
“Belt and Road” Initiative in Peru: Impact, opportunities and challenges

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Summary

The “Belt and Road Initiative” (IFR) constitutes one of the most important strategies of the People's Republic of China (PRC) to achieve economic hegemony and world leadership. At present, many countries -including Peru- negotiate and coordinate their entry and participation in this project in order to obtain benefits for their citizens; however, the existing asymmetry forces us to be better prepared to generate tangible benefits. In this regard, this article presents an evaluation of the impacts, opportunities and challenges that Peru will have in the face of what its participation in the IFR means, setting guidelines for obtaining expected results in a global environment of crisis and needs, as well as of struggles between the United States and the PRC for economic leadership. For this, diverse information has been obtained and analyzed that has allowed us to know both the magnitude of the effort and the global Chinese claims, interpreted from a geopolitical point of view.

The article projects a vision for the future on what the world order will be like from the rise of a new economic power in Asia, shifting the global center of gravity towards that region, and how developing countries must be forewarned and have adequate strategies to receive large investments in infrastructure and other areas. The national reality and the current context show results that are not very encouraging for the Peruvian case, a country that must assume a clear position regarding the need to obtain the greatest advantages from the IFR; in this way, you will avoid repeating negative experiences of false bonanza and growth without development.

Keywords: Impact, national interests, hegemony, geopolitics, challenge.

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Introduction

In recent years, renowned analysts have announced the proximity of a change in the international order, reflected through the rise of the People's Republic of China (PRC) and the constant decline in the relative power of the United States, since the latter has been showing greater dedication to internal problems and a protectionist attitude¹. Indeed, the "Belt and Road Initiative" (IFR) is one of the most notorious examples of the increase in power and influence of the PRC, concentrating on cooperation and infrastructure development worldwide. This initiative has positioned itself as one of the most important Chinese foreign policy strategies and the flagship project of the administration of President Xi Jinping, which - despite having opposing and highly polarized opinions - arouses widespread interest on the part of the countries in receive these investments, despite involving in the same way a series of risks that must be analyzed and minimized².

To date, this initiative comprises 138 countries and 30 international organizations, so a deeper understanding of this Chinese strategy and what it involves will serve to capitalize on the opportunities it presents. In this sense, it must be recognized that any initiative of this magnitude may not have a significant impact on the interests of Peru unless the minimum conditions are implemented so that the benefits are reflected in the development and well-being of the population. Therefore, the analysis of the impact, opportunities and challenges presented by the IFR should be approached with caution, always giving priority to the interests of the country.

This article analyzes the possible consequences that the IFR will bring to this part of the world and, especially, to Peru. Likewise, some proposals or guidelines are presented to be undertaken so that the impacts and opportunities have a positive effect on the development of the country, mitigating any effect regarding National Security. To do this, initially, the background of the IFR and the strategic scope of its implementation in Asia and other regions of influence will be exposed. Next, some geopolitical approaches and theories that support the reasons for the implementation of the IFR in this geographical area will be shown. Finally, the regional and local situation with respect to the IFR and the current context in commercial relations will be analyzed to determine its impact in the country from the perspective of national interests.

Background and design of the IFR

The Marshall Plan, which in the 1950s achieved Europe's recovery by providing it with adequate levels of development and well-being, is - perhaps - one of the high-impact

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initiatives that can be compared with the IFR due to the magnitude of the projected investments and the amount of population involved. Keeping the distances, the Marshall Plan presented clear political objectives before the advance of Soviet communism; Therefore, one of the main differences with the IFR is that the latter favors economic objectives over political coincidences with the countries involved, respecting the political situation and the type of government of each participating country³.

