

## *The Growing Chinese Economic Presence in Chile: Opinions Among the Chilean Elite*

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### *Abstract*

Due to its economic and political implications, the growth of Chinese investment in Chile has generated wide interest among domestic elites. Despite being Chile's main trading partner, until 2016 direct Chinese investment in the country had been almost non-existent. Its growth since then raises questions about how Chileans perceive China. This paper seeks to examine how Chilean elites characterize and evaluate the increasing presence in the country of Chinese capital. It argues that different categories of local elites (economic, political and academic) have opposing views on the matter. To test this hypothesis, a qualitative study of elite opinion was conducted in which the characteristics and the explanatory depth of elites' perception of China were analyzed. Overall, it is apparent that the Chilean elite has a positive perception of China. It seems that a consensus has emerged amongst stakeholders that the Asian nation represents a good opportunity for the Chilean economy. However, when the analysis focuses on different categories of domestic elites, nuances are observed and there is an evident lack of unanimity regarding the Chinese presence in the country. The results

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suggest that domestic stakeholders blame each other for the absence of a strategy towards a nation that is increasingly relevant in domestic politics.

Despite China's extensive participation as an exporter of capital to other South American countries,<sup>1</sup> until 2016 its investment in Chile was minimal. However, since 2017 Chinese investment has grown exponentially, and by 2019 it had become the main annual source of foreign investment in the Chilean economy.<sup>2</sup> This growth has not gone unnoticed by different stakeholders at the domestic level, which has led to opposing perceptions and positions.

Over the last couple of years, a wide variety of editorials, columns and other journalistic pieces have appeared in the Chilean media on China. These pieces include the opinions of politicians, businesspersons and academics that point to a disparate perception of China's presence in the country. On the one hand, there is an evident concern about the purchase of strategic companies. Large investments by Chinese state-owned enterprises (SOE) in the energy distribution sector, in particular, have attracted the attention of different groups within the local elite. This has led to an incipient nationalism, mainly by a number of politicians, that has not been noticeable before in response to direct foreign investments originating in other countries. This calls into question the Chilean economic and integration model, which has been open to investment and based on a non-discrimination policy towards foreign capital.

On the other hand, the fact that Chinese investments have been among the few that have grown and diversified in the country, despite the COVID-19 pandemic, has also been discussed. These media reports highlight the opportunities for the Chilean economy that resulted from these investments. This phenomenon is part of a broader process of increased Chinese investment in the region, which has been occurring in recent years given the scarcity of alternative sources of funding, such as loans.<sup>3</sup>

Chile is an interesting case study in this process, since it is a top destination of China's new investments, mostly in mining (lithium), and energy distribution and transmission. Moreover, these reactions to the Chinese presence arise at a turning point, as Chile has a high degree of trade dependence on China, which currently accounts for more than 32 percent of its total exports.<sup>4</sup> Additionally, the Asian nation has reached a peak in its participation in the global economy, causing tensions with