

# China y América Latina: hacia una relación estratégica

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# I. Emergent Economies: The New Geography of Economic Growth



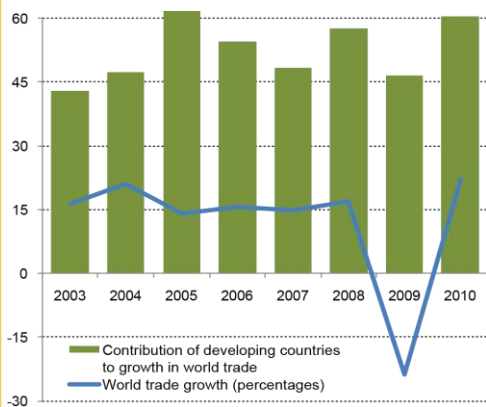
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# The South has driven much of the upturn in international trade

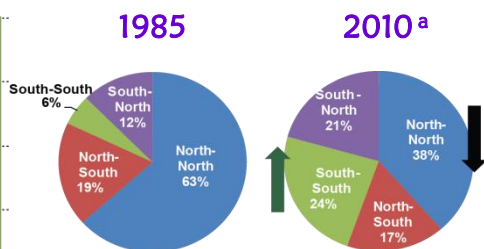
# South-South trade has become more significant within world trade in the wake of the crisis and could exceed North-North trade by 2017

**GROWTH IN WORLD TRADE AND CONTRIBUTION OF DEVELOPING COUNTRIES, 2003-2010 (Percentages)**



Source: ECLAC, on the basis of data from CPB Netherlands Bureau for Economic Policy Analysis.

**WORLD: DISTRIBUTION OF EXPORTS, 1985 AND 2010 (Percentages of world trade)**

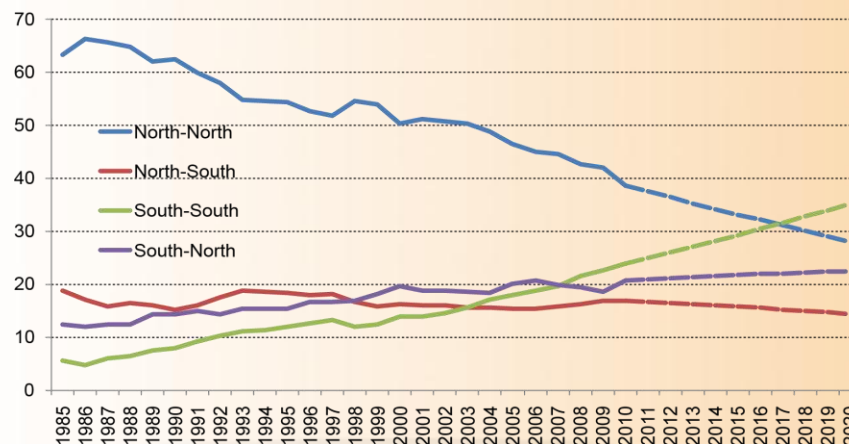


S-S From 6% to 24%  
N-N : From 63% to 38%

Source: ECLAC, on the basis of United Nations Commodity Trade Database (COMTRADE).

<sup>a</sup> Estimate on the basis of 90% of world exports.

**EXPORTS BY REGION, 1985-2020 (Percentages of the total)**



Source: ECLAC, on the basis of official figures

Nota: Figures for 2011-2020 are projections on the basis of the long-term linear trend.



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# The South led the recovery of world economy in 2010, with Developing Asia and Latin America and the Caribbean playing a protagonist role

CONTRIBUTION TO WORLD GDP GROWTH, 2008-2011  
(Growth rates)

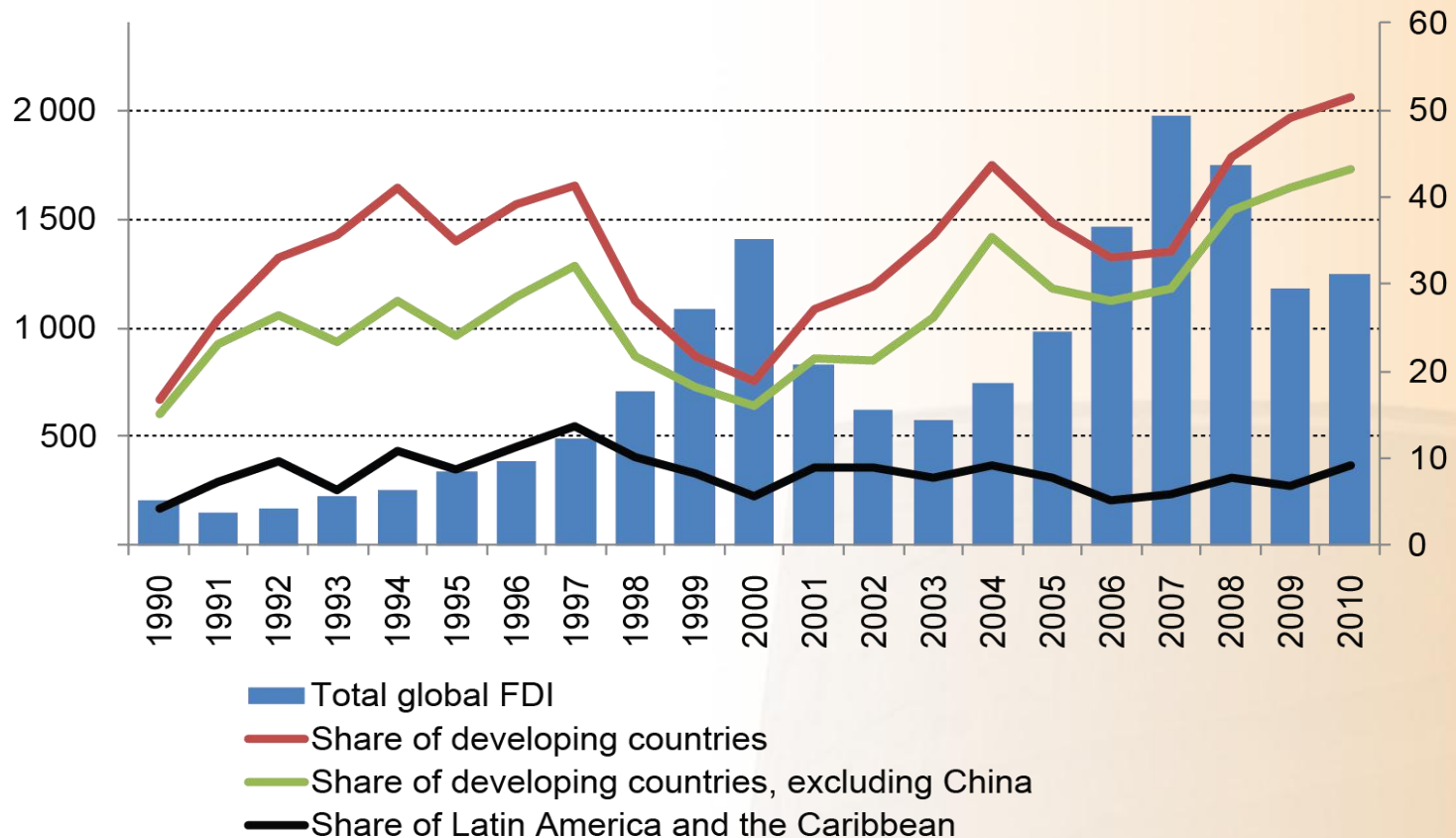
Regions / Countries	2008	2009	2010	2011
<b>Developed Economies</b>	<b>0,12</b>	<b>-1,79</b>	<b>1,55</b>	<b>1,22</b>
United States	0,00	-0,53	0,56	0,53
European Union	0,15	-0,87	0,36	0,35
Japan	-0,07	-0,37	0,23	0,08
Others	0,04	-0,02	0,40	0,25
<b>Developing Countries</b>	<b>2,74</b>	<b>1,27</b>	<b>3,46</b>	<b>3,18</b>
Sub-Saharan Africa	0,13	0,07	0,12	0,14
Latin America and the Caribbean	0,37	-0,15	<b>0,52</b>	0,40
Developing Asia	1,64	1,66	<b>2,29</b>	2,10
<b>China</b>	<b>1,13</b>	<b>1,19</b>	<b>1,40</b>	<b>1,37</b>
Middle East and North Africa	0,25	0,09	0,19	0,20
Central and Eastern Europe	0,11	-0,12	0,15	0,12
<b>World</b>	<b>2,87</b>	<b>-0,52</b>	<b>5,01</b>	<b>4,40</b>

LAC and DA (2.8 combined) accounting for 56% of world growth of 5.0 % in 2010. LAC's contribution was similar to that of the US that year

