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### “Chile and China: Building Relations Beyond Trade?”

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In the past 40 years, relations between Chile and China have been primarily restricted to trade, culminating in a free trade agreement in 2006 — China’s first with a Latin American nation. Although some timid efforts have been made to extend relations beyond trade, it seems that at present neither Chile nor China would benefit considerably from a more complex bilateral agenda. Relations between Chile and China can be characterized as somewhat center-peripheral (without its negative 1960s-ish connotation), where China imports raw materials and exports manufactured goods to Chile. But unlike center-peripheral relations such as the one Chile has historically had with the United States, China does not pressure Chile to go along with its foreign policy nor has China expressed interest in establishing a military and political influence in

Chile. Moreover, while some Latin American countries see China as a potential competitor in world markets (as Mexico does); Chile does not see itself competing with China as an exporter of manufactured goods. Thus, trade relations between Chile and China can be expected to strengthen in the future but it seems unlikely that the two countries will develop a more multidimensional agenda in the next few years.

The 37-year history of official Chile-China diplomatic relations has been characterized by promoting stability and endorsing the principle of non-intervention in other countries' domestic affairs. Thus, commercial relations have become the most important for growth and consolidation of the bilateral ties. This trend began under the Socialist government of Salvador Allende in Chile and consolidated during the Pinochet dictatorship. Yet, after democracy was restored in Chile, bilateral relations did not evolve beyond trade promotion. Chile has become a key partner in promoting and supporting China's integration into world trade. That has helped Chile increase its exports to China and has helped consolidate this strong commerce-based relationship. The ties are mutually beneficial, as China does not press Chile on issues that are difficult for the Latin American nation and Chile does not seek to get involved in issues that cause political trouble for China.

### **History of Chinese-Chilean relations: Trade more than politics, 1950-1995**

After the People's Republic of China was established in 1949, Chile was among the first Latin American countries to establish contacts with this new China. Although Chile continued to maintain diplomatic relations with Taiwan, efforts were made to develop links with the People's Republic. In addition to cultural exchanges, which included a visit by poet Pablo Neruda to China, the Chilean government offered to establish diplomatic relations with China. The establishment of the Chinese Cultural Institute in Chile, the first such institute in Latin America (Lin Chou 2004, p 332) created a meeting point for cultural exchange between the two countries. However, since Chile formally had diplomatic relations with Taiwan, the Chinese government declined the invitation offered by Chilean President Carlos Ibañez del Campo in the mid-1950s (Embajada de Chile and Instituto de Relaciones Internacionales Contemporáneas de China 2006; Shixue 2006a; Shixue 2006b).

Although commercial relations were then still modest, there were a number of attempts made in the 1960s to establish permanent trade between the two countries. In 1952, a company from China signed a commercial agreement with a Chilean counterpart (Sánchez 1977). But the lack of formal diplomatic relations made it difficult for trade initiatives to move forward. Yet, in the early 1960s, Chile gave indications that it was considering challenging the United States in the United Nations by proposing or supporting China's entry into the United Nations. The centrist Radical Party was invited to join the right-wing Alessandri administration after the 1961 parliamentary elections. A member of the Radical Party, Carlos Martínez Sotomayor, was given the post of minister of foreign affairs. He signaled Chile's intention to promote China's acceptance into the United Nations. The centrist Christian Democratic government of Eduardo Frei Montalva announced in 1964 its intentions to establish relations with all countries in the world, including mainland China.<sup>1</sup>

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<sup>1</sup> Juan Diego Montalva has no relationship to the former president of Chile.

With the election of Socialist leader Salvador Allende as President in September 1970, Chile decisively moved forward to establish diplomatic relations with China in December of 1970, and sever ties with Taiwan. Although China aspired that countries would adhere to the one China policy, only Cuba had previously made such a move in Latin America (Domínguez, 2006, p.35). Although China was officially admitted into the United Nations in 1971—and the People’s Republic occupied the place of Taiwan in the Security Council—the decision by the Allende government to establish diplomatic relations with China was a bold one. Only Italy, Canada and Cuba had endorsed the one-China policy before Allende did (Lin 2004, p 398). Chile was the first South American country to officially establish diplomatic relations with China (Shicheng 2006a; Shicheng 2006b; Shixue 2006a).

