

**People's Republic of China and Latin America and the Caribbean**  
Ushering in a new era in the economic and trade relationship



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ECLAC

**Alicia Bárcena**

Executive Secretary

**Antonio Prado**

Deputy Executive Secretary

**Osvaldo Rosales**

Chief, Division of International Trade and Integration

**Ricardo Pérez**

Chief, Documents and Publications Division

The lead author of this document is Osvaldo Rosales, Chief of the Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC). Mikio Kuwayama, Officer-in-Charge of the International Trade Unit, coordinated the research.

Mariano Alvarez, José Duran Lima, Myriam Echeverría, Tania García-Millán, Sebastián Herreros, Germán King, Marcelo LaFleur and Dayna Zalcicever also participated in the preparation of this document.

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## Foreword

This publication is an updated and more detailed version of a document prepared by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) for the visit of the President of the People's Republic of China, Hu Jintao, to Brazil in May 2010.

The present document has been prepared in anticipation of the visit of Vice-President Xi Jinping to ECLAC. It seeks to contribute to the overall analysis of the current and future significance of the increasing ties between the region and China.

This document focuses on recent developments in trade between China and the Latin American and Caribbean region with respect to countries, sectors and goods, as well as Chinese foreign direct investment (FDI) in the region. Attention is drawn to the important role China has played in the past few years as an importer of products from Latin America and the Caribbean, particularly in the context of the general slowdown of the region's exports during 2009. The analysis also confirms the essentially inter-industrial relationship between China and the region, which is based on China exporting manufactured goods and Latin America and the Caribbean exporting raw materials. This complicates not only potential business alliances between China and Latin America but also efforts to integrate the region's countries more effectively into Asia-Pacific production chains, which are organized along more intra-industrial lines.

China's demand for raw materials presents a tremendous opportunity for the region, particularly South American economies. This is a favourable trade cycle that will likely transcend many individual administrations. The challenge is, then, how the region may best tap this historic opportunity to make the investments in infrastructure, innovation and human resources needed to convert the gains derived from natural resources into human, physical and institutional capital that can underpin greater productivity and competitiveness. This will allow for greater export diversification through a deliberate, sustained effort to add knowledge and value to products. Another important challenge is to attract higher levels of Chinese FDI in Latin America

and the Caribbean, especially investment directed towards improving infrastructure, promoting diversification of production and encouraging interregional business partnerships. This requires a regionally cohesive approach to China to overcome the limitations of any individual country's efforts.

For the past few years ECLAC has followed and supported activities carried out to strengthen the ties between Latin America and the Caribbean and Asia-Pacific, particularly in relation to China. ECLAC has participated in many business summits between China and the region, including the first China-Latin America and the Caribbean Think-Tank Forum, held in Beijing, and in the five ministerial meetings of the Latin American Pacific Basin Initiative. This publication is intended to lend further support to ongoing efforts to strengthen ties between the Latin American and Caribbean region and Asia-Pacific—the most dynamic region in the world.<sup>1</sup>

**Alicia Bárcena**

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

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<sup>1</sup> In this respect, see the following ECLAC publications: “The Latin American Pacific Basin Initiative and the Asia-Pacific region” (LC/L.2950), Santiago, September 2008; “Economic and trade relations between Latin America and Asia-Pacific. The Link with China” (LC/L.2959), Santiago, October 2008; “Opportunities for trade and investment between Latin America and Asia-Pacific” (LC/L.2971), Santiago, November 2008; and “El Arco del Pacífico Latinoamericano después de la crisis. Desafíos y propuestas” (LC/R.2156), Santiago, November 2009. See also [online] <http://www.cepal.org/comercio/> and “The People's Republic of China and Latin America and the Caribbean: towards a strategic relationship” (LC/L.3224), June 2010.

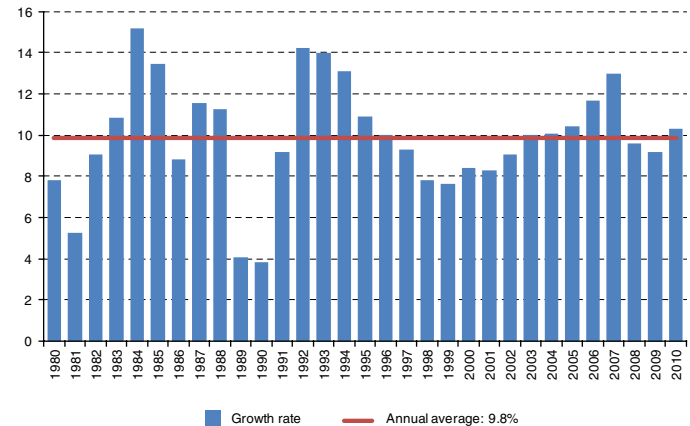
# 1. China is the most dynamic engine of growth in the world economy

## World annual growth

- With a growth rate of 10.3% in 2010 (9.7% in the first quarter of 2011) and an expected growth rate of nearly 10% in the next five years, China will continue to be the main engine for global growth.
- This continuous growth is a result of investments and exports. However, in the post-crisis world, China's domestic demand has become its primary source of growth. Despite the fact that in 2009 the world economy faced its worst crisis in eight decades, the Chinese economy grew at a rate of 9.1% and solidified its role as a leader in the global economy and the driver of the economic recovery. This high level of growth contrasted with the recessions that struck the United States, Europe and Japan and was a result of fiscal and monetary stimulus measures, in conjunction with a significant expansion of credit. In addition, the increasingly close commercial ties between China and the developing world allowed the country to decouple itself to a certain extent from the adverse cycles of the developed economies of the Organization for Economic Cooperation and Development (OECD).
- China's fast-paced growth gives rise to two significant challenges. The first, and most important, is to control inflation—a complex task given the substantial increases in capital inflows and rises in prices for food products and real estate. The second challenge consists of exploring and promoting new sources of growth, given that developed economies will not regain their pre-crisis dynamism before 2015. Steadily rising consumption in China and new flows of Chinese investment both inside and outside the country could become the new engine of global economic growth. This means that in the coming years the growth of the global economy will depend on the ability of nations to strengthen commercial and investment ties with developing regions, including Latin America and the Caribbean.