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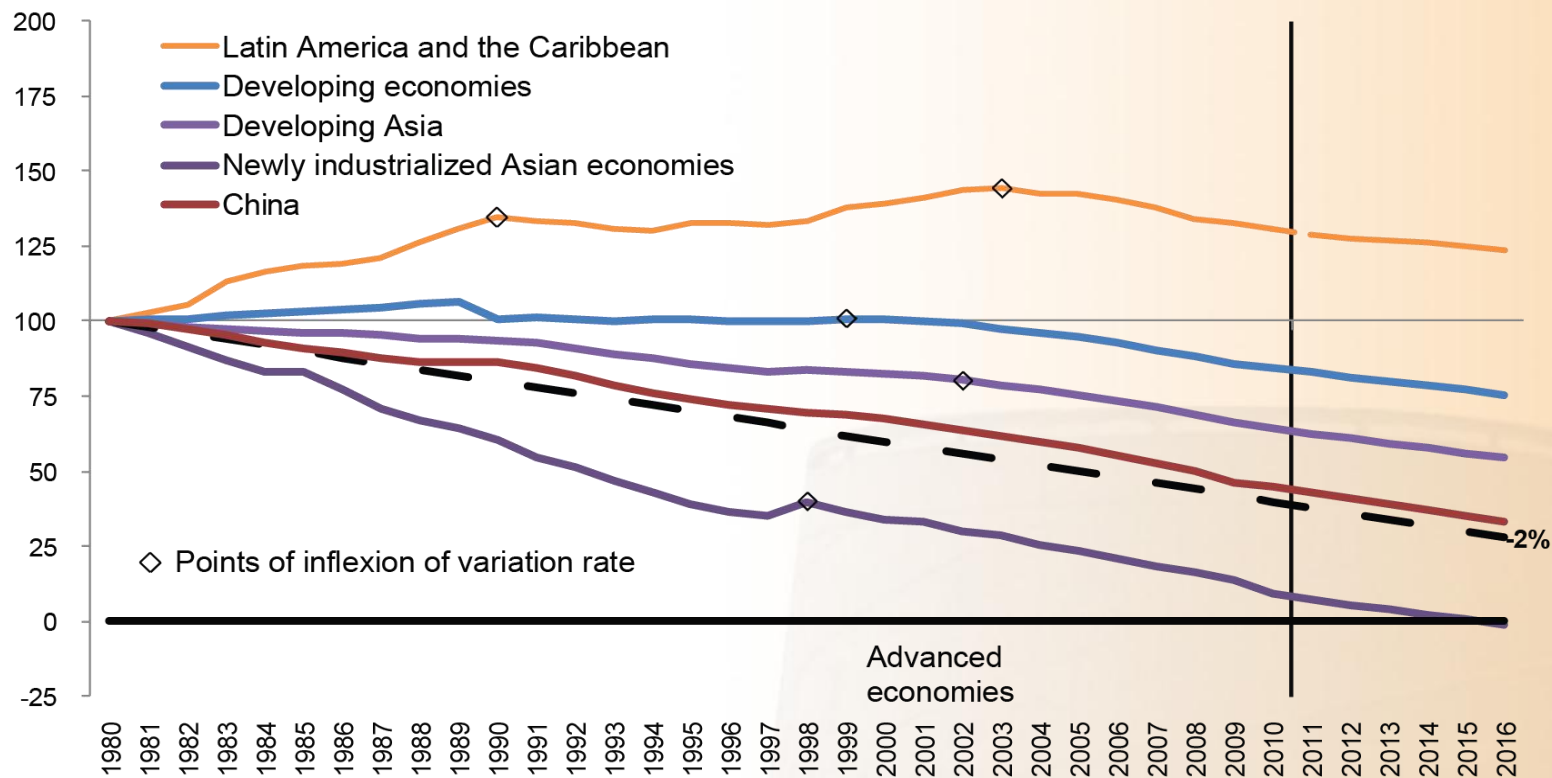
# In 2010, developing countries received 50% of global FDI flows

FDI FLOWS BY RECIPIENT REGION, 1990-2010  
(Billions of dollars and percentages of the total)



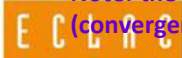
# The crisis hastened the reduction of the per capita income gap between the developing countries and the advanced economies

**WORLD: PER CAPITA INCOME GAP, 1980-2016**  
*(Index of difference in per capita GDP with respect to the developed economies, in logarithms and 1980=100)*



Source: ECLAC, on the basis of IMF (2011), "World Economic Outlook Database," and World Economic and Financial Surveys.

Note: the lines correspond the evolution of the gap. A positive trend denotes a widening of the gap, while a negative trend denotes a narrowing of the gap (convergence).



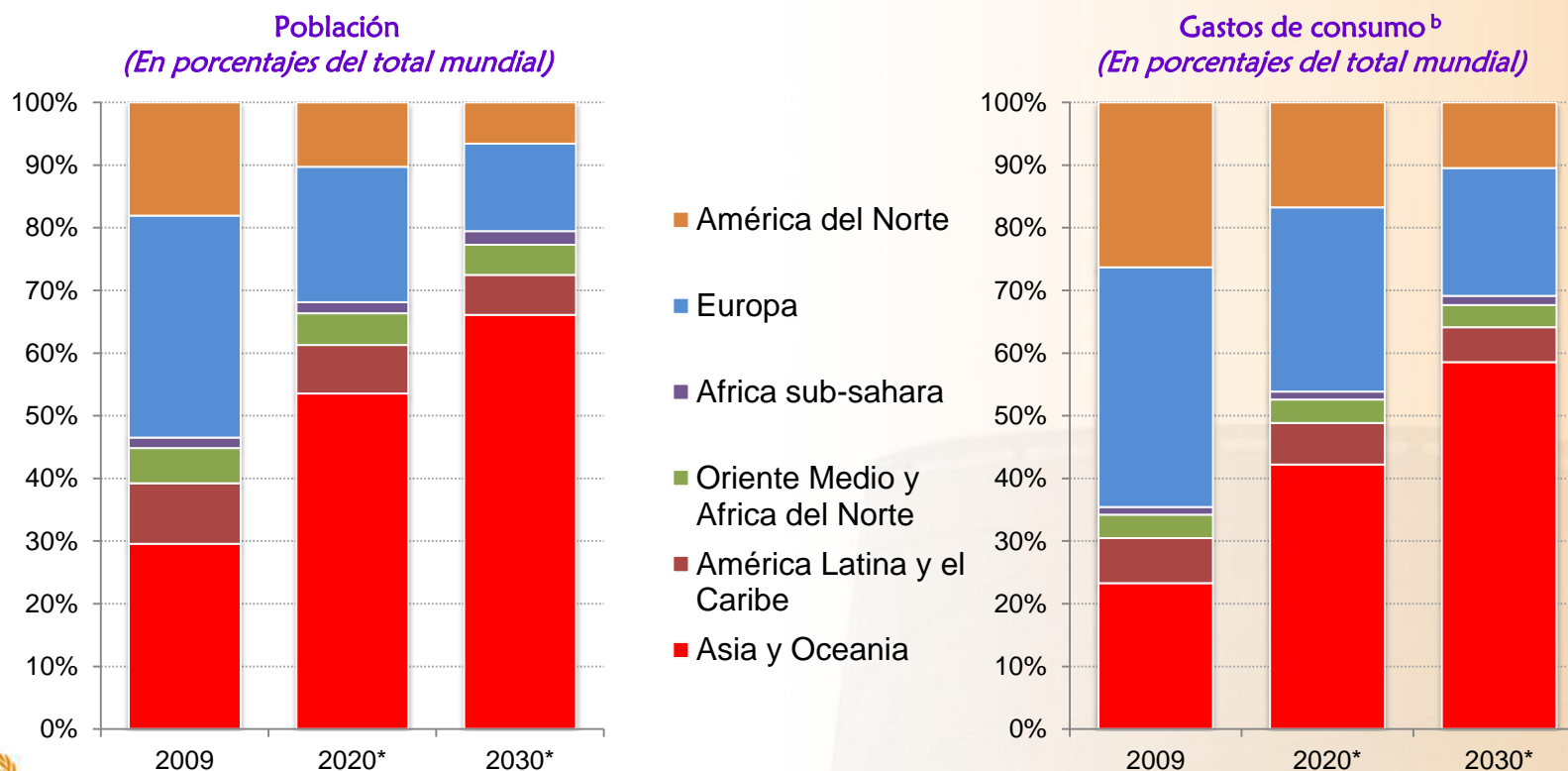
# The impact upon the world economy from China's growth

- **The center of gravity of the world economy is shifting towards emerging economies**
  - BRICS, G20
- **China is the new global driver of the world's growth**
  - The income gap is narrowing: In the 90s, 12 countries of low- and medium-income doubled the average growth of the OECD; In the 2000s, 65 countries contributed to growth.
- **Reinforces South-South linkages**
  - Sample of 20 developing countries... $\mu Y, G7=0.267$ ;  $\mu Y, China=0.37$
  - Relevance of South-South trade
- **Engine to reduce poverty**
  - Extreme poverty in the world falls from 41% in 1990 to 35% in 1996 to 26% in 2005
- **Adverse implications for income distribution**
  - Level of real wages for low-income workers drops 15%



# En 2030, 2/3 of the world middle- class will be in East Asia. This region will explain 60% of the world consumption expenditure

## POBLACIÓN Y GASTOS DE CONSUMO DE LA CLASE MEDIA, POR REGIONES, 2009, 2020 Y 2030 <sup>a</sup>



Fuente: CEPAL, sobre la base de Homi Kharas, "The Emerging Middle Class in Developing Countries", enero de 2010.

