



# Forum for East Asia-Latin America Cooperation (FEALAC)

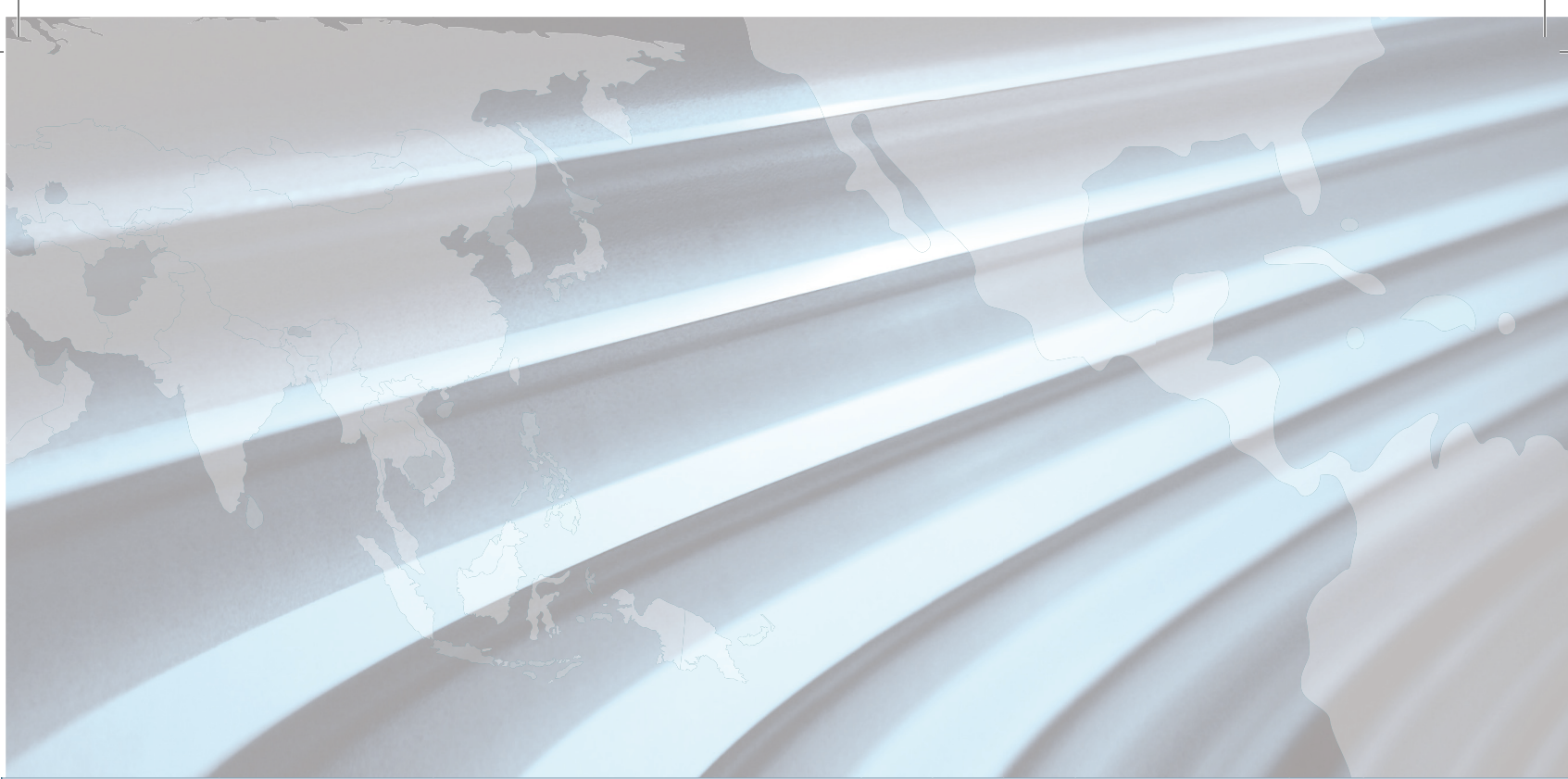
New biregional trade and investment relations  
in a changing world economic environment



UNITED NATIONS

ECLAC





# Forum for East Asia-Latin America Cooperation (FEALAC)

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## Foreword

Developing Asia and Latin America and the Caribbean are becoming the world's new growth poles. Economies in Developing Asia, led by the People's Republic of China, are growing three times as fast as the industrialized countries. Latin America and the Caribbean weathered the international crisis with remarkable resilience and emerged from it sooner and more strongly than the developed economies. In the coming years, the industrialized economies will continue to face complex challenges, in particular the need to control and gradually rein in the fiscal deficit and public debt in a context of slower growth and high unemployment. The rise of the emerging economies reflects not only their growing contribution to the world economy but also the stronger linkages between emerging and developing economies themselves through increased South-South trade and investment and cooperation. In this context, the Asia-Pacific region continues to deepen its regional integration efforts, while the Latin American and Caribbean region seeks a more coordinated approach among countries, for example by creating the Community of Latin American and Caribbean States (CELAC). These sustained efforts on either side should be complemented by bi-regional cooperation on different fronts. The Forum for East Asia-Latin America Cooperation (FEALAC) should and can play a leading role in deepening these South-South linkages between Developing Asia and Latin America and the Caribbean.

For the past five years, the Economic Commission for Latin America and the Caribbean (ECLAC) has closely monitored developments in economic relations between Latin America and the Caribbean and China, the Republic of Korea and Japan. Thus, it was pleased to receive the request by the Ministry of Foreign Affairs, International Trade and Worship of Argentina. The opportunity now to expand the analysis to include the whole Asia-Pacific region is a welcome challenge. We hope that this document will be useful for the deliberations of the Fifth Ministerial Meeting of the Forum for East Asia and Latin America Cooperation, to be held in August 2011 in Buenos Aires, and will serve as a contribution to the FEALAC goals of trade and investment promotion and to the economic cooperation objectives agreed upon by its member economies.

The world economy is witnessing a new order in international trade and finance in which emerging economies are assuming a larger role in stimulating economic growth and maintaining world macroeconomic stability.



In this respect, FEALAC member countries need to reposition themselves in the world economy and to address the growing relevance of South-South linkages (in areas such as trade, foreign direct investment and finance) by enhancing cooperation in innovation and human capital in order to diversify trade, add greater value and knowledge to exports, and help create more stable conditions for growth.

Latin America's resilience during the international financial crisis and its recent strong recovery have renewed Asia-Pacific's interest in the region. Indeed, the Asia-Pacific region (particularly China) has become a privileged trading partner for Latin America and the Caribbean. Despite recent improvements on many fronts, however, the Latin American and Caribbean region faces some formidable challenges. It still has the highest indices of inequality in the world, as well as serious lags in technology, innovation and competitiveness. The region, together with its main partners, is approaching these challenges as opportunities for new partnerships that will promote growth and development through increased trade and investment. Countries in Asia-Pacific can be active partners of the region in this endeavour.

The increasing importance and dynamism of the Asia-Pacific region has had a strong impact on Latin America and the Caribbean through major increases in trade flows, but this has not yet been matched by higher levels of investment. This imbalance suggests the need to consolidate and strengthen ties between the two regions, while identifying and taking advantage of their complementarities and promoting business alliances, in order to stimulate their internationalization and jointly enhance competitiveness.

Several countries in Latin America and the Caribbean have benefited from growing trade flows with Asia-Pacific, including Argentina, Brazil, Chile, Costa Rica and Peru. However, this trade is mainly of an inter-industry nature, in which the region exports primary products and natural resource-based manufactures and imports manufactures of different technological intensities, thus limiting the potential for deeper economic relations between the two regions. Trade development therefore needs to be promoted at the intra-industry level with emphasis on export diversification through business initiatives that draw on the competitive advantage of each region and promote increased investment flows centred on value chains involving both Asian and Latin American firms. Efforts should be made to reduce transaction and transport costs, streamline trade logistics, promote communication with trading partners and enhance the international competitiveness and innovation capabilities of countries in both regions.

As the only forum of cooperation dialogue that goes beyond the concept of the Pacific Rim, FEALAC should be recognized as an important channel to Asia-Pacific and an alternative to Asia-Pacific Economic Cooperation (APEC) (indeed, the main option for non-APEC Latin American countries). Moreover, it is a key forum for policy dialogue. ECLAC submits this report to the V Ministerial Meeting in the hope that FEALAC will continue to foster discussions between countries of the two regions on the development of bi-regional relations in an ever changing international economic environment.

**Alicia Bárcena**

Executive Secretary

Economic Commission for Latin America  
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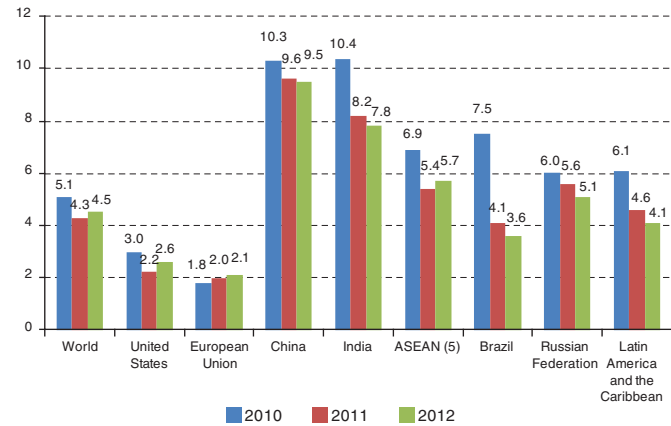
## **I. Key roles played by FEALAC in the global economy**



## 1. The growth center has shifted from the North to the South and from the Atlantic to the Pacific

- The world's recovery from the international financial crisis has been very heterogeneous across regions. Emerging economies are growing almost three times faster than industrialized ones.
- Asia-Pacific, led by China, is the world's most dynamic region. For its part, Latin America is emerging from the crisis in better shape than many industrialized economies with a GDP growth of 6% for the region as a whole in 2010 and more than 4.5% in 2011.
- Mid-term perspectives look promising for China and Latin America. Both explain to a significant degree the world's new geography of growth.

■ **Figure I.1**  
**World economic growth, by selected regions/countries, 2010, 2011, and 2012**  
*(Percentages)*

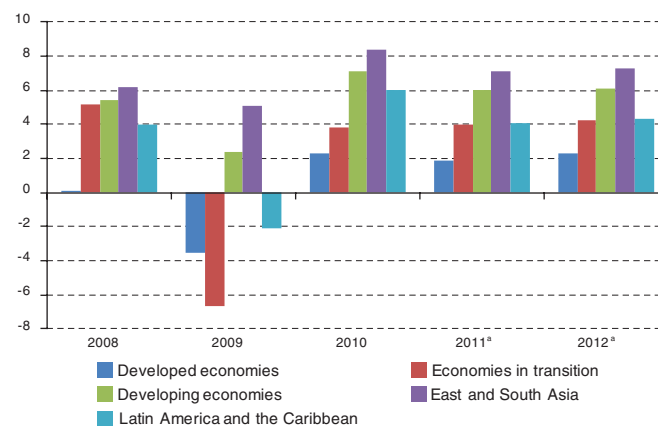


Source: International Monetary Fund (IMF), World Economic Outlook, Update, June 17, 2011.

## 2. Latin America and the Caribbean weathered the recent world economic crisis with unprecedented resilience and emerged from it more quickly and stronger than the developed economies. The region will be called on to assume an increasingly larger role in the global economy

- Following a 1.9% decline in 2009, Latin America and the Caribbean grew by 6% in 2010 as reflected in the economic recovery posted by most countries in the region.
- The region's economic reforms of past decades, its fiscal and macroeconomic prudence and its sound financial supervision together with ever closer commercial ties with China and the emerging economies, have allowed it not only to successfully navigate through the worst international crisis of the past 80 years but also to enter the new decade with a promising outlook for growth and development.
- Of course, some significant challenges remain. This is still the region with the highest levels of inequality in the world and there are serious lags in technology, innovation and competitiveness.
- Latin America and the Caribbean, together with its main partners, are approaching these challenges as opportunities for growth, investment and trade with a view towards opening the way for new business opportunities and new partnerships. On the strength of the foregoing and of its privileged endowment in natural resources, energy, water and biodiversity, the region will be called on to assume an increasingly larger role in the global economy.
- Asia-Pacific can and should be an active partner of this Latin American and Caribbean endeavour.

■ **Figure I.2 ■**  
**World GDP growth rates by region, 2008-2012**  
 (Percentages)

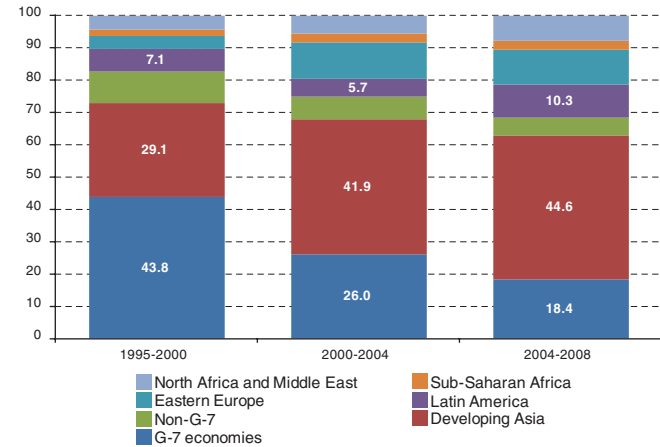


Source: United Nations, World Economic Situation and Prospect 2011, DESA, New York.  
 \* Forecast.

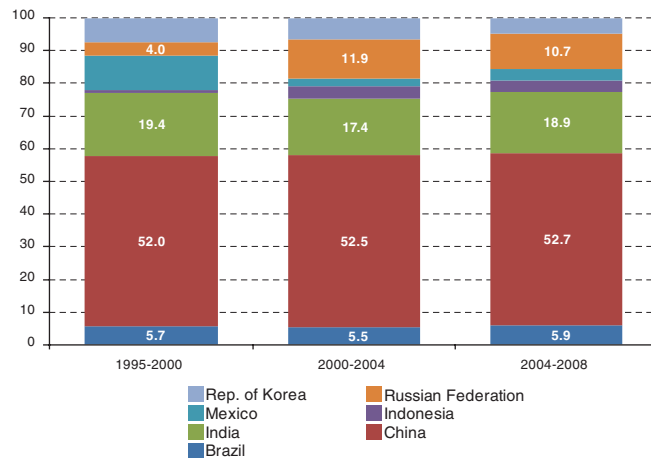
### 3. Over the last two decades, emerging economies in developing Asia and Latin America have transformed into world growth centres

- The contribution of developing Asia and Latin America and the Caribbean to world economic growth over the last two decades has been on a rise, while that of the Group of Seven (G7) has been on a continuous decline. Between 2004 and 2008, Asian developing economies and Latin American countries contributed roughly 45% and 10% of world economic growth, respectively. Another growth pole in the world economy in recent years has been Eastern Europe. This contrasts to the case of G7 whose contribution declined from 44% to 18% between 1995 and 2008.
- The so-called BRICs (Brazil, Russian Federation, India, and China) contributed 42% of world economic growth between 2004 and 2008, 25% and 9% of which originated in China and India, respectively.

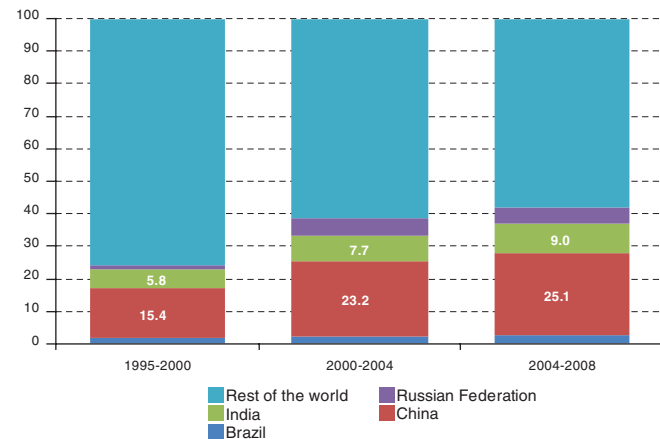
**Figure I.3A**  
**Contribution to world economic growth, by selected regions/ groups, 1995-2000, 2000-2004, 2004-2008**  
*(Percentages of world total)*



**Figure I.3B**  
**Contribution to world economic growth, by selected emerging economies, 1995-2000, 2000-2004, 2004-2008**  
*(Percentages as a share of the group total)*



**Figure I.3C**  
**BRICs contribution to world economic growth, 1995-2000, 2000-2004, 2004-2008**  
*(Percentages as a share of world total)*



Source: Dale W. Jorgenson and Khuong M. Vu, "Potential Growth of the World Economy", *Journal of Policy Modeling*, vol. 32, Issue 5, September-October 2010.

## 4. The share of the FEALAC in world output far surpasses that of the United States and the European Union

- The total FEALAC GDP in current prices is estimated to be US\$ 20.4 trillion for 2010 or roughly one-third of the world GDP. FEALAC Asia-Pacific members account for more than 25% while FEALAC Latin American members contribute approximately 8% of the total. These percentages are substantially higher than those for 2006 when the shares were 20% and 6%, respectively. The relative size of output, measured both in nominal prices and in terms of Purchasing Power Parity (PPP), is greater —the region represents nearly 36% of total world output measured at nominal prices and 32% in PPP surpassing that of the United States or the European Union.
- The share of FEALAC in world merchandise exports and imports reached almost 30% and 27% in 2009, respectively, to which FEALAC Latin America contributed a minor share of less than 5%. FEALAC Asia-Pacific has become an important destination and origin of world trade in services while FEALAC Latin America and the Caribbean still remain as a relatively small export and import market.
- The weight of FEALAC in the world stock of FDI is much less —FEALAC member countries account for 17% and 11% of world inward and outward FDI worldwide. As recipients, FEALAC Asia-Pacific represents almost 11% while FEALAC Latin America represents roughly 7%. Regardless of the measure considered, FEALAC is already a formidable regional group worldwide.
- Latin America and the Caribbean should rethink strategic alliances both regionally and globally as Asia-Pacific countries have been doing over the last two decades. The world economy is in transition and the economic center of gravity is shifting from the Atlantic to the Pacific as characterized by the emergence of China. Today, emerging economies have veto power and the creation and strengthening of South-South linkages—in trade, FDI and finance— becomes more relevant and urgent.

■ Table I.1 ■

### FEALAC: some world indicators, population, output, trade and FDI, 2009-2010

(Percentages of world's total)

Regions	Population	Indicators							
		Gross domestic product		Merchandise trade		Services trade		Foreign direct investment	
		Current PPP	Current prices	Exports	Imports	Exports	Imports	Inward stock	Outward stock
Year	2009	2010	2010	2009	2009	2009	2009	2009	2009
FEALAC	39.2	35.5	32.4	30.4	27.2	19.1	23.7	17.0	11.2
FEALAC Asia-Pacific	31.1	26.9	24.8	25.1	22.1	16.1	19.8	10.5	9.4
FEALAC Latin America and the Caribbean	8.1	8.6	7.6	5.3	5.1	3.0	3.9	6.5	1.8
United States	4.5	19.7	23.3	8.7	12.9	14.1	10.5	17.6	22.7
European Union (27)	7.3	20.4	25.9	37.7	37.4	45.6	53.2	42.0	47.4
Rest of the world	49.0	24.4	18.4	23.2	22.5	21.2	12.6	23.4	18.7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on United Nations COMTRADE database; World Development Indicators, World Investment Report and WTO for World Trade.

## 5. In the post-crisis, FEALAC members in both regions continue to improve their macro indicators

■ Table I.2 ■

### FEALAC: main economic indicators, annual average, 1990-1999 and 2000-2010

(Percentages of world's total)

Country	Investment		Gross national savings		Fiscal balance		Inflation		Unemployment		Export volume of goods		Import volume of goods		Current account	
	Percentage of GDP		Percentage of GDP		Percentage of GDP		Average consumer prices		Percentage of total labour force		Percentage change		Percentage change		Percentage of GDP	
	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010	1990-1999	2000-2010
<b>FEALAC Asia-Pacific</b>																
Australia	24.5	26.9	20.4	22.5	-1.5	0.3	2.5	3.1	8.8	5.5	7.5	3.3	7.2	7.9	-3.9	-4.4
Brunei Darussalam					-17.8	11.0	2.1	0.6	4.0	3.9	-0.3	0.4	1.1	4.9	40.3	49.5
Cambodia	12.6	18.8	10.1	15.6	-1.3	-1.6	57.7	4.8			35.1	15.6	22.1	8.2	-3.3	-3.2
China	39.0	42.0	40.7	47.4	-2.3	-1.8	7.8	2.0	2.8	4.0	16.3	18.8	13.6	15.6	1.7	5.4
Indonesia	36.0	25.7	31.2	28.2		-0.9	14.4	8.1	4.4	8.8	5.1	3.1	4.3	8.2	-1.1	2.4
Japan	29.0	23.1	31.4	26.4	-2.8	-6.5	1.2	-0.3	3.0	4.7	3.8	3.0	6.8	2.8	2.4	3.3
Lao People's Democratic Republic						-4.6	28.7	9.0			20.9	5.4	11.5	12.6	-6.1	-14.1
Malaysia	36.4	21.7	34.3	34.7	1.0	-4.1	3.7	2.2	3.4	3.4	12.3	6.2	11.6	6.2	-1.7	12.9
Mongolia	25.0	34.0	21.5	29.1	-9.2	-1.5	83.6	9.1	6.3	3.5	9.4	9.0	-0.8	12.9	-0.5	-4.9
Myanmar	13.7	12.9	10.6	15.9	-0.6	-2.5	27.2	20.7	4.1	4.0	15.5	13.1	18.6	13.7	-11.5	0.4
New Zealand	20.6	22.4	17.8	18.1	-0.1	1.3	2.1	2.6	8.2	4.9	5.3	3.6	6.8	4.3	-4.4	-5.3
Philippines	22.4	16.5	18.8	18.4	-1.9	-3.4	9.6	5.1	9.4	9.6	17.1	0.5	15.2	-1.4	-3.4	1.9
Republic of Korea	35.2	29.4	35.9	31.7	1.8	2.2	5.7	3.1	3.3	3.6	13.9	11.8	11.6	8.3	0.7	2.3
Singapore	33.8	24.0	47.6	42.7	13.8	4.4	1.9	1.6	1.9	2.9	10.9	9.1	8.6	6.6	13.8	18.7
Thailand	36.3	25.9	33.6	29.3	-1.4	1.3	3.4	2.5	2.7	2.0	10.7	8.4	6.4	5.9	-2.7	3.4
Viet Nam	21.2	36.0	20.4	32.6	-2.5	-3.6	21.1	7.0	8.6	5.5	25.1	8.5	30.0	10.5	-4.3	-3.4
<b>FEALAC Latin America</b>																
Argentina	18.3	19.6	15.3	21.5	-2.8	-4.0	253.7	8.8	13.3	13.1	12.6	5.2	25.0	11.2	-2.5	2.2
Bolivia																
(Plurinational State of)	16.9	15.3	10.7	19.5	-3.8	-1.9	10.5	4.8		0.0	7.8	7.8	7.1	7.1	-5.8	3.9
Brazil	16.8	17.6	16.2	16.7	-5.9	-3.2	854.8	6.7	5.6	9.6	5.6	7.1	14.0	9.4	-1.7	-0.9
Chile	25.4	22.6	22.6	23.5	1.9	11.8	3.3	7.3	7.3	9.0	9.1	4.1	10.0	10.1	-2.7	0.9
Colombia	21.5	19.9	17.0	18.4	-1.6	-1.8	22.1	5.9	7.3	12.9	7.2	3.6	9.6	9.4	-1.7	-1.5
Costa Rica	19.6	22.0	15.2	17.2	-1.9	-1.9	16.9	10.4	5.1	6.2	14.5	-0.7	10.3	7.9	-4.4	-4.8
Dominican Republic	19.4	18.1	14.1	13.4		-1.4	15.3	12.5	15.3	15.7	7.6	-0.8	6.4	2.6	-2.1	-3.1
Ecuador	20.7	24.1	17.7	24.1	-24.5	-1.9	39.0	16.5	9.1	9.7	6.3	3.3	10.8	12.3	-3.2	0.1
El Salvador	17.0	15.7	14.8	12.0	-1.4	-3.6	11.1	3.3	8.1	6.9	15.5	3.5	12.4	2.4	-2.2	-3.7
Guatemala	17.7	18.9	12.7	14.4		-2.0	15.0	6.7			10.4	2.7	12.0	3.8	-5.1	-4.5
Mexico	26.1	24.9	22.9	23.5	-3.1	-2.5	20.4	5.1	3.6	3.7	13.9	3.0	14.3	4.5	-3.2	-1.2
Nicaragua	32.2	29.4	5.2	11.0		-1.3	321.6	8.1	14.3	10.7	4.6	9.9	11.0	4.8	-25.8	-16.5
Panama	22.5	21.4	18.8	16.1	0.5	-1.7	1.1	2.5	14.2	10.3	7.0	4.9	7.5	7.3	-3.8	-5.3
Paraguay	23.9	18.5	23.3	18.3	0.4	0.2	16.5	7.9	5.6	7.0	5.7	11.8	8.9	10.6	-0.6	-0.1
Peru	20.9	20.7	15.2	19.9		-0.6	807.8	2.5	8.2	8.9	6.8	6.4	8.1	8.0	-5.7	-0.7
Uruguay	16.5	17.1	13.0	16.1	-3.2	-1.9	48.9	8.4	9.9	11.8	4.6	9.4	10.3	7.1	-1.0	-0.8
Venezuela																
(Bolivarian Republic of)	20.5	23.7	22.6	34.3	-1.8	-1.5	47.4	21.6	10.3	11.9	5.5	0.3	7.6	9.7	3.3	9.9

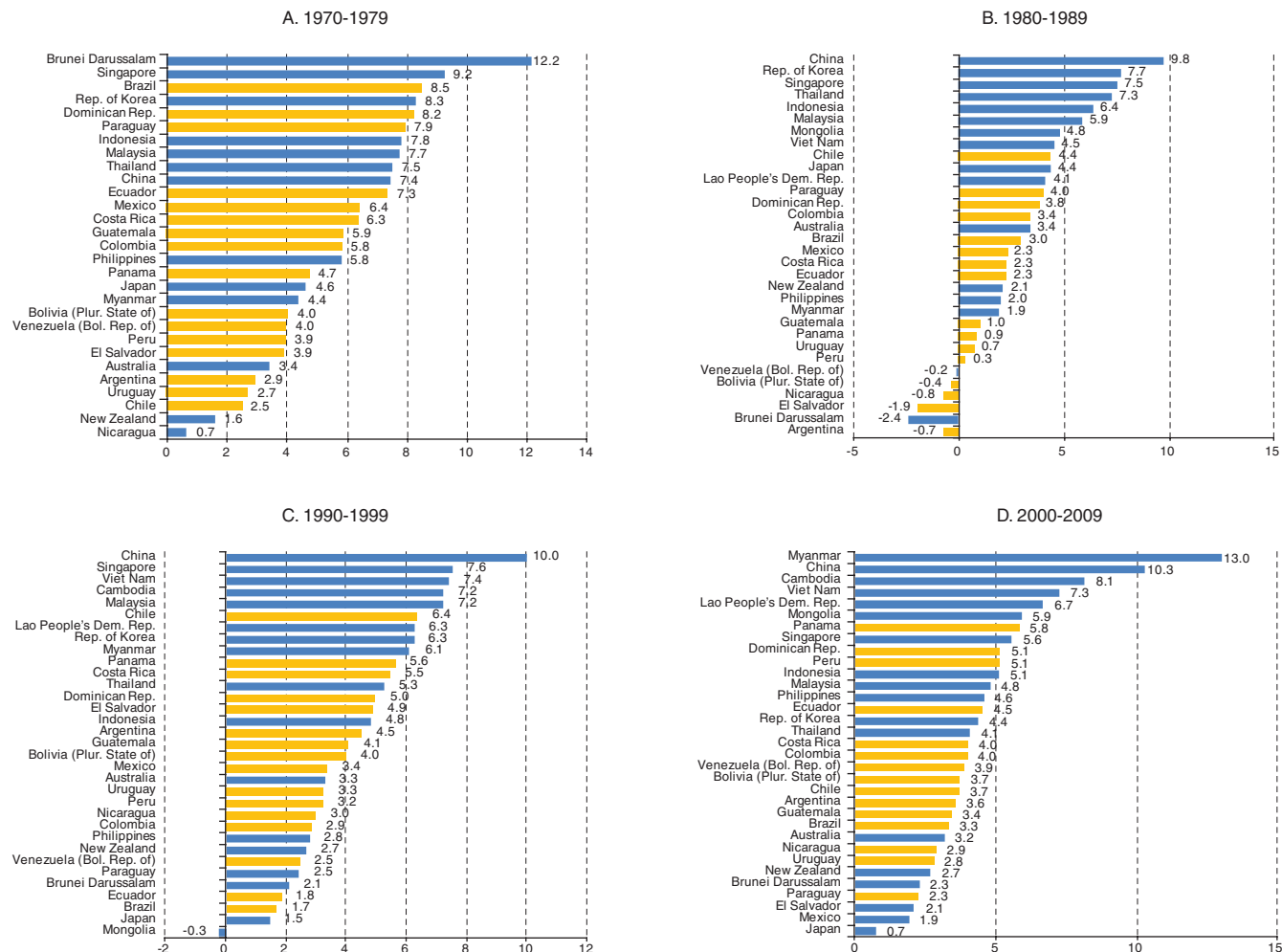
Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on IMF World Economic Outlook Database, April 2011.



