



BETWEEN GEOPOLITICS AND SUSTAINABILITY

Is a new framework of cooperation for sustainability possible in trade relations between China and Peru?

COLLECTION: CHINESE INVESTMENTS AND SUSTAINABILITY

INFORMATIVE BRIEF

BETWEEN GEOPOLITICS AND SUSTAINABILITY

Is a new framework of cooperation for sustainability possible in trade relations between China and Peru?

AUTHOR:

Ciro Salazar Valdivia
Programa Gobernanza y Gestión Ambiental
Derecho, Ambiente y Recursos Naturales - DAR

EDITOR:

Derecho, Ambiente y Recursos Naturales
Jr. Huáscar N° 1415, Jesús María, Lima-Perú
Phone: 511 - 340 3780 | 511 - 3403720
E-mail: dar@dar.org.pe
Website: www.dar.org.pe

DESIGNED AND PRINTED BY:

Sonimágenes del Perú S.C.R.L.
Gral. Santa Cruz Av.653. Of. 102, Jesús María, Lima - Perú
Phone: (511) 277-3629 / (511) 726-9082
E-mail: adm@sonimágenes.com
Website: www.sonimágenes.com

First Edition: Agosto 2019, consta de 1000 ejemplares

The partial or total reproduction of this book, its computer processing, its transmission by any form or means, electronic, mechanical, by photocopy or others is allowed; with the necessary indication of the source when used in publications or dissemination by any means.

This publication has been produced with the assistance of Rainforest Norway Foundation (RFN). Its contents are exclusive author's responsibility; and in no way should it be considered as reflecting the views of Rainforest Norway Foundation (RFN).

BETWEEN GEOPOLITICS AND SUSTAINABILITY

Is a new framework of cooperation for sustainability possible in trade relations between China and Peru?



Grupo Regional
sobre **Financiamiento**
e **Infraestructura**



Coalición Regional
Por la transparencia y la participación



DERECHO
AMBIENTE Y
RECURSOS
NATURALES

Supported by:



Rainforest Foundation
Norway



THE NEW CHINESE – PERUVIAN COOPERATION FRAMEWORK

Last April 25th, Peru formalized its adherence to One Belt, One Route Initiative (OBOR), a Chinese initiative for technological, economic cooperation and cultural exchange, which current president Xi Jinping launched in 2013. It is considered the largest of its kind in history, regarding executed sums and projected investment in infrastructure which this initiative promotes. On the other hand, months before this adherence, Peru and China had begun the renegotiation of the Free Trade Agreement (FTA), which was signed by both countries in 2009.

The current international economic and political context, as well as the characteristics of the Peruvian economy, make the Peru-China FTA renegotiation process an opportunity for the Asian country to relaunch OBOR in the world and propose a new approach for the achievement of sustainable development. Therefore, after proposing some relevant aspects of Chinese geopolitics, the international scenario facing and environmental management in Peru; proposals are put forward with the aim to strengthen the sustainability of its investment projects in the country.

By the end of the 1990s, Peru was already one of the main investment destinations of Chinese companies. In fact, the purchase of Hierro Peru by Shougang in 1992 is considered the first major Chinese acquisition overseas since the start of the economic opening process led by Deng Xiaoping¹. Almost three decades later, Chinese investments in Peru - although now present in the infrastructure, energy and telecommunications sectors - occur predominantly in the mining sector.

This relates to the need to supply raw materials for its manufacturing sector; to the Peruvian mineral wealth, mainly located in the Cordillera de los Andes; to the strategic location of the country in South America (the proximity of mining operations to ports and to represent a potential route for the Brazil-China trade logistics chains)²; and finally the high-grade concentration of ore from Peruvian

1 "An Assessment of Outward Foreign Direct Investment from China's Transitional Economy", Hsiu-Ling Wu, Chien-Hsun Chen, *Europe-Asia Studies*, Vol.53, No 8, 2001.

2 When Steel giant Gerdau of Brazil bought SiderPerú back in 2006, it was well known in the sector that one of the factors that most influenced the purchase decision was the access to dock 3 at the port of Chimbote



deposits, which make their operations the most profitable in the world ³. Chart 1 compares international costs of copper production.