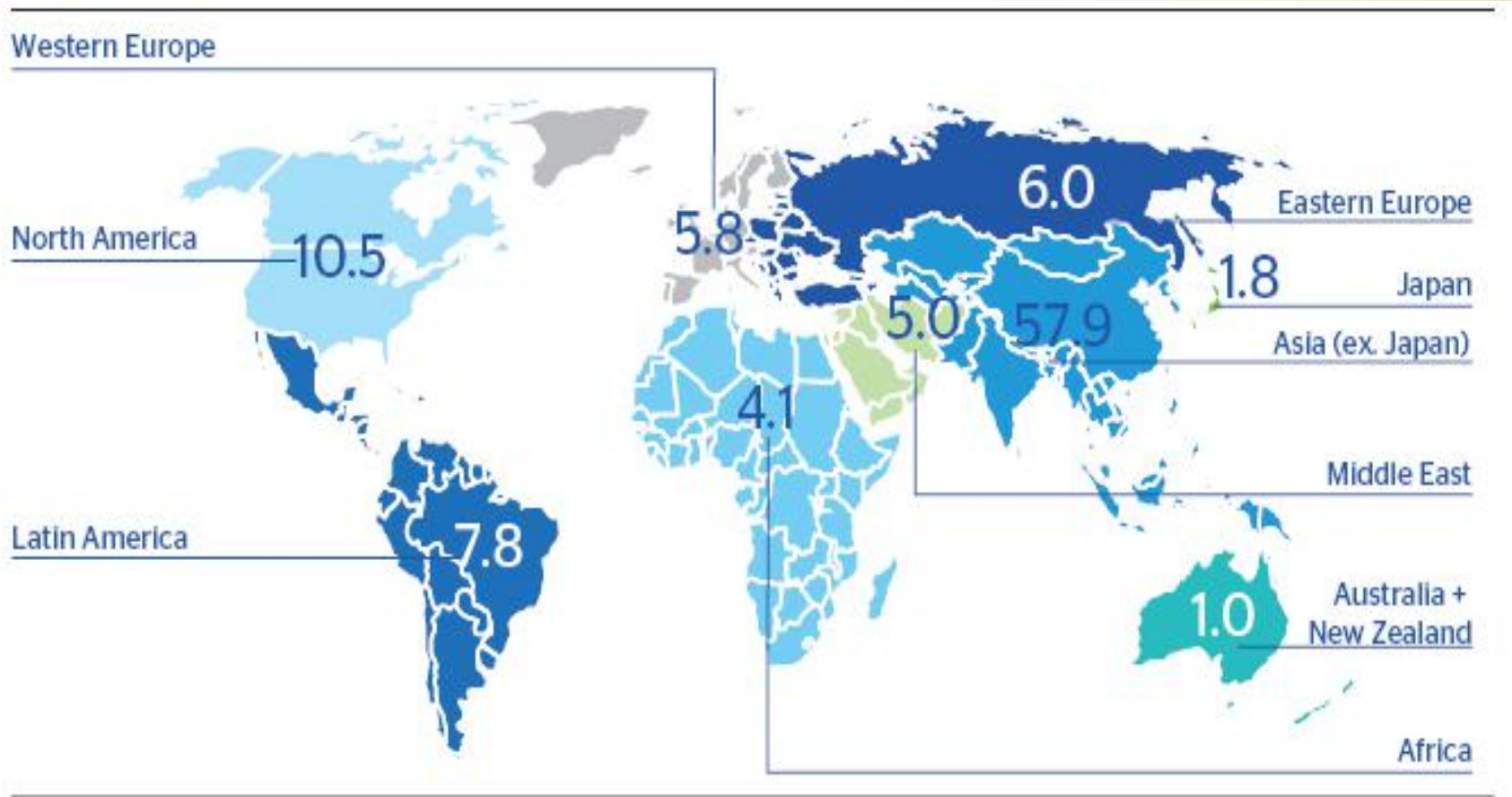
<sup>a</sup> Las cifras de 2020 y 2030 son proyecciones.

<sup>b</sup> Los gastos de consumo se calcularon sobre la base de la paridad del poder adquisitivo (PPA).



# Developing Asia and Latin America and the Caribbean will be leading world growth

Contribution to World Economic Growth by Region,  
2011-2021 (In percentages)



## **II. Main features of trade between Latin America and East Asia**



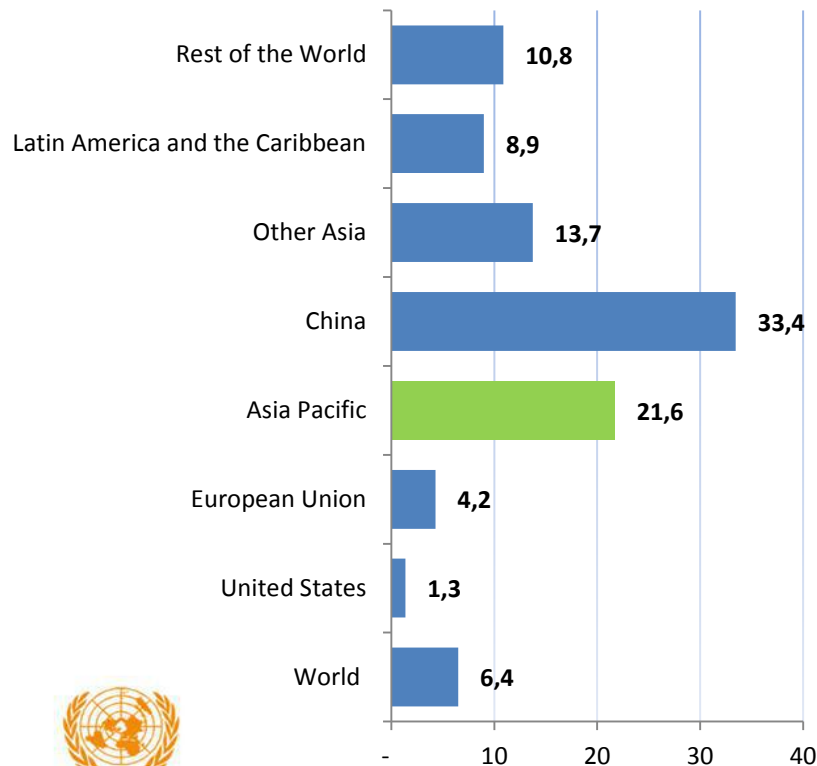
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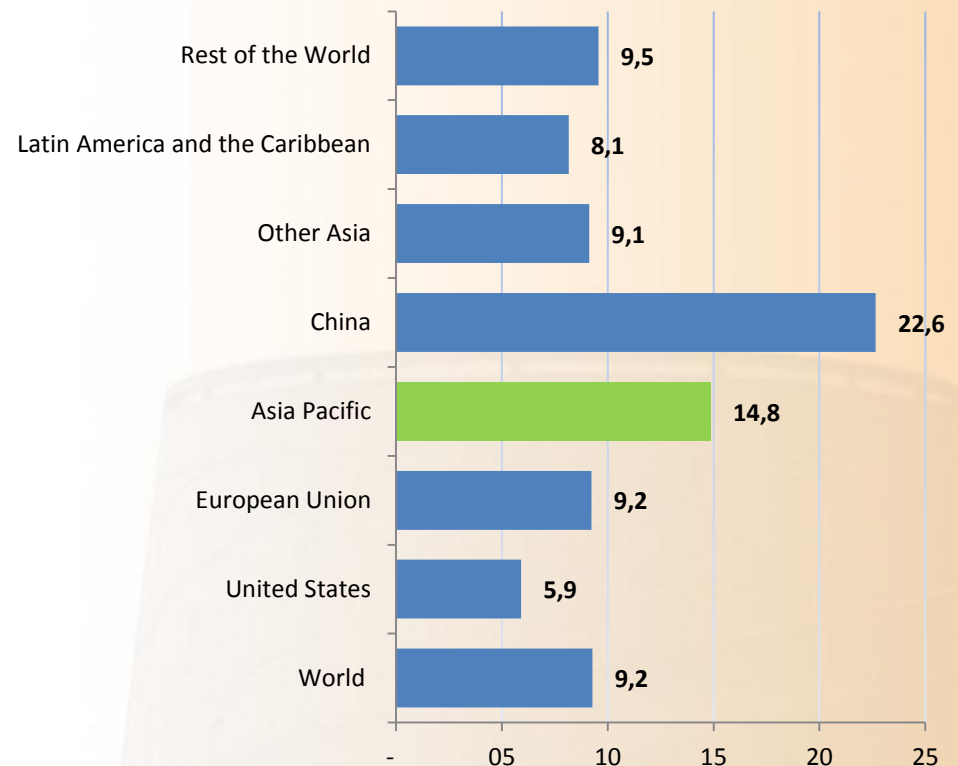
# FEALAC-LAC trade with Asia Pacific has been growing fast

LATIN AMERICA AND THE CARIBBEAN, INTERNATIONAL TRADE, BY MAJOR PARTNER, 2006-2010  
(Annualised growth rates)