■ Figure 1 ■

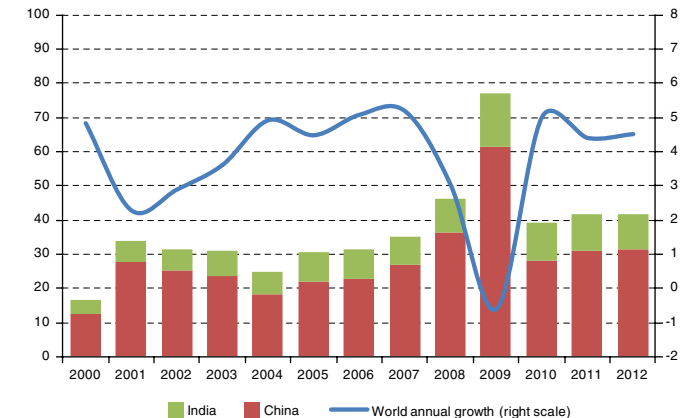
**China: annual rate of GDP growth, 1979-2010**  
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of statistics from the National Office of Statistics of China.

■ Figure 2 ■

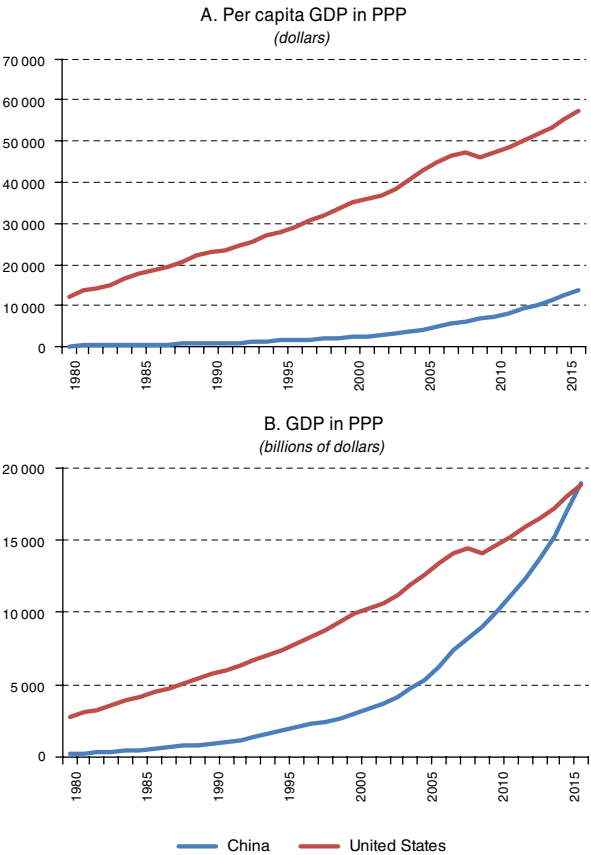
**China and India: contribution to global GDP growth, 2000-2012**  
(Percentages)



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

## 2. The expected high rate of growth (in PPP) over the next few years will result in China surpassing the United States as the world's largest economy in 2016

■ **Figure 3 ■**  
**United States and China: annual growth of GDP, 1980-201**  
(Purchasing power parity, PPP)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook*, April 2011, 2011.

- Recent forecasts by the International Monetary Fund (IMF) indicate that China's GDP, measured in purchasing power parity (PPP) terms, will exceed that of the United States in 2016. This will be a significant milestone in the international debate surrounding globalization trends and global governance.
- The economic reforms carried out in China since 1979 add up to the most intensive process of industrialization and urbanization in the history of humanity. When the economic reforms began, China's GDP represented a mere 9% of that of the United States and its per capita GDP, only 2%. Now IMF forecasts that China's economy will be 8% larger than that of the United States by 2016, and its per capita GDP will equal one quarter of the United States equivalent.

### 3. China's twelfth five-year plan seeks sustainable and inclusive growth <sup>2</sup>

- China's new economic strategy is geared towards more sustainable and socially cohesive development which is more heavily based on domestic consumption. The latest five-year plan seeks to refocus the current economic model based on investment and cheap exports towards one that relies on greater domestic consumption, innovation and scientific research to raise the quality of its products. The plan aims to turn coastal regions, already considered the "factories of the world", into research and development centres providing quality goods and related services. The target growth rate for 2011-2015 is 7% —significantly lower than the growth rate of the previous five-year period (11.2%). It remains to be seen what measures will slow the economy from its current 11% growth rate to the 7% target rate.
- Rebalancing the economy towards greater domestic consumption is necessary not just to compensate for the expected fall in demand from developed nations but also to improve income distribution, which has worsened. In turn, a minimum wage hike and other policies geared towards increasing international consumption by middle- and lower-income families, particularly inside China, will result in increased public spending on social projects and social security while reducing the gap in income levels and in living standards between urban and rural populations. The plan also includes the ambitious goal of providing universal health care to 200 million people. With a view to developing rural China, Congqing and Chengdu will be promoted as economic and industrial centres to prompt internal migration towards those areas.
- Another focus of the five-year plan is promotion of sustainable growth, by promoting major productive restructuring, a greater emphasis on technological innovation and product quality, improving environmental standards and reducing energy intensity and carbon emissions. The goals for environmental protection and clean energy are significant:
  - Energy consumption per unit of GDP will be reduced by 16%;
  - Carbon intensity (emissions of CO<sub>2</sub> divided by GDP) must be reduced by some 17% so that by 2020 carbon intensity will be 40% to 45% below 2005 levels;
  - Non-fossil fuels will account for 11.4% of primary energy consumption;
  - Water consumption per unit of value added in industrial production will be reduced by 30%;
  - Carbon dioxide emissions per unit of GDP will decrease by 17%;
  - The forested surface area will increase to 21.66% and wood reserves will increase by 600 million cubic metres;
  - Nuclear energy will be developed more efficiently, with a pre-condition of safety assurance;
  - The rate of construction of large-scale hydroelectric plants in Southwest China will be increased.
- In terms of innovation and restructuring the productive sector, priority will be afforded to renewable energy sources, new materials, biomedicine and biological sciences, geological exploration, marine life and information networks. The strategic sectors to be strengthened include vehicles with alternative energy sources, plants capable of improving water quality, treatment of water, solid residues and air pollution, energy efficiency, and wind and solar energy. Possible collaboration between China and Latin America in each of these areas should be included in their respective economic agendas.