Chart 1: Cost of Copper Production in Major Producers

Country	Average cost of producing a pound of copper (US\$)
Perú	0.88
China	1.33
EE.UU.	1.42
Chile	1.47
Australia	1.53

Source: Inteligo SAB, 2019

³ Lagunas Norte and Yanacocha gold mines have been among the world's lowest operating costs. See: <http://www.mining.com/10-mines-still-making-good-money-if-the-gold-price-falls-50/> y <https://www.reuters.com/article/us-latam-summit-newmont-yanacocha/newmont-sees-rising-yanacocha-output-idUSN2127249720070322> respectively.

ONE BELT, ONE ROAD INITIATIVE (OBOR)

Map No. 1 contains the economic corridors sponsored by “The Economic Strip of the Silk Road” and “The Maritime Silk Route of the 21st Century”, which are known as the One Belt, One Road Initiative (OBOR), where around 70 countries are already adherents and whose investment proposals regarding infrastructure have been estimated from US \$ 1.2 to \$ 11.3 trillion by 2027⁴. After its initial launch in 2013, China invited countries from Latin America to join in early 2018. For some Chinese academics, OBOR presents itself as an alternative route to “neoliberal” globalization, considering it a form of “inclusive” globalization,⁵.

Map N° 1: Economic Corridors in One Belt, One Road Initiative



Source: Council on Foreign Relations, 2019

The fact that Chinese President Xi Jinping considers Latin America as a natural extension of OBOR is not mere rhetoric considering that there was a trade route between Mexico (Acapulco) and Asia (Manila) between the sixteenth and nineteenth centuries⁶. Among the most appreciated manufactures that were commercialized by this route, one has the silk, china and Chinese tea.

4 “Inside China’s plan to create a modern silk road”, Morgan Stanley, 2018.

5 “A discourse construction of the Belt and Road Initiative: From neoliberal to inclusive globalization”, Weidong, Boyang, Dunford, Journal of Geographical Sciences, 2018.

6 “From Galleon Trade to the 21st Century Maritime Silk Road”, Jin Yuan, Chinese Embassy Counselor at the Philippines, august, 2017. Ver: <http://ph.china-embassy.org/eng/sgdt/t1487808.htm>

CHINESE GEOPOLITICS

It is estimated that there are four strategic imperatives that condition the Chinese geopolitics⁷. One of them: the need to secure trade routes, resources and markets, is particularly important to understand the strategic objectives that the country pursues with OBOR and the FTAs it has signed with various countries, especially considering that from the path the country began in the late 1970s towards an economy open to the world, for the first time in its history China depends on the outside world to secure the existence of its population (18% of the global population).

Figure 1 shows China's consumption / production gap regarding critical raw materials. While the gap, i.e. dependence on the international market, dates from the current decade for the gas situation, it emerged at the beginning of this century in the cases of oil, copper and iron ore, cases where, it should be noted, dependence had become noticeably greater in recent years.

And while current leading countries such as Germany or Japan also have a high dependence on international markets for their raw materials supply, these countries have no hegemonic pretensions at a global level. This makes the difference. It is not by chance then that former CIA chief David Petraeus considered that if the Trans Pacific Agreement (TPP) negotiations were not to be successfully achieved, "chain effects could be generated at the heart of our security, exacerbating military tensions, territorial rivalries and ultimately increasing the risk of conflict"⁸. A position that can be considered the one of the American Army. Under this premise, it remains for a different analysis the reasons for the alleged self-inflicted damage caused by the United States withdrawal from the TPP, at the hands of President Trump.

