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FOREIGN POLICY, DEVELOPMENT, AND INTERNATIONAL STRATEGIES TOWARDS ASIA PACIFIC: THE CASES OF ARGENTINA AND CHILE

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Abstract

In the 21st century, the links between South America and the Asian region have been more constant, and these links have had different interpretations according to their consequences in the domestic South American economies, as well as their relation with the current integration processes in the region and the different economic insertion strategies. It is observed that there are differences in the way in which the South American countries insert in Asia, so the aim of this work is to analyze the characteristics of the foreign policy and the strategies of foreign insertion of Argentina and Chile towards China, South East Asia and India, highlighting the articulation between the economic and productive structures, the international insertion models and some economic implications. The case studies selected represent two different development models that have chosen dissimilar foreign insertion strategies, with the consequence of diverse relationships with the Asian region. The research was carried out through a qualitative methodology and a South American theoretical perspective.

Keywords

Asian region, development model, international insertion strategy, foreign policy, South America

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Introduction

In the 21st century, East Asia surges as a world economic growth and development region due to, in part, the relocation of production as a consequence of the competitive advantages the Asian region provides, such as the low costs of production, which are a result of the cheap labor and the investment incentives. China's consolidation as a main producer of manufactures and, recently, as a source of investments, as well as Southeast Asia (SEA)[1] and India's consolidation as markets for raw material exports, have turned the region into an economic alternative for countries that are in search of diversification.

South America and the Asian continent have had occasional links throughout their histories due to cultural, geographic, historical and political reasons. The links boosted with the end of the Cold War; with the boom of the economic growth of China, SEA and India, and with the implementation of trade openness and liberalization of economic measures in the South American countries that favored the search of new markets to export raw material and its by-products. In this context, Latin American started revaluing the Asia Pacific region in their foreign agendas within a search for diversification (Mols and Faust, 1998).

In the 21st century, the links between these two regions have been more constant due to the growing multilateralism in the international system, the raise of commercial interdependence, the globalization of finances, the progress of communication and transport, among others. However, these links have had different interpretations according to their consequences in the domestic South American economies, as well as their relation with the current integration processes in the region and the different economic insertion strategies that result in a competence for market shares and for interregional investments.

The links between South America and the east and south of Asia have not been deeply explored in the academic research since the bilateral and multilateral relations are still

[1] For the purposes of this piece, the countries that are part of ASEAN-6 shall be considered: Indonesia, Thailand, Philippines, Malaysia, Vietnam and Singapore, since they are the main commercial partner in the South American region.

under a consolidation process. Most East Asian academic work on Latin America focus on the comparison of economic policies, divergent economic performance and the causes and consequences for both regions.[2] Likewise, very few works present analytical frames that may go beyond the statistical analysis of the links and that, at the same time, make it possible to compare dissimilar cases[3].

Due to the need to go deeper into the intrinsic differences in the way in which the South American countries insert in Asia, the aim of this work is to analyze the characteristics of the foreign policy and the strategies of foreign insertion of Argentina and Chile towards China, South East Asia and India, highlighting the articulation between the economic and productive structures, the international insertion models, and the main economic implications.

To this end, we take into consideration the effect produced by the growing dependence on the East Asian markets, mainly in the following aspects: a) characteristics and implications of Argentina and Chile's bilateral policies in their relation with Asia Pacific; b) the degree of partners and/or markets diversification for exports; c) the changes in the export structure that may have an impact on the productive structures (concentration in primary products and manufactures of agricultural origin [MAO]).

The cases selected are Argentina and Chile because they represent two different development models and they have chosen dissimilar international strategies, leading to diverse relationships with the Asian region. On the one hand, the Andean country opted for a neoliberal development model, with a productive structure oriented to the primary sector and an international strategy based on open regionalism with a dense network of free trade agreements (FTA). Argentina, since 2003, has implemented a neo-developmentalism model based on a more diversified productive structure and an international strategy based on a semi-closed regionalism.

Concepts from a South American theoretical perspective

Development models and international strategies

To understand the economic implications in Chile and Argentina of the commercial relations with Asia Pacific, we must draw on local concepts related to foreign policy and the articulation between development models and international strategies.