<sup>2</sup> On the basis of BBVA, Economic Watch, "New 5-year plan and budget set to support China's growth", Hong Kong SAR, 25 March 2011; Alicia García-Herrero, Presentation, "China's 12th Five-Year Plan: Policy Implications and Impact on Key Sectors", BBVA, Brussels, 15 April 2011; *Xinhua* newspaper, several articles.

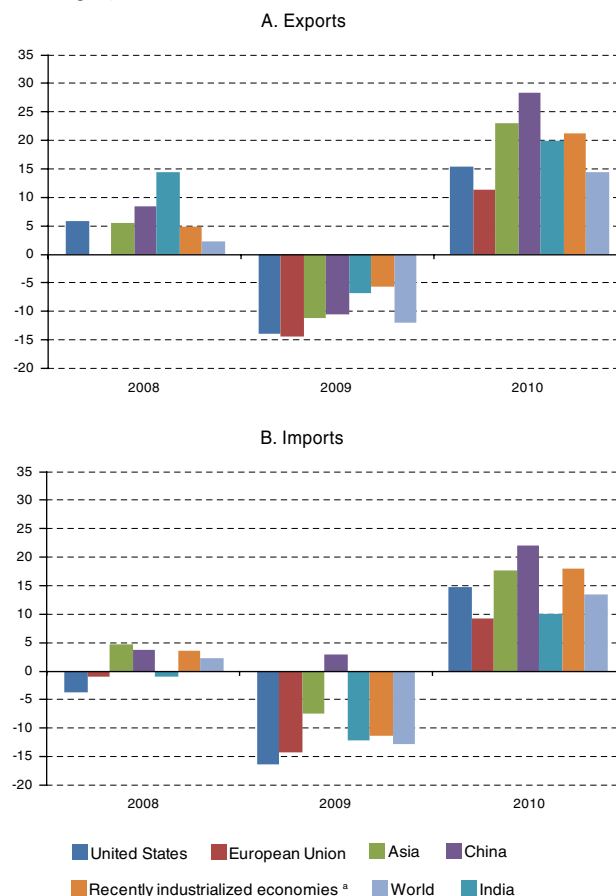
## 4. China has led the post-crisis recovery in global trade

### Recently industrialized economies

- In 2010, China led the world in export growth, with volume increasing by 23.1% —nearly double the global rate of 14.5%. The respective figures for the United States and the European Union were 15.4% and 11.4%.
- Meanwhile, Chinese imports recovered quickly in 2010 and jumped by 22% by volume, after edging up just 3% in 2009 —the year in which global imports suffered a heavy slump of nearly 13%. Due to the effectiveness of the country's fiscal, monetary and credit stimulus programmes, the global crisis did not hurt Chinese imports as much as those of other Asian countries, the United States and the European Union.

■ Figure 4 ■

**Selected regions and countries: growth in volume of goods trade, 2007-2010**  
(Percentages)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Trade Organization (WTO), "World Trade 2010, Prospects for 2011" Press/628, 7 April 2011.

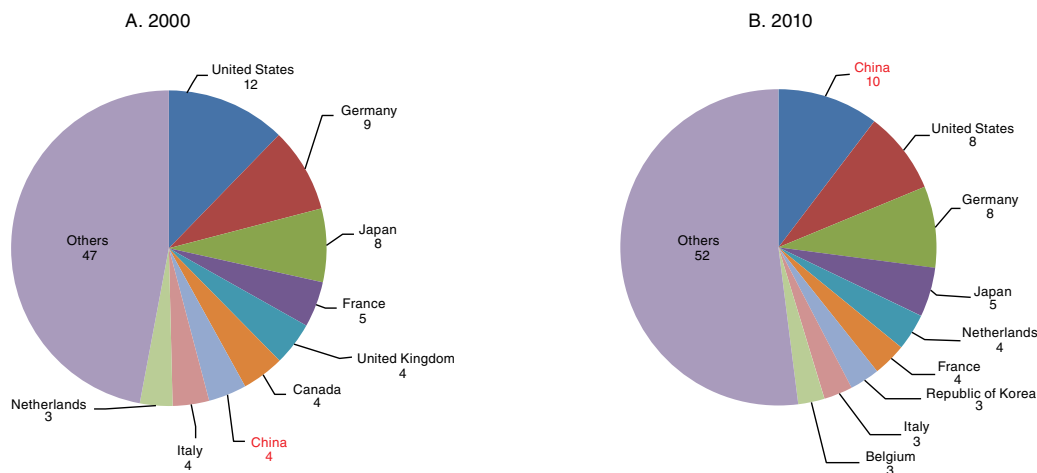
<sup>a</sup> Corresponds to Hong Kong SAR, Republic of Korea, Singapore and Taiwan province of China.