## 6. Growth poles of the FEALAC economy over the last 40 years have been shifting to emerging markets. The Chinese case has been the most impressive

■ Figure I.4 ■

**FEALAC: countries annual growth rates averages, by decade**  
(Percentages)



Source: World Bank, World Economic Development Indicator Databank, 2010.

## 7. However, FEALAC includes both developed and developing countries with large differences in GDP size

- The GDP size varies widely from China's US\$ 5.9 trillion, Japan's US\$ 5.5 trillion, Brazil's US\$ 2.0 trillion and Mexico's US\$ 1.0 trillion in 2010, to Mongolia's 5.8 billion, Nicaragua's 6.4 billion and Lao People's Democratic Republic's 6.3 billion.
- As a result, FEALAC total GDP is unequally distributed. In Asia-Pacific, only four countries —China, Japan, Australia,

the Republic of Korea and Indonesia— each accounted for more than 1% of the world output in 2010 while in FEALAC Latin America and the Caribbean, Brazil and Mexico were the only countries whose share in world GDP surpassed the 1% threshold that year.

■ Table I.3A ■

**FEALAC: GDP at nominal prices, by country and subregion 2010**  
(Millions of dollars and percentages of world total)

FEALAC Asia-Pacific			FEALAC Latin America and the Caribbean		
China	5 878 257	9.34	Brazil	2 090 314	3.32
Japan	5 458 872	8.68	Mexico	1 039 121	1.65
Republic of Korea	1 235 539	1.96	Argentina	370 269	0.59
Indonesia	1 007 084	1.60	Colombia	290 678	0.46
Australia	706 735	1.12	Venezuela (Bolivarian Republic of)	285 511	0.45
Thailand	318 850	0.51	Peru	203 323	0.32
Malaysia	237 959	0.38	Chile	152 830	0.24
Philippines	222 699	0.35	Cuba <sup>a</sup>	62 278	0.10
Singapore	188 719	0.30	Ecuador	61 489	0.10
Viet Nam	140 434	0.22	Dominican Republic	50 874	0.08
New Zealand	103 574	0.16	Guatemala	40 773	0.06
Myanmar	35 646	0.06	Costa Rica	40 714	0.06
Cambodia	11 963	0.02	Uruguay	35 019	0.06
Brunei Darussalam	11 360	0.02	Bolivia (Plurinational State of)	27 199	0.04
Lao People's Democratic Republic	6 341	0.01	Panama	21 796	0.03
Mongolia	5 807	0.01	El Salvador	19 182	0.03
			Paraguay	17 168	0.03
			Nicaragua	6 375	0.01
Sub-total	15 569 839	24.75	Sub-total	4 808 538	7.64
World	62 909 274	100.00			

Source: IMP.

<sup>a</sup> Cuba's GDP refers to 2009 based on Economic Commission for Latin America and the Caribbean (ECLAC), *Statistical Yearbook 2010*.

■ Table I.3B ■

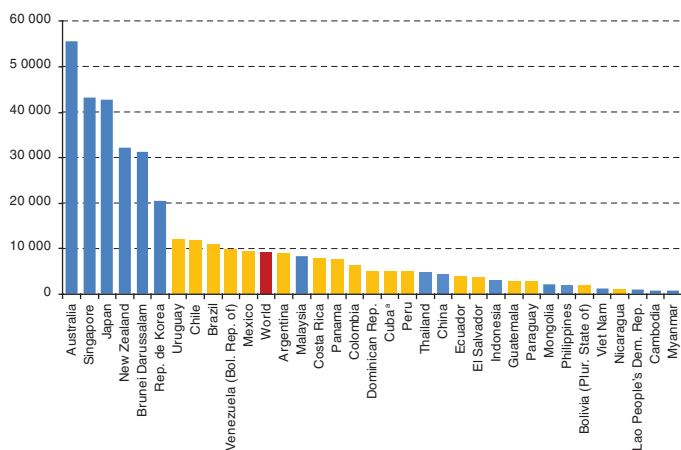
**FEALAC: GDP in PPP, by country and subregion, 2010**  
(Millions of dollars and percentages of world total)

FEALAC Asia-Pacific			FEALAC Latin America and the Caribbean		
China	10 085 708	13.58	Brazil	2 172 058	2.92
Japan	4 309 432	5.80	Mexico	1 567 470	2.11
Republic of Korea	1 459 246	1.96	Argentina	632 223	0.85
Indonesia	1 029 884	1.39	Colombia	429 866	0.58
Australia	882 362	1.19	Venezuela (Bolivarian Republic of)	346 973	0.47
Thailand	584 768	0.79	Peru	274 276	0.37
Malaysia	412 302	0.56	Chile	257 546	0.35
Philippines	350 279	0.47	Cuba <sup>a</sup>	114 100	0.15
Singapore	291 712	0.39	Ecuador	113 825	0.15
Viet Nam	275 639	0.37	Dominican Republic	85 391	0.11
New Zealand	119 791	0.16	Guatemala	69 958	0.09
Myanmar	76 240	0.10	Costa Rica	51 130	0.07
Cambodia	29 811	0.04	Uruguay	48 140	0.06
Brunei Darussalam	19 925	0.03	Bolivia (Plurinational State of)	47 796	0.06
Lao People's Democratic Republic	15 689	0.02	Panama	43 725	0.06
Mongolia	10 252	0.01	El Salvador	43 640	0.06
			Paraguay	31 469	0.04
			Nicaragua	17 269	0.02
Sub-total	19 953 040	26.87	Sub-total	6 346 855	8.55
World	74 264 873	100.00			

## 8. GDP per capita varies widely among the FEALAC member countries and the gaps with the GDP per capita of the United States are slow in closing

- In terms of per capita GDP at nominal prices in 2010 some FEALAC countries such as Australia (US\$ 55,590), Singapore (43,117), Japan (42,820), New Zealand (32,145), and Brunei Darussalam (31,239) are among the richest in the world while others such as Myanmar (702), Cambodia (814) and Lao PDR (984) are in the incipient stages of economic development.
- The 10 ASEAN countries are characterized by wide differences in their GDP sizes, ranging from the second largest, Singapore, to the poorest of the group, Myanmar. The majority of FEALAC Latin American and Caribbean members position themselves as middle-income countries.
- With the exceptions of several Asian countries, the per capita GDP gap with the United States remains high and is slow in narrowing.

■ **Figure I.5** ■  
**GDP per capita, 2010**  
(At nominal 2010 dollars)



Source: IMF.

\* Cuba's GDP refers to 2009 based on ECLAC Statistical Yearbook 2010.

■ **Table I.4** ■  
**GDP per capita (PPP) at current international dollar, by country**  
(United States GDP per capita=100)

Country	1990	2000	2010
	FEALAC Asia-Pacific		
Australia	76.6	77.6	84.0
Brunei Darussalam	156.2	122.8	103.4
Cambodia	2.4	2.6	4.5
China	3.4	6.7	15.9
Indonesia	6.6	6.9	9.3
Japan	81.3	71.9	71.5
Lao People's Democratic Republic	3.0	3.3	5.2
Malaysia	20.9	26.0	31.0
Mongolia	7.5	5.4	8.5
Myanmar	1.0	1.3	2.6
New Zealand	58.8	55.8	57.0
Philippines	7.6	6.6	7.9
Republic of Korea	33.7	46.8	63.1
Singapore	74.8	91.5	119.5
Thailand	12.5	14.2	19.4
Viet Nam	2.8	4.0	6.6
	FEALAC Latin America and the Caribbean		
Argentina	24.1	26.1	33.5
Bolivia (Plurinational State of)	9.8	8.8	9.7
Brazil	23.0	20.4	23.8
Chile	20.7	27.0	31.7
Colombia	18.6	16.6	20.2
Costa Rica		20.2	23.7
Dominican Republic	12.1	15.2	18.7
Ecuador	15.9	13.4	16.4
El Salvador	12.6	14.9	15.7
Guatemala	12.5	10.6	10.3
Mexico	31.7	30.8	30.5
Nicaragua			6.4
Panama	16.7	18.8	26.6
Paraguay	12.8	9.5	11.0
Peru	14.0	14.4	19.7
Uruguay	22.8	23.1	30.2
Venezuela (Bolivarian Republic of)	30.2	24.2	25.0
United States	100.0	100.0	100.0

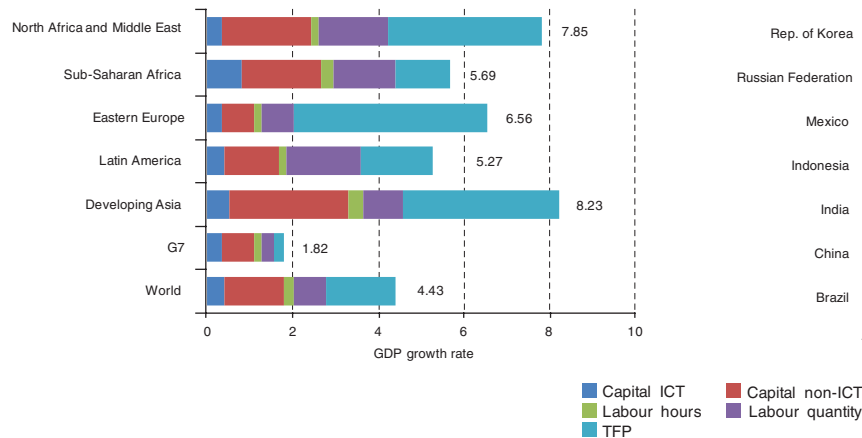
Source: International Monetary Fund, World Economic Outlook Database, April 2011.

## 9. Total Factor Productivity (TFP) has been a major source of economic growth for developing Asia whereas Latin America's performance in this area has been disappointing

- When measured in terms of PPP, the major source of economic growth for developing Asia has been TFP which contributed 3.78 percentage points of the 8.2% of GDP growth rate registered between 2004 and 2008. In the TFP performance, the most impressive region has been Eastern Europe surpassing developing Asia's performance. The contribution of TFP to GDP growth in Latin American economies has been quite meager in comparison with that of Eastern Europe and Developing Asia.
- During the period in question, in developing Asia, the contribution capital in non Information and Communication Technologies (ICT) has been also quite significant. In contrast, for Latin America, capital, labour and TFP evenly contributed to GDP growth.
- By country, TFP increase has been the predominant source of GDP growth in China, India, the Republic of Korea, and most significantly in the Russian Federation. The case of Brazil is less impressive and in Mexico, the contribution of TFP has even been negative.

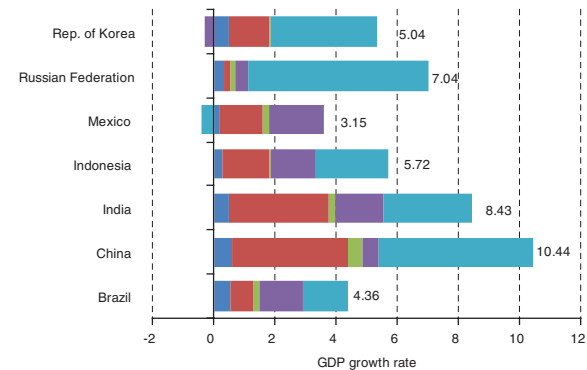
■ Figure I.6A ■

**Sources of growth, by principal regions, 2004-2008**  
(Percentages)



■ Figure I.6B ■

**Sources of growth, selected Asian and Latin American countries, 2004-2008**  
(Percentages)

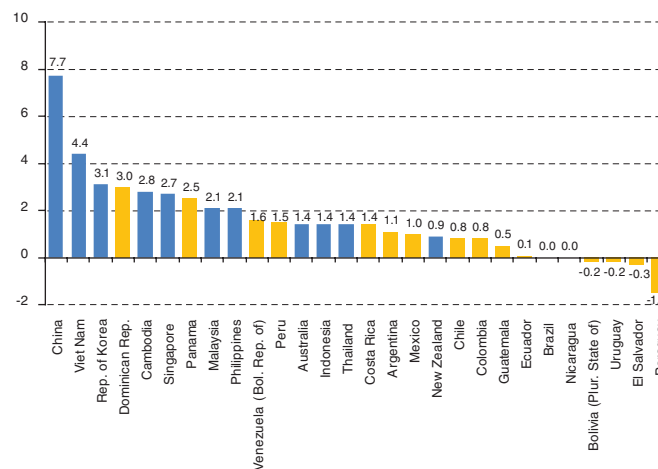


Source: Dale W. Jorgenson and Khuong M. Vu, "Potential Growth of the World Economy", *Journal of Policy Modeling*, vol. 32, Issue 5, September-October, 2010.

## 10. Latin America's lacklustre growth and the resulting income gaps are attributable to a chronic productivity growth deficit

- With the exceptions of the Dominican Republic and Panama, FEALAC-Latin American countries score unsatisfactorily in productivity growth.
- Among the FEALAC member countries, China and Viet Nam have been leading in productivity enhancement. A few Latin American countries find themselves at the other extreme and show almost no growth or even negative growth in productivity.
- Low productivity obstructs the growth of small-and medium-sized and large enterprises, and fosters a deeply unequal and segmented business community. Other sources of low productivity relate to underdevelopment of economic and social infrastructure, physical and human alike, and high transport and logistical costs.

**Figure 1.7**  
Productivity growth, 1996-2006  
(Percentages)

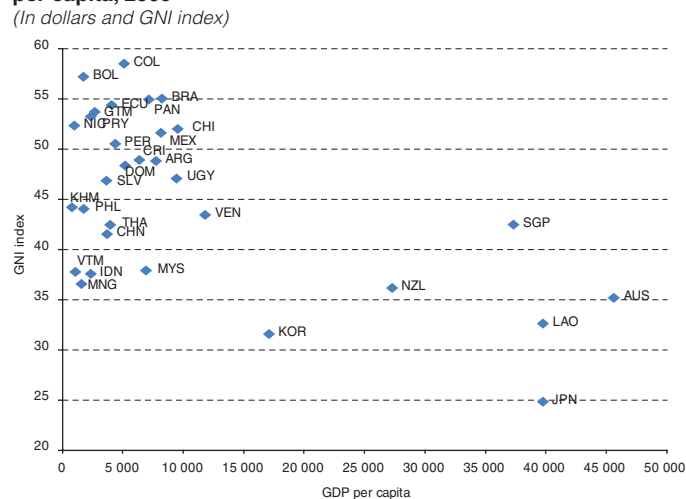


Source: Dale W. Jorgenson and Khuong M. Vu, "Projecting World Economic Growth", mimeo.

## 11. FEALAC Asia-Pacific countries perform much better in poverty reduction and income distribution than its FEALAC Latin American counterparts

- Income distribution—measured by GNI index in FEALAC Asia-Pacific countries—is much better than that in Latin American countries. As expected, developed economies such as Japan, Australia and New Zealand score high.
- All the ASEAN countries perform quite satisfactorily in this area with the worst income distribution among the Asian countries belonging to Cambodia whose GNI coefficient is much lower than that of Latin American countries. Latin American countries' GNI coefficients are close to 50 or higher. At lower per capita levels, Asian countries have achieved better income distribution than the Latin American economies.

■ Figure I.8 ■  
Income distribution of FEALAC countries in relation to GDP per capita, 2009  
(In dollars and GNI index)



Source: World Bank, World Economic Development Indicators, 2010.

■ Table I.5 ■  
FEALAC, GNI index and GDP per capita for FEALAC member countries  
(In nominal dollars and GNI Index)

Country	GDP per capita, 2009 Current dollars	GNI	Most recent year for GNI
FEALAC Asia-Pacific			
Australia	45 587	35.19	1994
China	3 678	41.53	2005
Indonesia	2 329	37.58	2007
Japan	39 731	24.85	1993
Cambodia	775	44.2	2007
Republic of Korea	17 074	31.59	1998
Lao People's Democratic Republic	39 731	32.63	2002
Mongolia	1 560	36.57	2008
Malaysia	6 897	37.91	2004
New Zealand	27 259	36.17	1997
Philippines	1 746	44.04	2006
Singapore	37 293	42.48	1998
Thailand	3 940	42.45	2004
Viet Nam	1 060	37.77	2006
FEALAC Latin America and the Caribbean			
Argentina	7 726	48.81	2006
Bolivia (Plurinational State of)	1 724	57.19	2007
Brazil	8 220	55.02	2007
Chile	9 525	52.00	2006
Colombia	5 087	58.49	2006
Costa Rica	6 345	48.91	2007
Dominican Republic	5 176	48.35	2007
Ecuador	4 059	54.37	2007
Guatemala	2 662	53.69	2006
Mexico	8 135	51.61	2008
Nicaragua	972	52.33	2005
Panama	7 133	54.93	2006
Peru	4 356	50.52	2007
Paraguay	2 337	53.24	2007
El Salvador	3 623	46.85	2007
Uruguay	9 426	47.06	2007
Venezuela (Bolivarian Republic of)	11 789	43.44	2006

Source: World Bank, World Economic Development Indicators, 2010.

## 12. Asia as a whole has almost half of world population which represents an important potential market for FEALAC Latin American countries

- The number of inhabitants in three emerging Asian markets (China, Indonesia and India) combined, whose purchasing power continues to grow, represents more than 40% of world's population.
- A population of 3.4 billion in 2010 living in East Asia, South-East Asia and India continues to grow and is expected to reach 4 billion by 2050. Population in South-East Asian countries will grow at a rate higher than that in Latin America and the Caribbean. The growth rate of Asian countries such as Japan and the Republic of Korea between 2010 and 2050 will be negative while the Chinese population will only begin to taper off in the 2030s.
- On the other hand, Latin America and the Caribbean region has a young population with a birth rate higher than that of Asia and the European Union but slightly less than that of the United States.
- Until 2050, the expected growth rate of countries in the region is quite heterogeneous: Guatemala will register the highest annual growth rate (1.7%), while Cuba will experience an annual drop in its population (0.3%). The largest populations of the region (Brazil, Mexico, Argentina, the Bolivarian Republic of Venezuela and Colombia) are expected to grow at an annual rate of 0.46%.

■ Table I.6 ■

### Selected countries and regions: population growth, 2000-2050

(Millions of people and annual growth rates)

	2000	2010	2020	2030	2040	2050	Annual growth rates 2010-2050
Latin America and the Caribbean	521.2	588.6	645.5	689.9	718	729.2	0.54
Andean countries	110.8	128.6	145.6	160.3	171.6	179	0.83
Caribbean	34.7	38.1	41.2	43.8	45.6	46.5	0.5
Central America	35.4	42.2	49.6	56.9	63.0	67.9	1.2
Mexico	99	110.7	120.1	127.5	132.1	133.3	0.47
Southern Cone	235.1	263.2	283.2	296.3	302.8	303.2	0.35
Asia <sup>a b c</sup>	3 032.2	3 368.0	3 661.2	3 857.5	3 959.2	3 979.8	0.42
East Asia <sup>a</sup>	1 472.4	1 564.0	1 640.4	1 666.4	1 649.8	1 600.0	0.06
China	1 267.0	1 354.1	1 431.2	1 462.5	1 455.1	1 417.0	0.11
Republic of Korea	46.4	48.5	49.5	49.1	47.3	44.1	-0.24
Japan	126.7	127.0	123.7	117.4	109.8	101.7	-0.55
South-East Asia <sup>b</sup>	517.2	589.6	653.5	706.5	744.7	766.0	0.66
India <sup>c</sup>	1 042.6	1 214.5	1 367.2	1 484.6	1 564.8	1 613.8	0.71
United States	287 842	317 641	346 153	369 981	388 907	403 932	0.60
European Union	481.2	497.5	505.3	505.6	501.4	493.9	-0.02
World	6 115.4	6 908.7	7 674.8	8 308.9	8 801.2	9 150.0	0.70
Share of Asia in world total	49.6	48.8	47.7	46.4	45.0	43.5	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Population Prospects, 2008.

<sup>a</sup> China, Hong Kong SAR, Macao SAR, Japan, Mongolia and Republic of Korea.

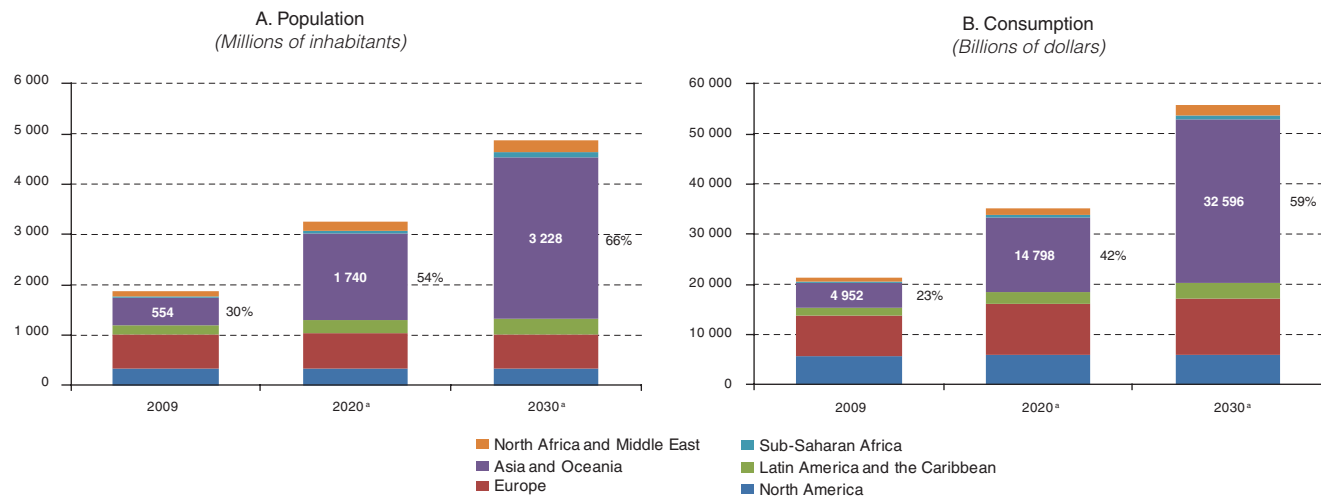
<sup>b</sup> Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Viet Nam.

<sup>c</sup> Asia consists of East Asia, South-East Asia and India.

### 13. The middle-class in Asia-Pacific continues to grow and its inhabitants will make up two-thirds of the world's middle class by 2030

- In 2009, 554 million inhabitants made up the middle class in Asia-Pacific and represented 30% of the 1.85 billion inhabitants of the middle class in the world. It is expected that the middle class in Asia-Pacific will continue to grow at an annual rate of 8.8% between 2009 and 2030. This region contributes to 85% of the growth of the world's middle class.
- In terms of consumption, the middle class in Asia-Pacific made up 23% of the world's consumption equaling nearly US\$ 5 trillion. Estimates show that by 2030 consumption will reach 59% to reach US\$ 33 trillion representing more than 80% of the total demand of the world's middle class. This rising middle class will be an important consumer market for Latin American and Caribbean exports.
- The dynamic expansion of the Asia-Pacific middle class can compensate, in some way, for the standstill in growth of the North American and European middle class.

■ **Figure I.9** ■  
**Population and consumption of the middle class by region, 2009, 2020 and 2030**



Source: Homi Khara, "The Emerging Middle Class in Developing Countries", OECD Development Centre Working Paper, No. 285, January 2010.

Note: Consumption is based on PPP.

<sup>a</sup> Estimates.