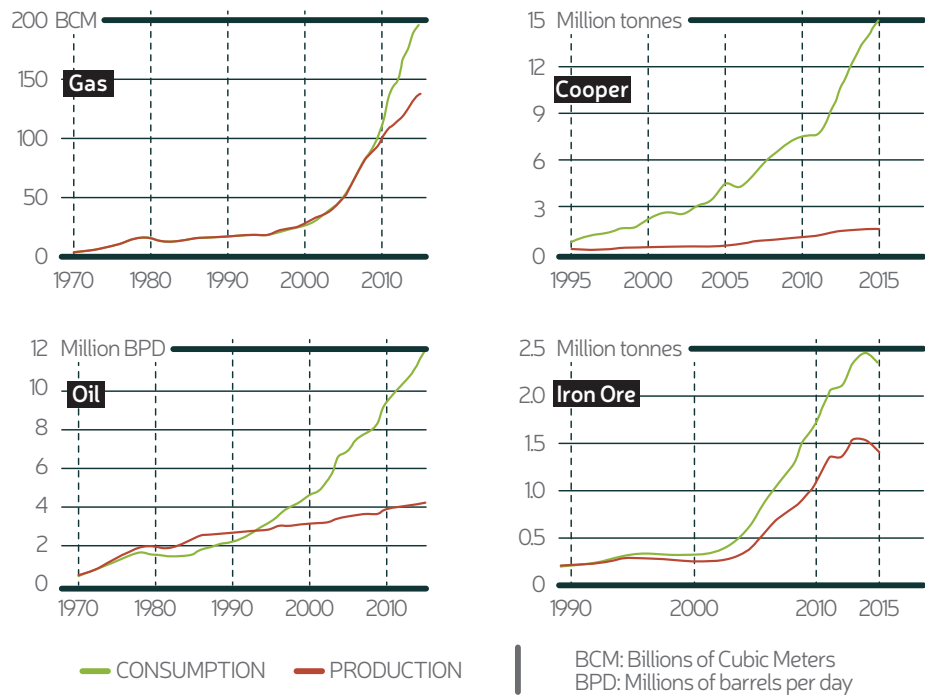


Photo: Tony Lin

⁷ For the Stratfor intelligence consultant, these imperatives or historical, geographical, economic conditions, etc., that shape the behaviour of a country, in this case China, would be: 1) Maintain the internal unity of the ethnic group Han; 2) Maintain influence or control over its adjacent geographical areas; 3) Protect their coasts from external invasions; and 4) Secure and protect international trade, resource and market routes. See: Geopolitics of China, Stratfor, 2017.

⁸ <https://www.americansecurityproject.org/petraeus-tpp-a-matter-of-national-security/>

Graph 1: Gaps in production / consumption of critical raw materials for China



Source: *The Geopolitics of China*, Stratfor, 2017

It is throughout this framework that it is plausible to state that China's behaviour in the international field is based on four strategic objectives. Three of them: the positioning of its financial system, the dissemination of their technology and technical standards, and the signing of trade and investment agreements, they actually replicate the same objectives that previous hegemonic countries have pursued; the fourth, however, would be a Chinese peculiarity and would be influenced by its dependence on the outside world in a century characterized by economic⁹ and social¹⁰ uncertainty. This last objective would be resilience because, rather than a side transversal aspect to the other objectives, it has its own dynamics.

The fragility of the international financial system, religious and nationalist extremism that are gaining strength in various regions of the world, climate change and the loss of confidence in democracy as a form of government are amongst the main factors that portray a twenty-first century characterized by uncertainty, which translates, among other things, into drastic political and economic turnarounds and more frequent global financial crises. Thus, China's pursuit for resilience to secure markets and supply chains is evident by the agility, depth and diversity with which it has developed financial, commercial, economic, and diplomatic links at a global level, as well as by the pattern of its investments abroad.

⁹ "The economic consequences of global uncertainty", Michael Spence, Project Syndicate, March, 2019.

¹⁰ "No easy answers: Political uncertainty in a mixed – up world", Gideon Skinner, Ipsos Global Trends, 2017



Chinese investment patterns cannot be categorically defined, especially considering the logistical, economic and political particularities of the various regions of the world where their enterprises are present; however, these enterprises seem to be more willing to invest in developing countries with lower GDP per capita and economy growth, to invest in companies with low profitability and high levels of debt, while it has been detected that the prices for the acquisition of a company that the Chinese firms pay would be lower than those paid by others from different countries¹¹. In addition, they appear hesitate less in investing in countries with a weak governance, unlike Western companies. It is also notorious that Chinese state banks have made loans to countries that compromise their ability to pay¹².

