



The People's Republic of China and Latin America and the Caribbean: towards a strategic relationship



NACIONES UNIDAS

CEPAL

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Contents

Foreword	5
Along with India, China is one of the few large economies that grew during the crisis.....	6
During the past decade, China's most dynamic trading partner was Latin America and the Caribbean.....	7
During the past decade, China has become the world's largest exporter of goods, surpassing Germany, while in services it is positioned as the fifth largest exporter.....	8
Exports from Latin America and the Caribbean to all destinations contracted in 2009, except to China, where they increased, even during the crisis.....	9
China's economic dynamism has come to the rescue of the region's exports	10
Asia-Pacific countries, China in particular, have become key trading partners for Latin America and the Caribbean, especially with regard to imports.....	11
China could displace the European Union as the second largest trading partner of the region in the middle of the next decade.....	12
Despite the undeniable importance of China as a trading partner, some countries in the region still maintain relatively weak trade relations.....	13
The Latin American and Caribbean region as a whole maintains a deficit in its trade balance with China owing to the expanding trade deficit of Mexico and Central America	14

China is already a key export market for some countries in the region, and for most it is even more important as a source of imports	15
In a very short time, the importance of China as a trading partner has increased significantly for many Latin American countries	16
Since late 2008, imports originating from China have been the subject of numerous anti-dumping investigations in the region.....	17
The basket of goods that the region exports to China consists mainly of raw materials and products based on the processing of raw materials. It varies significantly, however, among the three countries that President Hu Jintao plans to visit on this tour.....	18
In addition, specialization in primary products varies greatly, and in the cases of Costa Rica, El Salvador and Mexico, some high-tech manufactures are emerging	19
Although Latin America and the Caribbean as a whole is an important destination for Chinese FDI, this is largely concentrated in tax havens.....	20
However, in addition to targeting the natural resource sectors, Chinese FDI in the region has diversified into manufacturing and services. China has made its way in Latin America with investments totalling an estimated US\$ 24 billion in 2003-2009	21
The increasing number of official visits by Chinese Heads of State to Latin America and the Caribbean reflects an agenda of mutual interests which seems to be progressing	22
Conclusions and recommendations.....	23

Foreword

This publication is a contribution of the Economic Commission for Latin America and the Caribbean (ECLAC) to the analysis of the implications that a growing relationship with China represents for regional development.

In 2009, when the world faced its worst economic crisis in eight decades, China consolidated its position as a key player in the global economy. While the world as a whole and the industrialized countries experienced economic declines of 0.8% and 3.2%, respectively, China managed to grow by 8.7%. This was possible thanks to a giant economic stimulus package that was accompanied by a tremendous credit expansion. Moreover, in the context of a sharp and widespread decline in world trade flows (12.2% in volume), China has replaced Germany as the world's largest exporter of goods.

This publication briefly examines the recent evolution of trade between China and Latin America and the Caribbean in terms of countries, sectors and products, as well as Chinese foreign direct investment (FDI) in the region. The analysis verifies the role that China has been assuming in recent years as the main driver of export growth in the region even though exports suffered a severe slowdown in 2009. The analysis also confirms the essentially inter-industry nature of trade between the region and China, in which China's exports consist mainly of manufactured goods and those of Latin America and the Caribbean consist mainly of raw materials. This complicates the development of Chinese-Latin American business alliances, as well as the pursuit of a more effective integration of the countries of the region in Asia-Pacific's production chains, which are increasingly intra-industry in character.

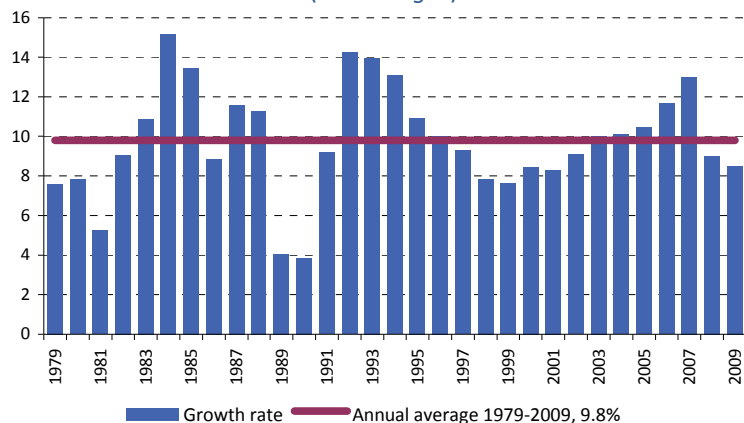
China represents a source of enormous opportunities for the region. Fully taking advantage of them will mean making progress in export diversification through a deliberate and sustained effort to incorporate more value into exports. An additional challenge of the utmost importance is to ensure higher levels of Chinese FDI in the region, especially FDI that contributes to improving infrastructure, promoting export diversification and boosting Chinese-Latin American business alliances. To achieve all this, the region as a whole needs to move ahead with a strategic approach towards China that overcomes the limitations typical of the national efforts that have prevailed so far.

For a number of years, ECLAC has been following and supporting the work under way in various forums to strengthen economic relations between Latin America and the Caribbean and the Asia-Pacific region, especially China. The Commission has participated in all three meetings of the China-Latin America Business Summit, as well as in the four ministerial meetings of the Forum of Ministers of the Latin American Pacific Basin Initiative, among others. This publication is part of this ongoing effort to foster links between Latin America and the Caribbean and the world's most dynamic region, Asia-Pacific.¹

¹ In this regard the following publications, inter alia, are especially noteworthy: "The Latin American Pacific Basin initiative and the Asia-Pacific region" (September 2008), "Economic and trade relations between Latin America and Asia-Pacific: the link with China" (October 2008), "Opportunities for trade and investment between Latin America and Asia - Pacific. The link with APEC" (November 2008), and "The Latin American Pacific Basin initiative after the crisis. Challenges and proposals" (November 2009). All are available [online] <http://www.cepal.org/comercio/>

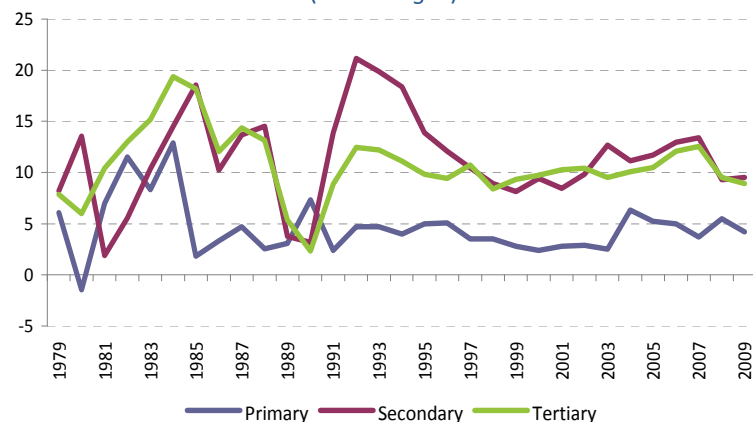
Along with India, China is one of the few large economies that grew during the crisis

Figure 1
CHINA: ANNUAL GDP GROWTH, 1979-2009
(Percentages)



Source: National Bureau of Statistics of China.

Figure 2
CHINA: ANNUAL GDP GROWTH BY MAIN SECTOR, 1979-2009
(Percentages)



Source: National Bureau of Statistics of China.

In the past 30 years, China has on average posted close to double-digit annual growth rates. This sustained growth has been led by manufacturing, construction and services.

With GDP expansion at 9.1% and 10.7% in the third and fourth quarters of 2009, the Chinese economy grew by 8.7% in 2009, while the United States and the European Union economies sank into recession. Growth was mainly driven by infrastructure investments linked to the stimulus package, which were able to offset the sharp drop in exports.

The annual growth rate in China is projected to be between 8% and 9% for the next five years. Thus, this country will continue to be the main driver of global growth and will create a market with great potential for Latin American and Caribbean exports.

There are fears that the combination of fiscal, monetary and credit stimuli might lead to the emergence of stock market and real estate bubbles or an accumulation of debt that will be difficult to recover for the banking system. The Chinese authorities are aware of these risks, and their economic policy decisions will have to calibrate the necessary adjustments to prevent that scenario.

During the past decade, China's most dynamic trading partner was Latin America and the Caribbean

Merchandise trade between China and the region has been the most dynamic, both in exports and imports, during the first decade of this century. In fact, during the period 2005-2009 the growth rates of Chinese exports to Latin America and the Caribbean and its imports from this region doubled those of its total exports and imports.

The share of Latin America and the Caribbean in Chinese trade thus continues to increase, reaching 6% of both Chinese exports and imports. In other words, this share is growing, but from a level that is still low.

The great importance of China in world trade and the current low level of trade flows between this country and the region represent both challenges and opportunities for the economies of Latin America and the Caribbean.

