

OPPORTUNITIES FOR TRADE AND INVESTMENT BETWEEN LATIN AMERICA AND ASIA-PACIFIC



THE LINK WITH
APEC



UNITED NATIONS

ECLAC



SIXTY YEARS WITH LATIN AMERICA AND THE CARIBBEAN



PERÚ

Ministerio
de Comercio Exterior
y Turismo

Alicia Bárcena

Executive Secretary

Laura López

Secretary of the Commission

Oswaldo Rosales

Director of the Division of International Trade and Integration
and document coordinator

Diane Frishman

Officer in Charge

Documents and Publications Division

In light of the Joint Statement approved at the second APEC Ministerial Meeting, held in Singapore in July 1990, China and APEC signed a memorandum of understanding in October 1991 whereby it was agreed, on the basis of the one-China principle and a clear distinction between sovereign States and regional economies, that the People's Republic of China, Chinese Taipei and Hong Kong (subsequently renamed Hong Kong, China, on 1 July 1997) would become official members of the organization. This document uses the terms employed by APEC to refer to these economies. These designations do not, however, correspond to official United Nations usage.

The boundaries and names shown on the maps in this document do not imply official endorsement or acceptance by the United Nations.

LC/L.2971

Copyright © Economic Commission for Latin America and the Caribbean (ECLAC)

All rights reserved.

Printed in Santiago, Chile • United Nations • November 2008

Cover design: Pablo Breton

Interior design: Job López

Interior layout: Gloria Barrios

Index

Foreword	9
Introduction	11
Chapter I	
APEC in the world economy	13
1. The 21 APEC member economies jointly account for over half of world GDP– much more than the European Union	15
2. APEC is also a formidable group in international trade, generating nearly half of global merchandise exports and imports	16
3. APEC is also a major player in trade in services, accounting for almost 40% of global exports and imports of services	17
4. Trade within APEC is extremely important for its member economies, which absorb over 72% of the bloc's exports and imports	18
5. The United States, China and Japan are the leading export destinations for most APEC member economies	19
6. Among the 420 bilateral trade combinations, the major axes of APEC trade consist of flows to and from the NAFTA countries, China and Japan	20
7. The mix of products exported by individual APEC economies to other members of the bloc varies widely. Some rely heavily on commodities and their processed manufactures, while others contain a high proportion of manufactures of varying technological intensity	21
8. A complex network of trade agreements has emerged among APEC member economies, resulting in a “spaghetti bowl” phenomenon	22
9. When all the FTA negotiations and the proposed FTAs are finalized, roughly 60% of intra-APEC trade will be covered by some kind of trade preference	23
10. APEC as a group is the one of the leading recipients and sources of foreign direct investment (FDI) worldwide, accounting for 31% of world FDI inflows and 25% of outflows during the present decade	24
11. Nonetheless, the intra-APEC share of total FDI inflows remains small. The European Union has been the region's major FDI source	25
12. The investment climate in the APEC region is favourable, but bottlenecks remain as a result of overregulation	26
13. The trading system among APEC member economies is quite open but there is still a spread between applied MFN tariffs and bound rates for most economies	27
14. The ranking of the APEC member economies in terms of trade-related indicators varies widely. In general, the lower-income members lag behind in terms of trade facilitation	28

- | | |
|--|----|
| 15. Lower-income APEC economies score poorly on cross-border indicators such as the number of documents and the time required for trade transactions and the cost of exporting and importing per container | 29 |
| 16. In conclusion, there is an urgent need for non-traditional policy measures to reduce transaction costs across the APEC region | 30 |

Chapter II

Latin America and the Caribbean and the Asia-Pacific region in the world economy **31**

- | | |
|---|----|
| 1. Asia-Pacific has become a key economic bloc at the world level, yet remains an unexploited market for the majority of countries in Latin America and the Caribbean | 33 |
| 2. Asia-Pacific consists of major current-account-surplus countries, contributing to global macroeconomic stability | 34 |
| 3. Asian economies are major holders of foreign reserves accounting for 60% of world total while 53% of United States Treasury securities are in the hands of Asian countries | 35 |
| 4. Asia dominates world trade, accounting for 28% of total world trade in goods, while the share of Latin America and the Caribbean is less than its percentage of world GDP | 36 |
| 5. Developing Asia is the centre of a vibrant South-South trade network which currently accounts for 41% of the international trade of the developing countries | 37 |
| 6. Over the past 15 years, countries in both regions have become increasingly integrated into the international trading system, with a high degree of trade openness, especially for smaller economies | 38 |
| 7. Almost all the countries in Asia-Pacific have been able to increase their share of world merchandise exports, while the Latin American and Caribbean economies, with the exception of Mexico, are still small-scale exporters | 39 |
| 8. A major feature of intra-Asian trade and FDI dynamism has been China's dramatic emergence as a key player and one of the hubs of the world economy, around which a major trade reorganization is unfolding in Asia | 40 |
| 9. FDI flows to Asia-Pacific continue to increase, especially to China and the ASEAN members. The share of Latin America and the Caribbean in total inflows to developing countries is declining, with a marked concentration in Brazil, Chile and Mexico | 41 |
| 10. Latin America is an important producer of several agricultural products which are of special interest to Asia-Pacific. However, in some products, Asia-Pacific competes directly with Latin America | 42 |
| 11. Latin America and the Caribbean is also an important supplier of some minerals and metals, but again, Asia-Pacific countries are major world producers of these products | 43 |
| 12. Asia-Pacific countries are major markets for some manufactures in which several Latin American countries have, or are beginning to gain, comparative advantages | 44 |
| 13. Despite the undisputed importance of Asia-Pacific worldwide, trade and investment relations between that region and some Latin American and Caribbean countries remain relatively weak | 45 |

Chapter III

Trade and investment links between the Latin American and Caribbean and Asia-Pacific regions

47

1. Asia-Pacific has become a key trade partner for Latin America and the Caribbean, especially as regards imports to the region, and China has displaced Japan to play a dominant role in both exports and imports 49
2. The Asia-Pacific region, including India, is already a key export market for some Latin American and Caribbean countries. For almost all the countries in the region, Asia-Pacific is even more important as a source of imports 50
3. At a greater level of detail, Asia-Pacific is a large and growing export destination for South America 51
4. The Asia-Pacific region accounts for a large share of the imports of almost all the Latin American and Caribbean countries, with roughly 20% of the region's imports originating there 52
5. In a short period of time, China's trade significance for Latin America and Caribbean trade has grown considerably, raising its ranking as trade partner for a large number of countries in the region 53
6. From the Asia-Pacific viewpoint, Latin America and the Caribbean has not been a major trade partner, making the relationship highly asymmetrical 54
7. Trade between the two regions is strongly inter-industrial, which represents an impediment to future bi-regional trade and investment 55
8. Trade between the Asia-Pacific and Latin American and Caribbean regions is almost entirely inter-industrial, though with some differences among the Asia-Pacific countries as regards origin and destination 56
9. However, Latin American and Caribbean exports to Asia-Pacific are beginning to diversify and include new primary products and several high-tech products – does this represent a breakthrough? 57
10. Conversely, Latin American and Caribbean imports from the Asia-Pacific region consist mainly of manufactures, which brings that region into strong competition with United States and European suppliers 58
11. Latin American and Caribbean countries' individual export baskets to Asia-Pacific markets continue to be highly concentrated: almost all (except for Brazil and Mexico) have top three export items representing more than two thirds of total exports 59
12. Japanese outward foreign direct investment (OFDI) in Asia is notable for its investment value and high concentration in manufactures, while in Latin America and the Caribbean it goes mainly to natural resources and services 60
13. Lately, China too has been investing abroad, including in Latin America and the Caribbean. Despite a strong orientation towards tax haven countries, several large Chinese have begun to invest in the region 61
14. Latin America and the Caribbean has not been a popular destination for OFDI of the Republic of Korea, with the exception of Bermuda. There has been some investment in manufacturing in Brazil, Mexico and Central America, however 62

Chapter IV

***De facto* (market-led) integration in and between Latin America and the Caribbean and the Asia-Pacific region**

63

1. The level of intraregional trade in Asia-Pacific surpasses that of NAFTA and is approaching that of the European Union (27) thanks primarily to the construction of complex supply chain networks 65
2. 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 66
3. Japan's main Asian trading partners are its neighbours, which account for almost half of its exports and imports. A large proportion of Japan's machinery imports come from Asia 67
4. China's main trading partners are also its Asian neighbours. Japan and China together form an Asian intra-industry trade hub 68
5. China has become the third largest recipient of FDI in the world. A large amount of China's inward FDI originates from the Asia-Pacific region 69
6. Foreign-invested enterprises (FIEs) constituted with Asian capital account for roughly 23% of Chinese exports, far more than those accounted for by companies of United States or European Union origin 70
7. The Republic of Korea's trade with the Asia-Pacific region accounts for over half its total trade and surpasses its trade with Europe and North America 71
8. The Republic of Korea's Asian neighbours have been major recipients of its OFDI, especially China. Lately the focus has shifted to the ASEAN countries 72
9. The main trading partners and sources of FDI of the ASEAN countries are the other member countries, Japan, China and The Republic of Korea. About one third of FDI in ASEAN comes from within ASEAN+3 73
10. 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 74
11. For its Asian neighbours, China has become a platform for their exports to developed economies 75
12. Intraregional trade in Latin America and the Caribbean continues to win back some of the ground lost during the downturn in the aftermath of the Asian Crisis 76
13. Though less than in the Asia-Pacific region, intraregional trade in Latin America also consists mainly of IIT, which opens up trade and investment opportunities with Asia-Pacific 77
14. Asia-Pacific as a region has been only a minor investor in Latin America and the Caribbean compared with the United States, the European Union and the region itself 78
15. The level of IIT between Latin America and Asia-Pacific is still low but beginning to increase, especially in the case of Mexico and Costa Rica, albeit only slightly 79

Chapter V

***De jure* (government-led) integration in and between the two regions**

81

1. In Latin America and the Caribbean, increasing numbers of free trade agreements (FTAs) and preferential trade areas (PTAs) have given rise to a proliferation of treaties (a "spaghetti bowl"), although since the mid-1990s, countries have been signing FTAs with countries in and outside the region 83
2. Despite being latecomers in the move toward FTAs, Asia-Pacific countries have recently shown an increasing interest in these agreements, resulting in a "spaghetti bowl" phenomenon 84

3. At the same time, Trans-Pacific trade agreements centered around Chile, Mexico, Peru and Central America have begun to flourish in recent years	85
4. At present, close to 48% of trade flows in Asia-Pacific are already covered by certain type of trade preference. Upon completion of negotiations currently under way, this percentage will be even higher, putting Latin American and Caribbean countries at a disadvantage	86
5. In Asia-Pacific, high effective tariffs are applied to agricultural products and a number of natural-resource-based manufactures that are the major export interests of Latin America and the Caribbean	87
6. In addition to tariffs, high transport costs are another trade barrier between the two regions	88
7. Latin American and Caribbean countries are also weak in trade logistics, which results in shipment delays and lower international competitiveness	89
8. Latin American and Caribbean countries also lag behind Asia Pacific countries in quality-control measures, such as ISO	90
9. 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	91
10. 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	92
Conclusions and recommendations	93

Foreword

This publication was prepared by the Economic Commission for Latin America and the Caribbean (ECLAC), in close coordination with the Ministry of Foreign Trade and Tourism of Peru, as a contribution to the sixteenth APEC Economic Leaders' Meeting, the twentieth APEC Ministerial Meeting, the fourth meeting of the APEC Business Advisory Council (ABAC), the 2008 CEO Summit and the second Small and Medium Enterprises Summit to be held in November 2008 in Lima. As a means of contributing to the APEC goals of trade and investment liberalization and facilitation and to the technical cooperation objectives agreed upon by its member economies, ECLAC is presenting this report with up-to-date information on trade and investment and on relevant developments in relations between Latin America and Asia-Pacific.

The increasing importance and dynamism of the Asia-Pacific region has also had an 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 the ties between the two regions, identifying and taking advantage of their complementarities and promoting business alliances in order to stimulate their internationalization and jointly enhance competitiveness.

The fact that the upcoming Economic Leaders' Meeting coincides with a global financial crisis and the threat of a world recession makes this occasion a crucial opportunity for reaffirming APEC principles. This document addresses this issue by advancing a number of proposals on trade and investment relations between Latin America and the Caribbean and Asia-Pacific.

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. Nonetheless, this trade is mainly of an inter-industry nature and concentrated in a few primary products, thus limiting the potential for increased and deepened economic relations between the two regions.

Trade development therefore needs to be promoted at the intra-industry level by diversifying exports through business initiatives that draw on the competitive advantages of each region and promote increased investment flows centred on value chains involving both Asian and Latin American firms.

APEC has aroused growing interest in Latin America and the Caribbean, and some countries in the region have expressed interest in becoming part of this trans-Pacific economic cooperation process. Since this is a medium-term project that advances at a pre-established pace, the objectives and work programmes of APEC focus on increased interaction between the Asian members of APEC and Latin America as a whole as a means of taking advantage of potential synergies and scale economies. Naturally, the role of the Latin American members of APEC may become decisive in this endeavour.

Alicia Bárcena

Executive Secretary
Economic Commission for Latin America
and the Caribbean (ECLAC)

Mercedes Aráoz

Minister of Foreign Trade and Tourism
Government of Peru

Introduction

Although trade and investment between Latin America and the Caribbean and the Asia-Pacific region have recovered since the Asian crisis and are continuing to expand, thanks especially to the upsurge in trade flows with China, biregional economic links generally remain weak and show little diversification. For most of the countries in Latin America and the Caribbean, the Asia-Pacific region is still a largely unexploited market despite its impressive record in areas such as growth, international trade, foreign direct investment (FDI), technology upgrading and innovation capacities, as well as its continuously expanding foreign reserves. The present dynamic aggregate demand of the countries of the Asia-Pacific region, especially China, offers Latin America and the Caribbean unprecedented production and export opportunities, both in commodities and in manufactures and services. The Latin American and Caribbean region's authorities should thus redouble their efforts to identify and capitalize on such new opportunities to enhance their countries' potential complementarities with the Asia-Pacific region.

A number of important events have been organized in recent years to address the nature and scope of cooperation between the two regions. However, these initiatives have stopped short of institutionalizing high-level political talks or implementing plans and programmes aimed at strengthening economic, political and cultural ties. There is a lack of awareness about the importance of biregional trade and investment, and there have been few coordinated strategies between countries or regional groupings 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 have chiefly been confined to the conclusion of bilateral free trade agreements.

Until recently, Asia-Pacific regional integration has centred around its burgeoning intraregional trade flows, which are being driven by the increasing production and trade complementarities of the different countries' manufacturing sectors. Intra-industry trade (i.e., cases where a country both imports and exports similar but not identical products) has expanded significantly as the specific advantages of production and marketing chains are exploited more effectively. This *de facto* (market-led) integration process in the Asia-Pacific region is now being reinforced by *de jure* (government-led) integration, and strong production and trade relations are being complemented by free trade agreements of various types that aim to consolidate such links.

To take full advantage of Asian trade-cum-investment dynamics, Latin America and the Caribbean must, as a matter of urgency, reorient and realign its relations with the Asia-Pacific region in order to sustain its commodity exports while producing more value added and more technologically complex manufactures for that market. The strategy in this regard should be to: (i) promote the Latin American

and Caribbean region's participation in Asian supply chains with a view to boosting the value added and technology/knowledge content of its exports (including its exports of resource-based products; and (ii) forge closer trade relations by such means as joint export promotion campaigns, trade alliances among enterprises in the two regions and free trade agreements in order to address market-access problems. Latin American and Caribbean companies should endeavour to build ties with successful Asia-Pacific firms and to form part of the supply chains for their production and distribution units, including those of the natural-resource-based manufactures that are currently being exported to the Asia-Pacific region.

The call for greater biregional business alliances also applies to Asia-Pacific countries, which are global players in the market for technology-intensive goods and labour-intensive sectors such as footwear, textiles and apparel, and some segments of electronics. In these sectors, Asia-Pacific competes directly with North American, European and Latin American firms in the Latin American and Caribbean market. The strategic position of the Asia-Pacific region in relation to other suppliers suggests that, in order to secure an even larger share of the Latin American and Caribbean market, these countries need to strengthen their links with Latin American and Caribbean economies by building up alliances and promoting various forms of mutually beneficial business cooperation.

Chapter I

APEC in the world economy

1. The 21 APEC member economies jointly account for over half of world GDP- much more than the European Union

Table I.1

SELECTED INDICATORS OF APEC MEMBER ECONOMIES, 2007

Member economy and year of accession	Area (thousands of sq km)	Share in world total (percentages)	Population (million) 2007	Share in world total (percentages)	GDP (in billions of dollars) 2007 (Current prices)	Share in world total (percentages)	Per capita GDP (in dollars)	GDP (in billions of dollars) 2007 (PPP)	Share in world total (percentages)	Per capita GDP (in dollars)
Australia (1989)	7 692	5.2	21.1	0.3	909	1.7	43 312	761	1.2	36 258
Brunei Darussalam (1989)	6	0.0	0.4	0.0	12	0.0	32 167	20	0.0	51 005
Canada (1989)	9 971	6.7	32.9	0.5	1 432	2.6	43 485	1 266	2.0	38 435
Chile (1994)	757	0.5	16.6	0.3	164	0.3	9 879	231	0.4	13 936
China (1991)	9 561	6.4	1 321.1	20.0	3 251	6.0	2 461	6 991	10.8	5 292
Hong Kong China (1991)	1	0.0	7.0	0.1	207	0.4	29 650	293	0.5	41 994
Indonesia (1989)	1 905	1.3	224.9	3.4	433	0.8	1 925	838	1.3	3 725
Japan (1989)	378	0.3	127.8	1.9	4 384	8.1	34 312	4 290	6.6	33 577
Korea, Republic of (1989)	99	0.1	48.5	0.7	957	1.8	19 751	1 201	1.9	24 783
Malaysia (1989)	330	0.2	26.8	0.4	187	0.3	6 948	357	0.6	13 315
Mexico (1993)	1 958	1.3	105.4	1.6	893	1.6	8 479	1 346	2.1	12 775
New Zealand (1989)	271	0.2	4.2	0.1	128	0.2	30 256	112	0.2	26 379
Papua New Guinea (1993)	463	0.3	6.1	0.1	6	0.0	991	11.9	0.0	1 972
Peru (1998)	1 285	0.9	28.1	0.4	109	0.2	3 886	219	0.3	7 803
Philippines (1989)	300	0.2	88.7	1.3	144	0.3	1 625	300	0.5	3 378
Russian Federation (1998)	17 098	11.5	142.1	2.2	1 290	2.4	9 075	2 088	3.2	14 692
Singapore (1989)	1	0.0	4.6	0.1	161	0.3	35 163	228	0.4	49 714
Chinese Taipei (1991)	36	0.0	23.1	0.3	383	0.7	16 606	695	1.1	30 126
Thailand (1989)	513	0.3	65.7	1.0	246	0.5	3 737	519	0.8	7 900
United States (1989)	9 364	6.3	302.0	4.6	13 844	25.5	45 845	13 844	21.3	45 845
Viet Nam (1998)	332	0.2	85.6	1.3	70	0.1	818	221.4	0.3	2 587
Total APEC	62 321	41.8	2 682.7	40.6	29 209	53.8	10 888	35 831	55.2	13 356
European Union (25)	4 325	2.9	499.0	7.6	16 830	31.0	33 482	14 712	22.7	28 213
World	148 939	100.0	6 602.2	100.0	54 312	100.0		64 903	100.0	

Source: For area and population: Economic Fact Sheets, [online] <http://www.dfat.gov.au/geo/fs>. GDP figures: calculations on the basis of International Monetary Fund (IMF), World Economic Outlook database.

- In demographic terms, APEC as a whole accounted for nearly 41% of the world's population in 2007, with China alone representing almost half of the APEC total.
- The 21 APEC member economies generated nearly 54% of world GDP measured at current prices, and over 55% in purchasing-power-parity (PPP) terms. In the latter case, the combined GDP of APEC is more than twice that of the European Union (25).
- The combined size of Asia-Pacific, including Australia and New Zealand but excluding the Russian Federation, accounted for more than 21% and almost 26% of the world GDP in 2007, when measured in current prices and PPP terms, respectively. China alone represented almost half of the Asia-Pacific total in PPP terms.
- Three Latin American countries (Chile, Mexico and Peru) jointly accounted for roughly 2% under both measurements.
- APEC includes both developed and developing economies, with large differences in per capita GDP; in nominal terms, some APEC economies are the among the richest in the world –the United States heading the list, followed by Canada and Australia, in that order–while others such as Viet Nam and Papua New Guinea are at an incipient stage of economic development.

2. APEC is also a formidable group in international trade, generating nearly half of global merchandise exports and imports

Table I.2
SIZE AND RANKING OF APEC MEMBER ECONOMIES
IN INTERNATIONAL MERCHANDISE TRADE 2006
(In millions of dollars and percentages)

Member economy and year of accession	Exports (in millions of dollars) 2006	Share in world total	Ranking 2006	Imports (in millions of dollars) 2006	Share in world total	Ranking 2006
Australia	123 269	1.0	26	139 252	1.1	21
Brunei Darussalam	7 700	0.1	81	1 730	0.0	139
Canada	389 538	3.3	9	357 652	2.9	9
Chile	58 116	0.5	40	38 409	0.3	47
China	968 936	8.2	3	791 461	6.5	3
Hong Kong China ^a	322 669	2.7	12	335 754	2.7	11
Indonesia	103 487	0.9	31	80 333	0.7	31
Japan	649 931	5.5	4	579 574	4.7	4
Korea, Republic of	325 465	2.7	11	309 383	2.5	13
Malaysia	160 676	1.4	19	131 152	1.1	23
Mexico	250 441	2.1	15	268 169	2.2	14
New Zealand	22 432	0.2	61	26 434	0.2	53
Papua New Guinea	4 122	0.0	97	2 252	0.0	130
Peru	23 431	0.2	58	15 327	0.1	68
Philippines	47 037	0.4	44	51 522	0.4	40
Russian Federation	304 520	2.6	13	163 867	1.3	18
Singapore ^a	271 772	2.3	14	238 652	1.9	15
Chinese Taipei	223 766	1.9	16	203 017	1.7	16
Thailand	130 790	1.1	25	128 636	1.1	24
United States	1 038 278	8.7	2	1 919 427	15.7	1
Viet Nam	39 605	0.3	50	44 410	0.4	46
Total APEC	5 465 981	46.0		5 826 413	47.6	
European Union (25)	4 536 175	38.2		4 187 369	34.2	
World ^b	11 874 183	100.0		12 239 837	100.0	

Source: World Trade Organization (WTO), *Country Profiles*, 2007.

^a Includes significant re-exports and imports for re-export;

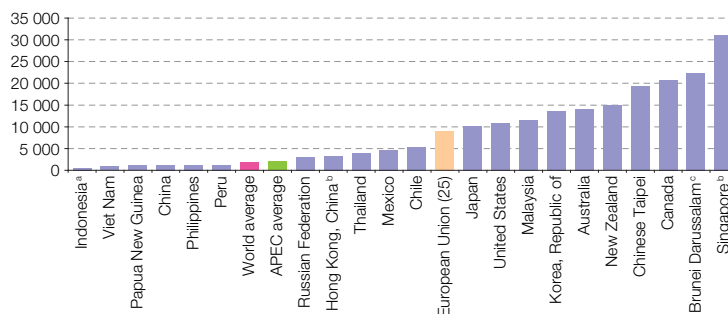
^b Excludes re-exports and imports for re-export.

■ APEC member economies, taken together, absorbed 45% and 47% of world merchandise exports and imports, respectively, in 2006, surpassing the shares of the European Union (25 countries) (38% and 34%, respectively). The United States' shares were smaller, at 9% and 16%, respectively.

■ The 15 Asian APEC member economies, including Australia and New Zealand but excluding the Russian Federation, accounted for 29% and 25% of world exports and imports in 2006.

■ The most outstanding case among the Asian APEC member economies has been China, which generated 8.2% and 6.5% of world

Figure I.1
TRADE PER CAPITA, 2004-2006 AVERAGE
(In dollars)



Source: World Trade Organization (WTO), *Country Profiles*, 2007.

^a Indonesia 2001-2003.

^b National exports only.

^c Brunei Darussalam 2003-2005.

merchandise exports and imports in 2006. In the following year, China surpassed the United States in terms of global exports to become the world's second-largest exporter after Germany.

■ The shares of Chile, Mexico and Peru were less than 3%.

■ The level of trade (exports and imports) per capita, however, varies significantly across individual economies, with Singapore, Brunei Darussalam, Canada, Chinese Taipei and New Zealand heading the list.

3. APEC is also a major player in trade in services, accounting for almost 40% of global exports and imports of services

Table I.3
SIZE AND RANKING OF APEC MEMBER ECONOMIES IN INTERNATIONAL TRADE IN SERVICES, 2006

(In millions of dollars and percentages)

Member economy	Exports (in millions of dollars) 2006	Share in world total	Ranking 2006	Imports (in millions of dollars) 2006	Share in world total	Ranking 2006
Australia	32 364	1.2	24	31 646	1.2	23
Brunei Darussalam	617	0.0	114	1 111	0.0	104
Canada	57 750	2.1	14	71 746	2.7	11
Chile	7 406	0.3	47	8 289	0.3	48
China	91 421	3.4	8	100 327	3.8	6
Hong Kong China	72 734	2.7	11	36 560	1.4	20
Indonesia	5 143	0.2	45	17 171	0.7	28
Japan	122 544	4.5	4	143 991	5.5	4
Korea, Republic of	50 385	1.9	20	69 787	2.7	12
Malaysia	21 157	0.8	29	23 041	0.9	29
Mexico	16 483	0.6	35	22 737	0.9	30
New Zealand	7 770	0.3	46	7 673	0.3	52
Papua New Guinea	277	0.0	141	1 423	0.1	100
Peru	2 323	0.1	76	3 251	0.1	68
Philippines	5 329	0.2	56	5 969	0.2	58
Russian Federation	30 103	1.1	25	44 275	1.7	18
Singapore	57 300	2.1	16	60 767	2.3	14
Chinese Taipei	28 844	1.1	26	32 598	1.2	21
Thailand	23 903	0.9	27	31 844	1.2	22
United States	388 816	14.3	1	307 824	11.8	1
Viet Nam	4 999	0.2	58	6 178	0.2	57
Total APEC	1 027 668	37.9		1 028 208	39.3	
European Union (25)	1 247 200	46.0		1 132 300	43.2	
World	2 710 800	100.0		2 619 600	100.0	

Source: World Trade Organization (WTO), *Country Profiles*, 2007.

- The APEC grouping as a whole is a major exporter of services, accounting for 38% and 39% of world services exports and imports in 2006, respectively. Although large, these shares are less impressive than those for trade in goods.
- The United States is by far the largest exporter, accounting for 14% of the world total, followed by Japan and China. The European Union is a larger trader than APEC in terms of both exports and imports.

Table I.4
COMPOSITION OF TRADE IN SERVICES BY APEC MEMBER ECONOMIES, 2006 (Percentages)

Member economy	Exports			Imports		
	Transport	Travel	Other Services	Transport	Travel	Other Services
Australia	19.5	55.3	25.1	35.8	37.1	27.0
Brunei Darussalam	N.A	N.A	N.A	N.A	N.A	N.A
Canada	18.5	25.4	56.0	23.6	28.6	47.8
Chile	60.3	16.4	23.3	54.9	15.1	30.0
China	23.0	37.1	39.9	34.3	24.2	41.5
Hong Kong China	30.7	15.8	53.6	30.9	38.2	30.9
Indonesia	16.6	78.5	4.9	28.1	18.0	54.0
Japan	30.7	13.0	56.3	29.7	25.7	44.6
Korea, Republic of	51.3	10.6	38.1	33.5	26.1	40.3
Malaysia	21.0	45.5	33.5	41.3	16.2	42.4
Mexico	11.8	73.9	14.3	12.1	35.7	52.3
New Zealand	21.2	58.7	20.1	33.7	32.9	33.4
Papua New Guinea	10.9	1.3	87.8	24.2	4.8	71.0
Peru	23.0	59.4	17.6	44.5	23.4	32.1
Philippines	21.5	44.9	33.6	56.5	20.5	23.0
Russian Federation	33.5	23.3	43.2	15.2	42.5	42.3
Singapore	33.9	12.0	54.1	36.4	16.9	46.7
Chinese Taipei	21.7	17.8	60.5	27.7	26.8	45.5
Thailand	22.0	52.0	26.0	49.9	14.5	35.5
United States	18.1	27.4	54.5	30.2	25.4	44.4
Viet Nam	N.A	N.A	N.A	N.A	N.A	N.A

Source: World Trade Organization (WTO), *Country Profiles*, 2007.

- At the sector level, “Other services” are gaining ground in many economies, while the other two traditional export sectors (transport and travel) remain important for some economies in the grouping. In the three Latin American countries, either transport or travel dominates in terms of both exports and imports.

4. Trade within APEC is extremely important for its member economies, which absorb over 72% of the bloc's exports and imports

Figure I.2-A
INTENSITY OF INTRA-APEC EXPORTS^a
BY MEMBER ECONOMY, 2006
(Share in total exports, percentages)

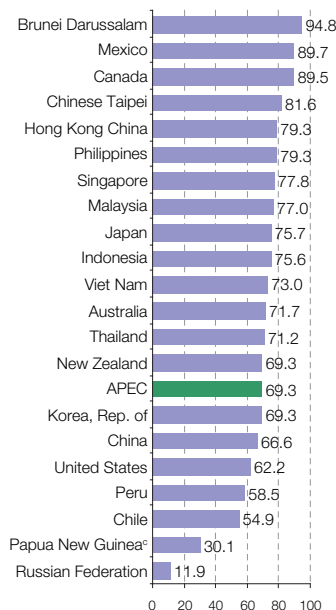


Figure I.2-B
INTENSITY OF INTRA-APEC IMPORTS^a,
BY MEMBER ECONOMY, 2006
(Share in total imports, percentages)

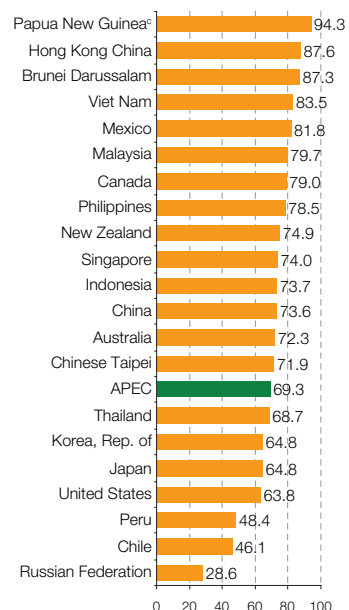


Figure I.2-C
INTENSITY OF APEC EXPORTS TO ASIA
(18)^b, BY MEMBER ECONOMY, 2006
(Share in total exports, percentages)

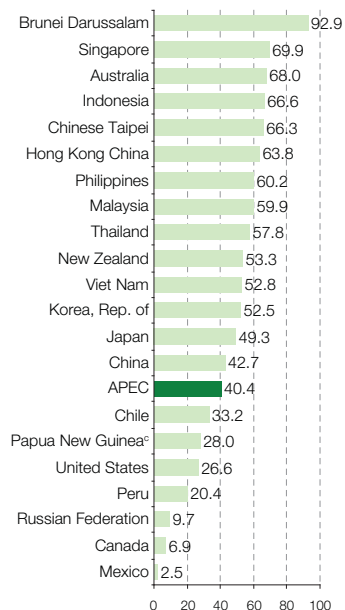
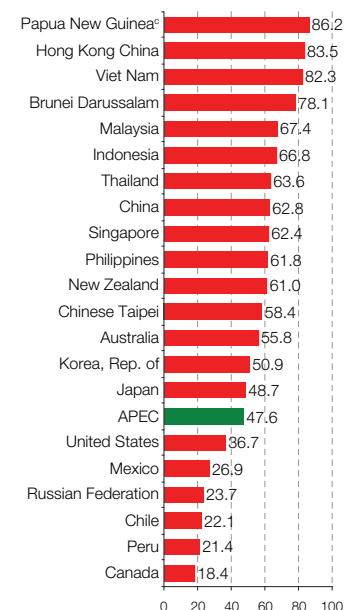


Figure I.2-D
INTENSITY OF APEC IMPORTS FROM
ASIA (18)^b, BY MEMBER ECONOMY, 2006
(Share in total imports, percentages)



Source: World Trade Organization (WTO), *Country Profiles*, 2007.

^a The share of exports to the 21 APEC member economies in each economy's total merchandise exports.

^b Asia (18) consists of Australia, Brunei Darussalam, Hong Kong China, Cambodia, China, India, Indonesia, Japan, Lao People's Democratic Republic, Malaysia, Myanmar, New Zealand, Chinese Taipei, Philippines, Republic of Korea, Singapore, Thailand, and Viet Nam.

^c Figures for Papua New Guinea refer to 2004.

- Merchandise exported from APEC economies to other member economies was worth a total of US\$ 3.778 trillion in 2006, while intra-APEC imports totalled US\$ 3.984 trillion. As a result, the share of intra-APEC trade reached 69%.

- Trade dependence on the APEC economies varies widely across the individual economies, however. On the export side, Brunei Darussalam, Mexico and Canada show a higher dependence on APEC, exporting close to 90% of their total exports to other members of the grouping, while the coefficient for the Russian Federation is relatively

low. On the import side, Papua New Guinea, Hong Kong China, and Brunei Darussalam lead the ranking, while the APEC-sourced share of imports is smaller in Chile, Peru and the Russian Federation.

- As export destinations and import origins, the APEC member economies generally rely heavily on the Asian (18) region; more than 40% of APEC exports are absorbed by the Asian (18) group, while close to 48% of its imports also come from that region. Once again, there are wide variations between the economies; Canada, Mexico and the Russian Federation are the exceptions to the rule.

5. The United States, China and Japan are the leading export destinations for most APEC member economies

Table I.5

INTRA-APEC EXPORT DESTINATIONS, BY MEMBER ECONOMY, 2006^a

Exports Intra-APEC (Percentages)	Australia	Brunei Darussalam	Canada	Chile	China	Hong Kong China	Indonesia	Japan	Malaysia	Mexico	New Zealand	Chinese Taipei	Papua New Guinea	Peru	Philippines	Korea, Rep. of	Russian Federation	Singapore	Thailand	United States	Viet Nam	Total APEC	APEC share in total	Non-APEC	World (millions of dollars)
Australia		0.0	1.4	0.2	17.4	2.7	3.8	27.6	2.4	0.7	7.6	5.4	1.3	0.1	0.8	10.5	0.6	3.9	3.6	8.6	1.4	100.0	71.7	28.3	123 323
Brunei Darussalam	12.9		0.0	0.0	2.4	0.0	20.9	32.3	0.6	0.0	3.1	0.0	0.0	0.0	0.0	15.9	0.0	2.6	2.0	7.1	0.0	100.0	94.8	5.2	7 636
Canada	0.5	0.0		0.1	1.9	0.4	0.2	2.4	0.1	1.1	0.1	0.4	0.0	0.1	0.1	0.8	0.2	0.2	0.1	91.2	0.1	100.0	89.5	10.5	388 091
Chile	0.4	0.0	4.2		16.1	0.0	0.6	19.7	0.4	7.4	0.1	5.0	0.0	3.0	0.4	11.1	0.5	0.2	1.3	29.2	0.3	100.0	54.9	45.1	55 881
China	2.1	0.0	2.4	0.5		24.1	1.5	14.2	2.1	1.4	0.3	3.2	0.0	0.2	0.9	6.9	2.5	3.6	1.5	31.6	1.2	100.0	66.6	33.4	968 936
Hong Kong China	1.6	0.0	1.4	0.2	58.4		0.6	6.1	1.1	0.6	0.2	2.7	0.0	0.0	1.0	2.8	0.2	2.5	1.3	18.7	0.6	100.0	79.3	20.7	322 669
Indonesia	3.6	0.0	0.7	0.2	11.0	2.2		28.5	5.4	0.4	0.4	3.6	0.1	0.0	1.8	10.1	0.4	11.7	3.5	14.8	1.4	100.0	75.6	24.4	100 799
Japan	2.6	0.0	2.0	0.2	19.0	7.4	1.5		2.7	1.9	0.4	9.0	0.0	0.1	1.8	10.3	1.4	4.0	4.7	30.1	0.8	100.0	75.7	24.3	646 725
Malaysia	3.7	0.3	0.8	0.1	9.4	6.4	3.3	11.5		0.7	0.5	3.5	0.1	0.0	1.8	4.7	0.4	20.0	6.9	24.4	1.4	100.0	77.0	23.0	160 669
Mexico	0.2	0.0	2.3	0.4	0.8	0.1	0.0	0.7	0.0		0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.1	0.1	94.6	0.0	100.0	89.7	10.3	249 961
New Zealand	29.5	0.4	2.3	0.2	7.8	2.3	2.6	14.8	2.1	1.8		3.2	0.5	0.1	2.1	5.5	0.7	2.3	1.8	19.0	1.0	100.0	69.3	30.7	22 409
Chinese Taipei	1.5	0.0	1.0	0.1	28.3	20.5	1.4	8.9	2.7	0.6	0.2		0.0	0.1	2.5	3.9	0.3	5.1	2.5	17.8	2.7	100.0	81.6	18.4	224 012
Papua New Guinea	34.9	0.0	0.1	0.0	13.2	2.1	2.3	12.6	1.6	0.0	0.7	1.9		0.0	7.0	6.9	1.6	4.6	0.9	8.9	0.8	100.0	30.1	69.9	2 722
Peru	0.3	0.0	11.6	10.3	16.3	0.3	0.2	8.8	0.1	2.8	0.1	3.0	0.0		0.3	3.9	0.2	0.0	0.5	41.0	0.3	100.0	58.5	41.5	23 765
Philippines	1.3	0.0	0.8	0.1	12.3	9.9	1.0	21.1	7.0	0.4	0.1	5.3	0.0	0.0		3.8	0.1	9.3	3.5	23.1	0.9	100.0	79.3	20.7	47 410
Korea, Republic of	2.1	0.0	1.6	0.7	30.8	8.4	2.2	11.8	2.3	2.8	0.3	5.8	0.0	0.2	1.7		2.3	4.2	1.9	19.2	1.7	100.0	69.3	30.7	325 457
Russian Federation	0.1	0.0	1.0	0.0	44.0	1.0	0.5	12.9	0.7	0.7	0.0	2.6	0.0	0.3	0.2	7.3		2.2	1.0	24.7	0.8	100.0	11.9	88.1	301 551
Singapore	4.8	0.3	0.4	0.0	12.5	12.9	11.8	7.0	16.8	0.5	0.7	4.5	0.1	0.0	2.4	4.1	0.2		5.3	13.1	2.6	100.0	77.8	22.2	271 801
Thailand	4.7	0.1	1.3	0.3	12.7	7.8	3.6	17.8	7.2	0.7	0.6	3.6	0.1	0.1	2.8	2.9	0.4	9.1		21.1	3.3	100.0	71.2	28.8	130 580
United States	2.8	0.0	35.7	1.1	8.6	2.8	0.5	9.2	1.9	20.8	0.5	3.6	0.0	0.5	1.2	5.0	0.7	3.8	1.3		0.2	100.0	62.2	37.8	1 037 029
Viet Nam	12.7	0.0	1.5	0.2	11.2	1.6	3.3	18.0	4.2	1.0	0.2	3.3	0.0	0.0	2.7	2.9	1.4	5.7	3.1	27.0		100.0	73.0	27.0	39 826
APEC	2.4	0.0	7.4	0.4	14.1	8.4	1.8	9.0	2.8	4.6	0.5	3.7	0.1	0.2	1.3	5.0	1.0	3.8	2.2	30.3	1.0	100.0	69.3	30.7	5 451 252

Greater than 5% but less than 10%

Greater than 10% but less than 20%

Greater than 20%

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

^a Figures for Papua New Guinea refer to 2004.


