Abstract:
This study distances itself from the approach that argues that China only exerts influence in Latin America through loans, aid and investment, since China has also established alignments that include sophisticated economic hubs. China has developed initiatives that this article calls "non-traditional economic influences" which have been established initially with pragmatic countries located in the Pacific Rim with which China has signed Free Trade Agreements (Chile, Peru and Costa Rica). In order to examine this empirical regularity, the article applies a Fuzzy-set Analysis exploring which factors are necessary and sufficient conditions for a Latin American country to sign an FTA with China. The results suggest that recognition of China as a market economy, a complementary economy with a low level of industrial competition, and a country with a high standard of regulations are conditions for signing an FTA.

Key words: China, Free Trade Agreements, Preconditions, “non-traditional economic influences”, Chile, Peru, Costa Rica.

Título en Castellano: Los Acuerdos bilaterales de libre comercio de China como alineaciones estratégicas. Construcción de una red de cooperación integral con Estados pragmáticos de la cuenca latinoamericana del Pacífico

Resumen:
Este estudio se aleja del enfoque que argumenta que China sólo ejerce influencia en América Latina a través de préstamos, ayuda e inversión, ya que China también ha incluido centros económicos sofisticados. China ha desarrollado iniciativas que este artículo denomina “influencias económicas no tradicionales” que se han establecido inicialmente con países pragmáticos ubicados en la cuenca del Pacífico con los que China ha firmado acuerdos de libre comercio (Chile, Perú y Costa Rica). Con el fin de examinar esta regularidad empírica, el artículo aplica un análisis de conjunto difuso para explorar qué factores son necesarios y qué condiciones son suficientes para que un país latinoamericano firme un TLC con China. Los resultados sugieren que el reconocimiento de China como economía de mercado, una economía complementaria con un bajo nivel de competencia industrial y un país con un alto estándar de reglamentación son condiciones para la firma de un TLC

Palabras Clave: China, Acuerdos de libre comercio, Precondiciones, “Influencias económicas no-tradicionales”, Chile, Peru, Costa Rica.

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1. Introduction

China’s strategic alignments in Latin America are - unlike their European and Central Asian counterparts - in practice, exempt from taking positions or participating in discussions about the new geo-political order that the Asian giant is leading. However, it is increasingly common for the countries of Latin America and the Caribbean (LAC) to take more active positions in the new great geo-economic game that China is involved in. This is the case of Argentina and Chile, which were the first countries in the region to participate in the Belt and Road Forum, or the case of Chile, Peru and Venezuela, which are the first non-regional members of the Asian Infrastructure Investment Bank (AIIB). These situations have created a new precedent, where Washington no longer ignores the strengthening of China's role in Latin America, especially because China is increasing its relations with countries historically close to North America, such as Chile, Costa Rica, Peru, Panama and recently the Dominican Republic.

Focusing on the countries with which China has the highest level of linkage in the LAC region, we can argue that the country has nine strategic partnerships, which are mainly distributed in three groups that share certain characteristic, but differ in others. On the one hand, there is the group that mainly responds to geostrategic and geo-economic logic and is represented by emerging economies (Brazil, Argentina and Mexico). These nations promote economic integration, but with greater safeguards and they are the largest recipients of investment and loans from China in the region. The second group also responds to geostrategic parameters and is made up of nations with greater ideological affinity with China (Ecuador and Venezuela). These nations promote a social integration economic model and seek to unite Latin America as a single great nation; however, they show greater resistance to the current processes of globalization. Ecuador and Venezuela are the largest recipients of aid from China in the region. In terms of associativity, both groups of countries have the status of comprehensive strategic partners (CSP) and are China's major suppliers of oil in the region.

On the other hand, there is a mainly pragmatic group led by the countries of the Pacific Rim (Chile, Costa Rica and Peru). Together with China these countries focus on promoting free trade and they are strengthening their relations based on economic complementarity. In terms of associativity, these countries have the status of strategic or comprehensive strategic partners, but they also have a Free Trade Agreement (FTA) signed with China. Although the latter group is also a great supplier of raw materials and food, it has been the great recipient of sophisticated initiatives that seek to extend the level of Chinese influence in the region through the generation of regional platforms or economic-financial hubs.

During the last five years, China has deployed together with its strategic partners a series of initiatives that go beyond traditional economic cooperation (investment, loans and aid). There has been an increase in initiatives related to the generation of regional platforms that enhance China's image as a new sophisticated partner. For example, the launch of hubs or platforms for the expansion of the RMB (yuan) in conjunction with Chile, the opening of a regional special free zone with Costa Rica, the development of Logistic Hub Chancay Port...
with Peru\textsuperscript{8}, etc. The particularity of these initiatives is that they have been located initially in pragmatic countries that have an FTA with China.

In theory, as the pragmatic Latin American countries are not a target of international influence, they are not relevant to the balance of powers. This vision comes from the assumption that there is no competition between China and the United States (U.S.). Additionally, Chile, Costa Rica and Peru are ideologically moderate countries in the region, with liberal tendencies close to the U.S. Moreover, it is assumed that China prefers to deepen its strategic relations with ideologically similar countries like Venezuela and Ecuador.

However, it is observed that the relations between China and pragmatic countries do not have those limits mentioned above: 1) if we consider the FTAs to be the deepest instance of bilateral cooperation on trade, China has so far only signed such agreements with Chile, Costa Rica and Peru\textsuperscript{9}. 2), these agreements include additional initiatives that no other Latin American country has been able to access. 3), in terms of trade, China has displaced the U.S. as the main trading partner of Chile and Peru (supplier and target market) and it is the second largest trading partner of Costa Rica; and 4) Official visits between governments also reflect increased cooperation: during the period of 2001 to 2016, the Chinese authorities made nine official visits to Chile, Peru and Costa Rica\textsuperscript{10}. This number is almost double the visits from U.S. leaders in the same period\textsuperscript{11}.

At this point, assuming that trade agreements play a significant role in the exertion of foreign influence among nations and that the increase of Chinese economic diplomacy is global, but not uniform, the following question arises: What factors determine that China chooses to develop sophisticated initiatives in Latin America with pragmatic countries through the signing of free trade agreements instead of other association like strategic partnerships?

This article, first, argues that the rise of China in the international system can not only be understood based on its economic growth, but also on the evolution of its foreign economic policy. This study provides a suggestive picture that FTAs do not only address the promotion of the free transit of goods and services, but also include a series of strategic, technical and economic implications.

Second, this study argues that during the last five years, China has moved to develop its sophisticated initiatives with pragmatic nations because they tend to accommodate to the demands of countries like China, and they have standardized international relations with other countries, independent of the ideological affinity or the macroeconomic orientation of the counterpart. This type of country is effective at participating in instances of sophisticated cooperation making them attractive to China.