On the other hand, there is a rather growing presence of the main Chinese national banks in almost every continent, and more than 60 countries are already willing to include the yuan in their international reserves' portfolio¹³. In a different area, China has endorsed agreements for the development of innovation centres even in areas within the sphere of influence of leaders in such fields¹⁴. It should be noticed that, recently, the United States, which in 2018 had ceased to belong to the top 10 countries in the Bloomberg magazine innovation ranking, has re-entered this zone according to the 2019 ranking, while China has climbed positions to position 16.

11 "Chinese acquisitions abroad: Are they different?", Xing, et al, CES Ifo, Munich University, 2019.

12 "Belt and Road reality check: How to assess China's investments in Eastern Europe", Merics, July 2018.

13 See: <http://www.ecns.cn/cns-wire/2017/10-19/277645.shtml>

14 As in the agreement between Tsinghua University, China's leading university in innovation in the world, and the Politécnico de Milan, to develop in this Italian city a leading innovation centre in Europe.

In Latin America, where trade dynamics with China have been estimated to have sustained 68% of trade growth in Asia and Latin America in the 2000-2013 period¹⁵, the infrastructure projects that have been put forward by the South American Regional Integration Initiative (IIRSA) have received special attention from the Chinese government.

Map N ° 2: Railway corridors proposed under IIRSA



Source: *Expanding the Belt and Road: A New Perspective on China - Latin America Cooperation*, Yong, et al., en *China Belt and Road Initiative Journal*, Abril, 2018

Map No. 2, elaborated by Chinese researchers, summarizes the investment proposals in railway corridors raised or rescued in the current decade under the IIRSA, which later became known as the Union of South American Republics (UNASUR). China has shown a devoted support for IIRSA, which is probably explained by the fact that about 70% of the investment amount of the prioritized projects are related to transport infrastructure, including the railway, precisely the area that is the main focus of the initiatives of OBOR investment in Eurasia. On the other hand, this concern can be tracked down to the search for resilience in its supply chains and, while doing so, also step up their financial branches.

¹⁵ "Expanding the Belt and Road: A New Perspective on China – Latin America Cooperation, Yong, et al., In *China Belt and Road Initiative Journal*, April, 2018.



Photo: Carlos Adampol Galindo

Precisely two of the railroad projects that would contribute the most to South American agricultural and mining exports to Asia have received support from China at the highest level. In 2014, during a visit by Jinping to the region, the presidents of Peru, Brazil and the Chinese leader announced the start of concerted efforts to study the feasibility of developing a bi-oceanic railway corridor; which corresponds to the Santos - Santa Cruz - Ilo line on map No. 2. The Chinese government, through its ambassador in Brazil, has expressed interest in supporting the Antofagasta - Paranaguá corridor project¹⁶.

For certain sectors of Chinese academia, IIRSA “would become an important platform for cooperation in infrastructure between China and Latin America”¹⁷.

As a whole, we perceive an intention focused on the construction of a logistical, financial, infrastructure and innovation fabric that allows it to reduce the effects of one of the characteristics of complex systems, fragility. Fragility which implies affectations at a systemic level and can be triggered precisely by the factors that determine the uncertainty of the current century. The more diversified the sources of supply, the control over various trade routes, and the longer the financial branches that keep providing loans to countries (the one that finances is at the beginning of the chain and that privileged position has always granted power, including political power), the greater possibility of resisting regional and global catastrophes.

¹⁶ <https://www.bnamericas.com/es/noticias/infraestructura/china-apoyara-corredor-ferroviario-bioceanico>

¹⁷ Idem 15.



TURNING POINT?

2019 could indicate a turning point in China's relations with the world. In February, the German government published its National Industrial Strategy, of nationalist tendency and considered a reaction to China's advance in innovation¹⁸; two months later, 40 major Japanese companies launched a technology collaboration initiative unprecedented in the Japanese corporate sector¹⁹; and in May President Trump decided to increase from 10% to 25% tariffs to \$ 200 billion of Chinese imports, and then set restrictions on US companies to do business with telecommunications giant Huawei.