6. Among the 420 bilateral trade combinations, the major axes of APEC trade consist of flows to and from the NAFTA countries, China and Japan

Table I.6

INTRA-APEC TRADE MATRIX, 2006^a

(Percentages)

Economy	Australia	Brunei Darussalam	Canada	Chile	China	Hong Kong China	Indonesia	Japan	Malaysia	Mexico	New Zealand	Chinese Taipei	Papua New Guinea	Peru	Philippines	Korea, Rep. of	Russian Federation	Singapore	Thailand	United States	Viet Nam	APEC
Australia		0.00	0.03	0.00	0.41	0.06	0.09	0.65	0.06	0.02	0.18	0.13	0.03	0.00	0.02	0.25	0.01	0.09	0.09	0.20	0.03	2.34
Brunei Darussalam	0.02		0.00	0.00	0.00	0.00	0.04	0.06	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.03	0.00	0.01	0.00	0.01	0.00	0.19
Canada	0.04	0.00		0.01	0.18	0.04	0.02	0.22	0.01	0.10	0.01	0.03	0.00	0.01	0.01	0.08	0.02	0.02	0.01	8.38	0.00	9.19
Chile	0.00	0.00	0.03		0.13	0.00	0.00	0.16	0.00	0.06	0.00	0.04	0.00	0.02	0.00	0.09	0.00	0.00	0.01	0.24	0.00	0.81
China	0.36	0.00	0.41	0.08		4.11	0.25	2.43	0.36	0.23	0.04	0.55	0.00	0.03	0.15	1.18	0.42	0.61	0.26	5.39	0.20	17.07
Hong Kong China	0.11	0.00	0.09	0.01	3.96		0.04	0.41	0.08	0.04	0.01	0.19	0.00	0.00	0.07	0.19	0.02	0.17	0.09	1.27	0.04	6.77
Indonesia	0.07	0.00	0.01	0.00	0.22	0.05		0.58	0.11	0.01	0.01	0.07	0.00	0.00	0.04	0.20	0.01	0.24	0.07	0.30	0.03	2.02
Japan	0.33	0.00	0.26	0.03	2.46	0.96	0.20		0.35	0.25	0.06	1.17	0.00	0.01	0.24	1.33	0.19	0.51	0.61	3.90	0.11	12.95
Malaysia	0.12	0.01	0.03	0.00	0.31	0.21	0.11	0.38		0.02	0.02	0.12	0.00	0.00	0.06	0.15	0.01	0.66	0.22	0.80	0.05	3.27
Mexico	0.01	0.00	0.14	0.02	0.04	0.01	0.00	0.04	0.00		0.00	0.01	0.00	0.01	0.00	0.01	0.00	0.01	0.00	5.61	0.00	5.94
New Zealand	0.12	0.00	0.01	0.00	0.03	0.01	0.01	0.06	0.01	0.01		0.01	0.00	0.00	0.01	0.02	0.00	0.01	0.01	0.08	0.00	0.41
Chinese Taipei	0.07	0.00	0.05	0.01	1.37	0.99	0.07	0.43	0.13	0.03	0.01		0.00	0.00	0.12	0.19	0.02	0.25	0.12	0.86	0.13	4.84
Papua New Guinea	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
Peru	0.00	0.00	0.04	0.04	0.06	0.00	0.00	0.03	0.00	0.01	0.00	0.01	0.00		0.00	0.01	0.00	0.00	0.00	0.15	0.00	0.37
Philippines	0.01	0.00	0.01	0.00	0.12	0.10	0.01	0.21	0.07	0.00	0.00	0.05	0.00	0.00		0.04	0.00	0.09	0.04	0.23	0.01	0.99
Korea, Republic of	0.12	0.00	0.10	0.04	1.84	0.50	0.13	0.70	0.14	0.17	0.02	0.34	0.00	0.01	0.10		0.14	0.25	0.11	1.15	0.10	5.97
Russian Federation	0.00	0.00	0.01	0.00	0.42	0.01	0.00	0.12	0.01	0.01	0.00	0.02	0.00	0.00	0.00	0.07		0.02	0.01	0.23	0.01	0.95
Singapore	0.27	0.02	0.02	0.00	0.70	0.72	0.66	0.39	0.94	0.03	0.04	0.25	0.01	0.00	0.13	0.23	0.01		0.30	0.73	0.14	5.60
Thailand	0.12	0.00	0.03	0.01	0.31	0.19	0.09	0.44	0.18	0.02	0.01	0.09	0.00	0.00	0.07	0.07	0.01	0.22		0.52	0.08	2.46
United States	0.47	0.00	6.09	0.18	1.46	0.47	0.08	1.58	0.33	3.55	0.08	0.61	0.00	0.08	0.20	0.86	0.12	0.65	0.22		0.03	17.07
Viet Nam	0.10	0.00	0.01	0.00	0.09	0.01	0.03	0.14	0.03	0.01	0.00	0.03	0.00	0.00	0.02	0.02	0.01	0.04	0.02	0.21		0.77
APEC	2.37	0.04	7.39	0.44	14.11	8.44	1.82	9.03	2.80	4.55	0.49	3.72	0.05	0.18	1.25	5.03	1.00	3.85	2.19	30.26	0.97	100.00

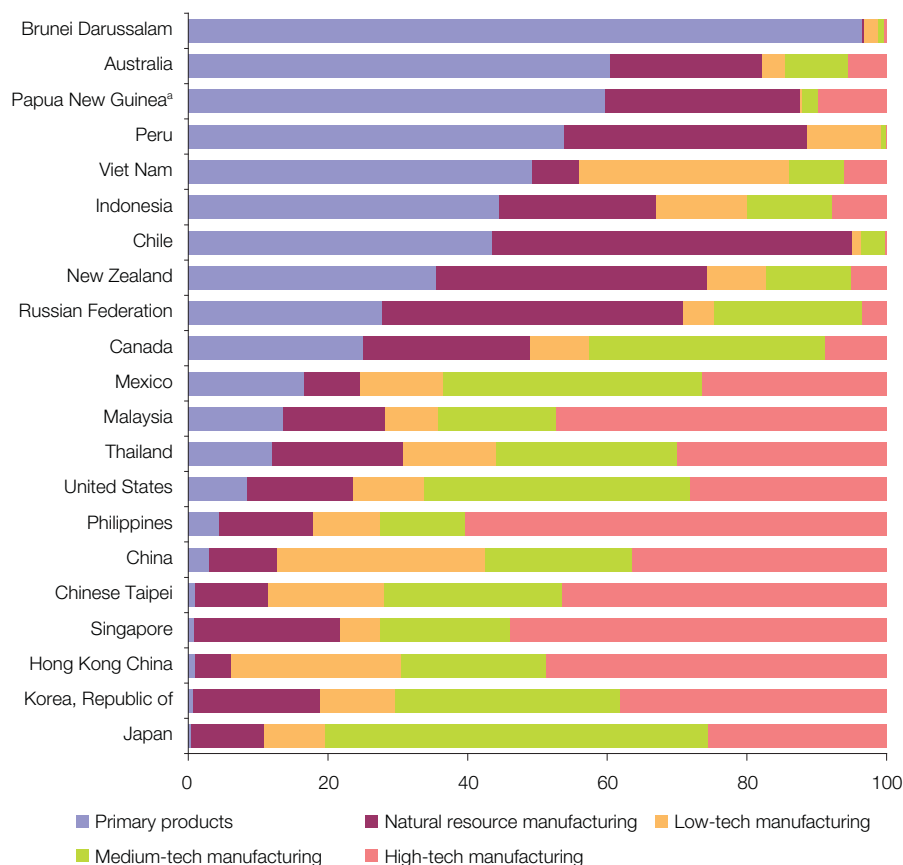
 More than 1% of total APEC trade

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

^a Figures for Papua New Guinea refer to 2004.

7. The mix of products exported by individual APEC economies to other members of the bloc varies widely. Some rely heavily on commodities and their processed manufactures, while others contain a high proportion of manufactures of varying technological intensity

Figure I.3
COMPOSITION OF INTRA-APEC EXPORTS, BY MEMBER ECONOMY AND TECHNOLOGICAL INTENSITY, 2006
(Percentages)



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

^a Figures for Papua New Guinea refer to 2004.

- Three patterns of trade specialization can be discerned among the 21 member economies.
- One pattern, with a high concentration on commodities and natural-resource-based manufactures, is applicable to Brunei Darussalam, Australia, Papua New Guinea, Peru, Chile, New Zealand, the Russian Federation and, to a lesser extent, Indonesia.
- Another pattern is applicable to Viet Nam and Canada, in which the intra-APEC export basket contains a mix of commodities, natural-resource-based manufactures and manufactures of varying technological intensity.
- The third pattern among the Asian countries involves exports that are heavily specialized in manufactures. The economies in this group include not only Japan, Republic of Korea, Hong Kong China, and Chinese Taipei, but also the ASEAN nations. The Philippines reports the highest share of high-tech manufactures, with close to two-thirds of its exports to APEC members falling into this category.
- Despite the large volume of commodities and natural-resource-based products that it exports to other APEC members, in relative terms the United States export basket is manufactures-intensive.
- The same specialization patterns can be seen in the product composition of the APEC member economies' exports to Asian (18) markets (for the geographical coverage of Asia (18), see figures I.2-C and I.2-D). Regardless of whether North America and the Russian Federation are included or not, the exports of Asian countries consist primarily of manufactured goods.

8. A complex network of trade agreements has emerged among APEC member economies, resulting in a “spaghetti bowl” phenomenon

Table I.7

THE FTA NETWORK AMONG THE APEC ECONOMIES

APEC Member Economies	Australia	Brunei Darussalam	Canada	Chile	China	Hong Kong China	Indonesia	Japan	Korea, Republic of	Malaysia	Mexico	New Zealand	Papua New Guinea	Peru	Philippines	Russian Federation	Singapore	Chinese Taipei	Thailand	United States	Viet Nam	ASEAN	
Australia																							
Brunei Darussalam	In implementation																						
Canada																							
Chile	Signed	In implementation	In implementation																				
China	In implementation	In implementation		In implementation																			
Hong Kong China					In implementation																		
Indonesia	In implementation	In implementation		In implementation			In implementation																
Japan																							
Korea, Republic of	Proposed	In implementation		In implementation	Proposed			Suspended															
Malaysia	In implementation	In implementation		In implementation	In implementation		In implementation	In implementation	In implementation														
Mexico								In implementation	In implementation	In implementation													
New Zealand					Signed	Suspended	Signed		Proposed	In implementation	Proposed												
Papua New Guinea																							
Peru ^a			Signed	In implementation	In implementation	Proposed		Proposed	Proposed														
Philippines	In implementation	In implementation											Signed										
Russian Federation																							
Singapore			In implementation	In implementation																			
Chinese Taipei																							
Thailand				Proposed	In implementation																		
United States ^a																							
Viet Nam	In implementation			Proposed	In implementation																		
ASEAN	Signed				In implementation																		

Legend: In implementation (Green), Signed (Yellow), In negotiation (Blue), Suspended (Red), Proposed (Light Blue)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of APEC FTA/RTA Information [online] www.apec.org/webapps/fta_rta_information.html; Asia Regional Integration Center, Free Trade Agreement Database for Asia [online] <http://www.aric.adb.org>; Japan External Trade Organization (JETRO), “2008 JETRO White Paper on International Trade and Foreign Direct Investment”, Tokyo; and other official information and the press.

^a The FTA between Peru and the United States has been ratified by both countries but its implementation is in process. Peru’s FTAs with Canada and Singapore are in the process of implementation. A United States-Chinese Taipei FTA has not been officially proposed. However, upon request of the United States Senate Finance Committee, the United States International Trade Commission has conducted a series of studies on the possible impacts of such an agreement.

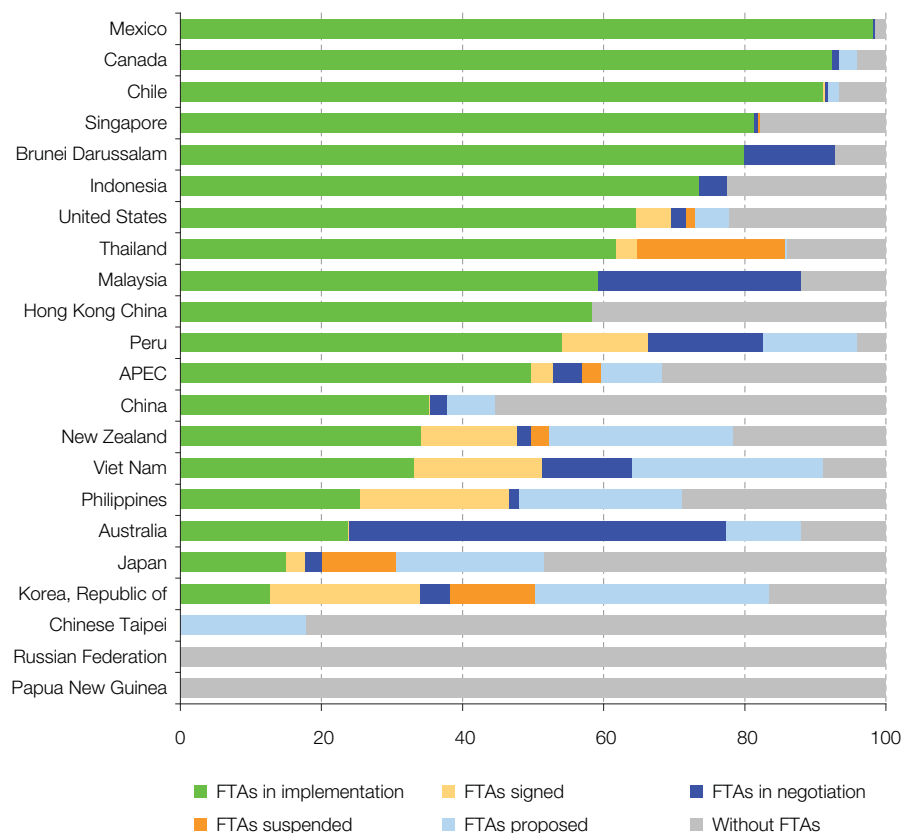
■ Nearly all APEC economies have signed a considerable number of free trade agreements (FTAs) or other similar arrangements. Exceptions to this rule have been Hong Kong China, Chinese Taipei and the Russian Federation. The FTA network becomes much more complex when account is taken of the agreements signed by these

economies with countries from other regions, the FTAs signed by the ASEAN countries with India, or other FTAs currently being negotiated between the European Union, the European Free Trade Association (EFTA) and several Asian economies. Chinese Taipei has also signed FTAs with some Central American countries.

9. When all the FTA negotiations and the proposed FTAs are finalized, roughly 60% of intra-APEC trade will be covered by some kind of trade preference

Figure I.4

INTRA-APEC TRADE BY FREE TRADE AGREEMENT AND MEMBER ECONOMY, AUGUST 2008
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of APEC FTA/RTA Information [online] www.apec.org/webapps/fta_rta_information.html; Asia Regional Integration Center, Free Trade Agreement Database for Asia, [online] <http://www.aric.adb.org>; Japan External Trade Organization (JETRO), "2008 JETRO White Paper on International Trade and Foreign Direct Investment", Tokyo; and other official information and the press.

- As a result of the emerging complex network of FTAs among APEC economies, half of intra-APEC trade is now estimated to take place under the trade preferences offered by the trade agreements signed by its members.
- When all the FTA negotiations and the proposed FTAs are finalized, roughly two thirds of intra-APEC trade will be covered by some kind of trade preference.
- As parties to the North American Free Trade Agreement (NAFTA) and other bilateral FTAs, Mexico and Canada display very high coefficients of intra-APEC trade. In contrast, Chile's high coefficient reflects its strong export orientation to leading Asian economies such as China, Japan and the Republic of Korea, with which Chile has an FTA in force.
- A relatively large share of intra-APEC trade in the case of ASEAN countries is covered by FTAs already in the stage of implementation, thanks primarily to the ASEAN Free Trade Agreement (AFTA) and its FTA network extension to other Asian economies through ASEAN+1 (with China, Japan and the Republic of Korea individually).

The corresponding coefficient for China and Japan is still low but is expected to rise sharply, if and when the ASEAN+3 (ASEAN 10 plus Japan, China and the Republic of Korea) or the ASEAN+6 (Australia, India and New Zealand in addition to the foregoing) agreement is concluded.

10. APEC as a group is the one of the leading recipients and sources of foreign direct investment (FDI) worldwide, accounting for 31% of world FDI inflows and 25% of outflows during the present decade

■ According to the 2007 “Guide to the Investment Regimes of APEC Member Economies”, this economic bloc relies mostly on domestic direct investment and portfolio inflows, which together account for 95% of total APEC investments.

■ Although the importance of FDI investment in APEC has slipped from its peak in 2000, a resurgence of FDI worldwide over the last few years has helped stabilize inflows into member economies.

■ According to balance of payments statistics, the 21 member economies absorbed 31% of cumulative inward FDI worldwide and provided 25% of global outward FDI in 2000 and 2007. These percentages compare less favourably with those of the European Union, which accounted for 42% and 47%, respectively.

■ Among the APEC member economies, the United States is by far the largest host and source country, with Canada, Hong Kong China and Mexico also playing leading roles as FDI hosts. Japan, Canada and Hong Kong China each account for over 2% of total world outward investment.

■ The lower-income APEC economies have become not only important recipients of FDI but also investors on a global scale.

■ The three Latin American countries (Chile, Mexico and Peru) together account for roughly 2.3% and 0.5% of world FDI inflows and outflows.

Table I.8

REPORTED FDI FLOWS FOR APEC MEMBERS: CUMULATIVE 2000-2007 FLOWS
(Based on net balance of payments)

APEC FDI Flows 2000-2007	Inflows		Outflows	
	Millions of dollars	Share of World	Millions of dollars	Share of World
United States	1 374 519	12.7%	1 532 557	13.3%
China	529 596	4.9%	61 432	0.5%
Canada	331 033	3.1%	302 545	2.6%
Hong Kong China	281 609	2.6%	264 734	2.3%
Mexico	174 908	1.6%	31 469	0.3%
Russian Federation	130 074	1.2%	114 321	1.0%
Singapore	109 809	1.0%	52 704	0.5%
Australia	97 561	0.9%	66 266	0.6%
Japan	56 159	0.5%	330 869	2.9%
Chile	51 889	0.5%	17 998	0.2%
Thailand	49 496	0.5%	4 562	0.0%
Korea, Republic of	39 449	0.4%	45 805	0.4%
Chinese Taipei	30 043	0.4%	54 428	0.7%
Malaysia	33 127	0.3%	27 686	0.2%
New Zealand	22 840	0.2%	1 943	0.0%
Peru	18 432	0.2%	134	0.0%
Viet Nam	18 112	0.2%	300	0.0%
Philippines	12 859	0.1%	4 666	0.0%
Indonesia	12 738	0.1%	13 583	0.1%
Brunei Darussalam	767	0.0%	59	0.0%
Papua New Guinea	367	0.0%	3	0.0%
APEC	3 345 344	31.0%	2 873 636	25.0%
European Union (27)	4 554 420	42.2%	5 355 368	46.5%
WORLD	10 791 537	100.0%	11 508 560	100.0%

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), International Financial Statistics Database; United Nations Conference on Trade and Development (UNCTAD); and Japan External Trade Organization (JETRO), “2008 JETRO White Paper on International Trade and Foreign Direct Investment”, Tokyo, for Chinese Taipei.

11. Nonetheless, the intra-APEC share of total FDI inflows remains small. The European Union has been the region's major FDI source

Table I.9

FDI FLOWS INTO APEC - 1995-2005

SHARE OF TOTAL INFLOWS BY ECONOMY AND REGION OF ORIGIN

(In millions of dollars and percentages)

	US	EU	Japan	Asian NIEs	ASEAN	APEC	1995-2005
Australia	10.4	30.0	11.2	4.1	7.1	34.1	82 025
Brunei Darussalam	0.6	71.4	4.0	0.8	15.1	20.7	9 368
Canada	59.7	28.0	0.4	0.0	0.0	60.1	237 781
Chile	23.2	47.8	2.7	0.2		45.6	56 565
China	8.1	8.1	8.6	54.0	1.6		537 163
Hong Kong China	5.1	7.4	5.7	5.3	1.8		215 999
Indonesia	5.7	50.9	3.3	15.0	9.3	38.6	11 839
Japan	35.4	18.8	15.8	4.8	2.8	57.7	60 146
Korea, Republic of	21.7	41.2	12.9	6.3	10.4	49.9	53 807
Malaysia	27.4	23.4	13.6	22.0	2.1	66.2	44 651
Mexico	60.1	26.4	1.6	0.9	0.3	65.6	172 730
New Zealand	10.1	-4.1	3.7	1.6	0.2	16.2	22 778
Papua New Guinea	-1.2		0.1				2 081
Peru	7.4	30.5	1.3			13.4	21 374
Philippines	23.4	10.3	23.1	16.9	1.1	66.7	13 709
Russian Federation	6.2		0.4				60 672
Singapore	19.3	31.7	8.5	4.0	5.8	38.5	142 748
Chinese Taipei	19.9	13.1	15.5	14.2	2.5		23 277
Thailand	10.5	10.5	25.1	27.6	0.9	65.0	37 428
United States		61.9	6.6	1.0	0.4	18.7	1 527 326
Viet Nam	4.8	19.1	14.4	39.2	6.6	66.4	18 225
APEC average	22.8	39.1	6.9	11.3	1.4	31.8	3 422 785

Source: Kawai Masahiro and Ganeshan Wignoraja, "ASEAN+3 or ASEAN+6: Which Way Forward?", *ADB Institute Discussion Paper*, No. 77, September 2007, ASEAN Secretariat, FDI Database 2006; Organisation for Economic Co-operation and Development (OECD), and national statistics.

Note: OECD data is calculated on the basis of gross inflows only. Data for Peru relate to 1997-2005. Empty cells indicate a lack of available data. Totals for 1995-2005 are in millions of United States dollars. The "APEC average" is weighted by each country's share in total APEC inflows for 1995-2005. For some economies (Brunei-Darussalam, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam) inflows from APEC are computed on the basis of available data only (14 economies). Shares for Papua New Guinea and the Russian Federation are based on mirror statistics.

Asian NIEs include Hong Kong China, Republic of Korea, Singapore and Chinese Taipei.

- Given the different FDI reporting methods used by member economies, data on intra-APEC FDI are scarce and incomplete.
- ECLAC estimates show that in 1995-2005, roughly 32% of total FDI inflows to APEC economies originated from the region itself. The United States contributed almost 23% of the total, while Japan provided 7%.
- The Asian newly industrialized economies (NIEs) are estimated to have contributed roughly 11% of the total. The share of ASEAN (10) amounted to 1.4%. Meanwhile, approximately 39% of total APEC FDI inflows came from the European Union.
- Canada, Japan, Malaysia, Mexico, the Philippines, Thailand and Viet Nam rely heavily on the APEC economies as a source of FDI. In contrast, the APEC share of FDI in Brunei Darussalam, Peru and the United States is small.
- FDI by firms in Asian NIEs has been growing strongly and accounted for 54% of total inflows to China.
- Within APEC, FDI generally flows from lower- to higher-income economies. Investments in services and manufacturing industries represent 90% of intraregional investment, and roughly 40% of FDI inflows to APEC economies come from other APEC members.

12. The investment climate in the APEC region is favourable, but bottlenecks remain as a result of overregulation

- The performance of APEC is partly explained by key bottlenecks in the form of overregulation and trade barriers, which are then compounded by protectionist sentiments in some (developed) economies.
- While most APEC economies have liberalized their foreign investment rules in recent years, all of them maintain some restrictions, particularly in key service sectors that are considered sensitive (e.g. banking, transport, media and natural resource development).
- According to UNCTAD, investment-related international agreements have eroded some of these barriers. APEC economies participate in 797 of the worldwide total of over 5,500 such agreements, of which 148 are intra-APEC arrangements. In many countries –including the United States, China and the Russian Federation– the authorities have tightened restrictions on foreign ownership in sensitive industries. In some cases these measures are justified by security and strategic concerns, while others are based on concerns over the pace and method of natural resource development.
- Basic overregulation and trade restrictions are significant impediments in most APEC economies. Examples include vague legal regulations on foreign capital and trade (Japan), limits on the ability of foreign firms to sell on the domestic market (Republic of Korea), restrictions on labour and capital (Thailand), unpredictable regulations (Mexico), and unclear tax rules (China, Thailand). Other problems include inadequate port infrastructure and/or high costs (Chile, Mexico) and poor logistics support services.
- Despite these difficulties, the general outlook for FDI liberalization in the APEC bloc is encouraging. Peru has been actively engaging with international companies in the development of its natural resources, as the country recognizes the key role of FDI in expanding its exports. In Indonesia, the Government is introducing legislation to create incentives for foreign investment in oil and gas and coal mining. Viet Nam has opened its banking sector to FDI, and the Republic of Korea is lowering barriers to foreign-exchange transactions. China has unified its tax systems for foreign and domestic enterprises.

Table I.10

NUMBER OF BILATERAL INVESTMENT TREATIES (BITS) SIGNED BY APEC ECONOMIES AS OF 1 JUNE 2007

APEC economy	BITS	Intra-APEC BITS
China	119	15
Korea, Republic of	86	13
Malaysia	66	8
Indonesia	60	9
Russian Federation	53	8
Chile	52	9
Viet Nam	49	12
United States	46	1
Thailand	38	10
Philippines	35	10
Peru	31	8
Singapore	30	6
Canada	25	4
Mexico	23	2
Australia	22	9
Chinese Taipei	21	5
Hong Kong China	15	5
Japan	12	6
Brunei Darussalam	5	2
Papua New Guinea	5	3
New Zealand	4	3
TOTAL	797	148

Source: United Nations Conference on Trade and Development (UNCTAD), International Investment Agreements Database.

13. The trading system among APEC member economies is quite open but there is still a spread between applied MFN tariffs and bound rates for most economies

Figure I.5-A

MOST FAVOURED NATION (MFN) TARIFF RATES, AGRICULTURAL PRODUCTS, 2006 OR THE LATEST YEAR REPORTED (SIMPLE AVERAGE OF AD-VALOREM DUTIES)
(Percentages)

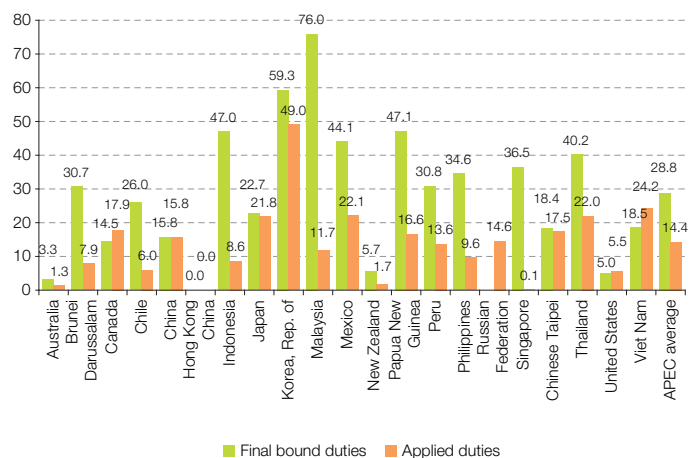
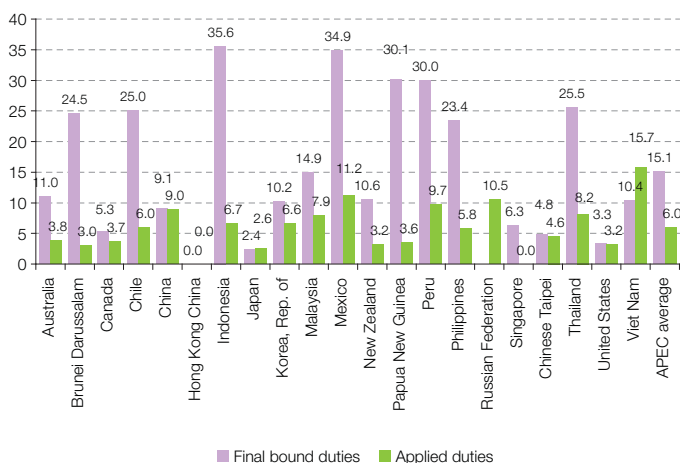


Figure I.5-B

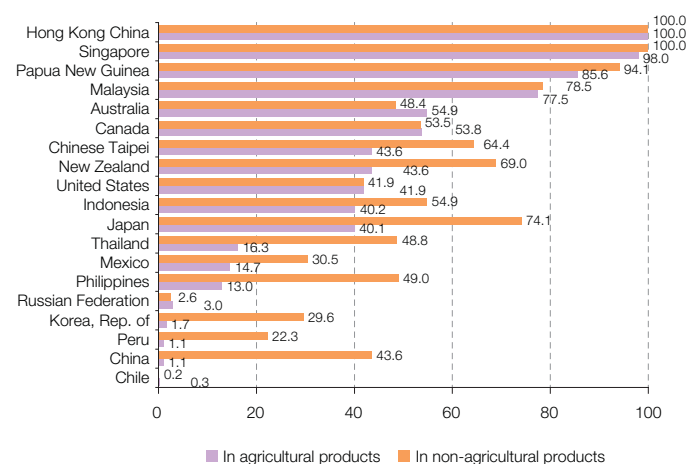
MOST FAVOURED NATION (MFN) TARIFF RATES, NON-AGRICULTURAL PRODUCTS, 2006 OR THE LATEST YEAR REPORTED (SIMPLE AVERAGE OF AD-VALOREM DUTIES)
(Percentages)



Source for figures I.5-A and I.5-B: World Trade Organization (WTO)/United Nations Conference on Trade and Development (UNCTAD)/International Trade Centre (ITC), *World Tariff Profiles, 2008*, September 2008.

Figure I.5-C

SHARE OF MFN DUTY-FREE IMPORTS, 2006 OR THE LATEST YEAR REPORTED
(Percentages of total imports)



Source: World Trade Organization (WTO)/United Nations Conference on Trade and Development (UNCTAD)/International Trade Centre (ITC), *World Tariff Profiles, 2008*, September 2008.

Note: The latest year reported is 2006, except in the cases of Indonesia and Viet Nam (2005).

Peru's official sources state that the shares for agricultural and non-agricultural products in January and August 2008 were 64.6% and 78.6%, respectively.

- The APEC market as a whole is quite open, and a large proportion of goods enter free of MFN duties. Market access is more restricted for agricultural than non-agricultural products.
- Nonetheless, the applied MFN rates are much lower than the WTO bound rates, both for agricultural and for non-agricultural goods. Both bound and applied rates for agricultural products are nearly double those levied on non-agricultural products. Such a wide gap between the two sets of tariff rates makes trade policy unpredictable.

14. The ranking of the APEC member economies in terms of trade-related indicators varies widely. In general, the lower-income members lag behind in terms of trade facilitation

Table I.11

SELECTED TRADE-RELATED PERFORMANCE INDICATORS^a
(Ranking)

Indicators category	Trade policy	External environment	Institutional environment	Trade facilitation	Trade outcome
APEC member economies	Index of tariff TTRI ^b (MFN applied tariff) - All Goods	Index of market access-TTRI ^c (applied tariff including preferentials.) - All Goods	Ease of doing business - rank (out of 178) ^d	Logistics Performance Index-Overall ^e	Trade growth 1995-2007 (goods and services, %) ^f
Year	2006-07 latest	2006-07 latest	2006-07 latest	2006-07 latest	2006-07 latest
Hong Kong China	1	71	4	8	97
Singapore	1	43	1	1	80
Papua New Guinea	5	5	84	95	149
United States	11	63	3	14	126
Australia	14	110	9	17	110
Canada	15	21	7	10	101
New Zealand	17	109	2	19	86
Brunei Darussalam	18	15	78	..	137
Chinese Taipei	19	53	50	21	132
Malaysia	20	42	24	27	129
Philippines	45	45	133	65	100
Indonesia	50	71	123	43	68
Japan	52	73	12	6	119
China	57	59	83	30	3
Chile	65	16	33	32	59
Thailand	71	98	15	31	69
Russian Federation	72	30	106	99	33
Peru	76	33	58	59	56
Korea, Republic of	82	98	30	25	20
Mexico	107	4	44	56	134
Viet Nam	..	..	91	53	7

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Trade Indicators (WTI) database [on line] 2008.

^a For all the methodologies used, see User's Guide at <http://www.worldbank.org/wti2008>

^b Trade tariff restrictiveness index (TTRI), ranked (out of 125) according to the uniform equivalent tariff that would maintain the country's aggregate import volume at its current level (given heterogeneous tariffs).

^c This index summarizes the impact of other countries' trade policies on each country's exports, including preferential rates. It is a uniform equivalent tariff that would maintain a country's aggregate export volume at its current level (given heterogeneous tariffs).

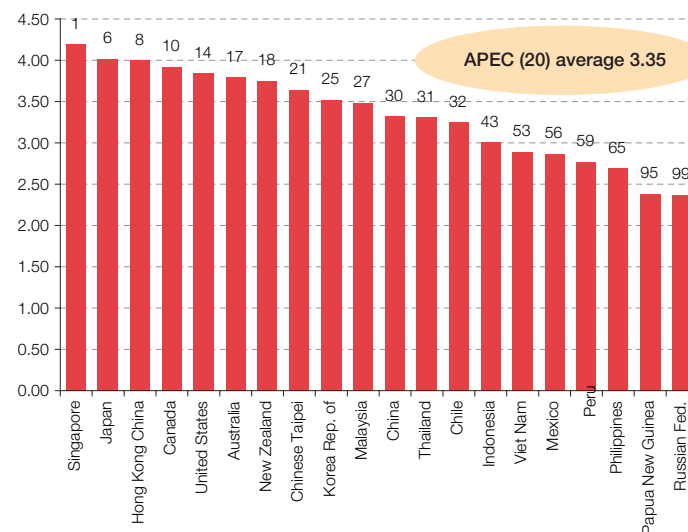
^d The Ease of Doing Business ranking represents a country's overall business climate based on seven indicators, three of which are also reported in the WTI database: Starting a Business, Enforcing Contracts, and Closing a Business, each ranked out of 178 countries.

^e Logistics Performance Index (LPI) (1-5, best).

^f Growth rates based on constant 2000 prices.

Figure I.6

RANKING IN THE OVERALL LOGISTICS PERFORMANCE INDEX



Source: Jean-François Arvis and others, *Connecting to Compete: Trade Logistics Performance Index and its Indicators, 2007*, Washington, D.C., World Bank.

Note: The index ranges between 0 and 5, the higher the index, the better the performance in the trade Logistics Performance Index (LPI) of the economy in question. The number on the top of the bar indicates the ranking of the economy among the 150 countries analysed. The LPI aggregates more than 5,000 country evaluations. The overall index considers the following seven categories of trade-related capabilities; customs procedures, infrastructure, international shipments, logistics competence, tracking and tracing, domestic logistics costs and timeliness.