Despite the enthusiasm, geopolitical considerations limited the scope of Chinese-Chilean relations to trade. Because Chile’s left-wing government was much more closely associated with the Soviet Union, the existing tensions between the USSR and China prevented Chinese-Chilean relations from moving forward beyond modest trade during the short-lived Allende administration. In 1971, for example, two-way trade was worth \$14.9 million. Still, important delegations of Chilean politicians—including Chile’s foreign affairs minister—visited China and as embassies were established in both countries, there were for the first time a permanent government presence and official channels of communication between the two countries. In fact, when long time socialist leader and Allende’s Minister of Foreign Affairs Clodomiro Almeyda visited China in 1972, his Chinese counterpart Zhou Enlai is said to have warned him against relying too strongly on support from the Soviet Union and advised him to move more slowly in the changes the Chilean socialist government sought to implement in Chile<sup>2</sup> (Orrego Vicuña 1974, Fernandois 2006).

When Allende was overthrown in 1973, the Chinese government reacted cautiously to the new political developments in Chile. Unlike other communist regimes—most notably the Soviet Union and its satellites—China did not suspend diplomatic relations with Chile. In fact, China was the only communist government that did not withdraw its ambassador from Santiago. Moreover, the Chinese government asked the Allende-appointed Chilean Ambassador in China, public intellectual Armando Uribe, to leave the country when Uribe criticized the new military government in Chile. The Chinese government immediately recognized credentials of the new ambassador appointed by the Pinochet regime (Lin Chou 2004, p 410). China had no intention to sever relations with one of the few countries that had shown willingness to endorse the one China policy. In fact, because China was so interested in getting countries to recognize the People’s Republic and sever ties with Taiwan, the decision by the Pinochet government to recognize mainland China as the only China actually made the military government in Chile one of the most friendly countries to China in Latin America at the time.

The military coup in Chile occurred just two years after China’s entry into the United Nations (1971) and barely a year after Nixon visited China. China’s priority at the time was to increase its presence in the world community and to isolate Taiwan. China did not want to push the new military government of Chile into the welcoming arms of the Taiwanese. Thus, the decision by the Chinese government to keep its ambassador in

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<sup>2</sup> We thank Chilean Ambassador in China Fernando Reyes Mata for that information. Reyes Mata traveled with then Foreign Affairs Minister Clodomiro Almeyda to China. The letter written by Zhou Enlai is now part of the private library of former President Ricardo Lagos

Chile and to recognize the new military government responded more to China's own foreign policy than to the widespread opposition that the military coup provoked among communist countries around the world. Not surprisingly, the Chinese embassy in Chile was not a place for Chilean left-wing leaders to seek asylum, as were the embassies from other left-wing countries. Chile and China built a strong relationship based on the mutually convenient policy of non-interference in other countries' domestic affairs.

Understandably, that non-interference was extensively used by the Pinochet dictatorship domestically to highlight what the authoritarian government claimed was its ample set of connections with other countries in the world. Sino-Chilean relations were characterized by a pragmatic approach aimed at solving bilateral issues and strengthening mutual loyalty at the state level. Unlike Cuba and the Soviet Union, China chose not to recall its ambassador from Chile after the coup. Relations cooled down temporarily, but pragmatism prevailed. Shortly after the coup, China announced that it would continue to support strongly Chile's sovereignty claim over the Antarctic. In 1982, with Chile's acquiescence, China built a base in the Antarctic inside Chile's officially-claimed territory. There was even an attempt at a joint venture for producing military weapons through a negotiation between NORINCO (China North Industries Cooperation) and FAMAE, the Chilean army's weapons company. The venture did not prosper, but according to our sources, General Pinochet was very much interested in reducing Chile's military dependence on the United States, particularly after an arms embargo established by the Carter administration against Latin American dictatorships known for violating human rights. Not surprisingly, after leaving office General Pinochet twice visited China as Commander in Chief of the Army, invited by his Chinese counterpart.

During this period of pragmatic bilateral relations, China initiated its economic reforms in 1978. Chile was also undertaking reforms aimed at opening markets and promoting free trade. Both countries adopted similar reforms concurrently. Despite being internationally isolated, Chile and China's embrace of free-market policies made it easier for the two governments to find common ground despite the seemingly insurmountable differences between a communist government and an anti-communist one.

