
Peruvian interests and the "Belt and Road Initiative"

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Summary

This article analyzes the importance of the inclusion of Peru in the great infrastructure and road connection initiative called "the Belt and the Route", launched by the People's Republic of China (PRC). This initiative aims to unite the world through a series of projects that integrate the countries of Asia and Europe with the countries of Latin America, Africa and the Middle East. This project foresees, in this part of the continent, the construction of new ports, railways, highway axes, terminals and logistics centers, for which the PRC would become the main financier of these works, promoting agreements with the States involved. In this context of challenges and given the importance of these works, Peru faces the need to consolidate the financing of two large projects: "the bi-oceanic railway between Peru and Brazil" and "the megaproject of the North Pan-American railway train". In that sense, this article aims to draw the reader's attention to this important issue, since Peru -being a country that requires large investments to develop its main infrastructures- should analyze and minimize the risks associated with its involvement in this ambitious initiative of the PRC.

Keywords: Belt and Road Initiative, the new Silk Road, Infrastructure, foreign trade, geoeconomic and geopolitical changes.

Introduction

German Political Scientist Dietmar Dirmoser, head of the Central Asia and South Caucasus department of the Friedrich Ebert Foundation in Berlin, points out that the "Belt and Road Initiative" (IFR) - whose name goes back to the ancient Silk Road - It could lead to strong geoeconomic and geopolitical changes, since being ambiguously drafted to reduce susceptibilities, the megaproject involves the

development of a series of economic corridors through large investments in infrastructure. In this way, the People's Republic of China (PRC) ventures into a new approach to its foreign policy that seeks to recover the "Chinese dream", totally overcoming the stage of "national humiliation".¹

On the one hand, the "great objectives" of the PRC in its challenging foreign policy are: (1) Implement infrastructures such as new ports, railways, land routes, terminals, logistics and supply centers, (2) Position China as the main financier of large works that allow the displacement of exports and imports (for example, with Kazakhstan reaching an investment of 23,000 million dollars), (3) Strengthen the Vision of the countries involved, when dimensioning the project as a comprehensive development plan for the entire region involved, which includes financial integration with the expansion of monetary agreements without the use of the dollar, (4) Internationalize the Yuan currency to facilitate the exchange system in commercial transactions.

On the other hand, Peru has a National Competitiveness Policy (Prioritized Objective No. 7: Facilitate conditions for foreign trade of goods and services)² and a National Infrastructure Plan for Competitiveness, aspiring to be part of the Organization for Economic Cooperation and Development (OECD). However, this is where the issue of activating rail transport arises because the development of rail services in Peru is mainly aimed at freight transport, which, together with the difficult geographical characteristics that Peru presents, increase costs and make it difficult to achieve further railway development.³

Through this article it is intended to draw the reader's attention to this matter, since Peru -being a country that requires large investments to develop its main infrastructures- should analyze and minimize the risks associated with its involvement in this ambitious international initiative of the PRC.

From the historic route to the megaproject of "the Belt and the Route"

In 1877, the German geologist Ferdinand Von Richthofen coined the term "Silk Road", referring to the transport route that connected China with Asia and Europe, establishing a cultural connection between East and West. Currently, the PRC intends to relaunch the use of this term and take advantage of its benefits through the megaproject called "the Belt and the Route". This ambitious initiative aims to promote cooperation and development through the implementation of infrastructure, connectivity, investment and the promotion of tourism, among others.

In the book on IFR, Chinese academic Wang Yiwei, Director of the China Europe Academic Network (CEAN), unveils a new regional model of international cooperation in the 21st century. This new model would allow the global exchange of knowledge and well-being between civilizations, promoting the progress of human civilization and contributing - to a great extent - to the prosperity and development of the countries along the Silk Road, promoting communication and East-West cooperation.⁴ Without a doubt, investments in infrastructure and connectivity to strengthen trade are fundamental principles of this great challenge of Chinese politics.

In 2013, Chinese President Xi Jinping, recalling the ancient route that linked East with West, announced the proposal of the "New Silk Road"; However, a short time later, a much more ambitious project called the IFR would be presented, a globalization proposal with Chinese characteristics. In this regard, the vision of the Asian giant is to lead a global market with land and sea routes that favor its development and expand its influence worldwide. However, this significant proposal raises valid doubts and questions such as, for example, how could international trade be modified from this initiative? One possible consequence would be that the countries involved could end up in a state of strong dependence on the Chinese economy, which - sooner or later - would impact their political, diplomatic and military decisions.

In this context, the PRC will be the main financier of this project, for which it has provided Chinese banks with capital and regulations, and has even created the "Asian Bank for Infrastructure Investments" in order to promote these investments. Faced with these possibilities, developing countries, such as Peru, have shown their interest in joining this initiative and making large mega-projects of road and port infrastructure a reality.