- In general, the developed economies of APEC perform much better in terms of MFN tariff levels and institutional environments than their lower-income counterparts. In contrast, the lower-income economies score much better on the external environment when measured by the level of applied tariffs.
- The Logistics Performance Indices (LPIs) of the lower-income economies also lag behind in areas related to trade facilitation. The APEC economies that top the LPI ranking tend to be key players in the logistics industry, while those in the lower echelon are often held back by overregulation, poor-quality services and under-investment in infrastructure.

15. Lower-income APEC economies score poorly on cross-border indicators such as the number of documents and the time required for trade transactions and the cost of exporting and importing per container

Figure I.7-A
NUMBER OF DOCUMENTS

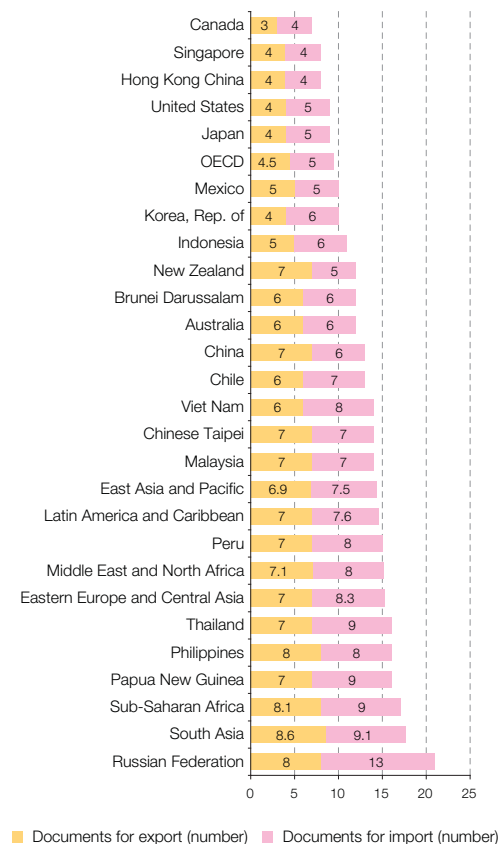


Figure I.7-B
TIME FOR EXPORT AND IMPORT
(No. of days)

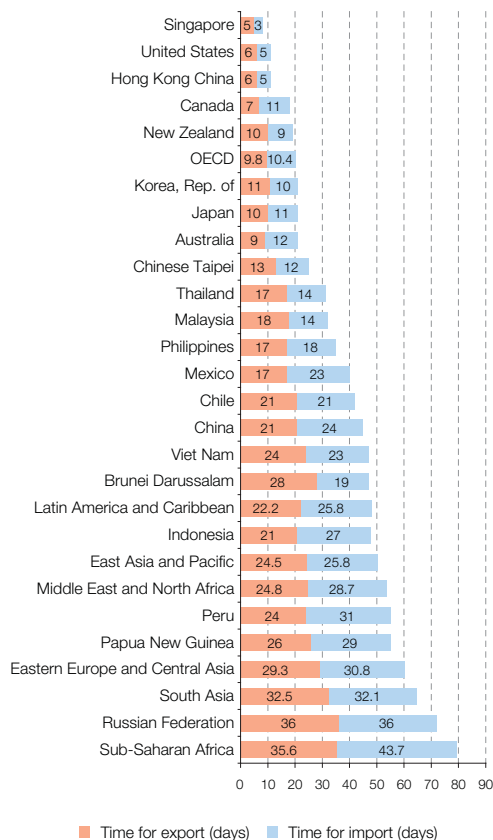
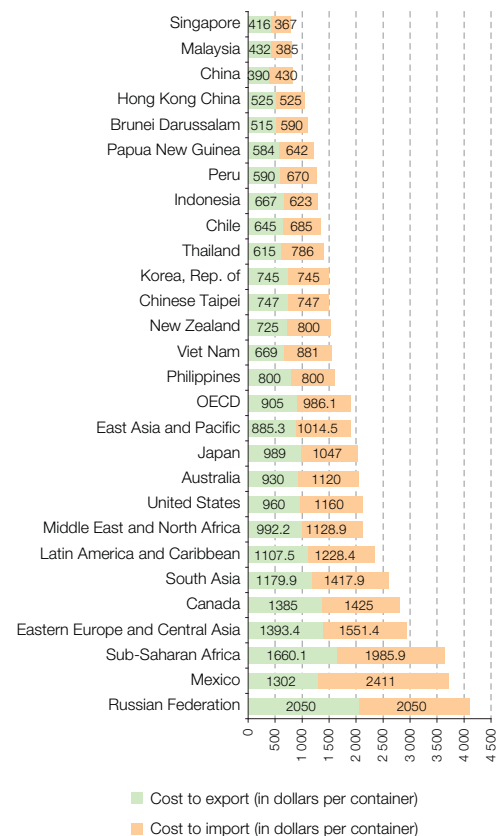


Figure I.7-C
COST OF EXPORTING AND IMPORTING
(in dollars per container)



Source: World Bank, *Doing Business 2008*.

- The 2008 World Bank *Doing Business* report indicates that the costs of exporting and importing vary substantially across APEC members. Overall, these economies fare quite well when compared with their counterparts in other regions. Canada, Hong Kong China, Singapore and the United States score highly on the first two indicators, while Singapore, Malaysia and China lead the ranking in terms of per-container export and import costs.

16. In conclusion, there is an urgent need for non-traditional policy measures to reduce transaction costs across the APEC region

Table I.12

MAIN INDICATORS OF DOING BUSINESS, 2008

(Ranking out of 178 economies/countries)

Economy	Ease of doing business ranking	Starting a business	Dealing with licenses	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Singapore	1	9	5	1	13	7	2	2	1	4	2
New Zealand	2	3	2	13	1	3	1	9	16	13	16
United States	3	4	24	1	10	7	5	76	15	8	18
Hong Kong China	4	13	60	23	58	2	3	3	3	1	15
Canada	7	2	26	19	28	7	5	25	39	43	4
Australia	9	1	52	8	27	3	51	41	34	11	14
Japan	12	44	32	17	48	13	12	105	18	21	1
Thailand	15	36	12	49	20	36	33	89	50	26	44
Malaysia	24	74	105	43	67	3	4	56	21	63	54
Korea, Republic of	30	110	22	131	68	36	64	106	13	10	11
Chile	33	39	58	68	34	48	33	34	43	64	98
Mexico	44	75	21	134	71	48	33	135	76	83	23
Chinese Taipei	50	103	128	148	24	48	64	91	29	92	13
Peru	58	102	109	159	35	36	15	77	71	119	94
Brunei Darussalam	78	117	66	4	178	97	121	28	36	158	35
China	83	135	175	86	29	84	83	168	42	20	57
Papua New Guinea	84	76	118	31	64	115	33	79	82	162	97
Viet Nam	91	97	63	84	38	48	165	128	63	40	121
Russian Federation	106	50	177	101	45	84	83	130	155	19	80
Indonesia	123	168	99	153	121	68	51	110	41	141	136
Philippines	133	144	77	122	86	97	141	126	57	113	147

Source: World Bank, The Doing Business 2008 database.

■ Although high- and middle-income members perform better than their lower-income counterparts in nearly all indicators contained in *Doing Business*, there are still some areas for future improvement. Each member economy faces a set of future challenges to create a more transparent, predictable and harmonized trade and investment regime across the Asia-Pacific region.

■ To promote trade and investment across APEC member economies, further reform efforts are needed. These should address not only the restrictiveness of traditional measures, such

as tariffs, through unilateral, regional and multilateral forums, but also other policy measures that reduce transaction costs. The latter requires: (i) the elimination of “hidden” trade barriers (e.g., complex technical standards); (ii) a search for better market access not only for goods but also in services and investment via, for example, free trade agreements involving economies on both sides of the Pacific; (iii) more predictable export/import mechanisms, including customs procedures; and (iv) active use of information technology to make policy more predictable and enhance trade and business facilitation.

Chapter II

Latin America and the Caribbean and the Asia-Pacific region in the world economy

1. Asia-Pacific has become a key economic bloc at the world level, yet remains an unexploited market for the majority of countries in Latin America and the Caribbean

Table II.1

SHARE OF LATIN AMERICA AND THE CARIBBEAN AND ASIA-PACIFIC IN WORLD GDP, IN CURRENT UNITED STATES DOLLARS AND PURCHASING POWER PARITY (PPP)
(Percentages of world total)

	1985		1990		1995		2000		2005		2007		2010 (projections)	
	Nominal	PPP	Nominal	PPP	Nominal	PPP	Nominal	PPP	Nominal	PPP	Nominal	PPP	Nominal	PPP
European Union	24.5	28.0	31.4	27.3	31.0	26.2	26.7	25.3	30.6	23.4	31.0	22.7	30.0	21.4
United States	32.7	23.1	25.4	22.8	25.0	23.1	30.8	23.6	27.7	22.3	25.5	21.3	22.6	19.7
Asia-Pacific^a	18.4	18.5	19.8	20.4	25.4	23.6	23.3	24.3	20.9	26.7	20.5	28.0	22.0	30.2
Japan	10.6	8.5	13.3	9.1	17.9	8.8	14.7	7.7	10.2	7.0	8.1	6.6	7.7	6.2
Australia	1.3	1.2	1.4	1.2	1.3	1.2	1.2	1.2	1.6	1.2	1.7	1.2	1.7	1.1
New Zealand	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Developing Asia ^b	6.4	8.6	4.8	10.0	6.1	13.4	7.3	15.1	8.9	18.4	10.5	20.0	12.3	22.8
Newly industrialized Asian economies ^c	1.6	2.1	2.4	2.6	3.5	3.4	3.4	3.6	3.2	3.7	3.1	3.7	3.1	3.8
Republic of Korea	0.7	1.0	1.2	1.3	1.8	1.7	1.6	1.8	1.8	1.8	1.8	1.9	1.7	1.9
China	2.4	2.9	1.7	3.6	2.5	5.7	3.8	7.2	5.0	9.6	6.0	10.8	7.4	12.7
India	1.7	2.5	1.4	2.8	1.2	3.2	1.5	3.7	1.7	4.2	2.0	4.6	2.2	5.2
Latin America and the Caribbean	5.8	9.0	5.0	8.3	5.9	8.8	6.3	8.6	5.6	8.2	6.4	8.3	6.8	8.3
Africa	2.2	3.1	1.8	2.9	1.4	2.7	1.4	2.7	1.8	3.0	2.0	3.1	2.3	3.3
Central and eastern Europe	3.0	4.7	2.4	4.3	1.9	3.8	2.1	3.7	2.9	3.9	3.4	4.0	3.5	4.1
Commonwealth of Independent States	6.8	7.7	6.9	7.6	1.4	4.0	1.1	3.6	2.2	4.2	3.1	4.5	4.5	4.8
Middle East	2.8	3.6	1.9	3.2	1.6	3.4	2.0	3.5	2.3	3.7	2.6	3.8	3.1	4.0
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), World Economic Outlook Database [online] April 2008.

^a Asia-Pacific consists of developing Asia plus Australia, Japan and New Zealand.

^b For the definition of developing Asia, see International Monetary Fund (IMF), *World Economic Outlook*, 2008, Washington, D.C., April 2008.

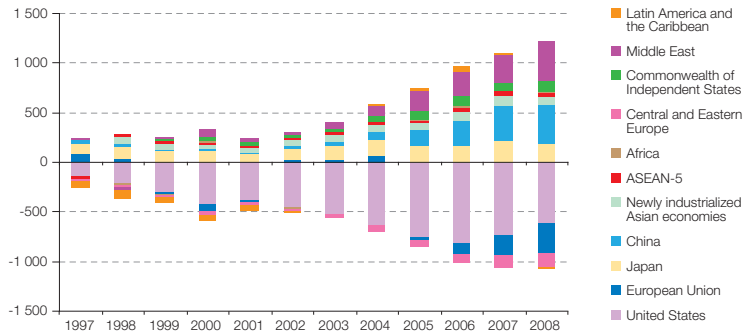
^c Newly industrialized Asian economies consist of Hong Kong China, Republic of Korea, Singapore and Chinese Taipei.

- Asia-Pacific including India represents roughly 60% of world population, while Latin America and the Caribbean represents 9%. China alone accounts for 21% of world total.
- Total Asia-Pacific GDP in current prices is estimated at US\$ 11.1 trillion for 2007, or more than 20% of the world GDP, while Latin America and the Caribbean contributes approximately 6%. The relative size of world output, measured in terms of purchasing power parity (PPP), is much greater: these two regions represent about 28% and 8% of total world output, respectively. Measured in PPP, the GDP of Asia-Pacific surpasses that of the United States or the European Union.
- Growth in output in Asia-Pacific has been impressive. Among the countries in that region, China stands out; despite the downscaling of the PPP by the International Monetary Fund (IMF) in 2008, its economy still accounts for 11% of world output. Asia-Pacific as a whole is projected to increase its share in the world total in the near future.
- Asia-Pacific includes both developed and developing countries with large differences in the size of economy, and as a result, its combined GDP is unequally distributed; four countries, Japan, China, Republic of Korea and Australia each accounted for more than 1% of the world output in 2007. In sum, regardless of the measure considered, Asia-Pacific is already a formidable regional grouping worldwide, especially developing Asia.

2. Asia-Pacific consists of major current-account-surplus countries, contributing to global macroeconomic stability

Figure II.1-A

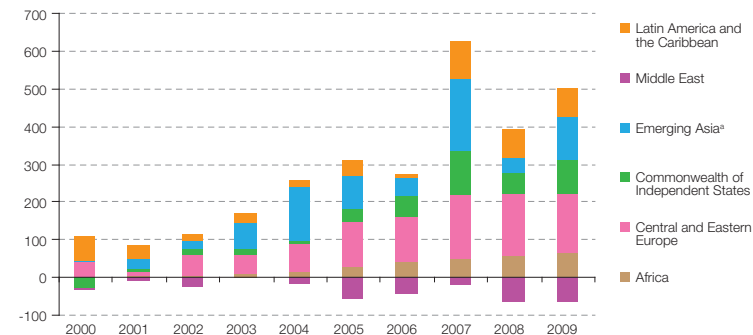
BALANCES ON CURRENT ACCOUNT, BY REGION AND COUNTRY
(In billions of dollars)



Note: ASEAN (5) includes Indonesia, Malaysia, Philippines, Thailand and Viet Nam and excludes Singapore which is included in Newly Industrialized Asian Economies (Hong Kong China, Republic of Korea, Singapore and Chinese Taipei).

Figure II.1-B

EMERGING AND DEVELOPING ECONOMIES: NET CAPITAL FLOWS
(In billions of dollars)



Source for figures II.1-A and II.1-b: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), World Economic Outlook Database [online] <http://www.imf.org/external/pubs/ft/weo/2008/01/weodata/WEOApr2008all.xls>.

^a Consists of developing Asia and the newly industrialized Asian economies.

- The importance of Asia-Pacific is becoming abundantly clear, not only with regard to production and world trade, but also in terms of global finance.

- The countries in this region are the main economies sustaining the growing current account deficits of the United States (US\$ 740 billion in 2007) and the European Union (US\$ 220 billion). The current account surpluses of Japan, China and the Asian newly industrialized economies (Hong Kong China, Republic of Korea, Singapore and Chinese Taipei) stood at US\$ 213 billion, US\$ 361 billion and US\$ 102 billion, respectively.

- In 2007, the sum of the surpluses of Japan, China, Asian NIEs and ASEAN (5), US\$ 727 billion practically covered the current-account deficit of the United States.

- The size of China's surplus alone (US \$ 361 billion) was greater than that of the Middle East with US\$ 275 billion. Latin America and the Caribbean reported a surplus of US\$ 16 billion in 2007.

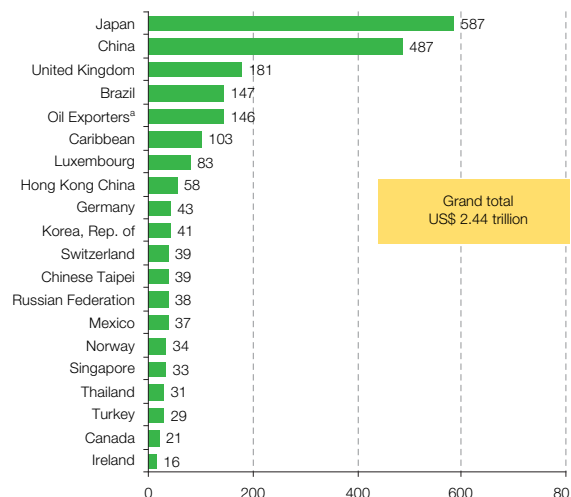
- Developing Asia, including the NIEs, is also a significant net capital importer worldwide. In 2007, this region was the largest importer of capital as a group among the developing countries and the economies in transition.

- In 2007, net capital inflows into emerging Asia totalled US\$ 194 billion. This figure includes net private direct investment of US\$ 91 billion, net private portfolio investment of US\$ 18 billion and other private capital flows of US\$ 85 billion. Official outflows amounted to US\$ 38 billion and the variation (reduction) in reserves was US\$ 669 billion.

3. Asian economies are major holders of foreign reserves, accounting for 60% of the world total, while 53% of United States Treasury securities are in the hands of Asian countries

Figure II.2

TOP 20 FOREIGN HOLDERS OF US TREASURY SECURITIES, FEBRUARY 2008
(In billions of dollars)



Source: United States Department of the Treasury [online] www.ustreas.gov.

^a Oil exporters include Algeria, Bolivarian Republic of Venezuela, Bahrain, Ecuador, Gabon, Indonesia, Iraq, Islamic Republic of Iran, Kuwait, Libyan Arab Jamahiriya, Nigeria, Oman, Qatar, Saudi Arabia and United Arab Emirates.

- Not only China and Japan but also the newly industrialized economies (NIEs), and to a lesser extent, ASEAN, provide the United States with cheap savings, keep interest rates low and accumulate international reserves through the purchase of Treasury bonds, thus helping to finance the latter's current-account deficit. As at February 2008, Japan and China held US\$ 587 billion and US\$ 487 billion in United States Treasury bonds, respectively.

- Seven of the top 20 holders of United States Treasury securities (mainly T-bonds and notes), are of Asian origin. Not only Japan and China but also Hong Kong China, Republic of Korea, Singapore, Chinese Taipei and Thailand, appear among the top 20. The major holders in Latin America are Brazil and Mexico, the former being the fourth largest holder, with a sum of US\$ 147 billion. The Caribbean financial centres, as a group, hold just over US\$ 100 billion.

Table II.2

STOCK OF FOREIGN RESERVES (MINUS GOLD), DECEMBER 2007^a
(In billions of dollars)

	Stock	World Share
Asia	2 917	45.2%
China	1 530	23.7%
India	267	4.1%
Republic of Korea	262	4.1%
Chinese Taipei	270	4.2%
Other Asian countries ^b	587	9.1%
Latin America ^c	400	6.2%
Central Europe ^d	121	1.9%
Russia	464	7.2%
Middle East ^e	149	2.3%
Total emerging markets	4 051	62.8%
Japan	953	14.8%
Total world	6 446	100.0%

Source: Economic Commission for Latin America and the Caribbean (ECLAC), calculations on the basis of information from International Monetary Fund (IMF), International Financial Statistics.

^a Cumulative sum for 2007, in billions of United States dollars. Aggregates are the sums of the economies.

^b Hong Kong China, Indonesia, Malaysia, Philippines, Singapore and Thailand.

^c Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Mexico and Peru.

^d The Czech Republic, Hungary and Poland.

^e Kuwait, Libyan Arab Jamahiriya, Oman, Qatar and Saudi Arabia.

- Asian countries are the major holders of foreign reserves worldwide: Asia, including Japan, accounts for 60% of world reserves minus gold. The share of China alone was roughly 24% at the end of 2007, with a sum of US\$ 1.53 trillion. Seven Latin American countries (Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Mexico and Peru) accounted for 9% of the world stock of foreign reserves. Their reserves continue to rise: as of March 2008, Chinese reserves exceeded US\$ 1.682 trillion, surpassing those of Japan (US\$ 1.016 trillion).

- While capital inflows into Asia, particularly portfolio inflows, have often been seen as temporary, current account surpluses tend to endure and have a lasting effect on the exchange rate.

4. Asia dominates world trade, accounting for 28% of total world trade in goods, while the share of Latin America and the Caribbean is less than its percentage of world GDP

Figure II.3

SHARE OF LATIN AMERICA AND THE CARIBBEAN AND ASIA-PACIFIC IN WORLD MERCHANDISE EXPORTS AND IMPORTS, 2007

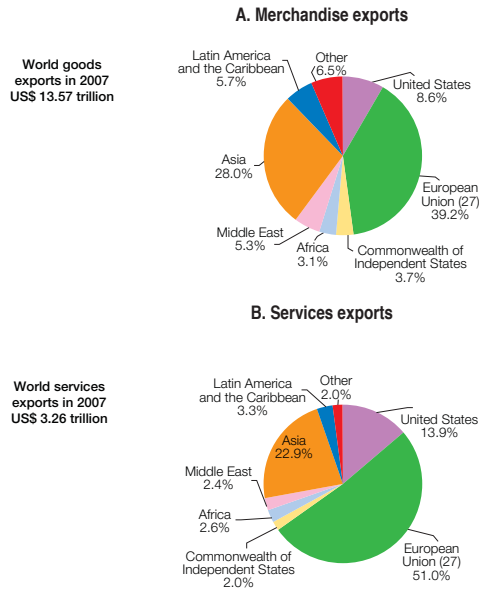


Table II.3-A

SHARE OF ASIAN AND LATIN AMERICAN COUNTRIES IN WORLD MERCHANDISE TRADE, 2007

	Value (billions of dollars)	Share in sum of Asia and LAC	World share
Asia	3 798	83.2	28.0
Japan	713	15.6	5.3
China	1 218	26.7	9.0
Republic of Korea	372	8.1	2.7
Chinese Taipei	246	5.4	1.8
Singapore (domestic exports)	156	3.4	1.1
India	145	3.2	1.1
Other Asia	1 194	26.1	8.8
Latin America and the Caribbean	768	16.8	5.7
Brazil	161	3.5	1.2
Mexico	272	6.0	2.0
Other LAC	335	7.3	2.5
Asia and Latin America and the Caribbean	4 566	100.0	33.6
World	13 570		100.0

Source: World Trade Organization (WTO), "World Trade 2007, Prospects for 2008", Press Release (Press/520/Rev.1), 17 April 2008.

- World merchandise exports and imports reached US\$ 13.570 trillion and US\$ 13.940 trillion in 2007, respectively, an increase in value of roughly 15% from 2006. Asia contributed 28% and 25% to the world total.
- In services which account for almost 20% of world trade in goods and services, the Asian countries' shares are equally high; their shares of total exports are slightly lower, however.
- In 2007, China has become the world's second largest exporter of goods, surpassing the United States. The four newly industrialized Asian economies contributed 7% of world exports and imports, while the ASEAN group's total exports and imports totalled US\$ 863 billion and US\$ 773 billion, respectively, surpassing the total of Latin America and the Caribbean as a group. The share of Latin America and the Caribbean still remains at below 6%.

Table II.3-B

SHARE OF ASIAN AND LATIN AMERICAN COUNTRIES IN WORLD SERVICES TRADE, 2007

	Value (billions of dollars)	Share in sum of Asia and LAC	World share
Asia	745	87.3	22.9
Japan	136	15.9	4.2
China	127	14.9	3.9
Newly industrialized economies ^a	243	28.5	7.5
India	86	10.1	2.6
Other Asia	153	17.9	4.7
Latin America and the Caribbean	108	12.7	3.3
Brazil	23	2.7	0.7
Mexico	17	2.0	0.5
Other LAC	68	8.0	2.1
Asia and Latin America and the Caribbean	853	100.0	26.2
World	3 260		100.0

^a Newly industrialized economies comprise Hong Kong China, Republic of Korea, Singapore and Chinese Taipei.

5. Developing Asia is the centre of a vibrant South-South trade network which currently accounts for 41% of the international trade of developing countries

Table II.4

SHARE OF SOUTH-SOUTH TRADE, BY DEVELOPING REGION PARTNERS, 1990-1991 AND 2005-2006
(Percentages)

1990 - 1991	Latin America and the Caribbean	Central and Eastern Europe	Africa	Middle East	Developing Asia	South-South trade
Latin America and the Caribbean	14.6	4.0	1.2	1.4	3.5	24.7
Central and Eastern Europe	3.2	36.0	2.0	1.8	6.0	49.1
Africa	5.1	2.9	6.7	2.2	4.0	20.8
Middle East	4.5	2.6	2.3	6.9	17.9	34.1
Developing Asia	2.9	2.1	2.3	2.9	27.5	39.3
South-South trade	5.2	7.7	2.5	2.8	23.9	36.0
2005 - 2006	Latin America and the Caribbean	Central and Eastern Europe	Africa	Middle East	Developing Asia	South-South trade
Latin America and the Caribbean	17.5	0.8	1.4	1.0	5.9	26.6
Central and Eastern Europe	0.6	21.0	1.3	2.7	1.8	27.5
Africa	1.3	1.3	17.8	2.1	9.7	32.2
Middle East	0.5	0.8	3.0	9.3	22.0	35.6
Developing Asia	2.5	1.9	1.9	2.9	40.5	49.8
South-South trade	4.6	4.1	2.3	3.2	26.7	40.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the database of the United Nations Conference on Trade and Development (UNCTAD).

- Between 1990 and 2006, trade among the developing and emerging economies (South-South trade) increased at an average annual rate of 10.7%, surpassing the growth rate of global merchandise trade of (8.1%).

- South-South trade flows more than doubled between 2003 and 2006, accounting for as much as 14% of world trade. Thus, in 2005/2006 these flows represented 41 % of the total international trade of developing countries and economies in transition, up from 36% in 1990/1991.

- The expansion has been particularly rapid in developing Asia. About two-thirds of South-South trade either originates in or is destined for developing Asia; next in importance are Latin America and Caribbean and Central and Eastern Europe, which each account for approximately 10% of South-South trade.

- There is evidence that South-South investment flows are also accelerating, although reliable data are scarce. Transnational corporations originating in the South are becoming increasingly active in regional and global markets.

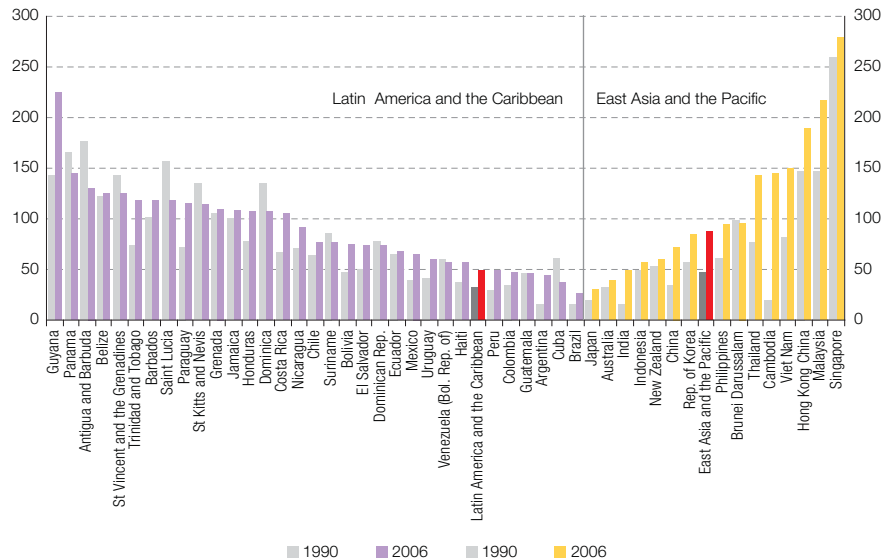
6. Over the past 15 years, countries in both regions have become increasingly integrated into the international trading system, with a high degree of trade openness, especially for smaller economies

■ Those countries (of both regions) where exports account for a significant proportion of GDP are highly (and increasingly) dependent on international trade, and their economies are extremely sensitive to any fluctuations in global markets. Asia-Pacific as a group has achieved a higher degree of trade openness than Latin America and the Caribbean, though both started out from a similar level at the beginning of the 1990s.

■ The percentages in question tend to be high in smaller developing economies or newly industrialized economies of Asia, while they are lower in large developed countries such as Japan, Australia and New Zealand, and developing countries such as Brazil and India. Countries involved strongly in international trade are relatively smaller in size, have closer economic ties with their neighbours, and are active in intra-regional trade. These include most of the countries in Asia and Central America and the Caribbean.

Figure II.4

TRADE OPENNESS: EXPORTS AND IMPORTS AS PERCENTAGES OF GDP



Source: Economic Commission for Latin America and the Caribbean (ECLAC), calculations based on World Bank, World Development Indicators [online database]; The Economist Intelligence Unit (EIU) CountryData; United Nations Commodity Trade Database (COMTRADE); and United Nations Conference on Trade and Development (UNCTAD).

^a The following countries use 2005 data: Antigua and Barbuda, Barbados, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Suriname.

7. Almost all the countries in Asia-Pacific have been able to increase their share of world merchandise exports, while the Latin American and Caribbean economies, with the exception of Mexico, are still small-scale exporters

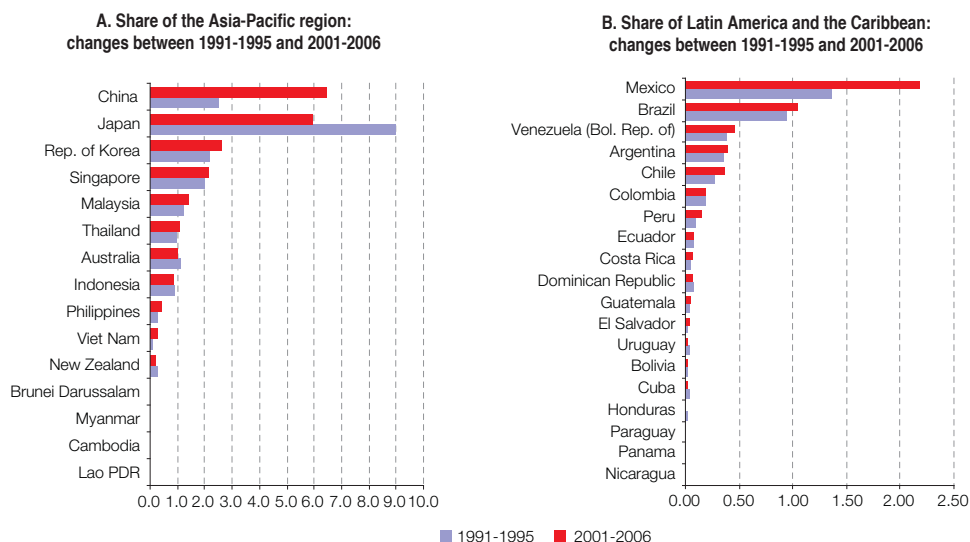
Table II.5
SHARE OF ASIA-PACIFIC AND LATIN AMERICA AND THE CARIBBEAN IN WORLD MERCHANDISE EXPORTS, 1985-2006
(Percentages)

Country	1985-1990	1991-1995	1996-2000	2001-2006	Country	1985-1990	1991-1995	1996-2000	2001-2006
Australia	1.15	1.10	1.04	0.99	Argentina	0.32	0.36	0.44	0.39
Brunei Darussalam	0.07	0.06	0.05	0.06	Bolivia	0.03	0.02	0.02	0.02
Cambodia	0.00	0.01	0.02	0.03	Brazil	1.06	0.95	0.89	1.05
China	1.67	2.51	3.35	6.45	Chile	0.24	0.27	0.30	0.37
Indonesia	0.72	0.90	0.95	0.85	Colombia	0.20	0.19	0.20	0.19
Japan	9.12	8.98	7.38	5.96	Costa Rica	0.05	0.06	0.09	0.07
Korea (Rep. of)	1.94	2.18	2.49	2.64	Cuba	0.20	0.04	0.03	0.02
Lao PDR	0.00	0.01	0.01	0.01	Dominican Republic	0.07	0.08	0.09	0.07
Malaysia	0.77	1.23	1.44	1.37	Ecuador	0.08	0.08	0.08	0.09
Myanmar	0.01	0.02	0.02	0.04	El Salvador	0.02	0.03	0.04	0.04
New Zealand	0.29	0.27	0.23	0.21	Guatemala	0.04	0.04	0.04	0.05
Philippines	0.24	0.29	0.53	0.45	Honduras	0.03	0.02	0.02	0.02
Singapore	1.35	1.99	2.14	2.13	Mexico	1.12	1.36	2.18	2.19
Thailand	0.57	0.97	1.03	1.06	Nicaragua	0.01	0.01	0.01	0.01
Viet Nam	0.05	0.08	0.18	0.29	Panama	0.01	0.01	0.01	0.01
					Paraguay	0.02	0.02	0.02	0.02
					Peru	0.11	0.10	0.11	0.15
					Uruguay	0.05	0.04	0.04	0.03
					Venezuela (Bol. Rep. of)	0.43	0.38	0.42	0.46
Asia-Pacific	17.96	20.59	20.85	22.53	Latin America and the Caribbean	4.15	4.11	5.10	5.28
World	100.00	100.00	100.00	100.00	World	100.00	100.00	100.00	100.00

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators [online database].

Figure II.5
(Percentages)

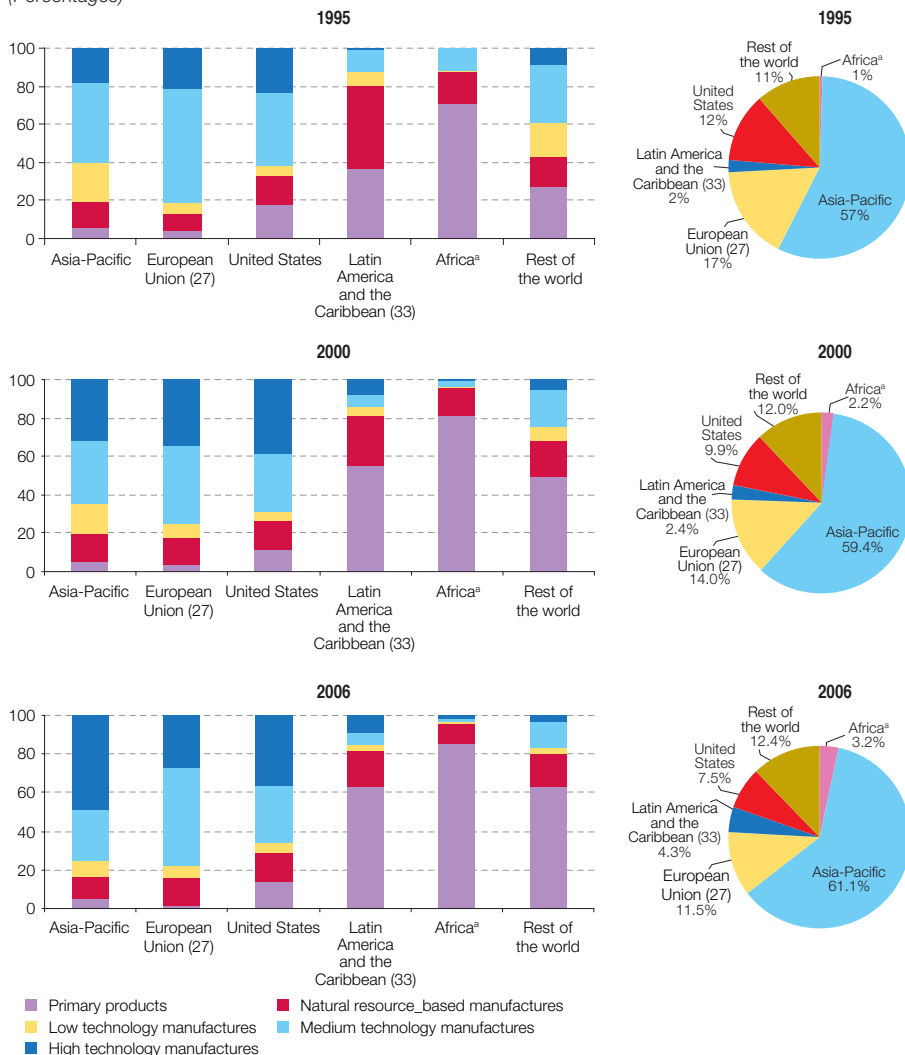
■ The share of the Asia-Pacific countries considered here in world merchandise exports increased in the past two decades from 18% in 1985-1990 on average to 23% in 2001-2006. The share of Latin America and the Caribbean increased slightly, to stand at just above 5% in the present decade. With respect to Asia-Pacific, the most noteworthy increase was that of China. In the case of the latter group, the most remarkable case is Mexico.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of World Bank, World Development Indicators [online database].

8. A major feature of intra-Asian trade and FDI dynamism has been China's dramatic emergence as a key player and one of the hubs of the world economy, around which a major trade reorganization is unfolding in Asia

Figure II.6
CHINA'S IMPORTS, BY REGIONS
(Percentages)



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

^a Africa comprises 54 countries in the African continent.

- China has become a major export market not only for a number of Latin American countries but also for other regions of the world.

- Over the past two decades, the share of Asia-Pacific in China's total imports has been increasing; in 2006 roughly 61% of its imports originated in this region.

- Latin America and the Caribbean's exports to China, consist mainly of primary products and resource-based manufactures, a similar export basket to that coming from African and the rest of the world.

- In this regard, Latin America and the Caribbean competes directly with other regions as a supplier of commodities and processed products.

- In comparison, the United States and countries of the European Union export primarily medium- and high-technology manufactures to this destination.