### **Mostly Trade**

As Table 1 shows, trade between Chile and China experienced important fluctuations during the early 1970s. Whereas total trade between the two countries was \$14.9 million in 1971, by the last year of the Allende regime it had increased to \$114.8 million. With a trade balance favorable to Chile, it seems clear that the Pinochet government was not interested in losing a potentially important market for Chile's export commodities. Moreover, there was also the concern over some access to Chinese loans made on favorable terms to Chile (Lin Chou 2004, p 410).

Because many export contracts signed before the 1973 coup were honored by the Pinochet regime, trade remained strong in 1974. Yet, most of the commerce between both countries consisted of Chilean mining exports. As Table 1 shows, in 1974, Chile exported US \$110 million in goods to China, but there was only \$ 1million in Chinese exports to Chile. Trade between the two countries decreased starting in 1975 to less than \$27 million. This was mostly due to copper price fluctuations and to the instability

produced by the 1973 military coup that led to fewer copper sales contracts being signed in late 1973 for the following years.

In subsequent years, trade between the two countries increased slowly, with China consolidating its position as a net importer of raw materials from Chile. In 1980, for example, with total trade amounting to \$141 million, 86% of it was Chilean exports. Despite's Chile strong commitment to open markets during the military dictatorship, trade between the two countries only matched its 1974 peak in 1980, with most of the trade going from Chile to China.

**Table 1. Chile-China Trade 1970-1980 (US\$ million)**

Year	Imports from China	Exports to China	Total Trade	Trade Balance
1971	1.56	13.35	14.91	11.79
1972	13.38	62.78	76.16	49.40
1973	12.65	102.24	114.89	89.59
1974	1.01	110.11	111.12	109.10
1975	2.91	29.70	32.61	26.79
1976	1.30	31.60	32.90	30.30
1977	2.90	14.61	17.51	11.71
1978	6.02	38.66	44.68	32.64
1979	10.67	86.41	97.08	75.74
1980	19.60	121.65	141.25	102.05

Source: (Gouzheng 2006)

In the 1980s, trade between the two countries grew slowly. A significant drop in exports from Chile to China in 1981 brought total trade down to less than \$90 million. As a percentage of both countries' economies, trade in 1981 was the lowest in 3 years. Because of the 1982 recession that heavily hit Chile, imports from China fell drastically in 1982 to about \$14 million. Exports to China, however, increased to more than \$90 million. That trend consolidated during the rest of the 1980s. Chile's leading export remained copper, but a few other minerals were also traded. The growth in copper exports explains most of the increase in Chilean exports to China. As Chile's economy began to show strong signs of recovery after 1984, imports from China did not grow as much as imports from other countries (especially Japan). Chile continued to be a supplier of raw materials—especially copper—while few Chinese products entered Chile's increasingly open markets.

**Table 2. Chile-China Trade 1981-1990 (US million)**

Year	Imports	Exports	Trade	Balance
1981	36.19	53.44	89.63	7.25
1982	14.00	92.12	106.12	78.12
1983	77.00	95.58	103.28	18.58
1984	10.25	130.59	140.84	120.34
1985	22.00	116.33	138.33	94.33
1986	18.11	96.72	114.83	78.61
1987	52.51	85.41	137.92	32.90
1988	51.53	95.28	146.81	43.75
1989	55.48	105.24	160.72	49.76
1990	57.72	15.94	73.66	41.78

Source: (Gouzheng 2006)

When democracy was restored in Chile in 1990, exports to China fell to their lowest levels (in real terms) since 1970. Yet a year later they again increased. The explanation was not a disruption caused by Chile's transition to democracy, but rather the fall in the price of copper and a reduction in demand for copper from China. In 1992, exports to China reached an unprecedented \$409 million. Although that figure went down in the next three years, by 1996 Chile's exports to China were again over the \$400 million mark. China's appetite for Chilean goods consolidated as more than \$ 1.3 billion worth of Chilean raw materials were sold to China in 2000. Although copper continued to be the most important commodity exported to China, more than 50% of the total exports were now wood and pulp paper (20%), fishing (15%) and iron and other minerals such as molybdenum (15%).

