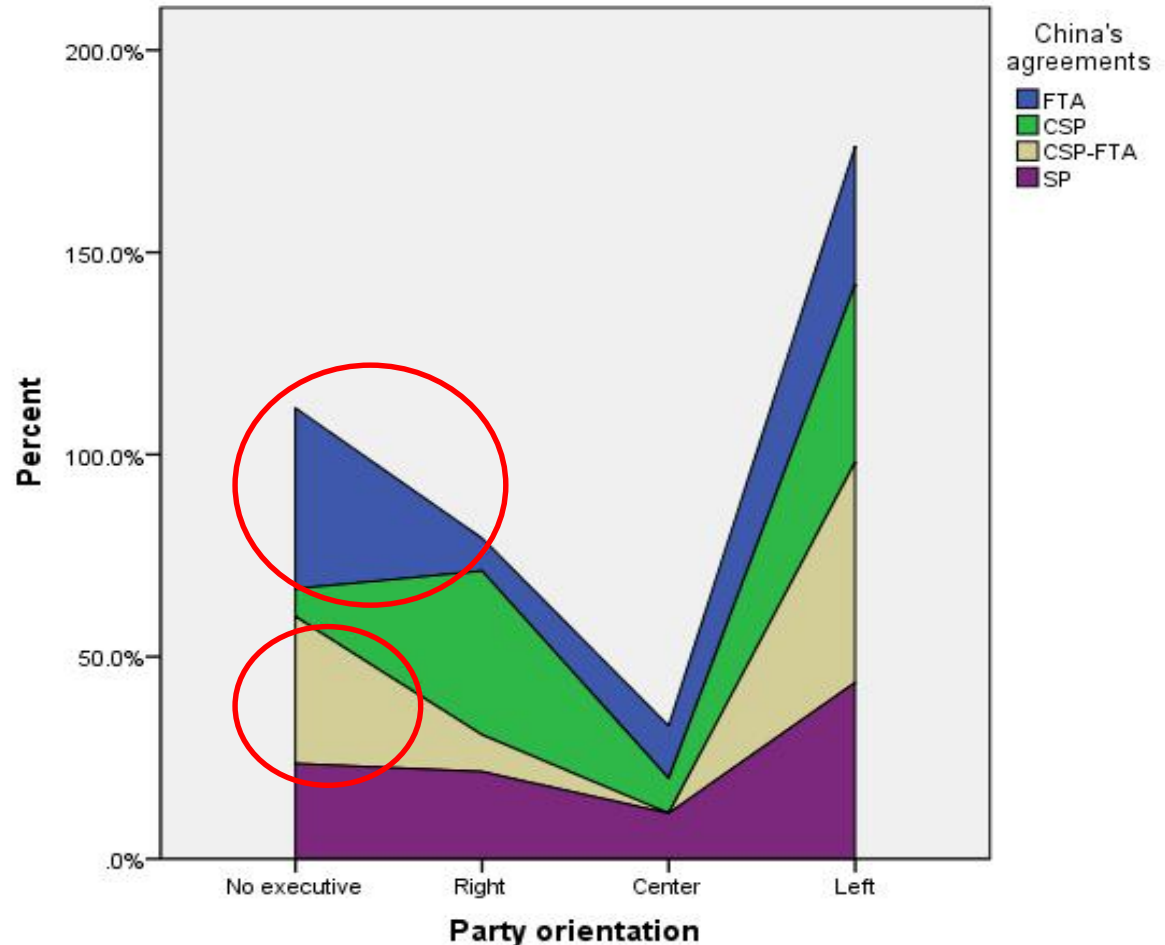


## New trend

- Beijing uses CSPs and FTAs as complementary instruments
- Combines both logics with the same country (mainly Asia Pacific and LAC)

# 5) Findings

<b>Party orientation</b>	No executive	23.9%
	Right	22.4%
	Center	10.3%
	Left	43.4%



**FTAs are less dependent to the political orientation**

**Asia Pacific is a region with a high level of diversity regarding to political orientation:**

Brunei, Malaysia, Myanmar, Singapore, Thailand, Korea, Chile, Chile, Australia, etc.

# 6) Implications

## Linking evidences with theoretical paradigms

- China's management of international influences in Latin America, a **duality behavior is observed**
- Beijing acts under the logic of **realism** in order to increase own capabilities/securities and acting in accordance with its part of systemic power
  - **networks** for economic growth
  - **material and food security**
  - **SPs & FTAs with geopolitically key countries** in the region
- But China uses **methods close to interdependence-liberalism in order to develop a complex cooperation with Chinese characteristics**
  - many **achievements in LAC due to success of a more liberal agenda**

China profile in LAC:

- **constructive** leader (mutual respect and non-imposition of a specific government system),
- **proactive** (transferring technology to developing countries, achieving concrete objectives in a short term)
- **comprehensive** (transversal cooperation based on non-zero-sum interactions).

## 6) Implications

### Alternative perspective:

- **China achieves its realistic goals, but additionally becomes a more complex, specialized and interdependent leader.**
- China combines two different logics:
  - deployment based on its capacities (material world)
  - +
  - benign intentions (ideational world )
    - China works together with the other countries on **solutions for common problems**)

**not strictly excluding each other, but two sides of the same coin**  
**→ serve to face the permanent duality of the international system.**

Thank you for your attention  
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