Table 1

CHINA: AVERAGE ANNUAL TRADE GROWTH, BY KEY REGIONAL PARTNER, 1990-2009 (Percentages)

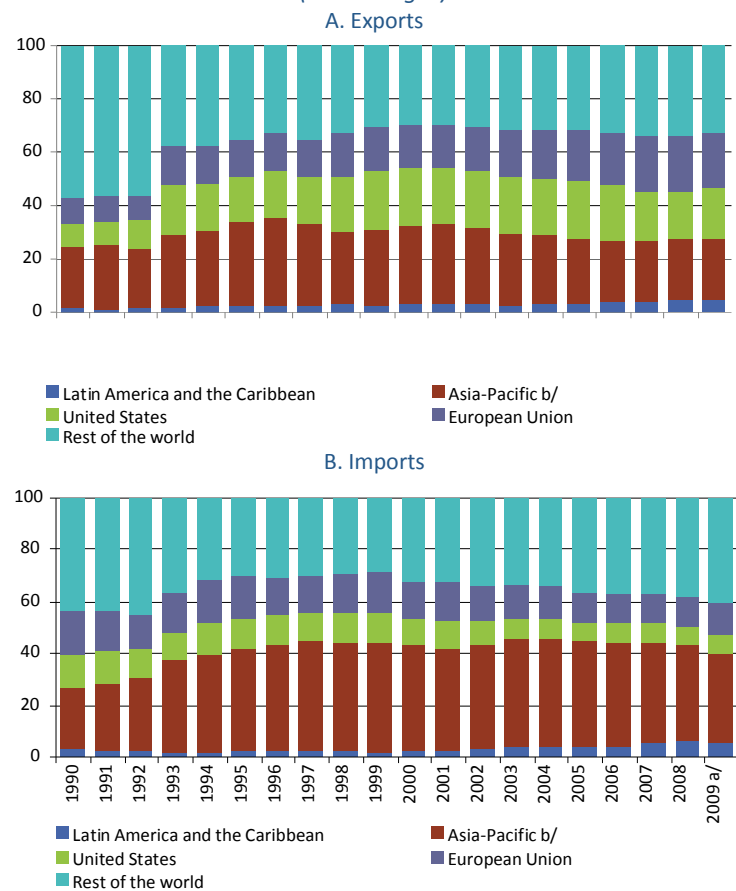
Trade Partners	Exports			
	1990-1995	1995-2000	2000-2005	2005-2009 a/
Regions				
Latin America and the Caribbean	32.2	17.8	26.8	26.1
Asia-Pacific b/	26.5	9.3	20.3	11.6
United States	36.7	16.1	25.6	10.2
European Union	26.3	15.0	28.8	14.9
Rest of the world	8.6	7.1	26.6	14.3
World	19.1	10.9	25.0	13.4
	Imports			
Latin America and the Caribbean	14.5	12.7	37.6	22.8
Asia-Pacific b/	32.4	12.2	23.9	7.1
United States	19.7	6.8	16.8	10.2
European Union	18.2	7.6	18.8	14.4
Rest of the world	11.2	13.4	26.8	14.5
World	19.9	11.3	24.0	11.7

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

a/ DOTS data for January to November and estimates based on moving averages for December.

b/ Includes the Association of Southeast Asian Nations (ASEAN), Australia, Japan, New Zealand and Republic of Korea.

Figure 3
CHINA: PARTICIPATION IN TRADE OF ITS MAIN REGIONAL PARTNERS (Percentages)



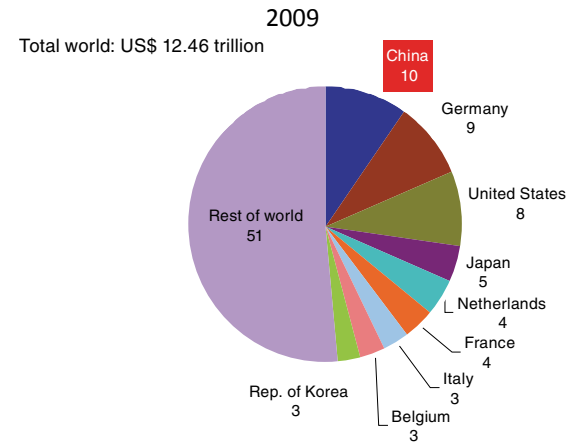
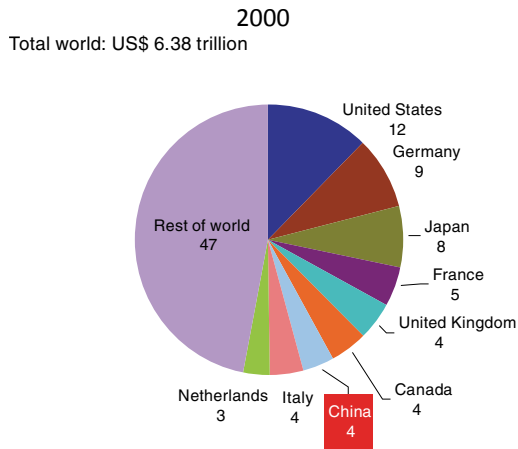
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE) and IMF Direction of Trade Statistics (DOTS).

a/ DOTS data for January to November and estimates based on moving averages for December.

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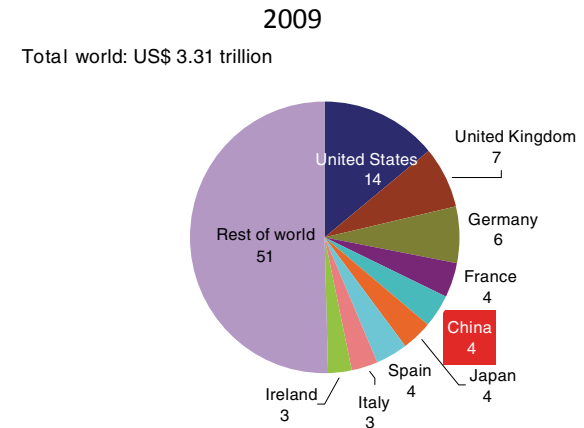
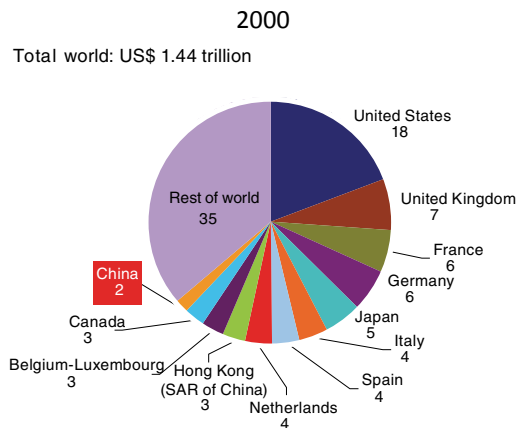
During the past decade, China has become the world's largest exporter of goods, surpassing Germany, while in services it is positioned as the fifth largest exporter

Figure 4
LEADING WORLD MERCHANDISE EXPORTERS
(Percentages)



Source: World Trade Organization (WTO).

Figure 5
LEADING WORLD SERVICE EXPORTERS
(Percentages)



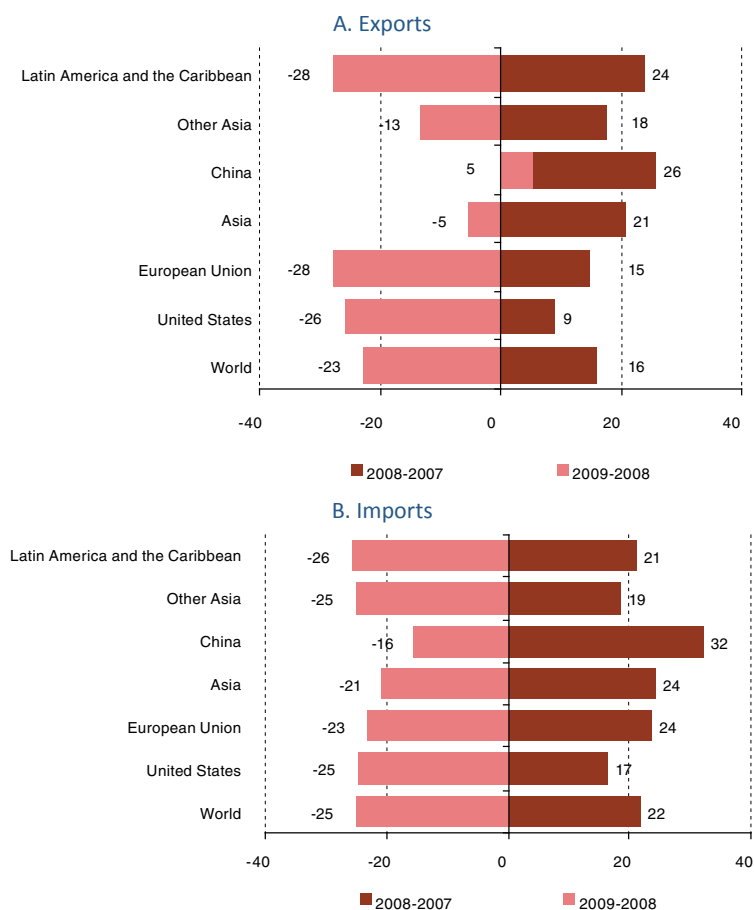
Source: World Trade Organization (WTO).