Imports from China grew even faster during the 1990s. For example, less than US\$100 million worth of Chinese goods entered Chile in 1991, but by 2000 that figure had grown by more than 800%. Chinese goods had become a popular commodity in Chile. Manufactured goods and textiles were entering Chilean markets at a speed that far surpassed the growth in Chilean exports to China. In fact, between 1994 and 1998, for the first time since significant trade between the two countries had been reestablished, China had a trade surplus with Chile. A dramatic increase in Chilean exports to China in 1999 and 2000 again gave Chile a significant trade surplus, but unlike the 1980s, the 1990s were characterized by more balanced trade between the two countries (Xinsheng 2006). In 2000, Chile positioned itself as China's third most important trade partner in Latin America, behind Mexico and Brazil, but ahead of Argentina.



**Table 3. Chile-China Trade 1991-2000 (US million)**

Year	Imports	Exports	Trade	Balance
1991	94.20	106.99	201.19	12.79
1992	128.15	409.64	537.79	281.49
1993	204.13	281.66	485.79	77.53
1994	285.33	183.10	468.43	-102.23
1995	410.42	230.49	640.91	-179.93
1996	463.74	455.25	918.99	-8.49
1997	562.06	415.11	977.17	-146.95
1998	619.90	421.45	1041.35	-198.45
1999	605.06	663.58	1268.64	58.52
2000	782.52	1338.51	2122.03	554.99

(Gouzheng 2006)

In the first five years of the current decade, trade between the two countries has grown exponentially: Total trade was five times as great in 2005 as in 2001. Although Chinese exports to Chile have grown faster than Chilean exports to China, Chile continues to enjoy a surplus in its trade with China. In addition, overall trade figures show a strong consolidation of commercial ties between the two countries (Matus 2006; Zhihua 2006). Yet, despite the strong growth in commercial trade between the two countries, other areas of bilateral relations have not developed quite as fast or as deep. In fact, some analysts have speculated that the two countries are just not interested in developing a wider and more diversified bilateral agenda (Bingqiang 2006; Changhui 2006; Dominguez 2006; Gouzheng 2006).

**Table 4. Chile-China Trade 2001—2005 (US million)**

Year	Imports	Exports	Trade	Balance
2001	814.82	1303.37	2118.18	488.55
2002	998.00	1567.00	2565.00	569.00
2003	1283.00	2245.00	3528.00	962.00
2004	1688.50	3676.30	5664.80	1989.80
2005	5079.00	6929.00	12008.00	1850.00

Source: (Gouzheng 2006) and Observatorio Internacional Asia Sudamérica, Universidad Diego Portales <http://www.asiasudamerica.udp.cl/asia/china.htm>

As mentioned, Chilean exports are primarily raw materials and especially minerals, while Chinese exports to Chile are much more diversified and include primarily manufactured goods. In that sense, one could characterize the trade relations between the two countries as resembling a center-periphery approach. As in the classic model developed by dependency theorists in the 1960s, center-peripheral relations are characterized by an asymmetrical relation between a powerful country that produces and exports manufactured goods and a peripheral country that produces raw materials to export to industrialized nations and, in exchange, imports manufactured goods from those nations. In a classic center-periphery approach, the industrialized nation allegedly

benefits more from that asymmetrical relation than the raw material-exporting nation. Usually, the industrialized nation enjoys a higher standard of living and the economy is more developed and diversified than in the underdeveloped raw material-exporting country.

Yet, although China does export manufactured goods to Chile and imports raw materials—primarily minerals—from Chile, the center-peripheral relationship only applies to trade, not to the political relationship that exists between the two countries. Contrary to the traditional center-peripheral relations in the 1960s where the industrial nations also exerted political pressure over peripheral ones and even got involved in their domestic affairs, relations between China and Chile were restricted to trade and never developed a political component.

In fact, the ‘raw materials for manufactured goods’ exchange model that has developed between the two countries does not conform to the typical and often criticized center-peripheral relations that Latin American countries had with the United States and European powers during most of the 20<sup>th</sup> century. Because China has not sought to exercise political influence over domestic developments in Chile and because Chinese pressures on Chilean foreign policy have been rather limited, the nature of the trade relations that have evolved between the two countries can be defined as a good and healthy version of center-peripheral relations. In this case, both the center and the periphery seem to benefit from the trade that takes place between both countries. Moreover, because the commodities that China imports from Chile have enjoyed better terms of trade than the products that China exports to Chile, the periphery has benefited from a surplus in the total trade that takes place between both countries.