- The most striking feature of China's import structure is that Asia-Pacific, the leading source of Chinese imports, exports primarily manufactures. Its share of Chinese imports of manufactures exceeds those of the United States and the European Union.

9. FDI flows to Asia-Pacific continue to increase, especially to China and the ASEAN members. The share of Latin America and the Caribbean in total inflows to developing countries is declining, with a marked concentration in Brazil, Chile and Mexico

Table II.6

STOCK OF INWARD FDI TO ASIA-PACIFIC AND LATIN AMERICA AND THE CARIBBEAN, 1980, 1990, 2000 AND 2006
(Billions of dollars)

	1980	1990	2000	2006	World %
Asia-Pacific 15	51.7	180.5	681.1	1200.5	10.0
Australia	24.8	73.6	111.1	246.2	2.1
Brunei Darussalam	0.0	0.0	3.9	9.9	0.1
Cambodia	0.0	0.0	1.6	3.0	0.0
China	1.1	20.7	193.3	292.6	2.4
Indonesia	4.7	8.9	24.8	19.1	0.2
Japan	3.3	9.9	50.3	107.6	0.9
Korea, Republic of	1.3	5.2	38.1	71.0	0.6
Lao PDR	0.0	0.0	0.6	0.9	0.0
Malaysia	5.2	10.3	52.7	53.6	0.4
Myanmar	0.0	0.3	3.9	5.0	0.0
New Zealand	2.4	7.9	24.9	63.1	0.5
Philippines	1.3	3.3	12.8	17.1	0.1
Singapore	5.4	30.5	112.6	210.1	1.8
Thailand	1.0	8.2	29.9	68.1	0.6
Viet Nam	1.4	1.6	20.6	33.5	0.3
Latin America and Caribbean	35.0	105.0	480.6	906.1	7.6
Argentina	5.3	8.8	67.6	58.6	0.5
Bolivia	0.4	1.0	5.2	4.8	0.0
Brazil	17.5	37.2	103.0	221.9	1.8
Chile	0.9	10.1	45.8	80.7	0.7
Colombia	1.1	3.5	11.0	44.8	0.4
Costa Rica	0.5	1.3	2.7	6.8	0.1
Cuba	0.0	0.0	0.1	0.1	0.0
Dominican Republic	0.2	0.6	1.7	5.6	0.0
Ecuador	0.7	1.6	7.1	16.1	0.1
El Salvador	0.2	0.2	2.0	4.4	0.0
Guatemala	0.7	1.7	3.4	4.9	0.0
Honduras	0.0	0.3	1.4	3.0	0.0
Mexico	-2.0	22.4	97.2	228.6	1.9
Nicaragua	0.1	0.1	1.4	2.7	0.0
Panama	2.5	2.3	6.7	12.8	0.1
Paraguay	0.2	0.4	1.3	1.6	0.0
Peru	0.9	1.3	11.1	19.4	0.2
Uruguay	0.4	0.7	2.1	4.4	0.0
Venezuela (Bolivarian Republic of)	1.6	3.9	35.5	45.4	0.4
Caribbean ^a	3.8	7.5	74.5	139.6	1.2
Developing countries	140.4	364.8	1 778.9	3 545.0	29.5
World	551.2	1 779.2	5 810.2	11 998.8	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the database of the United Nations Conference on Trade and Development (UNCTAD).

^a Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, British Virgin Islands, Cayman Islands, Dominica, Grenada.

■ Developing countries have been absorbing an increasing share of world FDI—about 35% of world total, up from 25% in 1990. In the 1970s, Latin America accounted for 40% of FDI inflows into developing countries. In the second half of the 1990s, when national firms were privatized, Latin America again became one of the major choices for investors. Asia has since taken over from Latin America as the destination of choice for foreign investors. Asia was the recipient of about half of the FDI flowing into developing countries in the first half of the 1990s, and more than 40% in the second half of the decade.

■ According to the UNCTAD database, inward FDI into 15 Asia-Pacific countries for which information is available, has increased steadily over the years averaging US\$ 110 billion per year during 2000 and 2006, almost twice the amount recorded during the 1990s. More than half of this total was invested in China. Australia, Singapore and other ASEAN countries, and Republic of Korea have emerged as other important FDI recipients.

■ As of 2006, cumulative FDI in Asia-Pacific exceeded US\$ 1.2 trillion, equivalent to 10% of the world FDI stock.

■ The corresponding figures for Latin America and the Caribbean are also impressive; annual average inflow of about US\$ 63 billion in the current decade. The stock at the end of 2006, estimated at US\$ 906 billion, represents 7.6% of the world total.

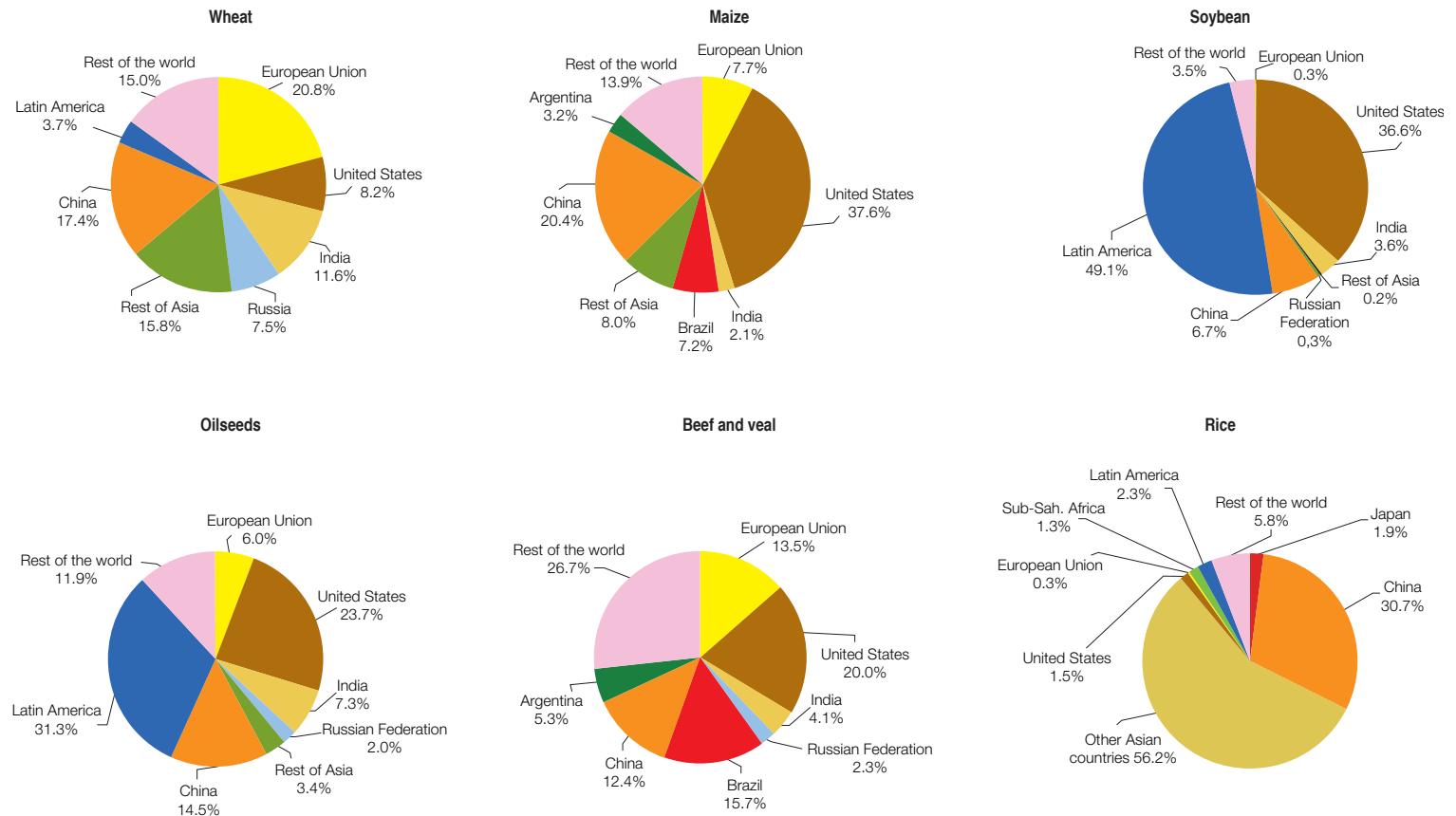
■ Inward FDI to Latin America and the Caribbean increased by 1.5% compared with 2005 to stand at US\$ 72.4 billion in 2006. Mexico received the highest amount of investment, US\$ 19.0 billion, reflecting an increase of 20.8%, while investment in Brazil increased by 24.7% to a total of US\$ 18.8 billion.

■ An interesting trend relating to Latin American FDI is that the sources of inward FDI have recently become more diversified, with investment from Spain, the major investor in the region, on the decline, while investment in resources-related industries and service-related operations, financed mainly by firms of the region itself, is on the rise, resulting in the emergence of trans-Latins.

10. Latin America is an important producer of several agricultural products which are of special interest to Asia-Pacific. However, in some products, Asia-Pacific competes directly with Latin America

Figure II.7

SHARE IN SOME AGRICULTURAL PRODUCTS, BY REGION/COUNTRY, 2006-2009



Source: United States Department of Agriculture, World Agricultural Production, Circular Series (WAP 04-08) April 2008; Grain: World Markets and Trade, Circular Series (FG 04-08), April 2008; and Livestock and Poultry: World Markets and Trade, Circular Series (DL&P 1-08), April 2008.

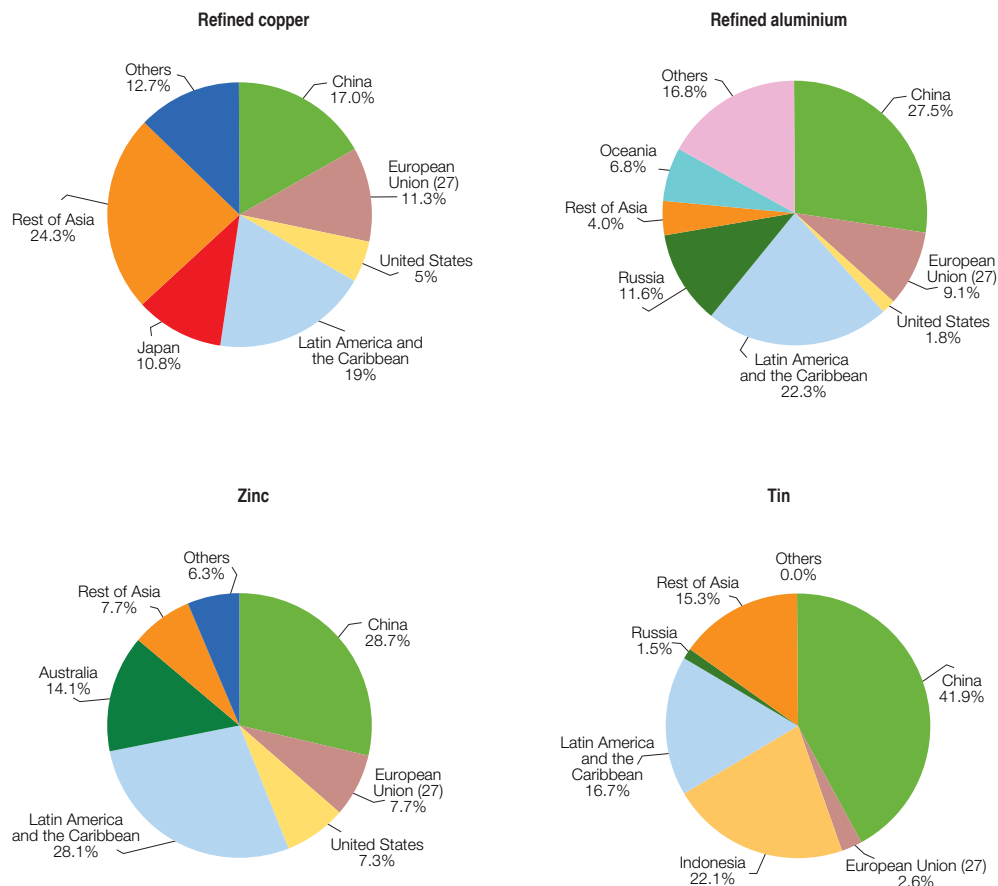
■ Several Latin American countries are important suppliers of natural resources to Asia-Pacific. However, Asia-Pacific has achieved a high level of diversification of supply sources, sufficient to prevent Latin America from having a strong bargaining power with respect to these products. There is significant competition with several developed economies, such as Australia, Canada, New Zealand and the United States, and with neighbouring developing Asian countries, in agriculture, and fishery and forestry products, where Latin America traditionally enjoys comparative advantages.

11. Latin America and the Caribbean is also an important supplier of some minerals and metals, but again, Asia-Pacific countries are major world producers of these products

■ The Asia-Pacific countries, the world's largest mineral and metal producers, are direct competitors in respect of the mineral products in which Latin America and the Caribbean has a comparative advantage. In Asia-Pacific markets, there is also strong competition in these products with several developed and developing countries of that region.

■ The challenge facing Latin America and the Caribbean is therefore to exploit the comparative advantages it enjoys from its natural-resource endowments on a more efficient and coordinated basis, and attempt to move up the value chain.

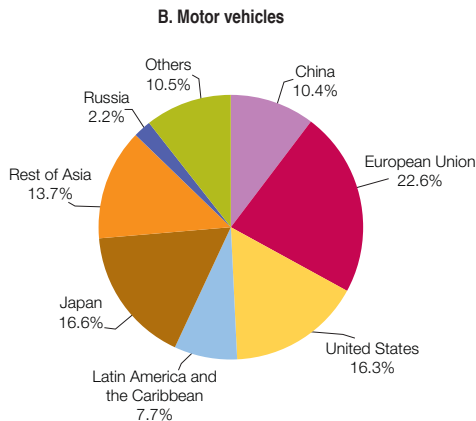
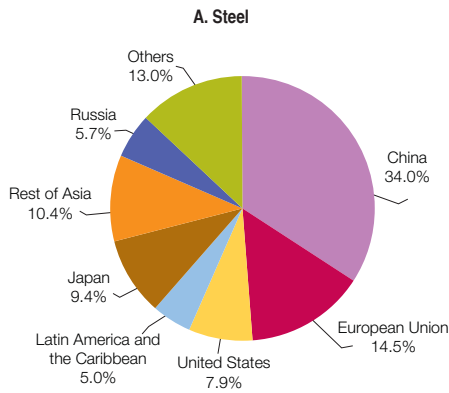
Figure II.8
SHARE IN SOME MINERALS AND METALS, BY REGION/COUNTRY, 2007



Source: World Bureau of Metal Statistics, World Metal Statistics, February 2008.

12. Asia-Pacific countries are major markets for some manufactures in which several Latin American countries have, or are beginning to gain, comparative advantages

Figure II.9
SHARE IN SOME MANUFACTURES,
BY REGION AND COUNTRY, 2006



Source: International Institute of Iron and Steel, [online] www.worldsteel.org/?action=storypages&id=23&subld=196, and United Nations Industrial Development Organization (UNIDO), *International Industrial Statistics*, 2007. Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Organization of Motor Vehicle Manufacturers (OICA) surveys [online] www.oica.net/htdoc/statistics.

Table II.7
CONTRIBUTION OF MAJOR CONSUMER COUNTRIES TO THE WORLD MARKET EXPANSION;
FOR SOME INDUSTRIAL PRODUCTS^a
(Percentages)

	Motor vehicles		Motorcycles		Electronics ^b		Cellular phones		Personal computers	
	1999-2004 (No. of sales)		1999-2004 (No. of sales)		2002-2005 (in US\$)		1999-2004 (No. of contracts)		1999-2004 (No. of sales)	
1	China	45.9	Indonesia	34.7	China	24.1	China	23.1	USA	21.6
2	Iran (Islamic Rep. of)	7.9	India	26.7	United States	12.3	United States	7.6	China	9.8
3	India	7.4	Thailand	15.7	Japan	11.7	Russia	5.8	Japan	8.6
4	United Kingdom	6.7	Viet Nam	11.1	Germany	7.4	Brazil	4.0	United Kingdom	4.7
5	Mexico	5.9	United States	8.9	Korea (Rep. of)	3.2	Germany	3.8	Korea (Rep. of)	4.6
6	Thailand	5.8	China	8.8	France	3.2	India	3.6	Germany	4.1
7	Russian Fed.	5.6	Brazil	5.5	United Kingdom	3.1	Japan	2.7	France	3.6
8	Indonesia	5.5	Philippines	2.1	Italy	2.7	United Kingdom	2.7	Russia	3.5
9	Turkey	5.0	Pakistan	1.5	Chinese Taipei	2.5	Italia	2.6	Brazil	3.5
10	Brazil	4.6	Mexico	1.1	Australia	1.9	Mexico	2.4	Canada	3.0
11	Malaysia	2.8	Canada	0.3	India	1.9	Philippines	2.4	India	2.5
12	Australia	2.4	Colombia	0.3	Spain	1.8	Indonesia	2.2	Chinese Taipei	2.0
13	South Africa	2.2	Bangladesh	0.3	Brazil	1.8	Turkey	2.1	Saudi Arabia	1.9
14	Ukraine	2.2	Peru	0.2	Russia	1.7	Thailand	2.0	Italy	1.9
15	Spain	2.0	Sri Lanka	0.2	Singapore	1.7	Spain	1.9	Mexico	1.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Japan External Trade Organization (JETRO), *White Paper on Trade and Investment 2006*.

^a The figures indicate each country's percentage contribution to the expansion of the world market in question (100%) during the period, in terms of the number of sales, the value of sales, etc.

^b The figures for electronic products in 2005 are estimates by *Reed Electronics Research*.

- In manufactures, the Asia-Pacific countries, especially China and India, play an important role in expanding world markets for these products. These two countries have been key consumers of various manufactures for which trade has been brisk in recent years. For example, the world automobile market expanded by 7 million units between 1999 and 2005, and China and India accounted for approximately 46% and 7.4% of this expansion respectively. Similar percentages can be observed for other high technology products such as electronics, cellular phones, and personal computers.
- The performance of the Asian countries offers Latin American and Caribbean countries important opportunities for conquering these markets.

13. Despite the undisputed importance of Asia-Pacific worldwide, trade and investment relations between that region and some Latin American and Caribbean countries remain relatively weak

Table II.8

LATIN AMERICAN AND CARIBBEAN EXPORTS, BY MAJOR EXPORT REGIONS, 2007^a

	United States	European Union (27)	Asia and the Pacific ^b	Latin America and the Caribbean	Rest of the World	World
Latin America and the Caribbean	45.4	14	11.2	18.4	11.1	100.0
Argentina	7.8	17.5	17.1	38.8	18.8	100.0
Bolivia	8.9	7.7	8.4	61.4	13.7	100.0
Brazil	15.8	25.2	16.1	25.4	17.6	100.0
Chile	12.3	22.9	39.5	16.3	9	100.0
Colombia	36.9	15.2	4.1	35.5	8.3	100.0
Costa Rica	37.2	14.4	20.7	24.6	3.1	100.0
Cuba ^c	0	31.8	18.8	11.1	38.2	100.0
Ecuador	43.5	12.7	3.2	32.5	8.1	100.0
El Salvador	50.6	6.3	1.2	39.2	2.7	100.0
Guatemala	42.7	5.2	3.2	41.3	7.7	100.0
Honduras	58.9	16.3	0.9	20.6	3.4	100.0
Mexico	82.2	5.3	3	6	3.4	100.0
Nicaragua	62.7	7.2	1.5	22.4	6.2	100.0
Panama	39.8	33.5	1.8	18.7	6.1	100.0
Paraguay	2	6.9	3.5	72.1	15.5	100.0
Peru	19.1	17.1	19.2	18.4	26.2	100.0
Dominican Republic	65.6	12.6	2.1	4.9	14.8	100.0
Uruguay	11	18.5	8.6	37.1	24.9	100.0
Venezuela (Bolivarian Rep. of) ^c	52.9	10	5.1	15.1	17	100.0
CARICOM ^c	47.9	13.1	3.2	22.4	13.5	100.0

Greater than 40%
 greater than 15% hit less than 40%

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official country information and estimates based on International Monetary Fund (IMF), Direction of Trade Statistics (DOTS) [online].

^a Preliminary figures.

^b Includes not only the 12 Asia-Pacific economies but also other countries in developing Asia.

^c Estimates by the Economic Commission for Latin America and the Caribbean (ECLAC).

- The importance of Asia-Pacific as an export market differs substantially among Latin American and the Caribbean countries.

- Since the beginning of the decade, Asia-Pacific, which includes all countries in developing Asia, has become a significant export market for MERCOSUR countries, with the exception of Paraguay.

- The Andean Community's share of the Asia-Pacific market, increased in the mid-1990s, but has since declined, dropping to less than 5% in 2007. The only exception is Peru which continues to rely heavily on that region.

- For Central American countries, Asia-Pacific has been a rather stagnant market, accounting for less than 4% of their total exports. The exception, Costa Rica, ships more than 20% of its total exports to that market.

- In contrast, following a sharp contraction in 1998 as a consequence of the Asian crisis, Chile's exports to the region have been expanding and accounted for 40% of the country's total in 2007. In the same year, the share of Brazil, the largest exporter to Asia-Pacific stood at 16%.

- Interestingly, in the case of Mexico, the relative importance of Asia-Pacific remains low; the bulk of exports from Mexico and the Central American countries are sold to the United States, the main trading partner for these countries. The latter have, however, signed trade agreements with a number of Asia-Pacific countries, in an effort to diversify into this market.

**Trade and investment links between the Latin American
and Caribbean and Asia-Pacific regions**

1. Asia-Pacific has become a key trade partner for Latin America and the Caribbean, especially as regards imports, to the region, and China has displaced Japan to play a dominant role in both exports and imports

Figure III.1

LATIN AMERICA AND THE CARIBBEAN: SHARE OF THE UNITED STATES, EUROPEAN UNION (27 MEMBER STATES) AND THE ASIA-PACIFIC REGION IN THE REGION'S EXPORTS AND IMPORTS (Percentages)

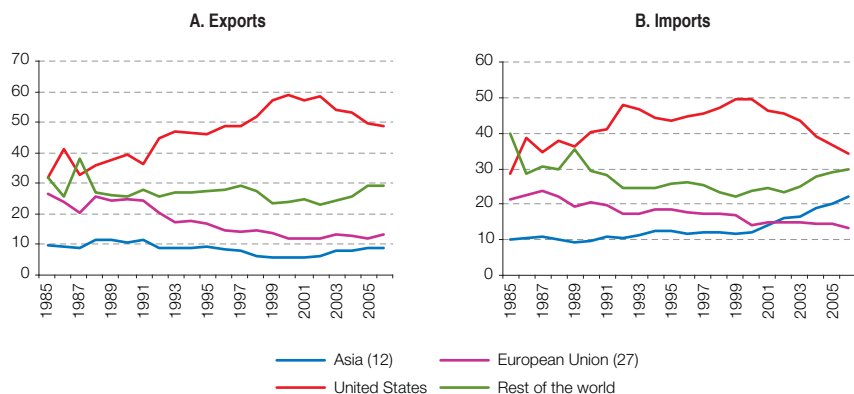
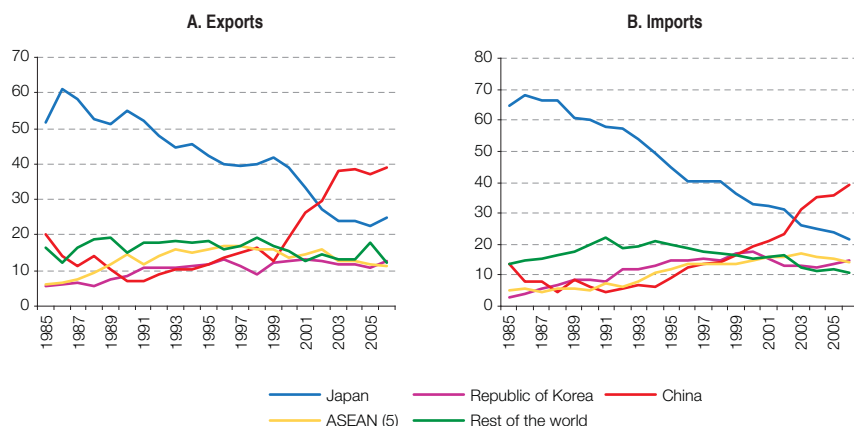


Figure III.2

LATIN AMERICA AND THE CARIBBEAN: SHARE OF SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION IN EXPORTS AND IMPORTS (Percentages)



Source for figures III.1 and III.2: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations Commodity Trade Database (COMTRADE).

Note: Asia (12) includes Australia, China, Chinese Taipei, Hong Kong China, Indonesia, Japan, Malaysia, New Zealand, the Philippines, the Republic of Korea, Singapore and Thailand. ASEAN (5) includes Indonesia, Malaysia, the Philippines, Thailand and Singapore.

- Trade between Latin America and the Caribbean and the Asia-Pacific region has recovered after two years of stagnation (1998-1999) following the Asian crisis, and it continues to expand.

- The Asia-Pacific region has become a very important trading partner for Latin America and the Caribbean, particularly in terms of the latter's imports. Indeed, the difference in the significance of imports and exports has generated a growing trade deficit with the Asia-Pacific region since 1992, amounting to US\$ 69 billion in 2006.

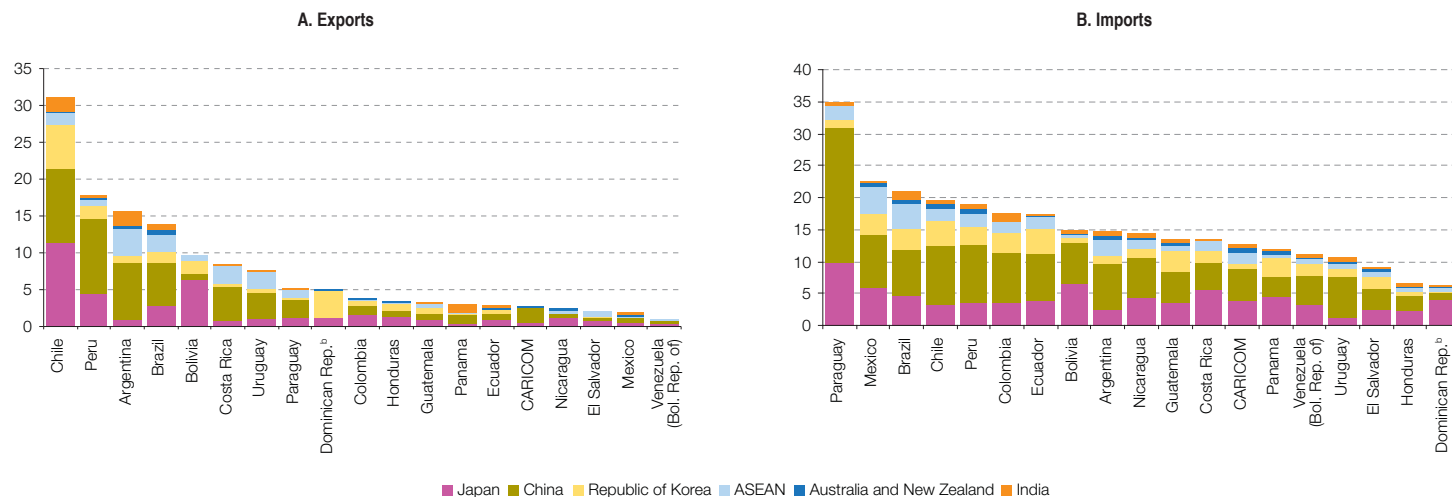
- Given the important and increasing role of the Asia-Pacific region as a trade partner for many Latin American and Caribbean countries, it is not surprising that several of them have signed or are in the process of negotiating free trade agreements (FTAs).

- In general terms, however, there is insufficient awareness of the importance of the Asia-Pacific region. Still less is there a coordinated strategy among countries or regional groupings to seek closer trade and investment links with that region. Approaches to the Asia-Pacific region by Latin American and Caribbean countries have thus far been somewhat sporadic, with countries signing bilateral FTAs on an individual basis.

- Behind this dynamic trade between the two regions, China is playing an increasing role in both exports and imports, rapidly displacing Japan as the largest trade partner in Asia-Pacific at the start of the decade, despite Japan's slight recovery in recent years on the export side. In addition, the ASEAN (5) grouping has reached a level similar to that of the Republic of Korea or overtaken it as a source of imports for Latin America and the Caribbean and as a destination for its exports.

2. The Asia-Pacific region, including India, is already a key export market for some Latin American and Caribbean countries. For almost all the countries in the region, Asia-Pacific is even more important as a source of imports

Figure III.3

LATIN AMERICA AND THE CARIBBEAN: SHARE OF SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION IN TOTAL EXPORTS AND IMPORTS, AVERAGE 2004-2006^a

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

^a Shares of Japan, China, Republic of Korea, ASEAN (5), Australia, New Zealand and India in each country's total exports and imports.

^b The figures for the Dominican Republic relate to 2001.

- Exports by the Latin American and Caribbean region to Asia-Pacific, including India, are highly concentrated in just a few countries.

- During the period 2004-2006, on average five countries accounted for almost 92% of all Latin American and Caribbean exports to Asia-Pacific: Brazil (35%), Chile (28%), Argentina (14%), Mexico (9%) and Peru (7%). These shares have not changed substantially over the last two decades. Within the region, Mexico and the MERCOSUR countries, particularly Brazil, are major importers from Asia-Pacific. The most striking feature of regional imports from the Asia-Pacific region is the rapidly increasing share of Mexico, which represented roughly 53% of total imports from that region during this period, in comparison to 25% at the beginning of the 1990s.

- Some countries of the region rely heavily on Asia-Pacific—including India—as a trade partner, especially on the import side. Chile shows the highest ratio (with 31% of its exports going to Asia-Pacific), followed by Peru (18%), Argentina (16%) and Brazil (14%). In general, China has a notable presence in both exports and imports, while Japan is more visible in imports. Nonetheless, the shares of the Republic of Korea and the ASEAN (5) grouping are relatively large in some countries. Among the Caribbean countries, Trinidad and Tobago is the largest exporter to Asia-Pacific while Cuba, Trinidad and Tobago and the Dominican Republic are the largest importers.

3. At a greater level of detail, Asia-Pacific is a large and growing export destination for South America

Table III.1

LATIN AMERICA AND THE CARIBBEAN: EXPORTS TO SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION, AVERAGE, 2004-2006

(Millions of current dollars and percentages)

	Total exports by destination								Percentage of total of Latin America and the Caribbean							Percentage of total of each destination							
	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a	World	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a	
Latin America and the Caribbean	11 564	18 481	5 648	6 081	1 240	3 240	46 254	558 199	100	100	100	100	100	100	100	2.1	3.3	1.0	1.1	0.2	0.6	8.3	
Andean Community	1 573	2 358	618	244	96	172	5 061	103 575	13.6	12.8	10.9	4.0	7.8	5.3	10.9	1.5	2.3	0.6	0.2	0.1	0.2	0.0	4.9
Bolivia	193	26	55	20	3	1	299	3 092	1.7	0.1	1.0	0.3	0.3	0.0	0.6	6.3	0.8	1.8	0.6	0.1	0.0	9.7	
Colombia	305	276	143	45	22	25	817	20 770	2.6	1.5	2.5	0.7	1.8	0.8	1.8	1.5	1.3	0.7	0.2	0.1	0.1	3.9	
Ecuador	90	84	52	5	16	36	284	10 068	0.8	0.5	0.9	0.1	1.3	1.1	0.6	0.9	0.8	0.5	0.1	0.2	0.4	2.8	
Peru	796	1 788	326	134	54	77	3 175	17 771	6.9	9.7	5.8	2.2	4.3	2.4	6.9	4.5	10.1	1.8	0.8	0.3	0.4	17.9	
Venezuela (Bol. Rep. of)	188	184	41	39	1	33	486	51 873	1.6	1.0	0.7	0.6	0.1	1.0	1.1	0.4	0.4	0.1	0.1	0.0	0.1	0.9	
MERCOSUR	3 799	10 161	2 177	4 384	652	1 664	22 838	163 204	32.9	55.0	38.5	72.1	52.6	51.4	49.4	2.3	6.2	1.3	2.7	0.4	1.0	14.0	
Argentina	365	3 093	392	1 513	148	746	6 257	40 368	3.2	16.7	6.9	24.9	11.9	23.0	13.5	0.9	7.7	1.0	3.7	0.4	1.8	15.5	
Brazil	3 384	6 893	1 763	2 777	503	910	16 230	117 671	29.3	37.3	31.2	45.7	40.6	28.1	35.1	2.9	5.9	1.5	2.4	0.4	0.8	13.8	
Paraguay	20	45	3	19	0	4	91	1 740	0.2	0.2	0.1	0.3	0.0	0.1	0.2	1.2	2.6	0.2	1.1	0.0	0.2	5.2	
Uruguay	30	130	19	75	2	4	260	3 425	0.3	0.7	0.3	1.2	0.1	0.1	0.6	0.9	3.8	0.6	2.2	0.0	0.1	7.6	
Chile	4 757	4 181	2 475	712	129	804	13 058	41 790	41.1	22.6	43.8	11.7	10.4	24.8	28.2	11.4	10.0	5.9	1.7	0.3	1.9	31.2	
CACM	123	369	71	205	14	13	795	14 242	1.1	2.0	1.2	3.4	1.1	0.4	1.7	0.9	2.6	0.5	1.4	0.1	0.1	5.6	
Costa Rica	50	320	23	168	6	9	575	6 786	0.4	1.7	0.4	2.8	0.5	0.3	1.2	0.7	4.7	0.3	2.5	0.1	0.1	8.5	
El Salvador	13	4	2	11	1	1	33	1 528	0.1	0.0	0.0	0.2	0.1	0.0	0.1	0.9	0.3	0.2	0.7	0.1	0.1	2.2	
Guatemala	35	29	34	20	2	3	122	3 837	0.3	0.2	0.6	0.3	0.2	0.1	0.3	0.9	0.7	0.9	0.5	0.1	0.1	3.2	
Honduras	17	12	11	3	3	0	45	1 307	0.1	0.1	0.2	0.0	0.2	0.0	0.1	1.3	0.9	0.8	0.2	0.2	0.0	3.5	
Nicaragua	9	4	1	3	2	0	19	784	0.1	0.0	0.0	0.0	0.2	0.0	0.0	1.1	0.5	0.1	0.4	0.3	0.0	2.4	
Mexico	1 203	1 099	270	522	334	561	3 989	21 738	10.4	5.9	4.8	8.6	27.0	17.3	8.6	0.6	0.5	0.1	0.2	0.2	0.3	1.8	
Caribbean and other Latin American countries	105	301	35	13	13	16	484	17 025	0.9	1.6	0.6	0.2	1.1	0.5	1.0	0.6	1.8	0.2	0.1	0.1	0.1	2.8	
CARICOM	96	301	6	13	13	16	444	16 211	0.8	1.6	0.1	0.2	1.1	0.5	1.0	0.6	1.9	0.0	0.1	0.1	0.1	2.7	
Bahamas ^b	1	0	0	0	3	0	4	509	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.2	0.0	0.0	0.0	0.6	0.0	0.8	
Barbados	0	1	0	1	0	0	2	332	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.2	0.0	0.0	0.6	
Belize	3	0	0	0	0	0	3	231	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.1	0.0	0.0	0.0	0.0	1.3	
Cuba ^b	19	92	2	1	1	1	117	2 246	0.2	0.5	0.0	0.0	0.1	0.0	0.3	0.9	4.1	0.1	0.1	0.1	0.0	5.2	
Guyana	2	7	1	4	1	6	20	550	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.3	1.2	0.2	0.6	0.2	1.1	3.6	
Jamaica	26	193	0	1	5	2	228	1 636	0.2	1.0	0.0	0.0	0.4	0.1	0.5	1.6	11.8	0.0	0.1	0.3	0.2	13.9	
Suriname	19	3	0	0	0	0	22	306	0.2	0.0	0.0	0.0	0.0	0.0	0.0	6.2	1.0	0.0	0.1	0.0	0.0	7.2	
Trinidad and Tobago	24	4	2	6	3	6	46	10 049	0.2	0.0	0.0	0.1	0.2	0.2	0.1	0.2	0.0	0.0	0.1	0.0	0.1	0.5	
Rest CARICOM	1	0	0	0	0	0	2	351	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.4	
Dominican Rep. ^b	10	0	30	0	0	0	40	814	0.1	0.0	0.5	0.0	0.0	0.0	0.1	1.2	0.0	3.7	0.0	0.0	0.0	4.9	
Panama	3	12	2	2	0	10	30	980	0.0	0.1	0.0	0.0	0.0	0.3	0.1	0.3	1.2	0.2	0.2	0.0	1.0	3.0	

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

^a The total for Asia-Pacific corresponds to the sum of the previous columns and, hence, does not include exports to other Asian countries and economies such as Chinese Taipei or Hong Kong China.^b Figures for Bahamas refer to 2006; for Cuba to 2004 and 2005; and for Dominican Republic to 2001.