[2] In this respect, Lee & Kim (2018) analyze the innovation systems and the relation to economic performance in Latin America and East Asia, from a developmental perspective; Zhang (2007) discusses the relation between foreign direct investment and economic growth in both regions; and Lin (1989) also focuses on the comparison of economic performance and development policies in East Asia and Latin America.

[3] Before the 21st century, studies about Asia and LAC were concentrated in Japan, South Korea and some aspects of China (e.g. Taiwan). Since 2000, studies on the links between LAC and Asia-Pacific were first led by international organizations such as the ECLAC, the Inter-American Development Bank, and the World Bank –among others-, due to the economic complementarity of the regions and the possibilities that this fact meant for economic growth and development. The analysis concentrated on economic, commercial and infrastructure dimensions. When the links started to grow and strengthen later on, studies on China skyrocketed and studies on Southeast Asia and India started to flourish, including other aspects like politics, culture, diplomacy, cooperation, etc. Due to the increased impact of these countries in the foreign policies of LAC countries, last decade has witnessed a higher amount of academic initiatives which have been carried out from different analytical frameworks, like foreign policy analysis. This paper is included in this last category.

First, we set off from a wide definition of foreign policy, which is understood as a state policy "that is planned and designed taking into account national objectives, domestic demands, and conditions that arise from the external frame" (Colacrai, 2006: 25). It is the combination of State decisions and actions projected abroad that combine multiple conditionings of the internal and external levels. According to Van Klaveren (1992), since Latin American economies are part of a developing world, it is development the domestic imperative that determines the States' external decisions. It is not just about assessing the foreign policy in terms of its contribution to the promotion of exports and trade and financial stability, but also in terms of the ability to transform the international variables "in a more favorable way for the achieving a development strategy" (Van Klaveren, 1984:36). We agree on the fact that there is a common condition in the influence the development imperatives have on Latin American foreign policies. However, the way in which these goals are projected abroad is not homogeneous. Therefore, we distinguish the different models of approaching Asia, and these distinctions will be based in the material abilities –mainly economic structures of the countries under study – and in the preexistent regional commitments, which have shaped, in different ways, the foreign policy and economic strategy decisions.

As a main premise we consider there is a connection between a country's productive and export structures, and its international strategy, as well as with its foreign policy. This connection is not always linear, since a country's productive structure imposes domestic condition not only to the international economic policy, but also to foreign policy, in terms of commercial partners and regional integration.

Bernal Meza (2000) states that foreign policy analysis cannot be separated from the development or international economic model. The development model includes "the way in which the policy and the economy connect, between the State and the market, in certain context. Each model has its own way of wealth accumulation, production and distribution, as well as a foreign insertion strategy. Because of this, the currency exchange patterns, the foreign trade regulations and the demands in foreign negotiations will differ" (Zelicovich, 2012: 6). That is to say that as domestic conditionings of the external action of the South American countries towards the Asian region, the influence of the productive model and, within it, the roles of the State and the market, should be considered central when defining economic decisions.

Each model of development has a specific international strategy, which can be understood as the strategy used by the States in their interaction with the international system. According to Lorenzini (2011) this strategy expresses the choices made by a State regarding foreign policy orientations and guidelines that it implements in order to relate with other actors in different spheres, such as the political, economic and security ones.

A highly determinant element in the international economic strategies of the countries under study is the preexistence of a primary export model that, in the case of Argentina, is combined with an industrial model based on regional agreements (Southern Common Market [MERCOSUR, by its Spanish acronym]) and mainly oriented to the domestic and Latin American markets. The latter also presupposes "a gradualist strategy where the protection and the economic action of the state play a main role, the aim is to have more autonomy from the center" (Guillén, 2008:25).

To conclude, both countries present heterogeneous productive structures which directly affect how international economic insertion takes place, thus turning into the material conditions on which the external strategies are built, and reflecting different ways of interaction and intervention between State and market, which show different development model.