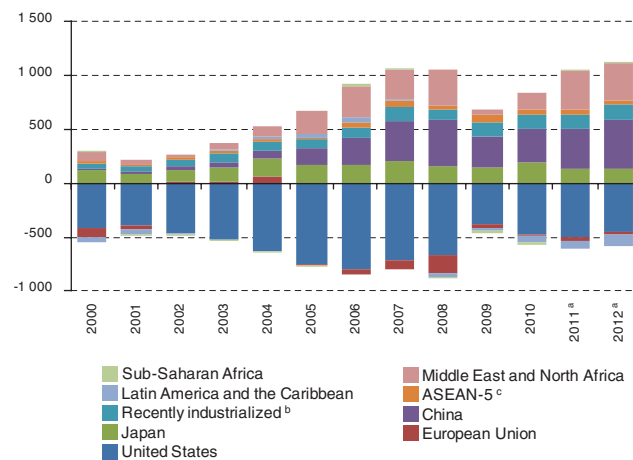


## 14. Asia-Pacific, and China in particular, has a substantial current account surplus. This is an important source of global savings but is also part of the global imbalance that must be corrected

- Asia-Pacific and China play an increasingly important role in maintaining global economic equilibrium. China has the world's greatest levels of international reserves and current account surplus. Relative to GDP, however, Germany, the Netherlands, the Nordic countries, several Asian countries and the main oil producing nations have higher current account balances. In order to achieve a more stable global economic recovery, current account surpluses must be reduced in China, Germany and Japan. These economies should promote domestic expenditures, increasing imports instead of exports and reducing the contribution of net exports in economic growth. Inasmuch as this increase in imports results in greater exports from the United States—the economy with the largest trade and current account deficits—the global economic recovery will be more stable and balanced. China's twelfth five-year plan is headed in that direction: increasing domestic consumption in proportion to income, stimulating imports and allowing a gradual appreciation of its currency.

■ **Figure I.10 ■**  
**Selected countries and regions: current account balance, 2000-2012**

(Billions of dollars)



Source: International Monetary Fund, World Economic Outlook Database, April 2011,

<sup>a</sup> Projections

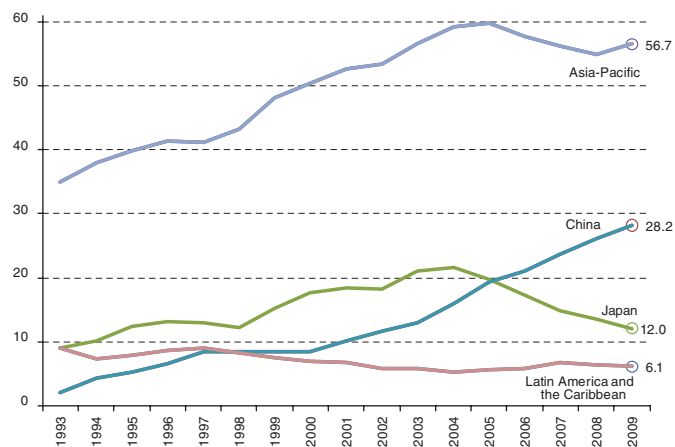
<sup>b</sup> Newly industrialized economies in Asia include: Taiwan Province of China, Hong Kong SAR, the Republic of Korea and Singapore.

<sup>c</sup> ASEAN (5) consists of Indonesia, the Philippines, Malaysia, Thailand and Viet Nam.

## 15. Asia-Pacific controls 57% of global reserves while China controls 28%

- As of December 2009, Asia-Pacific accounted for roughly 60% of world international reserves, half of which corresponded to China. The share of Latin America and the Caribbean is not insignificant, with a 6% of the world total.
- As a result of increasing reserves in hands of Asian and Latin American countries, China, Japan, Bolivia, Brazil, Peru and Uruguay have reserves equivalent to more than 10 months of imports.

■ **Figure I.11** ■  
**Share in world foreign reserves held by Asia-Pacific and Latin America and the Caribbean, 1993-2009**  
*(Percentages of world total)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on The Economist Intelligence Unit database.

■ **Table I.7** ■  
**Total reserves in months of imports**

Country	1990	2000	2009
FEALAC Asia-Pacific			
Australia <sup>a</sup>	3.3	2.1	1.2
Brunei Darussalam			4.1
China	8.5	7.4	25.0
Indonesia	3.1	5.3	6.1
Japan	2.7	8.7	18.1
Myanmar	6.2	1.3	
Mongolia		3.1	5.6
Malaysia	3.6	3.3	7.2
New Zealand	3.5	2.2	4.9
Philippines	1.5	3.5	8.7
Paraguay	3.5	2.6	5.7
Republic of Korea	2.3	5.7	8.0
Singapore	4.7	5.2	5.9
Thailand	4.4	5.1	9.8
Viet Nam		2.3	2.5
FEALAC Latin America and the Caribbean			
Argentina	5.7	6.3	9.4
Bolivia (Plurinational State of)	4.5	5.8	17.0
Brazil	2.7	4.2	13.2
Chile	7.1	6.9	4.7
Colombia	6.1	6.1	6.1
Costa Rica	2.3	1.8	3.6
Dominican Republic	0.3	0.6	2.1
Ecuador	3.2	2.2	2.5
Guatemala	2.1	3.6	4.5
Mexico	1.9	2.0	4.3
Nicaragua	2.2	2.5	4.0
Panama	0.7	0.8	2.0
Peru	3.8	8.8	11.5
Paraguay	3.5	2.6	5.7
El Salvador	4.0	3.8	4.3
Paraguay	3.5	2.6	5.7
Uruguay	7.7	6.6	10.7
Venezuela (Bolivarian Republic of)	11.9	7.4	7.8
European Union	3.4	2.1	2.9
United States	2.7	0.9	2.0
World	3.8	5.0	15.0

Source: World Bank, World Economic Indicators 2010.

<sup>a</sup> For Australia, the 2009 figure refers to 2008.

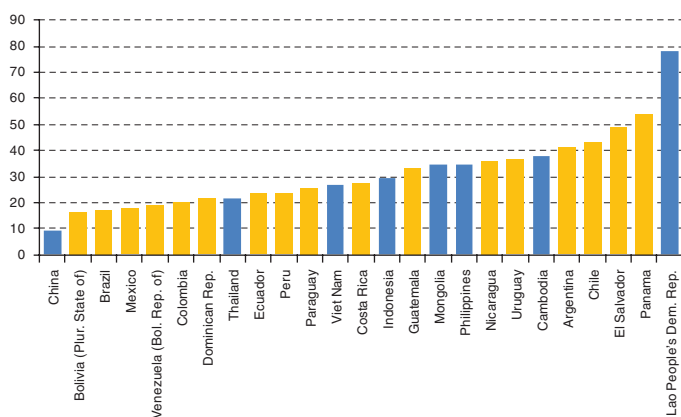
## 16. The size of the foreign debt for FEALAC developing countries is relatively small and interest payments on such debt are decreasing as a result of sound macroeconomic policies

- The size of the external debt in hands of FEALAC developing countries both in Asia and in Latin America and the Caribbean is relatively small in relation to the each country's gross national income.
- With the exception of El Salvador, the interest payments on external debt as a percentage of exports of goods and services are small and have been decreasing over the years.
- In sum, the debt burden of FEALAC developing countries is small and, considering the amount of exports, is quite manageable.

■ Figure I.12 ■

### Present value of external debt, 2009

(Percentages of gross national income)



Source: World Bank World Economic Indicators 2010.

■ Table I.8 ■

### Interest payments on external debt

(Percentages of exports of goods, services and income)

Country	1990	2000	2009
FEALAC Asia-Pacific			
China	5.4	2.5	0.5
Cambodia		0.9	0.4
Indonesia	13.4	10.1	3.3
Lao People's Democratic Republic <sup>a</sup>	2.8	1.8	4.4
Myanmar <sup>b</sup>	4.5	0.7	1.1
Mongolia		1.7	1.3
Malaysia	3.4	2.0	1.1
Philippines	13.6	6.8	6.6
Thailand	6.5	5.6	0.9
Viet Nam		2.0	0.7
FEALAC Latin America and the Caribbean			
Argentina	16.3	28.8	4.8
Bolivia (Plurinational State of)	14.5	11.2	3.4
Brazil	6.2	25.1	7.5
Chile	16.7	9.0	2.5
Colombia	18.8	13.1	7.4
Costa Rica	9.9	3.3	3.4
Dominican Republic	4.5	2.8	4.7
Ecuador	14.4	13.6	5.8
El Salvador	8.4	5.6	11.1
Guatemala	7.2	4.9	7.3
Mexico	14.0	7.6	4.1
Nicaragua	2.8	8.6	4.0
Panama	4.0	4.5	4.4
Peru	5.7	15.5	4.2
Paraguay	3.4	4.6	1.8
Uruguay	17.7	12.2	6.4
Venezuela (Bolivarian Republic of)	15.1	7.8	5.1

Source: World Bank World Economic Indicators 2010.

<sup>a</sup> Figure for Lao People's Democratic Republic 2009 refers to 2007.

<sup>b</sup> Figure for Myanmar 2009 refers to 2006.

## 17. Asia's possession of United States short- and long-term holdings reached 41%

■ Table I.9 ■

**Value of foreign holdings of United States securities, equity and long-term debt, by major investing country or territory and type of security (as of June 2009)<sup>a,b</sup>**

(Billions of dollars)

Major investors Region/Country	Total long and short term	Equity	Long-term debt	Treasury	Agency LT debt		LT corporate debt		Total short-term debt
					ABS <sup>c</sup>	Others	ABS <sup>c</sup>	Others	
Total Africa	62.7	5.7	28.6	25.1	0.1	0.7	0.4	2.3	28.3
Total Asia	4 399.9	648.0	3 418.9	2 337.8	578.3	254.0	31.6	217.1	333.0
China <sup>d</sup>	1 610.7	126.5	1 479.3	1 108.1	297.7	62.3	1.7	9.4	4.9
Japan	1 393.4	224.2	1 100.5	737.3	105.6	127.7	15.5	114.5	68.7
Total newly industrialized									
Asian economies (4)	819.6	148.3	566.8	290.6	150.1	55.1	6.6	64.4	104.5
Hong Kong SAR	292.9	32.9	172.4	60.5	82.2	13.4	2.2	14.2	87.6
Taiwan Province of China	228.4	11.8	213.4	149.0	32.0	14.0	0.3	18.0	3.2
Singapore	176.2	91.0	77.6	46.6	1.7	1.6	2.8	24.9	7.5
Republic of Korea	122.0	12.6	103.3	34.4	34.2	26.2	1.3	7.2	6.2
ASEAN (5)	127.4	4.6	73.8	53.7	12.1	3.3	1.9	2.8	49.1
Thailand	37.5	1.1	12.2	11.5	0.0	0.0	0.0	0.6	24.2
Indonesia	32.7	0.5	9.3	8.2	0.0	0.6		0.4	23.0
Malaysia	31.2	2.2	28.1	10.2	12.0	2.6	1.9	1.4	0.9
Philippines	21.2	0.8	19.4	19.0	0.0	0.0		0.4	1.0
Viet Nam	4.8	0.0	4.7	4.7	0.0	0.0	0.0	0.0	0.0
India	41.1	0.8	24.0	21.4	0.0	0.0	0.0	2.6	16.3
Total the Caribbean	1 150.9	402.5	604.1	93.6	53.6	27.4	121.9	307.6	144.3
Cayman Islands	731.7	278.1	371.2	36.3	22.6	9.2	99.6	203.6	82.3
Bermuda	248.6	44.2	176.2	42.4	28.7	13.5	18.9	72.6	28.2
British Virgin Islands	85.1	41.6	27.2	4.1	0.6	1.0	2.7	18.8	16.3
Total Europe	3 943.3	1 318.6	2 263.8	602.5	70.2	55.3	276.3	1 259.5	360.9
United Kingdom	805.8	324.3	459.3	72.0	4.4	6.5	51.4	325.1	22.2
Luxembourg	622.7	171.7	368.9	48.8	10.2	7.5	35.3	267.1	82.2
Belgium	408.5	19.3	383.5	31.4	0.5	9.1	41.6	300.9	5.7
Switzerland	396.7	161.6	210.5	86.8	5.3	8.0	16.5	93.8	24.6
Ireland	358.1	77.3	180.6	27.2	11.9	11.1	50.7	79.8	100.3
Netherlands	246.6	152.0	89.8	21.8	9.6	1.1	12.8	44.5	4.8
Germany	195.4	57.2	129.8	45.5	17.7	1.8	20.2	44.5	8.5
France	194.0	114.9	69.5	14.9	0.9	1.4	18.3	33.9	9.6
Total Latin America	372.1	53.0	254.8	196.8	2.6	25.8	1.9	27.7	64.3
Brazil	169.2	1.8	134.9	132.2	0.0	0.4	0.0	2.4	32.5
Mexico	84.5	16.8	62.2	30.8	0.2	19.5	1.6	10.2	5.4
Chile	27.5	12.6	10.5	9.2	0.2	0.0	0.0	1.1	4.4
Colombia	25.0	4.1	8.1	4.2	0.7	1.9	0.0	1.3	12.8
Canada	424.2	297.7	114.4	29.0	1.2	3.9	7.7	72.6	12.0
Total other countries	132.2	81.1	42.4	15.2	1.5	1.4	2.8	21.5	8.7
Australia	118.4	74.4	38.2	13.7	1.3	1.3	2.5	19.3	5.7
New Zealand	12.3	5.8	3.6	1.4	0.2	0.1	0.2	1.8	2.9
Country no identified	137.9	1.2	135.1	0.0	0.0	0.0	0.0	134.9	1.7
International and regional organizations	78.1	4.9	67.6	43.1	5.7	3.5	10.9	4.3	5.6
Total	10 701.4	2 812.7	6 929.8	3 343.2	713.4	372.1	453.6	2 047.5	958.9
Share of Asia in total	41.1	23.0	49.3	69.9	81.1	68.3	7.0	10.6	34.7
Share of China in total	15.1	4.5	21.3	33.1	41.7	16.8	0.4	0.5	0.5

Source: United States Treasury Department, "Preliminary Report on Foreign Holdings of U.S. Securities at End-June 2010".

<sup>a</sup> Greater than zero but less than \$ 500 million.

<sup>b</sup> Long term debt securities have an original term to maturity of over one year.

<sup>c</sup> Asset-based securities. Agency ABS are backed by primarily by home mortgages; corporate ABS are backed by a wide variety of assets, such as car loans, credit card receivables, home and commercial mortgages, and student loans.

<sup>d</sup> Excludes Hong Kong SAR and Macao SAR, which are reported separately.

- The Report on Foreign Portfolio Holdings of the United States Securities in 2010 indicates that, as of June 30, 2009, foreign holdings of those securities exceeded US\$ 10 trillion of which 2.8 trillion were US stocks, US\$ 6.9 trillion were long-term debt securities (of which 1.2 trillion were holdings of asset-backed securities and US\$ 5.7 trillion were non-asset backed securities.)
- China holds US\$ 1.6 trillion in United States short- and long-term securities representing 15% of total securities (US\$ 9.7 trillion) after Japan.
- In relative terms, Asia's participation as investor in United States' securities, stocks and debt reached 41% and was high with respect to the purchase of US treasury bonds and the debt of US mortgage companies Fannie Mae and Freddie Mac which are also implicitly guaranteed by the US government.

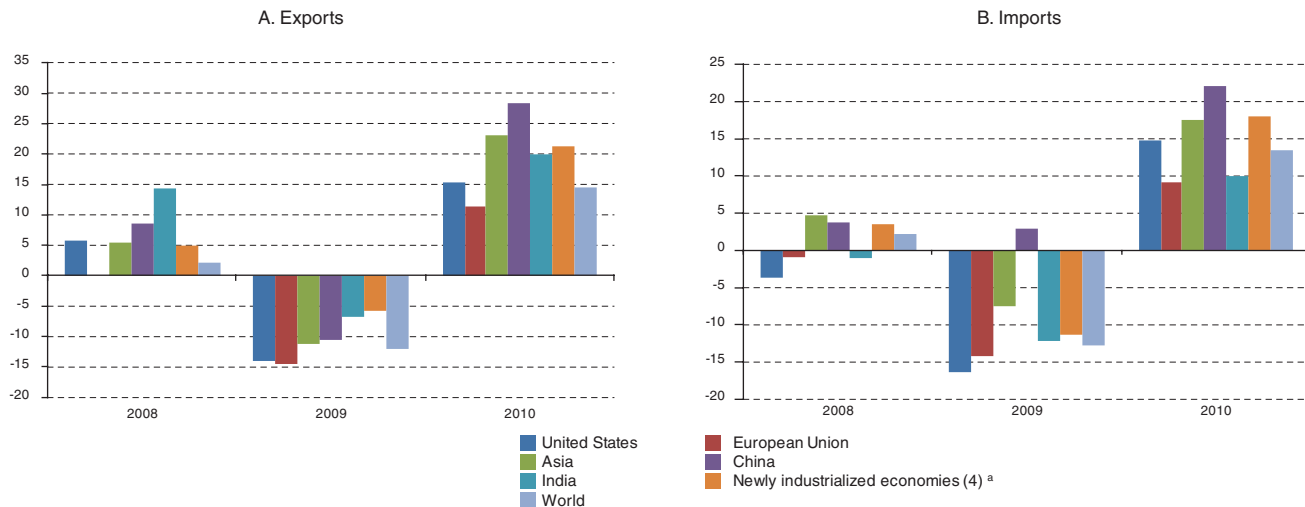
## 18. In the post-crisis world, Asia has exhibited a higher rate of growth in volume of exports

- International trade has made important contributions towards the recovery of the world's economies following the 2008 economic and financial crisis, most notably in emerging economies. By 2010, these countries, particularly in Asia and to some extent in Latin America, exports and imports reached pre-crisis levels. The factors that contributed towards the fall of world trade in 2008 and the beginning of 2009 now contribute to its recovery: (i) final demand of emerging countries; (ii) renewed demands for capital goods and intermediate products due to the normalization of financial markets and credits in conjunction with fiscal stimulus plans; and (iii) price recovery of several basic products. In this way, trade and open markets prevented a worsening of the crisis and later experienced greater demand.
- By 2010, Asian exports increased 23.1% in volume with China and Japan leading with an increase of 28% in exports—nearly double the global rate of growth of 14.5%. In the same year, the United States and the European Union increased their exports by 15.4% and 11.4%, respectively. The impact on trade from the crisis, in terms of both exports and imports, was felt less in Asia when compared to the United States and the European Union.

■ Figure I.13 ■

### Rate of growth of trade by volume of goods by region or selected countries, 2007-2010

(Percentages)



Source: WTO, Press Release "World Trade 2010, Prospects for 2011" Press/628, April 7, 2011.

<sup>a</sup> Recently industrialized economies (4) are Hong Kong SAR, Republic of Korea, Singapore and Taiwan Province of China.

## 19. FEALAC countries are highly integrated into the international trading system

■ Table I.10 ■

### International trade in the world and FEALAC

(Millions of dollars)

	Population (2009) (thousands)	Trade per capita (2007-2009) (millions of dollars)	Trade to GDP (2007-2009) (percentages)	Merchandise exports (2009) (millions of dollars)	Merchandise imports (2009) (millions of dollars)	Services exports (2009) (millions of dollars)	Services imports (2009) (millions of dollars)
FEALAC Asia-Pacific (16)							
Australia	21 875	19 496	44.5	154 234	165 471	41 246	41 360
Brunei Darussalam <sup>a</sup>	400	33 095	97.2	6 900	2 500	867	1 181
Cambodia <sup>b</sup>	14 805	841	137.7	4 200	6 200	1 613	935
China	1 331 460	1 921	58.6	1 201 534	1 005 688	128 600	158 200
Indonesia	229 965	1 148	52.8	119 481	91 749	13 242	27 626
Japan	127 560	12 039	32.2	580 719	551 960	125 858	146 903
Lao People's Democratic Republic <sup>c</sup>	6 320	639	87.9	940	1 260	372	303
Malaysia	27 468	13 729	185.8	157 433	123 832	28 108	27 052
Mongolia	2 671	1 248	131.5	1 903	2 131	483	514
Myanmar <sup>d</sup>	50 020	135	52.8	6 710	4 316	256	547
New Zealand	4 316	17 304	59.1	24 932	25 545	7 468	7 703
Philippines	91 983	1 307	75.3	38 436	45 878	10 101	8 344
Republic of Korea	48 747	18 697	96.9	363 534	323 085	57 304	74 978
Singapore	4 988	155 564	406.0	269 832	245 785	87 805	81 352
Thailand	67 764	5 404	139.4	152 498	133 801	29 934	37 823
Viet Nam	87 280	1 581	161.3	57 096	69 949	5 666	6 759
Subtotal	2 117 622			3 140 382	2 799 150	538 923	621 580
Share of world total (%)	31.1			25.1	22.1	16.1	19.8
FEALAC Latin America and the Caribbean (18)							
Argentina	40 276	3 206	42.6	55 668	38 780	10 818	11 344
Bolivia (Plurinational State of)	9 863	1 103	68.1	4 848	4 410	498	993
Brazil	193 734	1 969	24.5	152 995	133 669	26 245	44 074
Chile	16 970	7 696	77.8	53 735	42 427	8 401	9 351
Colombia	45 660	1 741	34.5	32 853	32 898	4 104	6 807
Costa Rica	4 579	6 053	96.4	8 788	11 395	3 735	1 640
Cuba <sup>e</sup>	11 204	1 136	20.4	3 109	9 623	8 785	1 375
Dominican Republic	10 090	2 723	60.9	5 463	12 283	4 868	1 616
Ecuador	13 625	2 592	66.5	13 799	15 093	1 116	2 553
El Salvador	6 163	2 600	74.0	3 797	7 255	1 159	1 528
Guatemala	14 027	1 691	63.2	7 214	11 531	1 406	1 857
Mexico	107 431	5 448	58.1	229 637	241 515	15 420	21 022
Nicaragua	5 743	1 339	124.5	1 391	3 477	429	517
Panama	3 454	9 182	138.3	948	7 801	5 382	2 093
Paraguay	6 349	2 443	103.7	3 167	6 940	1 103	505
Peru	29 165	2 077	49.5	26 885	21 706	3 517	4 619
Uruguay	3 345	4 917	53.9	5 386	6 907	2 133	1 040
Venezuela (Bolivarian Republic of)	28 384	4 641	45.0	57 595	40 597	1 805	9 223
Subtotal	550 062			667 278	648 307	100 924	122 157
Share of world total (%)	8.1			5.3	5.1	3.0	3.9
World	6 809 972			12 490 000	12 682 000	3 350 000	3 145 000

Source: Trade Statistics Database.

<sup>a</sup> Brunei Darussalam: Services trade corresponds to 2008.

<sup>b</sup> Cambodia: Services trade corresponds to 2008.

<sup>c</sup> Lao People's Democratic Republic: trade per capita and trade in GDP correspond to 2006-2008. Services trade corresponds to 2008.

<sup>d</sup> Myanmar: trade per capita and trade to GDP ratio correspond to 2004-2006. Services trade corresponds to 2006.

<sup>e</sup> Cuba: Figures corresponds only to 2009.

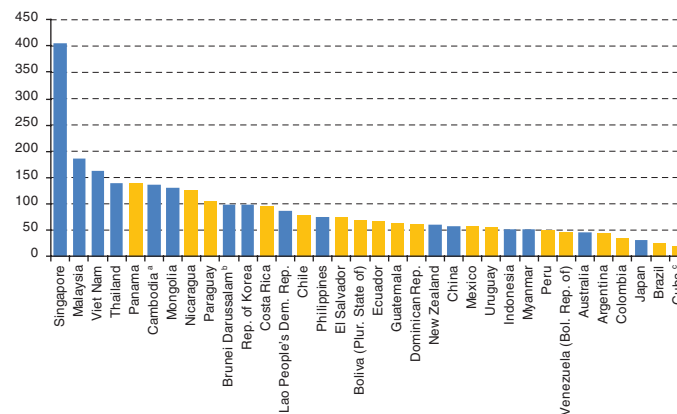
- FEALAC accounted for 30.4% of world merchandise exports and 27.2% of imports in 2009—a steady increase from 21.0% and 6.6% in 1990, respectively.
- The largest trading countries are located in Asia-Pacific, led by China, the world's largest merchandise exporter and second largest importer in 2010. Japan, the Republic of Korea, Singapore, Thailand and Malaysia are also large trading economies worldwide.
- As it stands now, the size of FEALAC-Asia Pacific trade is almost four and half times larger than that of FEALAC-Latin America.
- The 10 ASEAN member countries as a whole accounted for 6.5% and 5.7% of world merchandise exports and imports in 2009, respectively—surpassing the FEALAC Latin America and Caribbean country totals both in exports and imports.
- In trade in services, China is the fourth largest exporter while Japan, Singapore and the Republic of Korea ranked among the top 15 exporters in 2010. In comparison, in Latin America and the Caribbean only Brazil appeared among the top 30 world exporters. China, Japan, Singapore, Korea, Brazil Australia, and Mexico rank as the third, fifth, eleventh, twelfth, nineteenth, and thirty-fourth largest importers of services in 2010, respectively. Malaysia and Thailand import more services than Mexico.



## 20. The smaller FEALAC economies are more open to trade than the larger ones

- FEALAC Asia-Pacific as a group has achieved a higher degree of trade openness than FEALAC Latin America and the Caribbean, though both starting from a similar level in the mid 1990s.
- High trade share in GDP of FEALAC member countries reflect in part the trade liberalization reforms that these countries have introduced over the last two decades. Asian countries which show high coefficients are also promoters of intra-industry trade based principally on components and parts in global and Asian supply and value chains.
- Although those percentages tend to be smaller in large developed countries such as Australia and Japan and in developing countries such as Brazil, the averages for FEALAC are similar levels or slightly higher than that for the rest of the world. Countries heavily involved in international trade are relatively smaller in size, have closer economic ties with their neighbors and are active in intra-regional trade. These include most of the countries in Asia and Central America.

■ **Figure I.14 ■**  
**Trade openness: exports and imports as percentage of GDP, 2007-2009 average**  
*(Percentages based on nominal United States dollars)*



Source: WTO Trade Profiles 2010.

<sup>a</sup> Cambodia, figure refers to 2006-2008.

<sup>b</sup> Brunei Darussalam, figure refers to 2004-2006.

<sup>c</sup> Economic Commission for Latin America and the Caribbean (ECLAC) estimates.