4. The Asia-Pacific region accounts for a large share of the imports of almost all the Latin American and Caribbean countries, with roughly 20% of the region's imports originating there

Table III.2

LATIN AMERICA AND THE CARIBBEAN: IMPORTS FROM SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION, AVERAGE, 2004-2006

(Millions of current dollars and percentages)

	Total imports by origin								Percentage of total of Latin America and the Caribbean							Percentage of total of each origin						
	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a	World	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific ^a
Latin America and the Caribbean	23 478	37 705	14 091	15 788	2 471	3 230	96 764	498 979	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Andean Community	2 509	4 733	1 739	1 054	173	508	10 714	68 708	10.7	12.6	12.3	6.7	7.0	15.7	11.1	3.7	6.9	2.5	1.5	0.3	0.7	15.6
Bolivia	157	145	18	14	3	13	350	2 352	0.7	0.4	0.1	0.1	0.1	0.4	0.4	6.7	6.2	0.8	0.6	0.1	0.5	14.9
Colombia	782	1 694	620	377	33	260	3 765	21 489	3.3	4.5	4.4	2.4	1.3	8.0	3.9	3.6	7.9	2.9	1.8	0.2	1.2	17.5
Ecuador	386	718	383	188	11	37	1 723	9 861	1.6	1.9	2.7	1.2	0.5	1.2	1.8	3.9	7.3	3.9	1.9	0.1	0.4	17.5
Peru	456	1 137	345	275	77	115	2 404	12 638	1.9	3.0	2.5	1.7	3.1	3.6	2.5	3.6	9.0	2.7	2.2	0.6	0.9	19.0
Venezuela (Bol. Rep. of)	728	1 040	372	201	49	83	2 472	22 368	3.1	2.8	2.6	1.3	2.0	2.6	2.6	3.3	4.6	1.7	0.9	0.2	0.4	11.1
MERCOSUR	4 530	8 850	2 862	3 735	753	1 352	22 081	112 512	19.3	23.5	20.3	23.7	30.5	41.8	22.8	4.0	7.9	2.5	3.3	0.7	1.2	19.6
Argentina	701	2 017	375	725	130	222	4 168	28 431	3.0	5.3	2.7	4.6	5.2	6.9	4.3	2.5	7.1	1.3	2.5	0.5	0.8	14.7
Brazil	3 371	5 685	2 388	2 889	608	1 078	16 019	75 926	14.4	15.1	16.9	18.3	24.6	33.4	16.6	4.4	7.5	3.1	3.8	0.8	1.4	21.1
Paraguay	413	892	54	95	3	21	1 478	4 230	1.8	2.4	0.4	0.6	0.1	0.6	1.5	9.8	21.1	1.3	2.3	0.1	0.5	34.9
Uruguay	45	255	46	27	12	31	416	3 924	0.2	0.7	0.3	0.2	0.5	1.0	0.4	1.2	6.5	1.2	0.7	0.3	0.8	10.6
Chile	987	2 624	1 137	559	205	133	5 644	28 995	4.2	7.0	8.1	3.5	8.3	4.1	5.8	3.4	9.1	3.9	1.9	0.7	0.5	19.5
CACM	1 211	1 274	629	328	92	127	3 659	31 036	5.2	3.4	4.5	2.1	3.7	3.9	3.8	3.9	4.1	2.0	1.1	0.3	0.4	11.8
Costa Rica	534	390	172	133	7	24	1 261	9 416	2.3	1.0	1.2	0.8	0.3	0.8	1.3	5.7	4.1	1.8	1.4	0.1	0.3	13.4
El Salvador	137	175	96	47	28	16	499	5 405	0.6	0.5	0.7	0.3	1.1	0.5	0.5	2.5	3.2	1.8	0.9	0.5	0.3	9.2
Guatemala	327	452	301	81	38	48	1 247	9 284	1.4	1.2	2.1	0.5	1.6	1.5	1.3	3.5	4.9	3.2	0.9	0.4	0.5	13.4
Honduras	104	100	27	31	12	20	294	4 443	0.4	0.3	0.2	0.2	0.5	0.6	0.3	2.3	2.2	0.6	0.7	0.3	0.4	6.6
Nicaragua	108	157	33	36	7	19	360	2 488	0.5	0.4	0.2	0.2	0.3	0.6	0.4	4.3	6.3	1.3	1.4	0.3	0.7	14.5
Mexico	12 985	18 836	7 448	9 626	1 036	984	50 916	224 905	55.3	50.0	52.9	61.0	41.9	30.5	52.6	5.8	8.4	3.3	4.3	0.5	0.4	22.6
Caribbean and other Latin American countries	1 118	1 300	187	473	196	121	3 395	29 829	4.8	3.4	1.3	3.0	7.9	3.8	3.5	3.7	4.4	0.6	1.6	0.7	0.4	11.4
CARICOM	902	1 242	172	447	181	109	3 054	24 332	3.8	3.3	1.2	2.8	7.3	3.4	3.2	3.7	5.1	0.7	1.8	0.7	0.4	12.5
Bahamas ^b	23	1	1	0	1	0	25	1 927	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.1	0.0	0.0	0.0	1.3
Barbados	83	43	22	17	18	4	187	1 465	0.4	0.1	0.2	0.1	0.7	0.1	0.2	5.6	3.0	1.5	1.2	1.2	0.3	12.8
Belize	9	15	3	3	0	1	30	493	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	3.0	0.6	0.6	0.1	0.2	6.1
Cuba ^b	199	740	73	243	58	17	1 330	6 600	0.8	2.0	0.5	1.5	2.4	0.5	1.4	3.0	11.2	1.1	3.7	0.9	0.3	20.1
Guyana	32	34	2	12	8	10	98	769	0.1	0.1	0.0	0.1	0.3	0.3	0.1	4.1	4.4	0.3	1.5	1.1	1.3	12.7
Jamaica	199	155	20	53	43	19	489	4 620	0.8	0.4	0.1	0.3	1.8	0.6	0.5	4.3	3.3	0.4	1.1	0.9	0.4	10.6
Suriname	74	44	0	10	2	16	146	932	0.3	0.1	0.0	0.1	0.1	0.5	0.2	8.0	4.7	0.0	1.1	0.2	1.7	15.7
Trinidad and Tobago	212	179	44	94	34	38	602	5 680	0.9	0.5	0.3	0.6	1.4	1.2	0.6	3.7	3.2	0.8	1.7	0.6	0.7	10.6
Rest CARICOM	73	33	7	14	15	4	146	1 846	0.3	0.1	0.1	0.1	0.6	0.1	0.2	3.9	1.8	0.4	0.8	0.8	0.2	7.9
Dominican Rep. ^b	216	57	15	27	15	12	342	5 497	0.9	0.2	0.1	0.2	0.6	0.4	0.4	3.9	1.0	0.3	0.5	0.3	0.2	6.2
Panama	139	89	90	13	17	6	354	2 994	0.6	0.2	0.6	0.1	0.7	0.2	0.4	4.6	3.0	3.0	0.4	0.6	0.2	11.8

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

^a The total for Asia-Pacific corresponds to the sum of the previous columns and, hence, does not include exports to other Asian countries and economies such as Chinese Taipei or Hong Kong China.^b Figures for Bahamas refer to 2006; for Cuba to 2004 and 2005; and for Dominican Republic to 2001.

5. In a short period of time, China's trade significance for Latin American and Caribbean trade has grown considerably, raising its ranking as trade partner for a large number of countries in the region

Table III.3

LATIN AMERICA AND THE CARIBBEAN: RANKING OF CHINA, JAPAN AND REPUBLIC OF KOREA IN EACH COUNTRY'S TRADE, 2000 AND 2007

Reporter	Exports						Imports					
	China		Japan		Korea (Rep. of)		China		Japan		Korea (Rep. of)	
	2000	2007	2000	2007	2000	2007	2000	2007	2000	2007	2000	2007
South America												
Argentina	6	2	13	19	27	24	4	3	6	10	11	14
Bolivia	18	10	20	5	24	6	7	6	5	9	14	23
Brazil	12	2	5	6	18	18	11	2	4	7	8	8
Chile	5	1	2	3	8	5	4	2	5	6	8	72
Colombia	35	6	9	17	28	25	15	4	3	6	13	8
Ecuador	20	17	4	15	2	47	12	4	4	5	10	7
Paraguay	17	19	10	14	34	44	5	4	8	5	12	8
Peru	4	2	5	5	10	11	13	2	7	10	12	11
Uruguay	4	5	15	13	23	32	7	4	14	16	16	19
Venezuela (Bol. Rep. of)	37	3	16	18	35	35	18	4	7	7		
Central America												
Costa Rica	26	2	17	15	63	25	16	5	4	4	40	8
El Salvador	43	27	14	14	39	25	21	4	7	12	15	15
Guatemala	41	18	8	11	18	9	8	3	6	8	3	5
Honduras	59	22	3	16	15	15	8	6	6	10	4	8
Mexico	25	5	5	6	28	25	6	2	2	4	5	3
Nicaragua	22	28	17	14		44	18	6	7	9		8
Panama	27	31	12	23	30	41	22	2	4	1	8	15
Caribbean												
Bahamas		13	7	25	32	58	24	10	4	4	3	3
Barbados	40	23	36	34	50	69	9	6	4	5	21	19
Belize			5	15		28	17	5	8	19	19	23
Cuba	5	2	9	23		43	5	2	18	12		11
Dominican Republic	21	10	17	11	9	9	12	5	4	8	8	16
Dominica		1	23	11		30	23	2	4	6	31	4
Grenada		40		40			16	15	4	6	15	17
Guyana	17	13	15	18	28	30	9	3	7	7	30	20
Haiti	38	9	12	17	31	57	11	3	5	8	16	17
Jamaica	13	8	7	10	51	55	9	4	3	5	22	29
Saint Kitts and Nevis	8	42	9	18		32	28	20	5	5	30	38
Saint Lucia	19	19	12	30		44	8	14	4	7	30	28
Saint Vincent and the Grenadines			19	23		36	18	5	5	6	30	42
Suriname	24	22	9	20	51	48	8	4	4	5	20	20
Trinidad and Tobago	51	34	46	13	42	29	10	6	6	8	18	21

Indicates an improvement in the respective country's ranking between 2000 and 2007.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF), *Direction of Trade Statistics*.

■ In a relatively short span of time (seven years), China has become a much more significant trade partner for the majority of the countries in Latin America and the Caribbean.

■ As a destination for exports, China gained market share in 21 markets, reaching the top five in 10 countries (including Argentina, Brazil, Chile and Mexico).

■ As a source of imports for the region, China gained market share in almost all 32 countries and entered the top five import markets in 23 of them (up from just four in 2000).

■ This contrasts with the experience of Japan and the Republic of Korea which have lost ground in most markets, despite having made some gains as a destination for Latin American and Caribbean exports (and less so as a source of its imports).

6. From the Asia-Pacific viewpoint, Latin America and the Caribbean has not been a major trade partner, making the relationship highly asymmetrical

■ From the perspective of the Asia-Pacific region, thus far Latin America and the Caribbean has not been a major trade partner.

■ Between 2004 and 2006, on average, only 2.3% of total Asia-Pacific exports went to Latin America and the Caribbean, while imports from the region represented 2.7% of the total. Moreover, these shares have not changed significantly over the last two decades.

■ The share of Latin America and the Caribbean in total exports and imports of Asia-Pacific does not exceed 4% for any of the countries or geographical groupings.

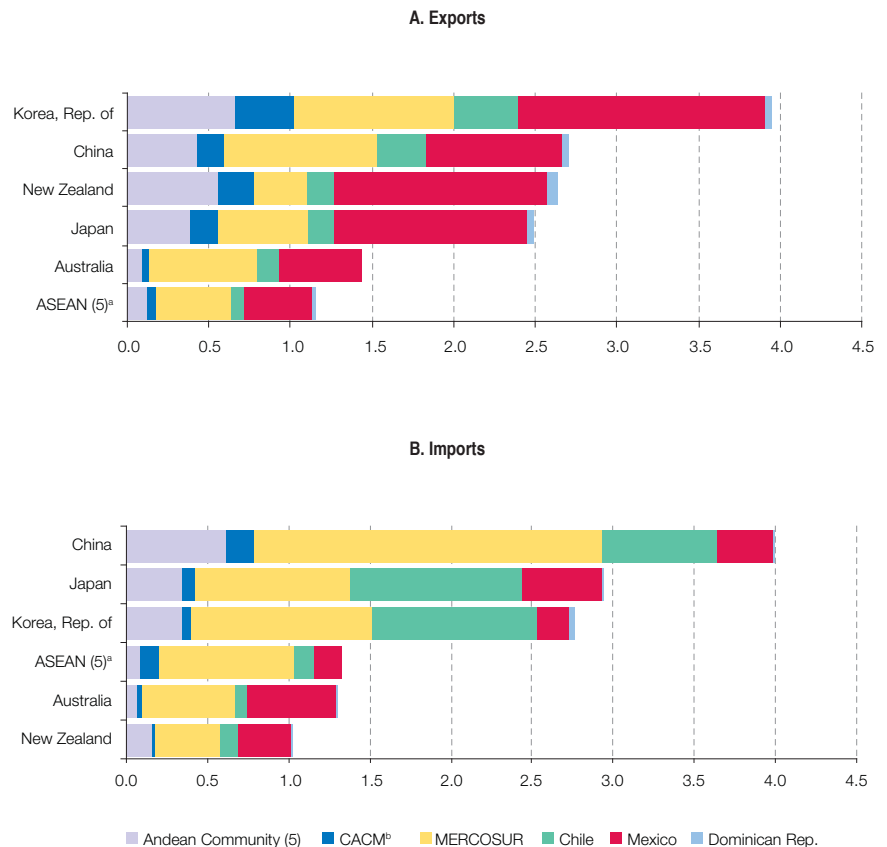
■ However, there are significant differences among countries and groupings. The Latin American and Caribbean region's highest average market share in total exports is in the Republic of Korea (3.9%), while imports from the region are most significant in the case of China (4.0%). Latin America and the Caribbean is relatively unimportant in the total exports and imports of the smaller economies in Asia-Pacific, such as ASEAN.

■ In terms of Asia-Pacific exports to Latin America and the Caribbean, Mexico is the largest destination for all the different countries and groupings, except for ASEAN and Australia.

■ MERCOSUR has been the largest supplier of Asia-Pacific imports from Latin America and the Caribbean, though in this case market shares are more evenly distributed among the subregions than in the case of exports.

Figure III.4

SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION: SHARE OF LATIN AMERICAN AND CARIBBEAN COUNTRIES AND GROUPINGS IN TOTAL EXPORTS AND IMPORTS, AVERAGE 2004-2006 (Percentages)



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

^a ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.

^b For the purposes of this analysis, the Bolivarian Republic of Venezuela is included in the Andean Community.

7. Trade between the two regions is strongly inter-industrial, which represents an impediment to future bi-regional trade and investment

Table III.4
LATIN AMERICA AND ASIA-PACIFIC: TRADE BY REGIONS AND PRODUCTS BY TECHNOLOGY INTENSITY, 2006
 (Percentages)

Products by technological intensity	Asia-Pacific								Asia-Pacific							
	Export matrix by region and sector								Export distribution by region and sector							
	LAC ^a	United States	European Union ^b	Asia Pacific 12 ^c	China	Japan	Others	Total	LAC ^a	United States	European Union ^b	Asia Pacific 12 ^c	China	Japón	Others	Total
Primary products	0.1	0.5	0.6	4.5	0.8	1.7	1.3	7.0	3.0	2.6	4.3	9.3	9.2	21.1	8.2	7.0
NRB manufactures	0.3	1.4	1.4	7.6	1.4	1.3	2.0	12.6	7.1	7.8	9.5	15.5	15.8	16.7	13.2	12.6
Low tech manufactures	0.6	3.9	2.8	6.3	0.7	1.5	3.3	17.0	17.0	22.0	19.5	12.9	8.0	19.4	21.8	17.0
Medium tech manufactures	1.6	6.2	4.3	12.3	2.7	1.3	6.1	30.6	45.1	34.7	29.9	25.3	30.5	16.4	39.8	30.6
High tech manufactures	0.8	5.5	4.8	16.3	2.9	1.8	2.4	29.9	23.3	30.9	33.4	33.5	32.8	23.2	15.9	29.9
Other transactions	0.1	0.3	0.4	1.3	0.2	0.1	0.7	2.9	4.1	1.8	2.9	2.6	2.5	1.0	4.8	2.9
Total	3.6	17.9	14.5	48.7	8.7	7.9	15.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Products by technological intensity	Latin America and the Caribbean								Latin America and the Caribbean							
	Export matrix by region and sector								Export distribution by region and sector							
	LAC ^a	United States	European Union ^b	Asia Pacific 12 ^c	China	Japan	Others	Total	LAC ^a	United States	European Union ^b	Asia Pacific 12 ^c	China	Japón	Others	Total
Primary products	3.5	12.6	5.8	5.6	2.2	1.7	7.3	34.8	20.9	26.5	46.1	58.5	61.8	73.0	54.5	34.8
NRB manufactures	4.0	5.7	3.6	2.3	0.8	0.4	2.5	18.1	23.7	12.0	28.9	23.8	22.8	17.8	18.7	18.1
Low tech manufactures	1.9	5.1	0.7	0.3	0.1	0.0	0.4	8.4	11.5	10.7	5.2	3.5	3.7	1.0	2.7	8.4
Medium tech manufactures	5.5	14.2	1.9	0.9	0.2	0.1	1.3	23.8	33.0	29.7	15.0	8.9	6.9	6.3	10.0	23.8
High tech manufactures	1.6	9.2	0.5	0.5	0.2	0.0	0.6	12.5	9.8	19.3	4.4	5.1	4.8	1.8	4.5	12.5
Other transactions	0.2	0.9	0.0	0.0	0.0	0.0	1.3	2.4	1.2	1.8	0.3	0.1	0.0	0.1	9.6	2.4
Total	16.7	47.8	12.5	9.6	3.6	2.3	13.4	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

^a LAC (Latin America and the Caribbean) consists of 33 countries in the region.

^b The European Union includes 15 countries.

^c Asia-Pacific includes Chinese Taipei and Hong Kong China.

■ Almost half of all Asia-Pacific exports went to other countries within that region in 2006, while other markets such as the United States, the European Union and Latin America and the Caribbean were secondary export destinations.

■ What is most striking is that, regardless of export destination, the Asia-Pacific export basket consists primarily of manufactures, especially products in the intermediate- and high-technology categories.

■ Patterns of intra-Asia-Pacific trade show a strong and increasing presence of products categorized as being of “high” and “intermediate” technology intensity, which account for more than half of the total.

■ Manufactures, especially those in the intermediate- and high-technology categories, are significant in intraregional trade in Latin America and the Caribbean as well, though to a much lesser extent than in Asia-Pacific. These manufactures account for approximately 43% of total exports traded within Latin America and the Caribbean.

■ In contrast, trade between the two regions is typically inter-industrial, with Latin America and the Caribbean exporting basically primary products to Asia-Pacific, which, in turn, exports relatively high-tech manufactures to Latin America and the Caribbean.

8. Trade between the Asia-Pacific and Latin American and Caribbean regions is almost entirely inter-industrial, though with some differences among the Asia-Pacific countries as regards origin and destination

- The strong bias towards primary products and natural-resource-based manufactures in Latin American and Caribbean exports to the Asia-Pacific may be clearly observed in the cases of Japan, and to lesser extent China, ASEAN and the Republic of Korea.

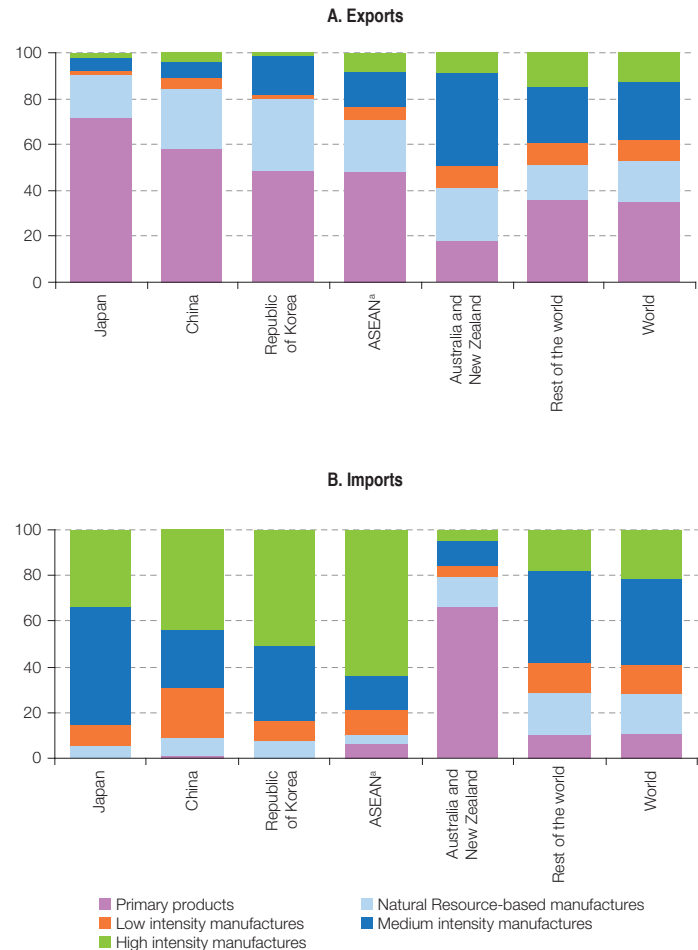
- ASEAN has an import basket from Latin America and the Caribbean in which manufactured products, including those in the intermediate- or high-technology categories, take more than a negligible share. The countries of Oceania overall report a large component of intermediate-technology manufactures.

- On the other hand, the structure of Latin American and Caribbean imports from the Asia-Pacific region is the reverse 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 occurs in the ASEAN group. In contrast, the export basket of the countries of Oceania is concentrated in primary products.

- It remains to be seen whether trade agreements currently in force or being negotiated in the Asia-Pacific region, or between the two regions, will alter these structures.

Figure III.5

LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF TRADE WITH SELECTED MARKETS, AVERAGE 2004-2006
(Percentages)



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

^a ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.

9. However, Latin American and Caribbean exports to Asia-Pacific are beginning to diversify and include new primary products and several high-tech products – does this represent a breakthrough?

Table III.5
LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF 30 LEADING PRODUCT GROUPS TO ASEAN+3, 1990, 1995, 2000, 2003 AND 2006^a

(Millions of dollars and percentages of total exports)

Product ^b	1990	1995	2000	2003	2006
Copper ore and concentrates	2.9	7.6	11.3	9.1	19.7
Soybeans	2.3	0.7	7.3	12.6	9.1
Copper and copper alloys, refined or not	9.6	9.4	8.0	7.3	8.6
Iron ore and concentrates, not agglomerated	7.6	4.8	4.8	5.0	7.8
Crude petroleum	14.3	5.4	5.6	3.1	5.2
Iron ore agglomerates	2.3	1.8	2.7	2.5	2.8
Other non-ferrous metals, ores and concentrates	0.4	1.2	0.5	0.5	2.5
Zinc ores and concentrates	1.0	0.4	0.7	0.8	2.5
Chemical wood pulp, soda or sulphate	2.5	4.7	4.2	3.5	2.4
Flours and meals, unfit for human	1.8	3.9	3.6	2.6	2.1
Other non-ferrous base metal waste and scrap	0.1	0.2	0.3	0.9	2.0
Soybean oil	2.0	4.3	0.5	5.4	1.9
Aluminium and aluminium alloys, unwrought	10.5	9.2	4.9	2.7	1.9
Leather of bovine cattle and equine	0.5	0.2	1.0	1.5	1.6
Ferro-alloys	1.8	1.7	1.1	1.3	1.6
Coffee green, roasted	3.4	4.8	3.7	1.7	1.5
Fish, frozen, excluding fillets	1.0	2.7	3.9	2.1	1.4
Poultry, dead and edible offal	0.9	1.5	1.0	1.2	1.3
Electronic microcircuits	0.0	0.0	0.2	0.1	1.2
Acyclic alcohols	0.4	0.7	0.7	0.8	1.0
Pig meat	0.0	0.0	0.4	0.9	0.9
Lead ores and concentrates	0.4	0.3	0.1	0.5	0.8
Parts and accessories for data machines	0.2	0.0	1.6	2.1	0.8
Parts and accessories for vehicles	0.0	0.5	0.3	1.0	0.7
Pulpwood	1.1	1.6	1.3	0.8	0.7
Iron products	1.6	2.0	1.5	2.8	0.6
Silver, semi-manufactured	0.2	0.1	1.0	0.4	0.6
Passenger motor vehicles	0.0	0.0	0.1	0.8	0.6
Aluminium ores and concentrates	0.0	0.0	0.1	0.6	0.6
Wood, non-coniferous species	0.1	0.1	0.3	0.6	0.6
Top 30 total share	68.7	69.8	72.7	75.1	85.0
Total intra-regional exports^c	8 959	11 885	10 769	16 100	30 891

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Database (COMTRADE) and International Monetary Fund (IMF), *Direction of Trade Statistics*.

^a Brunei Darussalam, Cambodia, China, Indonesia, Japan, Lao, Malaysia, Myanmar, Philippines, Republic of Korea, Singapore, Thailand and Viet Nam.

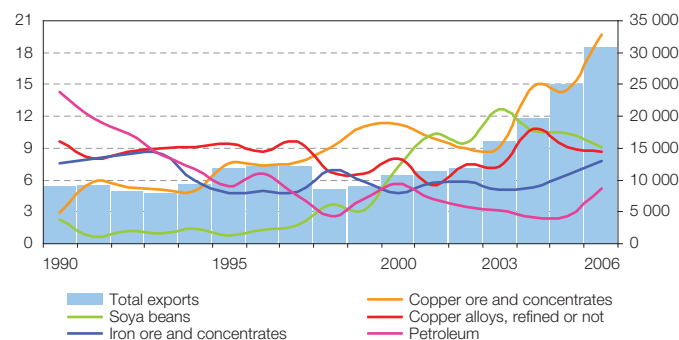
^b Using the Standard International Trade Classification Rev. 2 (four-digit level).

^c In millions of dollars adjusted by the CPI of the industrial countries (1990 = 100).

Note: Products shown in red were not among the top 30 exports in 1990.

- The Latin American and Caribbean region's top 30 exports to ASEAN, China, Korea, and Japan (ASEAN+3) represent a growing share of total exports to the Asia-Pacific region, up from 69% in 1990 to 85% in 2006.

- This mounting concentration reflects a large increase in the share of some key commodities due, in turn, to both price and volume

Figure III.6
LATIN AMERICAN AND CARIBBEAN EXPORTS TO ASEAN+3: FIVE LEADING EXPORTS
 (Percentages of total exports, millions of dollars)


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

effects. In addition, the list of the top 30 products itself has changed significantly since 1990, with 13 new products in 2006 including microcircuits, parts and accessories, and motor vehicles.

- Mining-related exports have increased their share, partly at the expense of agricultural exports, owing to the continued growth of some important markets in Asia and the generalized rise in commodity prices.

- Products incorporating greater value-added have also gained ground since 1990, led by leather, fish, poultry, and pork products. In the more industrialized sectors, a notable development is the growth of exports of microcircuits, from 0.1% to 1.2% of the total, a significant jump given the rapid increase in some basic raw materials. This is evidence of the dynamic nature of bi-regional trade and the opportunities that exist for Latin America and the Caribbean to expand its export base beyond basic commodities.

10. Conversely, Latin American and Caribbean imports from the Asia-Pacific region consist mainly of manufactures, which brings that region into strong competition with United States and European suppliers

Table III.6

LATIN AMERICA AND THE CARIBBEAN: IMPORTS OF 30 LEADING PRODUCT GROUPS FROM THE ASIA-PACIFIC REGION^a

(Millions of dollars and percentages)

Ranking	SITC 2 digit Code	Product description	2006	Share in total (%) 2006	Growth rate (%) 1990-2006
1	77	Electrical machinery, apparatus and appliances	21 476	18.7	24.2
2	76	Telecommunications and sound recording and reproducing apparatus	19 122	16.6	18.5
3	75	Office machines and automatic data-processing machines	12 668	11.0	28.9
4	78	Road vehicles (including air cushion vehicles)	11 202	9.7	16.1
5	87	Professional, scientific and controlling device instruments	4 943	4.3	25.1
6	89	Miscellaneous manufactures articles	4 936	4.3	20.8
7	74	General industrial machinery and equipment, n.e.s. and machine parts, n.e.s.	4 675	4.1	17.7
8	67	Iron and steel	2 845	2.5	14.0
9	69	Manufactures of metal, n.e.s.	2 695	2.3	20.2
10	65	Textile yarn, fabrics, made-up articles, n.e.s. and related products	2 681	2.3	17.7
11	72	Machinery specialized for particular industries	2 425	2.1	13.3
12	84	Articles of apparel and clothing	2 160	1.9	24.7
13	58	Artificial resins, plastic materials and cellulose	1 927	1.7	26.4
14	51	Organic chemicals	1 779	1.5	16.1
15	71	Power generating machinery and equipment	1 765	1.5	13.7
16	32	Coal, coke and briquettes	1 611	1.4	14.4
17	62	Rubber manufactures, n.e.s.	1 475	1.3	15.7
18	33	Petroleum, petroleum products and related materials	1 434	1.2	16.9
19	85	Footwear	1 267	1.1	23.4
20	66	Non-metallic mineral manufactures, n.e.s.	1 159	1.0	21.9
21	88	Photographic apparatus, optical goods	1 057	0.9	10.6
22	54	Medicinal and pharmaceutical products	798	0.7	19.1
23	23	Crude rubber (including synthetic articles)	735	0.6	8.7
24	73	Metalworking machinery	661	0.6	12.9
25	82	Furniture and parts thereof	616	0.5	34.2
26	59	Chemical materials and products, n.e.s.	561	0.5	15.8
27	83	Travel goods, handbags and similar	554	0.5	34.4
28	52	Inorganic chemicals	444	0.4	20.6
29	68	Non-ferrous metals	396	0.3	15.9
30	02	Dairy products and birds' eggs	387	0.3	2.5
		Other	1 832	1.6	6.4
		Total	115 133	100.0	18.3

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

^a Using the Standard International Trade Classification, Rev. 2 (two-digit level).

■ The list of the top 30 products imported by the Latin American and Caribbean region in 2006 includes various types of manufactures ranging from labour-intensive products to the automotive and electronics sectors. The products listed account for 98% of total imports from the Asia-Pacific region, showing a high level of concentration.

■ Asia-Pacific economies are strong players in the market for technology-intensive goods. In several other sectors, such as footwear, textiles and apparel and electronics products, the Asia-Pacific region competes directly with Latin American countries in their own markets and in third country markets.

■ To secure an even larger share of the region's market, Asia-Pacific economies would need to further strengthen their links with Latin American and Caribbean economies by building up alliances and promoting various types of business cooperation. Achieving this goal, in turn, requires a deeper knowledge of Latin American markets.

■ Meanwhile, the United States, the European Union and several Latin American countries have a strong position in the market for many manufactured product groups. This underlines the challenges Asia-Pacific economies must face to maintain or expand their market shares in the light of FTAs being implemented with the United States and the European Union.

■ Unless the Asia-Pacific economies form similar international trade arrangements, these agreements with the North could lead to a relative deterioration in market access conditions for those countries' exports to Latin America.

11. Latin American and Caribbean countries' individual export baskets to Asia-Pacific markets continue to be highly concentrated in few primary products: almost all (except for Brazil and Mexico) have top three export items representing more than two thirds of total exports

Table III.7

LATIN AMERICA AND THE CARIBBEAN: THREE LEADING EXPORT PRODUCTS TO THE ASIA-PACIFIC REGION BY COUNTRY AND DESTINATION, 2004-2006

	China		Japan		Republic of Korea		ASEAN 5	
Argentina	Soybeans 46.2%; Soy oil 23.4%; Petroleum 13.3%	82.9%	Copper 25.6%; Aluminium 18.3%; Propane 6.6%	50.4%	Copper 31.4%; Soya oil 25.7%; Oil-cake 17.3%	74.4%	Oil-cake 43.5%; Other maize 15.7%; Soya 15.0%	74.2%
Bolivia	Tin 32.2%; Non-coniferous Wood 14.2%; Other non-ferrous ore 12.6%	59.05	Zinc 82.8%; Precious metal 10.8%; Sesame 4.3 %	97.9%	Precious metal 46.3%; Zinc 39.6%; Lead 8.7%	94.6%	Tin 87.8%; Non-coniferous wood 3.8%; Inorganic acid 2.7%	94.2%
Brazil	Soybeans 27.8%; Iron 20.1%; Petroleum 7.7%	55.5%	Iron 18.1%; Poultry, meat 16.6%; Aluminium 13.3%	48.0%	Non-finished iron, steel 14.3%; Iron 13.4%; Petroleum 9.6%	37.4%	Oil-cake 11.8%; Sugars 6.3%; Non-finished iron, steel 6.0%	24.0%
Chile	Copper, refined 42.1%; Copper 35.2%; Chemical wood pulp 6.6%	84.0%	Copper 48.4%; Molybdenum and others 12.3%; Fish 8.3%	69.0%	Copper, refined 42.3%; Copper 28.3%; Monohydric alcohols 8.7%	79.3%	Copper, refined 32.0%; Copper 17.3%; Iron 13.3%	62.6%
Colombia	Other ferro-alloys 53.0%; Other non-ferrous waste 36.8%; Other bovine, equine leather 2.8%	92.7%	Coffee 64.9%; Other ferro-alloys 14.8%; Flowers 5.1%	84.8%	Other ferro-alloys 69.0%; Coffee 14.7%; Other non-ferrous waste 8.2%	91.9%	Hides and skins 27.3%; Precious stones 13.9%; Fungicides 12.0%	53.2%
Costa Rica	Microcircuits 76.9%; Parts for data machines 11.3%; Telecommunication equipment 4.5%	92.7%	Coffee 31.4%; Parts for data machines 19.3%; Microcircuits 13.4%	64.1%	Parts for telecoms. 38.4%; Microcircuits 24.0%; Parts and accessories for data machines 14.6%	76.9%	Parts for data machines 60.7%; Microcircuits 24.8%; Nuts and kernels 1.9%	87.4%
Ecuador	Petroleum 89.6%; Other non-ferrous waste 4.5%; Bananas 1.0%	95.0%	Bananas 28.4%; Petroleum 17.9%; Flours, unfit for human 13.9%	60.2%	Petroleum 97.0%; Other non-ferrous waste 1.1%; Fish 0.6%	98.6%	Fish fat and oils 31.8%; Tobacco 13.3%; Coffee extracts 10.2%	55.3%
El Salvador	Other non-ferrous waste 54.8%; Metal wastes 10.6%; Plastic wastes 6.6%	72.0%	Coffee 95.2%; Crustaceans 1.8%; Sesame 1.1%	98.1%	Other non-ferrous waste 53.9%; Coffee 24.2%; Sewing machines 8.9%	87.0%	Sugars 95.1%; Sewing machines 1.5%; Other non-ferrous waste 1.5%	98.2%
Guatemala	Sugars 78.1%; Sports footwear 2.6%; Footwear, n.e.s. 2.4%	83.1%	Coffee 63.0%; Sesame 18.3%; Other vegetables 2.1%	83.4%	Sugars 88.1%; Blouses and shirts 2.4%; Inorganic chemicals n.e.s. 2.4%	92.9%	Sugars 70.3%; Spices 17.9%; Goods vehicles 3.6%	91.8%
Honduras	Switches, Apparatus 24.8%; Zinc 22.7%; Sugars 18.3%	65.8%	Coffee 81.3%; Sesame 8.8%; Other non-ferrous waste 2.2%	92.3%	Zinc 48.1%; Coffee 26.8%; Precious metal 10.9%	85.7%	Sugars 90.7%; Other textiles 4.2%; Coffee 1.7%	96.5%
Mexico	Parts for data machines 20.8%; Other non-ferrous waste 12.3%; Parts for vehicles 5.9%	39.0%	Molybdenum and others 14.1%; Vehicles for persons 10.2%; Meat of swine 8.3%	32.6%	Copper, refined 23.6%; Zinc 16.7%; Other non-ferrous waste 7.1%	47.7%	Parts for data machines 23.3%; Data processing equip. 6.5%; Microcircuits 5.7%	35.5%
Nicaragua	Sugars 47.3%; Other sugars 31.1%; Other bovine, equine leather 6.9%	85.3%	Coffee 44.2%; Sesame 22.6%; Edible offal 21.3%	88.1%	Other bovine, equine leather 93.9%; Crustaceans 5.4%; Sewing machines 0.5%	99.8%	Monohydric alcohol 66.4%; Spirits beverages 30.0%; Clothing accessories 2.5%	99.0%
Panama	Other non-ferrous waste 45.3%; Flours, unfit for human cons. 22.7%; Other ferrous waste 10.5%	78.6%	Flowers 38.6%; Edible offal 18.7%; Bovine meat 15.7%	73.0%	Other non-ferrous waste 55.1%; fish fats and oils 33.0%; Iron waste and scrap 4.5%	92.5%	Iron, waste and scrap 27.5%; Other ferrous waste 22.7%; Other non-ferrous waste 17.4%	67.6%
Paraguay	Cotton 65.6%; Other bovine, equine leather 16.0%; Non-coniferous wood 8.2%	89.8%	Sesame 92.5%; Groundnuts 2.0%; Vegetables, dried 1.7%	96.2%	Cotton 49.5%; Sesame 19.8%; Bovine meat 7.7%	77.0%	Other bovine, equine leather 47.3%; Cotton 24.1%; Wheat, unmilled 21.9%	93.2%
Peru	Copper 33.7%; Flours, unfit for human consumption 26.5%; Lead 9.5%	69.7%	Copper 32.4%; Flours, unfit for human consumption 15.6%; Zinc 14.7%	62.7%	Zinc 40.4%; Copper 26.6%; Lead 10.7%	77.7%	Copper 26.0%; Flours, unfit for human consumption 25.8%; Zinc 21.6%	73.4%
Uruguay	Wool, animal hair, carded 26.0%; Other bovine, equine leather 21.9%; Wool, greasy 13.5%	61.4%	Wood in chips 67.9%; Fish 6.4%; Wool, carded 6.4%	80.6%	Other cheese; curd 55.2%; Fish 16.4%; Whole hides and skins of bovine 7.2%	78.8%	Other bovine, equine leather 74.2%; Bovine meat 5.6%; Whole furs 4.5%	84.3%
Venezuela (Bol. Rep. of)	Iron products 38.7%; Petroleum 24.5%; Other non-ferrous waste 16.2%	79.3%	Aluminium 83.9%; Vessels 7.9%; Cocoa beans 2.4%	94.2%	Granule and powder, iron, steel 82.4%; Other non-ferrous waste 9.6%; Inorganic acid 1.6%	93.6%	Petroleum 64.4%; Iron products 15.7%; Acyclic hydrocarbons 6.1%	86.2%
Caribbean	Alumina 61.3%; Sugars 28.5%; Other ferrous waste 3.9%	93.7%	Gas 64.0%; Crustaceans 14.8%; Coffee 13.8%	92.6%	Granule and powder, iron, steel 63.8%; Aluminium 9.0%; Other non-ferrous waste 6.3%	79.1%	Iron products 34.5%; Tobacco 6.1%; Electric resistors 5.6%	46.2%

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

12. Japanese outward foreign direct investment (OFDI) in Asia is notable for its investment value and high concentration in manufactures, while in Latin America and the Caribbean it goes mainly to natural resources and services

Table III.8

PERFORMANCE OF JAPANESE SUBSIDIARIES ABROAD, 2005
(Number of firms, millions of dollars and percentages)

Regions	No. of firms		Sales		Current Profit		Profit rates
	Number	(Percentage)	Millions of dollars	(Percentage)	Millions of dollars	(Percentage)	(Percentage)
All regions	15 850	100.0	1 681 368	100.0	69 172	100.0	4.2
North America	2 825	17.8	601 778	35.8	21 863	31.6	3.6
United States	2 623	16.5	552 478	32.9	19 707	28.5	3.5
Latin America and the Caribbean	823	5.2	57 766	3.4	8 904	12.9	15.5
Asia	9 174	57.9	594 306	35.3	22 711	32.8	4.0
China	3 139	19.8	112 555	6.7	4 046	5.8	3.7
Hong Kong China	912	5.8	98 737	5.9	1 713	2.5	1.8
ASEAN 4 ^a	2 715	17.1	170 262	10.1	8 855	12.8	5.4
NIEs 3 ^b	2 044	12.9	191 699	11.4	6 233	9.0	3.5
Middle East	76	0.5	22 892	1.4	1 603	2.3	7.1
Europe	2 384	15.0	347 800	20.7	8 569	12.4	2.4
European Union	2 258	14.2	339 540	20.2	7 977	11.5	2.2
Oceania	446	2.8	45 259	2.7	4 899	7.1	11.6
Africa	122	0.8	11 567	0.7	624	0.9	5.5

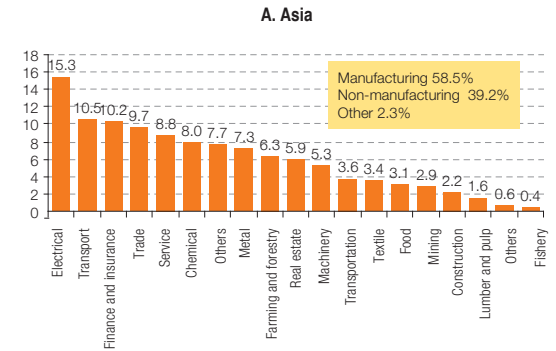
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Ministry of Economy, Trade and Industry (METI) of Japan, "kaigai jigyo katsudo kihon chosa" [Basic (trend) survey of overseas business activities] No. 36, 2007.