Exports from Latin America and the Caribbean to all destinations contracted in 2009, except to China, where they increased, even during the crisis

Figure 6

LATIN AMERICA AND THE CARIBBEAN: VARIATION IN THE VALUE OF MERCHANDISE TRADE, BY MAIN DESTINATION, 2008-2007 VS. 2009-2008

(Percentages)



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

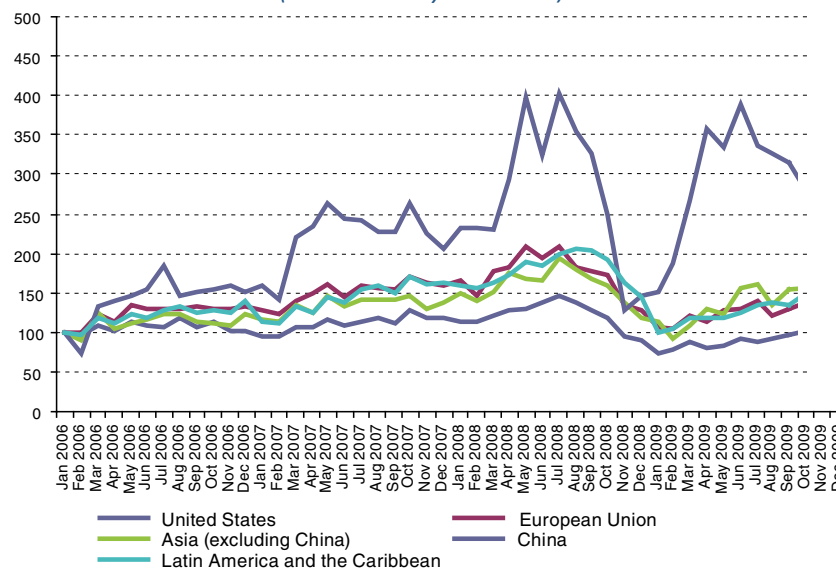
While in 2009 exports to the United States and the European Union fell by 26% and 28%, respectively, those to Asia fell by only 5%, while those to China increased by 5%.

These data confirm the growing importance of China as a destination for the exports of Latin America and the Caribbean.

Figure 7

LATIN AMERICA AND THE CARIBBEAN: VARIATION IN THE VALUE OF MERCHANDISE EXPORTS, BY MAIN DESTINATION, MARCH 2006 TO DECEMBER 2009

(Index: January 2006=100)

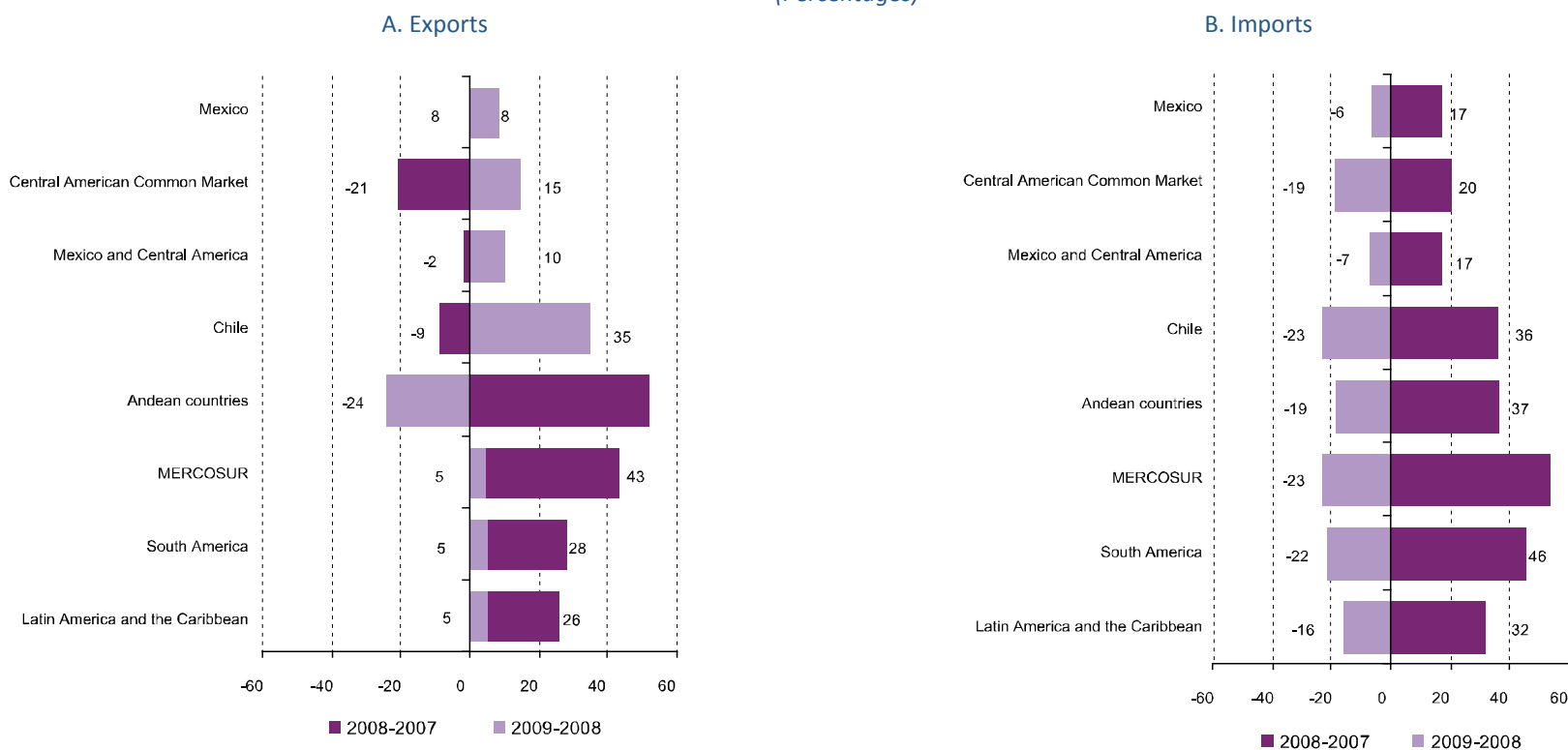


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries.

China's economic dynamism has come to the rescue of the region's exports

Figure 8

LATIN AMERICA AND THE CARIBBEAN: VARIATION IN THE VALUE OF MERCHANDISE TRADE FLOWS TO AND FROM CHINA, 2008-2007 VS. 2009-2008 (Percentages)



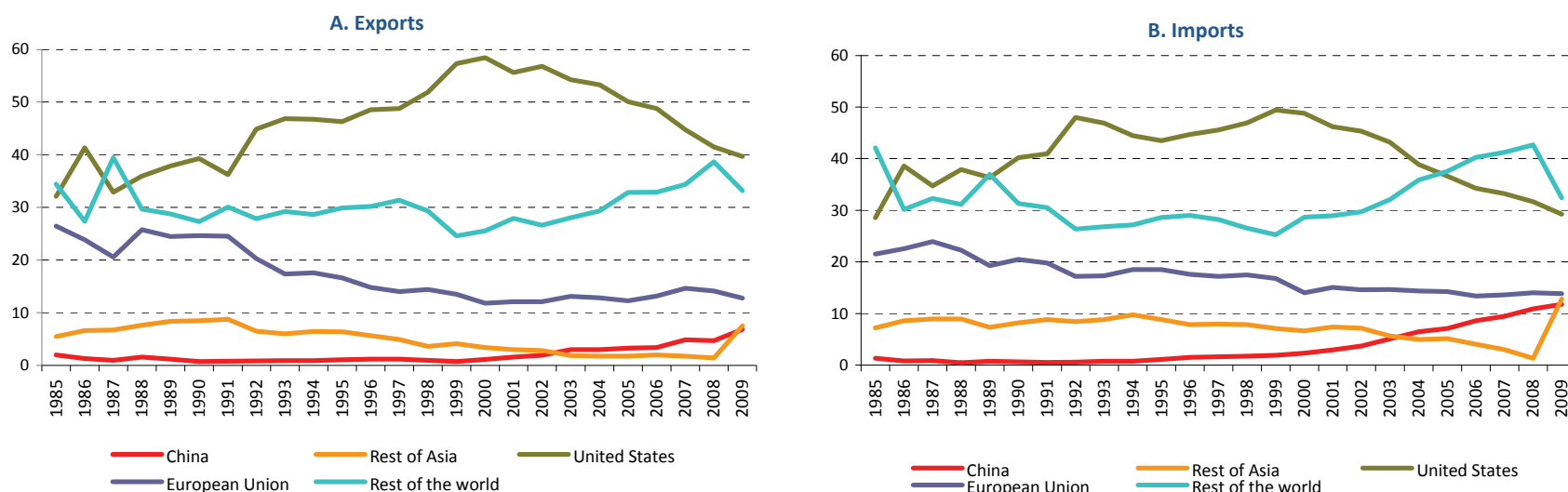
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the countries.