In real economic terms, China is less developed than Chile: While the Asian giant had a per capita GDP of \$1,703 in 2005, Chile’s economy reached a \$6,807 GDP per capita in the same year. Thus, even though overall China’s economy is about 20 times bigger than Chile’s, the per-capita size of the economy is more than 3 times larger in Chile than in China. Despite being an importer of raw materials and exporter of manufactured goods, China never sought to occupy the dominant place of the industrialized center in its relation with raw material-exporting peripheral Chile.

### **Recent Developments in Chinese-Chilean Relations and Prospects for the Future**

The mutual interests and negligent costs in fostering bilateral relations have allowed for the strengthening of a very productive commercial relationship. Chile and China have become complementary economies whose political interests are left out of the bilateral agenda, except when both countries can benefit from expressing mutual support.

Because in the last twenty years both nations have adopted an aggressive policy to integrate into the world markets, China and Chile have become rather competitive in their trade initiatives around the world. China lobbied hard to be admitted into the World Trade Organization until it was finally admitted in 2001. Chile, whose commitment to free trade dates back to the late 1970s, enthusiastically supported China’s entry into the WTO.

The pragmatic approach to Chilean-Chinese relations first adopted by Allende and also embraced by Pinochet was consolidated by the center-left Concertación coalitions’



governments after 1990. Chile entered APEC in 1994. By 1999 Chile became the first Latin American country to promote China's entry into the World Trade Organization (Shicheng 2006, p. 99; Domínguez 2006, p 36). That meant that Chile adopted a position opposite to that of other regional leaders, like Mexico and the United States that at the time opposed China's entry into the WTO. Chile insisted in the convenience of bringing such a big and important economy as that of China into the formal, structured and rule-obeying world community. Chile was the first Latin American country to officially recognize China as a "market economy" in 2004. Formally, by so doing, Chile made it more difficult for countries that compete with China in global markets (like Brazil, Mexico, the European Union and the United States) to accuse China of unfair competition and protectionism in the future. Chile also gained a strategic ally when it championed China's entry into the formal WTO (Domínguez 2006, p 37; Cesarin and Moneta 2005).

It is paradoxical, however, the way in which Chile addressed human rights issues resulting from the events in Tianamen Square in 1989. During the Eduardo Frei administration (1994-2000), a bilateral commission was established to report to the Chilean government so that Chile could have an informed position when voting on human rights abuses charges against China in the United Nations.<sup>3</sup> Commercial relations took precedence even over human rights issues, a topic that, because of its recent history, was particularly sensitive to the center-left government of Chile.

Initially adopted by the Pinochet dictatorship, Chile's commitment to free-market policies became a national consensus. The center-left Concertación coalition that has ruled Chile since the end of the Pinochet regime embraced the free market model in 1990 and continued to open the country to foreign competition. In fact, because trading with Chile no longer had the negative connotation of the Pinochet dictatorship and because other countries in the world had also begun to embrace more free-market policies, Chile's full incorporation into world markets was achieved in the 1990s, when the Concertación coalition was in power. During the Patricio Aylwin administration (1990-1994, the first president from the Concertación coalition), Chile consolidated and deepened free-market policies adopted under Pinochet. Later, under the Frei administration (1994-2000, the second Concertación president) Chile signed several free trade agreements and championed the initiative to create a Free Trade Area of the Americas. Moreover, during the Frei government, in 1998, the country unilaterally adopted across-the-board tariff reductions that eventually established a 6% tariff on all imports from any country. Such a move further introduced incentives for Chilean goods and services to be more competitive and to better adapt to international competition.

Concurrently, Chile advanced significantly in signing free trade agreements with countries from around the world. In addition to free trade agreements with Canada (1996) and Mexico (1998), Chile signed a number of trade pacts with Latin American nations and with countries from around the world during President Frei's term. However, it was under Ricardo Lagos (2000-2006, the third Concertación president) that Chile signed its most important free trade agreements. A strong advocate of free trade, President Lagos built on a legacy and on the sound macroeconomic fundamentals of his two predecessors. After lengthy negotiations and an even longer waiting period,

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<sup>3</sup> Interview with former Chilean Ambassadors in China Octavio Errázuriz and Pablo Cabrera.