## 21. Though with a lesser intensity than in the case of international trade, FEALAC's presence in world FDI is also significant

- According to UNCTAD, inward direct investment in FEALAC Asia-Pacific (16) has increased steadily over the years reaching US\$ 1.9 trillion in 2009, almost tripling the amount realized in 2000. As of 2009, the cumulative FDI in FEALAC Asia-Pacific was equivalent to 11% of the world FDI stock. More than half of this investment value was directed to China. Australia, Singapore and other ASEAN countries, and Republic of Korea have emerged as important FDI recipients. Several Asia-Pacific countries have transformed into major investors which includes the traditionally largest investor, Japan, and also China, the Republic of Korea, Australia, Singapore and other ASEAN nations.
- The corresponding figures for FEALAC Latin America (18) are also impressive: the stock in 2009 —estimated at US\$ 1.2 trillion— represents 6.5% of the world total. Brazil and Mexico have been the major recipients. Investment in resources-related industries and service-related operations, financed mainly by firms of the proper region, is on a rise resulting in the emergence of trans-Latins.

■ Table I.11 ■

### FEALAC: stock of inward and outward foreign direct investment, 2000 and 2009

(Billions of dollars and percentages)

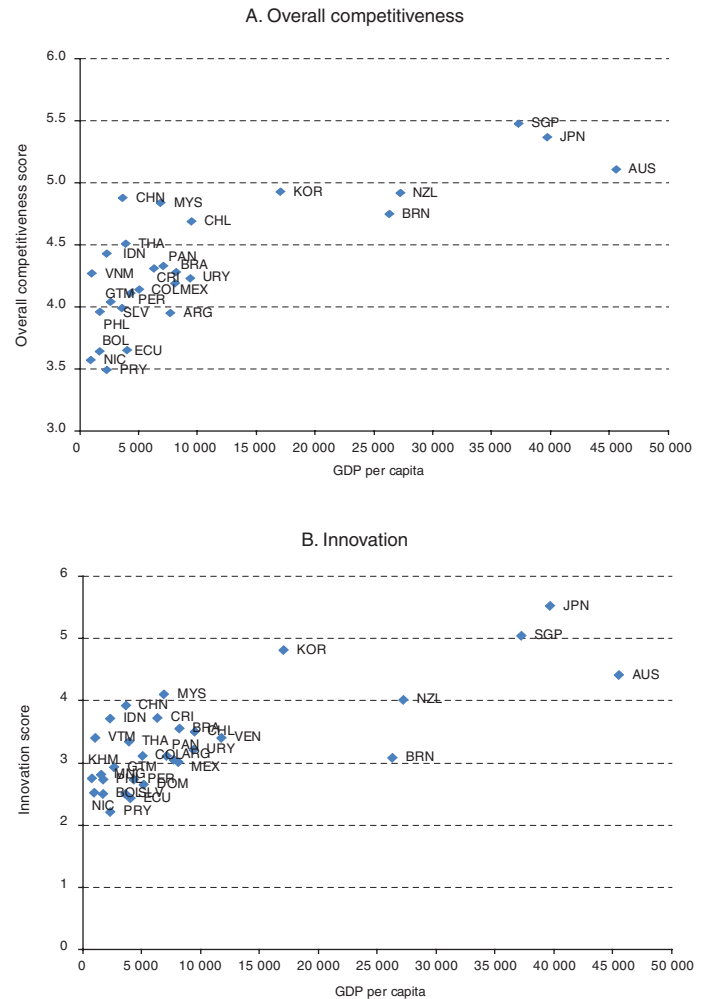
A. Asia-Pacific (16)									B. Latin America and the Caribbean (18)								
	Inward				Outward					Inward				Outward			
	2000	2009	2000	2009	2000	2009	2000	2009		2000	2009	2000	2009				
Australia	118 858	17.2	328 090	17.5	95 979	18.4	343 632	19.2	Argentina	67 769	16.0	80 996	7.0	21 141	18.4	29 428	8.4
Brunei Darussalam	3 868	0.6	10 672	0.6	447	0.1	732	0.0	Bolivia (Plurinational State of)	5 188	1.2	6 421	0.6	29	0.0	61	0.0
Cambodia	1 580	0.2	5 169	0.3	193	0.0	307	0.0	Brazil	122 250	28.9	400 808	34.6	51 946	45.2	157 667	45.1
China	193 348	27.9	473 083	25.3	27 768	5.3	229 600	12.8	Chile	45 753	10.8	121 640	10.5	11 154	9.7	41 203	11.8
Indonesia	25 060	3.6	72 841	3.9	6 940	1.3	30 183	1.7	Colombia	11 157	2.6	74 092	6.4	2 989	2.6	16 204	4.6
Japan	50 322	7.3	200 141	10.7	278 442	53.3	740 930	41.5	Costa Rica	2 709	0.6	12 141	1.0	86	0.1	838	0.2
Philippines	18 156	2.6	23 559	1.3	2 044	0.4	6 095	0.3	Cuba	74	0.0	215	0.0	-	-	-	-
Singapore	110 570	16.0	343 599	18.4	56 755	10.9	213 110	11.9	Dominican Republic	1 673	0.4	13 303	1.1	-	-	-	-
Thailand	29 915	4.3	99 000	5.3	2 203	0.4	16 303	0.9	Ecuador	6 337	1.5	11 948	1.0	158	0.1	209	0.1
Lao People's Democratic Republic	556	0.1	1 564	0.1	21	0.0	20	0.0	El Salvador	2 001	0.5	7 132	0.6	104	0.1	333	0.1
Malaysia	52 747	7.6	74 643	4.0	15 878	3.0	75 618	4.2	Guatemala	3 420	0.8	5 989	0.5	93	0.1	355	0.1
Mongolia	182	0.0	2 383	0.1	-	-	-	-	Mexico	97 170	22.9	309 523	26.7	8 273	7.2	53 458	15.3
Myanmar	3 865	0.6	5 869	0.3	-	-	-	-	Nicaragua	1 414	0.3	4 190	0.4	22	0.0	156	0.0
New Zealand	24 894	3.6	66 634	3.6	8 491	1.6	15 076	0.8	Panama	6 775	1.6	18 675	1.6	10 507	9.1	29 182	8.4
Republic of Korea	38 110	5.5	110 770	5.9	26 833	5.1	115 620	6.5	Paraguay	1 221	0.3	2 598	0.2	214	0.2	242	0.1
Viet Nam	20 596	3.0	52 825	2.8	-	-	-	-	Peru	11 062	2.6	36 911	3.2	505	0.4	1 880	0.5
Subtotal	692 627	100.0	1 870 842	100.0	521 994	100.0	1 787 226	100.0	Uruguay	2 088	0.5	9 927	0.9	138	0.1	324	0.1
Share in world total (%)	9.3	10.5	6.6	9.4					Venezuela (Bolivarian Republic of)	35 480	8.4	41 214	3.6	7 676	6.7	17 670	5.1
World	7 442 548	17 743 408	7 967 460	18 982 118					Subtotal	423 541	100.0	1 157 723	100.0	115 035	100.0	349 210	100.0
									Share in world total (%)	5.7	6.5	1.4	1.8				
									World	7 442 548	17 743 408	7 967 460	18 982 118				

Source: UNCTAD, World Investment Report 2010; [www.unctad.org/wir](http://www.unctad.org/wir) or [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics).

## 22. FEALAC Latin American countries lag behind Asian counterparts in competitiveness and innovation

- According to the measures of World Economic Forum—which ranks 139 countries and economies of the world by taking into account twelve pillars of economic performance for competitiveness, including institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods, market efficiency, labour market efficiency, financial market development, technological readiness, market size, sophistication of business environment and others, and innovation— FEALAC Latin American members are far behind of Asian countries.
- This backwardness is particularly evident when the performance levels of FEALAC member countries are compared in accordance with the level of GDP per capita. At the same income level, Asian developing countries perform much better than in the global competitiveness index and innovation index.
- With the exception of Chile in the overall index and Costa Rica in innovation, FEALAC Latin American countries rank below the FEALAC average. This presents challenges and future potential for further growth in each area.

■ Figure I.15 ■  
FEALAC countries in global competitiveness index

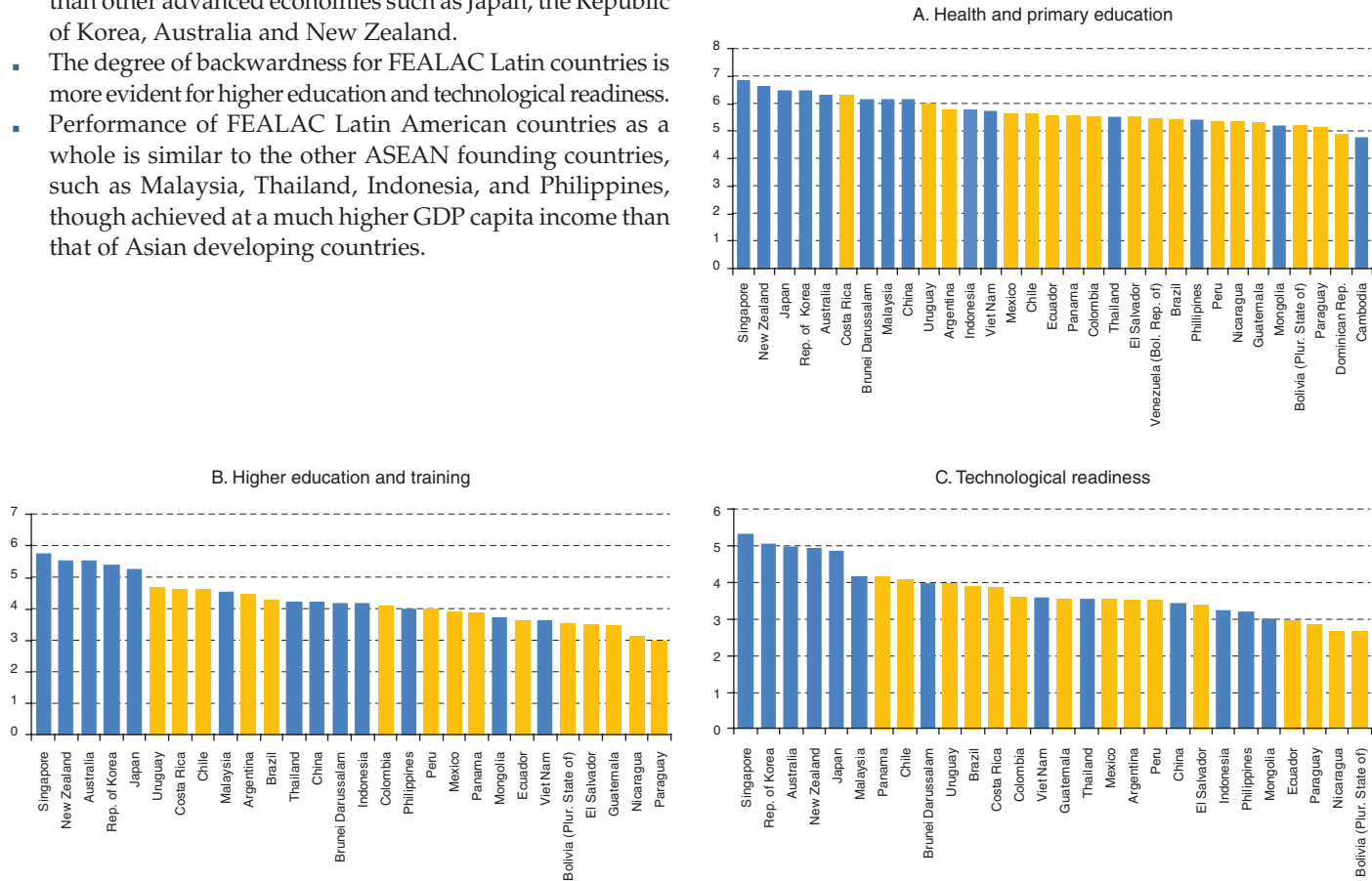


Source: World Economic Forum, The Global Competitiveness Report 2010-2011.

## 23. FEALAC Latin American countries also lag behind in education-related areas

- In the area of education, training, and technological readiness, regardless of the area concerned, Singapore performs better than other advanced economies such as Japan, the Republic of Korea, Australia and New Zealand.
- The degree of backwardness for FEALAC Latin countries is more evident for higher education and technological readiness.
- Performance of FEALAC Latin American countries as a whole is similar to the other ASEAN founding countries, such as Malaysia, Thailand, Indonesia, and Philippines, though achieved at a much higher GDP capita income than that of Asian developing countries.

■ Figure I.16 ■  
FEALAC countries' performance in education



Source: World Economic Forum, The Global Competitiveness Report 2010-2011.



## **II. Trade and investment relations between Asia-Pacific and Latin America and the Caribbean**



## 1. Asia-Pacific, and especially China, has become a key trading partner for Latin America and the Caribbean, particularly for imports

- Asia-Pacific, and China in particular, has gained a major share in Latin America and the Caribbean trade while the United States and the European Union continue to lose their relative shares.
- Between 2006 and 2010, the region's exports to Asia-Pacific and China grew three and five times faster than those to the world overall, respectively. This makes China a key trading partner for Latin America and the Caribbean. In 2010, the region's exports to China alone amounted to 8% of its total exports, compared to a 41% share going to the United States and 13% to the European Union (27 countries).
- China is a larger trading partner for the region on the import side than on the export side, which has led to a widening bilateral trade deficit. Forecasts indicate that China will overtake the European Union as the region's second largest source of imports. In this trade dynamic, China has gained an increasingly important role, both in exports and imports, and has quickly surpassed Japan as Asia-Pacific's main trading partner.

■ Table II.1 ■

### Latin America and the Caribbean: international trade, by partner, 2006-2010

(Billions of dollars and growth rates)

	2006	2007	2008	2009	2010	Growth rates
<b>Exports</b>	671.1	758.2	879.0	679.2	863.2	6.5
United States	335.4	350.2	380.7	281.8	354.1	1.4
European Union	95.2	113.4	133.2	94.7	112.7	4.3
Asia-Pacific	65.4	87.0	106.9	103.0	143.4	21.7
China	22.6	35.5	43.4	48.2	71.8	33.5
Other Asia	42.8	51.5	63.5	54.8	71.6	13.7
Latin America and the Caribbean	115.4	138.1	172.2	128.2	162.9	9.0
Rest of the world	59.7	69.5	86.0	71.5	90.2	10.9
	-	-	-	-	-	
<b>Imports</b>	583.6	698.2	853.0	638.7	832.1	9.3
United States	203.9	228.3	265.9	201.3	256.5	5.9
European Union	83.5	102.2	125.6	96.2	118.8	9.2
Asia-Pacific	128.6	161.2	199.0	157.6	223.9	14.9
China	49.1	67.4	89.2	75.5	111.1	22.7
Other Asia	79.5	93.8	109.8	82.2	112.8	9.1
Latin America and the Caribbean	119.9	143.3	180.9	132.5	164.1	8.2
Rest of the world	47.8	63.3	81.6	51.1	68.8	9.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC).



## 2. FEALAC is a predominant trading partner at the world level however, biregional trade between Asia-Pacific and Latin America and the Caribbean still remains relatively small

- It is estimated that in 2010, FEALAC countries have exported US\$ 4.8 trillion and imported US\$ 4.3 trillion of merchandise, respectively. In 2010, FEALAC as a whole accounted for 32% and 28% of world exports and imports in 2010, respectively. Intra-FEALAC trade, both exports and imports, totaled over 4 trillion dollars —equivalent to 13% of total world trade in that year.
- World exports and imports of FEALAC Asia-Pacific (AP) member countries were four times that of their FEALAC Latin American (LAC) counterparts. Intra-FEALAC trade represents close to half of total FEALAC trade. In addition, almost half of FEALAC-AP exports are carried out within this sub-region, while the intra-FEALAC (LAC) coefficient is estimated to be 17%.

■ Table II.2 ■

### The world and FEALAC in world merchandise trade, 1990-2010

(Billions of dollars and percentages)

	World trade (billions of dollars)	FEALAC				FEALAC (Asia-Pacific) (AP)				FEALAC Latin America and the Caribbean (LAC)				
		World (billions of dollars)	FEALAC (%) (A)+(B)	FEALAC- AP (%) (A)	FEALAC- LAC (%) (B)	World (billions of dollars)	FEALAC (%) (A)+(B)	FEALAC- AP (%) (A)	FEALAC- LAC (%) (B)	World (billions of dollars)	FEALAC (%) (A)+(B)	FEALAC- AP (%) (A)	FEALAC- LAC (%) (B)	
Exports	1990	3 438	720	31.5	27.5	4.0	604	33.1	31.0	2.1	117	23.3	9.6	13.7
	1995	5 161	1 310	38.5	32.9	5.6	1 095	40.8	37.8	3.0	216	27.0	8.1	18.9
	2000	6 452	1 738	35.8	30.5	5.4	1 399	39.5	36.6	2.9	339	20.5	5.2	15.4
	2005	10 431	2 948	38.1	32.9	5.2	2 409	41.3	38.5	2.9	539	23.8	8.1	15.7
	2006	12 113	3 442	38.4	32.5	5.9	2 806	41.4	38.0	3.3	636	25.4	8.4	17.0
	2007	14 000	4 058	38.1	32.0	6.1	3 314	40.7	37.0	3.7	745	26.5	9.6	16.9
	2008	16 110	4 672	39.7	32.9	6.8	3 818	42.3	38.1	4.2	854	28.3	9.7	18.6
	2009	12 522	3 793	40.6	34.1	6.4	3 120	43.0	38.9	4.1	673	29.3	11.9	17.4
	2010	15 238	4 817	41.6	34.8	6.8	3 959	43.8	39.3	4.6	858	31.2	14.0	17.2
Imports	1990	3 537	656	36.7	32.0	4.7	565	38.5	35.7	2.8	90	25.2	8.7	16.5
	1995	5 279	1 234	41.9	36.8	5.1	1 016	44.7	42.4	2.3	218	28.6	10.5	18.1
	2000	6 751	1 557	43.0	38.0	5.0	1 216	47.5	45.6	1.9	342	26.8	10.9	15.9
	2005	10 496	2 620	50.2	44.5	5.7	2 159	52.6	49.9	2.7	461	39.4	19.2	20.2
	2006	12 062	3 002	51.3	45.3	6.0	2 454	53.5	50.5	3.0	548	41.6	21.9	19.7
	2007	14 300	3 554	50.5	44.1	6.3	2 870	53.0	49.6	3.4	684	39.8	21.2	18.6
	2008	16 520	4 322	49.8	43.0	6.8	3 486	51.8	48.0	3.7	836	41.6	22.1	19.5
	2009	12 718	3 416	51.8	45.0	6.8	2 785	53.7	49.8	4.0	631	43.1	24.0	19.1
	2010	15 376	4 315	46.6	41.2	5.3	3 497	48.4	45.8	2.6	819	38.6	21.6	17.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on United Nations COMTRADE database and official national statistics.

### 3. However, biregional trade is growing fast

- Although it has started from a low base, biregional FEALAC trade has been growing at a high pace.
- FEALAC exports and imports to the world grew at a higher rate than world exports and imports between 1990 and 2010.
- From the viewpoint of FEALAC Asia-Pacific, FEALAC Latin America and the Caribbean has been the most dynamic; FEALAC (AP) exports to FEALAC (LAC) grew at a rate of 14% almost double of the world export growth rate.
- Similarly, for FEALAC (LAC) the most dynamic source of their trade is FEALAC (AP) and imports grew at almost 17% during the same period.

■ **Table II.3** ■  
**Growth rates of FEALAC trade, by different trade flows, between 1990 and 2010**

(Percentages)

Trade flows	Exports	Imports
World trade	7.7	7.6
FEALAC to and from world	10.0	9.9
FEALAC to and from FEALAC	11.5	11.2
FEALAC and from FEALAC (AP)	11.3	11.3
FEALAC and from FEALAC (LAC)	12.9	10.6
FEALAC (AP) to and from world	9.9	9.5
FEALAC (AP) to and from FEALAC	11.4	10.8
FEALAC (AP) and from FEALAC (AP)	11.2	10.9
FEALAC (AP) and from FEALAC (LAC)	14.1	9.1
FEALAC (LAC) to and from world	10.5	11.7
FEALAC (LAC) to and from FEALAC	12.1	14.1
FEALAC (LAC) and from FEALAC (AP)	12.6	16.9
FEALAC (LAC) and from FEALAC (LAC)	11.7	11.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations COMTRADE database and official national statistics.

#### 4. Destinations of FEALAC-AP exports to FEALAC-LAC are quite concentrated, with Mexico and Brazil accounting for more than 80% of the total

- Among the 270 possible combinations of bilateral trade flows (based on 15 FEALAC Asia-Pacific countries and 18 FEALAC Latin American countries), Mexico and Brazil are the two major destinations for exports. Not surprisingly, the importance of the Panama Canal also results in Panama receiving a similarly large share of exports. Chile and Argentina follow these aforementioned countries. In some instances, Mexico is a destination for almost half of total exports.
- For several countries including Australia, China, Indonesia, and Singapore, the preferred destination for exports is Brazil. Meanwhile, Argentina is a heavily favored destination for Thailand.

■ Table II.4 ■

##### FEALAC Asia-Pacific exports to FEALAC Latin America, 2008-2010

(Shares in total exports to FEALAC Latin America in percentages)

	Argentina	Bolivia (Plurinational State of)	Brazil	Chile	Colombia	Costa Rica	Cuba	Ecuador	El Salvador	Guatemala	Mexico	Nicaragua	Panama	Paraguay	Peru	Dominican Republic	Uruguay	Venezuela (Bolivarian Republic of)	FEALAC-LAC
Australia	9.4	0.1	45.8	9.4	1.5	1.1	0.2	0.3	1.0	0.7	24.8	0.0	0.5	0.0	3.5	0.4	0.5	0.9	100.0
Brunei Darussalam	0.0	2.3	68.2	0.0	2.6	0.2	0.0	0.0	0.0	0.0	19.9	0.0	0.1	0.0	1.3	5.5	0.0	0.0	100.0
Cambodia	4.8	0.2	12.8	4.0	2.5	1.0	0.0	0.3	0.3	0.2	58.3	0.1	12.0	0.8	1.8	0.3	0.4	0.3	100.0
China	6.9	0.2	27.2	9.1	4.4	0.9	1.6	1.9	0.5	1.2	20.9	0.4	12.5	1.1	4.0	1.0	1.6	4.7	100.0
Indonesia	8.2	0.7	44.8	6.4	4.1	0.7	0.4	2.0	0.3	0.7	20.7	0.3	3.3	0.7	2.6	0.8	0.7	2.4	100.0
Japan	2.3	0.3	15.5	6.4	3.0	1.8	0.1	1.8	0.3	0.6	24.9	0.2	37.2	0.3	2.4	0.6	0.3	2.0	100.0
Lao People's Democratic Republic	1.0	12.5	10.5	33.3	0.1	0.0	0.0	0.0	0.0	0.0	37.6	0.0	0.0	0.0	5.0	0.0	0.0	0.0	100.0
Malaysia	5.4	0.1	25.4	2.6	2.9	1.3	0.1	0.8	0.5	0.7	49.9	0.2	3.8	0.2	2.3	1.3	1.0	1.5	100.0
Myanmar	0.0	0.1	15.1	0.0	5.9	0.7	0.0	0.0	0.5	0.0	75.1	0.0	0.0	0.3	2.1	0.3	0.0	0.0	100.0
New Zealand	1.9	0.1	5.2	5.2	0.7	0.2	4.7	0.2	0.4	1.7	29.3	2.4	3.7	0.1	4.3	1.7	0.8	37.4	100.0
Philippines	2.7	0.2	17.8	3.3	0.7	2.5	0.1	0.3	0.1	0.2	68.5	0.0	0.8	0.1	1.7	0.4	0.3	0.3	100.0
Republic of Korea	2.0	0.1	24.1	9.5	3.5	0.6	0.6	2.0	0.2	1.2	35.5	0.8	13.9	0.4	3.0	0.4	0.3	1.9	100.0
Singapore	1.5	0.0	15.5	0.9	0.9	0.3	0.4	0.3	0.1	0.2	18.1	0.0	60.1	0.1	0.4	0.1	0.4	0.5	100.0
Thailand	10.3	0.2	29.2	7.5	6.7	1.6	0.1	6.3	0.8	2.0	19.6	0.7	4.2	0.8	5.0	1.7	0.7	2.6	100.0
Viet Nam	2.8	0.1	18.6	3.9	4.1	0.8	15.8	2.1	0.2	0.7	35.4	0.1	10.1	0.4	2.5	1.2	0.4	0.7	100.0
FEALAC AP	4.8	0.2	23.8	7.8	3.7	1.0	1.1	1.9	0.4	1.0	25.2	0.4	19.8	0.7	3.2	0.8	0.9	3.3	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on United Nations COMTRADE database and official national statistics.

## 5. From the viewpoint of FEALAC Latin American exports, country concentration is also a concern

- With the exception of some bilateral flows, China, Japan and Republic of Korea almost always place among the top three export destinations.
- China has transformed into the most important buyer among the Asia-Pacific countries and has displaced Japan as the most important destination for exports. In fact, China absorbs more than half of the exports directed towards FEALAC Asia-Pacific from Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Cuba, Peru, Dominican Republic and Uruguay, absorbs more than half of exports directed to FEALAC Asia-Pacific.
- On the other hand, between 2008 and 2010, on average, Japan was the most important buyer for El Salvador, Guatemala, Nicaragua, and Panama.
- Another noteworthy case is Malaysia, which has become a significant trading partner for Costa Rica, Ecuador, El Salvador, Nicaragua and Paraguay. Moreover, Singapore, Thailand and Viet Nam are also an important export destination for various countries in the region.