In addition, as a result of the UN Universal Periodic Review, Human Rights Assessment (HRD) to countries, China agreed to implement 284 recommendations, some of them to improve the performance of its overseas investments²⁰.

The recommendations that China accepted within the UPR framework derive precisely from serious claims by local populations, including indigenous peoples in the Amazon basin²¹, for its effect on labour rights and environmental impacts resulting from investments, which the institutionality of the beneficiary countries could not avoid.

On the other hand, between 2018 and 2019, Malaysia has cancelled road and hydrocarbon projects run by Chinese companies and endorsed by OBOR for an estimated US \$ 23 billion. This setback adds to the serious payment problems faced by countries such as Pakistan, Sri Lanka and the Maldives, which are also part of the OBOR initiative²².

Thus, China's transition to a global economic hegemony, as well as its reputation, have been recently questioned from various fronts, including the socio-environmental. In some cases, as a result of the contradictions of its growth strategy and diversification of its investment portfolio; said plainly, as a result of the limited commitment to circumscribe the development of its investments to the legal frameworks of the countries where it maintains operations regarding social and environmental matters, which, especially those in development, usually make their environmental standards flexible to attract investment.

18 "The return of economic nationalism in Germany", PIIE, 2019.

Ver: <https://piie.com/publications/policy-briefs/return-economic-nationalism-germany>

19 "Japan to form 40-company alliance for open innovation breakthrough", Nikkei Asian Review, 07.04.2019.

See: <https://asia.nikkei.com/Business/Business-trends/Japan-to-form-40-company-alliance-for-open-innovation-breakthrough>

20 See: <https://gestion.pe/mundo/china-adoptara-284-recomendaciones-mejorar-inversiones-extranjero-262579>

21 "Violations of Human Rights of Indigenous Population in the Amazon Basin by the Chinese Investments", COICA, 2018.

See: http://dar.org.pe/archivos/EPUchina_ingles.pdf

22 "China's massive Belt and Road initiative", Andrew Chatzky y James McBride, Council on Foreign Relations, 2019.



The World Bank, after implementing their Country System in developing countries in the late 1990s, a strategy that sought to influence the application of higher environmental and social standards, acknowledged that public officials sought “greater flexibility [in terms of regulations] to do what they consider to be correct, efficient and prudent, based on the knowledge and experience that the country possessed”²³, that is to say, to reduce environmental standards, which usually lead to scenarios of contamination and affection to health or economic activities (agricultural, livestock, etc.), but also social conflict, with counterproductive effects for their own projects, that are forced to suspend operations or are cancelled.

²³ “Ambiente Fragmentado. Deterioro de los marcos ambientales en América Latina 2013-2018”, Coalición Regional, 2018.
See: http://www.dar.org.pe/archivos/publicacion/Marcos_Legales_vf.pdf



ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY IN PERU

One of the 14 principles proposed by Xi Jinping in the framework of China's role in the world²⁴, is "to guarantee harmony between humanity and nature"²⁵. The realization of this principle is largely achieved acknowledging the challenges imposed by climate change and the search for environmental and social sustainability of economic activities.

Thus, this principle would be fully incorporated and emphasized in the Memorandum of Understanding that Peru signed with China in April of the current year²⁶, which initiates the adhesion of our country to OBOR, except for one detail: the memorandum proposes to ensure sustainable development "through compliance with national environmental regulations" and only in the absence of it use "the best international standards" instead²⁷.

This decision would make it unfeasible to "jointly promote a good ecological environment, sustainable development, environmental protection, prevention and control of desertification and the production of clean energy as priority factors", one of the most important objectives of the Memorandum.

Since 2013 the Peruvian government has implemented various regulatory and institutional reforms that have resulted in the weakening of environmental management, with the objective of generating a favourable business environment for the investment sector²⁸.