Chile signed a free trade agreement with the United States that became effective in 2004. A similar pact was signed with the European Union and South Korea in 2003.

Under the Lagos administration, Chile also signaled its commitment to increase trade with other Asian countries. Chile, a full member of APEC since 1994, hosted the 2004 meeting in November 2004 in Santiago. At that time, President Lagos announced that free trade talks with China and Japan would be initiated immediately. Shortly after, the government announced that negotiations for a free trade agreement with India were also going to take place. The trade agreement already in effect with South Korea signaled Chile's interest in Asian and Pacific markets.<sup>4</sup>

President Ricardo Lagos's strong commitment to free trade was particularly important because Lagos was a militant of the PPD party, one of the two left-wing parties of the center-left Concertación coalition. Because Lagos advanced further than his two predecessors in integrating Chile into world markets, the national consensus around the benefits of free markets was further consolidated and strengthened. Lagos's successor, Socialist Michelle Bachelet (2006-2010) has maintained the commitment towards free markets. She appointed economist Alejandro Foxley as her Minister of Foreign Affairs. Foxley, who had previously served as Finance Minister during the Patricio Aylwin administration, is a strong defender of free-market policies. During Bachelet's administration, free trade negotiations with Japan and India are expected to be finalized.

Chile and China negotiated a free trade agreement in 2005 and 2006. It was the first such deal between China and a Latin American nation. Once signed, the trade agreement came into effect on October 1, 2006.<sup>5</sup> Preliminary figures for 2006 indicate that trade between the two nations has continued to grow.<sup>6</sup> Yet Chinese exports to Chile are more likely to become diversified than are Chilean exports to China. Because of China's rapid growth as a manufacturing power, many manufactured imports historically brought from the United States or Europe are now being imported from China. That will make it easier for China exports to Chile to further diversify in the future. However, Chile's exports to China are highly concentrated and will likely remain so. Six products (five of them mineral) account for 75% of all Chile's exports to China.<sup>7</sup> Moreover, China has made it very public that it has interest in securing a large supply of copper from Chile. A major agreement between Chilean state copper giant CODELCO and its Chinese counterpart MINMETALS in 2005 has come to symbolize the trading priorities China has when it comes to Chile. CODELCO agreed to supply MINMETALS with 56,750 tons of copper annually until 2015. The Chinese company made a guarantee deposit of US\$ 550 million for a business worth more than US\$2.2 billion over 15 years. The agreement also allows for MINMETALS to join CODELCO in the Gaby mining development in northern Chile with a 25% ownership share and allows for CODELCO and MINMETALS to jointly explore opportunities to exploit copper interests in other countries.<sup>8</sup>

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<sup>4</sup> For a full list of Chile's free trade agreements see DIRECON [www.direcon.cl](http://www.direcon.cl)

<sup>5</sup> For a text and a detailed explanation of the contents and scope of the free trade agreement see [http://www.direcon.cl/documentos/China2/documento\\_china\\_final\\_agosto\\_2006.pdf](http://www.direcon.cl/documentos/China2/documento_china_final_agosto_2006.pdf)

<sup>6</sup> For the most recent trade figures, see Chile's Trade Promotion Bureau, Pro-Chile at [www.prochile.cl](http://www.prochile.cl)

<sup>7</sup> DIRECON, Intercambio comercial China Chile, 2006. [http://www.direcon.cl/documentos/China2/int\\_comercial\\_chile\\_china\\_090306.pdf](http://www.direcon.cl/documentos/China2/int_comercial_chile_china_090306.pdf)

<sup>8</sup> CODELCO, Convenio Minmetals Codelco, 2006 <http://www.codelco.cl/prensa/presentaciones/pdf/Mimmetals-Codelco.pdf>

Because China's economy continues its rapid expansion, demand for Chilean raw materials, especially copper, is also expected to remain strong. Yet, as Chinese products find an easier way into Chilean markets, Chinese manufactured goods should soon reduce the favorable trade surplus that Chile has enjoyed in recent years.