Diversification, neoextractivism and the role of emerging economies

In the early 21st century, and especially since the 2008 crisis, the South American States opted to expand their commercial partners to increase their autonomy, improve their international insertion and mitigate the effects of the crisis diversifying partners and attracting investments. The combination of domestic conditions, an unstable international economic context and a growing competition between developing countries for market shares and investments favored the approach of South America to China and, to a lesser extent, to the main economies in SEA and India.

The diversification became a tool to reach higher levels of autonomy reducing the economic and political dependency, to avoid the discrimination of integration processes and to improve the participation in the world economy so as not to end up in the periphery (Olivet, 2005). Asia Pacific, with its high rates of economic growth, appeared as the best option for an alternative economic insertion to the traditional partners. The result, combined with Asian regional conditions, has been the multiplication of commercial partners –in most of the countries in the region–, with a high participation of the Asian countries among the destination of he South American exports, and having China the main role.

In this sense, we have observed that, in the case of Argentina, there has been a reduction of the export concentration to the first five destinations between 2003[4] and 2019: whereas in 2003 it represented 51%, in 2019 it plunged to 41% (Brazil, China, the United States, Chile and Vietnam). In the case of Chile, we have observed a growing concentration of the sales in the same period to its five main destination partners, but a growing involvement of the most important Asian markets. In 2003, 47% of the country's exports went to its main partners, while in 2019 that participation increased to 66% (China, the United States, Japan, South Korea and Brazil) (UN Comtrade, 2020).

It has been noticed that the process of diversification of export destinations shows positive results in the case of Argentina, whereas in the case of Chile, there has been the opposite effect. We understand that signing bilateral FTAs with economies such as the United States and China has caused a greater concentration of commercial partners for Chilean exports.

As regards the composition of the export basket, there is a growing concentration of primary products and their byproducts in the South American exports. This concentration is connected to the international division of labor which has led to an economic growth of the Asian countries and the improvement of its citizens' standard of living, which

[4] We have selected the year 2003 because we consider it the beginning of the impact of the commodity boom –rapid increase of prices of commodities due to growing demand from emerging economies- in Latin America that started in 2002. This will allow us to see the change during diversification.

produces a raise of commodities consumption (Frechero, 2013), thus boosting primary South American exports.

Despite this phenomenon, we have noticed that, in the chosen cases, there has been a steady participation distribution of each of the big areas in the exports between 2005 and 2015. In the case of Argentina, in 2005 the manufactures exports accounted for 30.7% of the total, and those of primary products 69.3%; while in 2015 the manufactures represented 29.4% and primary products held a 70.6% of participation. In the case of Chile, the scenario is similar as regards stability, although the composition of the basket shows a higher concentration of raw material. In 2005, the manufactures accounted for 13.7% of the participation in the basket, whereas the primary products represented 86.3%. In 2015, the participations in the baskets were 14.4% and 85.6% respectively in the total of the Chilean sales to the world (ECLAC, 2016)[5].

In both cases, the export basket has a high component of primary products and their byproducts which is related to the international conditions before mentioned, and to the important raise of the international prices of commodities.

Nacht (2013) and Bittencourt (2012) explain some of the implications that the concentration of commodities' sales may have for the internal development of South American countries. Firstly, the commerce of South America with China highlights the region's role as raw material supplier. This favors the fragility of the economic insertion strategy conditioned by the "swings of the good and bad harvests (in the case of the agricultural products), as well as by the volatility and deterioration of the exchange terms" (Nacht, 2013: 151). Secondly, Bittencourt (2012) states that the main primarization of the South American economies and the growing competition with China in industrial areas –in particular with the MERCOSUR – represents a problem for the South American development in the long term.

These changes have put the phenomenon of extractivism back in the spotlight, together with its consequences for the development of the countries in which it is a central trait for their productive structures (Gudynas, 2012). Gudynas (2009) talks about progressive neo-extractivism to describe the 21st century phenomenon in South America, where different premises are combined: a) development is conceived based on extractivist sectors; b) there is a greater presence and active role of the State, which seeks legitimation by means of redistributing the surplus obtained; c) generate an international insertion dependent on raw materials and subordinate to the power centers; d) deeper territorial fragmentation, social and environmental impacts, among others.