In fact, the social conflict around the Las Bambas mining project, one of the largest mining operations in the world by Chinese investors, derived, according to a report by the Ombudsman's office²⁹, from the non-compliance with administrative procedures and Peruvian regulations at various levels in the government, with the sole objective of facilitating changes to the project but at the expense of the rights acquired by the local population at Las Bambas.

24 Proposed 2017, at the XIX National Congress of the Chinese Communist Party. It is important to notice that what is known as "Xi Jinping thought" has been included in the Constitution of the Chinese Communist Party.

25 See: http://spanish.xinhuanet.com/2018-03/18/c_137047852.htm

26 Law No. 4221-2018-CR, which proposes to declare the adhesion to LFLR of national interest, sustains the request that Chinese investments can contribute to the closing of infrastructure gaps and the generation of employment, as well as pave the way for the insertion of Peruvian SMEs in the Chinese market. It is acknowledged that LFLR is an initiative not only economic but political, although it is considered that it will not generate interference of the Chinese government in internal Peruvian affairs.

27 See: "Memorandum of Understanding between the Government of the Republic of Peru and the Government of the People's Republic of China on Cooperation in the Framework of the Silk Road Economic Strip and the Silk Road Route of the 21st Century". For a detailed analysis of the memorandum signed by Peru and China see: "Memorandum de Entendimiento Perú - China: Geopolítica china y recursos naturales en el Perú". Peru". http://www.dar.org.pe/archivos/publicacion/502%20-%20Memorandos%20Peru%20China_5_dic_B.pdf

28 Idem 23. For a more detailed analysis of the measures that have made the environmental regulations more flexible, see, among others: "Impactos, Intereses y Beneficiarios de Ley N° 30230", DAR, Cooperación and others, 2014; and "De Socavón a Cielo Abierto: Los riesgos socioambientales de los Informes Técnicos Sustentatorios", DAR, 2015.

29 "Análisis sobre las modificaciones efectuadas al proyecto minero Las Bambas", Adjunt summary N° 008-2016-DP/AMASPP. MA, Onbudman's office 2016.



According to the company, only in March of this year, they could not secure sales of copper ore for US \$ 200 million³⁰.

Moreover, two important documents have been published in recent months, which reflect the vision and strategy of the State and the private sector to improve the country's competitiveness, one of the essential factors that affect the well-being of the population.

At the end of 2018, the Peruvian government published its National Competitiveness and Productivity Policy (PNCP)³¹, the most recent exercise of projecting the long-term development of the country, which maintains the course of action started by the economic reforms of the 1990s, i.e. a state that guarantees basic conditions (health, education, institutionality) while the private sector in charge of leading the exploitation of the comparative advantages (mainly mining and agroindustry), and consequently to define the economy's growth pattern.

³⁰ See: <https://diariocorreo.pe/peru/empresa-de-la-mina-las-bambas-no-podemos-seguir-operando-en-estas-condiciones-878175/>
³¹ Supreme Decree N° 345-2018-EF

As we know, there is no known experience of a country in modern history that has achieved development or is about to do so, based on this strategy. And although the PNCP, which does not arise from the consensus of various social actors, incorporates environmental sustainability as one of its priority objectives, not only is it not defined, but the responsibility for achieving it is mainly in the hands of the market.

On the other hand, the Private Competitiveness Council published at the beginning of this year its Competitiveness Report 2019³². In this private sector proposal, the concepts of climate change or environmental sustainability are not even mentioned.

This lack of initiative by the State and the private sector to promote environmental sustainability and the inaction of the State in terms of economic development is a breeding ground for social unrest and creates high risks for investments, mainly the extractive ones, that usually take place in contexts of extreme poverty and low or null presence of the State. In fact, it is acknowledged in Peru, even by organizations that endorse mining, that Corporate Social Responsibility strategies do not guarantee conflict prevention, where the implementation of a strategy of economic development for localities in the areas of influence of projects would be of great help³³.

In the country, particularly in high Andean and Amazonian areas, economic development begins with water governance, but it is precisely this resource that ignites disputes over its access or conservation, becoming one of the main causes of social conflicts between companies and communities, which implies a background of weak institutionality³⁴ and corruption.