As such, the third argument claims that FTAs help to develop regional hubs because, unlike other bilateral cooperation mechanisms (like Strategic Partnerships), they are not only regulated by the policies established by the mutual relations of the signatory countries, but they also consider the regulations of the World Trade Organization (WTO). This allows these types


\textsuperscript{9} Currently China is negotiating a new agreement with Colombia and Panama, also considered as pragmatic countries in the region. “China FTA Network: Free Trade Agreements under Negotiation”, (2019), at [http://fta.mofcom.gov.cn/english/fta_tanpan.shtml](http://fta.mofcom.gov.cn/english/fta_tanpan.shtml)

\textsuperscript{10} Including: Jiang Zemin’s visit in 2001 (Chile). Hu Jintao’s visit in 2004 (Chile), 2008 (Peru and Costa Rica) and 2010 (Chile); Xi Jinping’s visit in 2013 (Costa Rica) and 2014 (Chile), 2016 (Chile and Peru).

\textsuperscript{11} Including: George W. Bush’s visits in 2002 (Peru), 2004 (Chile) and 2008 (Peru). Barack Obama’s visit in 2011 (Chile) and 2013 (Costa Rica).
of complex platforms that cover an interregional extension to be governed by an international institutional framework. This last argument is similar to the logic that argues that the integrationist approach continues to be effective as a socializing element for China because it generates a point of convergence based on commitment with the institutions and norms of the international community.

To demonstrate the above, this article has been structured into four sections: the first section deals with the theoretical elements that support the Fuzzy-Set model. In this part, we present the definitions and the main characteristics of the different profiles of China's strategic alignments in Latin America. Special attention is given to the pragmatic country profile.

Second, we present the Fuzzy-Set model and we characterize the selected variables. Third, we show the results obtained after comparing nine LAC countries that have the status of Chinese strategic partners. Finally, we discuss the main results.

2. Current Literature: Strategic Alignments conceptual definition

Considering that this research focuses on analyzing China's strategic alignments in Latin America, in this section, the article presents a literature review on the conceptual definitions of strategic alignments.

Strategic alignments are a new form of diplomatic, security and economic partnerships whose nature and dynamics are not well understood\(^{12}\). One of the aspects that has captured a lot of attention has been the attempt to unlock the problematic definitional dilemmas that arise when using this type of partnership. There is a consensus that a strategic alignment is not synonymous with an alliance or coalition, and that it began to appear after the Cold War. However, despite the consensus, this type of partnership has further implications.

At first, Strategic Alignments (SAs) were understood to be a purely political-strategic instrument, which operates mainly under the logic of the security dilemma and in reference to the economic capacities of the associates. According to Li\(^ {13}\), the initial approaches of this instrument had to do with the possibility of promoting bilateral cooperation between great powers or neighboring states, with the principle of establishing regular dialogue on matters of material and military security. A similar view is mentioned by Strüver\(^ {14}\), who argues that, initially, SAs were considered to be tools for cooperation based mainly on shared domestic ideologies and the search for partners with similar diplomatic preferences.

Wilkins\(^ {15}\) is another pioneer in the conceptualization of SAs under these security parameters. The author identifies three forces that mobilize these associations: first that this type of alignment is not always underwritten by shared values or ideological affinity in the way in which alliances were normally established during the Cold War period, but are based mainly on common interest and a limited alignment. Second, strategic alignments are primarily based on goal-driven rather than threat-driven arrangements. Third, Wilkins (2008) argues that strategic partnerships tend to be informal in nature, prioritizing flexibility and retaining a greater degree of autonomy.

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Another author who highlights a normative security perspective is Nadkami\textsuperscript{16} who positions these associations as limited and flexible instruments at the same time. Limited, in the sense that they provide an informal association, since they allow for a gradual progression that avoids the associated high costs of establishing a complex alliance. And flexible, in the sense that these associations operate under the premise of not aligning against a third country\textsuperscript{17} emphasizes that, in an increasingly multipolar world, international relations become situational, and this is reflected in these instruments, as they are not highly institutionalized, and provide a relatively low cost of exit.

However, during the last five years, the vision of these instruments has been modified towards a multidimensional approach, specifically for the Chinese case, where there is a growing articulation between material security and the strengthening of commercial relationships. On the one hand, it is observed that the SAs have increasingly become an instrument of technical-formal cooperation adapted to operate under the dynamics of free trade. Specifically, in the last decade, these associations have become more sophisticated and more formal, based on the signing of memorandums similar to the articles of a free trade agreement.

However, it is observed that the SAs are not always supported by shared values in a way that they were normally established following the end of the Cold War, but they have become an increasingly pragmatic and globalized instrument. In this sense, Michalski and Pan\textsuperscript{18} affirm that the proliferation of these instruments responds to a new system of cooperation between the main world powers and non-traditional allies, where these associations represent a concerted effort to establish networks to address global challenges and give form to a new world order.

Consequently, the authors consider that, through these new forms of cooperation, countries try to achieve not only their material interests, but also strengthen their international reputation. In this context, some nations of the Asia Pacific region such as Japan, China, India and Australia have incorporated the word "integral" to distinguish this new vision of the SAs. In this sense, the "Integral Strategic Associations" represent a new level of regular interactions that cover cooperation with broader, multidimensional logics focused on global issues\textsuperscript{19}.

This new approach to the concept of SAs can be observed in recent empirical regularities, for example, in the study by Parameswaran\textsuperscript{20} that analyzed the U.S. Strategic Partnership in the Asia-Pacific region, the author points out that in the last decade these alignments have become multi-dimensional instruments, distancing themselves even more from the typical alliances that put a greater emphasis on military or security cooperation. The author emphasizes that the U.S. has used these instruments as a mechanism for "burden-sharing" and "building partner capacity" allowing it to reduce defense spending and encouraging other more technical and economic forms of cooperation.

Xu\textsuperscript{21} has also identified this new vision based on his observations of the case of China and its relations with emerging economies. The author focuses on testing the representations of the words "association" (Huoban) and "strategy" (Zhanlue). The author concludes that the word association is related to the idea of participating in the same activities and the word strategy

\textsuperscript{17} Nadkarni, op.cit., p.46
\textsuperscript{21} Xu, op.cit., pp. 3-5:
refers to a tactic of work with explicit and comprehensive goals. According to the author, the vision of the Chinese authorities of the concept of strategic partnership represents the search for stable and long-term cooperation, focusing on mutual benefit and based on win-win game logic.

As such, this study seeks to complement the conceptual understanding of Strategic Alignment by proposing a conceptual framework for the case of China in Latin America, based on the literature and the new empirical regularities observed.

3. A new theoretical framework for analyzing China’s influence in LAC

The following model on China's cooperation with strategic countries of Latin America is based on an inductive analysis. First, some empirical regularity are observed, following the development of a theoretical framework, and then hypotheses related to that theory are tested.

3.1. Empirical regularities: China’s strategic cooperation network in LAC

This analysis of China's strategic alignments in Latin America emphasizes countries that have the status of strategic partners and that have signed an FTA with China. Currently, China has nine strategic associations in LAC: three FTAs-Strategic Partnerships and six Strategic Partnerships. The following diagram represents China’s new comprehensive cooperation network.