■ Table II.5 ■

### FEALAC Latin America exports to FEALAC Asia-Pacific, 2008-2010

(Shares in total exports to FEALAC Asia-Pacific, in percentages)

	Australia	Brunei Darussalam	Cambodia	China	Indonesia	Japan	Lao People's Democratic Republic	Malaysia	Myanmar	New Zealand	Philippines	Republic of Korea	Singapore	Thailand	Viet Nam	FEALAC-AP
Argentina	2.7	0.0	0.1	55.9	6.5	6.7	0.0	6.8	0.0	0.5	5.3	6.0	0.4	4.5	4.7	100.0
Bolivia (Plurinational State of)	3.4	0.0	0.0	14.3	0.0	29.9	0.0	0.8	0.0	0.1	0.0	51.3	0.0	0.1	0.0	100.0
Brazil	2.0	0.0	0.0	58.5	3.4	15.2	0.0	2.5	0.0	0.1	1.2	8.2	4.1	3.6	1.0	100.0
Chile	2.6	0.0	0.0	50.7	0.8	28.0	0.0	0.5	0.0	0.1	0.9	14.6	0.5	0.6	0.5	100.0
Colombia	1.2	0.0	0.0	51.8	0.9	18.8	0.0	0.9	0.0	0.3	0.4	9.1	14.9	1.4	0.3	100.0
Costa Rica	3.7	0.0	0.0	59.9	0.7	8.7	0.0	13.3	0.0	0.1	1.1	7.1	3.2	0.7	1.3	100.0
Cuba	0.5	0.0	0.0	97.3	0.1	1.7	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.2	0.0	100.0
Dominican Republic	2.6	0.1	0.0	56.7	0.6	19.8	0.0	4.0	0.0	0.0	0.2	0.2	4.0	5.0	6.8	100.0
Ecuador	1.7	0.0	0.0	54.5	0.4	27.0	0.0	10.4	0.0	2.5	0.5	1.4	0.2	0.5	1.0	100.0
El Salvador	5.9	0.0	0.8	9.5	4.3	41.4	0.0	8.1	0.1	0.9	0.1	17.2	1.0	3.7	7.1	100.0
Guatemala	1.2	0.0	0.0	11.4	4.7	43.2	0.0	4.4	0.0	0.5	2.8	21.0	7.3	2.9	0.4	100.0
Mexico	8.8	0.0	0.0	40.5	1.0	26.7	0.0	1.7	0.0	0.8	1.0	9.4	7.0	1.8	1.2	100.0
Nicaragua	15.7	0.0	0.0	14.5	0.3	43.6	0.0	21.5	0.0	0.9	0.0	1.1	0.0	0.7	1.5	100.0
Panama	1.0	0.0	0.1	13.4	0.5	62.5	0.0	0.7	0.0	0.0	0.7	10.6	6.5	1.4	2.8	100.0
Paraguay	0.2	0.0	0.0	26.3	3.3	27.4	0.0	9.5	0.0	0.1	0.3	7.9	0.6	9.9	14.6	100.0
Peru	1.4	0.0	0.0	61.4	0.5	23.3	0.0	0.1	0.0	0.2	0.9	10.2	0.1	0.9	0.9	100.0
Uruguay	0.7	0.0	0.0	76.7	0.8	6.5	0.0	2.5	0.0	0.1	1.1	2.2	1.1	6.0	2.4	100.0
Venezuela (Bolivarian Republic of)	0.1	0.0	0.0	94.8	0.2	1.9	0.0	2.5	0.0	0.0	0.3	0.1	0.0	0.1	0.0	100.0
FEALAC-LAC	2.6	0.0	0.0	55.4	2.5	18.9	0.0	2.4	0.0	0.2	1.4	10.0	2.8	2.4	1.3	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on United Nations COMTRADE database and official national statistics.

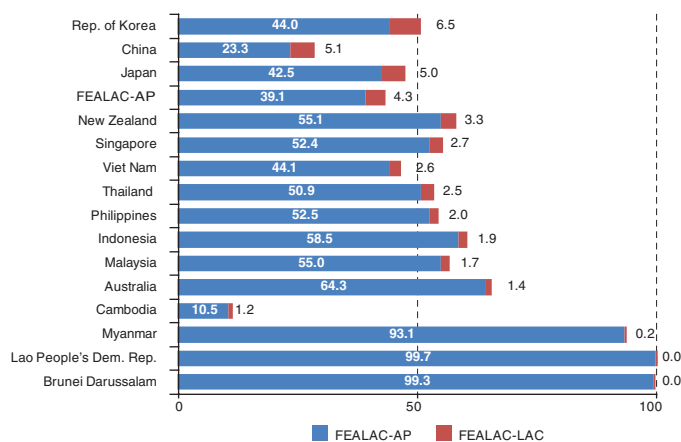




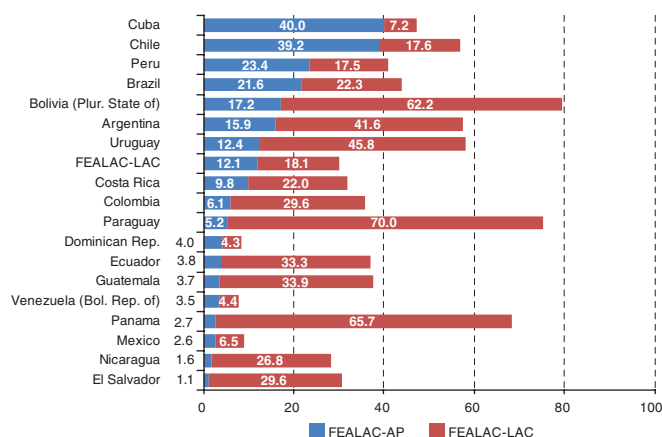
## 8. Asia-Pacific is already a key export market for some Latin American countries. From the Asia-Pacific viewpoint, Latin America and the Caribbean has not been a major trading partner which results in a highly asymmetrical relationship

- Latin America and the Caribbean has not been a major trade partner for the Asia-Pacific region. In fact, between 2008 and 2010, on average, only 4.3% of total Asia-Pacific exports went to FEALAC-LAC. The highest average market share in total exports is in the Republic of Korea (6.5%), followed by China (5.1%) and Japan (5.0%). Therefore, Latin America and the Caribbean is relatively unimportant in the total exports of the smaller economies in Asia-Pacific, such as ASEAN.
- In contrast, the share of FEALAC-AP as an export market for several Latin American countries has increased over the years and currently accounts for 12% of the sub-region's world exports. Cuba and Chile export close to 40% of total exports to FEALAC-AP. In general, South American countries show a high share of Asia-Pacific as an export destination while the corresponding share for Mexico and Central America still remains at a low level.

**Figure II.1**  
Asia-Pacific: share of FEALAC-LAC in total exports, by country, average 2008-2010  
(Percentages)



**Figure II.2**  
Latin America and the Caribbean: share of FEALAC-AP in total exports, by country, average 2008-2010  
(Percentages)



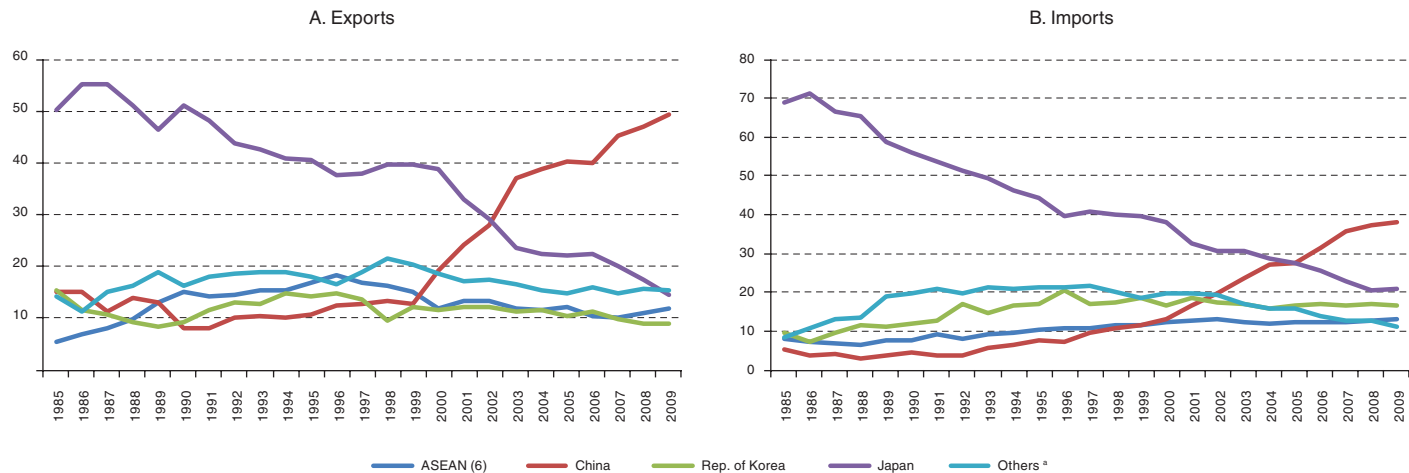
Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on United Nations COMTRADE database and official national statistics.

## 9. China is a key component in diversifying Asia-Pacific markets for the region. However, the dynamism of Asia-Pacific does not lie solely in China

- The Asia-Pacific region has transformed itself into an important trade partner for Latin America and the Caribbean, particularly as it relates to the latter region's imports. China plays an ever more relevant role in this trade dynamic both in terms of exports and imports. Beginning in the early 2000s, it is quickly displacing Japan as the principal trading partner in Asia-Pacific despite Japan's recovery in the last few years in exports.
- Additionally, the ASEAN countries have reached a level similar to, or greater than, Korea as a source of imports for Latin America and the Caribbean and as a destination for its exports.

■ Figure II.3 ■

FEALAC Latin America and the Caribbean: share of selected countries and groupings of the FEALAC Asia-Pacific in exports and imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC) based on data from the United Nations Commodity Trade Statistics Database (COMTRADE).

**Note:**

The statistics were taken from Asian countries and complemented, as necessary, with data from Latin American and Caribbean nations. ASEAN (6) includes Philippines, Indonesia, Malaysia, Singapore, Thailand and Viet Nam.

\* Include Australia, Hong Kong SAR, New Zealand and others not specified.

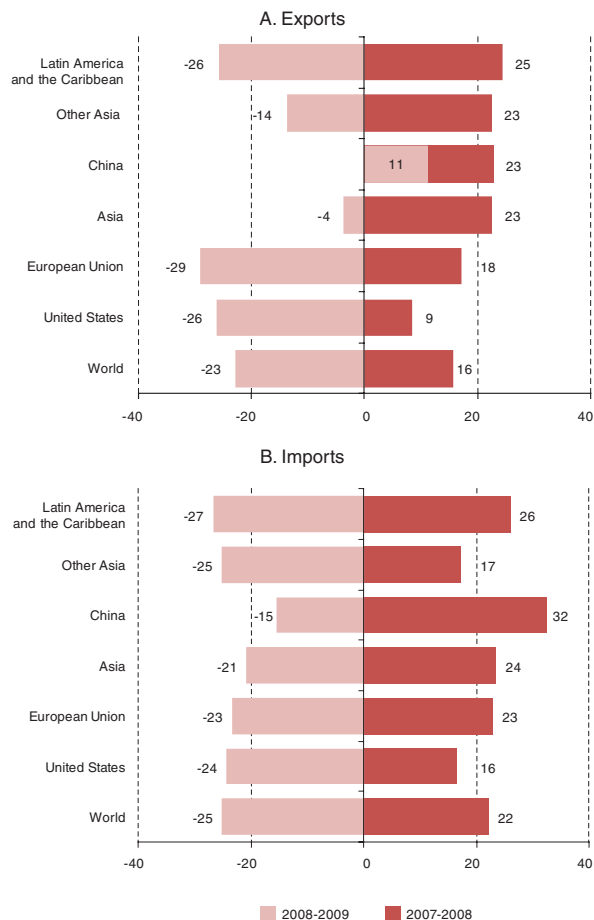


## 10. Exports from the Latin American and Caribbean region fell in 2009 to all its partners, with the exception of China

■ **Figure II.4** ■

**Latin America and the Caribbean (16 countries): trade by main partner, 2007-2008 and 2008-2009**

(Percentage growth rates)



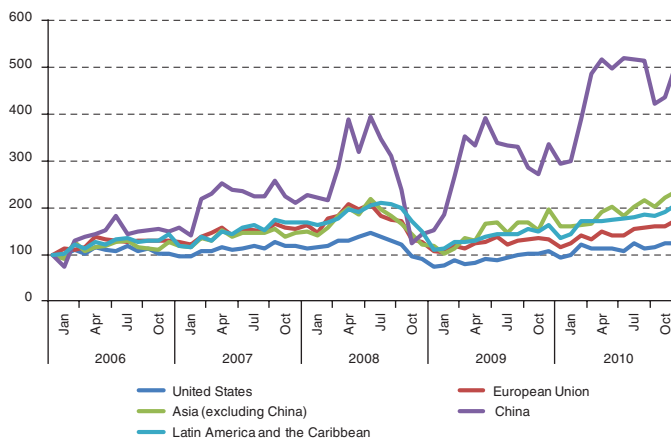
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from each country's central bank and statistics institute.

- While in 2009 exports from Latin America and the Caribbean to the United States and the European Union fell by 26% and 29%, respectively, exports to Asia decreased by only 4% and those to China increased by 11%.
- This not only underscores the growing importance of China as a destination for the region's exports but also explains, in part, the resilience exhibited by Latin America and the Caribbean during the global crisis and the post-crisis recovery.

■ **Figure II.5** ■

**Latin America and the Caribbean (16 countries), exports of goods by main partner, 2006-2010**

(Index: January 2006-2010)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).

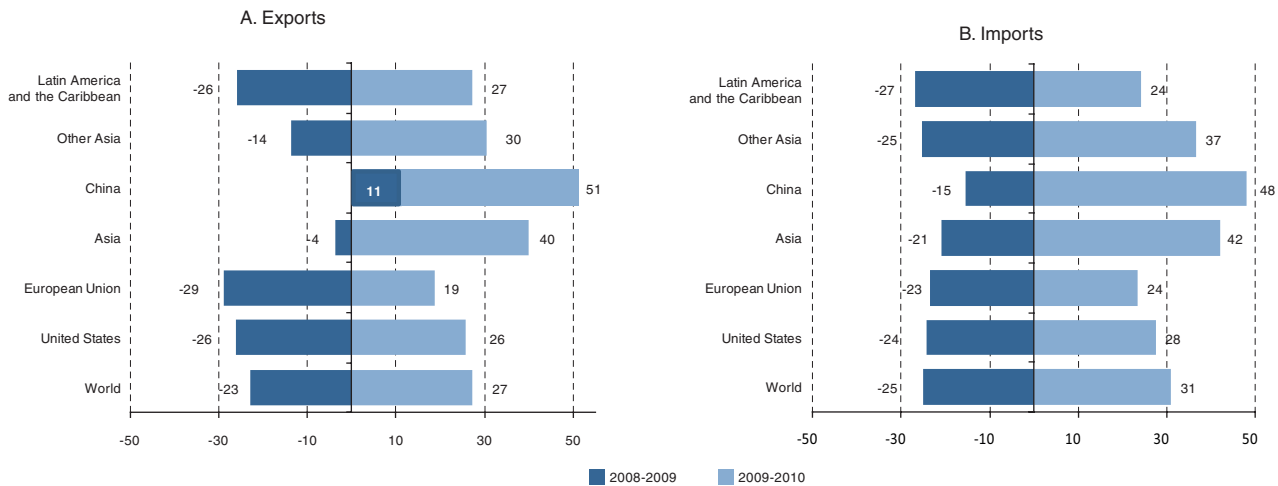
## 11. China's economy continues to underpin economic growth in Latin America and the Caribbean during the post-crisis period

- Data for 2010 show that both exports to, and imports from, China have been the largest sources of trade growth for Latin America and the Caribbean. At the same time, the rest of Asia-Pacific is the second largest source of growth for the region's trade, easily surpassing other partners.
- The region's exports to China grew by 51% in 2010—almost double the rate of the region's total and intra-regional export growth. Its imports from China grew by 48%, 20 and 24 percentage points higher than the growth of imports from the United States and the European Union, respectively.

■ Figure II.6 ■

**Latin America and the Caribbean (16 countries): trade by main partner, 2008-2009 and 2009-2010**

(Percentages)



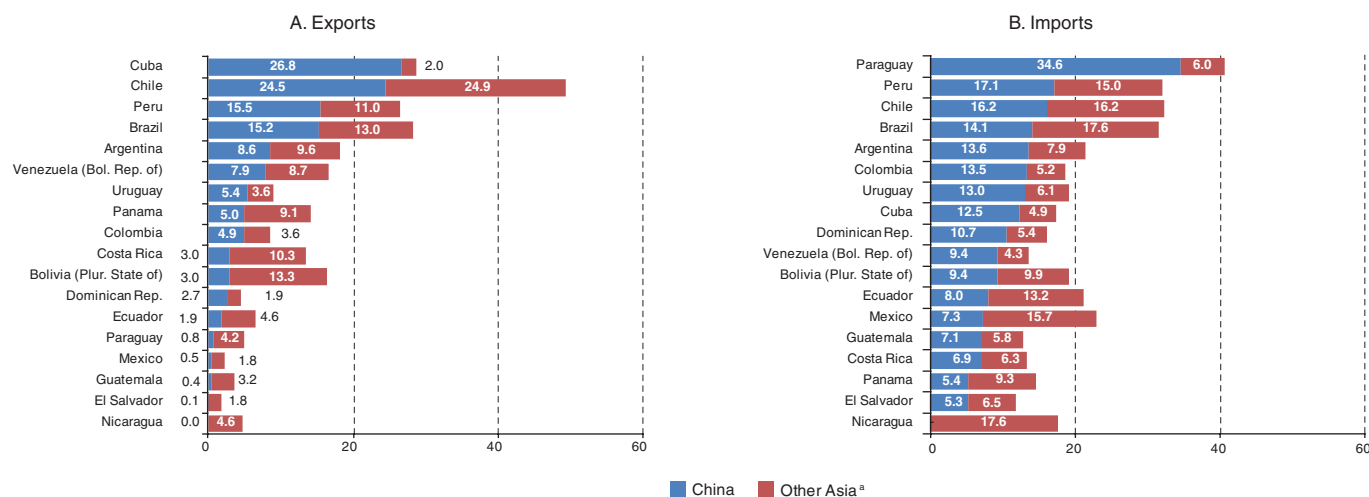
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from each country's central bank and statistics institute.

## 12. Some FEALAC-LAC countries have relatively weak trade relations with China despite its evident importance as a trading partner

- The importance of China as a market for the region's exports varies significantly from country to country in FEALAC-LAC. Since the beginning of the 1990s, China has become a key export destination for Cuba, Chile, Peru, Brazil, Argentina and the Bolivarian Republic of Venezuela (in the order of China's importance as a destination for each country's exports). The importance of China is even greater if trade with Hong Kong SAR is taken into account.
- Conversely, the Chinese market has been little explored by Ecuador and the countries of Central America. Costa Rica is a notable exception to this trend. Mexico is also a special case since it continues to absorb only a very small share —just 0.5%— of its total exports.
- China's importance as an export destination has risen for almost all of the countries, and in some cases, for many accounts for nearly half of total exports to the Asia-Pacific region. The share of imports from China also varies greatly across Latin America and the Caribbean. The markets in which they are most significant are Paraguay, Peru, Chile, Brazil and Argentina in Latin America and Dominica, Saint Vincent and the Grenadines, and Barbados in the Caribbean.

■ Figure II.7 ■

FEALAC-Latin America and the Caribbean: share of FEALAC Asia-Pacific and China in trade, 2010



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE) for 2000 and official country data for 2010.  
<sup>a</sup> Other Asia includes Hong Kong SAR. China refers only to the People's Republic of China. Data for the Caribbean countries (except for Dominican Republic) are from the International Monetary Fund (IMF), Direction of Trade Statistics.

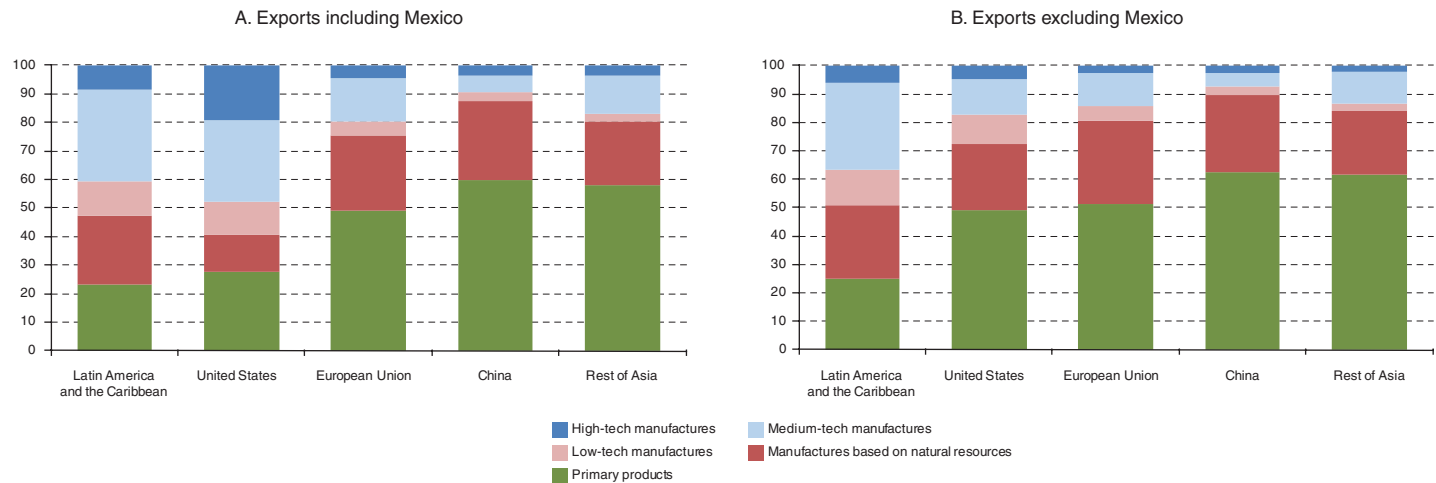
### 13. Trade between the Asia-Pacific and Latin America and the Caribbean is almost entirely interindustrial, though with some differences among the Asia-Pacific countries with respect to origin and destination

- The strong bias towards primary products and natural resource-based manufactures from Latin American and Caribbean to the Asia-Pacific is clearly observed in the cases of Japan, and to lesser extent China, ASEAN and the Republic of Korea. ASEAN has an import basket from Latin America and the Caribbean in which manufactured products, including those in the intermediate- or high-technology categories, take more than a negligible share. The countries of Oceania overall report a large component of intermediate-technology manufactures.
- On the other hand, the structure of Latin American and Caribbean imports from the Asia-Pacific region is the inverse of its export structure but with sharp variations between countries and subregions. In the case of Japan and, to a lesser extent, China, the Republic of Korea and ASEAN, the most important components are high- and intermediate-technology intensive manufactures. The largest coefficient of high-technology manufactures is visible in the ASEAN group. In contrast, the export basket of the countries of Oceania is concentrated in primary products.

■ Figure II.8 ■

#### Latin America and the Caribbean: export structure with selected markets, average 2005-2008

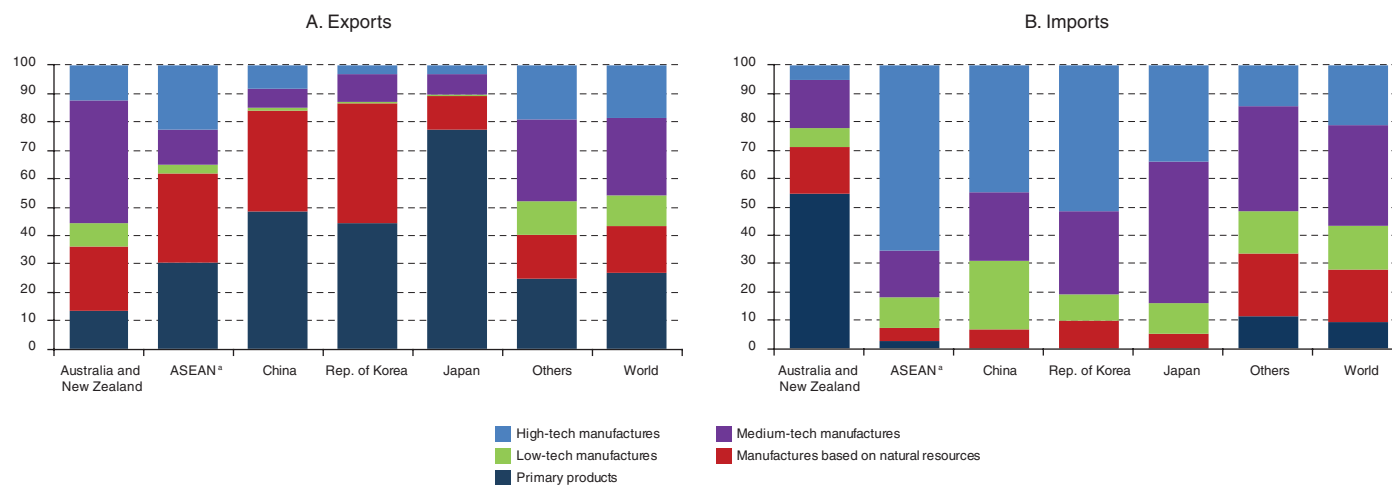
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

■ **Figure II.9** ■

**Latin America and the Caribbean: structure of trade with selected Asian markets, average 2005-2008**  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE).

<sup>a</sup>ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.

## 14. The region's exports to Asia and China are limited in terms of the range of products

- The products exported by Latin America and the Caribbean to its main trading partners using the Harmonized System at the six-digit level (5 052 tariff lines) shows that on average a much smaller number of products are exported to Asia, and China in particular, than to other countries and regions of the world.
- The region's exports amount to only 4% of the total tariff lines in the classification representing a very limited diversification of exports to the Chinese market.

■ Table II.8 ■

### Latin America and the Caribbean: number of products exported to main markets, average 2008-2009

(Number of products at the six-digit level of the 2002 Harmonized System)

	Asia	China	Latin America and the Caribbean	United States	European Union
Argentina	1 470	529	3 858	1 716	2 263
Bolivia (Plurinational State of)	175	41	682	353	352
Brazil	2 531	1 185	3 997	2 853	3 129
Chile	874	315	3 131	1 379	1 459
Colombia	588	161	3 321	1 809	1 328
Costa Rica	473	181	2 558	1 533	768
Dominican Republic	198	82	1 174	1 172	571
Ecuador	265	67	1 795	1 046	772
El Salvador	169	37	2 493	1 019	346
Guatemala	471	183	3 351	1 515	872
Honduras	284	101	1 842	1 000	382
Mexico	2 230	1 143	3 920	4 163	2 807
Nicaragua	107	39	1 804	885	166
Panama	54	25	294	187	85
Paraguay	115	62	1 003	228	322
Peru	889	248	2 914	1 737	1 579
Uruguay	285	116	1 479	437	751
Venezuela (Bolivarian Republic of)	331	114	2 095	533	912
Caribbean	81	28	955	825	293
Latin America and the Caribbean	531	215	2 026	1 222	878

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).