Map N° 3 below contains a territorial division according to its function in the water cycle. The water gathering area, the darkest, is considered the most important within the cycle because it is the basis of the next phases. As seen in the graphic, the Andes concentrate almost all of the water gathering areas of the country. Map N° 4 then crisscross the water gathering and storage zones with mining concessions in 2008. As a result of this intersection, it was estimated that by 2008, 70% of the mining concessions were located in water gathering areas³⁵.

32 See: <https://www.compite.pe/publicacion/informe-de-competitividad-2019/>

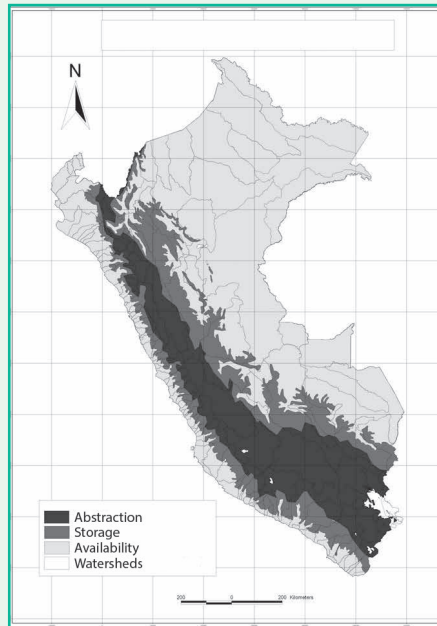
33 Interview to Sebastiao Mendoca, Wiñaq's Centre Consultant (17.04.19).

See: <https://elcomercio.pe/peru/bambas-problema-reclamos-legitimos-mezclados-noticia-ecpm-625536>

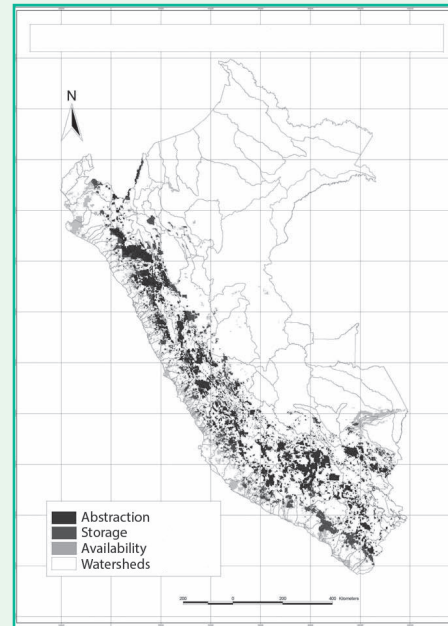
34 "Gobierno de los recursos de uso común: una historia de la regulación del agua en la cuenca alta de Locumba, 1950-2015", Alejandra Zúñiga, Thesis to achieve the Degree in Economics, PUCP, 2018.

35 "El agua y las industrias extractivas en el Perú: un análisis desde la gestión integrada de recursos hídricos", Ruth Preciado, in "Agua e Industrias Extractivas: cambios y continuidades en los andes", Patricia Urteaga, Ed. (2015), IEP.

Map N° 3: Areas by water function in Peru



Map N° 4: Mining Cadastre to 2008 and Water Function



Source: “El agua y las industrias extractivas en el Perú: un análisis desde la gestión integrada de recursos hídricos”, Ruth Preciado, 2011.

Nature has imposed on us the dilemma of locating the enormous mining resources precisely in the zone of greater importance in the country’s water cycle. This demands high environmental standards and good governance both of the water resource and at all stages of the project cycle. Therefore, considering the evident lack of environmental institutions in the country; productive activities, especially extractive activities, require the investor not only to establish transparent channels of communication and dialogue with civil society, but also to participate in the design and implementation of proposals for local development in the medium and long term.

In order to achieve this, it is necessary for Chinese companies to modify their strategy of insertion in the countries where it destines its investments, so that these are given within the framework of regional and local development planning, and based on the needs of local populations, such that they support these strategies within the framework of their respective role.