In 2013, Chinese President Xi Jinping delivered a speech during his visit to Kazakhstan, stating that the way of thinking in the world would change and inviting the countries of Central Asia to work innovatively with the PRC to build an economic belt with the objective of consolidating cooperation and development links⁴. What Xi Jinping expressed that day was the official proclamation of the "Silk Road" project, which was later consolidated as the IFR. This proposal is based on connection and connectivity; For this, land and sea routes must be consolidated as major economic axes or corridors, without neglecting the air route. For this reason, the projected plan defines various means (railways, highways, maritime transport, aviation, pipelines and an integrated computer and aerospace network) through which the objective of infrastructure connectivity is structured⁵. Additionally, corridors are contemplated through which the means described above will be implemented, among which the economic corridor called the Eurasian Land Bridge (which will link Greater China with Europe in a continuous section), the China-Mongolia-Russia economic corridor, the economic corridor China-Central Asia-Western Asia economic corridor, the China-Indochina Peninsula economic corridor, and the Bangladesh-China-India-Myanmar economic corridor. Likewise, an additional corridor is planned, still under study, called the Polar Silk Road, which aims to reach northern Europe through the maritime axis that borders all of northern Russia and borders the Arctic, since in the summer months - also due to global warming - access for cargo ships is enabled⁶.

In this way, the PRC would be able to connect with the world, offering effective control that provides tranquility and fluidity to its production. The interesting thing about this great system that will unite Asia and Europe is that the investment that China has planned to make for its implementation has a return effect over time. In other words, the agreements make it possible to recover - gradually and effectively - all the investments in infrastructure that Chinese companies carry out along the corridors, without affecting the economy of the PRC. Consequently, the large Chinese companies, mainly in the construction sector, are already prepared for this task, generating wealth for China according to the project's progress rate. Without a doubt, IFR is a profitable business.

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Building a new hegemony

Various specialists state that the IFR should be seen as an initiative towards the exterior and a strategy for the interior of the PRC⁷. In this regard, the interior of China is the area least benefited by economic growth in the country, identifying less industrialization and a low population density for Chinese averages. Added to this is a rugged geography that distances it even further from the more developed areas on the coast⁸. In this sense, the government of the PRC has formulated plans for the reactivation of the interior of the country; However, the results do not convince the ruling class and it is estimated that the IFR will be the engine that activates development through economic corridors, reducing concerns. In this way, the industries in the interior of China will be in charge of the production that their neighbors and Eurasia will require in the coming years, trying to interpret the thinking of Xi Jinping when he referred to having another look at the world from the IFR implementation.

The direct beneficiaries of this initiative are all the countries that participate, as long as they adapt quickly to this avalanche of investments; However, the PRC has planned everything and is advancing in a process of strengthening its military capabilities, since security support is essential since the economy alone does not ensure success, and must provide the conditions of protection so that operate with confidence. China appears in the international context not by coincidence or conjuncture, but by the work of strategic projection that was defined by Deng Xiaoping in the seventies and that has been scrupulously continued by the subsequent presidents of the PRC.

The participation of the countries in the IFR should be understood as a search for greater margins of autonomy and, therefore, the replacement of traditional partners, such as the United States and Europe⁹. In this sense, the PRC seeks to reduce US dependence on the countries participating in the IFR, developing an economic hegemony and - over time - ensuring Chinese dependence not only on Latin American countries but also on a large number of countries worldwide. In this regard, Robert Cox, an eminent Canadian political analyst, defines economic hegemony as the ability of a State to achieve broad acceptance of general principles, which ensure supremacy and - at the same time - offer satisfactory prospects for States. Less powerful¹⁰.

According to the "Perspectives and Actions for the IFR" defined in the National Development and Reform Commission¹¹, the IFR is developed under various basic principles, all of them aligned with the purposes and principles of the United Nations

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Charter: openness to cooperation, harmony and inclusiveness, market dynamics and the search for mutual benefits¹². In this way, in the international context, a stronger presence is being built by the PRC in the economic field, which is presumed to be the support that sustains possible advances in other fields such as the military, the political and even the cultural, which should not be overlooked.

A world periphery is consolidated

Joseph Nye, an illustrious American political scientist, elaborated an account of the great hegemonies throughout history. This relationship began in the sixteenth century with the power of Spain and was later displaced by the Netherlands in the seventeenth century and this, in turn, by France in the seventeenth century. Later, in the 19th century, England was consolidated as a great power due to its naval power, exercising control in world trade. Subsequently, and at the end of World War II, the United States consolidated itself as the first power, starting a struggle with its political rival, the Former Union of Soviet Socialist Republics, who found its collapse in the race to reach and displace the United States¹³.