## 5. China surpassed Germany to become the world's largest exporter of goods, although it remains in fourth place as an exporter of services

■ Figure 5 ■

### World's largest exporters of goods

(Percentages)

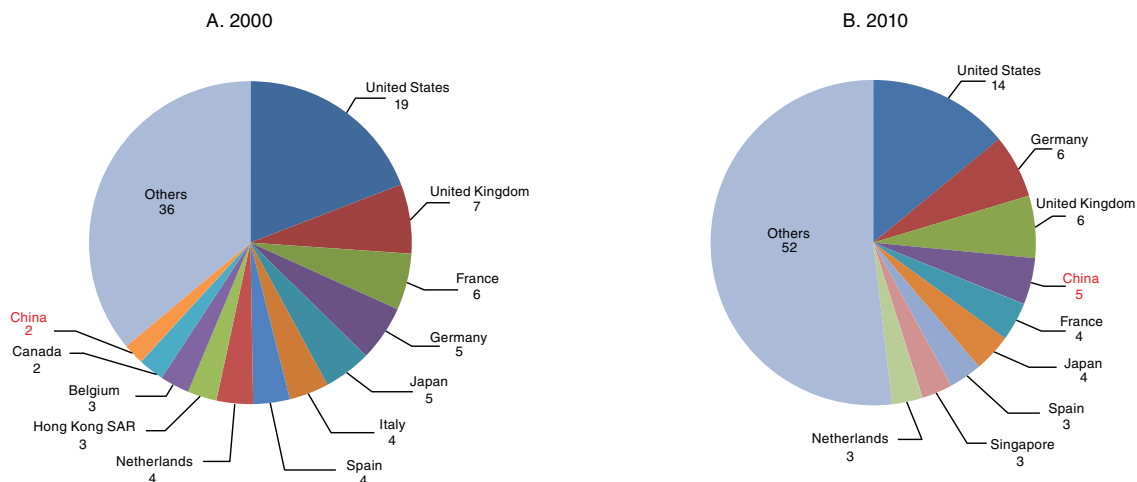


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Trade Organization (WTO).

■ Figure 6 ■

### World's largest exporters of services

(Percentages)



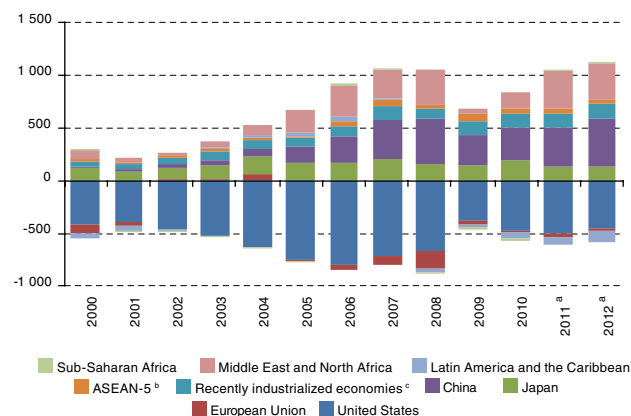
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the World Trade Organization (WTO).

## 6. China has a substantial current account surplus. This is an important source of global savings but is also part of the global imbalance that must be corrected

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

**Figure 7 ■**  
**Selected countries and regions: current account balance, 2000-2012**

(Billions of dollars)



**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), *World Economic Outlook, April 2011*, 2011.

<sup>a</sup> Corresponds to: Hong Kong SAR, Republic of Korea, Singapore and Taiwan province of China.

<sup>b</sup> Indonesia, Philippines, Malaysia, Thailand and Viet Nam.

<sup>c</sup> Projections.

## 7. China accounts for over 20% of the world's population and its middle class is growing. This is a crucial market, which Latin America and the Caribbean must consider carefully

■ Table 1 ■

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

(Millions of inhabitants and annual rates of growth)

	2000	2010	2020	2030	2040	2050	TC 2010-2050
Latin America and the Caribbean	521.2	588.6	645.5	689.9	718.0	729.2	0.5
Andean countries	110.8	128.6	145.6	160.3	171.6	179.0	0.8
Caribbean	34.7	38.1	41.2	43.8	45.6	46.5	0.5
Central America	35.4	42.2	49.6	56.9	63.0	67.9	1.2
Mexico	99.0	110.7	120.1	127.5	132.1	133.3	0.5
Southern Cone	235.1	263.2	283.2	296.3	302.8	303.2	0.4
Asia	3 032.2	3 368.0	3 661.2	3 857.5	3 959.2	3 979.8	0.4
East Asia <sup>a</sup>	1 472.4	1 564.0	1 640.4	1 666.4	1 649.8	1 600.0	0.1
China	1 267.0	1 354.1	1 431.2	1 462.5	1 455.1	1 417.0	0.1
Japan	126.7	127.0	123.7	117.4	109.8	101.7	-0.6
Republic of Korea	46.4	48.5	49.5	49.1	47.3	44.1	-0.2
Southeast Asia <sup>b</sup>	517.2	589.6	653.5	706.5	744.7	766.0	0.7
India	1 042.6	1 214.5	1 367.2	1 484.6	1 564.8	1 613.8	0.7
United States	287.8	317.6	346.2	370.0	388.9	403.9	0.6
European Union	481.2	497.5	505.3	505.6	501.4	493.9	0.0
World	6 115.4	6 908.7	7 674.8	8 308.9	8 801.2	9 150.0	0.7
Share of Asia in world total	49.6	48.8	47.7	46.4	45.0	43.5	...

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

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

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

- The population of China —with its continuously rising purchasing power— represents more than 20% of the world's population. While Japan and the Republic of Korea expect their population to decline steadily from now until 2050, China's population will not begin to decrease until 2030. Latin America and the Caribbean has a younger population with high rates of demographic growth.
- It is estimated that China's middle class numbers 157 million and is larger than that of the United States. By 2020 the middle class in China is expected to number more than 500 million and will become the world's largest consumer market. China has already surpassed the United States as the largest market for cell phones and automobiles. The projected increase in per capita income over the next few decades will further strengthen the purchasing power of the Chinese middle class, turning it into a key market for agricultural products, high quality textiles, tourism, pharmaceutical products, medical services and retail and luxury items.
- In light of these developments, Latin America and the Caribbean must focus on diversifying exports towards the market being created by China's growing middle class.