## A. Exports



## B. Imports

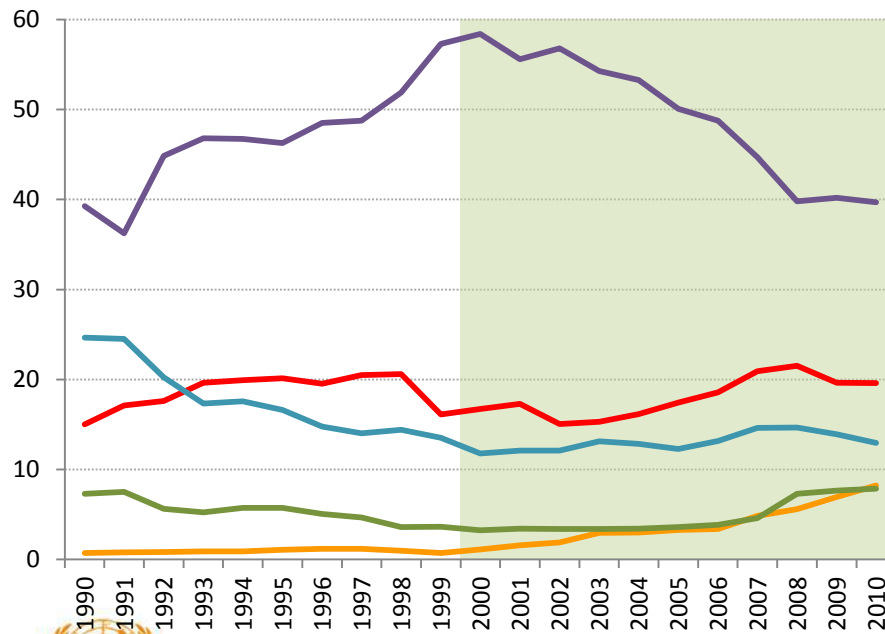


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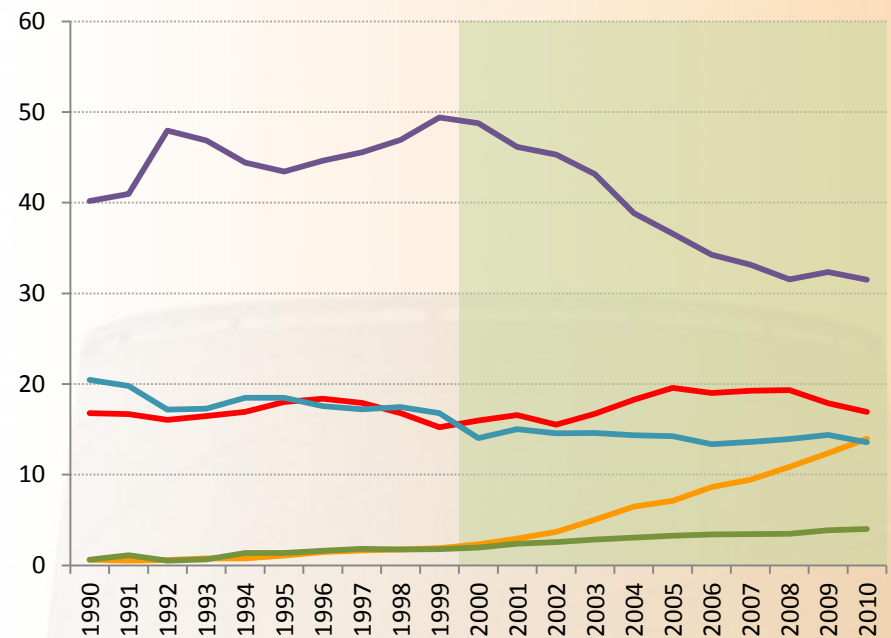
# Asia-Pacific, and especially China, has been a key factor in diversifying markets for the region. However, the dynamism of AP does not lie solely in China

LATIN AMERICA AND THE CARIBBEAN, INTERNATIONAL TRADE, BY MAJOR PARTNER, 1990-2010  
(Share in regional total)

## A. Exports



## B. Imports



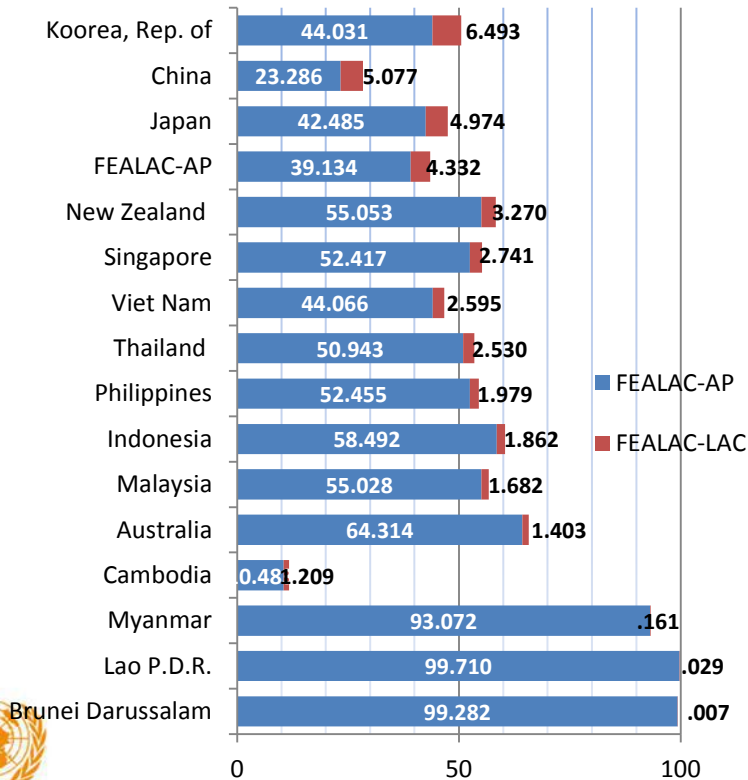
— Latin America and the Caribbean      — China  
— Other Asia      — United States  
— European Union

Source: ECLAC based on COMTRADE.

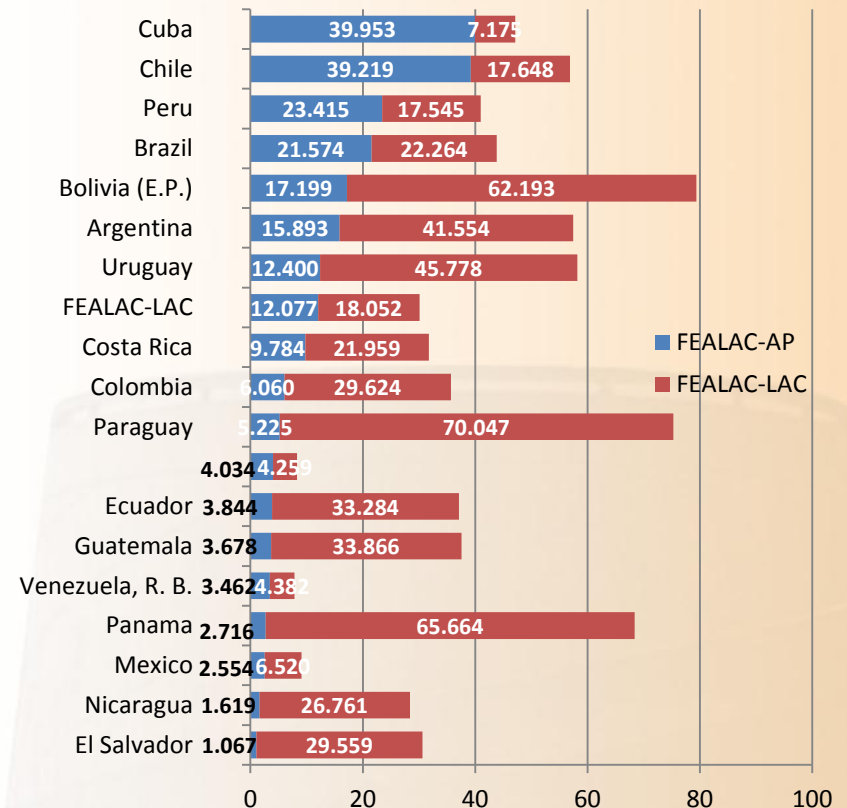
**FEALAC-AP is already a significant export market for some Latin American countries. From the AP viewpoint, Latin America has not been a major trading partner, which results in a highly asymmetrical relationship**

**SHARE OF FEALAC-AP AND FEALAC-LAC TRADE IN TOTAL TRADE 2008-2010**  
(percentages)

**A. FEALAC-AP Exports**



**B. FEALAC-LAC Exports**

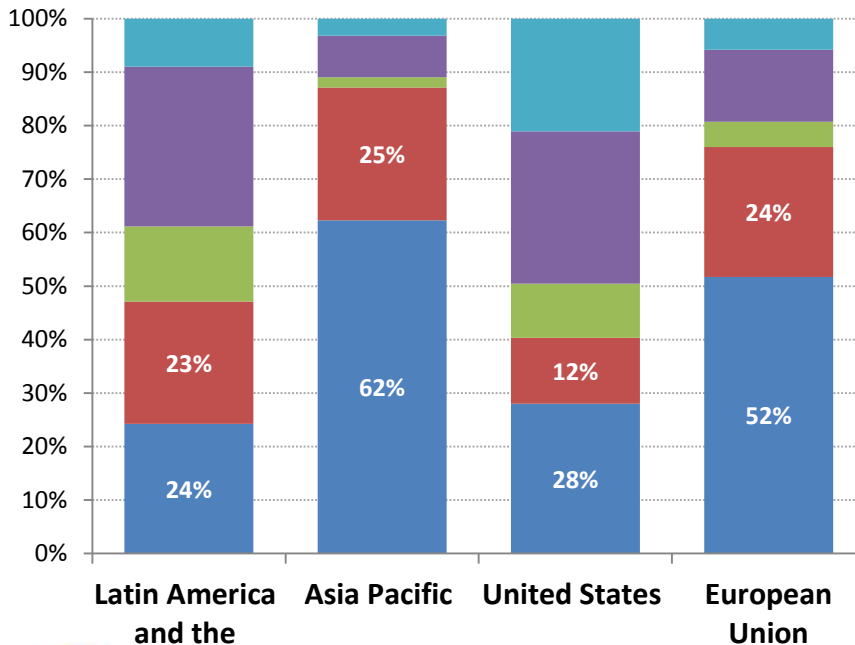


# Trade between AP and LAC is almost entirely inter-industrial, though with some differences among AP countries

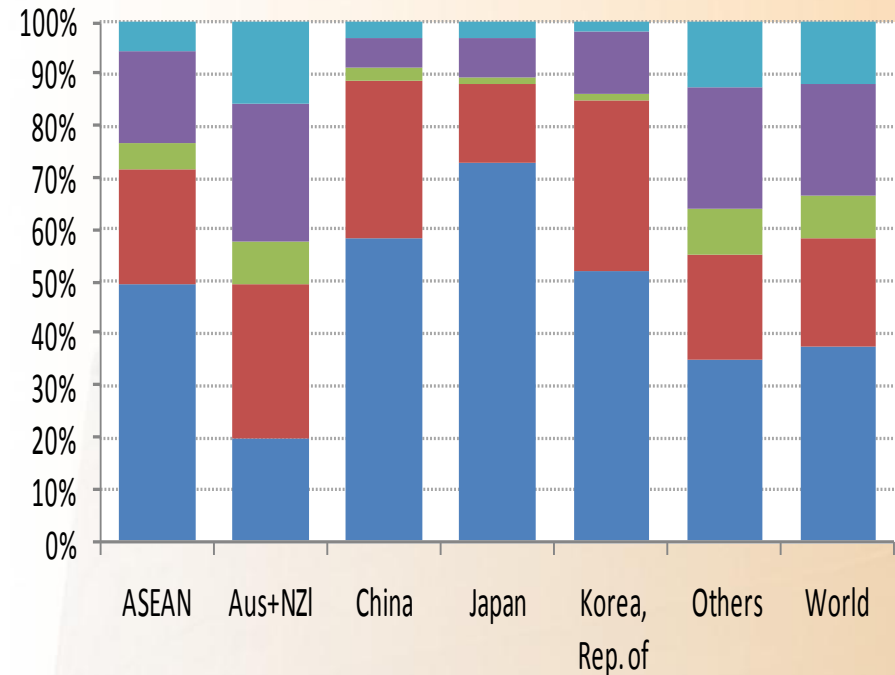
## LATIN AMERICA AND THE CARIBBEAN : EXPORT STRUCTURE BY TECHNOLOGICAL INTENSITY