At present, there is a global struggle between the United States and the PRC, which includes the race to conquer the valued region of Eurasia, which is home to 75% of the world's population and concentrates most of the physical wealth of the country. However, although the objective is known, the ways to obtain it are different in their application for each country. In this sense, the United States would be putting into practice the ideas of Alfred Mahan, American naval historian and strategist, who prioritizes the control of maritime routes, while the PRC would be applying the ideas of the English geographer, academic and politician, Halford John Mackinder, seeking - through the IFR- a greater influence in Eurasia to counteract the US maritime power, thereby guaranteeing rapid access to any part of the world¹⁴.

Mackinder's heartland theory states that the state that controls Eurasia, the heartland or “pivot area”, will control the rest of the world: “Whoever governs Eastern Europe dominates the heartland; who rules the heartland rules the Island of the World; who rules the Island of the World rules the World¹⁵”. Indeed, the design of the IFR directs all its geopolitical and geostrategic efforts towards the Eurasia region, through a penetration of the trade of its products and the construction of infrastructure for its connection. In this way, China would exercise hegemony over two of the main continents of the world: Europe and Asia, forming an inner ring between Africa, the Middle East, the countries of South Asia and Oceania. However, where is America located? Logic indicates that it will become the outer ring of the great world island; that is to say, that in the next few

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years the periphery of the world will be America, including its main member, the United States.

The full implementation of the IFR could generate a change in the world center of gravity and a new way of global functioning, for which it is necessary to analyze all the strategies that allow the new “world periphery” to be able to take advantage of the development of which, probably, countries on the other side of the world will enjoy. In this sense, the Latin American countries must create the conditions and adopt the measures that allow them to industrialize through the benefits of the IFR, since - otherwise - they will have to continue to settle for being the world's source of raw materials, taking advantage of to a lesser extent and more slowly all the advantages that this ambitious initiative presents.

The IFR and the impact on the interests of Peru

The analysis of the commercial situation is essential to understand the importance that the PRC represents for Peru since, currently, it is not only its largest commercial partner, but also its main investor, especially in the mining sector. However, this has an explanation: China needs raw materials and Peru is an important source of these, especially minerals and food. Although it is true that the favorable conditions established under the protection of the Political Constitution of Peru encourage investments with a qualitative difference with respect to our neighbors, the importance that Peru has for the PRC is summarized in being a source of raw materials.

However, Chinese investments in Peru have been diversifying and now include investments in large-scale port infrastructure, having identified that the areas of Chancay, north of Lima, and Corío, in the Arequipa region, have strong potential for the construction of mega ports. On the one hand, the creation of port infrastructure is vital for Chinese interests since it allows the exit of raw materials in a more fluid way, reducing costs by centralizing loads on large-capacity vessels. On the other hand, the geographical position of Peru -central and western on the Pacific coast-, facilitates the entry of Chinese products for distribution from Hub ports to the main cities of South America, using land, air or sea routes to minor ports.

Currently, the choice of a port of entry and investment in infrastructure has been taking place in the port of Piraeus, in Greece, which will become the entry point for Chinese production to Europe. In this sense, the construction of the Port of Chancay is a project that has been running with delays, mainly due to the pandemic; In the case of Corío, it is still in the project phase depending on the political decision that allows its

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implementation. Undoubtedly, these new ports will facilitate decentralization and will constitute regional development axes which, together with the port of El Callao, will promote rapprochement with China.

As mentioned, mining is the main attraction for the PRC and one of the reasons why it focuses its gaze on Peru. For this reason, the PRC has made the largest mining investment in the country, when it bought “Las Bambas” Copper Mining Project for five billion dollars in 2014. Likewise, in terms of future investments, there are projects of construction of railway networks that link the South American continent, achieving an interoceanic connection between the Pacific and the Atlantic. Therefore, it is important that the rulers make favorable and timely decisions to attract Chinese investment. In this direction, the IFR must engage with the projects already proposed by the PRC in Peru. These investments are of mutual interest and will create development poles that will boost the country's economic growth.

However, Peru's relations with the PRC are still disjointed. Currently, the Ministry of Foreign Trade and the Ministry of Foreign Relations assume the responsibility of generating interest with clear investment rules, but this is not enough. The commitment must involve various sectors of society, from academia to the general population, who must understand what the PRC represents for the future of the world and Peru, but also understanding the risks implicit in these investments.