Figure 1 China's comprehensive cooperation network with strategic countries of Latin America

During the Chinese investment boom in Latin America (from 2001 to 2013), China established instances of cooperation based on traditional economic instruments (investments, loans and aid) by launching strategic associations with ideologically similar countries (such as Venezuela and Ecuador).
Ecuador) and establishing productive partnerships with the most industrialized countries in the region (such as Brazil and Argentina).

The ideological countries promote regional integration based on the factor of ideology. These countries are members of the Bolivarian Alliance for the Peoples of our America (ALBA) and have the goal of moving towards regional integration based on the Bolivarian ideology (these countries are principally Venezuela and Ecuador, but Bolivia and Cuba also participate in this association). This concept refers to the ideology proposed by Simon Bolivar in the 19th century, which seeks to unite LAC as a great nation. ALBA has binding integration schemes in multiple areas and includes rules governing interactions with third countries based on the document called "the Caracas Manifesto consolidating the new independence" where liberation from foreign interventionism and submission to imperialist mandates are promoted, as well as the transformation of the economic base to achieve a socialist economy. According to this approach, the international system is made up of subordinating and subordinate states, also known as the Global North and the Global South. In this sense, the “threshold power” perspective seeks to promote a region that is insubordinate to the Global North.

On the other hand, the newly industrialized countries promote integration, incorporating some industrial protection frameworks. The key representatives of this group are Brazil, Argentina and Uruguay. These countries are members of the Latin American trade bloc called MERCOSUR, which makes up the largest industrial and economic platform in the region, considered to be the fifth largest economic bloc globally if you consider the nominal GDP of the group. This approach of the newly industrialized countries highlights the influence of developmentalism on the south-south vision of economic development, where autonomy is promoted through diversification. This perspective prioritizes an agenda that balances relations with the northern powers: emerging countries have diversified their international relations in order to expand their sphere of cooperation in other regions such as China and Africa. This approach supports the idea that diversification reduces the asymmetries with the U.S., as well as allowing for participation in matters that involve immediate interests.

This group of newly industrialized countries is made up of emerging economies that have opted to create an economic and industrial area with high levels of intra-bloc linkage, restricting the ability for individual countries to sign agreements with third countries (for example, if a member plans to sign a bilateral FTA, this country must request authorization from the rest of the members). Although there is still no methodological consensus for determining when a nation belongs to this category, some authors Alpay and Behera agree that these countries have an export-oriented manufacturing strategy and have achieved an industrial share of GDP of at least 20%.

These two groups of countries have been the main beneficiaries of the Chinese boom of investments and loans. According to the China-Latin America Finance Database, China has granted in Latin America more than $119 million in credit since 2003. This first wave was characterized by a strong concentration on companies linked to oil and mineral extraction. Almost half of the investments during the last 16 years were made through nine Chinese

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24 MERCOSUR (n.d.): “What is the MERCOSUR?”, at http://www.mercosur.int/innovaportal/v/4058/2/innova.front/mercosur
companies such as Sinopec, CNOOC, CNPC and were focused mainly on four countries (Brazil, Argentina, Peru and Mexico). The same situation occurred with the loans granted in the region, with China becoming the most important external source of finance in countries such as Venezuela, Ecuador, Argentina and Brazil, surpassing international institutions such as the World Bank 28.

In these cases, initially, China played a role as a donor and investor. These forms of cooperation were prioritized on safeguarding material supplies (minerals and food). In 2002, China established a policy called "go abroad" which aimed for companies, mainly state-owned enterprises (SOEs), to buy natural resources, energy and minerals, with the objective of strengthening the growth of Chinese industry. In economic terms, this cooperation has been mostly successful; however, criticisms have been raised about the increase in the level of dependence on China and that these forms of cooperation do not provide major improvements in the structural problems of Latin American economies.

Over the past five years China has established a series of initiatives that this article calls "non-traditional economic influences" which had been developed initially with pragmatic countries that have signed an FTA with China. This group of countries promotes integration and presents itself as accommodating, and is made up of countries that have opted for trade liberalization. The key representatives of this group are Chile, Costa Rica and Peru (Colombia and Panama also have a similar profile). These countries, except for Costa Rica, are members of the Latin American trade bloc called the Pacific Alliance (Costa Rica began the process of becoming a member of the Alliance in early 2014). This association proclaims itself to be a group of nations that distance themselves from ideologically based alignments and pursue economic development. In this perspective, open regionalism invokes a region that is integrated into the world through bilateral and multilateral agreement strategy, where liberalization and the reduction to trade barriers are promoted above all 29.

These countries seek to cooperate under an international standardized framework where they are part of the established political order. On the other hand, having no restrictions with interacting with third countries based on political affinity, these pragmatic countries can operate as regional hubs or platforms in different areas. Here China is opening a new channel of strategic cooperation, generating a relationship based on mutual economic stimulation and with sophisticated levels of interdependence. With this network, China is positioning itself as a facilitative economic leader and affirming its new rising power status.

This new approach has been related to the current economic situation that China is experiencing, which has been called the “new normal” by President Xi, in which China looks to rebalance its economy, seeking economic development based on innovation, green infrastructure and sustainable development. At the policy level, this new stage is supported by two documents called 1 + 3 + 6 cooperation framework and China's 2016 policy paper on Latin America, which emphasize a new form of cooperation focused on industrial development in the region and on diversifying trade and investment 30. In practical terms, this new type of cooperation, which in Latin America has been called the second wave of Chinese investment, is being implemented initially in the countries with which China has signed FTAs. China has been aware of the advantages offered by these agreements, first as a complementary tool to the

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strategic partnerships (including comprehensive strategic partnership), and second as a standardized mechanism that has a series of clauses that protect investment and create favorable conditions for the reciprocal promotion of comprehensive cooperation.

3.2. Theoretical framework: China and the building of a comprehensive cooperation network

China has adopted the approach that LAC is not a homogeneous socio-political unit, and as such it has been tailoring cooperation devices based on the different profiles of the countries. In this context, China’s foreign policies should not be measured with North American parameters, as Kivimaki\textsuperscript{31} argues, Beijing distances itself from the objectives and norms of the U.S.. Chinese cooperation with third countries is based on common interest rather than on the promotion of a domestic model of governance. Instead, As Song Guoyou\textsuperscript{32} argues, China is actively developing its own agenda in the Asia Pacific region, in particular with specific bilateral agreements as well as trying to move forward on a China-Japan-Korea FTA and with the negotiations of the Regional Comprehensive Economic Partnership (RCEP). In this sense, China accepts the complexities of and defends the principle of peacefully rise, in a world where “we are in the same boat”\textsuperscript{33}.