(Percentage)

### A. MAJOR EXPORT MARKETS, 2008-2010

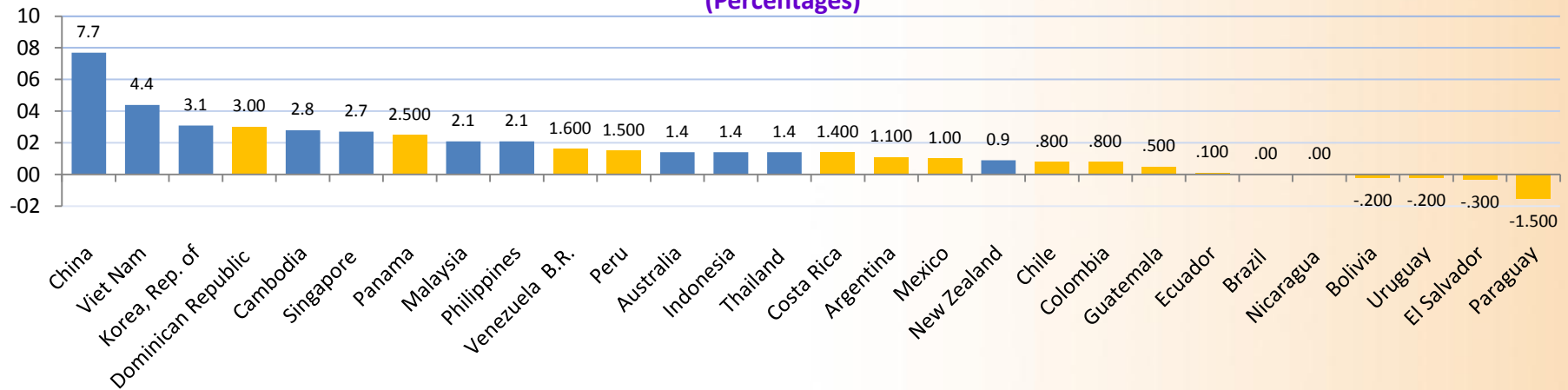


### B. SELECTED ASIAN MARKETS, 2007-2009

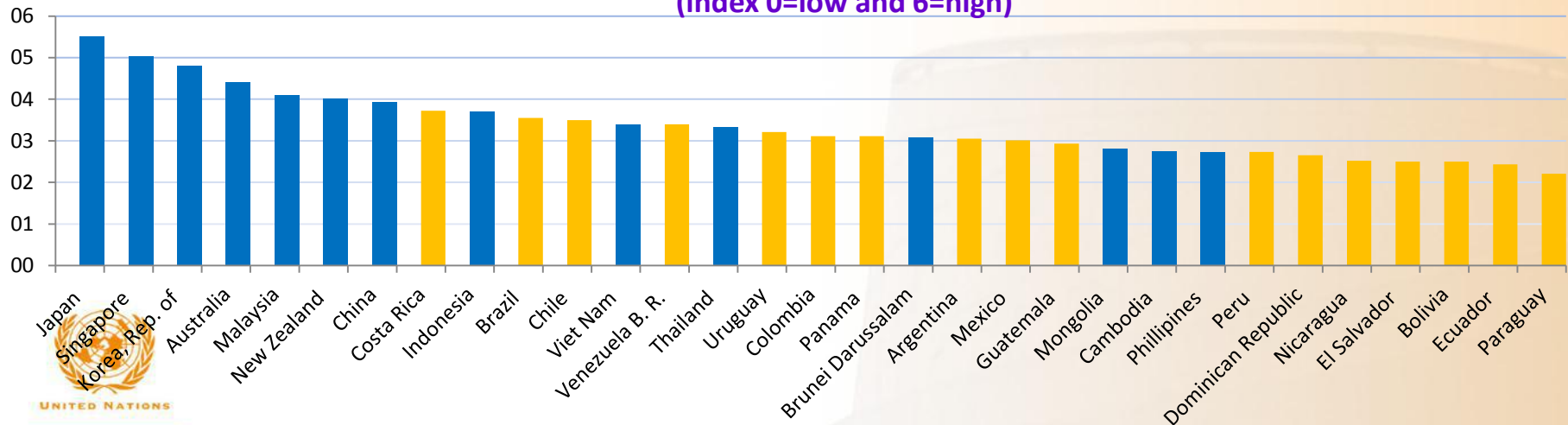


# FEALAC-LAC countries lag behind Asian counterparts in productivity and innovation

**PRODUCTIVITY GROWTH, 1996-2006**  
(Percentages)

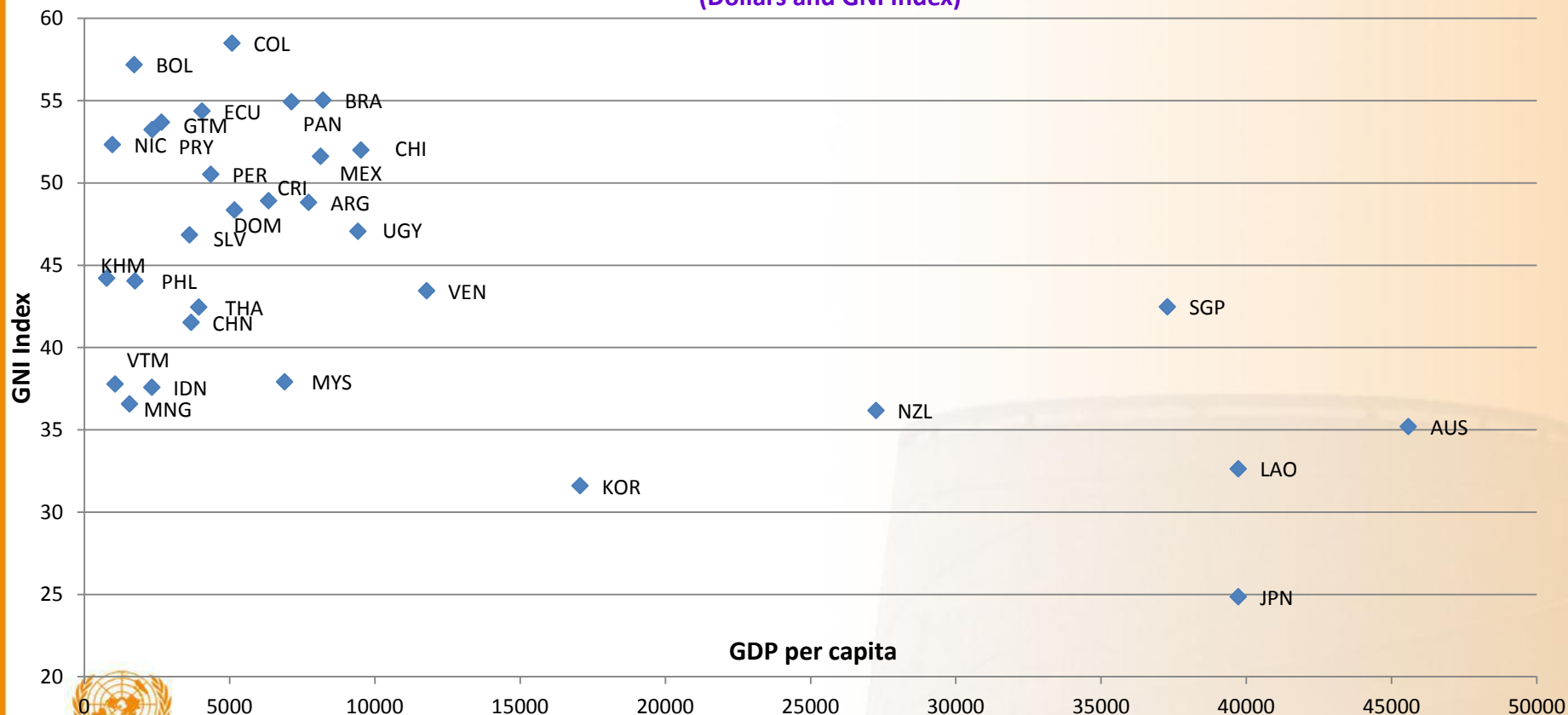


**WORLD ECONOMIC FORUM INNOVATION INDEX, 2010**  
(index 0=low and 6=high)



# FEALAC-AP countries perform much better in poverty reduction and income distribution than FEALAC-LAC counterparts. This presents formidable challenges for the latter

**INCOME DISTRIBUTION OF FEALAC COUNTRIES IN RELATION TO GDP PER CAPITA, 2009**  
(Dollars and GNI Index)



Source: ECLAC based on World Bank World Economic Development Indicators, 2010.