## 15. However, the degree of specialization in primary products varies across countries. Costa Rica, El Salvador and Mexico export substantial percentages of high-tech manufactures to Asia-Pacific

■ Table II.9 ■

Latin America and the Caribbean: top three exports to major Asian markets, 2007-2009

(Percentages)

	China	Japan	Republic of Korea	ASEAN (10)
Argentina	Oil-seeds and oleaginous fruits (49.2), Fixed vegetable oils (30.4), Petroleum oils, crude (8.7)	Copper ores (27.9), Aluminium (18.6), Fish (6.6)	Copper ores (42.3), Feeding stuff for animals (22.0), Fixed vegetable oils (17.0)	Feeding stuff for animals (57.2), Copper ores (7.7), Maize (6.9)
Bolivia (Plurinational State of)	Other base metals ores (32.5), Tin (26.1), Petroleum oils, crude (11.8)	Other base metals ores (76.0), Precious metals ores (20.1), Oil-seeds and oleaginous fruits (2.3)	Other base metals ores (63.1), Precious metals ores (36.0), Oil-seeds and oleaginous fruits (0.2)	Other base metals ores (82.6), Fixed vegetable oils (7.7), Inorganic chemical elements (3.1)
Brazil	Iron ore (32.9), Oil-seeds and oleaginous fruits (30.6), Petroleum oils, crude (8.2)	Iron ore (30.5), Edible meat offal (16.1), Aluminium (10.3)	Iron ore (20.0), Primary forms of iron (19.9), Feeding stuff for animals (9.1)	Petroleum oils, preparations (9.97), Iron ore (8.82), Feeding stuff for animals (8.5)
Chile	Copper (54.2), Copper ores (25.3), Pulp and waste paper (7.1)	Copper ores (52.7), Fish (11.6), Other base metals ores (9.6)	Copper (48.9), Copper ores (25.0), Pulp and waste paper (6.5)	Copper ores (28.7), Copper (19.3), Pulp and waste paper (14.5)
Colombia	Ferro-alloys (47.9), Petroleum oils, crude (21.3), Base metal waste and scrap (19.5)	Coffee and coffee substitutes (68.4), Ferro-alloys (17.5), Other crude vegetable materials (7.3)	Coffee and coffee substitutes (37.4), Base metal waste and scrap (26.2), Ferro-alloys (23.6)	Petroleum oils, preparations (65.6), Petroleum oils, crude (7.5), Insecticides (5.0)
Costa Rica	Integrated circuits (74.9), Parts for automatic data-processing machines (17.8), Goods not classified (2.90)	Parts for data-processing machines (41.3), Coffee and coffee substitutes (20.0), Integrated circuits (8.37)	Integrated circuits (76.9), Parts for data-processing machines (12.8), Base metal waste and scrap (2.39)	Parts for data-processing machines (52.7), Integrated circuits (26.9), Flours of oil-seeds (3.1)
Dominican Republic	Copper ores (41.4), Base metals ores (20.9), Feeding stuff for animals (17.7)	Copper ores (61.4), Other base metals ores (12.4), Feeding stuff for animals (7.6)	Other base metals ores (53.7), Copper ores (31.3), Coffee (2.5)	Feeding stuff for animals (47.9), Base metals ores (20.1), Copper ores (11.4)
Ecuador	Ferro-alloys (55.1), Ferrous waste and scrap (13.4), Copper (11.0)	Ferro-alloys (48.8), Other plastic articles (28.4), Apparatus for medical purposes (7.6)	Electrical apparatus (42.3), Base metal waste and scrap (35.2), Apparatus for medical purposes (9.9)	Ferrous waste (34.8), Electric power machinery (17.3), Parts for data-processing machines (8.1)
El Salvador	Petroleum oils, crude (79.1), Base metal waste and scrap (10.9), Wood, simply worked (2.8)	Feeding stuff for animals (28.2), Fruit and nuts (18.1), Cocoa (11.4)	Petroleum oils, crude (46.8), Base metal waste and scrap (31.9), Ferrous waste (13.0)	Ferrous waste (36.3), Vegetable textile fibers (14.5), Feeding stuff for animals (12.5)
Guatemala	Women's or girls' clothes, not knitted (33.6), Hollow profiles of iron (12.2), Pumps for liquids (10.0)	Telecommunications equipment (79.3), Motor vehicles for persons (16.7), Motor cycles (2.39)	Ferrous waste and scrap (66.2), Transmission shafts (33.7)	Automatic data-processing machines (69.3), Manufactures of base metal (30.6)
Mexico	Ferrous waste and scrap (69.5), Aluminium ores (27.3), Manufactures of base metal (1.4)	Coffee (86.1), Parts and accessories of motor vehicles (7.9), Alcoholic beverages (3.0)	Ferrous waste (58.3), Coffee (29.4), Pulp and waste paper (5.2)	Ferrous waste (96.6), Pulp and waste paper (0.8), Cereal preparations (0.6)
Nicaragua	Base metal waste and scrap (15.7), Copper ores (11.5), Telecommunications equipment (7.3)	Edible meat offal (13.6), Motor vehicles for the transport of persons (9.7), Other base metals ores (9.3)	Copper (16.5), Other base metals ores (10.9), Base metal waste and scrap (9.6)	Telecom. equipment (12.7), Integrated circuits (9.0), Petroleum oils, preparations (6.0)
Panama	Base metal waste (44.2), Waste of plastics (18.8), Ferrous waste (9.7)	Coffee (62.3), Oil-seeds and oleaginous fruits (15.6), Edible meat offal (15.1)	Ferrous waste (55.2), Coffee (14.3), Primary forms of iron (12.8)	Ferrous waste (36.1), Milk products (22.2), Coffee (21.5)
Paraguay	Crustaceans, molluscs and aquatic invertebrates (49.5), Base metal waste and scrap (18.2), Fish (8.5)	Medicaments (84.6), Medicinal and pharmaceutical products (10.3), Motor cycles (0.9)	Tobacco, manufactured (43.2), Medicaments (36.5), Alcoholic beverages (6.7)	Medicaments (26.2), Sound or image recorders (12.1), Other household-type equipment (10.3)
Peru	Fixed vegetable oils (70.1), Wood, simply worked (10.4), Leather (10.0)	Oil-seeds and oleaginous fruits (99.0), Other crude vegetable materials (0.23), Wood, simply worked (0.2)	Feeding stuff for animals (77.4), Fixed vegetable oils (9.1), Oil-seeds and oleaginous fruits (7.5)	Feeding stuff for animals (47.6), Leather (21.8), Meat of bovine animals (10.9)
Uruguay	Wool (45.2), Oil-seeds and oleaginous fruits (16.9), Leather (6.9)	Wood in chips or particles (66.9), Wool (18.4), Fish (5.1)	Cheese and curd (57.3), Fish (14.2), Hides and skins, raw (7.4)	Leather (46.8), Meat of bovine animals (13.0), Wood, in the rough (11.1)
Venezuela (Bolivarian Republic of)	Iron ore (52.4), Ferro-alloys (37.8), Other man-made fibres for spinning (3.2)	Iron ore (45.1), Cocoa (27.1), Aluminium (17.0)	Aluminium (65.7), Base metal waste (11.2), Ferro-alloys (9.2)	Other hydrocarbons (41.2), Primary forms of iron (34.4), Nitrogen-function compounds (6.5)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).

## 16. The level of intra-industry trade (IIT) between Latin America and the United States and the European Union is high. In contrast, the region's IIT with Asia-Pacific remains low

- The Asia-Pacific region has changed substantively over the years. The Grubel Lloyd Index (GLI) indicates that: (i) both Latin America and Asia-Pacific have increased IIT over the years from 0.13 to 0.29 in Latin America and the Caribbean and from 0.22 to 0.37 in Asia-Pacific; (ii) the strongest spikes in IIT coefficients are observed in intra-Asia-Pacific trade;
- (iii) the IIT coefficients for biregional trade between Latin America and Asia-Pacific, though rising, still remains very low at 0.06 and 0.05; and (iv) coefficients for IIT with the United States and the European Union are rising substantially for both regions. The increase is most striking in the case of IIT with the United States.

■ **Table II.10** ■  
IIT in Asia-Pacific-Latin America and with other regions,  
1990, 1995, 2000 and 2008<sup>a</sup>  
(Grubel Lloyd Indices)

Regions/ countries	Latin America and Asia-Pacific		Latin America and Asia- Pacific with other regions/ countries	
	Latin America	Asia-Pacific	European Union (27)	United States
<b>1990</b>				
Latin America	0.13	0.03	0.08	0.23
Asia-Pacific	0.04	0.22	0.19	0.30
<b>1995</b>				
Latin America	0.22	0.04	0.10	0.37
Asia-Pacific	0.04	0.30	0.26	0.37
<b>2000</b>				
Latin America	0.27	0.06	0.12	0.44
Asia-Pacific	0.07	0.36	0.27	0.39
<b>2008</b>				
Latin America	0.29	0.05	0.20	0.36
Asia-Pacific	0.06	0.37	0.27	0.21

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Database (COMTRADE).

<sup>a</sup> The analysis of intra-industry trade (IIT) between Latin America and the Asia-Pacific region is based on the methodology developed by Grubel and Lloyd that measures the degree of trade flows in the same sector between countries/regions. The coefficient moves closer to 1 as the proportion of IIT increases. In this exercise, in order to capture substantive changes and differentiate the depth of IIT, three levels of GLI are adopted: first level:  $GLI > 0.33$ ; second:  $0.10 > GLI < 0.33$ ; and third:  $GLI < 0.10$ . The calculations are made at the 3 digit SITC level, disaggregated into 233 product groups.

■ **Table II.11** ■  
IIT of Latin America and with other regions, 2008  
(Grubel Lloyd Indices)

Country	Latin America	Asia- Pacific	United States	European Union	Total
Argentina	0.41	0.03	0.28	0.14	0.27
Bolivia (Plurinational State of)	0.10	0.00	0.07	0.02	0.08
Brazil	0.36	0.08	0.36	0.30	0.28
Chile	0.17	0.02	0.11	0.05	0.09
Colombia	0.43	0.02	0.17	0.07	0.23
Costa Rica	0.32	0.08	0.26	0.23	0.25
Ecuador	0.20	0.00	0.02	0.03	0.09
El Salvador	0.28	0.02	0.13	0.03	0.18
Guatemala	0.27	0.02	0.06	0.05	0.1
Honduras	0.15	0.01	0.09	0.02	0.1
Mexico	0.28	0.07	0.49	0.18	0.38
Nicaragua	0.04	0.00	0.06	0.01	0.04
Panama	0.08	0.00	0.03	0.02	0.04
Paraguay	0.17	0.00	0.03	0.03	0.11
Peru	0.08	0.01	0.12	0.02	0.06
Uruguay	0.32	0.02	0.07	0.05	0.22
Venezuela (Bolivarian Republic of)	0.05	0.00	0.02	0.03	0.03
Latin America and the Caribbean	0.29	0.05	0.36	0.20	0.27

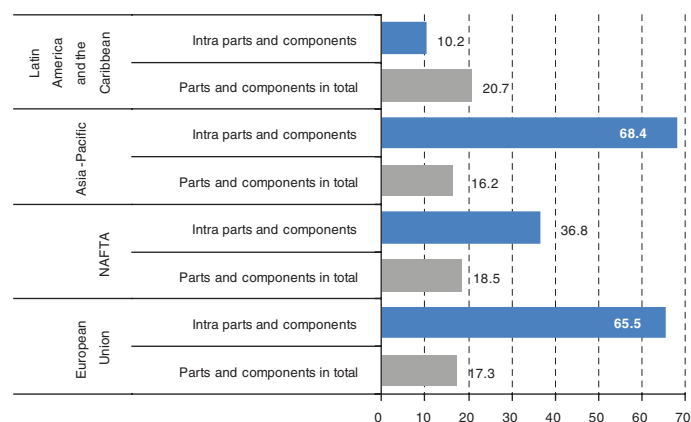
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Database (COMTRADE).



## 17. Asia-Pacific, with China at its core, has become the “world’s factory” of machinery and transport equipment. Latin America and the Caribbean aspires to become integrated into these supply chain networks

- East Asia, particularly the ASEAN+3 economies and the Chinese Province of Taiwan are one of the most important intra-industry trade (IIT) hubs in the world. The last two decades have witnessed high and rising coefficients of IIT in technology- and human-capital-intensive manufactures. Presently, roughly 68% of trade in parts and components in Asia-Pacific takes place intra-regionally. East and South-East Asia jointly assume the mantle of “Factory Asia.”
- IIT in these sectors has been far less buoyant in the NAFTA countries where intraregional trade in parts and components has even managed to decline slightly. There is less intraregional trade in parts and components in relative terms in Latin America and the Caribbean, although trade in machinery and transport equipment registered a slight increase during the period in question.
- In order to attract greater investment in the region, Latin American and Caribbean countries should promote supply chain networks in these sectors.

■ **Figure II.10** ■  
**Intraregional trade in parts and components, 2008<sup>a</sup>**  
*(Percentages)*



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), International Trade and Integration Division based on data from COMTRADE and the Asian Development Bank.

<sup>a</sup> China does not include re-imports.

## 18. China has become a platform for its Asian neighbours' exports to developed countries. Latin America and the Caribbean should find a way to enter those value chains

- China runs a trade deficit with ASEAN countries, the Republic of Korea and Japan because these partners are the main suppliers of capital goods and intermediate inputs for its manufacturing industry. Chinese manufactures are then exported to other partners, mainly the United States and the European Union, with which China has its largest surpluses in low- and high-technology manufactures.
- China is becoming a platform for many of its neighbours' exports to the United States and the European Union. Although Latin America continues to supply both primary products and natural-resource-based manufactures to China, its exports of the latter are much smaller than those of its competitors. In the Chinese market, Latin America competes with the ASEAN countries, the United States, Australia, India and New Zealand (in primary products) and with Japan and the Republic of Korea (in natural resource-based manufactures).
- Latin American and Caribbean countries are seeking to participate in this "Asia Factory" —focused on China— by joining Asia's supply and value chains. This will require greater efforts by Latin American businesses to strengthen biregional trade and investment connections through different types of business associations.

■ Table II.12 ■

**China: trade balance with selected partners by technological intensity, 2007-2009**

(Millions of dollars)

	Exports	Imports	Balance	Primary products	Manufactures			
					Natural-resource-based	Low technology	Medium technology	High technology
Latin America and the Caribbean	218 493	(226 031)	(7 538)	(143 011)	(24 874)	57 817	58 264	43 916
South America	128 829	(200 255)	(71 426)	(138 111)	(34 843)	33 488	35 159	32 658
Mexico and Central America	77 488	(22 761)	54 727	(3 232)	9 207	21 310	17 074	10 254
Caribbean	12 176	(3 015)	9 161	(1 667)	763	3 019	6 031	1 004
Asia-Pacific	967 876	(1 335 148)	(367 271)	(138 827)	(83 385)	185 833	(113 497)	(215 622)
ASEAN	358 866	(378 248)	(19 381)	(45 251)	(22 016)	69 029	54 582	(76 370)
Australia and New Zealand	77 481	(145 521)	(68 039)	(121 432)	(8 236)	28 537	15 636	18 007
Republic of Korea	196 389	(353 106)	(156 717)	11 887	(29 754)	20 747	(54 857)	(103 086)
Japan	335 140	(458 274)	(123 134)	15 970	(23 379)	67 519	(128 858)	(54 173)
United States	757 961	(262 045)	495 916	(40 808)	5 905	260 531	63 871	205 331
European Union	841 291	(428 948)	412 343	5 218	(9 837)	238 968	(40 423)	217 448

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).

Note: Exports and imports include the category "Other" which is not shown in the table.

## 19. A recent surge in biregional trade has not been accompanied by a similar increase in FDI flow

- Latin America receives only 4% of FDI originating in Japan, Republic of Korea and mainland China. In contrast, Latin American absorbs nearly 8% of world FDI. Asia has much less FDI in Latin America and the Caribbean than the rest of the world.
- Historically, the United States has been the most important source of FDI in Latin America and the Caribbean. During the 1990s, Spain played an important role and became the most significant source of FDI for several Latin American countries. Asia-Pacific has been a relatively insignificant investor in the region with only 2.8% FDI between 1997 and 201 and 3.5% between 2002 and 2006 —approximately US\$ 8.9 million in each period.
- In the last two years (2006 and 2008), there has been a noticeable increase in Japanese FDI seeking to invest in natural resources. This same enthusiasm is expected from Chinese investors albeit official data does not necessarily confirm this.
- On the other hand, there has been a significant increase in intraregional FDI flow in Latin America and the Caribbean which has doubled from 5% to 10%. This is a result of the surge of Latin American businesses, referred to as trans-Latins.

■ **Table II.13** ■  
**Outward FDI stock of Japan, China, Republic of Korea, as of December 2009, by recipient country/region**  
*(Millions of dollars and percentages)*

	Japan	China	China without Hong Kong SAR	Republic of Korea
Asia	175 645	128 007	12 195	63 739
North America	240 246	3 659	3 679	34 539
Latin America and the Caribbean	99 056	32 242	32 224	10 827
Oceania	36 173	3 816	3 815	3 437
Western Europe	174 939	2 882	2 861	18 119
East Europe, Russian Federation, etc.	4 112	4 217	4 224	8 074
Middle East	4 453	1 476	1 499	2 576
Africa	5 734	7 672	7 698	1 675
<b>Total</b>	<b>740 364</b>	<b>183 971</b>	<b>68 126</b>	<b>142 986</b>
Asia	23.7	69.6	17.9	44.6
North America	32.4	2.0	5.4	24.2
Latin America and the Caribbean	13.4	17.5	47.3	7.6
Oceania	4.9	2.1	5.6	2.4
Western Europe	23.6	1.6	4.2	12.7
East Europe, Russian Federation, etc.	0.6	2.3	6.2	5.6
Middle East	0.6	0.8	2.2	1.8
Africa	0.8	4.2	11.3	1.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

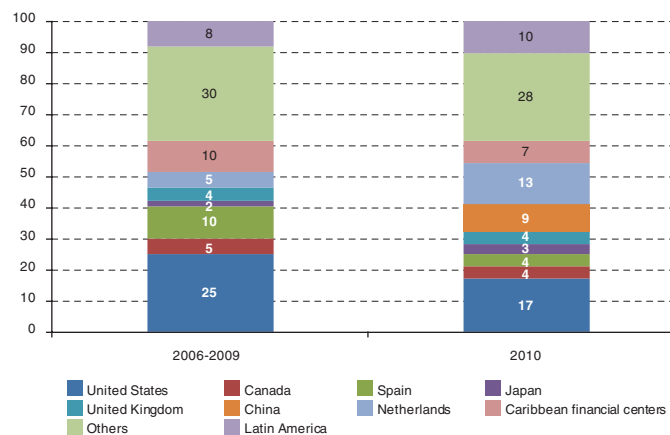
**Source:** Japan External Trade Organization (JETRO), 2010 JETRO Global Trade and Investment Report, Tokyo, 2010, Figure III-12, página, 86, based on the following national sources: Japan: "Japan's International Investment Position" (Bank of Japan, May 2010). U.S.: "U.S. Direct Investment Position Abroad on a Historical-Cost Basis" (Department of Commerce, June 2010). China: "2008 Statistical Bulletin on China's Outward Foreign Direct Investment" (Ministry of Commerce, September 2009). South Korea: "Overseas Investment Statistics" (Export-Import Bank of Korea, May 2010)".

**Note:** (a) The geographic classification for country/region follows the Japanese Ministry of Finance and the Bank of Japan's "Balance of Payments Statistics"; (b) Figures for Japan, the U.S. and China are international balance of payments basis. For South Korea, the figures are for the cumulative amount of remittances by investors since 1960; (c) Figures for Japan are values originally published in yen. Converted to U.S. dollars by applying the Bank of Japan's interbank and end-of quarter; (d) For the purposes of this figure, the developed countries/regions are Japan, Asian NIEs, North America, Oceania and Western Europe.

## 20. Chinese FDI in Latin America and the Caribbean surged in 2010 —is this the start of a new trend?

- ECLAC estimates that in 2010 Chinese multinationals invested more than US\$ 15 billion in Latin America and the Caribbean. China thus became the third largest foreign investor in the region with a 9% share behind the United States and the Netherlands which account for 17% and 13%, respectively. More than 90% of those investments went to natural-resource extraction, mostly in the oil and gas sector and, to a lesser extent, in mining. Sinopec made the largest investment and acquired 40% of the Brazilian operations of Repsol-YPF for US\$ 7.1 billion. Oil companies CNOOC and Sinochem also announced major acquisitions in Brazil and Argentina, respectively. In mining, Chinalco and Minmetals (in Peru) and Wuhan (in Brazil) announced large investments. Huawei and ZTE are prominent investors in telecommunications and BYD; Chery and Geely, in the auto industry.
- By country, the main destinations for Chinese FDI are Brazil, Argentina and Peru, all of which have strong trade links with China. China is also a significant investment source for some smaller economies such as Ecuador and Guyana, however, Chinese FDI in Mexico and Central America is almost negligible (with the exception of Costa Rica).
- Chinese investments announced in Latin America and the Caribbean in 2011 amount to US\$ 22.7 billion. Time will tell whether this is a temporary spike or the start of a new phase of economic relations between China and the region in which strong trade links are accompanied by growing investment in natural resources, manufactures, infrastructure and services.

■ **Figure II.11** ■  
**Latin America and the Caribbean: origin of foreign direct investment, 2006-2010<sup>a</sup>**  
 (Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates on April 15, 2011.

<sup>a</sup> This figure accounts for 80% of total FDI in Latin America and the Caribbean.

■ **Table II.14** ■  
**China: foreign direct investment in selected Latin American and Caribbean economies**  
 (Millions of dollars)

Country	Confirmed investments		Announced investments
	1990-2009	2010	Starting in 2011
Argentina	143	5 550	3 530
Brazil	255	9 563	9 870
Colombia	1 677	3	...
Costa Rica	13	5	700
Ecuador	1 619	41	...
Guyana	1 000	...	...
Mexico	127	5	...
Peru	2 262	84	8 640
Venezuela (Bolivarian Republic of)	240	...	...
Total	7 336	15 251	22 740

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Thomson Reuters, FDI Markets and interviews with firms.

## 21. A complex network of trade agreements has emerged among FEALAC member economies resulting in a “Spaghetti” phenomenon

- Some examples of transpacific agreements include the trade agreement between Chile and China (the first trade agreement China signed with a Western nation), the agreements Chile has with Japan and India as well as Panama’s agreements with Singapore and Taiwan Province of China. The Economic Partnership Agreement between Japan and Mexico entered into force in April 2005 and is considered the first agreement Japan has entered into that is of such broad scope. Several more Asia-Pacific and Latin American countries have also been involved with other initiatives including: Chile-Korea Free Trade Agreement (the first Transpacific trade agreement), Trans-Pacific Strategic Economic Partnership between Chile, New Zealand, Singapore and Brunei Darussalam (referred to as the P4 agreement) and a Free Trade Agreement between Peru and Thailand which negotiations concluded in 2005 but has not yet entered into effect. Chile has signed an FTA with Malaysia and is in the pre-negotiation stage with Viet Nam (evaluating the possibility of an agreement). In 2010, Costa Rica signed a bilateral FTA with Singapore and China.
- These combined initiatives demonstrate that Latin American countries are intent on developing long-term relationships with Asia-Pacific even though a unified strategy does not yet exist.

■ **Table II.15** ■  
**Bilateral and plurilateral FTAs in Asia-Pacific, June 2011,**  
**by country and negotiation stage**  
*(Millions of dollars and percentages)*

	ASEAN	Japan	China	Republic of Korea	India	Australia	New Zealand
ASEAN	EF	EF	EF	EF	EF		EF
Japan	EF		FS	ON	EF	ON	FS
China	EF	FS		FS	EF	ON	EF
Republic of Korea	EF	ON	FS		EF	ON	ON
India	EF	EF	FS	EF		FS	FS
Australia		ON	ON	ON	FS		EF
New Zealand	EF	FS	EF	ON	FS	EF	
EF	In vigour or signed						
ON	In negotiation						
FS	Feasibility study						

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

**Note:** Australia and New Zealand have an agreement jointly with the ASEAN. Although Japan and the Republic of Korea started negotiations in December 2003, the process has been suspended in November 2004. A feasibility study on a China/Japan/Korea agreement was announced in May 2010.

■ Table II.16 ■

**Trans-Pacific free trade agreements, June 2011**

Agreements in effect		Date of entry in effect
Taiwan Province of China-Panama		2004.01.01
Republic of Korea-Chile		2004.04.01
Japan-Mexico		2005.04.01
Trans-Pacific Strategic Economic Partnership Agreement (P4)		2006.05.28
Singapore-Panama		2006.07.24
China-Chile		2006.10.01
India-Chile		2007.08.17
Japan-Chile		2007.09.03
Nicaragua-Taiwan Province of China		2008.01.01
Honduras-Taiwan Province of China		2008.03.01
Australia-Chile		2009.03.06
India-MERCOSUR		2009.06.01
Singapore-Peru		2009.08.01
China-Peru		2010.03.01
Malaysia-Chile		2010.11.15
Republic of Korea-Peru		2011.03.21
China-Costa Rica		2011.07.01
Agreements signed but not yet in vigour		Date of signing
Singapore-Costa Rica		2010.04.06
Thailand-Peru, Protocol		2005.11.19
Japan-Peru		2011.05.31
In negotiation		
Thailand-Chile		
Viet Nam-Chile		
Singapore-Colombia		
Republic of Korea-Mexico	Negotiations suspended	
Republic of Korea-Colombia		
Singapore-Mexico		
Proposed		
Republic of Korea-MERCOSUR		
Republic of Korea-Panama		
Indonesia-Chile		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

## 22. Currently, nearly half of trade flows in Asia-Pacific are covered by a trade preference and when negotiations conclude, this percentage will be higher

- The numerous FTAs in effect substantially increase the amount of trade that is given some degree of preferable treatment. The trade flows from Asia-Pacific that are covered by FTAs—as measured by the rate of trade between a country or region with its trading partners with which it has agreements versus the total trade of a country or region—continues to grow. This coefficient equals 16.5% for Japan, 14.4% for Korea, 34.4% for the United States and 68.4% for Canada. China's rate is significantly lower compared to the aforementioned countries reaching only 11.2% in 2009—reflecting a trend of neighboring Asian countries using China as a platform for exports directed to developed economies such as the US and Europe.
- In August 2009, preferential tariffs were applied to 49% of total exports pursuant to the FTAs in effect in the Pacific Rim—the majority of which are ASEAN countries (65%). The rising interest rates in China, Japan and Korea (ASEAN+3), India and New Zealand (ASEAN +6), along with the impulse and dynamism of Canada, the United States and other countries in Latin America (Chile, Mexico and Peru) are reflected in the proposal to establish a free trade area in Asia-Pacific (FTAAP) based on APEC.
- In the ASEAN zone, the coefficient could increase to 85% of total exports, while the proportion of trade in the Asia-Pacific free trade area subject to preferential tariffs could quickly increase to 57% of total exports. Within the ASEAN+3 and ASEAN+6 areas these amounts could rise to 49% and 50%, respectively.