China has increased its participation in LAC through increasingly more complex methods. In this sense, this article offers an alternative perspective: China has developed a strategy mainly through its FTAs, in which the country exerts comprehensive influence which includes initiatives together with the host country, and technology transfers in order to expand China’s global presence as a constructive leader. Specifically, this article puts emphasis on non-traditional economic influence: when two countries have a bilateral agreement that expands, influencing third countries (e.g. currency hub or free trade zone).

In this context, China’s economic relations, which are based on its capacities on the one hand, and in its benign intentions on the other, are not strictly contradictory; rather they are two sides of the same coin. China visualizes these two opposing and complementary forces as fundamental for establishing its international relations.

In this sense, this study establishes, following the approaches of Keohane and Nye (1977; 1987)\textsuperscript{34}, Yue (2008)\textsuperscript{35} Haugaard (2012)\textsuperscript{36} and Hast (2014)\textsuperscript{37} that during the last five years, China has deployed a type of comprehensive influence in LAC via tactical and concerted interactions that allows it to expand its dealings and the countries with which it cooperates strategically.

China encourages Latin American and Caribbean countries to collaborate, taking advantage of the simultaneous dependence (economic complementarity) through the FTA, which allows the governments to work strategically and institutionally towards a common goal and includes the effective exchange of resources (developing regional hub).

This format of cooperation allows China to diversify its forms of linkage while expanding its influence in new regions. In this context, FTAs are instruments that work as a complement to strategic partnerships, allowing China to establish a good balance between security and flexibility, as well as to achieve its material objectives and the opportunity to influence constructively in other countries. As a consequence, FTAs are a widely used instrument by the countries of the Asia-Pacific, which is undoubtedly a key area in global governance.

3.3. Non-traditional economic initiatives of China as a kind of comprehensive influence and its economic influence

Traditional economic initiatives are measured under the usual parameters of economic cooperation, which include trade, investment, loans and aid. These mechanisms are commonly used by countries in their bilateral cooperation relations and are highly standardized in international relations. However, during the last decades new forms of transfer of economic influence have appeared, which go beyond the use of traditional devices and which have still been scarcely studied by social science disciples. These new mechanisms, which this article identifies as “non-traditional economic initiatives”, have been increasing in importance in an increasingly globalized economy and have the following principal characteristics: 1) they operate as a kind of comprehensive influence, leading to a wider-ranging form of interaction than traditional initiatives, 2) they have a high level of sophistication: a mixture of sophisticated initiatives, technology transfers and the development of overseas financial and administrative platforms, 3) they operate as a hub in which two countries have a bilateral agreement that expands, influencing third countries (e.g. currency hub), and 4) they work under the logic of the win-win game in order to build a network of activities with a common goal. In short, non-traditional economic initiatives respond to complex strategies in specific contexts, which demonstrate the will of the nations to establish a long-term link where both countries use their competitive resources in search of mutual interest.

During the last decade it has been observed how China has taken large steps in its policies on innovation, technology and development. In the thirteenth five-year plan, these variables were prioritized, establishing a long-term strategy to become an international leader in innovation and progress. The Chinese president, Xi Jinping, requested from high officials, ministers and academics to use innovation as a pivot of country development. Xi Jinping stressed under china's new normal approach that the country's economic growth had slowed down and that a high quality scientific and technologic development would allow giving a new impulse to the economy. This new trend reflects how China has decided to bet not only on economic power as a mechanism of international influence, but also through high technology. In fact, both mechanisms converge and operate mutually. This is how for example Chinese state-owned banks have played an active role in authorizing loans with flexible interest rates in order to finance different technological and infrastructure projects.

In this context, China has established two types of regional platforms related to this new vision of leadership through the creation of innovation nodes in different areas such as the economy, culture and science. Firstly, China has created technological trading platforms, which are mainly deployed by multinationals of Chinese origin in different countries based mainly on

38 On this issue, see: “China New Normal in economic development”, China Daily, 5 October 2017, at http://www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-10/05/content_32869258.htm
market criteria. For example, the Huawei company has 21 R&D institutes internationally, including the U.S., Mexico, Russia and India. Another case is that of the Hisense company that has industrial parks and R&D centers in countries such as South Africa and Japan.

Secondly, there are hubs whose main objective is to generate intraregional clusters. These platforms have more complex characteristics and are established mainly with countries that have binding agreements such as FTAs with China. China, together with another country, establishes space to group institutions and companies that belong to the same sector to collaborate in the generation of innovative solutions to the different needs and problems of a given region. Some examples of these non-traditional economic initiatives are the Singapore-Chongqing Logistic hub, the Switzerland RMB hub, the China-Pakistan Economic Corridor, the China-Korea Environmental Cooperation Center and the New Zealand-China Food Protection Center.

In the case of Latin America, Chile, with whom China has had an FTA for over a decade, stands out. Among the main non-traditional initiatives are the RMB Regional Financial hub (MAS, 2019), Chile-China Pilot Free Trade Zone\(^\text{39}\), the South American Center for Astronomy\(^\text{40}\), the Austral Fiber Optic project and Confucius Institute Latin America Regional Center\(^\text{41}\). When looking at the China - Costa Rica FTA\(^\text{42}\) and the China - Peru FTA\(^\text{43}\), a similar pattern can be distinguished. For example, these agreements include the following: The Central America Free Trade Zone in Costa Rica and Logistic Hub Chancay Port in Peru.

4. Research Design

4.1. Fuzzy set Model

Fuzzy set analysis (fsQCA) is a mixed-methods alternative (quantitative and qualitative) to comparing patterns of complex causality, thus allowing one to combine the advantage of both approaches and work with samples of medium size. The process of implementation of the method - which was made following the parameters proposed by Ragin\(^\text{44}\) - can be reviewed in the annexes.

The model identifies the variables that are necessary and sufficient for a strategic partner of China to have signed a complementary FTA with it. Specifically, it finds regularities that explain why China prefers to choose countries with which it has established an FTA for the development of non-traditional economic initiatives.

The Fuzzy set model has a dichotomous dependent variable and five causal variables that operationalize the aspects previously identified in the theoretical framework of this study.

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\(^{40}\) “CONICYT promueve vínculos internacionales para impulsar la investigación colaborativa”, Cassaca - Chinese Academy of Sciences South America Center for Astronomy, (2016), at http://www.cassaca.org/es/


\(^{44}\) Ragin, Charles. & Davey, Sean (2014): fsQCA [Computer Programme], Version [2.5/3.0], California, University of California.


First, a dichotomous dependent variable is established as the outcome: a value of 1 is given if cooperation has been materialized through a Strategic Partnership (SP) and FTA, and a value of 0 is given cooperation has been materialized only through a SP (see table 1).