# III. Main features of trade between Latin America and China



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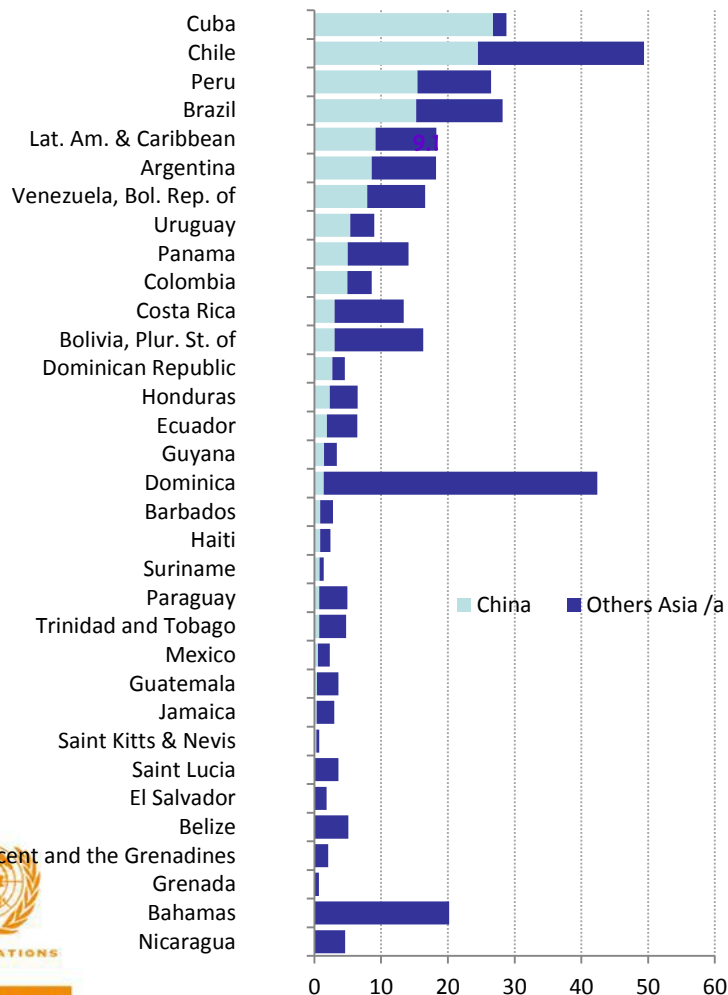
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# China has become a very important trading partner for some countries in LAC particularly with respect to imports.

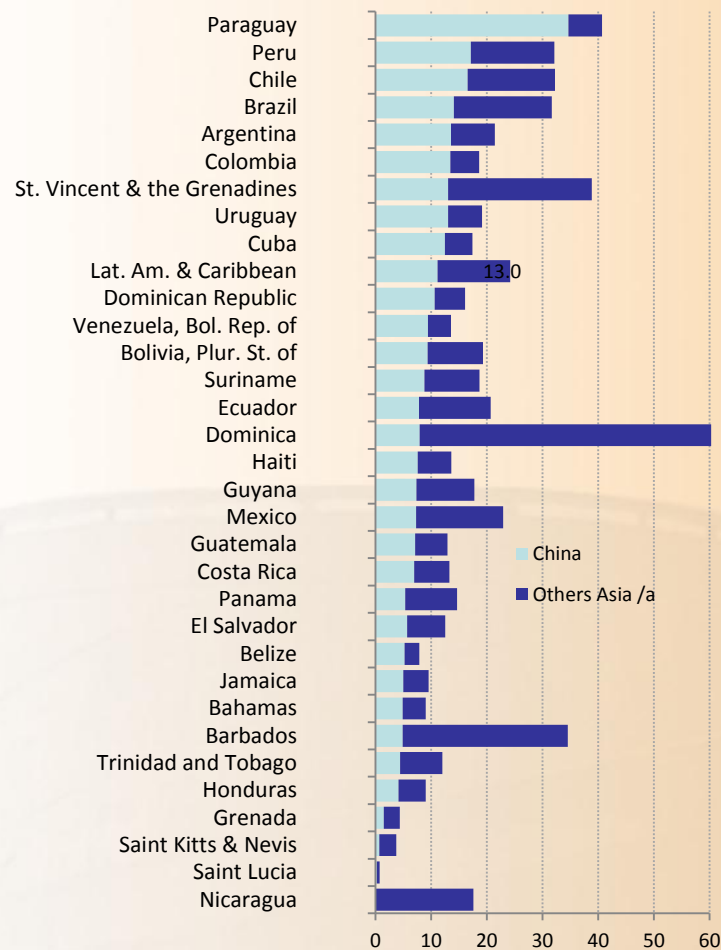
## LATIN AMERICA AND THE CARIBBEAN: ASIA-PACIFIC AND CHINA'S PARTICIPATION IN TRADE, 2010

(In percentages of total imports and exports of each country)

### A. Exports



### B. Imports



**In eight short years, China's importance as a trading partner for Latin America has increased significantly.**

### Destination of Exports

	2000	2008
Argentina	6	2
Brazil	12	1
Chile	5	1
Colombia	35	4
Peru	4	2
Venezuela	37	3
Costa Rica	26	2
Mexico	25	5
Cuba	5	2

### Source of Imports

	2000	2008
Argentina	4	3
Brazil	11	2
Chile	4	2
Colombia	15	2
Peru	13	2
Venezuela	18	3
Costa Rica	16	3
Mexico	6	3
Cuba	5	2

China has a presence in 21 Latin American nations

- Top 5 in 10 countries
- Top 1-2- in 6 countries

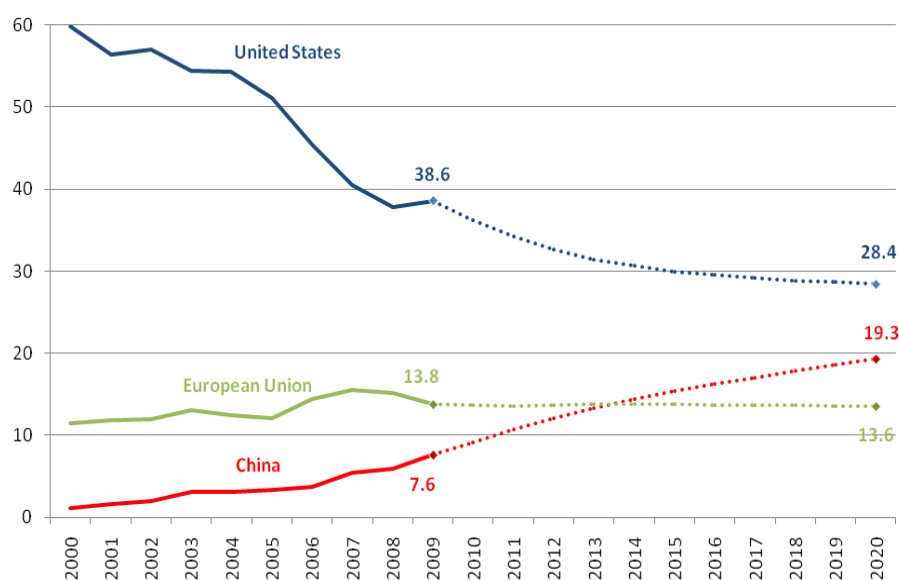
... in almost 32 markets

- Top 5 in 23 countries
- Top 2 in 5 countries

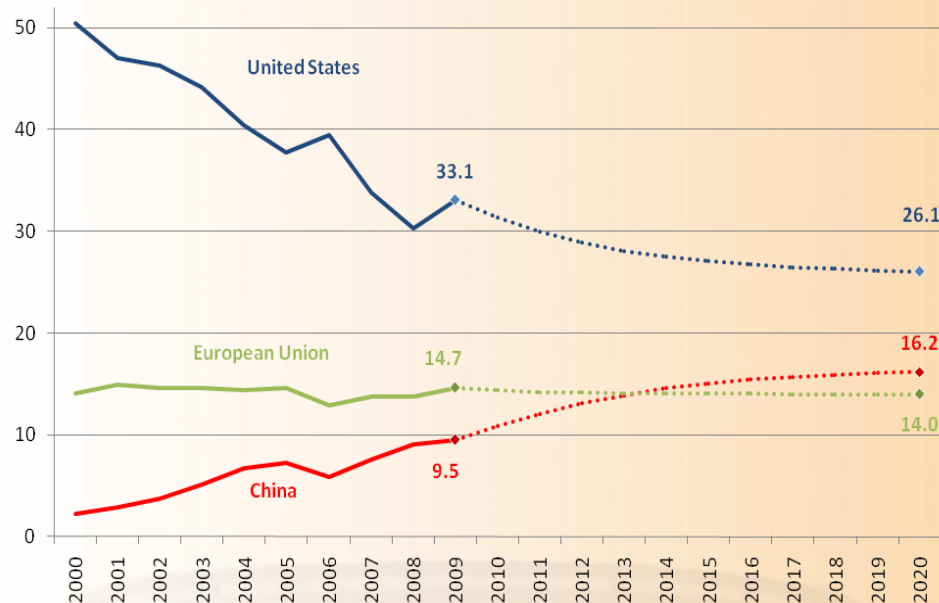


# China is displacing EU as the second largest trading partner of LAC

**LAC (16 countries): Share of the main destinations in total exports, 2000-2020 (In %)**



**LAC (16 countries): Share of the Main Sources of Total Imports, 2000-2020. (In %)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on data from the COMTRADE database and national sources.

Notes: The 16 countries are: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela (Bolivarian Republic of). Estimates and projections based on GDP growth rates for the years 2000-2009 in the United States, European Union, China, Latin America and the Caribbean, Asia-Pacific, and the Rest of World. A growth rate of trade which converges to the economies' long-term growth rate is expected.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on data from the COMTRADE database and national sources.

Notes: the 16 countries are: Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela (Bolivarian Republic of). Estimates and projections based on GDP growth rates for the years 2000-2009 in the United States, European Union, China, Latin America and the Caribbean, Asia-Pacific, and Rest of World. It is expected a growth rate of trade which converges to the economies' long-term growth rate.