^a ASEAN 4: Indonesia, Malaysia, Philippines and Thailand.
^b NIEs 3: Republic of Korea, Chinese Taipei and Singapore.

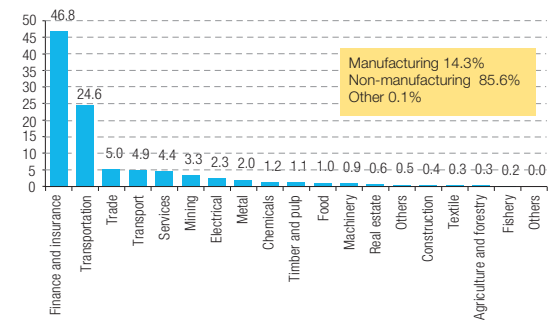
- At the end of 2006, roughly 8.7% of Japan's OFDI stock (US\$ 39 billion) was invested in Latin America and the Caribbean.
- Japanese OFDI in Asia was concentrated in manufacturing, which accounted for 66% and 59% of the number of investment projects and the invested value, respectively, while non-manufacturing sectors absorbed less than 40% of the total number of projects and invested value.
- This contrasts starkly with the situation in Latin America and the Caribbean. The manufacturing sector there accounted for only 14% of Japanese OFDI in the region, with the transport sector contributing almost 5% of the total invested value. By sector, the largest recipient was finance and insurance, which absorbed roughly 47% of the total invested, followed by transportation services with a share of 25%. Surprisingly, with the exception of mining, natural-resource-based industries were not a significant recipient of Japanese OFDI.
- The performance of Japanese subsidiaries in Asia is especially notable in terms of the number of firms, sales, and profits; in terms of profit rates, however, Latin America and the Caribbean is exceptionally well placed.

Figure III.7

JAPANESE OUTWARD FOREIGN DIRECT INVESTMENT TO ASIA AND LATIN AMERICA BY INDUSTRY, 1989-2004
(Share of total stocks)



B. Latin America and the Caribbean



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Ministry of Foreign Affairs of Japan [online] <http://www.mofa.go.jp/>.

Note: These statistics were compiled based on figures notified and reported under the Foreign Exchange and Foreign Trade Law. It should be noted that foreign direct investment below the minimum reporting threshold (i.e., 100 million yen or equivalent) is not reflected in the statistics.

13. Lately, China too has been investing abroad, including in Latin America and the Caribbean. Despite a strong orientation towards tax haven countries, several large Chinese firms have begun to invest in the region

Figure III.8
CHINESE OUTWARD FOREIGN DIRECT INVESTMENT STOCK COMPARED WITH DEVELOPED COUNTRIES, 2006
(Billions of dollars)

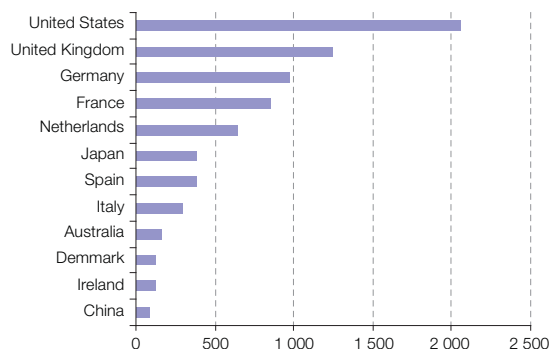


Table III.10
RANKING OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT DESTINATIONS
(Billions of dollars)

Country/Region	bn dollars	Country/Region	bn dollars
1 Hong Kong China	42.27	11 Singapore	0.47
2 Cayman Islands	14.09	12 Mongolia	0.32
3 British Virgin Islands	4.75	13 Kazakhstan	0.28
4 United States	1.24	14 Saudi Arabia	0.27
5 Republic of Korea	0.95	15 Zambia	0.27
6 Russian Federation	0.93	16 Viet Nam	0.25
7 Australia	0.79	17 Algeria	0.25
8 Macau China	0.61	18 Thailand	0.23
9 Sudan	0.50	19 Indonesia	0.23
10 Germany	0.47	20 Japan	0.22

Source for figure III.8 and table III.10: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Ministry of Commerce of China, *Statistics Bulletin of China's Outward Foreign Direct Investment 2006*.

- Lately China too has been investing abroad. In fact, it is now the world's sixth-largest source of FDI among the developing countries.
- As of late 2006, Chinese non-financial companies held a investment stock of US\$ 75 billion abroad, of which US\$ 17 billion was invested in 2006. Regarding the destination of investments, close to 90% of non-financial OFDI has gone to economies in Latin America and the Caribbean and Asia.

Table III.9
MAJOR CHINESE COMPANIES OPERATING IN LATIN AMERICA

Sector	Petroleum and gas		Mining				Fishery	Telecommunications	IT	Motorcycles	Electronics			
	China National Petroleum Corporation	China Petrochemical Corporation	China National Offshore Oil Corporation	Sinochem Corporation	China Minmetals Corporation	Shanghai Baosteel Group						Sinosteel Corporation		
Company	China National Petroleum Corporation	China Petrochemical Corporation	China National Offshore Oil Corporation	Sinochem Corporation	China Minmetals Corporation	Shanghai Baosteel Group	Sinosteel Corporation	China Nonferrous Metal Mining & Construction Group	Shougang Group	Shanghai Fisheries General Corp	Huawei Technologies	Lenovo	Nanjing Jincheng Automovil, S.A.	TTE (TCL Thomson)
Argentina			X					X	X				X	X
Bolivia					X					X				
Brasil		X	X		X	X	X							X
Chile					X						X		X	
Colombia	X	X								X	X		X	
Cuba				X						X				
Ecuador	X	X		X							X			
Mexico	X	X	X								X	X		X
Peru	X		X		X			X	X		X			
Venezuela (Bol. Rep. of)	X	X	X								X			

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from China's consulates in Latin America and Ministry of Commerce of China, *Statistics Bulletin of China's Outward Foreign Direct Investment 2006*.

- Latin America and the Caribbean received US\$ 8.5 billion in 2006, which accounted for 48% of the total for that year. These investments went mainly to the Cayman Islands and the British Virgin Islands which are both tax haven located in the Caribbean but lacking important linkages with other Latin American and Caribbean economies.
- An increasing number of large Chinese companies are starting to operate or invest in several Latin American countries. The most favoured areas of investment have been petroleum and gas, minerals and metals, transportation services and telecommunications. There is no official information available on this process, however.

14. Latin America and the Caribbean has not been a popular destination for OFDI of the Republic of Korea, with the exception of Bermuda. There has been some investment in manufacturing in Brazil, Mexico and Central America, however

Table III.11

LATIN AMERICA (SELECTED COUNTRIES): OUTWARD FOREIGN DIRECT INVESTMENT STOCKS OF THE REPUBLIC OF KOREA BY SECTOR, 2004-2007
(Thousands of dollars)

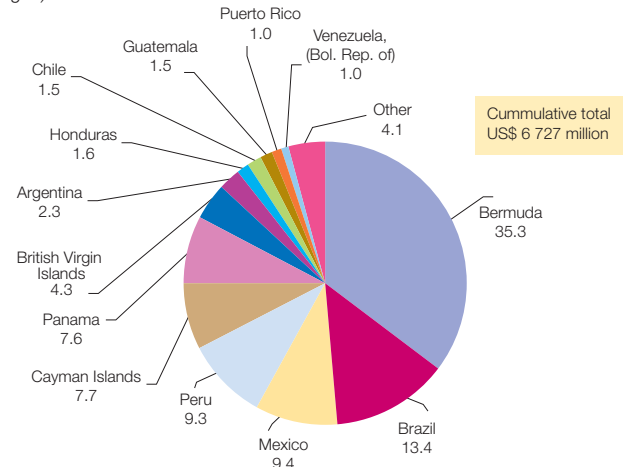
	Manufacturing	Wholesale and retail trade	Natural resources	Construction	Other services	Total
Argentina	771	500	7 109	0	0	8 380
Honduras	20 941	0	0	0	0	20 941
Colombia	247	26 725	0	0	0	26 972
Guatemala	17 676	0	0	17 059	0	34 735
Chile	5 927	35 895	0	508	0	42 330
Panama	2 000	86 975	0	4	173 700	262 679
Peru	950	17 000	254 422	235	0	272 607
Mexico	145 187	128 657	0	2 144	1 123	277 111
Brazil	290 679	33 567	210 015	2 450	33 184	569 895

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Export-Import Bank of Korea [online] <http://www.koreaexim.go.kr>.

- As at March 2008, about 7% of OFDI stock of the Republic of Korea had been invested in Latin America and the Caribbean.
- Within that region, tax haven countries such as Bermuda, Cayman Islands and the British Virgin Islands have been major recipients, in addition to Brazil (13%), Peru (9%) and Mexico (9%). Central American countries received almost 5% of the total, with a sum of US\$ 300 million.
- By sector, OFDI of the Republic of Korea in the region is concentrated in a few major industries: manufacturing (24%), mining (30%), agriculture and fishery (2%) and services and trade (44%). This initial focus on natural resources gradually shifted towards manufacturing activities, especially electronics (38% of the investing firms), textiles and apparel (34%), iron and steel, and petroleum, in the case of large Korean firms, and textiles and apparel in the case of SMEs.

Figure III.9

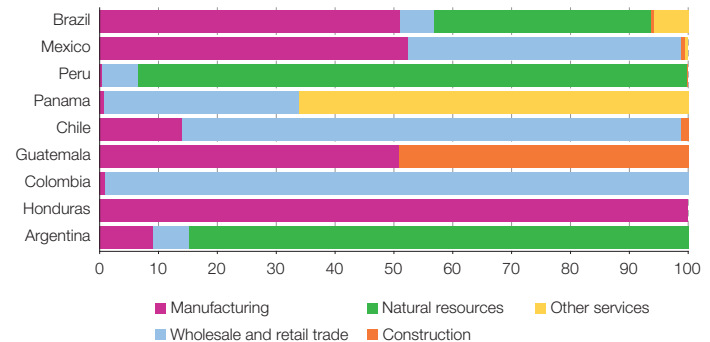
LATIN AMERICA AND THE CARIBBEAN: OUTWARD FOREIGN DIRECT INVESTMENT STOCKS OF THE REPUBLIC OF KOREA, 1980-MARCH 2008^a
(Percentages)



^a Data for 1980 represent a cumulative figure from 1968 to 1980.

Figure III.10

LATIN AMERICA (SELECTED COUNTRIES): DISTRIBUTION OF OUTWARD FOREIGN DIRECT INVESTMENT OF THE REPUBLIC OF KOREA, BY SECTOR, AVERAGE 2004-2007^a
(Percentages)



Source for figures III.9 and III.10: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from Export-Import Bank of Korea [online] <http://www.koreaexim.go.kr>.

***De facto* (market-led) integration in and
between Latin America and the Caribbean and
the Asia-Pacific region**

1. The level of intraregional trade in Asia-Pacific surpasses that of NAFTA and is approaching that of the European Union (27) thanks primarily to the construction of complex supply chain networks

Table IV.1

ASIA-PACIFIC INTRAREGIONAL TRADE BY GEOGRAPHIC GROUPING^a
(Percentages of the region's total trade)

Geographic grouping	1980	1985	1990	1995	2000	2003	2006
Within ASEAN (10) ^b	17.9	20.3	18.8	24.0	24.7	26.6	27.2
Within ASEAN+3 ^c	30.2	30.2	29.4	37.6	37.3	39.0	38.3
Within ASEAN+3+Hong Kong China +Chinese Taipei	34.1	37.1	43.1	51.9	52.1	55.4	54.5
<i>Memo:</i> European Union (27)	61.5	60.0	66.8	66.9	66.3	68.1	65.8
NAFTA	33.8	38.7	37.9	43.1	48.8	47.4	44.3
MERCOSUR	11.1	7.2	10.9	19.2	20.7	14.7	15.7
Andean Community (5) ^d		3.3	5.4	12.4	10.8	10.8	9.1
CACM ^e		...	12.1	15.6	17.5	17.6	10.1

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

^a The share in intraregional trade is defined as the percentage of intraregional trade with respect to the total trade of the region in question, based on export data. It is calculated as follows: $X_{ii} / ((X_{iw} + X_{wi}) / 2)$, where X_{ii} refers to exports from region i to the same region, X_{iw} represents exports from region i to the world, and X_{wi} represents world exports to region i . A higher percentage indicates a higher level of dependency on intraregional trade.

^b ASEAN (10) consists of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

^c ASEAN +3 includes the 10 ASEAN countries plus China, Japan and the Republic of Korea.

^d Andean Community (5) includes the Bolivarian Republic of Venezuela.

^e Due to a different methodology used, the coefficient of CACM intra-subregional trade differs substantially from that shown in figure IV.10 in chapter IV.

- A key element in the structuring of the Asia-Pacific region over the last decade relates to technological development and the fragmentation of the production chain, which triggered a sharp increase in Asian intraregional trade.

- The intra-Asian trade coefficient for the countries of ASEAN+3 plus Hong Kong China and Chinese Taipei grew from 43% in the early 1990s to 55% in 2006.

- This indicator surpasses the level of intraregional trade attained by NAFTA and is rapidly approaching that recorded by the European Union. Trade among members of ASEAN (10) has increased and surpasses the 16%, 9% and 10% attained by MERCOSUR, the Andean Community and the Central American Common Market (CACM), respectively, in 2006.

- This expansion of intra-Asian trade has been driven partly by the robust growth of intra-firm and intra-industry trade, thanks to the construction of a complex network of vertical supply chains by transnational corporations, in which China plays a fundamental role as both origin and destination.

2. 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 nature and scope of IIT in Latin America and the Asia-Pacific region have changed substantively over the years, especially in the latter.

■ The Grubel Lloyd Index (GLI) indicates that:

- (i) Both Latin America and Asia-Pacific have increased IIT over the years: from 0.13 to 0.20 in Latin America and the Caribbean; and from 0.22 to 0.36 in Asia-Pacific;
- (ii) The strongest hikes 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 remain very low, at 0.07 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.

■ In more than 93% of the sectors analysed, most trade flows between the Asia-Pacific region and Latin America are inter-industrial rather than intra-industrial in kind, i.e., trade consists of exchanging primary products or natural resource-based products for manufactures.

■ However, this general pattern, which is based on regional averages, hides the considerable variations in trade among the countries or groups of countries within each region and between countries from both regions.

Table IV.2

IIT IN ASIA-PACIFIC-LATIN AMERICA AND WITH OTHER REGIONS, 1990, 1995, 2000 AND 2006
(Grubel Lloyd Indices)

Regions/countries	Intra-Asia-Pacific/Latin America		Extra-Asia-Pacific/Latin America	
	Latin America	Asia-Pacific	European Union (27)	United States
1990				
Latin America	0.13	0.03	0.08	0.23
Asia-Pacific	0.04	0.22	0.19	0.30
1995				
Latin America	0.22	0.04	0.10	0.37
Asia-Pacific	0.04	0.30	0.26	0.37
2000				
Latin America	0.27	0.06	0.12	0.44
Asia-Pacific	0.07	0.36	0.27	0.39
2006				
Latin America	0.20	0.05	0.13	0.39
Asia-Pacific	0.07	0.36	0.26	0.27

■ >0,1<0,3
■ >0,3

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

Note: 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. It is calculated as follows:

$$GLI_t = 1 - \frac{\sum_i |X_{it} - M_{it}|}{\sum_i (X_{it} + M_{it})}$$

Where X_{it} and M_{it} are exports and imports of the product in question in the year t . The value can take a value between 0 and 1. 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.

3. Japan's main Asian trading partners are its neighbours, which account for almost half of its exports and imports. A large proportion of Japan's machinery imports come from Asia

Figure IV.1-A
JAPAN'S EXPORTS, BY DESTINATION, 2007
(Percentages)

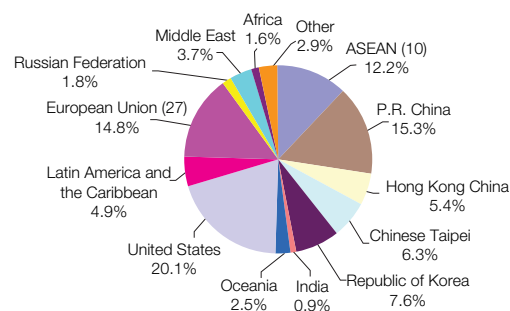
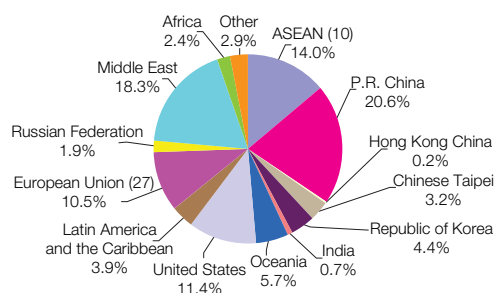


Figure IV.1-B
JAPAN'S IMPORTS, BY ORIGIN, 2007
(Percentages)



Source for figures IV.1-A and IV.1-B: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the Japan External Trade Organization (JETRO).

■ Japan's key trade partners continue to be its Asian neighbours. Asia-Pacific countries, excluding India, supplied over 48% of Japan's imports and absorbed an even larger proportion (almost 50%) of its exports in 2007. Among Asian countries, China and ASEAN (10) stood out, especially in terms of imports, accounting for over 20% and 14% of total Japanese imports, respectively.

Table IV.3
JAPAN'S IMPORTS, BY REGION AND SECTOR, 2005-2007 AVERAGE
(Millions of dollars and percentages)

	United States	European Union (27)	Asian NIEs (4)	ASEAN (4)	China	Latin America and the Caribbean	Other	World	
								Million US\$	Share (%)
Total	11.8	10.7	9.5	11.3	20.7	3.5	32.5	573 005.2	100.0
Food and direct consumers good	23.8	10.7	4.9	8.8	16.1	9.0	26.6	49 764.7	100.0
Industrial supplies	5.7	7.3	5.8	12.0	7.6	4.7	56.8	283 654.6	100.0
Raw materials	7.9	5.2	3.5	20.5	4.2	24.2	34.6	36 392.8	100.0
Mineral fuels	0.7	0.1	2.6	11.4	1.9	0.2	83.1	154 902.9	100.0
Industrial chemicals	20.5	33.9	11.9	5.9	12.9	4.2	10.6	40 895.2	100.0
Metals	5.3	7.3	15.1	4.2	14.6	7.5	46.1	25 508.9	100.0
Textiles	5.1	12.9	13.0	10.4	49.3	0.5	8.8	4 751.9	100.0
Capital equipment	21.4	12.8	19.0	12.8	29.7	1.1	3.3	144 328.6	100.0
Non-electric machinery	20.0	14.6	13.6	10.5	37.2	1.0	3.0	53 908.3	100.0
Electric equipment	17.3	8.7	25.2	16.3	28.2	1.0	3.4	65 924.3	100.0
Transport equipment	46.9	21.0	6.3	9.3	11.2	1.1	4.1	11 417.7	100.0
Non-durable consumer goods	9.6	14.4	2.0	3.3	65.5	0.3	5.0	38 411.7	100.0
Textile products	1.1	6.9	1.8	3.3	81.3	0.3	5.4	24 562.2	100.0
Durable consumer goods	7.0	22.9	8.0	9.9	43.2	1.1	7.9	43 319.4	100.0
Household equipment	5.3	26.0	7.6	4.9	52.6	0.5	3.0	1 452.9	100.0
Domestic electric equipment	1.6	3.7	4.2	26.1	63.2	0.4	0.7	7 209.5	100.0
Passenger cars	7.1	76.9	0.5	0.8	0.2	2.3	12.3	7 811.3	100.0
Motorcycles and bicycles	12.5	11.1	18.1	5.5	51.7	0.1	1.0	1 473.0	100.0
Toys and musical instruments	6.4	5.1	4.7	4.6	77.8	0.1	1.3	6 437.5	100.0
Others	16.9	10.0	28.9	16.4	15.8	1.1	10.9	13 526.2	100.0

■ Greater than 20% ■ Greater than 10% but less than 20%

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

■ Japan's imports from ASEAN (10) surpassed those from the United States or the European Union, considered separately. The Latin American and Caribbean region remains a relatively minor market, representing 4.9% as an export destination and 3.9% as an origin of Japan's imports in 2007.

■ A large proportion of the goods that Japan imports from its Asian neighbours consists of electronic machinery and other manufactured products of general use. This characteristic is clearly visible not only in its imports from China and the Asian NIEs (4) (Republic of Korea, Singapore, and Chinese Taipei), but also in its trade with the members of ASEAN (4). The only sector in which the Latin American and Caribbean region has a strong presence in Japan's imports is raw materials.

4. China's main trading partners are also its Asian neighbours. Japan and China together form an Asian intra-industry trade hub

Table IV.2-A

CHINESE EXPORTS, TOP TEN DESTINATIONS, 2007
(Billions of dollars and percentages)

Ranking	Country/Economy	US\$ billion	Share in total (%)
1	European Union	245.2	20.1
2	United States	232.7	19.1
3	Hong Kong, China	184.4	15.1
4	Japan	102.1	8.4
5	ASEAN	94.2	7.7
6	Korea, Republic of	56.1	4.6
7	Russian Federation	28.5	2.3
8	India	24.0	2.0
9	Chinese Taipei	23.5	1.9
10	Canada	19.4	1.6
	Other	207.9	17.2
	Latin America and the Caribbean	51.5	4.2
	Total exports	1 218.0	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Ministry of Commerce of China.

Table IV.2-B

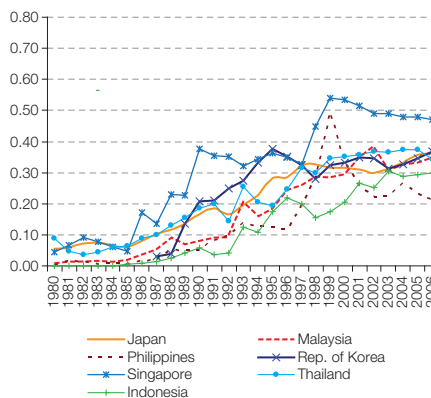
CHINESE IMPORTS, TOP TEN ORIGINS, 2007
(US billion and percentages)

Ranking	Country/Economy	US\$ billion	Share in total (%)
1	Japan	134.0	14.0
2	European Union	111.0	11.6
3	ASEAN	108.4	11.3
4	Korea, Republic of	103.8	10.9
5	Chinese Taipei	101.0	10.6
6	United States	69.4	7.3
7	Australia	25.9	2.7
8	Russian Federation	19.7	2.1
9	Brazil	18.3	1.9
10	Saudi Arabia	17.6	1.8
	Other	247.0	25.8
	Latin America and the Caribbean	51.1	5.3
	Total imports	955.8	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Ministry of Commerce of China.

Figure IV.2-A

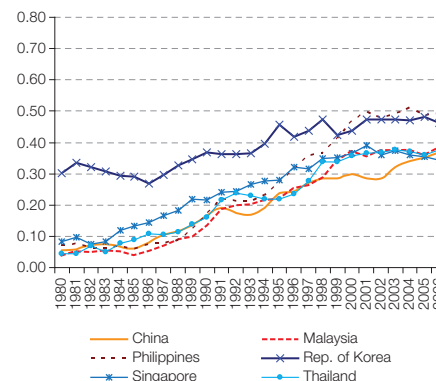
CHINA'S INTRA-INDUSTRY TRADE WITH OTHER ASIAN ECONOMIES, 1980-2006
(Grubel-Lloyd indices - GLIs)



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

Figure IV.2-B

JAPAN'S IIT WITH OTHER ASIAN ECONOMIES, 1980-2006
(GLIs)



■ Asian countries account for a large share of China's total trade. In terms of exports, although the European Union and the United States rank first and second, respectively, Japan, ASEAN, the Republic of Korea, India and Chinese Taipei were all among the top 10 export destinations in 2007.

■ On the import side, the United States was the sixth-largest source of China's foreign purchases in 2007, well below its rank as an export market. In contrast, the Asian countries had much higher shares.

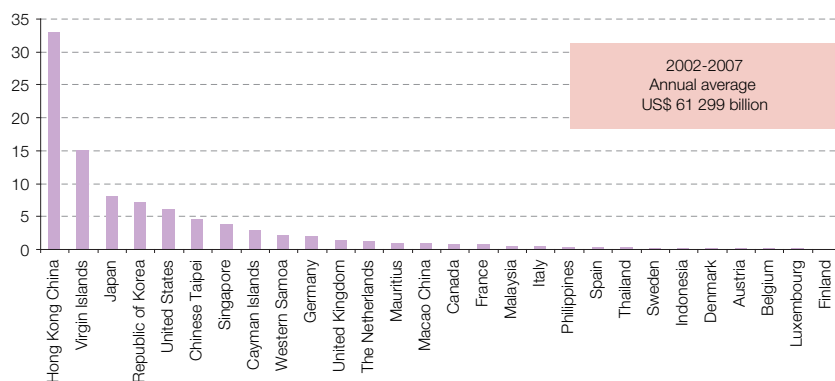
■ China's Grubel-Lloyd indices with respect to the Republic of Korea and Singapore rose significantly until the mid-1990s; it has further deepened its intra-industry trade with Japan, Malaysia and Thailand in the current decade and, to a lesser extent, with Indonesia and Viet Nam. In turn, the ASEAN (5) countries –Indonesia, Malaysia, Philippines, Singapore and Thailand– have also been able to increase their GLIs with both China and Japan, with IIT occupying an important position in reciprocal manufactured exports.

■ China relies very heavily on Japan as a supplier of high-technology parts and components; Japan has been able to take full advantage of China's dynamic international trade expansion in recent years.

5. China has become the third largest recipient of FDI in the world. A large amount of China's inward FDI originates from the Asia-Pacific region

Figure IV.3

CHINA'S INWARD FOREIGN DIRECT INVESTMENT (NON-FINANCIAL SECTORS), AVERAGE 2002-2007
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Ministry of Commerce of China, "Invest in China" [online] <http://www.fdi.gov.cn>.

■ The FDI received by China from the three leading sources —Japan, ASEAN and the Republic of Korea— increased significantly, especially following China's accession to the WTO in 2001. Those three sources represented on average about 20% of total FDI during 2002 and 2007, a non-negligible figure given that:

- (i) the United States and the European Union accounted for about 6% and 7%, respectively, of total FDI during the period;
- (ii) 4.5% came from Chinese Taipei;
- (iii) almost 33% of FDI entering China comes by triangulation from Hong Kong China; and
- (iv) the ASEAN countries are an important source of FDI for China even though most of their FDI flows to China originate in Singapore (between US\$ 2 billion and US\$ 3 billion per year).

■ FDI flows from Latin America and the Caribbean into China are very small, except in the case of FDI from the Cayman Islands and the Virgin Islands. According to the Economist Intelligence Unit, the eight Latin American countries considered account for less than 0.1% of FDI in China in recent years (between US\$ 70 and US\$ 80 million each year). Among the countries of Latin America, Brazil and Argentina, Mexico and Chile are the largest investors in China. Peru, Colombia and the Bolivarian Republic of Venezuela also invest in China, but more sporadically and on a smaller scale.

6. Foreign-invested enterprises (FIEs) constituted with Asian capital account for roughly 23% of Chinese exports, far more than those accounted for by companies of United States or European Union origin

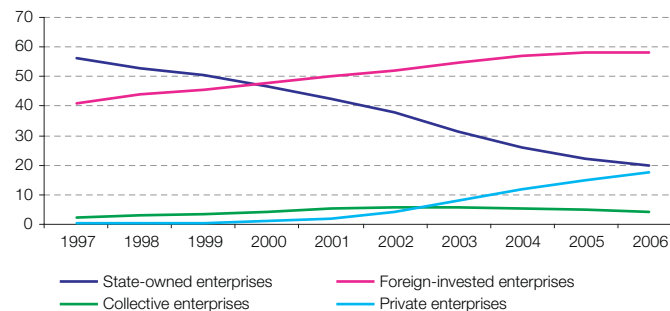
Over the last 10 years, foreign-invested-enterprises (FIEs) have rapidly displaced State-owned and collective enterprises to emerge as the main engine of external trade in China. In 2006, FIEs exported US\$ 564 billion, equivalent to 58% of total exports, and imported US\$ 473 billion, close to 59% of total imports.

In 2006, products made by FIEs originating from 10 selected Asian countries accounted for 45% of China's total FIE exports and 62% of its imports. In contrast, FIEs of United States or European origin accounted for 24% and 18% of China's total exports, respectively.

FIEs of Hong Kong origin were by far the largest FIE exporters, accounting for 20% of China's total FIE exports. Next came the firms of Japanese origin (over US\$ 62 billion in exports), followed by those from the Republic of Korea (US\$ 25 billion) and Chinese Taipei (US\$ 14 billion). Firms originating in the five countries of ASEAN (Philippines, Indonesia, Malaysia, Singapore and Thailand) accounted for US\$ 37 billion of exports, equivalent to 6.5% of the total exported by FIEs operating in China.

The level of export activity of United States and European enterprises in China is quite low compared to that of their Asian competitors.

Figure IV.4
CHINESE EXPORTS BY TYPE OF ENTERPRISE (1997-2006)
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Ministry of Commerce of China, "Invest in China" [online] <http://www.fdi.gov.cn>

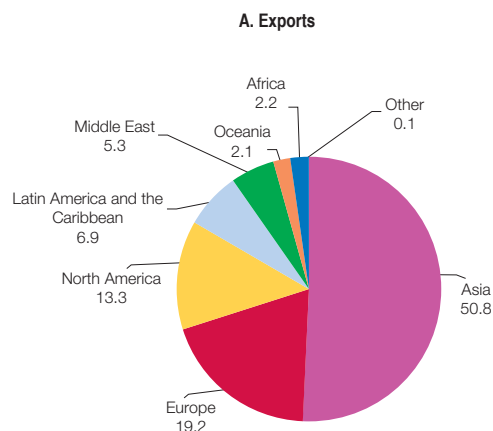
Table IV.5
CHINESE EXPORTS AND IMPORTS BY FOREIGN-INVESTED ENTERPRISES, 2006
(Millions and percentages)

FIEs: Country of origin:	Exports		Imports	
	Amount	Share	Amount	Share
10 selected Asian countries	253.5	45.0	291.4	61.7
Hong Kong China	114.5	20.3	6.7	1.4
Japan	61.9	11.0	86.1	18.2
Republic of Korea	25.3	4.5	67.7	14.3
Singapore	11.3	2.0	12.2	2.6
Chinese Taipei	13.9	2.5	70.5	14.9
Malaysia	8.9	1.6	17.0	3.6
Thailand	5.3	0.9	11.5	2.4
Indonesia	3.8	0.7	5.1	1.1
Philippines	2.9	0.5	14.6	3.1
Macao China	1.2	0.2	0.1	0.0
European Union	99.3	17.6	46.1	9.8
United States	137.5	24.4	33.0	7.0
Other	78.0	13.8	21.6	21.6
Total	563.8	100.0	472.6	100.0

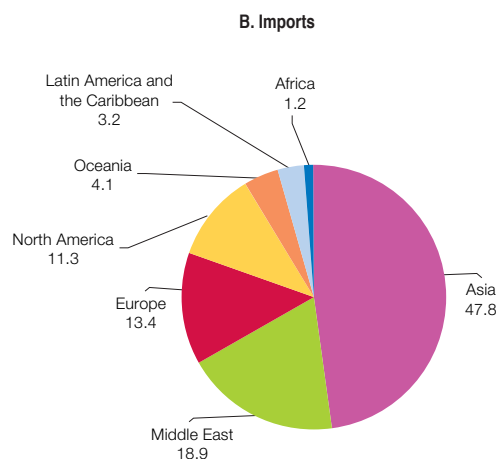
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Ministry of Commerce of China, "Invest in China" [online] <http://www.fdi.gov.cn>

7. The Republic of Korea's trade with the Asia-Pacific region accounts for over half its total trade and surpasses its trade with Europe and North America

Figure IV.5
REPUBLIC OF KOREA: TRADE IN GOODS BY MAJOR REGIONS, 2007
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from KITA [online] <http://stat.kita.net/statistics/gkz3310d.jsp>



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from KITA [online] <http://stat.kita.net/statistics/gkz3310d.jsp>

Table IV.6
REPUBLIC OF KOREA: TRADE WITH CHINA, JAPAN AND ASEAN, 2002-2007
(Billions of dollars)

Republic of Korea-China	2002	2003	2004	2005	2006	2007
Exports to China	23.8	35.1	49.8	61.9	69.5	82.0
Imports from China	17.4	21.9	29.6	38.7	48.6	63.3
Balance of trade	6.4	13.2	20.2	23.3	20.9	18.7
Total value	41.2	57.0	79.4	100.6	118.0	145.3
Republic of Korea-Japan	2002	2003	2004	2005	2006	2007
Exports to Japan	15.1	17.3	21.7	24.0	26.5	26.4
Imports from Japan	29.9	36.3	46.1	48.4	51.8	56.3
Balance of trade	-14.7	-19.0	-24.4	-24.4	-25.3	-29.9
Total value	45.0	53.6	67.9	72.4	78.4	82.6
Republic of Korea-ASEAN	2002	2003	2004	2005	2006	2007
Exports to ASEAN	18.4	20.3	24.0	27.4	32.1	38.8
Imports from ASEAN	16.8	18.5	22.4	26.1	29.7	33.1
Balance of trade	1.6	1.8	1.6	1.4	2.3	5.6
Total value	35.2	38.7	46.4	53.5	61.8	71.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Ministry of Foreign Affairs and Trade of the Republic of Korea.