In South America, this phenomenon is shown in extractive activities such as the development and deepening of the open-pit mining already existing and in the oil exploration and exploitation. There has also been a change in the practice of agriculture, and export monocultures such as soy have been promoted (Gudynas, 2009). Slipak (2012) adds that prices of commodities generate a high opportunity cost if production factors are not destined to these activities, thus facilitating this model's continuity.

[5] For 2019 the trends are similar: in the case of Argentina primary products accounted for 27% of total exports; fuel and energy 7%; MOA 37%, and Manufactures of Industrial Origin (MIO) 29% (INDEC, 2020). In the case of Chile, mineral products accounted for 52% of total exports; agriculture, livestock, forestry and fishing 10%, and industrial goods 38% (SUBREI, 2020).

Besides, until mid-2014, there was a national currency appreciation, which raised the incentive of the import of middle and final goods, and the export of primary products and MAO (Durán Lima and Pellandra, 2017).

Maristella Svampa (2019), who coined the concept *commodities consensus* to explain the large-scale exports of primary products, economic growth and the increase of consumption due to neo-extractivism, said that the economic opportunities that the increased prices and demand of commodities generated, led to another concept: *developmentalist illusion*. According to Svampa, regional governments –either progressive or conservative- thought that it would be possible, thanks to these new economic openings, to shorten the distance with the industrialized countries so as to achieve development.

Actually, the strong income that the South American States have received due to this kind of exports caused more disincentive to the development of the national industry and supported the continuity of an unfavorable exchange for the South American region (Slipak, 2012; Nacht, 2013). An absence of industrial policy can be observed in almost the majority of the countries in the region, and in those where there is one, it has defensive characteristics, which does not make the adaptation to new technological models possible (ECLAC, 2016).

In this sense, this type of commodity economy, without an innovation policy, has shown the problem of the lack of diversification of the productive matrix. The Fourth Industrial Revolution is characterized by the development and implementation of the artificial intelligence, internet of the things, additive manufacture, biotechnology, big data, block chain, among others, and Latin American countries are behind in these fields. In a global knowledge-driven economy, the Latin America region assigns scarce resources to research and development (R&D), representing only 0.6% of the regional GDP (RICYT, 2019) and, as a consequence, has a limited number of researchers in the STEM area, lack of incentives to research and a poor generation of patents and licenses (representing only 2% of world's total) (OMPI, 2020).

So, the dependence on this type of production specialization –based on products intensive in labor and natural resources-, increases the State's vulnerability to external changes –many times linked to weather, social and political factors– (Nacht, 2013) and, at the same time, decreases its margin of economic, commercial and political autonomy. To complete the scenario, this insertion model strengthens the foreign direct investment (FDI) presence which focuses on the extraction of natural resources or their basic processing, reinforcing the specialization pattern of the region and making the development of low technological content activities stronger (Dussel Peters and Armony, 2018).

To conclude, the economic and productive structure of the South American countries is affected not only by the damages to the exchange terms, but also by the deceleration of the Chinese FDI, as well as its exports and imports and those of the SEA countries and India. This shows the vulnerability faced by those countries focused in a development model based on products with little added value.

Divergent international strategies towards East Asia: Chile and Argentina

Since Argentina and Chile's development models present structural differences, their international economic strategies also show dissimilar characteristics.

Regarding Chile, the international insertion strategy is based on the premises of unilateral commercial openness, financial liberalization and economic deregulation, which gives priority to the open regionalism and to the signing of preferential and free trade agreements. The main results of this model, promoted between 1973 and 1990 and continued by the democratic governments until now, have been a steady growth of natural resources exports, the concentration in big extra-regional commercial partners, a decrease of non-traditional exports and the disincentive of the development of industrial manufactures, among others (Aninat del Solar, 2007).

In line with this, and with a pragmatic vision of insertion, in economic terms, Chilean foreign policy followed a commercial agenda oriented to growth by means of primary exports (Colacrai and Lorenzini, 2005). In the political sphere there is also the privilege given to the multilateral negotiation instances, which had a main role in the country's rapprochement with Pacific Asia (Quezada, 2010).