Challenges and opportunities

Regarding foreign policy, it is important to mention the role played by Latin America and its influence on the decisions of the PRC; particularly, after the publication -in 2016- of the White Paper for Latin America, in which China established a series of guidelines for its relationship with the countries of the region. Subsequently, on the occasion of President Xi Jinping's visit to Peru, Ecuador and Chile, in 2016, the PRC published its New Global Document for Relations with Latin America and the Caribbean, which has aroused the interest of the countries of the region for strengthening ties with the Asian giant. In this sense, Peru is no exception, as BBC News Mundo announced on April 26, 2019, when it reported that Peru had just become the last country in Latin America to join the initiative of the New Silk Road,

despite warnings from the United States about China's increasing influence in the region.⁵

IFR involves the investment of Chinese funds for the construction of large infrastructure projects around the world. In this sense, it is worth highlighting the megaproject of the "Bioceanic Railway between Peru and Brazil" that would link the Port of Bayobarral (in Piura, Peru) with the Port of Santos (in Sao Paulo, Brazil). However, this would not be the only project that arouses the interest of the PRC to invest in Peru, since there are other interesting proposals such as the megaproject of the "North Pan-American Railway Train",⁶ presented by the Peruvian Engineer Dugald McLellan to the Engineer Peruvian school Peru. In this regard, the engineer McLellan states that - if this railway project materializes, which would travel 2740 kilometers along the Peruvian coast (from Tumbes to Tacna) - exports and imports would be boosted, as well as the development of national tourism, promoting the creation of more metal-mechanic industries, encouraging agribusiness, strengthening industrial development and creating new industrial areas along its entire route, parallel to the Pan-American Highway.⁷

Johnny Montalvo, correspondent for "China Hoy" in Peru, asserts that the IFR tries to promote political, commercial, capital and personal connections between Asia and Europe, thus rebuilding the ties that historically contributed to shaping today's world through trade and the exchange of ideas is at the base of the project. In the same way, through this initiative, the Chinese dream of the "rebirth of the great Chinese nation" is being realized. In that sense, by the year 2049, the PRC aspires to achieve the implementation of this new route of integration and friendship between peoples, connecting a large number of countries with China, but also making them more dependent on the Asian giant.

This is where countries like Peru must develop strategies that allow them to counteract the dangers or challenges of establishing a strong dependence with the PRC, since - sooner or later - economic dependence will influence the country's political, diplomatic and military decisions.

Conclusions

To date, Peru has signed two important Memorandums of Understanding with the PRC to facilitate investment and infrastructure development in this South American country. The first of them, signed in May 2015, includes Brazil and includes the financing of the Megaproject of the "Bioceanic Railroad between Peru and Brazil"; while the second of them, signed in April 2019, allows the incorporation of Peru to

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the IFR. In this regard, it is significant to highlight the interest of the PRC to incorporate Peru into this great initiative, but it is also important to highlight both the opportunity that Peru represents and the fact of being able to receive investments that allow the materialization of significant infrastructure projects, such as large dangers and challenges involved in developing a strong and - perhaps - inevitable economic dependence on the PRC.

About the author:

Miguel Estrada Terrones is retired Colonel of the Peruvian Army, Master in Management and Technological Innovation from the Scientific and Technological Institute of the Army, Doctor in Educational and Tutorial Psychology from the National University Enrique Guzmán y Valle. He has also completed the Master's Degree in Development and National Defense at the Center for Higher National Studies (CAEN) and the Aerospace Intelligence Program at the Intelligence School of the Peruvian Air Force. Currently, he works as a reviewing professor at the Scientific Technological Institute of the Army and as a reviewer teacher and ruling jury of the CAEN Research Directorate. His areas of interest are: development, security and national defense, management and technological innovation, and public management.

Endnotes:

¹ Dietmar Dirmoser, "La Gran Marcha china hacia el oeste. El mega proyecto de la nueva Ruta de la Seda", *Revista Nueva Sociedad* n.º 270, ISSN: 0251- 3552 (July – august 2017), <https://nuso.org/articulo/la-gran-marcha-china-hacia-el-oeste/>, (accessed May 12, 2021).

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⁴ Wang Yiwei, "Iniciativa Franja y Ruta", citado en Ignacio Villagrán, [et al.]; compiled by Laura Lucía Bogado Bordazar; María Francesca Staiano; Matías Caubet. "China: una nueva estrategia geopolítica global (la iniciativa la Franja y la Ruta)" 1a ed. (La Plata: Universidad Nacional de La Plata. Facultad de Ciencias Jurídicas y Sociales, 2019), Libro digital, Archivo Digital: ISBN 978-950-34-1761-4.1, <https://www.iri.edu.ar/wp-content/uploads/2019/07/libroRutaDeLaSeda2019.pdf> (accessed June 14, 2021), 72.

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⁵ BBC News Mundo, "Los países de América Latina que forman parte de la Nueva Ruta de la Seda de China", *BBC News Mundo* (April 26, 2019), <https://www.bbc.com/mundo/noticias-america-latina-48071584>, (accessed June 14, 2021).

⁶ Dugald Mc Lellan, "Megaproyecto Tren Ferroviario Panamericano Norte Lima Tumbes 1380 Km", *Colegio de Ingenieros del Perú*, <https://docplayer.es/88916016-Megaproyecto-tren-ferroviario-panamericano-norte-lima-tumbes-km.html>, (accessed May 12, 2021).

⁷ Letter from Engineer Dugald Mc Lellan to the author of the article.