- For the Republic of Korea, the Asia-Pacific region (including Oceania) is the country's most important trading partner by far, both in exports and imports, and accounts for over half its total trade, more than North America and Europe together.
- China's share in the Republic of Korea's trade with Asian countries has been increasing rapidly. Japan's share is also rising but not as quickly.
- ASEAN as a whole was a more important destination than Japan for the Republic of Korea's exports during 2002-2007.
- The figures for 2007 reveal an important upward trend in the Republic of Korea's exports to Latin America and the Caribbean, which absorbed almost 7% of its total exports that year.

8. The Republic of Korea's Asian neighbours have been major recipients of its OFDI, especially China. Lately the focus has shifted to the ASEAN countries

Table IV.7

STOCK OF OUTWARD FOREIGN DIRECT INVESTMENT FROM THE REPUBLIC OF KOREA, 1980-MARCH 2008

(Millions of dollars and percentages)

	Number of investment projects	Share of total (percentage)	Value of FDI undertaken (US\$ million)	Share of total (percentage)
North America	21 831	16.6	23 758.1	24.3
Europe	4 564	3.5	15 151.3	15.5
Asia	95 260	72.6	47 102.3	48.2
China	64 804	49.4	23 356.9	23.9
India	1 221	0.9	1 352.6	1.4
Japan	2 824	2.2	2 076.2	2.1
Hong Kong China	3 016	2.3	5 504.8	5.6
Chinese Taipei	391	0.3	322.6	0.3
ASEAN (10)	20 605	15.7	12 711.8	13.0
Viet Nam	8 084	6.2	3 801.7	3.9
Indonesia	3 827	2.9	2 802.2	2.9
Singapore	921	0.7	2 132.8	2.2
Thailand	1 851	1.4	1 020.5	1.0
Philippines	2 709	2.1	967.8	1.0
Cambodia	1 575	1.2	961.0	1.0
Malaysia	1 282	1.0	875.5	0.9
Other ASEAN	356	0.3	150.3	0.2
Oceania	3 681	2.8	2 183.6	2.2
Latin America and the Caribbean	3 260	2.5	6 727.0	6.9
Africa	1 190	0.9	1 506.0	1.5
Middle East	1 357	1.0	1 285.3	1.3
Total	131 143	100.0	97 713.6	100.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Export-Import Bank of Korea [online] <http://www.koreaexim.go.kr>.

Note: Data for 1980 is a cumulative figure from 1968 to 1980.

■ After coming to a standstill in the aftermath of the Asian financial crisis, the Republic of Korea's OFDI began to pick up again. As of March 2008, accumulated FDI stood at above US\$ 98 billion and was spread over more than 130,000 projects worldwide.

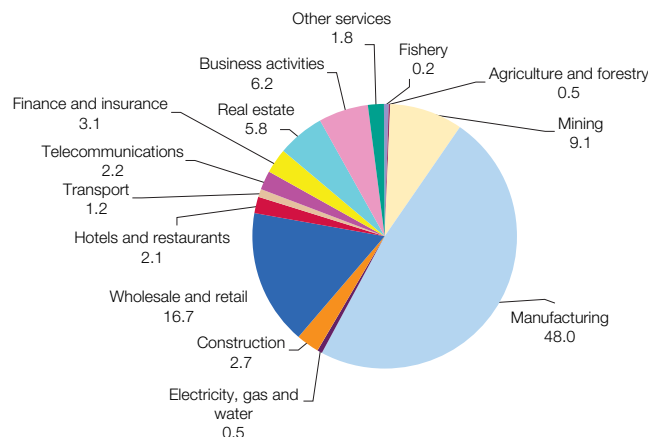
■ Asia's share in the Republic of Korea's OFDI totalled 73% in terms of the number of projects undertaken and 48% in terms of the value of FDI. This surpassed by far the share corresponding to the United States or Europe. In Asia, in addition to China, the main recipients of FDI from the Republic of Korea are the ASEAN 10, including several developing countries such as Viet Nam and Indonesia which have emerged as major recipients.

■ In terms of sectors, as of March 2008, manufacturing accounting for most FDI (48%), followed by wholesale and retail trade (17%), mining (9%), and business activities (6%). Manufacturing has been

Figure IV.6

STOCK OF OUTWARD FOREIGN DIRECT INVESTMENT FROM THE REPUBLIC OF KOREA, BY SECTOR, 1980-MARCH 2008

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Export-Import Bank of Korea [online] <http://www.koreaexim.go.kr>.

Note: Data for 1980 is a cumulative figure from 1968 to 1980.

the driving force behind the Republic of Korea's OFDI, the main objective of which is to support overseas production facilities and source markets for sales.

■ In the 1990s, the main reason large firms from the Republic of Korea invested in China was to take advantage of the size of the Chinese market and save on labour costs, which were beginning to rise in the Republic of Korea. In the current decade, SMEs in the Republic of Korea are joining their larger counterparts in seeking to tap the potential offered by the Chinese market. The manufacturing sector is the largest recipient of FDI from the Republic of Korea, followed by construction. Given the current idle capacity in the Republic of Korea's industrial sector, it has been suggested that the boom in OFDI to China may be generating an industrial vacuum in the country of origin, as in occurring in Japan.

9. The main trading partners and sources of FDI of the ASEAN countries are the other member countries, Japan, China and the Republic of Korea. About one third of FDI in ASEAN comes from within ASEAN+3

Figure IV.7

ASEAN TRADE BY SELECTED PARTNER COUNTRY/REGION, 2006
(Percentages)

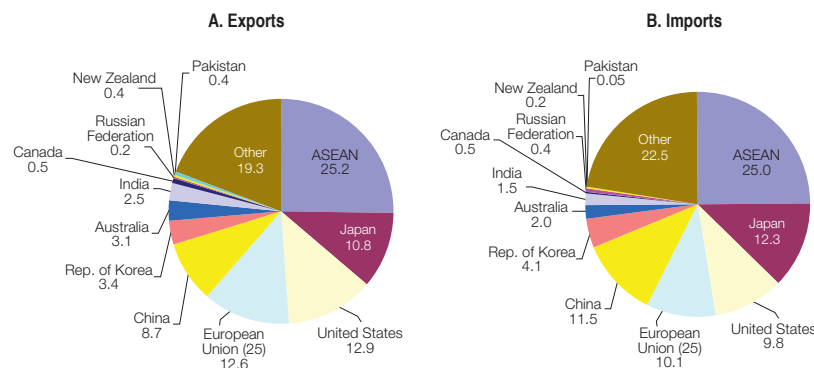
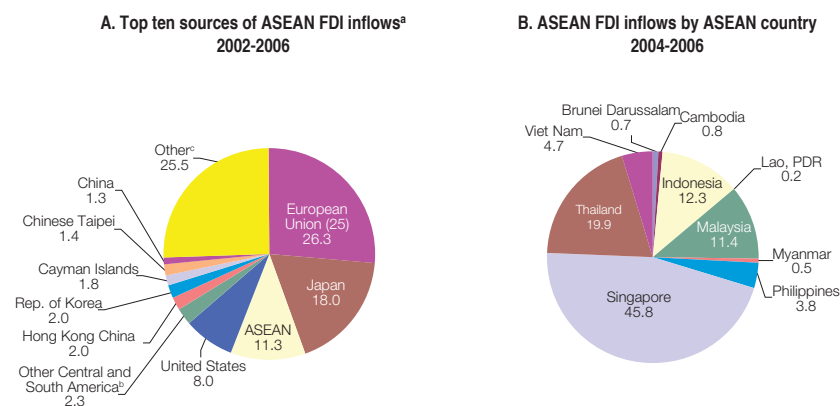


Figure IV.8

ASEAN FOREIGN DIRECT INVESTMENT (FDI) BY SELECTED PARTNER COUNTRY/REGION, 2006
(Percentages)



Source for figures IV.7 and IV.8: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from ASEAN Secretariat.

^a Identified based on cumulative FDI inflow from 2002-2006

^b includes countries in Central and South America, other than Argentina, Brazil, Mexico and Panama

^c includes inflow from all other countries, including the Russian Federation, as well as total reinvested earnings in the Philippines (local banks only) for 2002-2006.

- Total trade among ASEAN members in 2006 –combined imports and exports of US\$ 352 billion– was more than double its trade with its next most important trading partners, the United States and Japan (US\$ 161 billion each), which account for 11.5% of total trade in ASEAN.

- There is an asymmetry, however, because the United States is actually the second most important market for the exports of ASEAN countries, while the second supply source for ASEAN is Japan. The same applies to the other trading partners, because while ASEAN exports to the European Union make it its third most important import market, China occupies third place as a supplier to ASEAN countries. It is also interesting to note the predominance of Singapore, Malaysia and Thailand, which account for 76% intra-ASEAN trade. The share of intra-ASEAN trade, in exports as well as in imports, reached 25% of total flows in 2006, a higher percentage than that recorded by intraregional trade in the various Latin American and Caribbean integration schemes.

- The third main source of FDI for ASEAN (in terms of flows) are the other ASEAN countries. The cumulative stock of FDI entering the grouping in 2002-2006 was US\$ 170 billion, of which 26% came from the European Union, 18% from Japan, 11% from ASEAN itself, and 8% from the United States. Apart from these countries, the Republic of Korea, Chinese Taipei and China, represented 2.0%, 1.4%, and 1.3%, respectively, of the total amount invested during the period. The Cayman Islands (1.8%) and unidentified countries of Central America and America South America (2.3%) appear among the 10 leading foreign investors in ASEAN.

- Singapore and Thailand are the leading countries in terms of FDI flows among ASEAN members, followed at some distance by Malaysia and Indonesia.

10. 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, especially the ASEAN+3 economies and Chinese Taipei, is one of the most important IIT hubs in the world.

- The last decade has witnessed high and rising coefficients of IIT in technology- and human-capital-intensive manufactures. At present, roughly 60% of trade in machinery and transport equipment and parts and components in Asia-Pacific takes place intraregionally. There has been a significant increase since the beginning of the 1990s. East and South-East Asia thus jointly assume the mantle of “Factory Asia.”

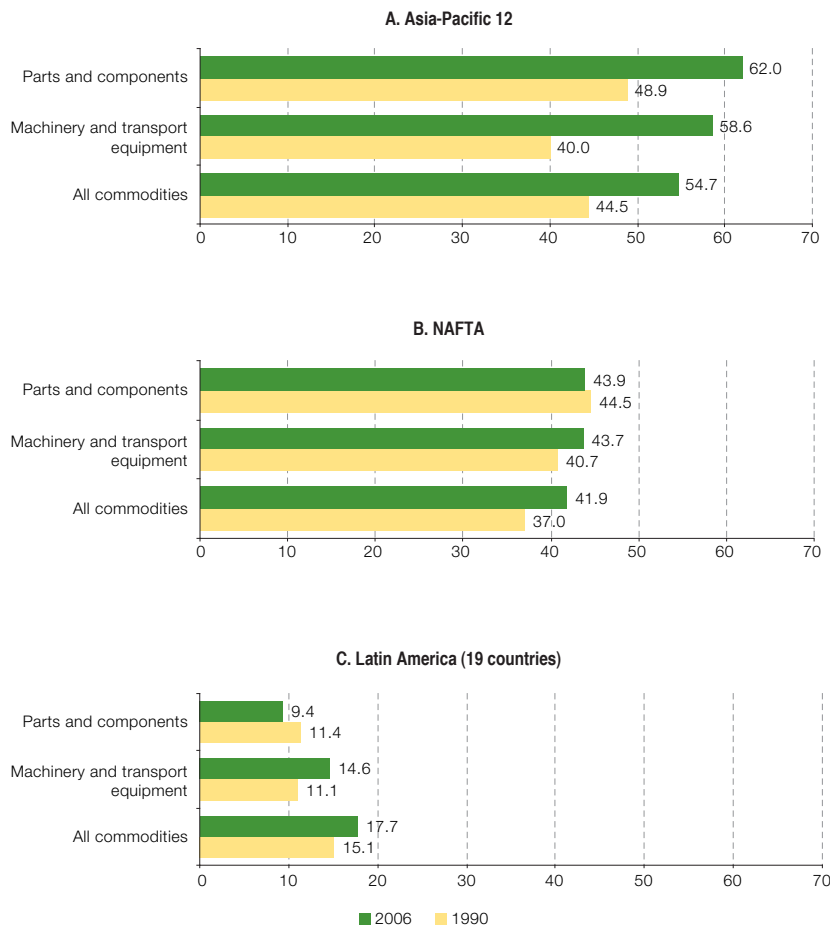
- IIT in these sectors has been far less buoyant in the NAFTA countries where intraregional trade in parts and components has even declined slightly.

- 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.

- To attract greater investment in the region, Latin American and Caribbean countries need to promote supply chain networks in these sectors.

Figure IV.9

INTRAREGIONAL TRADE IN MACHINERY AND TRANSPORT EQUIPMENT AND PARTS AND COMPONENTS^a



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

^a The sector of machinery and transport equipment is defined as those products belonging to SITC 7 (Rev. 2), while the definition of parts and components (51 groups of products classified up to 3 to 5 digits) are those that are not finished goods under the same SITC 7 product category.

11. For its Asian neighbours, China has become a platform for their exports to developed economies

Table IV.8

CHINA – COMPOSITION OF THE INTERNATIONAL TRADE DEFICIT/SURPLUS BY TECHNOLOGICAL INTENSITY OF GOODS, 2001-2006

Region/country	Exports	Imports	Balance	Commodities				Manufactures			
				NR-based	Low-tech	Medium-tech	High-tech	NR-based	Low-tech	Medium-tech	High-tech
ASEAN	40 411	54 871	-14 460	-4 087	-3 334	5 506	1 361	-13 926			
Japan	66 984	80 135	-13 151	4 956	466	15 218	-22 331	-11 368			
Republic of Korea	25 932	53 975	-28 044	3 223	-3 799	424	-10 442	-17 293			
United States	118 194	40 038	78 156	-3 901	1 009	44 321	12 499	24 199			
European Union (27)	103 469	61 044	42 425	1 385	79	29 408	-9 107	28 644			
Latin America and the Caribbean (33)	17 601	18 708	-1 108	-10 182	-2 156	5 528	3 709	1 983			
India	6 227	5 991	236	-3 229	601	445	672	1 742			
Australia and New Zealand	8 971	12 044	-3 073	-8 367	-1 002	3 641	1 168	1 739			

Latin America and the Caribbean competes with ASEAN, the United States, Canada, Australia and New Zealand

Machinery, electronic equipment, precision machinery related to information technology

China accumulates a large surplus in manufactures with the United States and the European Union

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

- A major feature of the dynamics of intra-Asian trade and FDI flows, which constitute one of the hubs of the world economy, is China's dramatic emergence as a key player.
- China has a trade deficit with ASEAN, Japan and the Republic of Korea, because these countries are its main suppliers of capital goods and intermediate inputs for its manufacturing industry. China's manufactures are subsequently exported to other trading partners, particularly the United States and European Union, with which it invariably has the largest trade surpluses in both low- and high-technology manufactures (China has a deficit in medium-

technology products). The ASEAN countries have a major influence as suppliers and compete shoulder to shoulder with other hubs, such as Japan, the Republic of Korea and Chinese Taipei. The deficit would be much larger if the inputs that China imports from Hong Kong China were taken into account. On the other hand, China is a net exporter of each type of manufacture to India.

- China has a trade deficit with Latin American and the Caribbean because it imports large quantities of commodities and natural-resource-based manufactures.

12. Intraregional trade in Latin America and the Caribbean continues to win back some of the ground lost during the downturn in the aftermath of the Asian Crisis

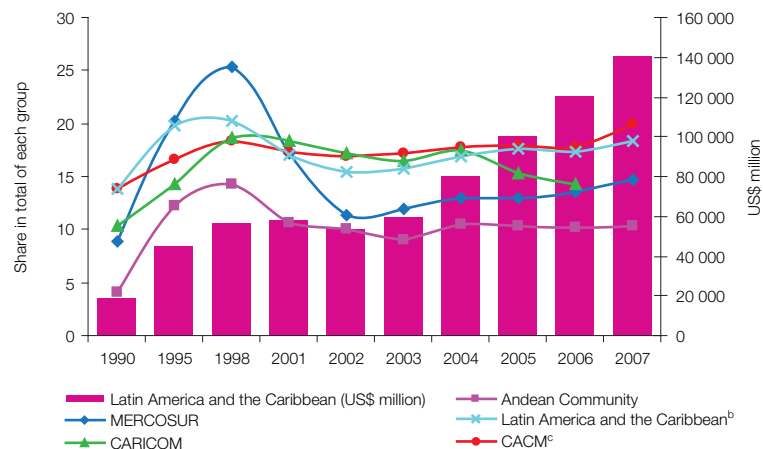
■ In 2007, for the fifth consecutive year, intraregional trade –defined as the proportion of the region’s total exports represented by the total sum of intraregional exports– continued to win back some of the ground lost during the downturn that followed the Asian crisis and lasted into 2001 and 2002. Although still short of the record high of 21.1% observed in 1997, the intraregional trade coefficient reached 18.4% in 2007. This was mainly due to the trade patterns of the Andean Community and MERCOSUR.

■ However, when the region’s share in world trade is taken into account, it becomes clear that these two integration schemes (MERCOSUR and the Andean Community) are highly dependent on their own regions, even more so than ASEAN (10). In other words, trade flows within these two sub-regions are much larger than expected, given the importance of the ASEAN region in world trade.

■ The exports of Asia-Pacific countries are more oriented towards extraregional markets. In the case of ASEAN (10), increasing volumes are shipped not only to Asian NIEs, Japan and China, but also to the major world markets, such as the United States and the European Union.

Figure IV.10

LATIN AMERICA AND THE CARIBBEAN: TOTAL EXPORTS BY SUBREGIONAL INTEGRATION SCHEME, 1990-2007^a



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the respective subregional groupings and the International Monetary Fund (IMF), *Direction of Trade Statistics*.

^a Preliminary figures.

^b Includes intrasubregional trade in the Andean Community, MERCOSUR, CACM, CARICOM and trade between Chile and Mexico and the rest of the region, as well as trade between groups, plus exports from Cuba, Panama and the Dominican Republic to other countries in the region.

^c Figures include maquila trade.

13. Though less than in the Asia-Pacific region, intraregional trade in Latin America also consists mainly of IIT, which opens up trade and investment opportunities with Asia-Pacific

Table IV.9

LATIN AMERICAN INTRAREGIONAL TRADE BY SITC CLASSIFICATION (REV. 2), TWO DIGIT LEVEL
(Millions of dollars and percentages)

Rank	Product description	Value of intra-Latin American exports			Share of intra-Latin American exports in total regional exports			Share in total intraregional trade		
		US\$ million			(percentages)			(percentages)		
		1990	2000	2006	1990	2000	2006	1990	2000	2006
1	Road vehicles (incl. air cushion vehicles)	838	5 416	14 314	16.9	15.4	25.1	5.2	10.6	14.1
2	Petroleum, petroleum products and related materials	2 530	8 530	12 448	8.6	15.3	9.7	15.8	16.6	12.3
3	Non-ferrous metals	539	1 698	5 186	6.6	15.2	14.7	3.4	3.3	5.1
4	Telecommunications & sound recording equipment	93	945	4 660	18.2	4.5	13.0	0.6	1.8	4.6
5	Iron and steel	771	1 659	4 593	13.2	21.9	25.6	4.8	3.2	4.5
6	Artificial resins, plastic mat., cellulose	462	1 852	3 659	37.1	56.8	51.7	2.9	3.6	3.6
7	Metalliferous ores and metal scrap	493	835	3 569	9.4	8.9	9.4	3.1	1.6	3.5
8	Gas, natural and manufactured	288	662	3 086	57.1	94.3	90.3	1.8	1.3	3.0
9	Cereals and cereal preparations	834	2 179	3 083	46.1	58.9	50.9	5.2	4.2	3.0
10	Electrical machinery, apparatus & appliances	367	1 426	3 018	27.4	5.0	8.9	2.3	2.8	3.0
11	Paper, paperboard, pulp and related articles	319	1 622	2 456	26.0	52.4	49.1	2.0	3.2	2.4
12	Machinery specialized for particular industries	289	657	2 350	28.1	24.9	28.6	1.8	1.3	2.3
13	Medicinal and pharmaceutical products	175	1 465	2 146	50.4	67.6	65.4	1.1	2.9	2.1
14	General industrial machinery & equipment	406	1 142	2 136	27.5	16.3	16.1	2.5	2.2	2.1
15	Miscellaneous manufactured articles	371	1 319	2 065	30.2	20.0	22.0	2.3	2.6	2.0
16	Textile yarn, fabrics, made-up articles	426	1 479	1 902	21.7	31.0	37.6	2.7	2.9	1.9
17	Essential oils & perfume; toilet & cleansing preparations	132	953	1 881	45.5	55.4	58.4	0.8	1.9	1.9
18	Manufactures of metal, n.e.s.	341	1 044	1 872	31.0	19.3	22.1	2.1	2.0	1.8
19	Organic chemicals	464	995	1 820	26.4	30.0	24.4	2.9	1.9	1.8
20	Chemical materials and products, n.e.s.	290	917	1 508	49.5	58.9	57.4	1.8	1.8	1.5
	Other	5 585	14 478	23 639				34.9	28.3	23.5
	Total	16 013	51 273	101 391	...	...	...	100.0	100.0	100.0

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

■ Though to a far smaller extent than in the Asia-Pacific region, intraregional trade in Latin America consists mainly of manufactures, especially medium- and high-tech products, which account for approximately 43% of total intraregional exports.

■ This trade pattern is not repeated in Latin America's exports to the world and contrasts even more strongly with its exports to Asia-Pacific, in which primary products and natural resource-based manufactures account for most of the export basket.

■ However, the list of the leading 20 products that accounted for over 76% of total intraregional trade in 2006 is relatively similar to the corresponding list for intraregional trade in Asia-Pacific, with road vehicles, petroleum, iron and steel and several machinery products figuring among the major exports.

■ The fact that many of the same types of products account for much of intraregional trade in both Asia-Pacific and Latin America might point to biregional trade opportunities involving these products.

14. Asia-Pacific as a region has been only a minor investor in Latin America and the Caribbean compared with the United States, the European Union and the region itself

■ The Latin American and Caribbean region was able to double its average annual FDI inflows from US\$ 38.3 billion to US\$ 74.3 billion between 1993-1997 and 1998-2002, before seeing them fall to US\$ 72.3 billion during 2003-2007. During the last period, despite progressively increasing the absolute value of inward FDI, the region's share of global and developing country-FDI shrank.

■ FDI to the region, measured as a percentage of GDP, has also decreased, falling from 4% in 2004 to 3% in 2006, in contrast to the increasing FDI-to-GDP ratios in other developing regions.

■ In addition, in stark contrast to the case of developing Asia, FDI flows to the region decreased precipitously during the four years after the Asian crisis (1999-2003). The drop was most abrupt in the cases of MERCOSUR and the Andean Community. It took MERCOSUR more than four years to regain the level recorded prior to the crisis, while inflows to the Andean Community's countries still remain below pre-crisis levels.

■ Historically the United States has been the most important source of FDI in Latin America. In the 1990s, Spain started to play a leading role, becoming the most important source of FDI for a number of Latin American countries. In the present decade, Spain's weight in FDI inflows to the region declined from 23% in 1997-2001 to 10% in 2002-2006.

■ Asia-Pacific as a region has been a very minor investor, accounting for only 2.8% during 1997-2001 and 3.5% in 2002-2006 of total FDI in Latin America and the Caribbean, with an estimated sum of US\$ 8.9 billion for each period.

■ On the other hand, there has been a significant increase of intraregional FDI in Latin America and the Caribbean, which doubled its share in total FDI inflows to the region, from 5% to 10% between the two periods. This has been a result of the emergence of certain companies of Latin American origin, the "trans-Latins."

Figure IV.11
FOREIGN DIRECT INVESTMENT INFLOWS TO LATIN AMERICA AND THE CARIBBEAN, 1980-2007

(Millions of dollars)

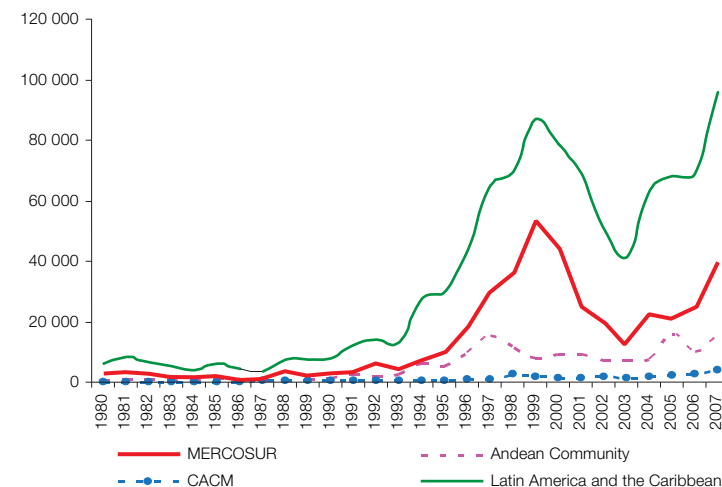
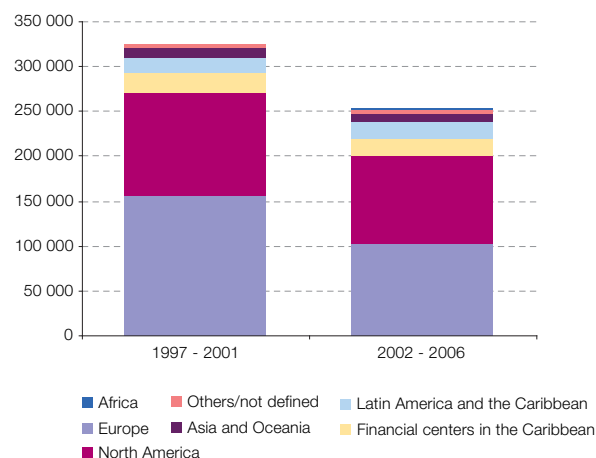


Figure IV.12

INWARD FOREIGN DIRECT INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN BY COUNTRY OR REGION, 1997-2001 AND 2002-2006

(Millions of dollars)



Source for figures IV.9 and IV.10: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

15. The level of IIT between Latin America and Asia-Pacific is still low but beginning to increase, especially in the case of Mexico and Costa Rica, albeit only slightly

Table IV.10
INTRA-INDUSTRY TRADE RELATIONS OF SOME LATIN AMERICAN AND CARIBBEAN COUNTRIES WITH ASIA-PACIFIC, 2006
(Grubel Lloyd Indices)

Partners	Australia	China	Indonesia	Japan	Malaysia	New Zealand	Philippines	Rep. of Korea	Singapore	Thailand	Viet Nam
Countries											
Argentina	0.08	0.03	0.02	0.02	0.01	0.17	0.00	0.03	0.13	0.02	0.01
Bolivia	0.01	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.02	0.00	0.00
Brazil	0.07	0.08	0.05	0.06	0.02	0.14	0.02	0.05	0.18	0.05	0.06
Chile	0.08	0.01	0.00	0.00	0.01	0.02	0.03	0.01	0.02	0.01	0.00
Colombia	0.18	0.02	0.02	0.01	0.00	0.03	0.01	0.00	0.13	0.07	0.06
Costa Rica	0.05	0.10	0.02	0.55	0.19	0.01	0.38	0.09	0.36	0.10	0.01
Dominican Rep.	0.12	0.03	0.00	0.04	0.08	0.01	0.01	0.03	0.27	0.03	...
Ecuador	0.05	0.01	0.01	0.00	0.08	0.02	0.03	0.01	0.19	0.01	0.00
El Salvador	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Guatemala	0.02	0.03	0.03	0.01	0.01	0.00	0.02	0.02	0.03	0.04	0.00
Honduras	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Mexico	0.15	0.27	0.09	0.16	0.24	0.03	0.11	0.09	0.56	0.37	0.02
Nicaragua	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
Panama	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00
Paraguay	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.00	0.00	0.00	0.00
Peru	0.10	0.01	0.01	0.01	0.00	0.02	0.34	0.02	0.02	0.02	0.00
Uruguay	0.04	0.03	0.11	0.00	0.01	0.05	0.00	0.06	0.03	0.00	0.00
Venezuela (Bol. Rep. of)	0.07	0.01	0.01	0.00	0.03	0.00	0.00	0.00	0.00	0.02	0.00

IGL > 0,33 IGL > 0,10 < 0,33 IGL < 0,10

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

- The overall Grubel Lloyd Index (GLI) for biregional trade in 2006 is fairly low (for GLI methodology, see table IV.2).
- From the viewpoint of Asia-Pacific as a whole, biregional IIT is almost non-existent.
- However, it is possible to detect some bilateral flows that indicate an emergence of IIT, though at an incipient stage. In general, Mexico's trade with Asia-Pacific shows higher GLIs than that of other Latin American countries. Costa Rica, Argentina and Brazil are beginning to show some degree of IIT, though still not consistently across the Asian trading partners. On the Asia-Pacific side, Singapore and Australia are moving into IIT with Latin America.
- In brief, there has been a breakthrough from a complete inter-industrial trade type to a trade structure that is slightly more intra-industry oriented.
- Products are principally high- and medium-technology goods involving electrical apparatus, parts and accessories, microcircuits, automatic data processing machines, measuring, checking, controlling instruments, pharmaceutical products, etc. in which Asia-Pacific countries have made strong inroads at the global level.
- Products that incorporate medium technology include a variety of plastics products, motor vehicles and their parts and engines, as well as a number of products that fall under the category of general machinery.
- The low-technology products include textile yarn, and iron and steel products.

***De jure* (government-led) integration
in and between the two regions**

1. In Latin America and the Caribbean, increasing numbers of free trade agreements (FTAs) and preferential trade areas (PTAs) have given rise to a proliferation of treaties (a “spaghetti bowl”), although since the mid-1990s, countries have been signing FTAs with countries in and outside the region

Table V.1

LATIN AMERICA: REGIONAL AND PLURILATERAL PREFERENTIAL TRADE AREAS
(PTAs concluded as of November 2007)

Countries	Intra-regional PTAs	Extra-regional PTAs	Agreements ^c	Countries ^c
Argentina	MERCOSUR (3) + Andean Community (5) + Chile (1)=9	MERCOSUR – European Union ^a	4	9
Brazil	MERCOSUR (3) + Andean Community (5) + Chile (1)=9	MERCOSUR – European Union ^a	4	9
Chile	MERCOSUR (4) + Andean Community (5) + CACM (5) + Cuba (1) + Mexico (1) = 16	EU (25) + EFTA (4) + United States (1) + Canada (1) + Korea (1) + New Zealand (1), Singapore (1) + Brunei Darussalam (1) + China (1) + India (1) + Japan (1) = 38 Negotiating FTA with: Thailand, Malaysia and Australia	18	54
Colombia	Andean Community (4) + MERCOSUR (4) + CARICOM (14) + Chile (1) + Mexico (1) = 24	United States ^b (1) + Canada (1) ^d = 2	7	26
Costa Rica	CACM (4) + Chile (1) + Mexico (1) + Dominican Republic (1) + Panama (1) + Trinidad & Tobago (1) = 9	United States (CAFTA) (1) + Canada (1) = 2	8	11
Ecuador	Andean Community (4) + MERCOSUR (4) + Cuba (1) + Chile (1) = 10	United States ^b (1)	5	11
Mexico	NAFTA (3) + Costa Rica (1) + Nicaragua (1) + Chile (1) + Bolivia (1) + Uruguay (1) + Colombia (1) = 9	European Union (25) + EFTA (4) + NAFTA (2) + Israel (1) + Japan (1) = 33	12	42
Nicaragua	CACM (4) + Dominican Republic (1) + Panama (1) + Mexico (1) + Chile (1) = 8	United States (CAFTA) (1) + Chinese Taipei (1) = 2	7	10
Peru	Andean Com. (4) + Mercosur (4) + Chile (1) = 9	United States ^b (1) + Thailand (1) + Canada (1) ^d + Singapore (1) ^d = 4	5	13

Source: M. Kuwayama, J. Durán and V. Silva, “Bilateralism and regionalism: re-establishing the primacy of multilateralism, a Latin American and Caribbean perspective”, *Comercio internacional series*, No. 58 (LC/L.2441-P), Santiago, Chile, Economic Commission for Latin America and the Caribbean (ECLAC), 2005. United Nations publication, Sales No. E.05.II.G.187; based on legal instruments signed by countries or trading blocs: MERCOSUR —Argentina, Brazil, Uruguay and Paraguay; Andean Community —Bolivia, Colombia, Ecuador and Peru; CACM (Central American Common Market) —Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; Caribbean Community (CARICOM) —Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago; and Latin American Integration Association (LAIA) (www.aladi.org).

^a Since 1999, MERCOSUR has been negotiating an Interregional Cooperation Agreement with the European Union.

^b Colombia and Peru signed an FTA with the United States in 2006. Peru ratified the agreement in November 2007. Ratification is still pending in Colombia.

^c Mexico, Colombia and the Bolivarian Republic of Venezuela formed a trilateral FTA called G-3 Group. In 2006, the Bolivarian Republic of Venezuela abandoned the agreement.

^d FTA negotiations finalized.

- From 1991 to 2005, the share of Latin American and Caribbean preferential exports rose from 8% to 63%, with evidence of greater trade openness in extra-regional rather than intra-regional PTAs. The Countries that are the most successful in opening export markets through FTAs are Mexico (96% of exports), Costa Rica and Chile (three quarters of exports).

- If MERCOSUR and the Andean Community were to succeed in signing an FTA with the European Union and the United States, PTAs would cover 72% of total exports.

- Ongoing negotiations are focused principally on trade relations with the United States and the European Union. Recently, some of the region’s countries such as Colombia, Peru and Panama have focused their efforts on creating trade links with the United States. The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) has also entered into force in all member countries except Costa Rica. Each integration scheme (MERCOSUR, the Andean Community, CACM and CARICOM) is also negotiating an FTA with the European Union.

- This trend in Latin America and the Caribbean towards bilateral and plurilateral FTAs should have a significant impact on recent moves in Asia Pacific to establishing bilateral FTAs and step up initiatives for bilateral FTAs in that region.

- Trans-Pacific FTAs are flourishing as well. Examples include agreements between Chile and Australia, China, India, Japan and Republic of Korea; an FTA between Panama, Singapore and Chinese Taipei; Japan’s EPA with Mexico; and the Trans-Pacific Strategic Economic Partnership Agreement between Brunei Darussalam, Chile, New Zealand and Singapore (referred to as a P4 agreement).

2. Despite being latecomers in the move toward FTAs, Asia-Pacific countries have recently shown an increasing interest in these agreements, resulting in a “spaghetti bowl” phenomenon

■ As of June 2007, there were 102 FTAs involving these countries. Of these agreements, 36 have been concluded; 41 are in the negotiation phase: and 25 have been proposed. Of the same agreements, 75 are bilateral while the rest are plurilateral. In terms of geographic orientation, 80 are with countries outside Asia, while the rest are with countries from the same region. Among the 31 FTAs concluded, 9 were plurilateral agreements.

■ Among these, the ASEAN Free Trade Agreement (AFTA) stands out for its economic importance in the region and has also become a focal point for the emergence of a new category of “trade-bloc to trade-bloc” agreement (e.g., the ASEAN-EU FTA and the ASEAN-Australia and New Zealand FTA).

■ After AFTA, no FTAs or EPAs were negotiated until 2002, when Japan and Singapore signed an EPA. Since then, other economies in the region have become increasingly active in FTA negotiations (e.g. China, Republic of Korea, Thailand and Singapore).

■ One of the characteristics of regional integration in the East and Southeast Asian region is that the reality has preceded any legal framework. Despite AFTA, only 25% of intra-ASEAN trade makes use of AFTA preferences. East-Asian countries have signed over 14 intra-regional agreements, and 6 extra-regional FTAs. More than 20 agreements are currently under negotiation.

■ Countries in the region realize that market-driven economic integration calls for policy measures to support and promote it further, via harmonization of policies, rules, and standards governing trade and FDI. In this way, FTAs can be viewed as part of a supporting policy framework for deepening production networks and supply chains based primarily on intra-industry and intra-firm trade.