Under this vision, the Asia Pacific region became a pillar in the Chilean foreign policy. The military government had the capacity to see that the development of new links with Asian countries could alleviate the limitations faced by the State due to its international political situation of isolation[6]. The democratic governments that followed, continue with a policy of deepening and strengthening the relations with these countries, especially due to the need of the international re-insertion of the country (Wilhelmy, 2010).

In accordance with this, a dense network of agreements multiplied and consolidated: the signing of FTAs with South Korea (2003), China (2006), Malaysia (2012), Vietnam (2014), Hong Kong (2014) and Thailand (2015); the negotiation of a FTA with Indonesia, an Economic Partnership Agreement with Singapore (called P-4 in 2008) and a Preferential Trade Agreement with India (PTA) (2007). Some conditions that favored this dynamic rapprochement were the economic complementation, the Chilean need for big markets to insert exports, and the Asian Commercial opening and liberalization policy that also privileged the signature of FTA. This is added to the Asian growing demand for resources to sustain an industrialization process that is developing fast, which made the rapprochement to the trans-Andean country –first producer and exporter of copper and byproducts– natural.

In the case of Argentina, and taking into account the period since the redemocratization until now, the development model has varied, from imports replacement to a neoliberal model in the 90s, to another neo-developmentalism from 2003 up to 2015. This way, the foreign policy and the international insertion strategies went through changes and adjustments with each of these models. The only characteristic that prevails since the end of the Cold War has been the adoption of a closed regionalism, with the aim of widening the domestic markets and developing an industrialization policy.

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[6] The military government (1973-1990) suffered from international restrictions due to the violations of political, social and human rights.

Historically, Argentina's foreign policy towards Asia has a scarce background because the region has been considered distant from local interests. It gained visibility in the 80's when a group of countries emerged in the international economy. Under Alfonsín's government, fresh impetus towards the Asian region could be observed due to the need of new sources of external financing as well as new alternatives to international insertion (Cardozo, 2008). The main feature that has characterized the links with this region has been the commercial and economic aspects that in only few occasions have been accompanied by governmental political initiatives. Most of these actions were concentrated in the decade of the nineties, when the Southeast Asian region received great attention by the government and its diplomacy (Baroni & Rubiolo, 2013).

Leaving the convertibility plan by devaluating the national currency in 2002, together with the increase of the international price of commodities, favored the adoption of an economic growth model based on exports with a high component of primary products and MAO, whose main destinations are the Asian economies. Likewise, the limited opening of the market and the closed regionalism made it possible to keep the industrialization process, thus ensuring Latin American markets for the country's industrial exports.

Taking into account this commercial insertion double logic, the Asian region acquired relevance within the Argentinean foreign agenda as an agricultural exports receptor, in line with China, SEA and India's growing demand. The foreign policy towards these countries followed the trend and, gradually, the political actions to approach the main markets began multiplying by means of high rank state visits, trade missions, and the signing of diverse bilateral agreements, among others (Rubiolo, 2017).

Trade as rapprochement key: characteristics and implications

The commercial dimension has been key both for Argentina and Chile in their bilateral links with Asia. In general terms, the Asian nations became important partners in the last 15 years. The differences are focused, mainly, in China, SEA and India's participation as destination and origin markets of both South American countries' goods.

In the case of Argentina, China is the third sales destination and second origin at a global level. Since 2008, there has been a steady increase of imports coming from this market: in 2018 the total of goods coming from China represented 19% of Argentina's global purchases. Meanwhile, Argentina's sales had a fluctuating movement that led to a reduction of the percentage destined to China to 6.8% in 2008. This information shows, on the one side, the asymmetric relation between exports and imports that causes a constant negative trade balance for Argentina in relation to the Asian giant which, since 2014, is over 6,000 million dollars (ALADI, 2019; UN Comtrade, 2020). At the same time, we notice that Argentina is more dependent on the Chinese market as manufactured goods supplier rather than as destination of local sales, where we observe more diversity.