2009 figures indicate that it is mainly Chinese imports —composed of primary commodities as well as manufactures— that have been propping up the region's trade with that country.

Regional imports from China fell by 16%. By country and sub-region, Mexico was the least affected, while imports from China to the South American countries suffered a significant drop in 2009 compared with the previous year.

Asia-Pacific countries, China in particular, have become key trading partners for Latin America and the Caribbean, especially with regard to imports

Figure 9
LATIN AMERICA AND THE CARIBBEAN: PARTICIPATION OF THE UNITED STATES, THE EUROPEAN UNION (27)
AND ASIA-PACIFIC IN THE REGION'S TOTAL EXPORTS
(Percentages)



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

China and Asia-Pacific stand out as the main destinations to have increased their share in the exports of Latin America and the Caribbean over the decade. In 2009, exports to Asia-Pacific and China in particular accounted for 15% and 7% of the total exports of the region, respectively, while the United States' share was 40% and that of the European Union (27 countries) was 14%.

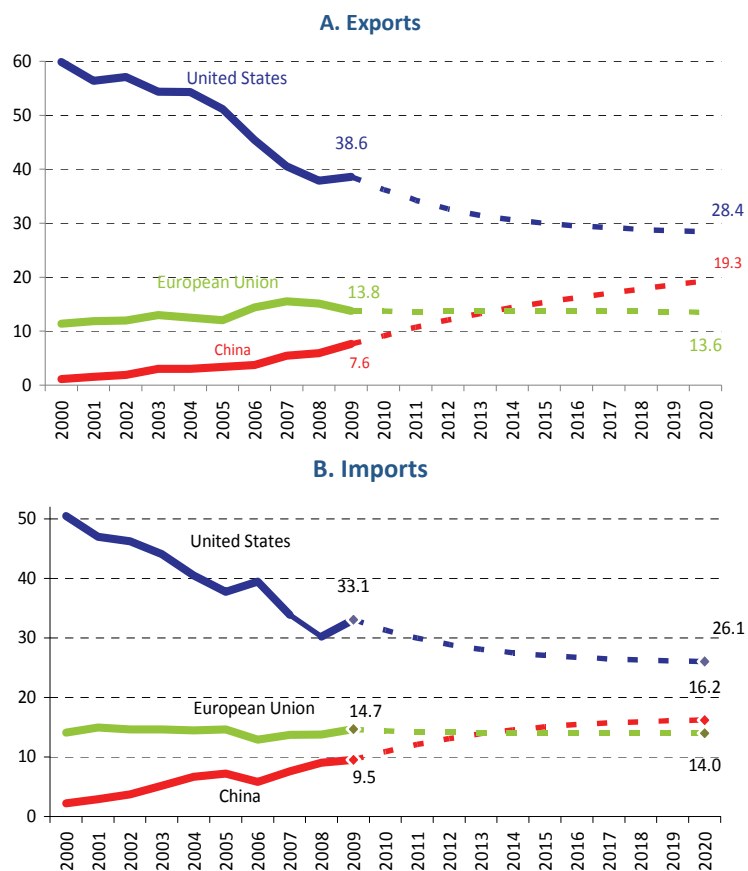
The relevance of Asia-Pacific (including China) as a trading partner is much higher for imports than for exports, which has generated a growing trade deficit with that region. The projection indicates that China will tend to displace the European Union as the second largest supplier of imports to Latin America and the Caribbean.

In this trade dynamic, China plays an increasingly important role in both exports and imports, rapidly overtaking Japan as a trading partner in Asia-Pacific in the current decade.

China could displace the European Union as the second largest trading partner of the region in the middle of the next decade

Figure 10

LATIN AMERICA AND THE CARIBBEAN (16 COUNTRIES): SHARE OF THE MAIN DESTINATIONS IN TOTAL EXPORTS, 2000-2020 a/
(Percentages)



The 2020 projections suggest that China will significantly increase its relative position as a destination for regional exports.

At the current rate of growth in demand for the region's products in the United States, the European Union and the rest of the world, and assuming demand in China grows at only half the pace recorded this decade, China will overtake the European Union in 2014, becoming the second largest market for the region's exports.

In the case of imports, a similar pattern is expected and China is projected to surpass the European Union as a source of imports in 2015. This trend could be slowed, however, by the dynamics of the bilateral trade generated by the Partnership Agreements of the European Union with Central America, the Caribbean, the Andean Community, and possibly MERCOSUR.

Increases in imports from China would mainly occur in capital goods, especially electronics, components and parts, and machinery and equipment, as well as textiles and apparel. These are Chinese products that already have a strong presence in the region.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE) and national sources.
a/ The 16 countries are: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Estimates and projections based on GDP growth rates for the years 2000-2009 in Asia-Pacific, China, the European Union, Latin America and the Caribbean, the United States and the rest of the world. The growth rate of trade is expected to converge with the economies' long-term growth rate.

Despite the undeniable importance of China as a trading partner, some countries in the region still maintain relatively weak trade relations

Table 2
LATIN AMERICA AND THE CARIBBEAN: EXPORTS, BY MAIN DESTINATION, 2000 AND 2009
(Percentages of total exports)

	China		Asia-Pacific		United States		EU-27		Latin America and the Caribbean	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
South America										
Argentina	3.0	6.6	9.4	15.3	12.0	6.2	18.0	18.6	48.1	42.2
Bolivia (Plurinational State of)	0.4	2.5	1.4	18.5	24.0	7.7	17.3	9.1	44.2	59.9
Brazil	2.0	13.2	10.3	26.1	24.3	10.2	28.0	22.2	24.8	20.1
Chile	5.0	23.2	26.1	46.1	16.5	11.3	25.2	19.6	21.9	19.1
Colombia	0.2	2.9	2.6	6.0	50.4	39.7	13.9	14.2	28.9	24.6
Ecuador	1.2	0.9	10.9	2.6	37.9	33.5	12.9	15.0	31.5	42.6
Paraguay	0.7	1.1	2.0	1.1	3.9	1.8	13.6	16.0	74.5	75.1
Peru	6.4	15.4	16.9	26.9	28.0	16.3	22.0	15.6	18.1	14.9
Uruguay	4.0	4.3	8.3	8.5	8.3	3.3	16.3	15.1	54.2	39.9
Venezuela (Bolivarian Republic of)	0.1	2.9	1.9	7.6	59.6	48.8	5.8	9.4	19.6	10.4
Central America										
Costa Rica	0.2	8.8	5.5	17.7	52.0	35.8	22.1	17.4	19.0	27.3
El Salvador	0.0	0.1	0.4	2.8	65.5	46.6	5.7	5.8	27.8	43.5
Guatemala	0.1	0.4	3.6	3.2	44.0	42.5	10.9	5.5	35.6	40.1
Honduras	0.0	1.5	1.6	4.7	79.3	40.7	4.5	23.0	6.0	29.8
Mexico	0.2	0.6	1.4	2.4	88.2	87.6	3.5	3.8	3.6	3.2
Nicaragua	0.0	-	0.8	2.5	57.2	29.5	16.4	13.3	23.4	68.1
Panama	0.2	2.5	2.0	8.2	45.9	42.6	21.7	24.4	23.2	19.5
Caribbean										
Bahamas	0.0	0.0	2.4	24.6	48.3	33.7	29.8	24.7	1.5	10.5
Barbados	-	0.4	0.7	1.1	13.5	7.5	18.5	12.4	16.2	75.8
Belize	-	0.0	0.8	7.0	45.0	30.3	27.8	37.3	30.6	12.2
Cuba	4.8	26.4	9.8	29.9	-	-	38.5	20.9	10.5	19.1
Dominican Republic	-	2.0	1.4	4.3	91.1	61.9	6.3	10.4	4.2	20.7
Dominica	-	0.7	0.0	30.1	10.9	1.8	56.9	26.3	28.8	37.9
Grenada	-	0.0	3.1	0.7	7.4	12.9	56.2	7.8	24.4	74.1
Guyana	-	1.0	6.6	3.9	20.5	15.6	48.5	25.1	10.3	18.6
Haiti	-	0.7	1.2	2.5	83.0	78.7	12.5	3.7	6.5	9.6
Jamaica	0.0	1.1	1.0	5.5	28.4	38.2	31.8	21.1	5.1	9.1
Saint Kitts and Nevis	-	0.0	3.3	0.5	61.3	62.7	34.2	4.5	3.8	13.1
Saint Lucia	-	0.0	0.1	21.3	16.6	9.3	68.9	46.0	8.7	22.1
Saint Vincent and the Grenadines	-	0.4	0.0	5.7	10.6	0.5	54.6	74.9	34.0	17.2
Suriname	-	0.5	6.2	1.2	11.8	9.9	38.3	24.2	6.3	9.3
Trinidad and Tobago	0.1	0.7	1.4	4.4	53.9	36.3	9.0	18.2	18.0	36.9
Latin America and the Caribbean	1.0	6.9	5.0	14.6	59.7	40.1	11.1	13.9	16.3	17.7

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

a/ Maquila exports are included in the total trade between the Caribbean countries and the United States. 2000 data is based on COMTRADE. 2009 data is based on official figures. Data for the Caribbean is from DOTs (with the exception of the Dominican Republic) and do not include December 2009.