The challenge for Peru

The PRC requires a world-scale trade center that allows it to concentrate all regional production to be transported and used by its industries; likewise, it needs a place of entry with the appropriate conditions and facilities that give it fluidity to stay competitive in the market, by reducing freight costs. This is an opportunity that Peru must not miss. However, taking advantage of the benefits of IFR in Peru must include the population, mainly those in the interior of the country. For this, it is essential to develop economic corridors that bring progress to the population of the mountains and jungle of the country.

In this sense, the PRC has opened the possibilities of mutual benefit, so Peru must develop a country strategy that allows it to materialize the desired impact, not being limited to the extraction of raw materials and the entry of low-cost manufacturing - that will destroy the national industry-, but by taking the steps required to reverse the behavior of a primary exporting country. For example, Costa Rica constitutes a special case of taking advantage of Chinese investment: *the previous primary-export specialization*

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gave way to a kind of "intelligent machine" focused on the production of parts and pieces of electronic equipment, medical and aeronautical supplies, a specialization based on the manufacture of goods with high added value induced by "global value chains" determined by the great powers¹⁶.

What the PRC has started with its neighbors along the IFR's economic corridors in Asia, it experiences with Costa Rica by conferring on it a structure that is not primarized, but secondary: a subsidiary industry, dependent on foreign capital, turned into a platform of export and detached for the first time from a national agrarian development¹⁷. In this part of the world, the conditions and benefits do not meet the expectations of what the PRC aspires, so the Costa Rican option has become an alternative solution, trying - at all times - to avoid economic dependence.

This is the real challenge that Peru will have to face: avoid economic dependence that endangers National Security and limits its sovereignty. To do this, not only should the diversification of investments in Peru be promoted, but also make the population aware of the great opportunity that presents itself. In this sense, the image of the country needs to be worked with the commitment of all, because it is the support that a country has as sustenance in a globalized and competitive world. Likewise, social conflict, political instability and prevailing corruption definitely do not help in building an image of a country with growth options.

Conclusions

Step by step, the PRC is consolidating itself as an economic power and everything suggests that it is a matter of time before it displaces the United States, which is why, for countries like Peru, it is essential to develop a strong State and build a well-structured relationship with the new world economic power. In this regard, in 2009, the prestigious American economist Michael Porter was invited to Peru at a time when the national economy was showing notable and continuous growth. However, on that visit, Porter appreciated a non-existent state, not very sensitive to needs and apathetic to face modern challenges. The expert economist wielded some ideas regarding the situation in Peru and its solution, mentioning -on that occasion- that the causes of the Peruvian problem are structural, with a State without management capacity and not in accordance with the requirements and needs of its population, in addition to an absence of self-correction¹⁸. The situation described requires the country to build a functional, modern and intelligent political order that allows economic growth in an environment of freedom and legal prevalence; that is, a strong State, where compliance with the law and accountability are required and practiced.

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Currently, Peru suffers from an effective competitiveness policy, presenting an economy without a definite direction. The State is incapable of promoting the generation of wealth and, much less, of fulfilling its efficient distribution. Likewise, there is a delay in the creation of technology, which is extremely serious since this aspect constitutes the engine of change from one economic model to another. On the other hand, the PRC will not stop entering Peru due to its need for raw materials and its investment capacity; However, it should be taken into account that such investments do not necessarily come to create industries or companies, but also to buy existing businesses and invest to obtain greater profits.

Peru's participation in the IFR does not, by itself, ensure that it will become a first world country. Despite the fact that the levels of monetary poverty can be reduced, the ordering is essential since informality does not necessarily mean entrepreneurship¹⁹. The objective of Peru's entry into the IFR should focus on reducing the social differences and economic gaps that it has dragged on in a structural way since its birth as a Republic. The search for a comprehensive approach to generate greater development must be based on the concerted adoption of measures and actions that guarantee the effectiveness of the strategies so that the needs of the population are met.

At the end of the day, all efforts must be aimed at achieving the long-awaited well-being of society, through development in an environment of full security for the state, society and individuals²⁰. If clear results to be achieved are not identified, through means and procedures, it will not be possible to implement activities that imply the improvement of the population's living standards. Consequently, the policy defined with respect to the implementation of the IFR in Peru must be based on the aspirations of the community, always safeguarding national interests as they are inalienable.

Endnotes

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