Chile's commercial relation with China is different from that of Argentina. Firstly, Chile and China have a FTA in place since October 2006 which has had an impact on the bilateral commercial link: both Chilean exports and imports from the Asian giant have had an incremental steady pace since 2008, turning it into the trans-Andean country's first commercial partner (as destination and origin market). In 2018, Chinese goods accounted for 23% of the world Chilean purchases, and Chile destined 33% of its exports to China. In both senses there is a growth regarding the previous year which continues a constant line since 2008 (UN Comtrade, 2020). Unlike the case of Argentina, we see that Chile's foreign commerce has a high and growing degree of dependence on Chinese market, which shows a progressive trend to a larger commercial concentration.

Now, if we take a look at the numbers regarding Chile's relation with SEA, the situation is considerably different, since the concentration in the Chinese market has damaged the commercial links with partners in the region who are less important, but more similar economically and politically. The SEA is a secondary partner: the exports have shown a decreasing trend, which in 2018 reached a total of 1000 million dollars regarding the six main economies. This figure represents only 1.4 % of the total Chilean sales to the world. As regards imports, although slightly superior, they were not representative either: a regional total of 2300 million dollars that account for 3.2% of Chile's world exports (UN Comtrade, 2020). In both senses, we see how irrelevant SEA is as a commercial insertion market for the South American country.

In the case of India there is a similar situation. Although there is a PTA –which boosted Chilean exports and made the markets diversification easier–, it is not a strategic partner for the trans-Andean country, despite its market's potential. Between 2012-2018 the average participation as Chile's exports destination was of 2.7%, the highest point being in 2014 (3.4%), with exports for 2571 million dollars. Regarding imports, they do not show a quantitative leap, since they represent less than 1% of Chile's total imports during the same period. This shows a constant positive commercial balance for the trans-Andean country (UN Comtrade, 2020).

On another note, Argentina's commercial relationship with SEA went through a unique deepening process in South America since 2003, with more intensity since 2008, which made it possible to avoid the concentration on Chinese market as sales destination: in 2018 the Argentinean sales to the six main economies of the SEA exceeded the 4500 million dollars, which accounts for 7% of Argentina's total sales to the world. Among the destination countries in the region, Vietnam and Indonesia stand out as the main buyers. For their part, imports that have also had a steady growth are not important for the Argentinean commerce since, currently, they only account for 4% of the country's total purchases (UN Comtrade, 2020).

As regards the commercial relation with India, there has been a progressive increase of its role as Argentina's exports destination since 2010 and with greater emphasis since 2014, when it was included in the Export Increase and Diversification Program[7]. Its average participation as exports destination in the period 2012-2018 was 2.7%. As regards imports from India, they show a greater plateau and little growth, going through a participation of 0.9% in 2012 to 1.3% in 2019. In this case, we can also observe a positive commercial balance for the South American country (UN Comtrade, 2020).

What is peculiar about Argentina's relation with China and SEA and India is the triangular commerce configuration: China concentrates the main imports flow, while exports go,

[7] Program started in 2013 whose aim was to improve Argentina's exports both quantitative and qualitative by means of partners and products diversification.

mainly, to SEA and India's markets. This way, Argentina set a commercial insertion strategy with larger market diversification than Chile, besides adding markets that are no big world economies, such as Vietnam and Indonesia, and other emerging country such as India, to the ranking of main partners thus shaping a South-South commercial insertion.

One of the main characteristics of both countries' commerce with East and the South of Asia is the exports concentration in a few products. In the case of Chile, four products account for the 83% of sales to China: copper ore and its byproducts, Iron ore and wood pulp. Exports to India follow a similar pattern, with more than 90% concentrated in three products: copper ore and its byproducts, wood pulp and iodine (ALADI, 2019).

Argentina's exports also show a high level of concentration in agricultural products. Sales to SEA are formed, mainly, by soybean, maize and wheat pellets, that represent approximately 85% of what is sold to the region. Those sent to China are mainly soybeans, oil, fish and sunflower oil, and they account for 82% of what is sold to the country. In the case of India, the concentration is higher since the main exported product is soy oil, whose participation fluctuated between 72% and 90% in the period 2012-2018 (ALADI, 2019).