■ **Table II.17** ■  
**Trade coverage ratio by trade agreements in major countries/regions, 2009**<sup>a b</sup>  
 (Percentages)

	Coverage by FTA		
	Exports and imports	Exports	Imports
Japan	16.5	16.3	16.6
United States	34.4	40.1	30.5
Canada	68.4	77.7	59.2
Mexico	81.5	93.0	70.2
Chile	90.0	88.6	91.9
Peru	57.6	51.8	64.6
European Union	Total <sup>c</sup>	73.8	75.6
	Extraregional	25.0	27.3
Republic of Korea	14.4	14.6	14.2
China <sup>d</sup>	11.2	10.1	12.6
Singapore	65.9	66.3	65.4
Thailand	55.8	52.2	59.8
Indonesia	63.9	63.4	64.6
Malaysia	60.2	59.5	61.1
Philippines	51.5	45.2	57.2
Australia	28.0	20.1	35.7
New Zealand	45.0	43.2	46.8

Source: JETRO, White Paper on International Trade and Foreign Investment, (2010, Tokyo, Japan, Figure II-5, p. 53.

<sup>a</sup> Coverage rate of trade between a country or region with its trading partners with which it has agreements versus the total trade of a country or region.

<sup>b</sup> The ASEAN-India FTA and the ASEAN-Australia-New Zealand include those countries whose FTAs have not yet entered in effect.

<sup>c</sup> Total figure for the EU includes the trade value of intra-EU trade.

<sup>d</sup> The figure for China excludes its trade with Hong Kong SAR (7,9%) and Macao SAR(0,1%). When both are included, the coefficient reaches 19,2%.

## 23. As the process of reducing trade barriers between Asian countries continues, trade with Latin America and the Caribbean could be prejudiced

- The disadvantage the Latin American and Caribbean region faces in Chinese markets from ASEAN would be alleviated if countries in the region would sign FTAs with ASEAN.
- In effect, Latin America and the Caribbean would face the most severe competition in sectors of primary markets and natural resource-based manufactures in which ASEAN countries have a comparative advantage if the high tariffs remain in effect.
- The tariffs applied to agricultural products, textiles and clothing and some machinery by ASEAN countries, Japan and Korea (ASEAN+3) are still high. A reduction of the tariffs in the ASEAN+3 agreement or the agreements between ASEAN and the individual countries, or even in the China-ASEAN or ASEAN-India agreements, would be at the expense of Latin America and the Caribbean.

■ **Table II.18** ■  
**China and India: composition of trade with ASEAN and Latin America and the Caribbean, annual average, 2006-2009**  
*(Share of each region in country's total exports and imports, by technological intensity)*

		China		India	
		Imports	Exports	Imports	Exports
Primary products	ASEAN	6.8	12.7	7.4	11.8
	LAC	17.0	1.8	5.9	0.5
Manufactures based on natural resources	ASEAN	13.3	11.3	15.3	12.8
	LAC	9.2	6.0	2.8	3.7
Low-tech manufactures	ASEAN	6.3	5.7	7.9	3.1
	LAC	1.8	4.3	0.9	2.9
Medium-tech manufactures	ASEAN	6.0	9.6	7.9	12.4
	LAC	1.1	5.8	1.7	4.5
High-tech manufactures	ASEAN	17.0	7.9	11.1	10.6
	LAC	1.3	3.4	0.6	5.4
Others	ASEAN	4.2	6.9	2.6	17.2
	LAC	0.1	1.7	0.3	0.8

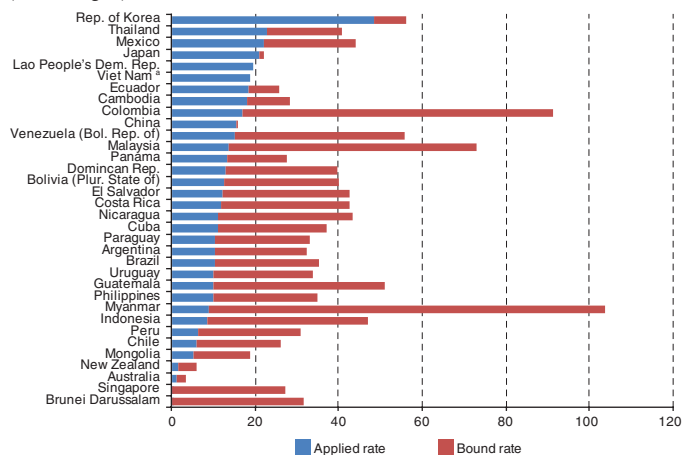
**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).



## 24. The MFN rates applied to those sectors that are of interest to FEALAC Latin America and the Caribbean still remain high

- The tariffs applied by a large number of Asian countries and some Latin American countries to agricultural products remain quite high meanwhile the majority of Latin American countries still apply high MFN rates in the non-agricultural sectors. When the applied MFN tariffs are compared with those of bound tariffs, there exist substantial differences between the two rates, in both agricultural and non-agricultural sectors, thereby leavening the countries with an important degree of discretion for protectionism.

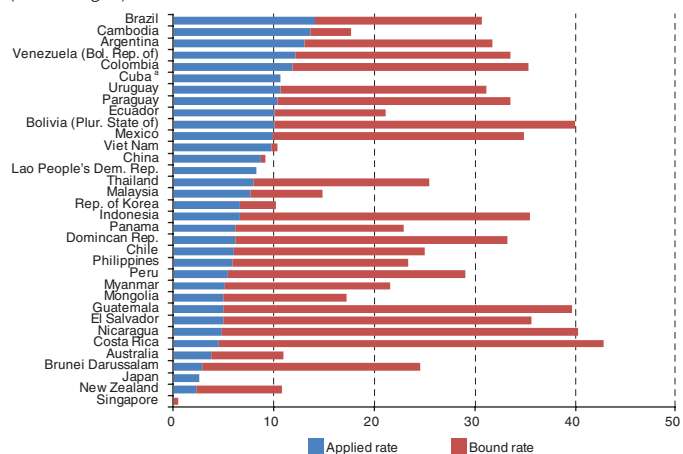
**Figure II.12A**  
Most favoured nation (MFN) applied and bound rates, agriculture by FEALAC member country, 2009  
(Percentages)



Source: WTO Tariff Profiles 2010.

<sup>a</sup> Viet Nam: bound rate 18.5% and applied rate 18.9%.

**Figure II.12B**  
Most favoured nation (MFN) applied and bound rates, non-agriculture, by FEALAC member country, 2009  
(Percentages)



Source: WTO Tariff Profiles 2010.

<sup>a</sup> Cuba: MFN applied rate, 10.7% and MFN bound rate 9.4%.

## 25. Those sectors that are of main interest to FEALAC Latin America and the Caribbean face high MFN rates

- The tariffs applied by many Asian countries to agricultural products, textiles, wearing apparel and certain categories of machinery remain high; a lowering of these tariffs within the framework of the ASEAN+3 or ASEAN+6 agreement,

would benefit Asia-Pacific countries at the expense of Latin America and the Caribbean. These high rates will be also impediments for countries in Latin America and the Caribbean to engage in global and Asian supply-chains.

■ Table II.19 ■

FEALAC countries, applied and most favoured nation tariff rates, by sector, 2009

	Animal products	Dairy products	Fruit, vegetables, plants	Coffee, tea	Cereals & preparations	Oilseeds, fats & oils	Sugars and confectionery	Beverages & tobacco	Cotton	Other agricultural products	Fish & fish products	Minerals & metals	Petroleum	Chemicals	Wood, paper, etc.	Textiles	Clothing	Leather, footwear, etc.	Non-electrical machinery	Electrical machinery	Transport equipment	Manufactures, n.e.s.	
Australia	0.4	3.6	1.6	1.0	1.3	1.6	1.9	3.6	0.0	0.3	0.0	2.8	0.0	1.8	3.4	6.8	15.4	5.5	3.1	3.2	5.1	1.4	
Brunei Darussalam	0.0	0.0	0.0	2.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.6	0.5	4.4	0.9	0.0	3.4	7.1	14.3	4.0	5.1	
Cambodia	27.8	25.8	14.0	26.7	19.8	9.1	7.0	33.1	7.0	15.5	18.9	11.0	14.8	9.6	11.8	9.6	28.5	18.0	14.6	24.3	16.1	14.9	
China	14.8	12.0	14.8	14.7	24.2	10.9	27.4	22.9	15.2	11.5	10.7	7.4	4.4	6.6	4.4	9.6	16.0	13.4	7.8	8.0	11.5	11.9	
Indonesia	4.4	5.5	5.9	8.3	5.8	3.9	8.0	51.8	4.0	4.3	5.8	6.4	0.3	5.2	5.0	9.3	14.4	9.0	2.3	5.8	10.6	6.9	
Japan	12.3	147.5	12.2	15.6	60.8	10.6	23.5	14.2	0.0	5.7	5.5	1.0	0.6	2.2	0.8	5.5	9.2	9.7	0.0	0.2	0.0	1.2	
Lao People's Democratic Republic	24.9	8.5	30.3	24.2	9.2	12.0	12.5	31.3	8.0	9.8	12.7	5.8	14.9	6.8	14.1	8.9	10.0	11.0	6.0	6.8	13.5	10.3	
Malaysia	3.9	2.3	3.6	5.7	4.5	1.8	2.5	155.2	0.0	0.6	1.2	11.2	0.7	2.9	10.1	10.3	15.9	13.9	3.6	4.3	11.6	4.8	
Mongolia	4.7	5.0	5.1	5.0	5.3	5.0	5.0	5.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.7	5.0	4.7	
Myanmar	10.7	3.4	11.5	14.0	8.7	1.7	5.4	23.2	0.8	3.1	8.2	3.4	1.8	2.3	6.5	8.4	17.2	5.3	1.7	4.3	4.2	6.5	
New Zealand	1.5	1.4	1.2	2.3	2.9	0.6	1.5	3.0	0.0	0.7	0.4	1.8	0.2	0.8	1.3	1.9	9.6	3.1	3.0	2.6	3.1	1.7	
Philippines	21.0	3.9	9.8	15.7	10.9	5.6	16.0	8.2	2.6	3.4	8.1	4.9	2.9	3.8	6.6	9.1	14.9	6.6	2.3	4.0	9.1	4.9	
Republic of Korea	22.1	67.5	57.7	53.9	134.5	37.5	17.1	31.7	0.0	16.1	16.0	4.6	4.1	5.7	2.2	9.1	12.6	7.8	6.0	6.2	5.5	6.7	
Singapore	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Thailand	28.7	24.8	30.5	28.3	18.1	10.0	22.3	41.9	0.0	9.4	11.7	6.0	6.0	3.1	6.9	8.0	29.8	12.4	4.1	7.5	20.3	10.2	
Viet Nam	14.6	12.8	24.4	29.8	21.6	8.6	15.8	50.0	6.0	6.8	25.7	8.6	13.5	4.2	13.5	10.0	19.7	15.4	4.0	10.9	18.9	12.1	
Argentina	8.9	15.1	9.8	13.3	12.2	8.5	17.5	17.2	6.4	7.5	10.0	9.9	0.2	8.1	10.7	22.5	35.0	15.5	5.6	12.3	20.2	13.7	
Bolivia	12.6	12.0	14.1	15.3	11.2	12.2	13.0	13.7	11.0	9.6	18.0	9.0	9.8	7.0	11.3	15.8	19.5	11.3	4.2	7.4	7.2	11.1	
(Plurinational State of) Brazil	8.9	15.1	9.7	13.3	11.8	8.0	16.5	17.2	6.4	7.6	10.0	10.1	0.2	8.3	10.7	22.5	35.0	15.7	12.7	14.2	18.1	15.3	
Chile	6.3	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	5.4	6.0	
Colombia	24.5	24.3	15.3	17.9	20.4	16.3	16.8	18.6	10.0	9.9	19.1	10.1	10.1	7.9	13.1	17.7	20.0	13.6	8.7	10.5	14.0	11.2	
Costa Rica	21.0	43.5	11.4	12.4	10.0	6.1	17.2	12.7	0.0	4.0	8.6	3.1	7.3	1.8	5.9	7.6	13.9	7.2	1.1	2.1	4.1	6.1	
Cuba	9.7	22.1	9.4	20.5	11.2	8.2	20.3	23.4	1.6	6.2	4.7	7.7	2.4	9.5	8.7	14.6	22.8	12.0	9.7	10.4	9.0	12.5	
Dominican Republic	20.9	18.6	17.0	18.1	10.9	5.1	13.0	18.1	0.0	3.0	16.3	5.8	8.4	2.8	6.6	4.1	19.9	8.7	1.7	5.7	7.3	11.4	
Ecuador	28.9	31.8	20.2	24.5	21.0	13.8	12.1	24.2	4.0	5.4	24.6	6.5	4.8	3.2	13.3	18.0	30.0	13.0	3.4	7.1	8.8	14.3	
El Salvador	24.0	26.1	11.4	13.0	10.9	5.7	25.2	17.7	0.0	4.2	9.2	3.4	7.6	1.9	6.2	8.2	14.9	7.8	1.2	2.6	3.9	7.4	
Guatemala	12.3	13.2	11.3	13.4	10.3	5.8	11.1	17.6	0.0	4.3	9.3	3.3	6.8	1.9	6.4	8.3	14.9	7.8	1.2	2.8	6.1	6.8	
Mexico	41.2	35.0	17.8	37.0	19.5	17.1	66.0	27.8	4.7	7.3	16.6	7.3	4.4	5.5	9.2	14.5	30.0	11.1	5.9	7.7	14.2	10.5	
Nicaragua	15.4	26.5	11.3	13.4	11.4	6.3	29.0	13.2	0.0	4.2	9.3	3.3	7.3	1.8	6.2	8.2	14.9	7.6	1.2	2.8	3.8	6.5	
Panama	21.5	37.2	10.7	19.6	13.0	9.8	24.1	13.3	0.0	7.9	12.9	7.0	3.9	1.8	7.7	3.6	11.7	8.7	4.8	7.9	11.2	10.1	
Paraguay	8.9	15.1	10.1	12.4	11.5	8.0	19.6	16.7	6.4	7.5	10.0	9.7	0.2	7.8	10.3	16.4	20.4	13.1	3.2	8.5	8.3	12.5	
Peru	7.7	4.5	7.5	9.0	4.4	3.4	7.0	9.3	9.0	4.6	0.6	3.0	0.0	3.1	6.7	13.1	17.0	6.8	0.8	3.1	1.5	5.5	
Uruguay	8.9	15.1	9.8	11.5	11.4	8.0	17.5	16.6	6.0	7.5	10.0	9.7	0.2	7.8	10.0	16.5	20.0	15.3	3.3	11.3	8.6	13.3	
Venezuela																							
(Bolivarian Republic of)	17.2	19.3	14.8	17.9	17.8	16.0	17.4	18.6	10.0	9.2	19.1	10.3	9.8	8.3	13.3	17.8	20.0	13.3	9.2	11.4	14.1	11.4	

Source: World Trade Organization (WTO), <http://stat.wto.org/TariffProfile/WSDDBTariffPFHome>.

## 26. In addition to tariffs, high transport costs are another trade barrier between the two regions

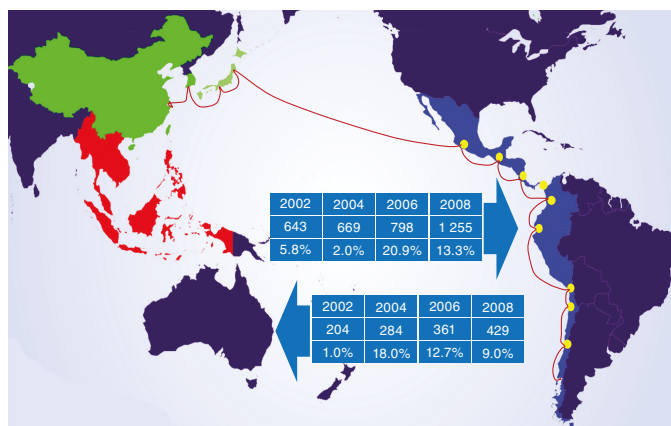
- In addition to traditional tariff measures (ad valorem or specific) there are several other barriers that impede trade. Some of these have become significant trade barriers particularly when tariff rates come down as a result of liberalization.
- For example, high transport freight costs are one factor that puts Latin American exporters at a disadvantage. Particularly high and rising costs in freight and insurance, due in part to high oil prices and a lack of maritime transport interconnections, have emerged as one of the major trade barriers that limit the potential growth of Latin American exports to Asia-Pacific.
- The maritime connections between the two regions are not yet adequately developed, while the North-North and South-North routes are more complete and well developed. In general, South-South flows have few connections, and direct lines between Latin America and Asia-Pacific are known to be available only to and from Chilean ports while in the rest of the region several stops must be made in South Africa or other Latin American countries are before setting course to Asia.

■ **Table II.20** ■  
**Selected Latin American countries with Asia-Pacific: balance of trade in containers, 2007**  
 (TEU—Twenty-foot Equivalent Unit)

		Central America	Colombia	Chile	Mexico	Ecuador	Peru
Asia-Pacific	Exports	18 281	12 470	304 842	131 456	8 125	43 063
	Imports	260 088	142 194	213 797	619 099	56 671	133 698
	Imbalance	-241 807	-129 724	91 045	-487 643	-48 546	-90 635
	Exports/imports	7%	9%	143%	21%	14%	32%

Source: Review of Maritime Transport 2008. UNCTAD.

■ **Figure II.13** ■  
**Exports and imports by maritime transport routes between Asia-Pacific and Latin America**  
 (Million TEU and the annual variation)

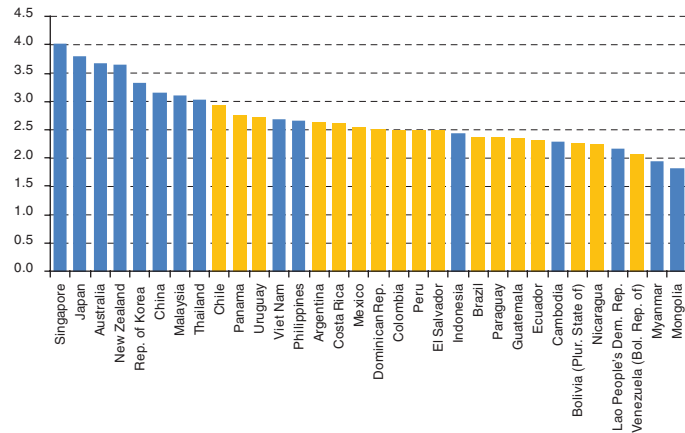


Source: Economic Commission for Latin America and the Caribbean (ECLAC), Global Insight 2009, Sociedad Portuaria Regional (SPRBun). CEPAL/Perfil marítimo.

## 27. Latin American and Caribbean countries are also weak in trade logistics which results in shipment delays and lower international competitiveness

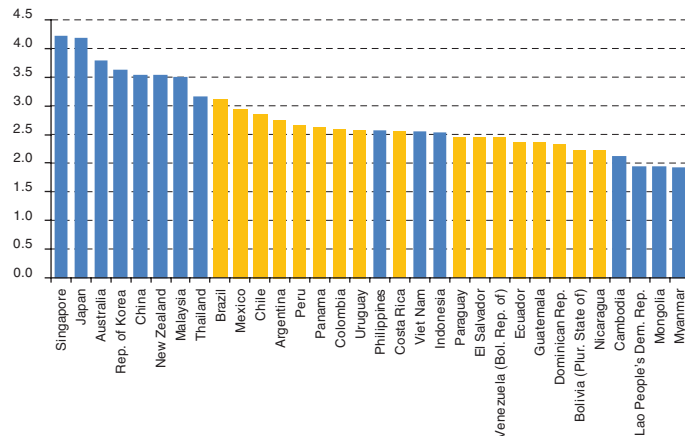
- Another trade barrier is related to high logistics costs and weak port capacities —there is a significant difference between the two regions in this respect.
- In the Logistic Performance Index, developed by the World Bank and several academics, only one Latin American country figures among the top 10 countries of Asia-Pacific. A low logistics performance represents a higher cost for exporters, resulting in shipment delays and lower competitiveness.
- Two areas in which Latin America is weak are customs and infrastructure. Urgent measures should be introduced to improve the customs procedures and port of entry infrastructure and facilities.
- Progress in regional cooperation in the area of trade facilitation could enhance international competitiveness, generating greater trade and investment opportunities between Latin American and the Caribbean and Asia-Pacific enterprises.
- In this regard, the countries of Asia-Pacific are encouraged to finance projects that are of mutual benefit to biregional integration.

■ **Figure II.14A** ■  
**Logistics performance index, efficiency of customs clearance process, 2009**  
*(1=low to 5=high)*



Source: World Bank, Logistics Performance Index, 2010.

■ **Figure II.14B** ■  
**Logistics performance index, quality of trade and transport related infrastructure, 2009**  
*(1=low to 5=high)*



Source: World Bank, Logistics Performance Index, 2010.

## 28. It is essential to set up institutions for harmonizing procedures, especially to ensure interoperability and standardization of procedures, a fertile area for biregional cooperation

- Table II.21 shows a number of proposals for action in the area of trade facilitation which could have a positive impact on regional integration, the streamlining of transport flows and international trade costs.
- An attempt should also be made to speed up legal agreements that recognize modern business instruments (electronic billing, electronic certificates of origin, and interagency single windows, among others).
- Asia-Pacific countries can cooperate with Latin American and the Caribbean countries in strengthening national and regional capacities in each area, in order to further promote its trade and investment relations with the region.

■ Table II.21 ■

### Opportunities in trade facilitation and transport

Area	Suggestions for the short term
E-Commerce	<ul style="list-style-type: none"> <li>Seek common ground (such as standards) to enable interconnection among regional actors</li> <li>Eliminate red tape in customs</li> <li>Form business partnerships to enhance international competitiveness</li> <li>Strengthen logistical and transport systems</li> <li>Recognize electronic signatures</li> </ul>
Single Window	<ul style="list-style-type: none"> <li>Designate a central coordination entity at the national level and a regional centre for system recognition and interoperability</li> <li>Promote coordination and consistency among national systems to facilitate interoperability</li> <li>Use universally accepted systems for paperless trade</li> </ul>
Customs procedures	<ul style="list-style-type: none"> <li>Adopt compatible administrative systems to enable interconnection and reduce the time and costs of procedures</li> <li>Disseminate such systems in the private sector, particularly among SMEs</li> <li>Promote regional coordination to expedite procedures</li> <li>Use pre-shipment inspections and other mechanisms to cut waiting times at loading and unloading points</li> <li>Strengthen the use of ICT for security purposes, in accordance with international standards</li> </ul>
Streamlining the transport chain	<ul style="list-style-type: none"> <li>Accelerate regional integration projects, especially those involving infrastructure and interconnections that will benefit landlocked countries</li> <li>Coordinate with the private sector to identify bottlenecks in a timely manner and propose joint projects</li> <li>Foster intermodal and complementary means of transport</li> </ul>
Adoption of international standards	<ul style="list-style-type: none"> <li>Disseminate models for electronic documents (eDocs) available from the United Nations Centre for Trade Facilitation and Electronic Business (CEFACT)</li> <li>Disseminate and adopt international regulations governing maritime transport, handling of dangerous cargo and other international documents for facilitating international transport</li> <li>Implement e-government systems, especially international standards and classifications, to permit paperless trade</li> </ul>
Phytosanitary standards	<ul style="list-style-type: none"> <li>Ensure consistency with international standards and cooperation and training for the fulfillment of health and safety requirements</li> <li>Put in place sampling and prevention techniques aimed at avoidance or early detection of risks in the distribution chain, thus forestalling large-scale health emergencies Interface between the public and private sectors</li> </ul>
Interface between the public and private sectors	<ul style="list-style-type: none"> <li>Set up centers to train SMEs in ICT use</li> <li>Strengthen export financing mechanisms using elements of trade and e-governance to deal with any reduction in the supply of private financing</li> </ul>

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

## 29. Latin American countries also lag behind Asia-Pacific countries in quality-control measures, such as ISO

■ Table II.22 ■

### ISO certifications in 2009, by standard and country

(In absolute numbers, percentages and certifications per million inhabitants)

ISO Standards	9001 Quality Measurement Systems	14001 Enviroment Management Systems	16949 Quality for Automotive Production	13485 Sanitary Management Systems	27001 Information Security Management	22000 Food Safety Management	Total	Share	Certifications per million inhabitants
FEALAC Asia-Pacific									
Australia	9 143	1 432	163	67	55	53	10 913	1.9	499
Brunei Darussalam	69	24					93	0.0	233
Cambodia	34	5		1	1		41	0.0	3
China	257 076	55 316	12 071	1 498	459	3 342	329 762	56.6	248
Indonesia	5 476	794	7	7	13	184	6 481	1.1	28
Japan	68 484	39 556	1 195	452	5 508	217	115 412	19.8	905
Lao People's Democratic Republic	2						2	0.0	0
Malaysia	6 463	1 281	427	156	38	102	8 467	1.5	308
Mongolia	35	2				3	40	0.0	15
Myanmar	59	5			1	3	68	0.0	1
New Zealand	1 129	191	3	12	5	13	1 353	0.2	313
Philippines	1 992	719	103	15	47	42	2 918	0.5	32
Republic of Korea	23 400	7 843	3 857	343	174	100	35 717	6.1	733
Singapore	4 164	821	86	102	41	85	5 299	0.9	1062
Thailand	6 097	1 864	956	59	34	99	9 109	1.6	134
Viet Nam	7 333	541	74	11	5	166	8 130	1.4	93
FEALAC Latin America and the Caribbean									
Argentina	4 428	676	232	35	4	47	5 422	0.9	135
Bolivia (Plurinational State of)	170	32		1	1	5	209	0.0	21
Brazil	14 049	1 327	1 077	65	48	87	16 653	2.9	86
Chile	4 619	576	2	2	10	30	5 239	0.9	309
Colombia	7 848	573	86	2	14	22	8 545	1.5	187
Costa Rica	245	90	6	6	5	2	354	0.1	77
Cuba	670	24				14	708	0.1	63
Dominican Republic	90	25	3	3	1		122	0.0	12
Ecuador	949	110	14		1	17	1 091	0.2	80
El Salvador	151	12	2				165	0.0	27
Guatemala	173	15				5	193	0.0	14
Mexico	5 020	870	990	93	49	52	7 074	1.2	66
Nicaragua	33	5	3			1	42	0.0	7
Panama	106	13				3	122	0.0	35
Paraguay	197	9				4	210	0.0	33
Peru	811	176	2	10	6	2	1 007	0.2	35
Uruguay	697	71	5	3	4	2	782	0.1	234
Venezuela (Bolivarian Republic of)	969	99	35			2	1 105	0.2	39
<b>Total</b>	<b>432 181</b>	<b>115 097</b>	<b>21 399</b>	<b>2 943</b>	<b>6 524</b>	<b>4 704</b>	<b>582 848</b>	<b>100.0</b>	<b>218</b>

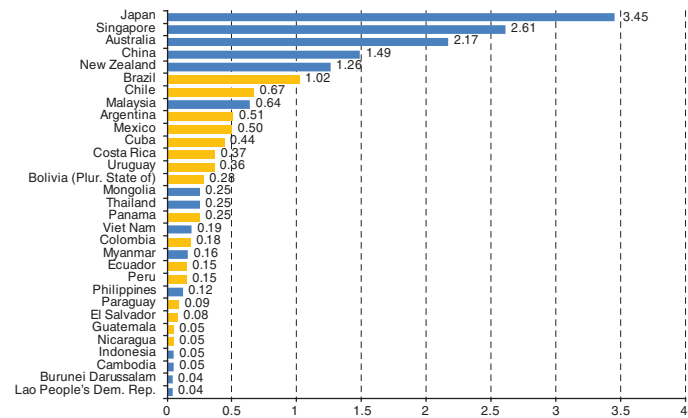
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the International Organization for Standardization, The ISO Survey 2009.