Table V.2

EAST ASIA: REGIONAL AND PLURILATERAL PREFERENTIAL TRADE AREAS
(PTAs concluded and under negotiation, as of January 2008)

Countries	Partners: Asia	Partners: Rest of the world	Number of agreements ^c	Number of countries ^c
China – Signed	ASEAN (10) + Pakistan (1) + Hong Kong China (1) + Macao SAR (1) = 13	Chile (1)	5	14
China – Negotiating	Australia (1) + Singapore (1) + New Zealand (1) = 3	Gulf Cooperation Council ^a (6) + Peru (1) = 7	5	10
Indonesia – Signed	ASEAN (9) + China ^b (1) + Republic of Korea ^b (1) + Japan (1) = 12	None	4	12
Indonesia – Negotiating	India ^c (1) + Australia ^c (1) + New Zealand ^c (1) + Pakistan (1) = 4	European Union ^c (27)	5	31
Malaysia – Signed	ASEAN (9) + China (1) ^b + Japan (1) + Republic of Korea ^b (1) = 12	None	4	12
Malaysia – Negotiating	Australia (1) + New Zealand (1) + Pakistan (1) + India ^c (1) = 4	United States (1) + Chile (1) + European Union ^c (27) = 29	7	33
Philippines – Signed	ASEAN (9) + China ^b (1) + Republic of Korea ^b (1) + Japan (1) = 12	None	4	12
Philippines – Negotiating	Australia ^c (1) + New Zealand ^c (1) + India ^c (1) = 3	European Union ^c (27)	4	30
Singapore – Signed	ASEAN (9) + China ^b (1) + Republic of Korea ^b (1) + Australia (1) + New Zealand ^c (1) + Japan (1) = 14	United States (1) + EFTA (4) + Jordan (1) + Panama (1) + Chile ^c (1) + Peru (1) = 9	11	23
Singapore – Negotiating	India ^c (1) + Pakistan (1) = 2	GCC (6) + Canada (1) + European Union ^c (27) + Mexico (1) + Sri Lanka (1) + Egypt (1) + Ukraine (1) = 38	9	40
Thailand – Signed	ASEAN (9) + China ^b (1) + Republic of Korea ^b (1) + India (1) + Bahrain (1) + Australia (1) + New Zealand (1) + Japan (1) = 16	None	8	16
Thailand – Negotiating	Bay of Bengal Initiative of Multisectoral, Technical and Economic Cooperation (BIMSTEC) ^a (6) + India ^c (1) = 7	Peru (1) + United States (1) + EFTA (4) + European Union ^c (27) = 33	6	40
Viet Nam – Signed	ASEAN (9) + China ^b (1) + Republic of Korea ^b (1) = 11	None	3	11
Viet Nam – Negotiating	Japan ^c (1) + Australia ^c (1) + New Zealand ^c (1) + India ^c (1) = 4	Chile (1) + European Union ^c (27) = (28)	6	32

Source: based on ECLAC (2007), *Latin America and the Caribbean in the World Economy 2006, 2007 Trends*; Indian Export Import portal (2007), <http://exim.indiamart.com/free-trade-agreement/>; Office of the United States Trade Representative (2008) http://www.ustr.gov/Trade_Agreements/Bilateral/Section_Index.html; Kawai and Wignaraja (2007), ASEAN+3 or ASEAN (6): Which Way Forward? ADB Institute Discussion Paper No. 77; and ADB <http://aric.adb.org>.

^a GCC members are: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. BIMSTEC Members are Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand.

^b As part of a plurilateral FTA (ASEAN-China); (ASEAN – Republic of Korea).

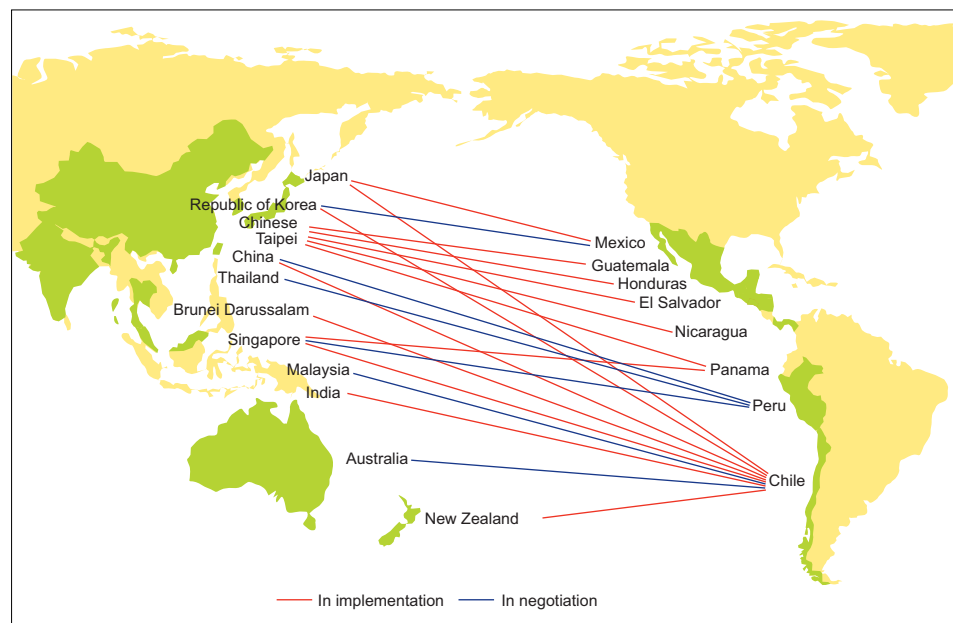
^c As part of a plurilateral FTA being negotiated with Australia, India, Japan, New Zealand, and European Union.

^d As part of a P4 FTA between Singapore, New Zealand, Brunei and Chile, which is counted as one agreement.

Note: When one country (e.g. Japan) has an FTA with another country (e.g. Malaysia), both on a bilateral basis and as a part of a region (e.g., ASEAN), it is counted only once.

3. At the same time, Trans-Pacific trade agreements centered around Chile, Mexico, Peru and Central America have begun to flourish in recent years

Figure V.1
TRANS-PACIFIC NETWORK OF FTAs THAT ARE ALREADY IN FORCE OR IN NEGOTIATION



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on official information and press releases.

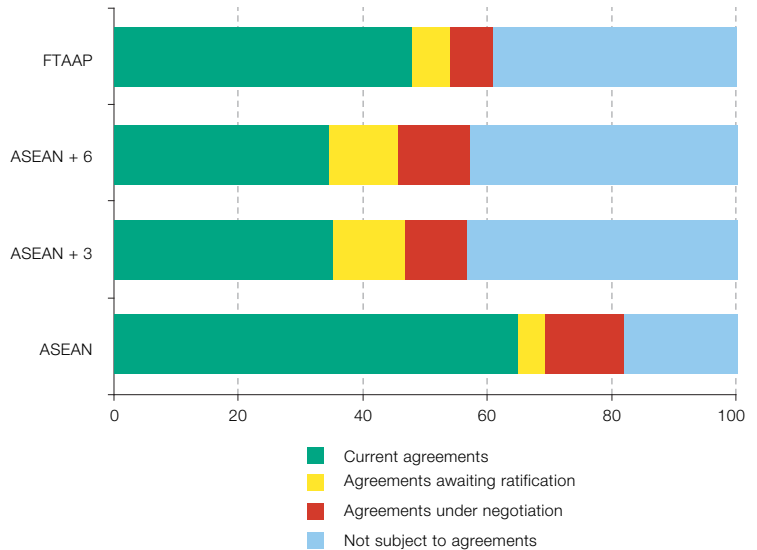
- Examples of trans-Pacific agreements include the treaty between Chile and China, the first trade agreement that China has signed with a western-hemisphere country; the agreement signed by Chile with India and Japan; and the agreement between Panama and Singapore and with Chinese Taipei. The Agreement between Japan and the United Mexican States for the Strengthening of Economic Partnership entered into force in April 2005 and is the first broad-scope agreement that Japan has signed thus far. Other initiatives between Pacific Rim and Latin American countries include: the Chile-Korea Free-Trade Agreement, which was the first ever trans-Pacific free-trade treaty; and the Trans-Pacific Strategic Economic Partnership Agreement between Chile, New Zealand, Singapore and Brunei Darussalam (referred to as a P4 agreement).
- In addition to the recently approved FTA with the United States, Peru has an FTA in implementation process with Singapore and has signed an “Early Harvest” scheme in the Peru-Thailand FTA. Peru is negotiating an FTA with China. Chile has signed an FTA with Australia and is negotiating another with Malaysia.
- This set of initiatives reveals a serious intent by Latin American countries to take a long-term view in their relations with Asia and the Pacific. Similarly, the United States has concluded agreements with Australia and Singapore, while it has concluded the negotiations with the Republic of Korea, and is in negotiation with Malaysia and Thailand. It has proposed agreements with Brunei Darussalam, Indonesia and the Philippines.

4. At present, close to 48% of trade flows in Asia-Pacific are already covered by certain type of trade preference. Upon completion of negotiations currently under way, this percentage will be even higher, putting Latin American and Caribbean countries at a disadvantage

- For a number of countries of the Pacific Basin (the countries of North America, Latin American States members of APEC, India, Pakistan and Sri Lanka), a large proportion of trade is already subject to preferential tariffs.
- As of August 2008, the network of free trade agreements in force in the Pacific Basin involved preferential tariffs applicable to 48% of total exports, most of which were grouped around the ASEAN countries (65%). On the one hand, the interests of China, Japan and the Republic of Korea, which make up the “ASEAN+3” area, and those of Australia, India and New Zealand (“ASEAN+6”), are part of the initiatives surrounding ASEAN. On the other hand, the drive and dynamism of Canada, the United States and other countries of the region (Chile and Peru) are reflected in the proposal to build a large-scale agreement on the basis of APEC, a free trade area of the Asia Pacific (FTAAP).
- The proportion of FTAAP trade subject to preferential tariffs could quickly increase to 61%, and within the ASEAN+6 area that figure could rise to 57% of total exports.

Figure V.2

FREE-TRADE AGREEMENTS IN THE PACIFIC BASIN, AUGUST 2008
(Percentage of exports covered by preferential tariffs)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE) and agreements currently in force, signed, or under negotiation in Pacific Basin countries (expanded to include India, Pakistan and Sri Lanka).

5. In Asia-Pacific, high effective tariffs are applied to agricultural products and a number of natural-resource-based manufactures that are the major export interests of Latin America and the Caribbean

Figure V.3-A
TARIFFS CHARGED TO THE WORLD FOR AGRICULTURAL PRODUCTS^a

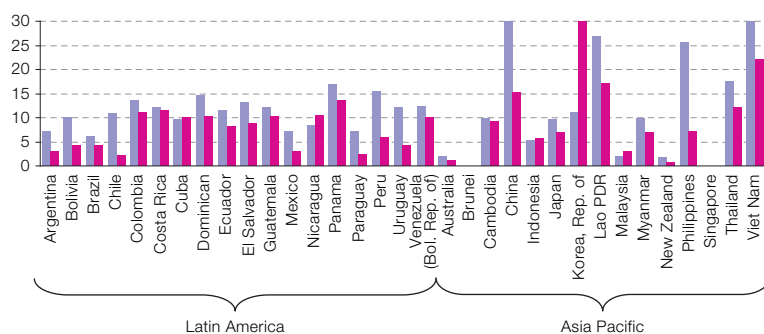
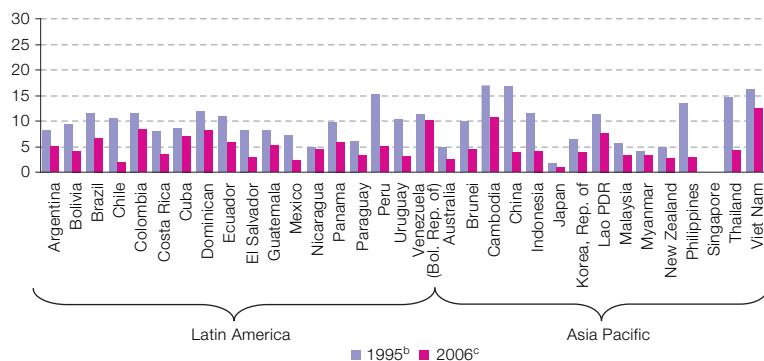


Figure V.3-B
TARIFFS CHARGED TO THE WORLD FOR NON AGRICULTURAL PRODUCTS^a



Source for figures V.3-A and V.3-B: ECLAC calculation based on TRAINS Effective Applied Tariff (WITS).

^a Based on the WTO classification.

^b Twelve out of the 33 countries considered did not report tariffs for 1995. In those cases, the closest year reported is used.

^c Four out of the 33 countries considered did not report the tariffs for 2006. In those cases, the closest year reported is adopted.

- The weighted averages of the effective applied tariffs in the agricultural sector are not only higher in Asia Pacific than in Latin America, but also, in the second period (2006), the Latin American regional average declined by a 3.5%, while Asia Pacific countries increased their level by almost 2%, making market access in this sector more difficult to the member countries of the region.

- Agricultural products have always been particularly sensitive items, subject to many tariff and non-tariff barriers. In Asia-Pacific, high *ad valorem* equivalents (AVEs), that include tariff quotas, are applied to agricultural products and a number of natural-resource-based manufactures that are the major export interests of Latin America, in which the region has strong comparative advantages.

- The AVEs also show the presence of tariff escalation, which works against the exports of more processed products from Latin America to Asia-Pacific.

- In this regard, the reduction of intra-regional barriers in this sector resulting from FTA proliferation and their implementation in Asia-Pacific leaves the rest of the world at a disadvantage, and has an adverse effect on Latin American agricultural exporters.

- The challenge facing Latin America is therefore to engage in negotiations in those sectors that face the highest levels of protection in order to allow for greater participation of Latin American and Caribbean enterprises in the Asian production and distribution chains.

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

■ In addition to traditional tariff (*ad valorem* or specific) measures, there are several other barriers that impede trade. Some of these have become significant trade barriers, especially when tariff rates come down as a result of liberalization.

■ For example, rising 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 American countries are before setting course to Asia.

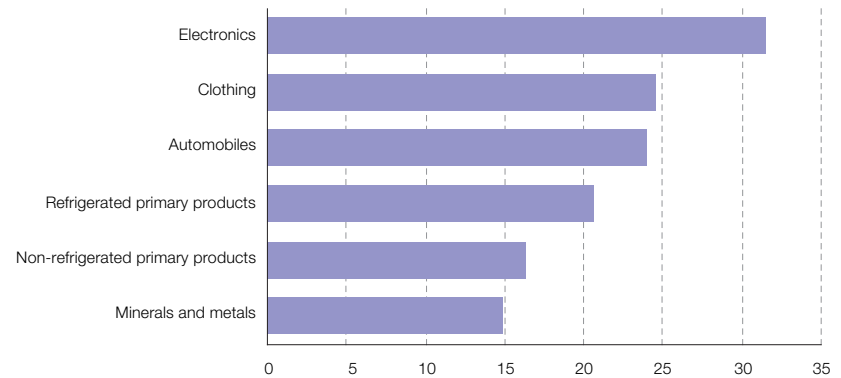
■ The two cases of soybean and copper ore indicate that the shipping costs, measured as the difference between the unit value in the origin port and the unit value at destination, is remarkably higher in bi-regional flows than in intra-regional ones.

■ For example, the cost of shipping soybean from Brazil to Japan is three times higher than for China to export the same product to Japan. Similarly, the cost of shipping copper exports from Chile and Peru to China is substantially higher than from Australia and Indonesia.

Figure V.4-A

IMPACT OF SHIPPING COSTS ON THE PRINCIPAL SECTORS OF LATIN AMERICAN EXPORTS TO JAPAN^a

(As a percentage of the CIF cost of the product)



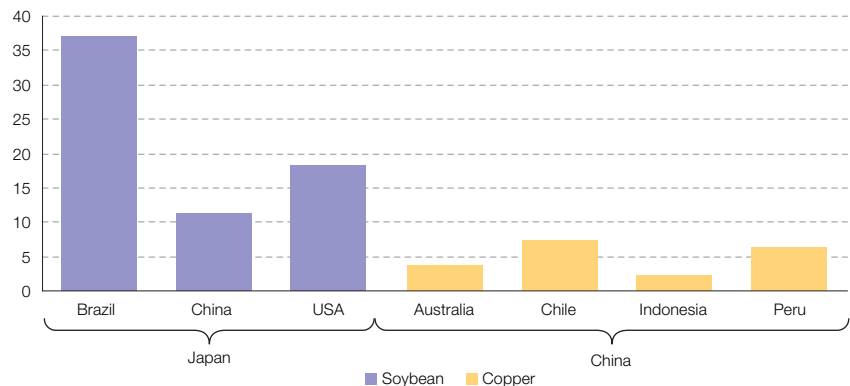
Source: Durán, J. and Mariano Alvarez, "Shipping Costs: A Rising Challenge To the Region's Competitive Development" (Table 2), *FAL Bulletin* No. 256, December 2007.

^a Argentina, Brazil, Chile, Peru, and Mexico.

Figure V.4-B

COST OF SHIPPING SOYBEAN AND COPPER ORE TO JAPAN AND CHINA (2004-2006)

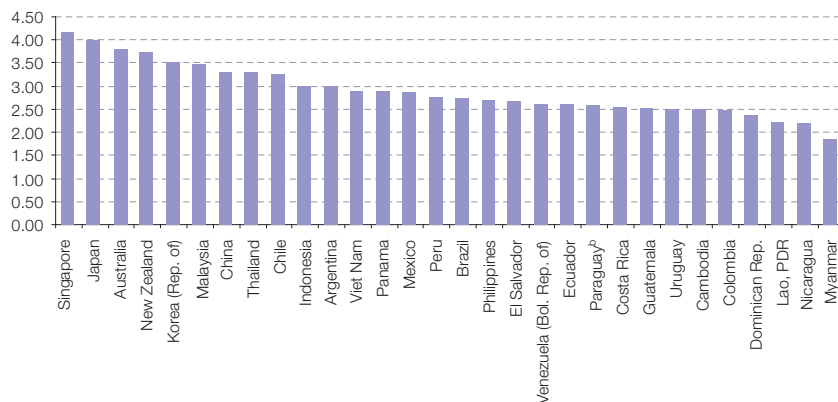
(As a percentage of the CIF cost of the product)



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

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

Figure V.5-A
LOGISTICS PERFORMANCE INDEX^a
(Score in the range of 0-5)

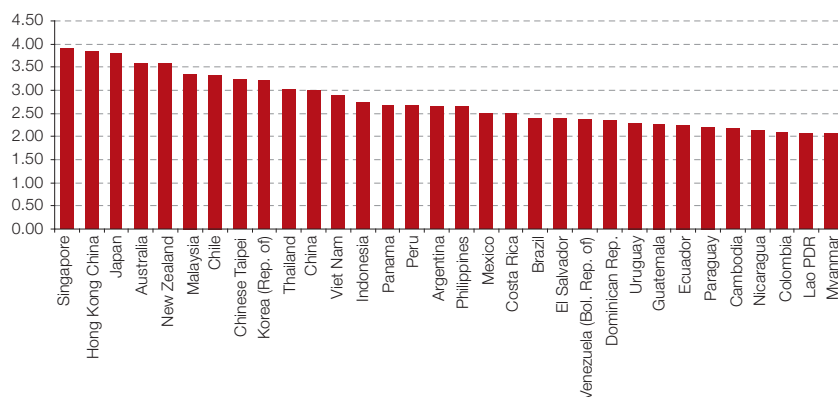


Source: Connecting to Compete: Trade Logistics in the Global Economy (2007).

^a The study does not provide numbers either for Bolivia, Brunei Darussalam or Cuba.

^b As Paraguay is a landlocked country, its scores are disputed by studies by authors such as Martines Zarzoso and Hoffmann, who rank Paraguay among the last.

Figure V.5-B
CUSTOMS PERFORMANCE INDEX^a
(Score in the range of 0-5)



Source: Jean-François Arvis and others (2007), "Connecting to Compete: Trade Logistics in the Global Economy", World Bank, Washington D.C.

- 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 logistic performance represents a higher cost for exporters, resulting in shipment delays and lower competitiveness.

- The two areas in which the Latin American region is weak are the customs and infrastructure. Urgent measures should be introduced to improve the customs procedures and port 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 bi-regional integration.

8. Latin American and Caribbean countries also lag behind Asia Pacific countries in quality-control measures, such as ISO

Table V.6

ISO CERTIFICATIONS IN 2006, BY STANDARD

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

ISO Standards	9001	14001	16949	13485	TOTAL	Share	Certifications per million inhabitants
	Quality management systems	Environmental management systems	Quality for automotive production	Sanitary management systems			
China	162 259	18 842	4 758	228	186 087	45.33%	142
Japan	80 518	22 593	939	438	104 488	25.45%	820
Korea (Rep. of)	15 739	5 833	2 621	229	24 422	5.95%	506
Australia	17 440	1 964	127	69	19 600	4.77%	967
Malaysia	6 786	593	275	101	7 755	1.89%	291
Singapore	5 830	716	90	46	6 682	1.63%	1 490
Thailand	3 913	1 369	471	32	5 785	1.41%	89
Indonesia	4 783	369	110	6	5 268	1.28%	24
Viet Nam	3 167	189	16	5	3 377	0.82%	40
Philippines	2 007	458	67	21	2 553	0.62%	29
New Zealand	2 150	182	2	7	2 341	0.57%	556
Brunei Darussalam	52	4	0	0	56	0.01%	0
Myanmar	19	0	0	0	19	0.00%	0
Cambodia	10	2	0	0	12	0.00%	1
Lao, PDR	1	0	0	0	1	0.00%	0
Brazil	9 014	2 447	846	40	12 347	3.01%	65
Argentina	9 364	862	307	21	10 554	2.57%	271
Colombia	6 271	296	51	0	6 618	1.61%	142
Mexico	4 636	409	758	25	5 828	1.42%	54
Chile	2 565	375	9	0	2 949	0.72%	179
Uruguay	648	45	9	2	704	0.17%	202
Peru	576	83	2	9	670	0.16%	24
Venezuela (Bol. Rep. of)	535	51	26	0	612	0.15%	23
Ecuador	486	50	6	0	542	0.13%	40
Cuba	363	6	0	0	369	0.09%	33
Costa Rica	186	55	2	4	247	0.06%	56
Bolivia	198	30	0	0	228	0.06%	24
Paraguay	103	4	0	0	107	0.03%	17
Panama	99	5	0	0	104	0.03%	32
El Salvador	96	4	0	0	100	0.02%	14
Guatemala	61	7	0	0	68	0.02%	5
Dominican Rep.	29	2	1	2	34	0.01%	4
Nicaragua	28	3	0	0	31	0.01%	6
Total	339 932	57 848	11 493	1 285	410 558	100.00%	137

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the International Organization for Standardization, *The ISO Survey*, 2006.

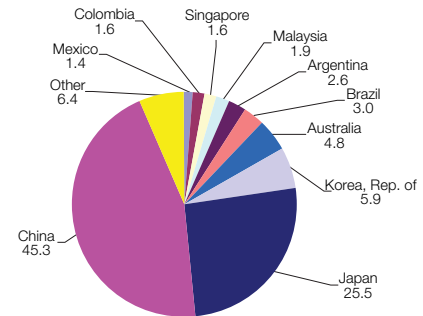
- A newly emerging trade barrier is the lack of quality control. In recent years, more governments, industries and consumers have begun to demand high levels of quality in products and the corresponding certifications by several renowned international organizations or their own national agencies.

- 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 the ultimate buying decision of the consumer.

Figure V.6

ISO CERTIFICATIONS BY COUNTRY

(Percentages for Asia Pacific and Latin America)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the International Organization for Standardization, *The ISO Survey*, 2006.

- 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 2006 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 70% of the all the ISO issued in the two regions in 2006, only two countries from Latin America (Brazil and Argentina) represented roughly 5.5% of the total.

9. 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

Table V.7

SOME RESEARCH AND DEVELOPMENT INDICATORS

HDI rank	Country/region	Patents granted to residents	Receipts of royalties and licence fees	Research and development (R&D) expenditure	Researchers in R&D
		(per million people)	(dollars per person)	(% of GDP)	(per million people)
		2000-05 ^a	2005	2000-05 ^a	1990-2005 ^a
3	Australia	31	25.0	1.7	3 759
8	Japan	857	138.0	3.1	5 287
19	New Zealand	31	627.9	1.8	4 301
21	Hong Kong China	5	31.2	0.6	1 564
25	New Zealand	96	125.8	2.3	4 999
26	Korea, Republic of	1 113	38.2	2.6	3 187
30	Brunei Darussalam	..	..	0.0	274
63	Malaysia	..	1.1	0.7	299
78	Thailand	1	0.3	0.3	287
81	China	16	0.1	1.4	708
90	Philippines	(.)	0.1	0.1	48
105	Viet Nam	(.)	..	0.2	115
107	Indonesia	..	1.2	0.1	207
128	India	1	(.)	0.8	119
132	Myanmar	..	0.0	0.1	17
East Asia and the Pacific		..	1.7	1.6	722
38	Argentina	4	1.4	0.4	720
40	Chile	1	3.3	0.6	444
46	Uruguay	1	(.)	0.3	366
48	Costa Rica	..	0.0	0.4	..
51	Cuba	3	..	0.6	..
52	Mexico	1	0.7	0.4	268
62	Panama	..	0.0	0.3	97
70	Brazil	1	0.5	1.0	344
74	Venezuela (Bolivarian Rep. of)	1	0.0	0.3	..
75	Colombia	(.)	0.2	0.2	109
79	Dominican Republic	..	0.0	..	..
87	Peru	(.)	0.1	0.1	226
89	Ecuador	0	0.0	0.1	50
95	Paraguay	..	33.2	0.1	79
101	Jamaica	1	4.7	0.1	..
103	El Salvador	..	0.4	0.1	47
110	Nicaragua	1	0.0	0.0	73
115	Honduras	1	0.0	0.0	..
117	Bolivia	..	0.2	0.3	120
118	Guatemala	(.)	(.)	..	..
Latin America and the Caribbean		..	1.1	0.6	256
OECD		239	104.2	2.4	3 096
WORLD		..	21.6	2.3	..

Source: United Nations Development Programme (UNDP), Human Development Report 2007/2008.

^a Data refer to the most recent year available during the period specified.

■ The Human Development Indicators related to the R&D capacities of the countries in both regions show that 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).

■ However, the record of Latin America and the Caribbean on some aspects of R&D fares quite well in comparison with several ASEAN countries.

■ East Asia and the Pacific as a whole has more than 700 researchers (engaged in R&D-related activities) per million people, while the corresponding figure is roughly 250 in Latin America and the Caribbean. The figure for the OECD countries is over 3,000 such researchers per million people.

■ The same pattern is replicated in terms of the number of patents granted to residents (per million people) and receipts of royalties and licence fees (US\$ per person).

■ The information on R&D expenditure, though quite sparse, indicates that East Asia and the Pacific spend twice as much as Latin America and the Caribbean.

10. 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

Table V.8
PROGRAMME FOR INTERNATIONAL STUDENT ASSESSMENT (PISA) RANKINGS AND SCORES, 2006

A. Science			B. Mathematics			C. Reading		
Rank	Economy	Science	Rank	Economy	Mathematics	Rank	Economy	Reading
2	Hong Kong China	542	1	Chinese Taipei	549	1	Korea, Republic of	556
4	Chinese Taipei	532	3	Hong Kong China	547	3	Hong Kong China	536
6	Japan	531	4	Korea, Republic of	547	5	New Zealand	521
7	New Zealand	530	8	Macao SAR	525	7	Australia	513
8	Australia	527	10	Japan	523	15	Japan	498
11	Korea, Republic of	522	11	New Zealand	522	16	Chinese Taipei	496
17	Macao SAR	511	13	Australia	520	21	Macao SAR	492
OECD AVERAGE		500	OECD AVERAGE		498	OECD AVERAGE		492
40	Chile	438	42	Uruguay	427	38	Chile	442
43	Uruguay	428	44	Thailand	417	41	Thailand	417
46	Thailand	421	47	Chile	411	42	Uruguay	413
49	Mexico	410	48	Mexico	406	43	Mexico	410
50	Indonesia	393	50	Indonesia	391	48	Indonesia	393
51	Argentina	391	52	Argentina	381	49	Brazil	393
52	Brazil	390	53	Colombia	370	51	Colombia	385
53	Colombia	388	54	Brazil	370	53	Argentina	374

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

- 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 more than 400,000 students from 57 countries (almost 90% of the world economy) shows that Asian countries, with the exception of Thailand and Indonesia, score among the highest in all three areas tested: science, mathematics, and reading. Asia shares the top of the rankings with industrialized economies of Europe and Canada and always has at least one country in the top three for all categories.

- In contrast, and with only one exception in one category, all Latin American participants have scores that place them below the rank

of 40, out of a field of 57 countries (Chile ranks 38 in Reading). Latin America shares the bottom of the rankings with countries in the Middle East and Eastern Europe, including Serbia, Jordan, Romania and Bulgaria.

- The results are a good indication of the education gap that exists between the continents, as Asian countries outperform many OECD countries while, in Latin America all participants significantly underperformed relative to the OECD average. In addition, Asia's worst performer in each of the categories (Indonesia) consistently outperformed some of the continent's largest economies: Brazil, Argentina, and Colombia.

Conclusions and recommendations

- Given the risks the world economy is now facing and its new emerging geography centred increasingly on the Asia-Pacific region, government authorities in Latin American and Caribbean should redouble their efforts to identify and capitalize upon the potential complementarities created by greater integration with that region. In order to do this, the Latin American and Caribbean countries should adopt a coordinated approach to trade and investment initiatives.
- The favourable economic conditions now facing the region offer a unique opportunity to lay the foundations for sustained trade and investment relations with Asia-Pacific by: (i) creating bi-regional business alliances; (ii) enhancing cooperation in innovation and human capital in order to diversify trade, add greater value and knowledge to exports; and (iii) helping to create more stable conditions for growth.
- One of the reasons for the limited bi-regional trade and investment flows is the lack of intra-industry trade (IIT) between the two regions. Although there is substantial IIT within each region, trade of this type across the two regions is still scarce. The fact that IIT flows still account for a relatively small proportion of bi-regional trade suggests that not only vast possibilities but also enormous challenges may lie ahead for this type of trade and investment cooperation.
- The nature of trade flows is still inter-industrial: imports from Asia-Pacific consist of manufactures, while Latin American and Caribbean exports consist mainly of primary commodities. Whereas manufactures represent a rising share of intraregional exports in Latin America and the Caribbean, exports to Asia-Pacific show the opposite trend. Shipments of food items and minerals and metals have risen as a proportion of total exports to Asia-Pacific, reflecting the region's comparative advantages and the potential of those markets.
- In contrast, the experiences of Central America, particularly Mexico, show the benefits of an investment-cum-trade strategy, different from the one adopted in the rest of the region. Given the divergent patterns of international specialization in the two regions, new production possibilities and export opportunities may open up for the Latin American and Caribbean countries as international production chains in Asia-Pacific continue to expand and deepen and the demand for commodities remains strong.
- Latin America and the Caribbean is beginning to export a more diversified range of products to Asia-Pacific: the list includes a number of new products, such as fishery products and pig meat, along with high-technology manufactures that include electronic microcircuits, telecommunications equipment and data-processing machinery. The presence of these products indicates that Latin America is beginning to integrate, albeit weakly, into the extensive supply-chain networks prevalent in the Asia-Pacific region.
- There are some intra-industrial bi-regional trade flows and these, albeit incipient, are increasing. In general Mexico's trade with Asia-Pacific shows higher Grubel Lloyd indices than those for other Latin American countries. Costa Rica and Brazil have begun to record some intra-industry trade with Asia-Pacific. On the Asia-Pacific side, Australia, New Zealand and Singapore are beginning to register intra-industrial trade with the region. In short, there has been a breakthrough with trade shifting from a purely inter-industrial to a slightly more intra-industrial structure.
- Both intraregional FDI flows within Asia-Pacific and direct investment inflows into emerging Asia from large developed countries have promoted de facto regional integration in that region, since both types have represented major investment in the individual Asian countries over the years. A clear

“trade-cum-investment” relation exists in the Asia-Pacific region and this promotes intra-industry and intra-firm trade and “slices up” complex cross-border international supply chain networks.

- A significant outcome of the fragmentation of manufacturing processes in the Asia-Pacific region was that Japan lost comparative advantages in manufacturing production, which led Japanese firms to slice up their productive processes and outsource more labour-intensive stages to neighbouring East Asian countries. This “hollowing out” of the Japanese economy was replicated in Chinese Taipei, the Republic of Korea, Singapore and Hong Kong China, thereby deepening the “Asia Factory” process. China and the ASEAN countries’ later entry onto the international economic stage further eroded the industrial comparative advantages enjoyed by the higher-income East Asian countries, making offshore production more attractive. It is notable that all this regional trade and investment creation occurred outside the ambit of regional trade agreements. Latin American and Caribbean firms must now take steps to enter Asian supply chains by signing trade and investment partnerships, in addition to trade agreements, in order to gain new access to these markets and integrate into Asian production and export chains.
- Apart from natural-recourse-based FDI, another predominant type of FDI in Latin America has been market-seeking, which has been too inward-looking and has not contributed sufficiently to the building of local manufacturing capacities and international competitiveness. One of the main reasons for the low level of trade-cum-investment flows between the two regions is the lack of efficiency-seeking FDI, which is the type most common in Asia-Pacific. Where such investment does exist in the region, it shows the shortcomings typical of this type of FDI: the creation of an “enclave” economy and a low value-added trap, as well as a lack of industrial agglomeration.
- Efforts to deepen trade and investment relations with Asia-Pacific must, therefore, take a twofold approach: (i) the promotion of efficiency-seeking FDI on the Latin American and Caribbean side; and (ii) efforts to address the drawbacks of market-seeking investment that often affect the national economy in general and the export sector in particular.
- A number of recent experiences show that value and knowledge can be added to commodity exports, in the interests of efficient and coordinated exploitation of comparative advantages. Although with more difficulty than manufactures, commodities can also be integrated into production and marketing chains in Asia-Pacific; this calls for a systemic approach encompassing the production process, trade logistics, maritime and air transport, and marketing and distribution in the final consumption market. Exports conducted through alliances with Asia-Pacific investors could help to form a complex of activities involving goods, services, investments and financing. Strategic partnerships should be created to increase value added throughout the production and marketing chain, and mutually beneficial technological partnerships should be developed (to apply advances in biotechnology to agro-industry, mining, forestry and fishery, for example).
- The countries of the region also urgently need to: (i) take full advantage of current growth in the Asia-Pacific region and 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 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.

- A series of market-access problems remain. Asia-Pacific applies high ad valorem equivalents (AVEs) to agricultural products and a number of natural-resource-based manufactures that constitute major export interests for Latin America and the Caribbean and in which the region has strong comparative advantages. The challenge for the region is therefore to engage more actively in the Asian production and distribution chains with exports that face the highest levels of protection.
- 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 bi-regional trade and investment.
- There are several issues of mutual interest and great importance relating to trade and investment promotion, enhancement of international competitiveness, 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 actions, and must engage business associations and other private-sector agents:
 - (i) Information exchange on market opportunities and market access, including basic economic indicators, recent trends on bi-regional trade and investment, developments in regional integration, standards, tariffs and non-tariff trade measures;
 - (ii) Policy dialogue on:
 - Promotion of bi-regional trade and investment, aimed at identifying the bottlenecks in such promotion and needs for capacity- and institution-building;
 - Trade and investment promotion policy, to review best practices in both regions and analyse public policies to enhance international competitiveness, innovation and regional integration;
 - Trade-related capacity-building, including several emerging issues such as trade facilitation and the Aid for Trade Initiative;
 - 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;
 - Free trade agreements, including bilateral, sub-regional or bi-regional FTAs and the related negotiation, implementation and administration processes;

- (iii) 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;
 - (iv) 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
 - (v) Transport infrastructure, including the assessment of existing pre-feasibility studies and efforts to secure financing to implement infrastructure projects.
- In this regard, the countries of the region should pursue better market access in the Asia-Pacific region, either seeking bilateral arrangements individually or working in coordination to reach joint agreements. Chile, Mexico and Peru should play a key role in coordinating positions and working together on different fronts, not only within APEC-related forums but also within and between the intra-regional integration schemes.
 - Routes by which the region could pursue better market access in Asia-Pacific might include:
 - (i) Creation of a trade bloc in East Asia to promote further trade liberalization in the framework of APEC, possibly through a free trade area of the Asia-Pacific (FTAAP). This would make it possible to pursue greater uniformity and convergence of rules and disciplines among the FTAs;
 - (ii) Promotion of intra-APEC trade and investment, by simplifying and harmonizing the rules of origin (ROOs) contained in most of the FTAs signed by APEC members and increasing flexibility in accommodating ROOs among the different integration schemes and FTAs in the region;
 - (iii) Possible enlargement of the Trans-Pacific Strategic Economic Partnership Agreement (P-4 FTA), widening its geographic coverage for future negotiations;
 - (iv) Coordinated support by the three existing Latin American APEC member countries to seek APEC membership for other countries in the region;
 - (v) The possibility that the three Latin American APEC member countries –Chile, Mexico and Peru– may seek to negotiate a free-trade agreement with ASEAN, which could subsequently be joined by other Latin American Pacific-basin countries, and
 - (vi) Strengthening of the Forum for East Asia-Latin America Cooperation (FEALAC) –the only forum for dialogue on cooperation that extends beyond the Pacific Rim– and more active participation in it by the countries of both regions.
 - APEC has two initiatives on its trade and investment liberalization and facilitation agenda aimed at reducing transaction costs and facilitating business in and between Latin America and the Caribbean and Asia-Pacific: the Trade Facilitation Action Plan II and the Investment Facilitation Action Plan. Both

have been developed gradually and are now in the process of implementation, with specific actions to be taken by member economies.

- These two initiatives between APEC and the Latin American and Caribbean region can be complemented. To promote more intra-industry trade between the two regions, create trade value chains and add value to Latin American and Caribbean commodity-based exports, the Trade Facilitation and Investment Facilitation Action Plans can be implemented simultaneously in this region.
- One of the Latin American and Caribbean region's main disadvantages in global markets today is precisely the lack of infrastructure, trade-related logistics and efficiency in production and trading processes, which make its products less competitive on global markets, including those of Asia-Pacific.
- The trade and investment facilitation initiatives contained in both action plans developed by APEC are designed to reduce or remove current obstacles to doing business. It is therefore important for Latin America and the Caribbean to define a strategy whereby both regions can mutually benefit from the implementation of these action plans. There are several specific trade facilitation initiatives that can be developed and implemented jointly, such as customs procedures, standards and conformance, and electronic commerce.
- The Investment Facilitation Action Plan is also based on a number of principles that can also be implemented jointly, including accessibility and transparency in the implementation of investment policies, protection of investments and stability of investment environments, predictability of investment policies, and efficiency and effectiveness of investment procedures.