Because of the free trade agreement, relations between both countries will likely also expand beyond trade. Chile obtained the status of an authorized destination for Chinese tourists in 2005. That should help increase the number of Chinese tourists who visit the country. Although the numbers are growing, data from the Chinese Embassy in Santiago shows that the number of Chinese tourists that have visited Chile so far has been minimal. In 2001, 1740 Chinese tourists went to Chile. That number increased to 1832 in 2002, but declined to 1744 in 2003. In 2004, there were 2494 Chinese tourists who visited Chile. In 2005, the number increased to 2654.

Although China is also becoming an increasingly attractive destination for Chilean tourists, the fact that there are only 16 million Chileans will mean that there will be little economic impact resulting from an increase of Chilean tourists into China. Yet, as the number of tourists increases, relations between the two countries will inevitably extend beyond trade.

Politically, it seems unlikely that China and Chile will strengthen ties significantly. Although both countries have expressed their intention to develop close relations, there are few areas where those intentions can evolve into political cooperation. Chile's strong commitment to human rights protection, for example, has not led the South American nation to condemn human rights abuses in China. Moreover, the Chilean government has made it evident that it does not want to unsettle China on this delicate issue. On a recent trip to Chile, the Dalai Lama was purposely not invited to visit La Moneda, the presidential palace. Because the Dalai Lama had been invited to La Moneda on a previous visit in the early 1990s, this change of policy on the part of the Chilean government was welcomed by the Chinese government. Other Chinese dissidents who have recently visited the country have also been ignored by the authorities. Perhaps most telling, during the 2005 presidential campaign, then-candidate Michelle Bachelet was directly asked about signing a free trade agreement with a country known to have violated human rights. Bachelet, a victim of human rights violations herself, denied knowing about such violations in China.

Although Chile needs fewer friends abroad than China at the present time, China has shown its commitment to helping Chile with its international agenda. In addition to supporting Chile's claim over the Antarctic, China has also supported Chile's initiative for nation building in Haiti. Just as Chile has made an effort to keep good diplomatic relations with China, the Chinese government has also avoided addressing issues that are difficult for Chile in international arenas, such as Bolivia's sovereignty claims over access to the Pacific Ocean. Yet, the two countries have not moved beyond a policy of non-interference in each other's domestic affairs. They have not explored the possibility of military cooperation nor other strategic alliances. Even foreign investment has remained negligible between the two countries. Naturally, with the new free trade agreement that just came into effect, opportunities for foreign investment should flourish, but it will be some time before foreign direct investment grows to the level or even at the speed that trade has grown between the two countries over the past 20 years.

China and Chile have maintained cooperative and mutually beneficial bilateral relations over the years. Yet the two countries have not formally defined their relations in excessively friendly terms. China uses three different categories to identify its strategic allies around the world: strategic partner, cooperative partner and friendly cooperative relations. Chile receives the middle category, whereas Argentina, Brazil and Venezuela are strategic partners (Domínguez 2006).

The explanation is that political relations are not central to Chile and China's bilateral agenda. Chile was the first South American country to establish diplomatic relations with China, it facilitated access to the Antarctic for China, it first supported China's entry into the WTO, it recognized China as a market economy, it has hosted the last three Chinese presidents when they have visited Latin America and it was the first country in the region to sign a free trade agreement with China. But the political ties do not extend beyond these actions.

For China, Chile occupies an important position in Latin America. Chile is a stable, more institutionalized country. In strengthening relations with Chile, China does not appear to threaten the hegemonic influence the United States has exerted over Latin America. Whereas strengthening relations with other Latin American countries might be perceived as challenging U.S. hegemony in the region, relations with Chile can be considered as primarily commercial.

### **Conclusion**

Relations between both countries have consolidated around trade and, within the Latin American context, seem bound to consolidate further. Perhaps as a metaphor of Chile's priorities in Asia, free trade talks with China were completed much sooner than those with Japan. Similarly, symbolizing the strategic importance China places on Chile, it signed a free trade agreement with Chile before it did with any other nation in the region. Yet, although trade relations continue to develop, expand and grow, the two countries have not moved beyond commercial relations. So far, therefore, we can characterize Chinese-Chilean relations as a strong partnership that is developing primarily—if not exclusively—around trade and that seems to have no incentive to grow beyond trade, at least at the present time.

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