As we mentioned, South American imports of Chinese products have gone through a growing process since the early 2000. The two main import areas are textile and confection, and IT, machinery and electronics (ALADI, 2019). The quick growing process of imports increased the governmental and business concern about the impact on local production, on employment and on the competition in other markets, among other variables.

The productive and exporting concentration of commerce of South American countries with China, SEA and India have many impacts in their foreign trade insertion. With a greater or smaller opening level, the strategies adopted do not become efficient tools for a sustainable development of trade. Argentina and Chile have not developed economies of scale that allow them to set their products apart and develop an intra-industrial kind of trade. Therefore, the most relevant proportion in the exchange is given by the comparative advantages, whether by the provision of natural resources, the low labor costs, their geographic position, or the combination of these and other factors. In this sense, the trade openness they have set in place has not come into play at the time of achieving a better position in the market by means of long term bonds hard to replace (De la Cruz y Marín, 2011).

So, these characteristics reveal a dependent political economy that attempts also to permeate every aspect of the commodity chain, which has deepened the peripheric status of this type of countries and restricted their ability and possibilities for an autonomous development (Giraudo, 2019).

Final Remarks

It is out of the question that many international, regional and domestic conditions, permanent and occasional, must be taken into account when analyzing South American international strategies. Some of these conditions –such as the international commodity prices, demand of raw materials, and the contraction of world commercial flows, among others– affect every economy in the region, due to the similar conditions of extra-regional commercial insertion they share: raw material suppliers and members of downstream value chains. However, there are domestic differences that generate certain conditions –such as the interregional trade levels, the Latin American demand, regional trade agreements, among others– to have dissimilar impacts on the foreign trade insertion policies of the countries in the region.

As a first conclusion, the international strategies based on raw material exports turned out to be successful as platforms for economic growth and for overcoming economic crisis, especially in the case of Argentina. Likewise, currency flow generated by the growth of exports to China, SEA and India, made it possible to diminish the dependence on external financing, as well as to diversify exports markets which also enabled higher autonomy margins when making political and economic decisions.

Nevertheless, during the last decade, the links with China have become stronger, thus contributing to a new dependence relationship. Among other effects, there is the high concentration of export to Beijing –particularly in the case of Chile–, and the growing competition for regional markets. As becoming locked into a commodity export-oriented economy, these countries have shown a deficient capacity and autonomy to transform their productive matrix.

Here, the characteristics of the foreign insertion strategies each State had at an economic level had different implications, because of the domestic productive conditions. While in the case of Chile we observe a wide openness process based on free trade with China, in the case of Argentina we find selective policies of national and regional market protection and privilege, connected to the current integration process. The various orientations of foreign economic insertion of these two countries, which represent the two development models and their corresponding foreign insertion strategies more extended in South America, represent obstacles for the agreement on common regional policies when facing the challenges set by China's presence in the region's commercial and financial dimensions.

Similarly, the differences of the impacts according to the productive sector affected also makes it difficult to design consistent and long-lasting policies aimed at balancing the Asian economies' roles, especially China's, given their negative effect on the regional industry. Thus, the States must decide on which sectors to favor and which ones to relegate. In the case of Chile, the choice was an open model that benefits the primary export sector and relegates the industrial one. As regards Argentina, there is still a struggle: on the one hand, to favor the agricultural sector – main source of currency income–, on the other, to go on protecting a wide industrial sector that, although solid in some areas, is still developing.

The lack of innovation in the productive structure of both countries limits the possibilities of economic growth and development since the access and advance of new technologies are essential, not only for productivity and international competitiveness but also to avoid the progressive increase of the technological gap and, as a consequence, of the conditions of structural dependency.

In this sense, the construction of joint policies at a regional level is hindered by these differences because the underlying interests which support states' decisions are opposite. As long as South American leaders do not consider the consolidation of an extended regional sphere a priority for the economic and trade insertion, so as to establish extra-regional links –such as FTAs or others–, it is hard to foresee a joint way to respond to the negative effects produced by the presence of China and, increasingly, of other big Asian countries in the region's economies. The hazard is the intensification of an insertion strategy dependent on the export of products with zero or little added value and the gradual loss of international importance because of the growing dependence.

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