## 8. During the past decade, Latin America and the Caribbean has been China's most dynamic trading partner

- During the first decade of this century, China's goods trade has grown faster with Latin America and the Caribbean than with any other region. In 2005-2010, China's exports to and imports from the region grew twice as fast as its trade with the world overall.
- As a result, the share of the Latin America and Caribbean region has grown to 6% of China's total exports and imports. The bilateral relationship is growing in importance, but is still relatively small.
- The great weight of China in global trade and its still limited level of trade with the region represent unique challenges and, at the same time, opportunities for the economies of Latin America and the Caribbean.

■ Table 2 ■

**China: average annual growth rate of trade, by main partner region, 1990-2010**  
(Percentages)

	Exports			
	1990-1995	1995-2000	2000-2005	2005-2010
Latin America and the Caribbean	32.2	17.8	26.8	31.0
Asia-Pacific <sup>a</sup>	26.5	9.3	20.3	13.8
United States	36.7	16.1	25.6	11.7
European Union	26.3	15.0	28.8	16.4
Rest of the world	8.6	7.1	26.6	17.2
World	19.1	10.9	25.0	15.7

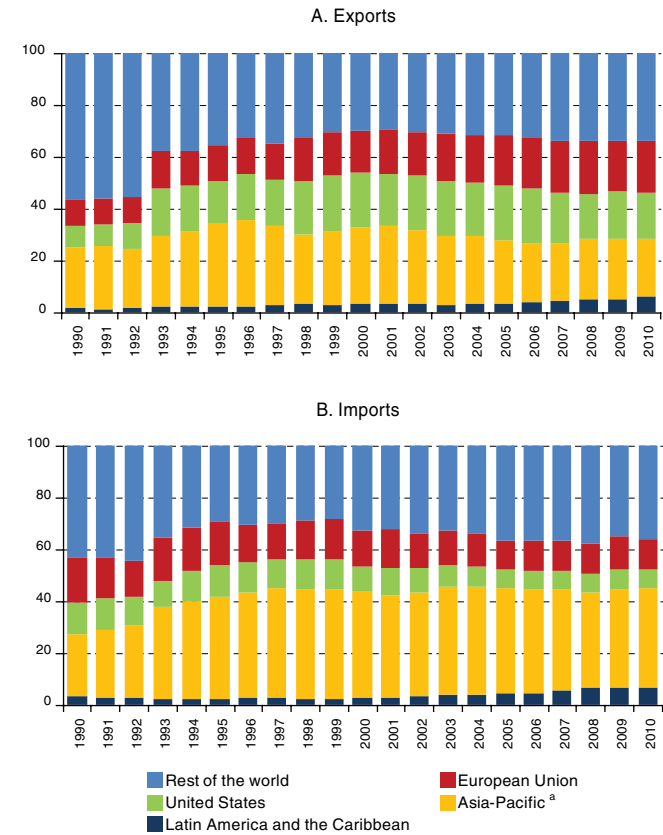
	Imports			
	1990-1995	1995-2000	2000-2005	2005-2010
Latin America and the Caribbean	14.5	12.7	37.6	27.7
Asia-Pacific <sup>a</sup>	32.4	12.2	23.9	14.6
United States	19.7	6.8	16.8	15.9
European Union	18.2	7.6	18.8	17.9
Rest of the world	11.2	13.4	26.8	15.8
World	19.9	11.3	24.0	16.1

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE) for 1990, 1995, 2000 and 2005, and International Monetary Fund (IMF), Direction of Trade Statistics for 2010.

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

■ Figure 8 ■

**China: share of main partners in trade, 1990-2010**  
(Percentages)



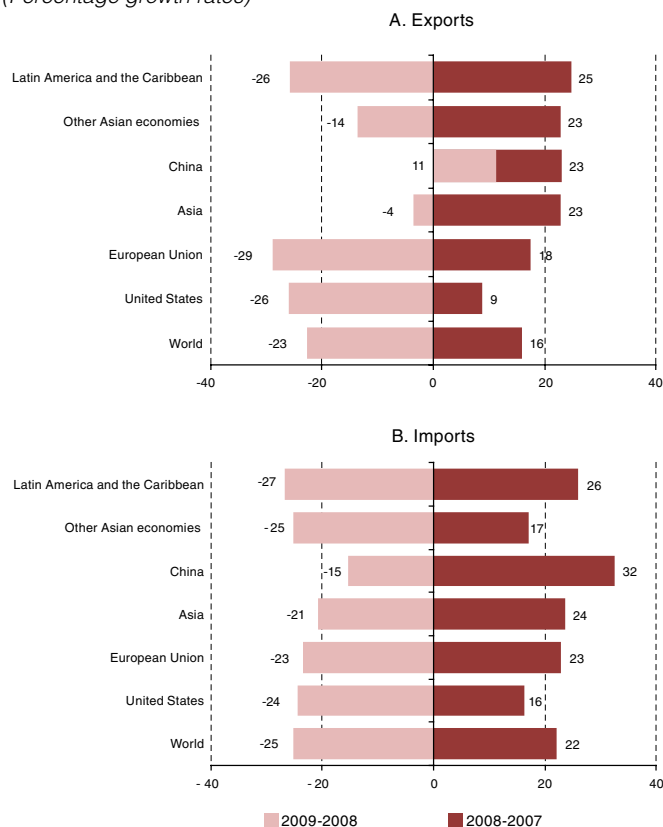
**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE) for 1990, 1995, 2000 and 2005, and International Monetary Fund (IMF), Direction of Trade Statistics for 2010.