**Table 1. List of China’s strategic Partners in Latin America**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Partnership status</th>
<th>Dichotomous variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>SP</td>
<td>0</td>
</tr>
<tr>
<td>Mexico</td>
<td>SP</td>
<td>0</td>
</tr>
<tr>
<td>Argentina</td>
<td>SP</td>
<td>0</td>
</tr>
<tr>
<td>Peru</td>
<td>SP&amp;FTA</td>
<td>1</td>
</tr>
<tr>
<td>Venezuela</td>
<td>SP</td>
<td>0</td>
</tr>
<tr>
<td>Chile</td>
<td>SP&amp;FTA</td>
<td>1</td>
</tr>
<tr>
<td>Ecuador</td>
<td>SP</td>
<td>0</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>SP&amp;FTA</td>
<td>1</td>
</tr>
<tr>
<td>Uruguay</td>
<td>SP</td>
<td>0</td>
</tr>
</tbody>
</table>

SP: Strategic Partnership (including Comprehensive Strategic Partnership)

Second, the research aims to test whether the following causal conditions are part of the configuration of China’s FTA networks: a) The recognition of China as a market economy; b) the level of pragmatic behavior; c) the level of regulatory quality; d) the value added by the manufacturing sector and e) the level of industrialization of the associated country.

### 4.2. Hypothesis

The hypotheses are operationalized with the goal of comparing the real observations with the expectations derived from the theoretical framework and current literature. This means that the observations are instrumented to measure a specific feature of the phenomenon under study. By achieving the instrumentalization, operational definitions are obtained that determine the quantitative value that can be attributed to each case. This process is carried out using the scheme proposed by Creswell.

Beijing is articulating different patterns of cooperation, demonstrating an ability to adapt to new logics of cooperation where the instruments involve more sophisticated mechanisms and with levels of multidimensional linkage. In this context, the model seeks to test that the following elements are necessary and sufficient for one of China’s Strategic Partnership members to sign a complementary FTA:

- a) Having an open attitude towards the Chinese role in globalization processes
  
  *Hypothesis 1 (h1):* FTA partner is highly likely to recognize to China as a market economy (*Mes*)
  
  *Hypothesis 2 (h2):* China’s FTA partner is characterized by highly pragmatic behavior (*Pragmatic*)

- b) Having a preponderance for using standardized cooperation mechanisms
  
  *Hypothesis 3 (h3):* China’s FTA partner has high standard of regulations (*Regula*)

---

c) Having a high level of economic complementarity

**Hypothesis 4 (h4):** China’s FTA partner has a low level of added value in the manufacturing sector (*Manufact*)

**Hypothesis 5 (h5):** China’s FTA partner represents a low level of competition to its industries (not considered a newly industrialized country) (*Industrial*)

Translated into a logical equation it can be represented as:

Model: \( Y = f(h_1 \cdot h_2 \cdot \sim h_3 \cdot \sim h_4 \cdot h_5) \)

China’s FTA partner = \( f(Mes \cdot Pragmatic \cdot \sim Manufact \cdot \sim Industrial \cdot Regula) \)

Where:

* represents conjunction and

\( \sim \) represents absence of a condition

### 4.3. Causal conditions and their selection criteria

**a) Recognition of China as a market economy:** this variable indicates that the country recognized China as an open economy during the first 15 years after having become a member of the World Trade Organization (WTO) (2001-2016). If a nation seeks to have the status of a market economy, it must meet three main requirements: non-discrimination in trade, a market open to foreign capital and the setting of export prices according to supply and demand. At the time when China joined the WTO, it was recognized as a transition economy and therefore received the status of non-market economy (NME) for 15 years. This meant that the accession protocol incorporated extra obligations related to China, specifically the obligation to convert the economy into a market-oriented system and – as long as the transfer into the system is not complete - the possibility for other member countries to advantageously use the WTO's dispute mechanisms for anti-dumping proceedings against Chinese companies.

However, for Latin America it is relevant since several countries have industries in common with China, which generates uncertainty regarding the potential impacts of this new scenario. After joining the WTO, China deployed a country-by-country strategy to balance this disadvantageous position until the trial period came to an end. In this scenario, several member countries of the WTO bilaterally recognized China as a market economy (MES). This decision involves political-economic implications. For example, the study by Urdinez shows how the recognition as MES decreases the expected number of antidumping investigations, as in that author’s model where 14 of 16 countries that recognized China as an MES reduced their antidumping investigations. In operational terms, this variable has two categories: the value 1 for all the countries that recognized China as a MES during its first 15 years after joining the WTO and the value of 0 that includes all the countries that have not yet recognized China as an MES. This model establishes the hypothesis that recognition is necessary for establishing a legally binding agreement with China.

**b) Level of pragmatic behaviour:** one of the major debates at the moment of analyzing the LAC region is related to the influence of political ideologies in the development of relations with third countries. In this outline, it is assumed that a pragmatic country must have a high degree

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of international participation, openness and respect for the order established in the international scheme, in addition do not build their international relations aligned to certain domestic model of governance or political affinity. For the construction of this variable, first the pragmatism parameters of Haack\textsuperscript{48}, Ayer\textsuperscript{49}, Kaag\textsuperscript{50} and Friedrichs\textsuperscript{51} are Considered. Second the political and economic parameters of the globalization index established by the KOF Swiss Economic Institute and the Rule of Law indicator established by the Worldwide Governance Index of the World Bank are considered. The data from the period 2001 to 2015 were considered. The index is a continuous variable built on a scale of 1 to 100, where higher values denote a greater level of pragmatic behavior. This model posits the hypothesis that a high level of pragmatic behavior is necessary for establishing a legally binding agreement such as an FTA.

c) Level of quality regulation: this is an index developed by the World Bank time series research program called the Worldwide Governance Indicators (WGI) and measures the capacity of the government to formulate and implement policies and regulations. This indicator serves to test the part of the theory that refers to the high level of normative parameters that the sophisticated cooperation mechanisms must possess. This variable is measured on six individual indicators that report the perceptions of governance through large a number of surveys, reports and expert assessments worldwide: unfair competitive practices, the burden of government regulations, investment freedom, the ease of starting a business governed by local law, the efficiency of competition regulation in the market sector and tax inconsistency\textsuperscript{52}. The index is a continuous variable built on a scale of 1 to 100, where higher values denote a greater level of regulatory quality. This model proposes the hypothesis that a high level of quality regulation is necessary to establish a legally binding agreement such as an FTA.

d) This indicator analyzes the value added by the manufacturing sector of each nation. The variable is introduced into the model since the negative impact of opening trade with China on the national manufacturing sector is a common part of national political discourse. In this scenario we hypothesize that a country where manufacturing makes up a large part of its economy will tend to use less cooperation mechanisms like FTAs with other countries where manufacturing also forms an important part of the economy. This index is a continuous variable calculated by estimating the value added in the net production after adding up the outputs and subtracting intermediate inputs. The Manufacturing Value Added (MVA) is determined by the International Standard Industrial Classification (ISIC) and the indicator is measured using the percentage share of the manufacturing sector in the GDP. As a temporary framework, we considered the data collected by the World Bank during the period from 2001 to 2015.