- A newly emerging trade barrier is the lack of quality control. In recent years more governments, industries and consumers have begun to demand high levels of quality in products and the corresponding certifications issued by renowned international organizations and/or their own national agencies.
- Several standards are obligatory commitments while others are of a voluntary nature based on the recommendations by the private sector. These non-mandatory standards are considered to be very influential in determining not only the competitiveness of the product in the world market but also in influencing the buying decisions of the consumers.
- Latin American countries lag far behind their Asia-Pacific counterparts in this respect. For example, the number of ISO Standards of Quality that each region certified in 2009 shows a stark difference not only in terms of absolute number of certifications but also when the size of population is taken into account.
- By country of issuance, China and Japan together account for more than 76% of the all the ISO issued in the two regions in 2009. Singapore shows the highest number of issuance per capita.

### 30. The R&D expenditure of Latin America and the Caribbean (in terms of GDP and the number of researchers per capita) lags behind the Asian developed and Newly Industrialized Economies, though not necessarily so in relation to ASEAN

- The Human Development Indicators related to the R&D capacities of the countries in both regions show that:
  - The information on R&D expenditure is quite sparse: comparisons are made using the most recent year for which the data is available.
  - Countries with more than a 1% threshold includes Brazil;
  - Latin America and the Caribbean countries lag far behind Asian developed countries such as Australia, Japan and New Zealand, but also the so-called Asian Newly Industrialized Economies (NIEs).
  - Most advanced East Asia and the Pacific countries spend twice as much as Latin American countries.

■ **Figure II.15 ■**  
**FEALAC countries, R&D expenditures as percentage of GDP, most recent year**  
*(Percentages)*



Source: United Nations Educational, Scientific, and Cultural Organisation (UNESCO) Institute for Statistics.



## 31. Latin American performance in some aspects of R&D capacities is disappointing

- The record of Latin America and the Caribbean on some aspects of R&D do not fare well in comparison with several ASEAN countries. Asia-Pacific accounted for 25% of patents granted in the United States between 2000 and 2008, a majority of which came from Japan. The same pattern is replicated in terms of the number of patents to residents and non-residents per thousand people.
- The number of articles published by engineers in East Asia and the Pacific as a whole has been much larger than that by Latin American counterparts. Asia-Pacific accounts for almost 19% of articles in all fields of science and engineering though roughly half of the number corresponding to the United States or the European Union. The share of Latin America is quite small (2.9%).

■ Table II.23A ■

### Number of patents granted in the United States, 2000-2008

(By country of resident and nonresident nationality)

Region/country/economy	Total 2000-2008	Share in USPTP patents grants total	Number of patents granted per 1 000 inhabitants
FEALAC Asia-Pacific			
Australia	9 087	0.6	0.42
China	4 364	0.3	0.00
Indonesia	53	0.0	0.00
Japan	304 423	20.9	2.39
Malaysia	777	0.1	0.03
New Zealand	1 124	0.1	0.26
Philippines	160	0.0	0.00
Republic of Korea	43 114	3.0	0.88
Singapore	3 350	0.2	0.67
Thailand	206	0.0	0.00
Viet Nam	3	0.0	0.00
Total for FEALAC Asia-Pacific <sup>1</sup>	366 661	25.2	0.18
FEALAC Latin America and the Caribbean			
Argentina	399	0.0	0.01
Brazil	929	0.1	0.00
Chile	126	0.0	0.01
Colombia	73	0.0	0.00
Costa Rica	34	0.0	0.01
Cuba	39	0.0	0.00
Mexico	678	0.0	0.01
Uruguay	15	0.0	0.00
Venezuela (Bolivarian Republic of)	166	0.0	0.01
Total for FEALAC Latin America <sup>1</sup>	2 459	0.2	0.01
World	1 456 805	100.0	0.21
European Union	220 417	15.1	0.71
United States	753 289	51.7	1.50

Source: US Science and Engineering Indicators, 2010.

■ Table II.23B ■

### Science and engineering articles published in journals, by region/country /economy, 1995-2007

(Number of articles and percentages)

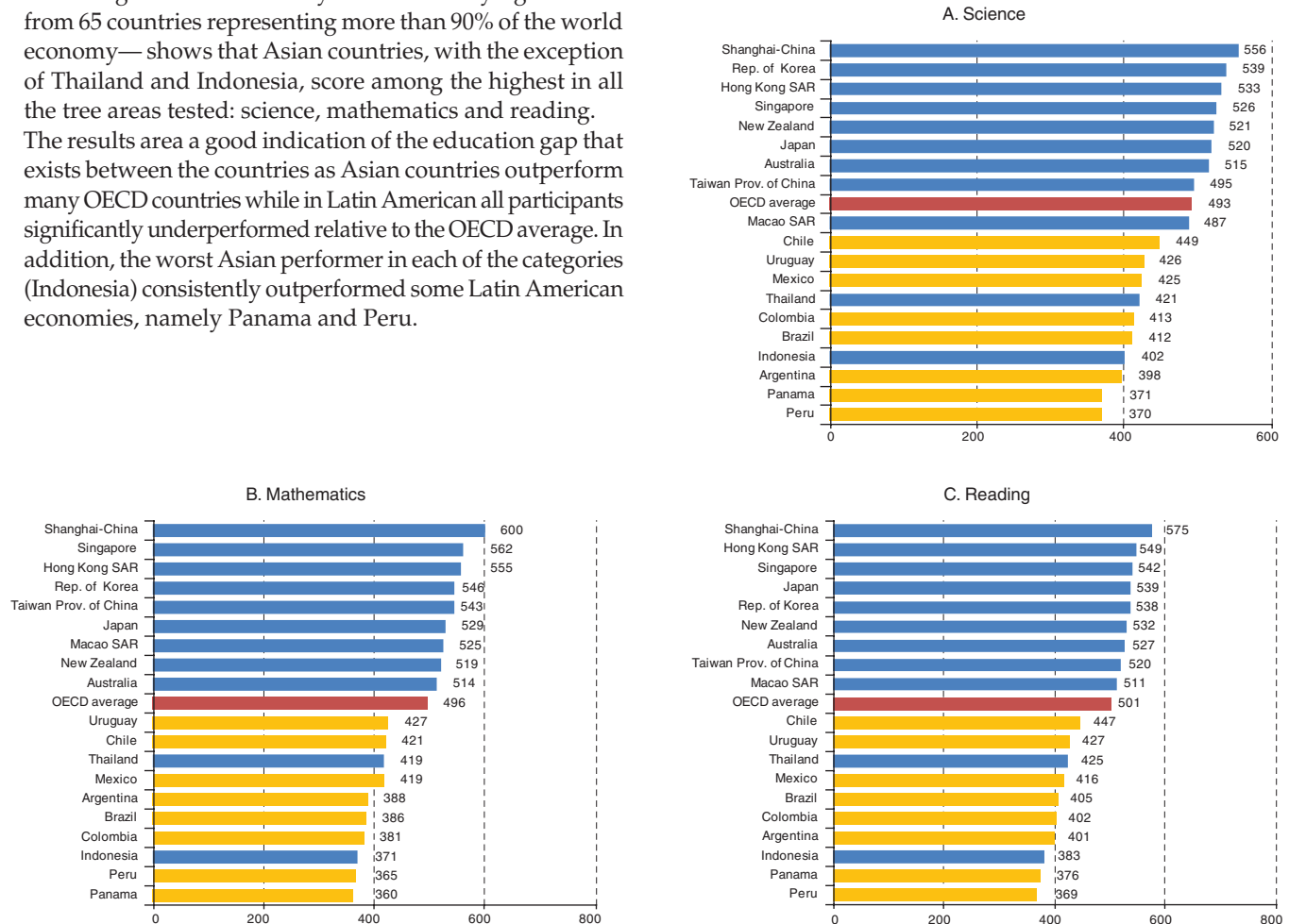
Country	Number of articles 1995-2001	Number of articles 2002-2007	Share of world total 1995-2001	Share of world total 2002-2007
FEALAC Asia-Pacific				
Australia	98 285	95 794	2.3	2.3
Brunei Darussalam	97	85	0.0	0.0
Cambodia	34	114	0.0	0.0
China	100 868	234 867	2.4	5.6
Indonesia	1 086	1 134	0.0	0.0
Japan	371 170	332 964	8.8	7.9
Lao People's Democratic Republic	23	65	0.0	0.0
Malaysia	2 868	3 707	0.1	0.1
Mongolia	96	119	0.0	0.0
Myanmar	53	62	0.0	0.0
New Zealand	19 163	17 605	0.5	0.4
Philippines	1 146	1 081	0.0	0.0
Republic of Korea	50 490	93 163	1.2	2.2
Singapore	11 898	20 197	0.3	0.5
Thailand	3 612	7 528	0.1	0.2
Viet Nam	854	1 246	0.0	0.0
Subtotal	661 743	809 731	15.7	19.3
FEALAC Latin America and the Caribbean				
Argentina	17 669	18 763	0.4	0.4
Bolivia (Plurinational State of)	207	236	0.0	0.0
Brazil	36 300	58 365	0.9	1.4
Chile	7 088	9 112	0.2	0.2
Colombia	1 727	2 400	0.0	0.1
Costa Rica	529	549	0.0	0.0
Cuba	1 590	1 529	0.0	0.0
Dominican Republic	53	35	0.0	0.0
Ecuador	233	309	0.0	0.0
El Salvador	15	29	0.0	0.0
Guatemala	124	114	0.0	0.0
Honduras	63	41	0.0	0.0
Mexico	18 079	23 001	0.4	0.5
Nicaragua	59	70	0.0	0.0
Panama	275	350	0.0	0.0
Paraguay	51	52	0.0	0.0
Peru	510	747	0.0	0.0
Suriname	17	19	0.0	0.0
Uruguay	950	1 157	0.0	0.0
Venezuela (Bolivarian Republic of)	3 410	3 145	0.1	0.1
Subtotal	88 949	120 023	2.1	2.9
World	4 207 333	4 197 335	100.0	100.0
United States	1 338 021	1 213 460	31.8	28.9
European Union	1 483 789	1 400 776	35.3	33.4

Source: US Science and Engineering Indicators, 2010.

## 32. Latin American countries lag far behind in the PISA ranking not only in science and mathematics but also in reading—an area in urgent need of improvement

- The most recent results of the Programme for International Student Assessment (PISA)—a triennial survey of the knowledge and skills of 15-year olds surveying students from 65 countries representing more than 90% of the world economy—shows that Asian countries, with the exception of Thailand and Indonesia, score among the highest in all the three areas tested: science, mathematics and reading.
- The results are a good indication of the education gap that exists between the countries as Asian countries outperform many OECD countries while in Latin America all participants significantly underperformed relative to the OECD average. In addition, the worst Asian performer in each of the categories (Indonesia) consistently outperformed some Latin American economies, namely Panama and Peru.

■ **Figure II.16 ■**  
**Programme for International Student Assessment (PISA) rankings and scores, 2009**



Source: OECD, PISA 2006: Science Competencies for Tomorrow's World.



### III. Conclusions and recommendations



- The world economy is in transition and the economic center of gravity is shifting from the Atlantic to the Pacific. The recovery from international financial crisis has been heterogeneous; Economies in Developing Asia, led by China are growing at a rate three times greater than that for industrialized countries. Emerging economies are changing the world trade and finance order in which they are acquiring veto power. The region needs to reposition itself in the world and to address the growing relevance of South-South linkages (in trade, FDI, finance, etc.). Events surrounding the global economies in recent years require developing countries in both regions to rethink strategic alliances both globally and regionally.
- Midterm perspectives look promising for Developing Asia and Latin America and the Caribbean. Both explain to a significant degree the world's new geography of growth. This reflects not only the larger presence of emerging economies in the main variables of the world economy but also the stronger links among emerging and developing economies themselves through increased South-South trade and investment. Developing countries in both regions must act proactively to anticipate this new scenario, adjusting their policies and strategies so as to take advantage of the growing potential of South-South economic links and cooperation. Authorities in both regions should redouble their efforts to identify and capitalize upon the potential complementarities, by creating biregional business alliances, enhancing cooperation in innovation and human capital in order to diversify trade, add greater value and knowledge to exports, and help create more stable conditions for growth.
- The first decade of this new century has brought good news for Latin America and the Caribbean. Between 2003 and 2008, regional GDP growth averaged nearly 5% per year, with per capita GDP increasing by over 3% per annum. This growth was coupled with improvements in labour-market indicators and a reduction in poverty in the region. One of the most outstanding features of this period was the fact that, in most of the countries, policymakers had placed priority on maintaining macroeconomic balances, which helped generate surpluses in both their external and their fiscal accounts. The highly favourable external economic environment during this period, especially the increasing demand of primary products of Asian countries, was another contributing factor. The ramparts that the countries of the region had built through sounder macroeconomic policy management during this period made it possible for the region to weather the international crisis with unprecedented resilience and to emerge from it sooner and more strongly than the developed countries. It grew by 6% in 2010 and is expected to grow over 4.5% in 2011.
- Despite recent improvements on many macroeconomic indicators, the Latin America and the Caribbean region faces some formidable structural challenges. It still has the highest indices of inequality in the world; the GNI coefficients of the countries in the region are above or near 50, while those of the ASEAN countries are in the range of 30 and 40. Though declining, the unemployment rate is still high, a rate between 6.7% and 7.0% projected for 2011, with a large segment of the labour force working in the informal sectors. The annual productivity growth of Latin American and Caribbean economies during 1996-2006 was below 2%, with the exception of Dominican Republic and Panama. The level of R&D expenditure as percentage of GDP in Latin American and Caribbean countries remain low; Brazil shows the highest ratio in the region of slightly over 1%, in comparison with Singapore's 2.6% and China's 1.5%. The number of articles published in all fields of science and engineering by the region's professionals accounted for less than 3% of world total.
- Therefore, during that favorable external cycle of 2003-2008, Latin America grew faster than any time in the last four decades, but it could neither reduce its productivity gap with industrialized economies nor that between modern and backward sectors within the region's national economies.

The countries of the region also urgently need to: (i) develop new linkages to strengthen innovation and competitiveness (a weak link in the Latin American region); (ii) strengthen links between trade and investment; and (iii) consolidate productive and technological linkages. The success of any strategy aimed at convergence with industrialized economies will necessarily be measured against indicators such as innovation, productivity, diversification of the productive and export base, a more qualified workforce, a strengthening of the link between exports and the rest of the economy, and a less unequal income distribution. In that direction, deepening closer economic ties and trade relationships between Asia-Pacific and Latin America may be very useful.

- Asia-Pacific, the most dynamic region in the world economy, offers multiple opportunities to Latin America and the Caribbean in areas such as mining, energy, agriculture, infrastructure and science and technology. Given the vast size of Asia's markets, it will only be possible to take full advantage of these opportunities through a coordinated partnership building effort among the countries of the region. Nevertheless, until now no coordinated strategy has been developed among countries or groups of countries to forge strategic investment and trade links with Asia-Pacific; rather, there have mainly been sporadic, individual attempts. The countries of Latin America and the Caribbean need to take a more coordinated approach to building closer ties with Asia-Pacific.
- Strictly individual (i.e. national) strategies are no longer sufficient, because: i) main players are structured in larger economic spaces: NAFTA, EU 27, the "Asia factory" (China, Japan, Republic of Korea, ASEAN); ii) the tendency to organize production in value chains involves a growing fragmentation of production across national boundaries; iii) the regional space is important in LAC to achieve larger production scales and promote productive integration through regional or sub-regional value chains; and iv) this in turn requires, inter alia: convergence of norms and policies; gradual financial integration; coordinated progress in infrastructure, logistics and trade facilitation.
- To promote trade and investment flows between Latin America and the Asia-Pacific region in such a way as to improve competitiveness, the following constraints need to be addressed: (i) the fact that trade flows by country and

the composition of traded products are highly concentrated; (ii) the nature of these flows is almost exclusively inter-industry, and Asia-Pacific exports mainly manufactured goods while Latin America and the Caribbean mainly exports raw materials; and (iii) this characteristic makes it harder for the region's countries to engage more effectively in the productive chains of the Asia-Pacific region, which are increasingly intra-industry. The Latin American region should therefore adopt a two-pronged approach: first, more efficient and coordinated exploitation of natural-resource-based comparative advantages; and, secondly, greater efforts to promote industrial development by improving the corresponding international competitiveness in manufacturing sectors.

- Latin American countries should strengthen their trade ties and increase their productive complementarity with Asia-Pacific, striving to integrate into Asian production and export chains. To do so, they will need to form trade and investment partnerships that go beyond free trade agreements. Although these agreements may be important, they are not enough to generate the scale and critical mass needed to encourage trade and technology partnerships between the two regions, or to reduce the marked asymmetry between the large volumes of trade and small reciprocal levels of investment. The relation between trade and FDI can also be affected by broadly defined transaction costs that include transportation costs, as well as trade logistics, and communication with trading partners. On the other hand, companies must decrease costs and improve product quality, delivery and customer service in order to maintain good relationships with their clients in the increasingly globalized economy.
- Both intraregional FDI flows in Asia-Pacific and FDI inflows into emerging Asia have been a genuine promoter of de facto regional integration in this region; the FDI originating not only from the major developed countries but also from within emerging East and South-East Asia have been major investors for each Asian country over the years. In this region, there exists a clear "trade and investment" relationship, which promotes intra-industry and intra-firm trade and a greater "slicing-up" process of complex cross-border international supply chain networks. In fact, East and South-East Asia can be viewed as a highly integrated "factory". Notably, this

- entire regional trade creation occurred outside the ambit of regional trade agreements but together with investment attraction policies. It is highly desirable that Latin American countries also engage in these Asian supply and value chains.
- There is also growing concern at the assumption that the benefits of Asia's buoyancy may not be fully exploited by non-Asian countries, owing to the formation of an informal (de facto) trade bloc, now supported by formal (de jure) integration in Asia-Pacific. Those countries make up an increasingly broad, widening and complementary group in which development is disseminated in concentric circles, thanks to intra-industry regional trade and intraregional FDI. In view of these trends, countries of Latin America and the Caribbean need to strengthen their trade links to make their production more complementary with that of Asia-Pacific, and establish trade and investment partnerships, in addition to trade agreements, which would provide new access to these markets and help these countries to integrate into Asian production and export chains.
  - The Asia-Pacific region offers investments that could provide complementary financing for major initiatives, especially in the infrastructure and energy areas. An interesting challenge is to identify the infrastructure and energy projects in Latin America and the Caribbean where Asian investment might be most useful to speed up the implementation of works. This would not only help to strengthen the trade facilitation and investment link with Asia-Pacific, but also would generate externalities for Latin America's own regional integration process. It would thus be advisable to link strategic partnership with Asia-Pacific with efforts to advance regional integration, in order to build unified markets supporting increasingly common standards and providing greater legal certainty.
  - The lack of a well-established network among companies, whether large firms or SMEs, represents an obstacle to strategic alliances and corporate association. Despite profitable opportunities, the high sunk costs of new ventures and the risks involved for single investors may also continue to act as formidable barriers. Inadequate infrastructure, especially the lack of a good transport system, also impedes dynamic trade and investment flows. The provision of solutions for these bottlenecks would certainly enhance biregional trade and investment.
  - Joint efforts to strengthen ties with Asia-Pacific through multinational business and ministerial missions would help to promote project portfolios in infrastructure, energy, banking, tourism and logistics, to the benefit of both regions. Reaching consensus on such a portfolio, as well as on other trade and investment initiatives, might be a first step for holding technical meetings with Asian counterparts, including the Association of Southeast Asian Nations (ASEAN). Subsequently, high-level political meetings could be held to raise the level of dialogue with Asia-Pacific on the basis of a shared regional agenda.
  - There are several issues of mutual interest and great importance relating to trade and investment promotion, enhancement of international competitiveness and innovation capabilities, market access, free trade agreements and regional integration. In order to reduce the existing large gap in information and perception of business opportunities and market access, the countries in both regions should consider taking action in the economic and trade sphere, as described below. Such actions should be coordinated with and take advantage of existing international and regional agencies, and must engage business associations and other private-sector agents:
    - Information exchange on market opportunities and market access, including basic economic indicators, recent trends on biregional trade and investment, developments in regional integration, standards, tariffs and non-tariff trade measures;
    - Policy dialogue on promotion of biregional trade and investment, aimed at identifying the bottlenecks in such promotion and needs for capacity- and institution-building;
    - Policy dialogue on trade and investment promotion, to review best practices in both regions and analyse public policies to enhance international competitiveness, innovation and regional integration;
    - Policy dialogue on trade-related capacity-building, including several emerging issues such as trade facilitation and the Aid for Trade Initiative;
    - Cooperation in the areas of sustainable development and particularly on the so called "green economy" and technology, non-conventional, renewable energies, and linkages between trade and climate change;



- Policy dialogue on the WTO process, addressing not only the Doha Round of trade talks, but also the development dimension, the issue of convergence or divergence between regionalism and multilateralism and strengthened operational rules on special and differential treatment;
  - Dialogue on free trade agreements, including bilateral, subregional or biregional FTAs and the related negotiation, implementation and administration processes;
  - Exchange of information on investment, including trends in FDI flows; investment-related multilateral and bilateral agreements; inventory of investment promotion programmes and policy and regulatory regimes of the Asia-Pacific and Latin American and Caribbean regions;
  - Promotion of small- and medium-sized enterprises (SMEs), with an emphasis on establishing institutional linkages among SMEs through respective associations in the two regions, promoting venture capital for technological upgrading, including information communications technology (ICT), and developing E-commerce, which would increase interregional trade and investment; and
  - Transport infrastructure, including the assessment of existing pre-feasibility studies and efforts to secure financing to implement infrastructure projects.
- A number of important events have been organized in recent years to address the nature and scope of inter-regional cooperation between Latin America and Asia-Pacific. However, these initiatives are considered to have stopped short of institutionalizing high-level political talks or implementing plans and programs aimed at strengthening economic, political and cultural ties. There is a lack of awareness about the importance of the biregional trade and investment, and there have been few coordinated strategies between countries or regional grouping for seeking closer trade and investment links with the Asia-Pacific region. Approaches to that region by Latin America and the Caribbean have thus far been sporadic and piecemeal, and chiefly been confined to the conclusion of bilateral trade agreements.
  - From this perspective, Forum for East Asia-Latin America Cooperation (FEALAC) is the only forum of cooperation dialogue that goes beyond the concept of the Pacific Rim. Latin American countries especially should identify the Forum as an important channel to Asia-Pacific and an alternative to APEC for its non-member states and as a key forum of policy dialogue. FEALAC should provide a forum for countries in both regions to discuss the changing the biregional relations in a fast changing international economic environment. FEALAC can serve to promote public-private-partnership initiatives on various fronts, covering biregional trade and investment, trade facilitation and other biregional cooperation issues, especially in the aftermath of international financial crisis.
  - In addition, as FEALAC is composed of 16 Asian-Pacific and 18 Latin American countries, most of which are developing countries, the Forum has a great potential to be a platform for sharing issues and experiences common to developing countries, exploring a cooperative mechanism, and building a complementary relation based on each region's comparative advantages. In order to bring about concrete results in this forum, it might be necessary to place it in a new perspective of formal "South-South cooperation" where inter-regionalism functions as a bridge between regionalism and multilateralism. That is to say, FEALAC should constitute itself as another pillar of worldwide inter-regional cooperation schemes, such as APEC and Asia-Europe Meeting (ASEM).
  - The Rio Group has been expanded to include all the 33 Latin American and Caribbean countries under a new regional integration scheme, Community of Latin American and Caribbean States (CELAC), forum created by Heads of States of the Rio Group, Cancun, Mexico, February, 2010. The new entity will bring together all Latin American and Caribbean countries with the purpose of promoting political dialogue and cooperation for development, in close coordination with the different integration processes (MERCOSUR, Andean Community, LAIA, SELA, CARICOM and SICA). This new confederation of states will be called upon to address political, economic, social, and environmental issues in the region, including energy policies across the Americas, and crafting policy aimed at developing the member country's economies in the long term. In order for the countries in the region to work more closely with the Asia-Pacific region on future biregional cooperation initiatives, this new institution can serve as a regional coordination agency for Latin American and Caribbean countries.