- Increase in the destination's relative share in total exports.
- Decrease in the destination's relative share in total exports.

The importance of China as an export market varies significantly among countries in Latin America and the Caribbean.

Since the beginning of this decade, China has become a key export market for MERCOSUR countries, with the exception of Paraguay.

China has been a relatively unexploited market for Central American countries, except Costa Rica.

In Mexico the relative importance of China is still low: in 2009, China absorbed only 0.6% of its total exports.

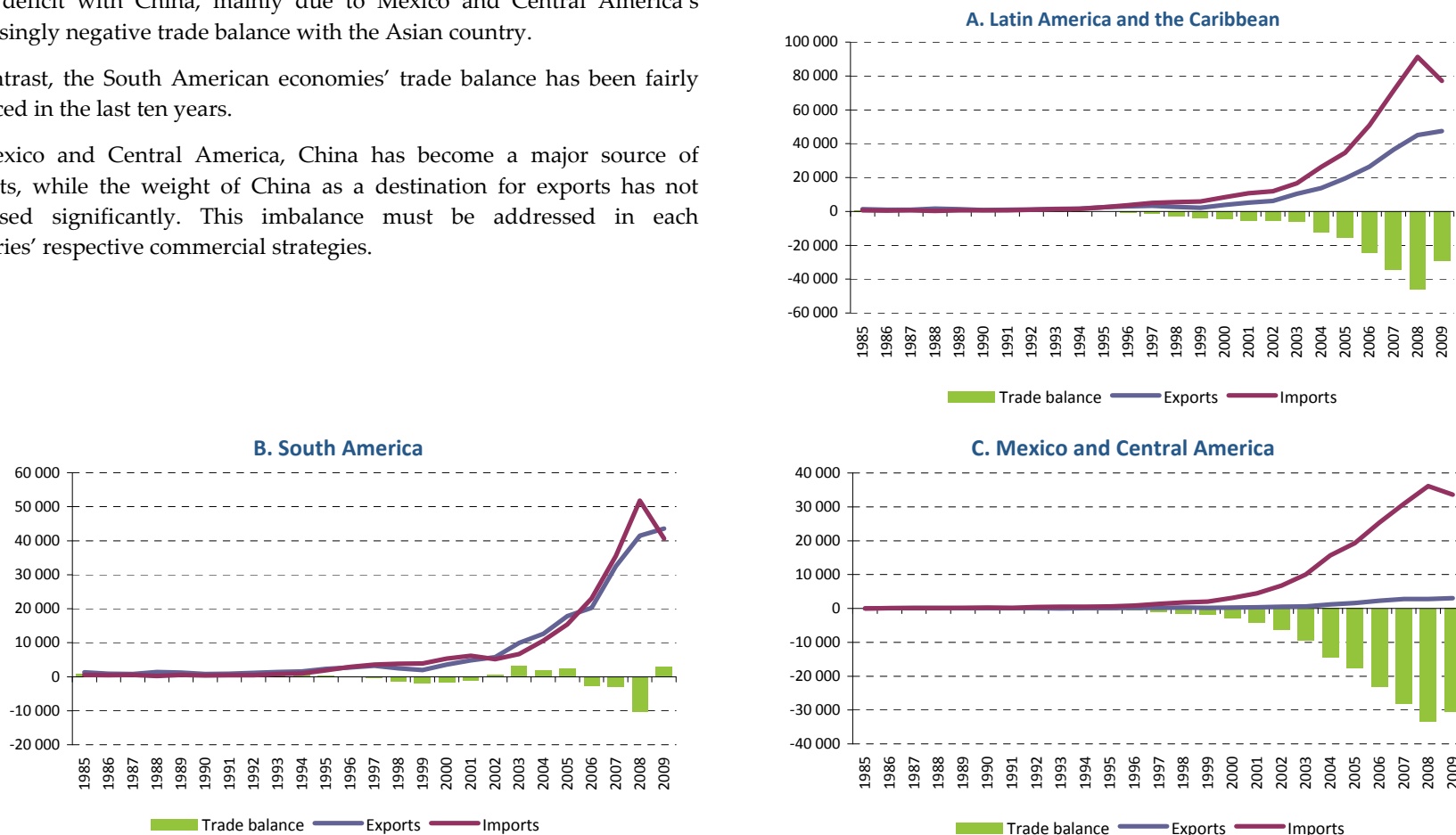
The Latin American and Caribbean region as a whole maintains a deficit in its trade balance with China owing to the expanding trade deficit of Mexico and Central America

During this decade, Latin America and the Caribbean as a whole recorded a trade deficit with China, mainly due to Mexico and Central America's increasingly negative trade balance with the Asian country.

In contrast, the South American economies' trade balance has been fairly balanced in the last ten years.

In Mexico and Central America, China has become a major source of imports, while the weight of China as a destination for exports has not increased significantly. This imbalance must be addressed in each country's respective commercial strategies.

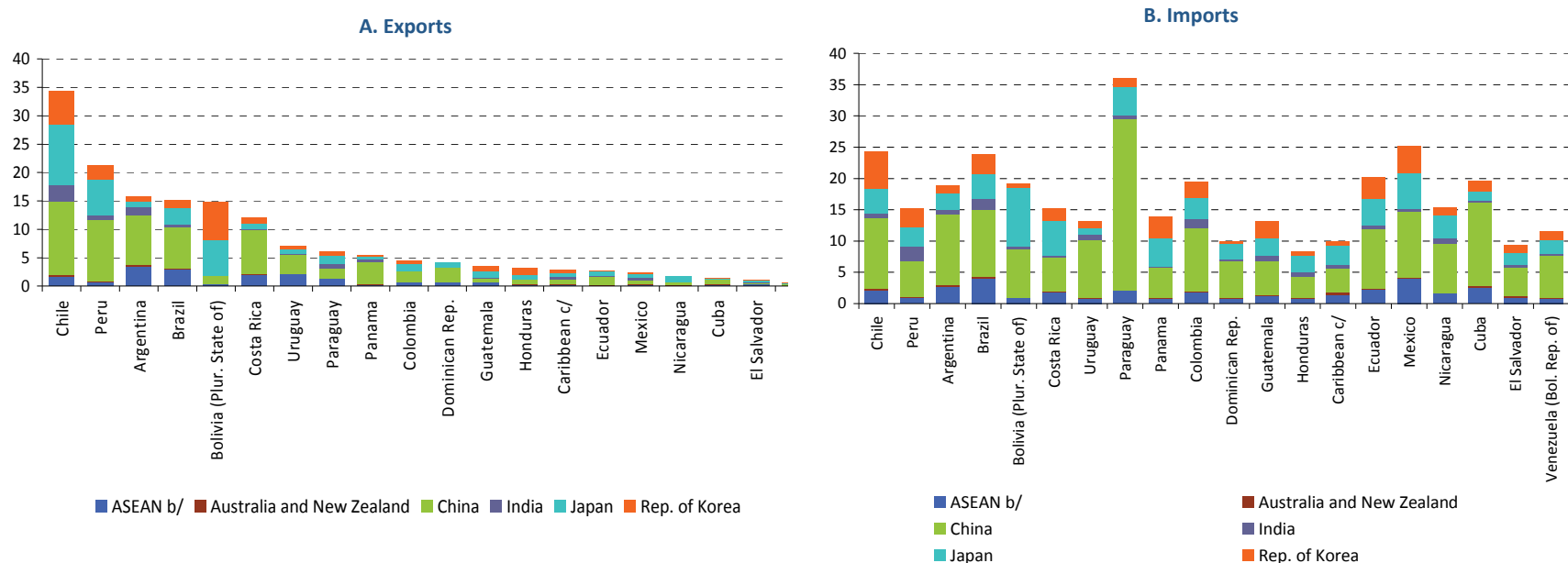
Figure 11
EXPORTS, IMPORTS AND TRADE BALANCE WITH CHINA
(Millions of dollars)



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

China is already a key export market for some countries in the region, and for most it is even more important as a source of imports

Figure 12
LATIN AMERICA AND THE CARIBBEAN: AVERAGE SHARE OF SELECTED ASIA-PACIFIC COUNTRIES AND REGIONS
IN TOTAL EXPORTS AND IMPORTS, 2006-2008 a/
(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/ For the years for which data is available on each country.

b/ Includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

c/ Includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname and Trinidad and Tobago.