e) Level of industrialization of the associated country: under the same logic as the previous variable, the level of industrialization of the LAC countries is incorporated into the model. For this, we consider the parameters established in the annual report of the United Nations for industrial development\textsuperscript{53}. This variable is dichotomized as follows: emerging industrial economies also known as newly industrialized countries (NICs) and Developing Economies. The industrialized economies (Advanced Economies) and Least Developed Countries (LDCs)

\textsuperscript{48} Haack, Susan.: “Pragmatism, old and new”, \textit{Contemporary pragmatism}, vol. 1, nº 1 (April 2004), pp. 3-41.
\textsuperscript{50} Kaag, John. & Kreps, Sarah: “Pragmatism’s contributions to international relations”, \textit{Cambridge Review of International Affairs}, vol. 25, nº 2 (June 2012), pp.191-208.
are excluded from the analysis since none of China’s strategic partners in LAC have that status (in other regions, such as Asia, there at least three categories: newly industrialized countries, developing countries and industrialized economies). It is established that a newly industrialized country has the following characteristics: it is export oriented, experiencing ongoing industrialization, strongly attracting foreign capital and possessing a broad market (according to the World Bank). On the other hand, developing countries are considered to be economies with a low level of industrialization and highly dependent on the extraction of primary resources (according to the IMF). This parameter is incorporated into the model based on the view that the level of industrialization is closely linked to the protection of the domestic market and the level of exports of each country, so that countries with a lower degree of complementarity tend to feel less necessity for greater trade liberalization. Based on the abovementioned, it is established that a newly industrialized country is less likely to have FTAs with other countries that posses similar characteristics.

5. Outcomes and discussion

5.1. Necessary conditions: recognition of China as a market economy, highly complementary country and high regulatory quality

The results of the analysis of the conditions that need to be present or absent in order for an LAC country to initiate an FTA with China are presented in Table 3. A consistency score of 0.8 is recommended for a condition to be considered as necessary. Under these parameters, we can see that three variables reach the threshold: recognition of China as a market economy (Mes), having a high level of economic complementary (a low level of industrial competition) (Industrial) and a high standard of regulations (Regula).

<table>
<thead>
<tr>
<th>Conditions tested:</th>
<th>Consistency</th>
<th>Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mes</td>
<td>1.000000</td>
<td>0.500000</td>
</tr>
<tr>
<td>~Mes</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Pragmatic</td>
<td>0.793333</td>
<td>0.542141</td>
</tr>
<tr>
<td>~Pragmatic</td>
<td>0.206667</td>
<td>0.134490</td>
</tr>
<tr>
<td>Manufact</td>
<td>0.496667</td>
<td>0.370647</td>
</tr>
<tr>
<td>~Manufact</td>
<td>0.503333</td>
<td>0.303213</td>
</tr>
<tr>
<td>Industrial</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>~Industrial</td>
<td>1.000000</td>
<td>0.500000</td>
</tr>
<tr>
<td>Regula</td>
<td>0.860000</td>
<td>0.531959</td>
</tr>
<tr>
<td>~Regula</td>
<td>0.140000</td>
<td>0.101205</td>
</tr>
</tbody>
</table>

( ~ Logical no: absence of a condition

The results suggest, first, that the recognition of China as a market economy operates as a basic condition for deepening trade relations with the Asian giant, especially if it is about negotiating an FTA.

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In general terms, every country that recognizes itself as a market economy takes a pragmatic position toward its relations with the international market, setting aside domestic ideological postures. This means that the country accepts certain rules that operate in market economies and produce mutual trust with other countries, like the idea of fair competition and that export prices are set by supply and demand. In turn, that other nations individually recognize this status towards third countries reflects that they interpret these rules in a similar way.

During 2016 the debate on what it means to recognize China as a market economy was revived, with the discussion focusing on the fact that some industrialized countries such as the U.S., Japan and the European Union claim that China does not fully comply with the pre-established requirements. Therefore, maintaining China as a non-market economy (NME) allows these countries to apply anti-dumping duties as a mitigation measure on imports of goods of Chinese origin that compete unfairly with similar domestic products.

In the case of Latin America, the vast majority of countries have recognized China's status as a market economy. The first country to recognize it was Chile, which at the same time was the first country in the region to sign an FTA with China. In the other cases of countries with an FTA with China, a similar behavior was observed.

The countries that still do not recognize China do so for two reasons: first, countries like Mexico refer their decision to elements of commercial competition and their high level of dependence on the U.S. Authors such as Zamorano argue that Chinese products not only represent a competition for the domestic market, but that they also operate as competitors in the manufacturing of products for the North American market.

Second, countries like Ecuador respond to ideological motivations, since they promote the development of a solidarity economy model as an alternative to the market economy. In article 283 of the new Ecuadorian constitution, which was enacted in 2008, the objective is to move from a capitalist market economic system towards a solidarity economic system based on returning to the Sumak Kawsat paradigm of the ancestral peoples that seeks good living and harmony as principles.

The second necessary condition, the absence of the status as newly industrialized country, is related to the argument that FTAs work better when economies are highly complementary and have fewer critical points of competition. China, like Brazil, Mexico and to a lesser extent Argentina, have the same status of newly industrialized country. This means that they share characteristics that position them as competing countries: they are export oriented, they are changing from a primary-sector dominated economy to an industrial economy, they are highly attractive to foreign capital and have a broad market (as well as usually being highly populated countries). These characteristics make an FTA a less feasible option compared to bilateral cooperation mechanisms. However, these countries have established other cooperation and policy coordination mechanisms such as the BRICS or G20 grouping at the multilateral level and SP/CSP at the bilateral level.

On the other hand, countries such as Peru, Costa Rica and Chile, have a more complementary position with China, which allows for freer trade. These countries have the following characteristics in common: they have a primary-sector-dominated economy, especially in the natural resources extraction and agriculture sectors (for example, Peru and Chile are among the main suppliers of copper and fruits to China) and they have a low level of

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industrial and technological production, which is why the countries are dependent on the import of these products from China.

The third necessary condition is the presence of a high standard of regulations. FTAs include a high degree of binding policies, so having a regulatory system is a basic requirement for developing sophisticated trade relations. In this sense, not only must attention be paid to the regulatory aspects related to the exchange of products, but also to those linked to public policies such as labor issues, environmental provisions, mechanisms to encourage competition, etc. This is where the quality of regulation plays a critical role allowing for these policies to be designed and to remain effective in the long term, resulting in greater legal certainty.

5.2. Pragmatic behaviour profile as a sufficient condition

According to Ragin57, a condition is sufficient when all cases in which this condition is present form part of the cases where the result is present. Table 4 indicates the results of the analysis of sufficient conditions, where it can be determined that the combination of variables has a high explanatory power since it has 79% of the total solution's coverage and a solution consistency of 99%.