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

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

■ Figure 9 ■

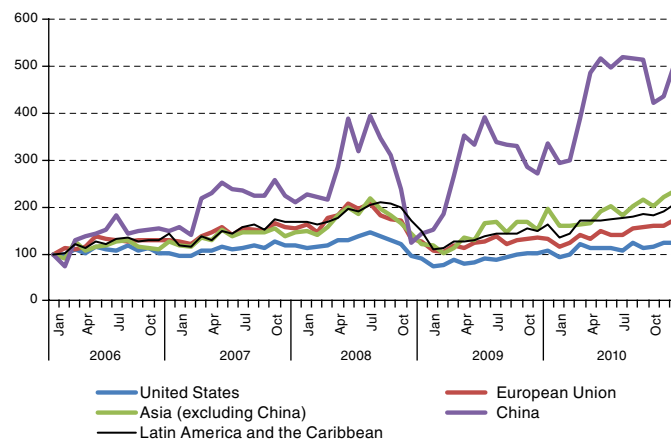
**Latin America and the Caribbean (16 countries): trade by main partner, 2008-2007 and 2009-2008**  
(Percentage growth rates)



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

■ Figure 10 ■

**Latin America and the Caribbean (16 countries): exports of goods by main partner, 2006-2010**  
(Index: January 2006=100)

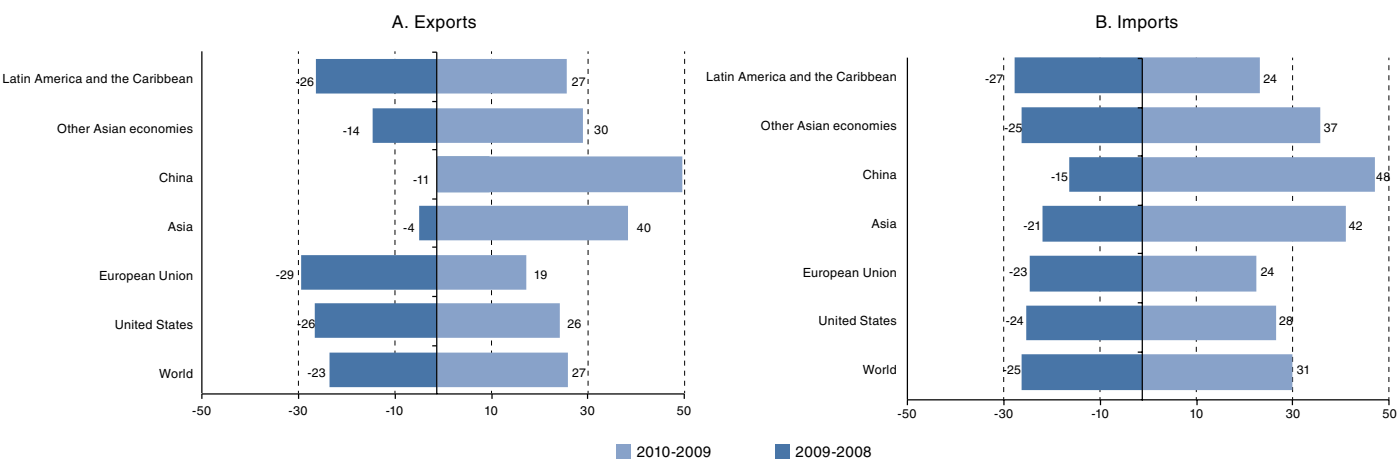


**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Data Base (COMTRADE).

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

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

■ Figure 11 ■  
Latin America and the Caribbean (16 countries): trade by main partner, 2008-2009 and 2009-2010  
(Percentages)



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

- Data for 2010 show that both exports to and imports from China have been the largest sources of trade growth for Latin America and the Caribbean. At the same time, the rest of Asia is the second largest source of growth for the region’s trade, easily surpassing other partners.
- The region’s exports to China grew by 51% in 2010, almost double the rate of the region’s total and intraregional export growth. Its imports from China grew by 48%, 15 and 20 percentage points higher than the growth of imports from the United States and the European Union, respectively.

## 11. China has become a key trading partner for Latin America and the Caribbean, especially for imports

■ Table 3 ■

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

(Billions of dollars and growth rates)

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

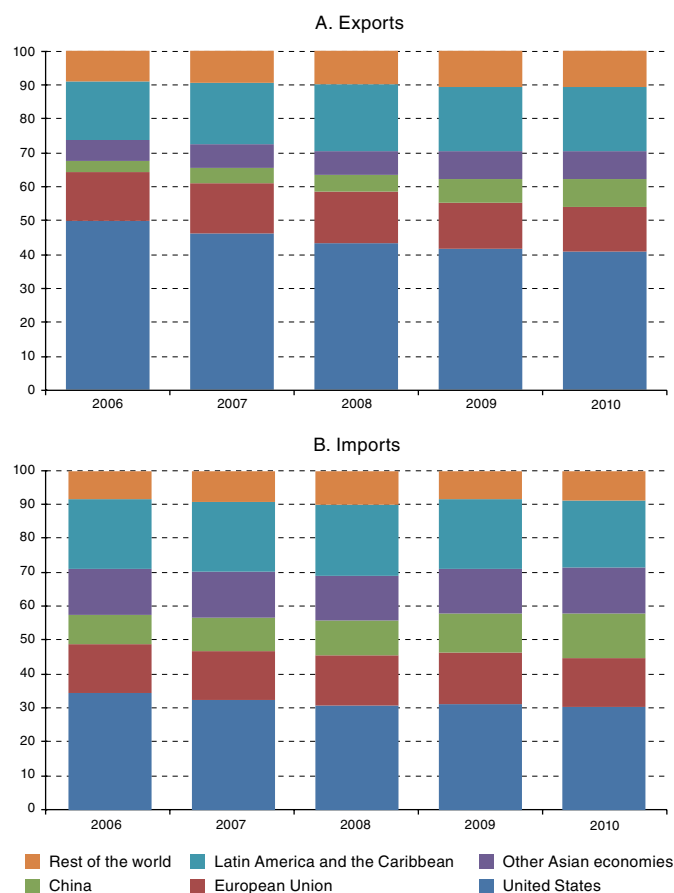
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

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

■ Figure 12 ■

**Latin America and the Caribbean: trading partners' share in goods trade**

(Percentages)