Some countries in the region depend heavily on China as a trading partner, particularly with regard to exports. Chile shows the closest relationship (13% of its exports are destined for China), followed by Peru (11%), Argentina (9%), Costa Rica (7%) and Brazil (7%). In the case of Ecuador, Mexico and Nicaragua, this value is very low.

In terms of imports, Paraguay is the most dependent on Chinese products (27% of its imports come from China), followed by Chile (11%), Argentina (11%), Brazil, Mexico and Colombia (10%).

In a very short time, the importance of China as a trading partner has increased significantly for many Latin American countries

Table 3
LATIN AMERICA: CHINA'S RANK AS A TRADING PARTNER FOR SELECTED COUNTRIES, 2000 AND 2008 a/ b/

Country	Exports		Imports	
	2000	2008	2000	2008
Argentina	6	2	4	3
Bolivia (Plurinational State of)	12	10	8	6
Brazil	12	1	11	2
Chile	5	1	4	2
Colombia	35	4	15	2
Costa Rica	26	2	16	3
Ecuador	13	9	10	2
El Salvador	35	16	18	5
Guatemala	30	18	15	4
Honduras	35	11	18	7
Mexico	25	5	6	3
Nicaragua	19	14	18	4
Panama	22	4	17	4
Paraguay	11	9	4	1
Peru	4	2	13	2
Uruguay	5	8	6	3
Venezuela (Bolivarian Republic of)	37	3	18	3

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

a/ For Honduras and Nicaragua, data is for 2007.

b/ The countries of the European Union are considered as a single destination.

In a relatively short period, China has become an important trading partner for most Latin American countries. This represents a major structural change in the region's foreign trade matrix and has happened over a very brief period of time.

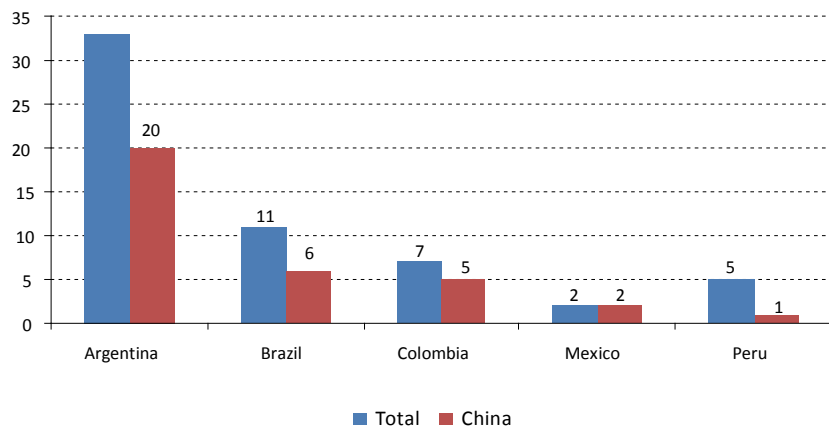
As an export destination, China increased its share in all 17 of the selected countries and was one of the five main destinations in 9 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Colombia, Costa Rica, Chile, Mexico, Panama and Peru.

As a source of imports, China raised its ranking in almost all the countries considered and became one of the top five sources for 15 of the 17 countries for which data is available (only Honduras and the Plurinational State of Bolivia are exceptions to this trend).

Since late 2008, imports originating from China have been the subject of numerous anti-dumping investigations in the region

Figure 13

LATIN AMERICA AND THE CARIBBEAN: ANTIDUMPING INVESTIGATIONS INITIATED, TOTAL NUMBER AND NUMBER INVOLVING CHINESE PRODUCTS, FOURTH QUARTER 2008 TO FOURTH QUARTER 2009



Since the start of the recent global economic crisis, imports from China have frequently been subject to antidumping investigations around the world and in Latin America and the Caribbean as well.

In most countries, China alone accounts for over half the new investigations initiated. This proportion stands at 60% for the region as a whole, with 58 cases recorded between the fourth quarter of 2008 and the fourth quarter of 2009. Most of these have arisen in Argentina and Brazil.

The main goods involved are iron and steel products, textiles, footwear, household appliances and tyres.

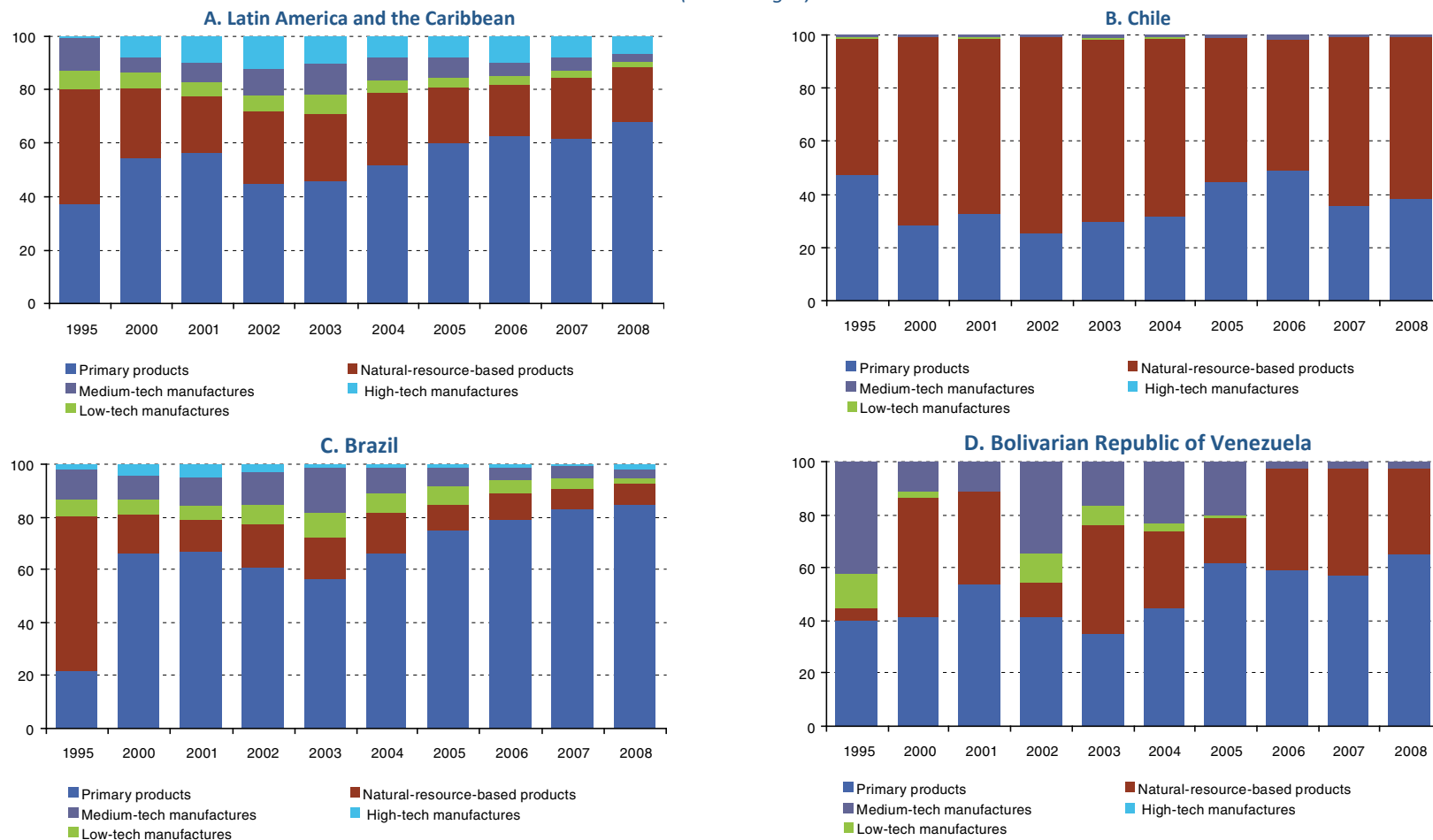
Source: Chad P. Bown, "Global Antidumping Database", version 6.0, March [online] www.brandeis.edu/~cbown/global_ad/.