The results suggest that the following combination of conditions has implications for countries that sign an FTA with China: the recognition of China as a market economy, its level of pragmatism, having a high level of industrial complementarity and having a high quality of regulation. This route reinforces the results obtained at the level of necessary conditions, because three of the four sufficient conditions also are necessary conditions.

Table 4. Sufficient combinations conditions for FTA in Latin America countries

<table>
<thead>
<tr>
<th>Solution</th>
<th>Cases</th>
<th>Raw coverage</th>
<th>Unique coverage</th>
<th>Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mes<em>Pragmatic</em>~Industrial*Regula</td>
<td>Chile, Peru, Costa Rica</td>
<td>0.79</td>
<td>0.79</td>
<td>0.995798</td>
</tr>
</tbody>
</table>

Solution coverage: 0.79
Solution consistency: 0.995798

(*), logical AND: conjunction; (~), logical no: absence of a condition.

Raw coverage: indicates that a configuration permits to explain 79% of the positive cases in the sample.
Unique coverage: proportion of positive cases that are exclusively explained by one of the configurations.
Consistency: grade of consistency for each simplified causal configuration.
Solution coverage: proportion of cases with the result of interest.
Solution consistency: proportion of cases included in the solution that present the result of interest.
Algorithm of minimization: Quine-McCluskey.
The “Complex Solution” was used.

According to the results, it can be inferred that Chile, Costa Rica and Peru have the four sufficient attributes for having an FTA with China. It can be extrapolated that FTAs are complex instruments that entail a series of political and economic implications that go beyond the commercial interests of each nation. According to the observations, signing an FTA with the Asian giant is far from being a purely technical-commercial decision; it also involves a series of areas that include historical ties, industrial interests, political issues and ideological influences.

At the level of Chinese strategic partners in Latin America, two cases stand out: while countries such as Chile, Peru and Costa Rica decided early to enter into this type of binding relationships, the rest of the countries have preferred to advance through other cooperation mechanisms. In relation to the first group of countries, Chile played a pioneering role as the

57 Ragin (2010), op. cit.
first country in the region to sign an FTA with China. This came on the heels of being the first country to recognize China’s status as a market economy and the first South American country to recognize Communist China politically. Its pragmatism, high degree of institutionalization and open economy characterize Chile and have led it to have relations with different types of countries and regions. In this sense, Peru and Costa Rica have similar profiles. The three countries have FTAs signed with the European Union, the U.S. and Canada. This also reflects the desire to cooperate in a regularized manner, which allows the countries to have a standardized foreign policy and reduce the potential impacts of political coalition changes.

To the above, it is important to add that the three countries are highly dependent on the production of primary and secondary goods (mainly agriculture, mining and forestry) that position them as highly complementary economies to China. Finally, these countries have shown an orientation towards cooperation with the Asia-Pacific region over the past decade. This point is not minor, since the countries that make up this area have been the most active during the last decade in trade liberalization and the strengthening of relationships. One example is the role that the Asia-Pacific Economic Cooperation Forum (APEC) has played in this regard, where Chile and Peru are both members.

Regarding the effect of having a pragmatic profile as a sufficient condition, China has shown its ability to extend its influence via FTAs with countries with a pragmatic profile and that historically have been close to the US. To China’s merit, in a short time it has understood that Latin America is not a homogeneous socio-political unit, and as such the country has been articulating heterogeneous cooperation devices based on the different profiles of nations.

Furthermore, it is observed that the coming years will strengthen this trend, since China is negotiating and establishing FTA feasibility studies with new Pacific Rim countries in the region (Colombia and Panama). This has marked a movement in the Latin American geopolitical landscape where China not only manages to draw the attention of ideologically similar countries such as Venezuela and Ecuador, but is also establishing different legally binding projects with ideologically moderate countries.

Globally, this is also being reflected, since China is currently negotiating 10 new FTAs (including one with Panama), while carrying out feasibility studies for 10 other agreements (including one with Colombia) (China, 2019). This trend is framed by China’s building of a new set of rules of global trade to adapt to the changing regional economic situation and allowing developing countries to play a crucial role in influencing these rules.

At a global level, this is also reflected, since China is currently negotiating 10 new FTAs (including one Panama), while carrying out feasibility studies of 10 other agreements (including one with Colombia). In this context, this trend is framed in how China is building new rules of global trade to adapt to the changing regional economic situation and allows developing countries to play a crucial role in influencing these rules.

6. Conclusion

China has increased its participation in LAC, establishing more complex forms of cooperation that make it difficult to classify its foreign policy under a specific paradigm. In this context, China’s economic relations, which are based on its capacities on the one hand, and in its benign

intentions on the other, are not strictly contradictory; rather they are two sides of the same coin. In this sense, China sees these two opposing and complementary forces as fundamental to establishing its international relations.

With this in mind, this article has focused on identifying common patterns that help to explain why China chooses to develop sophisticated initiatives in Latin America with pragmatic countries through the signing of FTAs instead of other association like strategic partnerships. The finding shows that China’s Bilateral FTA partners with a high standard of regulations tend to cooperate internationally under normative parameters like the signing of a binding agreement. The other two necessary conditions that are identified in this article point to the strategic role that having an agreement of this type with powers such as China implies for the country in question.

On the one hand, it is observed that FTAs are used mostly by small and medium-sized countries with economies that are highly complementary with China, with an Asia-Pacific rules orientation and with a pragmatic approach when establishing levels of international linkage. In LAC, the cases of Chile, Peru and Costa Rica are relevant, as well as the interest of other countries such as Colombia and Panama to form part of these agreements (currently both nations are negotiating an FTA with China).

On the other hand, it is observed that emerging economy countries, with a higher level of industrialization and with a lower level of economic complementarity with China, prefer to use other less binding cooperation mechanisms. This decision responds mainly to the fact that internally there are industrial sectors that pressure the government to protect their industries. Similarly, there are other countries that avoid signing FTAs since they are ideologically incompatible with the local political orientations.

This comparative study identifies the three variables that meet the condition of need and argues that having a pragmatic profile is a sufficient condition for establishing the type of sophisticated cooperation mechanism studied by this article. This is mainly because the FTA agreements not only address the promotion of the free transit of goods and services; they also entail a series of political, technical and economic implications. In this sense, FTAs emerge as a complementary tool for strategic partnerships, which at the same time protect investment and create favorable conditions for the reciprocal promotion of comprehensive cooperation.

These, however, must be combined with the country having a pragmatic profile in order for these to become a sufficient condition for establishing the type of sophisticated cooperation mechanism studied by this article.
Annexes

In order to test the hypotheses, the first procedure to be performed is called calibration. Table 5 shows the data that are transformed into fuzzy or crisp variables.