# Recent features of trade between China and Latin America

- Trade is concentrated in few countries and few products
  - Brazil, Chile and Argentina account for 77% of exports
  - Copper (30%) and Soy (12%)
- In each country, few products (2-3) make up 80-90% of exports to China (with the exception of Brazil and Mexico)
- They are basic products that are not technologically intensive or knowledge-based (with the exception of Mexico and Costa Rica)



# Recent features of trade between LAC-AP

- Trade ties with China and Asia-Pacific are different among the regions.
  - In South America they are of a complementary nature and South America has a slight surplus.
  - Competition and deficits in Mexico and Central America
- High asymmetries between elevated trade flows and low reciprocal investment
- Trade with China is excessively of an inter-industrial nature.
  - Lat. Am. exports raw materials and imports manufactures.



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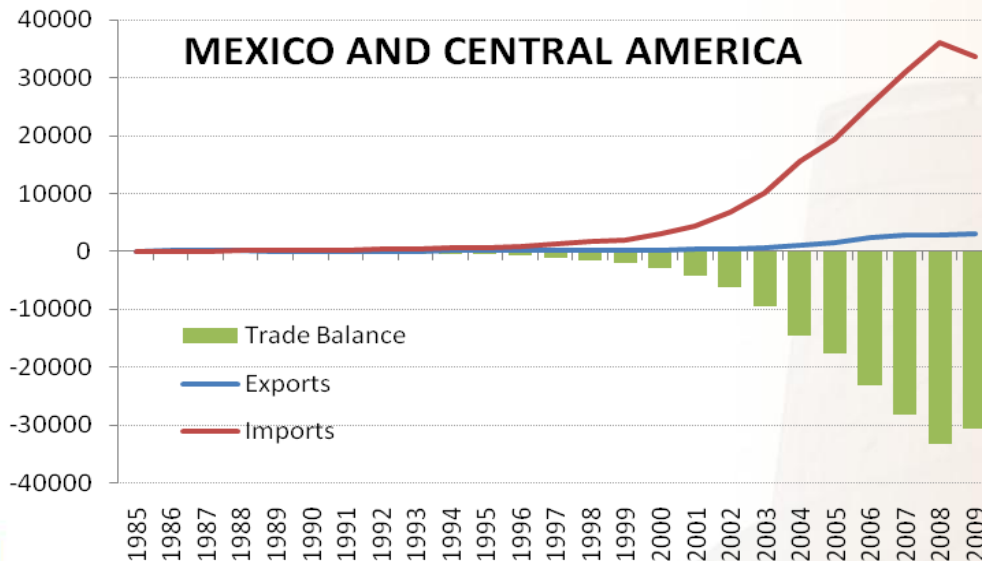
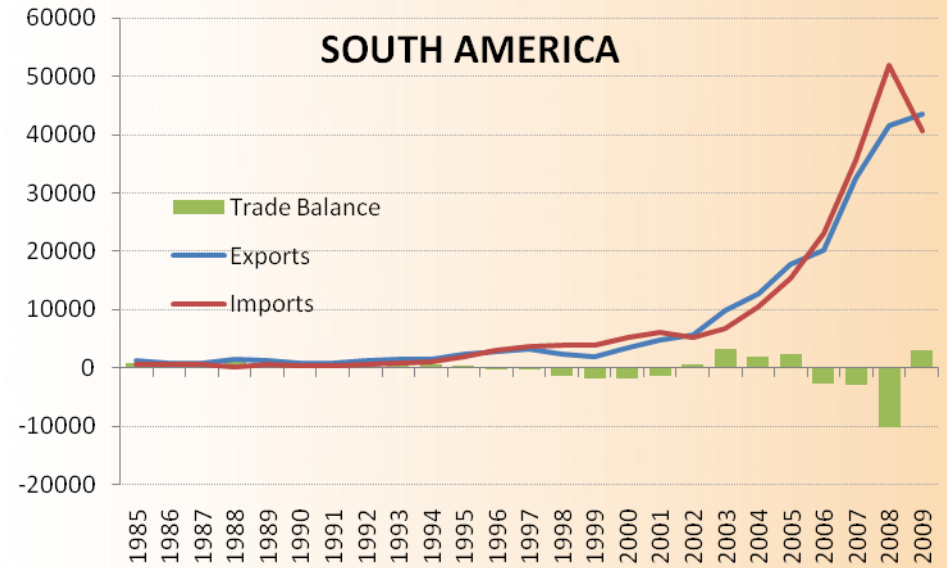
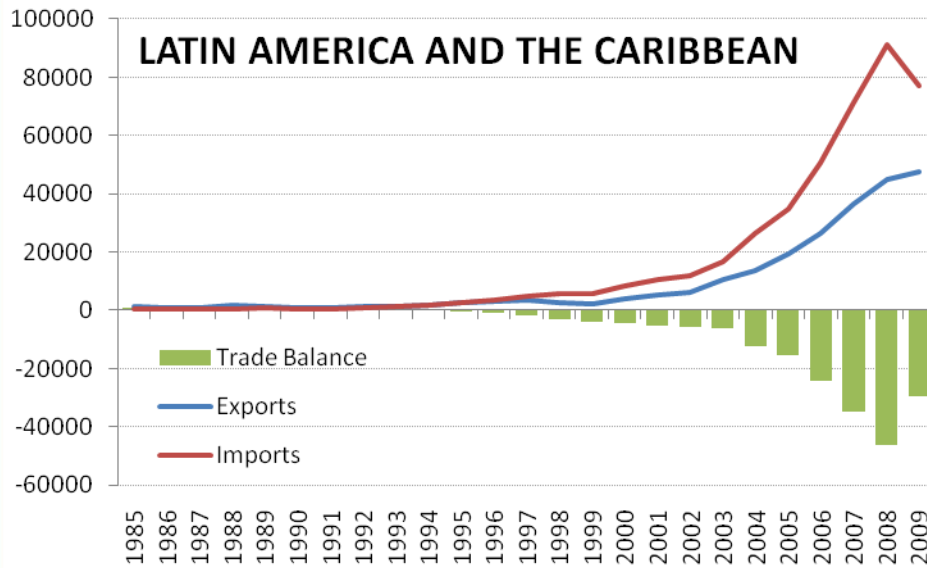
Less room for diversifying exports



Productive and technological alliances are more difficult.

# Exports, imports and trade balance with China

(In millions of dollars)



Trade pattern of LAC with China is different among South America and Mexico and Central America

Source: ECLAC on the basis of COMTRADE data, official data and DOTs (IMF).



# IV. Conocer los desafíos de China para aprovechar oportunidades



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# Los desafíos de China

- Apoyarse más en el mercado interno y en el consumo doméstico
- Equilibrar la costa con el interior
  - Reducir las desigualdades
  - Mejorar la distribución del ingreso
- Construir una red de apoyo social



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# Agenda interna de negociaciones en China

- **Política del “Go West”** busca reducir diferencias campo ciudad y entre la costa y zonas rurales
- **El delta del Yangtze –Shangai es el más dinámico**
- **La zona de Guangdong – en torno al delta Pearl River- busca competir con Shangai, creando una amplia zona de LC hasta la frontera con India**








# El 9+2, un TLC inédito

- **Area integrada de comercio que incluye 9 provincias más Hong Kong y Macao**
  - **1/3 de la población china**
  - **30% de las X chinas**
  - **40% del PIB de China**
  - **Objetivo: llevar el dinamismo de la costa a las provincias más pobres del interior**
  - **9 provincias: Guangdong, Fujian, Jiangxi, Hunan, Guangxi, Hainan, Guizhou, Yunnan, Sichuan**
  - **9+2 vía Yunnan conduce a la India !!!!!**