The basket of goods that the region exports to China consists mainly of raw materials and products based on the processing of raw materials. It varies significantly, however, among the three countries that President Hu Jintao plans to visit on this tour

Figure 14

LATIN AMERICA AND THE CARIBBEAN AND SELECTED COUNTRIES: EXPORTS TO CHINA, BY TECHNOLOGICAL CONTENT, 1995-2008

(Percentages)



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

In addition, specialization in primary products varies greatly, and in the cases of Costa Rica, El Salvador and Mexico, some high-tech manufactures are emerging

Table 4
LATIN AMERICA AND THE CARIBBEAN: FIVE MAIN PRODUCTS EXPORTED TO CHINA, BY COUNTRY, AVERAGES FOR 2006-2008 a/
(Percentages)

Country	5- product	First	Second	Third	Fourth	Fifth
	Total	product	product	product	product	product
Argentina	93%	Soya beans (55%)	Soya bean oil (24%)	Crude Oil (10%)	Leather (3%)	Poultry offal (2%)
Bolivia (Plurinational State of)	82%	Tin ores (27%)	Unwrought tin (19%)	Crude Oil (17%)	Wood (12%)	Ores, non-ferrous (7%)
Brazil	81%	Iron Ore (44%)	Soya beans (23%)	Crude Oil (6%)	Iron ore agglomerates (5%)	Chemical wood pulp (3%)
Chile	93%	Copper (50%)	Copper ores & concentr. (31%)	Chemical wood pulp (6%)	Iron Ore (3%)	Meat offal (2%)
Colombia	97%	Crude Oil (50%)	Other ferro- alloys (40%)	Non-ferrous metal waste (5%)	Leather (3%)	Lactams (0.5%)
Costa Rica	99%	Integrated Circuits (96%)	Piezoelectric crystals (1%)	Semiconductors (1%)	Electrical Resistors (0.3%)	Electr. switch apparatus (0.2%)
Cuba	100%	Nickel mattes (71%)	Unrefined Sugar (20%)	Ores, non-ferrous (7%)	Crude Oil (1%)	Non-ferrous metal waste (1%)
Ecuador	98%	Crude Oil (94%)	Non-ferrous metal waste (3%)	Wood (1%)	Smallwares & toilet articles (0.5%)	Meat offal (0.5%)
El Salvador	96%	Electrical capacitors (54%)	Non-ferrous metal waste (38%)	T-shirts (2%)	Coated textiles (1%)	Desperdicios plásticos (1%)
Guatemala	94%	Unrefined Sugar (42%)	Crude Oil (23%)	Zinc ores & concentr. (14%)	Non-ferrous metal waste (8%)	Desperdicios plásticos (6%)
Honduras	92%	Zinc ores & concentr. (34%)	Non-ferrous metal waste (33%)	Lead ores & concentr. (10%)	Desperdicios plásticos (8%)	T-shirts (7%)
Mexico	37%	Integrated Circuits (13%)	Copper ores & concentr. (8%)	Machine parts & access. (7%)	Electrical capacitors (5%)	Semiconductors (5%)
Nicaragua	85%	Non-ferrous metal waste (41%)	Desperdicios plásticos (19%)	Aquatic invertebrates (9%)	T-shirts (8%)	Leather (7%)
Caribbean Countries b/	89%	Alumina (65%)	Wood (9%)	Non-ferrous metal waste (7%)	Crude minerals (4%)	Ships & vessels (4%)
Panama	78%	Ships & vessels (39%)	Leather (16%)	Meat offal (13%)	Frozen fish (6%)	Desperdicios plásticos (4%)
Paraguay	81%	Cotton (31%)	Wood (26%)	Leather (24%)	Desperdicios plásticos (7%)	Non-ferrous metal waste (5%)
Peru	83%	Copper ores & concentr. (39%)	Meat offal (16%)	Crude Oil (10%)	Lead ores & concentr. (9%)	Iron ore & concentr. (8%)
Dominican Rep.	87%	Other ferro- alloys (68%)	Non-ferrous metal waste (11%)	Electric machinery & parts (8%)	Machine parts & access. (2%)	Electr. switch apparatus (2%)
Uruguay	81%	Soya beans (46%)	Chemical wood pulp (13%)	Wool (9%)	Greasy wool (8%)	Leather (5%)
Venezuela (Bolivarian Republic of)	64%	Crude Oil (51%)	Iron Ore (9%)	Iron or steel granules (2%)	Crude minerals (1%)	Artificial fibres (0.5%)

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

a/ On the basis of the data available for each country.

b/ Includes Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname and Trinidad and Tobago. Product classification based on SITC revision 3 at the 4-digit level.

Although Latin America and the Caribbean as a whole is an important destination for Chinese FDI, this is largely concentrated in tax havens

By the end of 2009, about 17% of non-financial Chinese FDI had been directed to the economies of Latin America and the Caribbean. The stock of FDI in the region amounted to US\$ 41 billion.

However, over 95% of this wealth is concentrated in just two economies, the Cayman Islands and the British Virgin Islands.

Recently, a growing number of large Chinese public companies operating in the natural resources and manufacturing sectors have invested in the region, but the size of these investments and the scope of the activities of these companies is still quite limited.

Table 5
LATIN AMERICA AND THE CARIBBEAN: CHINESE FDI, BY COUNTRY, 2008-2009
(Millions of dollars and percentages in total inflows)

Country/region	Stock of Chinese FDI, end-December 2008	Outward Chinese FDI in 2009	Stock of Chinese FDI, end-2009 (estimated)	Share of regional stock end-2009
Total to world	184 000	43 300	220 000	
Latin America and the Caribbean	32 240	8 939	41 179	100.0
Cayman Islands	20 327	7 354	27 682	67.2
British Virgin Islands	10 477	1 330	11 807	28.7
Brazil	217	72	289	0.7
Peru	194	85	279	0.7
Argentina	173	39	213	0.5
Venezuela (Bolivarian Republic of)	156	20	176	0.4
Mexico	173	2	175	0.4
Ecuador	89	1	90	0.2
Panama	67	10	77	0.2
Cuba	72	0	72	0.2
Guyana	70	0	70	0.2
Suriname	68	0	68	0.2
Chile	58	5	63	0.2
Bolivia (Plurinational State of)	29	5	34	0.1
Saint Vincent and the Grenadines	32	0	32	0.1
Paraguay	5	15	20	0.0
Colombia	14	1	15	0.0
Granada	8	0	8	0.0
Barbados	3	0	3	0.0
Jamaica	2	0	2	0.0
Uruguay	2	0	2	0.0
Antigua and Barbuda	1	0	1	0.0
Trinidad and Tobago	1	0	1	0.0
Dominica	1	0	1	0.0
Bahamas	1	0	1	0.0
Belize	0	0	0	0.0
Dominican Republic	0	0	0	0.0
Honduras	0	0	0	0.0

Source: Ministry of Commerce of the People's Republic of China (MOFCOM), April 2010.

However, in addition to targeting the natural resource sectors, Chinese FDI in the region has diversified into manufacturing and services. China has made its way in Latin America with investments totalling an estimated US\$ 24 billion in 2003-2009

Table 6
LATIN AMERICAN AND THE CARIBBEAN: SELECTED CHINESE INVESTMENTS, BY COUNTRY AND SECTOR
(Millions of dollars and number of jobs)

	Sector	Investment (estimated)		Employment (estimated)		
		2003-2008	2009	2003-2008	2009	
Argentina	Automotive OEM, manufacturing, retail	519	0	2 142	0	
	Non-automotive transport OEM, manufacturing					
Bolivia (Plurinational State of)	Metals, sales, marketing and support	2	0	13	0	
	Automotive OEM, headquarters, manufacturing, retail					
	Business machines and equipment, manufacturing					
	Business services, business services					
	Coal, oil and natural gas, extraction					
	Communications, education, manufacturing, sales, marketing and support					
	Consumer products, manufacturing					
Brazil	Financial services, business services	8 548	5 136	27 695	7 352	
	Food and tobacco, sales, marketing and support					
	Industrial machinery, equipment and tools, manufacturing					
	Metals, extraction and manufacturing					
	Non-automotive transport OEM, manufacturing					
	Paper, printing and packaging, manufacturing					
	Transportation, logistics, distribution and transportation					
Chile	Financial services, business services	37	0	81	0	
	Industrial machinery, equipment and tools, manufacturing					
	Automotive OEM, manufacturing					
Colombia	Communications, education and training	242	4	1 231	20	
	Wood products, manufacturing					
Costa Rica	Coal, oil and natural gas, manufacturing	285	1 000	171	224	
Cuba	Consumer electronics, manufacturing	0	52	0	694	
Ecuador	Coal, oil and natural gas, extraction, sales, marketing and support	199	0	319	0	
	Real estate, sales, marketing and support					
Guyana	Metals, manufacturing	1 000	0	3 000	0	
	Automotive OEM, manufacturing					
	Business machines and equipment, manufacturing					
	Communications, education and training, research and development					
Mexico	Consumer electronics, manufacturing	1 079	48	5 842	175	
	Industrial machinery, equipment and tools, sales, marketing and support					
	Metals, extraction and manufacturing					
	Paper, printing and packaging, manufacturing					
Panama	Business services	0	3	0	20	
Peru	Industrial machinery, equipment and tools, recycling	4 555	279	6 391	304	
	Metals, extraction, sales, marketing and support					
Uruguay	Automotive OEM, manufacturing	100	0	550	0	
	Business machines and equipment, manufacturing					
	Coal, oil and natural gas, extraction					
Venezuela (Bolivarian Republic of)	Communications, ICT and internet infrastructure, manufacturing	715	31	1 241	44	
	Financial services, business services					
	Metals, extraction					
Grand total		2003-2009	17 281	6 552	48 676	8 833

Source: Division of Production, Productivity and Management (DPPM) of The Financial Times, on the basis of FDI markets.