**Table 5. Operationalization for the outcome and causal conditions**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>SP</td>
<td>2004</td>
<td>60.9</td>
<td>14.9</td>
<td>NIC</td>
<td>0.07</td>
</tr>
<tr>
<td>Mexico</td>
<td>SP</td>
<td>---</td>
<td>55.5</td>
<td>17.8</td>
<td>NIC</td>
<td>0.36</td>
</tr>
<tr>
<td>Argentina</td>
<td>SP</td>
<td>2004</td>
<td>51.3</td>
<td>19.6</td>
<td>NIC</td>
<td>-0.8</td>
</tr>
<tr>
<td>Peru</td>
<td>SP-FTA</td>
<td>2004</td>
<td>61.2</td>
<td>16.8</td>
<td>DgC</td>
<td>0.32</td>
</tr>
<tr>
<td>Venezuela</td>
<td>SP</td>
<td>2004</td>
<td>40.6</td>
<td>15.1</td>
<td>DgC</td>
<td>-1.39</td>
</tr>
<tr>
<td>Chile</td>
<td>SP-FTA</td>
<td>2002</td>
<td>83.9</td>
<td>14.2</td>
<td>DgC</td>
<td>1.45</td>
</tr>
<tr>
<td>Ecuador</td>
<td>SP</td>
<td>---</td>
<td>44.9</td>
<td>14.6</td>
<td>DgC</td>
<td>-0.99</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>SP-FTA</td>
<td>2008</td>
<td>64.2</td>
<td>16.6</td>
<td>DgC</td>
<td>0.49</td>
</tr>
<tr>
<td>Uruguay</td>
<td>SP</td>
<td>---</td>
<td>70</td>
<td>15.5</td>
<td>DgC</td>
<td>0.4</td>
</tr>
</tbody>
</table>

Sources: MES: Market Economy Status, NIC: Newly industrialized country, DgC: Developing Country

To calibrate the data, breakpoints are established for each of the previously selected variables (qualitative anchors). This procedure allows to have three general points of orientation (fully in, crossover points and fully out) and to carry out the preparation of the analysis tables. In the case of the dependent variable, a crips set is constructed from the following classification: the sample includes all Latin American countries that have the status of strategic partnership with China. However, it is determined "fully in" for those countries that additionally to this status have an FTA. For the case of the causal variables, two types of criteria are used:

1) continuous fuzzy set calibration: where "fully in" are the values equal to or higher than the mean plus the standard deviation. Completely "out" are the values equal to or less than the mean plus the standard deviation. The average is the "crossover" point. This procedure is applied in the variables ideological moderation index, value added by the manufacturing sector, regulatory quality index.

2) crips set membership: where the variables do not have intervals, the dichotomous approach is applied. This procedure is used for the variable level of industrialization and the variable recognition of China as a market economy. In the first condition, only the case of Latin America is considered, and two sub-categories exist (newly industrialized country and developing country). In the second variable, the same logic operates, in the case of Latin America there are two situations: countries that recognized China during the 15 years after joining the WTO and countries that have not yet recognized China’s role as a market economy.
Table number 6 shows the analysis model:

**Table 6. Summary of the analytical model**

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Causal conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership (Crisp set)</td>
<td>Partner</td>
</tr>
<tr>
<td>MES recognition (Crisp set)</td>
<td>Mes</td>
</tr>
<tr>
<td>Pragmatic level index (continuous fuzzy set)</td>
<td>Pragmatic</td>
</tr>
<tr>
<td>Manufacturing value added (continuous fuzzy set)</td>
<td>Manufact</td>
</tr>
<tr>
<td>Industrial classification (Crisp set)</td>
<td>Industrial</td>
</tr>
<tr>
<td>Regulatory quality index (continuous fuzzy set)</td>
<td>Regula</td>
</tr>
<tr>
<td>Crisp and Fuzzy values</td>
<td></td>
</tr>
<tr>
<td>1 = SP-FTA (fully in)</td>
<td></td>
</tr>
<tr>
<td>0 = SP (fully out)</td>
<td></td>
</tr>
<tr>
<td>1 = Recognition prior to 2016 (fully in)</td>
<td></td>
</tr>
<tr>
<td>0 = No recognition (fully out)</td>
<td></td>
</tr>
<tr>
<td>72.2 = fully in (=1)</td>
<td></td>
</tr>
<tr>
<td>59.1 = crossover (=0.5)</td>
<td></td>
</tr>
<tr>
<td>46 = fully out (=0)</td>
<td></td>
</tr>
<tr>
<td>17.9 = fully in (=1)</td>
<td></td>
</tr>
<tr>
<td>16.1 = crossover (=0.5)</td>
<td></td>
</tr>
<tr>
<td>14.4 = fully out (=0)</td>
<td></td>
</tr>
<tr>
<td>1 = NIC (fully in)</td>
<td></td>
</tr>
<tr>
<td>0 = DgI (fully out)</td>
<td></td>
</tr>
<tr>
<td>0.88 = fully in (=1)</td>
<td></td>
</tr>
<tr>
<td>-0.01 = crossover (=0.5)</td>
<td></td>
</tr>
<tr>
<td>-0.90 = fully out (=0)</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 presents the Fuzzy-Set Membership Scores after applying the breakpoints. It is worth mentioning that the calculations of the study have been carried out by using the statistical package fsQCA 2.5 (Ragin, 2014).

**Table 7. Data matrix showing the Fuzzy-Set Membership Scores**

<table>
<thead>
<tr>
<th>Cases</th>
<th>Partner</th>
<th>Mes</th>
<th>Pragmatic</th>
<th>Manufact</th>
<th>Industrial</th>
<th>Regula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>0</td>
<td>1</td>
<td>0.60</td>
<td>0.11</td>
<td>1</td>
<td>0.57</td>
</tr>
<tr>
<td>Mexico</td>
<td>0</td>
<td>0</td>
<td>0.30</td>
<td>0.94</td>
<td>1</td>
<td>0.78</td>
</tr>
<tr>
<td>Argentina</td>
<td>0</td>
<td>1</td>
<td>0.14</td>
<td>1</td>
<td>1</td>
<td>0.07</td>
</tr>
<tr>
<td>Peru</td>
<td>1</td>
<td>1</td>
<td>0.62</td>
<td>0.76</td>
<td>0</td>
<td>0.75</td>
</tr>
<tr>
<td>Venezuela</td>
<td>0</td>
<td>1</td>
<td>0.01</td>
<td>0.15</td>
<td>0</td>
<td>0.01</td>
</tr>
<tr>
<td>Chile</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0.03</td>
<td>0</td>
<td>0.99</td>
</tr>
<tr>
<td>Ecuador</td>
<td>0</td>
<td>0</td>
<td>0.04</td>
<td>0.07</td>
<td>0</td>
<td>0.04</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>1</td>
<td>1</td>
<td>0.76</td>
<td>0.70</td>
<td>0</td>
<td>0.84</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0</td>
<td>0</td>
<td>0.92</td>
<td>0.26</td>
<td>0</td>
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Table 8: China’s Latin America strategic partners & Economic Relations

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Sources: Foreign Direct Investment: ECLAC (2017); Loans: Gallagher & Myers (2016); Trade Partner: OECD (2017)
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