# EL TLC 9+2

Guangdong and surroundings  
GDP per person, 2002, \$

	>15,000		500-749
	1,000-2,000		<500
	750-999		

\*2003 estimate  
Source: Finance Yearbook of China



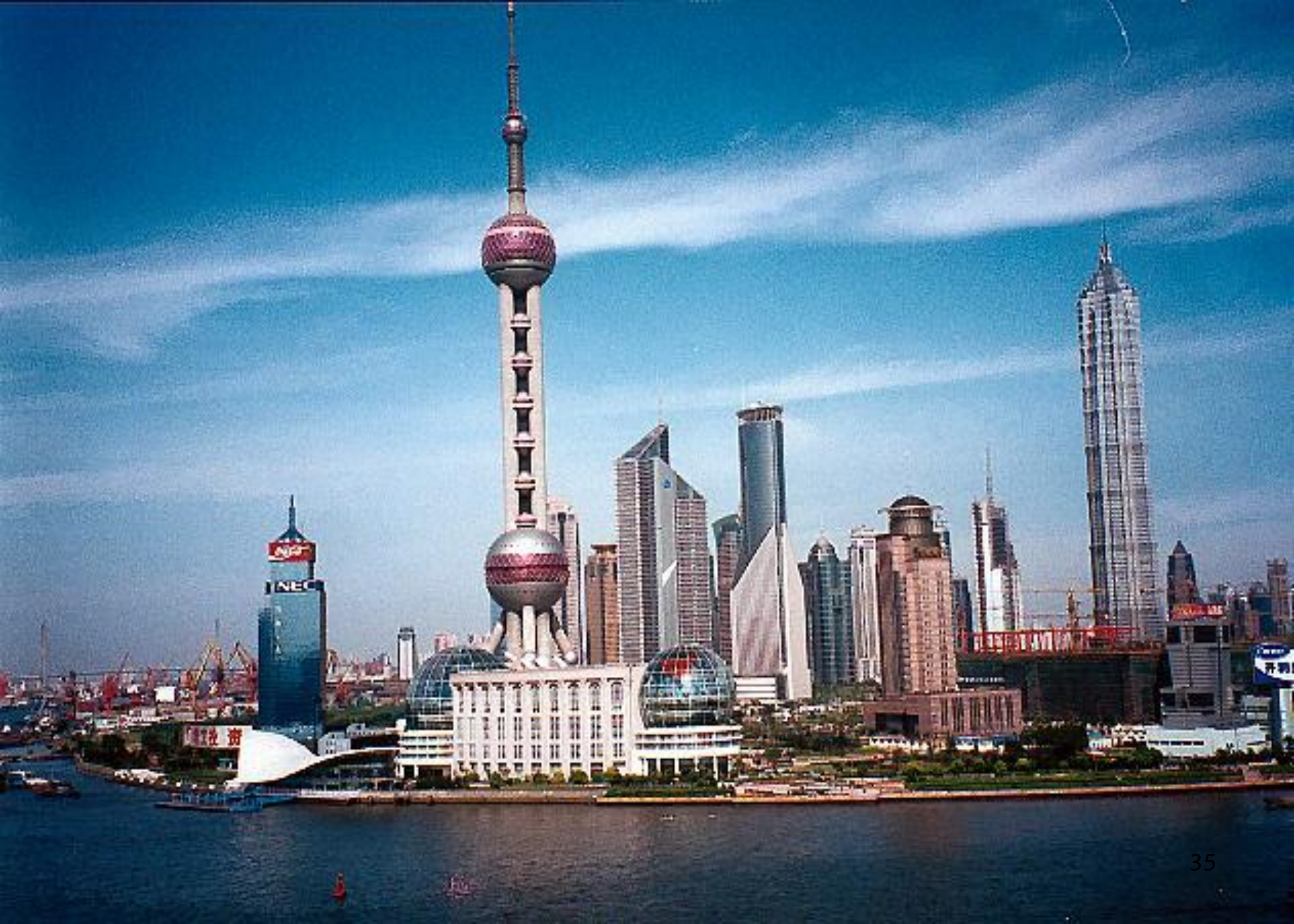
# Los desafíos de China

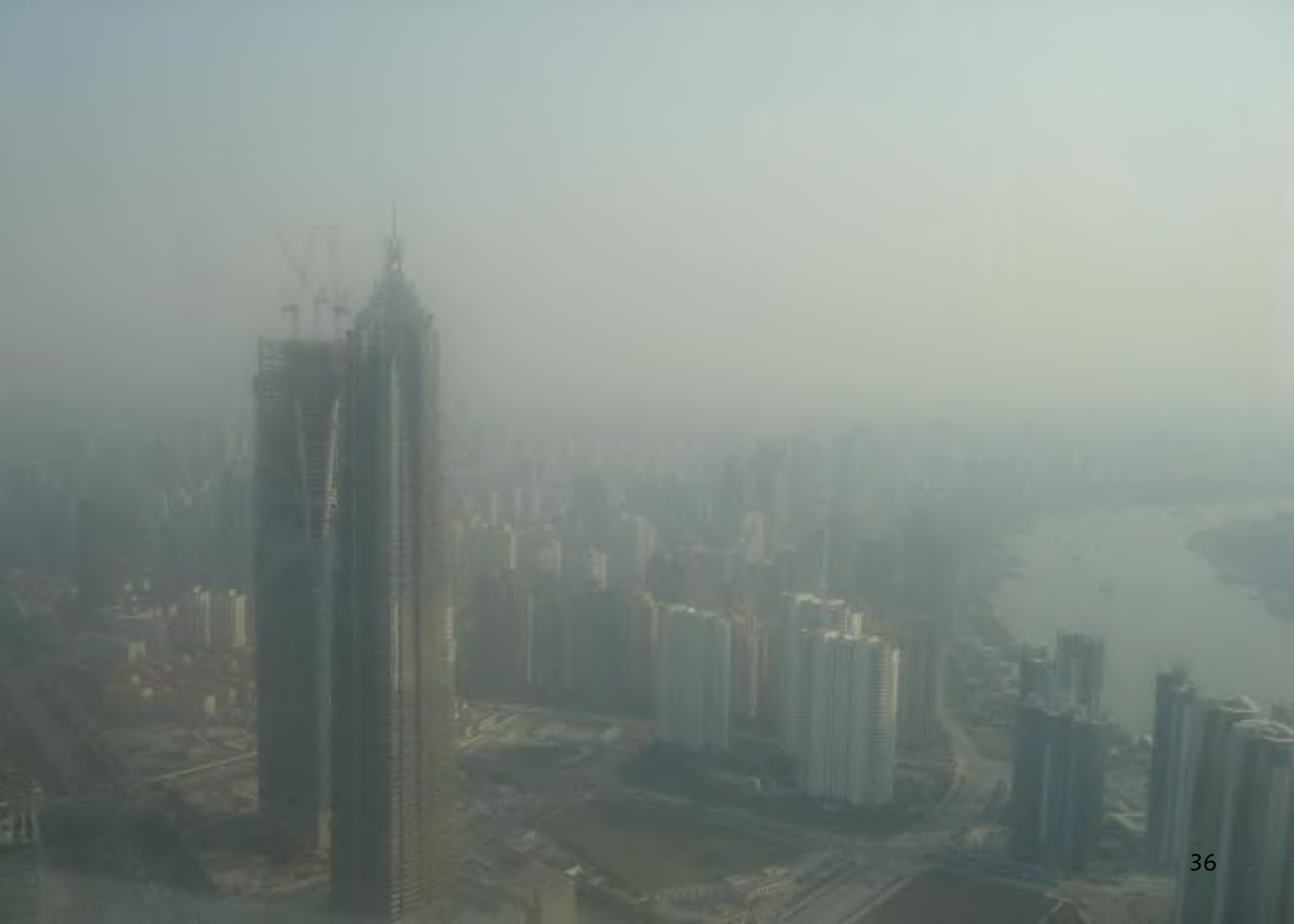
- Apoyarse más en el mercado interno y en el consumo doméstico
- Equilibrar la costa con el interior
- Construir una red de apoyo social
- **Reducir drásticamente la contaminación**



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# Los desafíos de China

- *Apoyarse más en el mercado interno y en el consumo doméstico*
- *Equilibrar la costa con el interior*
- *Construir una red de apoyo social*
- *Reducir drásticamente la contaminación*
- **Asegurar un desarrollo bajo en carbono**
- **Asegurar una adecuada oferta agrícola y de materias primas**
- **Compatibilizar lo anterior con su nuevo rol en Asia y en la economía global**
  - **Convertibilidad del yuan**
  - **Apertura de su cuenta de capitales**
  - **Internacionalización de empresas**



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# V. Building a strategic economic and trade relationship with China/Asia.



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# Main Issues

- China is more important for South America's growth than the United States.
- Positive cycle for international prices for commodities for the remainder of the decade (relevant for South America)
  - Possibility of a “super cycle”
  - Risk: excessive support for commodities with low value added, exchange rate appreciation, obstacles for export diversification and productive transformation
  - Challenge: Take advantage of the opportunities
- “Dutch Disease?” The curse of natural resources?
- New central-peripheral cycle in the XXI century?



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# Improving relationships between China and Latin America: challenges for L. America

- **Privilege multinational approaches. Less emphasis to unilateral approaching initiatives to China and Asia Pacific**
  - Scale matters: more coverage initiatives capable of attracting resources in larger
  - Larger scale of initiatives
- **Coordinate efforts between LatAm countries**
- **Define regional priorities in an agreed agenda**
  - Export diversification
  - Attracting Chinese FDI: investing in Asian value-chains
  - Business and technology Sino-Lat Am alliances
  - Advancing on trade and investment operations in renminbi

# Improving relationships between China and Latin America: challenges for China

- **Increase and diversify its FDI in Lat Am**
- **Understand the political and institutional features of Lat Am**
  - Separation of powers; legislation on visas; labor and environment legislation; role of civil society
- **Funds to support export diversification of Lat AM SMEs**
  - Traceability in natural resources exports
  - Quality certification
  - Technical standards
  - Reducing carbon footprint in exports
- **Joint promotion in China**



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# Joint challenges for China and Lat Am

- **Increase levels of bilateral trade and investment**
    - Improve dialogue on trade remedies.
    - Transparency on SPS issues and health protocols
    - NTB in line with WTO provisions
    - Mechanisms for consultation, negotiation, mediation and arbitration to resolve commercial disputes
  - **Cooperation on the global agenda**
    - Reform the international monetary system and international financial regulation
    - Climate change
    - Early warning and policy coordination against threats of international economic crisis
-  **South-South cooperation mechanisms in preventing financial impacts, preventing contagion and preserving trade flows.**

# Advancing an agenda for China-Latam cooperation

- **Strengthening S-S dialogue on issues of the global agenda**
  - International monetary system reform
  - Climate Change
- **Increasing Trade**
  - Transparency on SPs and sanitary protocols
  - NTB in line with WTO provisions
  - Arbitrations and negotiated settlements to avoid excessive AD accusations
- **Fostering reciprocal investments**
- **Diversifying Trade (Chinese fund for LA X diversification)**
  - Traceability in natural resource exports
  - Food safety and sustainable agriculture
  - Reducing carbon in exports
  - Tech standards, quality certifications
- **Fostering reciprocal investments**
  - Regional portal on Investment opportunities
  - Attract Chinese investors to invest in LA infrastructures
  - Support LA investment in China and Asia Pacific (CCPIT may help)
- **Working for a China-Latin America Summit**



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## China's Challenges

- Increase FDI in Latin America
- Funds to support SMEs exporters
- Technological Cooperation
- Understand political-institutional aspects of Latin America

## Latin America's Challenges

- Diversify Exports
- Invest in China
- Participate in Asian supply value chains
- Coordinated policy on China
- Work towards a China-Latin America Summit.

## Joint Challenges

- Improve dialogue between ministries of trade (trade remedies)
- Identify joint opportunities in China, Asia and Latin America
- Trade, investment and technological business partnerships
- Create a forum for an ongoing dialogue
- Cooperation on issues of the global agenda





## **China and Latin America and the Caribbean**

**Building a strategic economic and  
trade relationship**

Oswaldo Rosales  
Mikio Kuwayama



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**How to deal with these challenges?**

**Please, read it.**