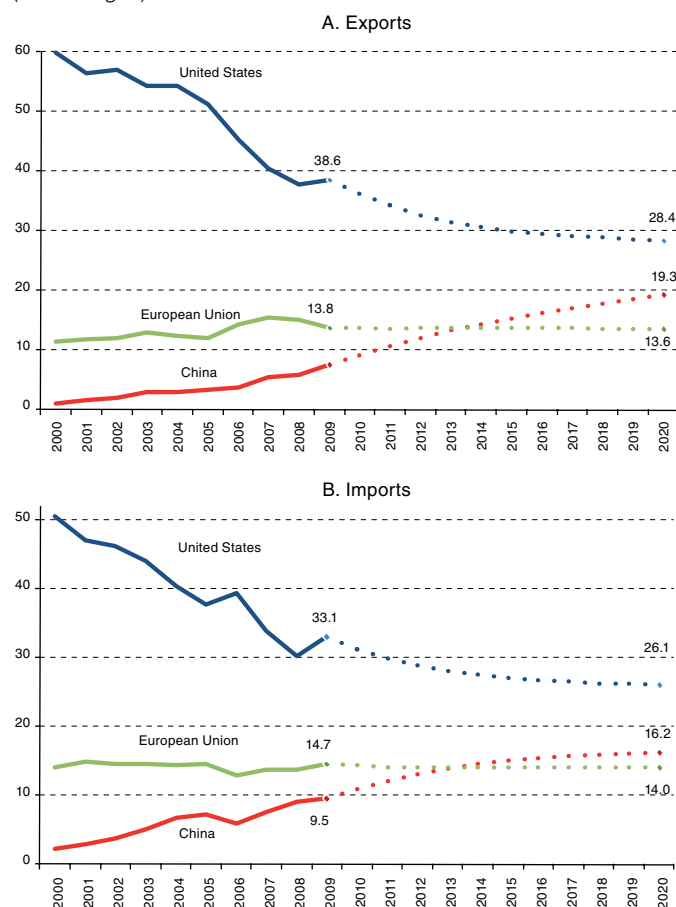


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from each country's central bank and statistics institute.

## 12. China could well displace the European Union as the region's second largest trading partner in the next few years

■ **Figure 13 ■**

**Latin America and the Caribbean: share of each main partner in total trade, 2000-2020<sup>a</sup>**  
(Percentages)



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

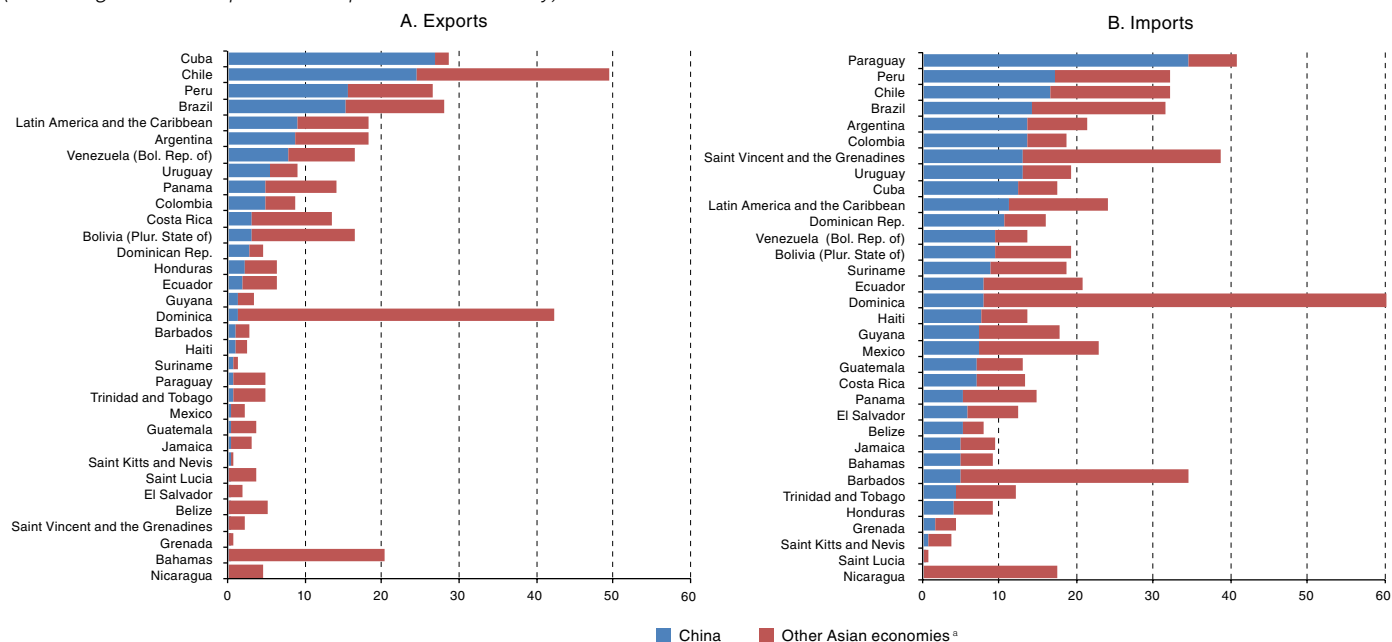
<sup>a</sup> 16 countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Plurinational State of Bolivia and Uruguay. Estimates and projections based on GDP growth rates between 2000 and 2009 for Latin America and the Caribbean, Asia-Pacific, China, the United States, the European Union and the rest of the world. Forecasted growth of exports and imports are assumed to converge with the respective economies' long-term GDP growth rate.

- Forecasts suggest that China will continue to gain relative share of the region's exports.
- Assuming constant growth of demand for Latin American and Caribbean exports in the United States, the European Union and the rest of the world, and assuming that China's demand will grow at just half the rate seen so far this decade, China will overtake the European Union in 2014 to become the second largest buyer of the region's exports.
- In the case of imports, forecasts show a similar situation, with China overtaking the European Union in 2015. This trend could change slightly depending on the outcomes of the recent negotiations on association agreements between the European Union and Central America, the Caribbean, the Andean Community and, possibly, the Southern Common Market (MERCOSUR).
- The increase in imports from China will be led by purchases of capital goods, particularly electronic items, autoparts, equipment and machinery, and textiles. These Chinese products already have a strong presence in the region's markets.