For example, if the level of protection and legal category was elevated in a territorial reserve for the protection of indigenous peoples in voluntary isolation, in the framework of the implementation of the Camisea project, it was due to the advocacy of civil society, which alerted the Inter-American Development Bank on impacts of the project on the health of the population within the Reserve. If the Antamina mining project has a pipeline, which the social unrest that Las Bambas had to go through, it was because of the advocacy to the World Bank to demand these conditions³⁶. If the Amazon Waterway project went through a process of prior consultation, it was thanks to a judicial decision in response to a demand from indigenous peoples.

³⁶ “Lo que las Bambas no aprendió de Antamina”, Manuel Marticorena, Energiminas, March, 2019.



HOW TO IMPLEMENT A NEW APPROACH TO SUSTAINABILITY IN CHINESE INVESTMENTS?

In this context, why the renegotiation of the Peru China FTA would present us with an opportunity to include environmental and social standards in this trade relationship that allow a benefit for both Peru and China, in the framework of compliance with international environmental agreements?

Political and economic uncertainty, combined with the interests of various economic actors, breeds sometimes radical changes in the political environment of the countries, but the demands of the people do not change with the same speed. The growing discontent in the region with democracy as a form of government³⁷, and the way National States impose extractive and infrastructure projects (without consultation, without planning and with little concern for local development views), creates the scenario that justifies the hostile actions that the organized population undertakes and enables the incursion of opportunists, both organizations and individuals, who profit from the exacerbation of conflicts.

Peasant and indigenous organizations also use technological tools and share experiences more easily, so lessons learned from community conflicts in the northern jungle of the country, for example, are quickly assimilated by others in the central jungle, at hundreds of kilometres distance. Thus, national and regional indigenous organizations play an important role.

It is for this reason that counting on the socio-environmental aspect of investments and trade, and discussing it during the negotiations of a commercial agreement, even involving the contributions of the indigenous organizations of the country, would represent a milestone that would help design an agreement that generates the conditions for sustainable projects.

Therefore, the first step China could take towards this direction would be to include in the renegotiation of the FTA with Peru, an environmental chapter, setting principles and addressing obligations regarding the environmental sustainability of economic activities.

A second, more complex but crucial step would be to establish protocols for their companies to implement channels for dialogue, information exchange and cooperation with national and regional organizations that represent the indigenous populations of the Andes and the Amazon, with the perspective to participate in the design of proposals for local development in the medium and long term, linked or not to the dynamics of investment projects. In this regard, the safeguard policies that can be

³⁷ <https://www.eleconomista.com.mx/politica/Los-latinoamericanos-creen-que-la-democracia-se-ha-usado-para-beneficiar-a-unos-cuantos-Latinobarometro-20181119-0004.html>



implemented by Chinese banks are crucial; some recommendations have already been elaborated by civil society³⁸.

Together, these actions would contribute to legitimize Chinese investments within society, prevent conflicts, develop environmentally and socially sustainable projects, respecting rights such as prior consultation and citizen participation, and generating an economic relationship that respects needs and population priorities for development, which can create a favorable framework for the ventures that Chinese companies would want to implement in Peru.

Thus, the objectives and principles promoted by the “One Belt, One Road Initiative” would be fully realized and China would send a signal to South America and, in general, the countries that have joined OBOR. After all, the harmony of man with nature is unpracticable if it is not based on joint work between economic agents and the population.

³⁸ “Highs and Lows in Safeguards: How do BNDES, China Exim Bank, IDB and CAF work?”, DAR Ed., 2014.
See: http://dar.org.pe/archivos/publicacion/159_es_safeguards_eng_official.pdf



INFORMATIVE BRIEF
BETWEEN GEOPOLITICS AND SUSTAINABILITY

*Is a new framework of cooperation for sustainability possible
in trade relations between China and Peru?*

Designed by Sonimágenes del Perú S.C.R.L. offices
Gral. Santa Cruz Av. 653. Of. 102, Jesús María, Lima - Perú
Phone: (511) 277-3629 / (511) 726-9082
E-mail: adm@sonimágenes.com
September 2019