The increasing number of official visits by Chinese heads of State to Latin America and the Caribbean reflects an agenda of mutual interests which seems to be progressing

Table 7
NUMBER OF PRESIDENTIAL VISITS BETWEEN CHINA AND LATIN AMERICA
AND THE CARIBBEAN

Date and President	China to Latin America and the Caribbean	Latin America and the Caribbean to China
2001 Jiang Zemin	Chile, Argentina, Uruguay, Brazil, Bolivarian Republic of Venezuela, Cuba	Peru, Chile, Mexico, Bolivarian Republic of Venezuela
2002 Jiang Zemin	Mexico (non-official visit) a/	Ecuador, Uruguay
2003 Jiang Zemin		Ecuador, Cuba, Guyana
2004 Hu Jintao	Chile, Brazil, Argentina, Cuba	Argentina, Brazil, Bolivarian Republic of Venezuela, Suriname
2005 Hu Jintao	Mexico	Peru, Colombia
2006 Hu Jintao		Bolivarian Republic of Venezuela, Plurinational State of Bolivia
2007 Hu Jintao		Costa Rica
2008 Hu Jintao	Peru, Costa Rica, Cuba	Peru, Chile, Mexico, Brazil, Bolivarian Republic of Venezuela
2009 Hu Jintao		Chile, Brazil, Bolivarian Republic of Venezuela, Uruguay
2010 (April) Hu Jintao	Brazil, Bolivarian Republic of Venezuela, Chile d/	Peru b/, Argentina c/

Source: Government of the People's Republic of China [online] <http://english.gov.cn>.

a/ President Jiang visited Mexico in 2002 only to attend an APEC meeting.

b/ Visit cancelled due to the earthquake in Qinghai, China, on 14 April 2010.

c/ President Alan García postponed his official visit to China scheduled at the end of April 2010.

d/ The President of Argentina cancelled an official visit to China in January 2010.

The official visits of heads of State from China have been constant over time and clearly reflect the convergence of interests between China and the region in an agenda of mutual benefit.

President George W. Bush, meanwhile, made three trips to the region during his eight-year term, in addition to participating in the APEC summits in Chile, Mexico and Peru. These trips, which covered a total of 10 countries in the region, included two visits each to Brazil and Mexico.

For their part, several Latin American Presidents made official visits to the United States between 2001 and 2009, notably Chile (four), Brazil (three), Mexico (two), and Peru (two).

Official visits by heads of State between Europe and Latin America have been less frequent and basically correspond to trips covering several European countries made by Latin American Presidents.

Conclusions and recommendations

China is emerging from the crisis with a more substantial productive, technological and financial base and with stronger links to Asia-Pacific. Its remarkable growth in the midst of a very complex international environment and its closer ties with other Asian economies are relevant to understanding the post-crisis world. In this sense, the entry in force on January 1, 2010 of the free trade agreement between China and the Association of Southeast Asian Nations (ASEAN), a group which covers 1,900 million people and whose trade among its members amounts to US\$ 4.5 billion, is especially significant. This agreement eliminates tariffs for the bulk of trade between China and the 10 ASEAN economies and could therefore have a negative impact on the ability of a number of Latin American exports to China to compete with products from the ASEAN economies unless the region benefits from similar tariff reductions.

China is already an important partner for a number of Latin American economies. It is the first destination for exports from Brazil and Chile and the second for exports from Argentina, Costa Rica, Cuba and Peru. China's high demand for food, energy, metals and minerals has benefited exporters of these products by substantially improving their terms of trade and stimulating growth. However, there is still ample room for strengthening and diversifying trade relations and investment.

Given China's increasing importance in the world economy, Latin America should promote a strategic alliance with the country. There are many opportunities for signing export and investment agreements in fields such as mining, energy, agriculture, infrastructure and science and technology. Taking full advantage of the vast Chinese market will require a concerted effort to forge regional partnerships; however, recent efforts to increase ties with China are almost exclusively national efforts that fail to maximize the benefits of scale and the synergies that could be generated through a more coordinated approach between different countries or, better still, through the region's own integration forums. A regional body to facilitate dialogue with China would be highly useful. China set out its strategic criteria for its relations with Latin America and the Caribbean in the White Paper issued in late 2008 (see "China's Policy Paper on Latin America and the Caribbean" [online] http://www.gov.cn/english/official/2008-11/05/content_1140347.htm); = but the region has yet to respond in a concerted manner. Although several countries have reacted with national responses to this initiative, it is clear that the most appropriate course of action now is to frame a regional response.

Conclusions and recommendations

To improve the quality of economic relations with China, the region needs to overcome two major limitations:

- The nature of trade flows between the region and China is almost exclusively inter-industry, i.e.: China sells manufactured goods to Latin America and the Caribbean; and the region mainly sells raw materials to China. This makes it difficult to increase the density of trade as it reduces space for joint investments and hampers a more effective integration of the countries of the region in the productive chains of Asia-Pacific, which have an increasingly intra-industry character.
- This marked difference in the specialization of production and trade counteracts efforts to increase the level of reciprocal FDI and reduces the opportunities for more productive, technological and commercial partnerships. More diverse trade with China would improve conditions for establishing such partnerships and for increasing reciprocal investment and trade that involves more innovation and technological change.

Some recent experiences show that it is possible to add value and incorporate knowledge into commodity exports by integrating them in the production and marketing chains of Asia-Pacific. To do this, a systemic approach encompassing the production process, logistics, shipping and air transport, and marketing and distribution in the final consumer market needs to be developed. Strategic partnerships should be established to increase the value added in the entire chain of production and marketing, together with mutually beneficial technological partnerships (for example, to apply advances in biotechnology to agro-industry, mining, forestry and fishing).

Latin American and Caribbean countries should examine the productive integration that is emerging in Asia around China and attempt to join value chains that are being formed there. To do this, the region should encourage Chinese investment in Latin America and the Caribbean and vice-versa, as well as business partnerships between local and Chinese businesses, emulating the Asian experience in productive integration of regional or sub-regional value chains.

It is also possible to overcome the marked asymmetry between the growing trade and the reduced reciprocal investment. Here it will fall to the Governments of the region to carry out the essential task of structuring a package of investment initiatives that attracts the interest of banks, companies and the Chinese Government. Chinese investments in infrastructure projects and energy would not only strengthen economic relations between the region and China, but also generate positive externalities for the regional integration process in Latin America. Infrastructure projects set out in the Meso-America Project and the Regional Infrastructure Integration in South America (IIRSA) initiative are natural candidates in this regard.

Conclusions and recommendations

It is the right time to define, in a concerted manner, the priorities in the region's relations with China. As mentioned above, China has already formulated a policy towards Latin America and the Caribbean, as embodied in an official document (the White Paper), in which it recognizes the potential of the region to move forward with comprehensive cooperation covering economic and political relations as well as social, cultural, judicial and security issues.

The relationship between China and Latin America and the Caribbean is ripe for a quality leap. The region's trade relations with China grew impetuously in the first decade of this century. In a short time, China has become a leading partner in the region's trade and international integration strategies. The conditions are now ripe for the region to take additional steps and move towards a strategic relationship that provides mutual benefits. To this end, the countries of Latin America and the Caribbean should redouble their efforts to diversify sales to China; to add more value and knowledge to the goods traded; to encourage business, trade and technology ties with Chinese counterparts; and to promote Latin American investment in China and in Asia-Pacific that increases the region's presence in the Asian value chains structured around China. Most urgently, the Governments of the region need to pursue a regional agenda covering trade, investment, infrastructure, logistics, tourism and technology exchanges to establish harmonious strategic ties with China and take advantage of the dynamism of its economy, with a view to stimulating not only high, but stable and more sustainable growth in the region that has a more positive social impact and is more strongly based on innovation. For its part, China could use its substantial international reserves to back the investments suggested above and leverage its presence in regional multilateral banks to promote projects that modernize the production, technological and export capacity of small and medium-sized enterprises in Latin America and the Caribbean. It could also stimulate a more active exchange between universities and technology centres, as well as more intense business-level dialogue, to explore and promote agendas of mutual interest that make it possible to forestall any possible trade disputes or overcome them through dialogue and the pursuit of shared benefits.

Latin America and the Caribbean could respond quickly with a document setting out guidelines for a strategic approach to China. Establishing technical working groups and roundtables to coordinate the definition of the first reaction to the White Paper at the regional level would make it possible to aspire to holding a Chinese-Latin American Heads of State Summit in the near future. A shared agenda of trade and investment projects that would attract Chinese investment to Latin America and the Caribbean and diversify the region's trade with that country could come out of such a meeting. This should be accomplished, of course, without losing sight of the fact that the central objective must always be, first, to strengthen links between the countries on both the Pacific and Atlantic shores of the region itself and then, second, to strengthen ties between the whole region and Asia-Pacific.