### 13. Some countries in the region have relatively weak trade relations with China, despite its evident importance as a trading partner

■ Figure 14 ■

**Latin America and the Caribbean: share of Asia-Pacific and China in trade, 2010**  
(Percentages of total exports and imports of each country)



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

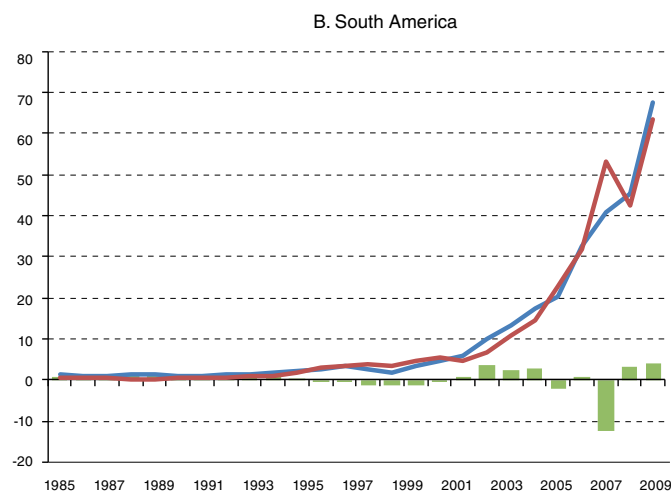
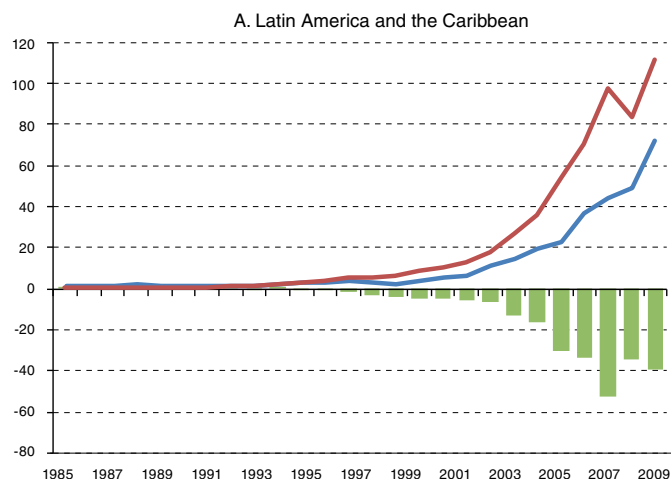
- The importance of China as a market for the region's exports varies significantly from country to country in Latin America and the Caribbean. Since the beginning of the 1990s, China has become a key export destination for Cuba, Chile, Peru, Brazil, Argentina and the Bolivarian Republic of Venezuela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

## 14. As a region, Latin America and the Caribbean maintains a trade deficit with China, mainly reflecting the growing trade deficit of Mexico and Central America

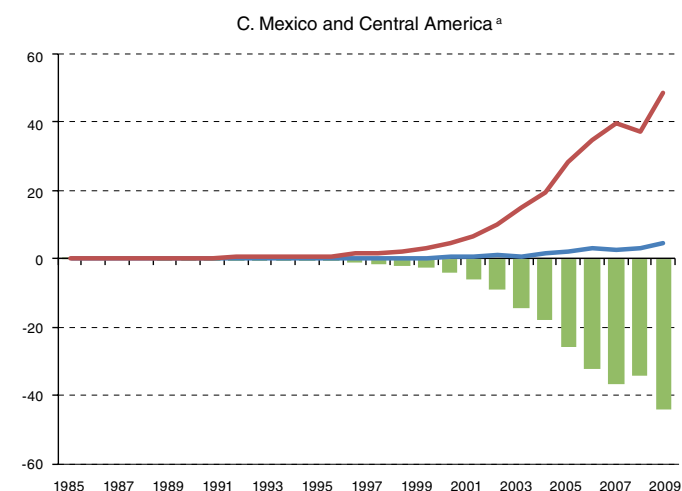
■ **Figure 15 ■**

### Exports, imports and trade balance with China, 1985-2009

(Billions of dollars)



- This past decade Latin America and the Caribbean has run a trade deficit with China owing primarily to the growing negative balance of Mexico and the Central American countries.
- In contrast, the economies of South America have maintained an even trade balance with China over the past 10 years.
- While China has become one of Mexico's and Central America's main sources of imports, it has not gained much ground as a destination for their exports. This asymmetry should be addressed in Mexico and Central American countries' trade strategies.



■ Trade balance      — Exports      — Imports

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

<sup>a</sup> Includes Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

## 15. In a relatively short time, China has become much more important as a trading partner for many Latin American countries

■ Table 4 ■

**Latin America: rank of China as a trading partner by volume of trade, 2000 and 2009**  
(Ranking)

	Exports		Imports	
	2000	2009	2000	2009
Argentina	6	4	4	3
Bolivia (Plurinational State of)	18	11	7	4
Brazil	12	1	11	2
Chile	5	1	4	2
Colombia	36	6	9	2
Costa Rica	30	2	15	3
Ecuador	18	16	10	3
El Salvador	49	36	23	4
Guatemala	43	25	19	3
Honduras	54	11	21	6
Mexico	19	7	7	2
Nicaragua	35	27	20	4
Panama	31	36	25	2
Paraguay	15	15	3	1
Peru	4	2	9	2
Uruguay	4	4	7	3
Venezuela (Bolivarian Republic of) <sup>a</sup>	35	2	18	3

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

**Note:** Members of the European Union are considered separately in the ranking, not as a bloc.

<sup>a</sup>Data for 2009 for the Bolivarian Republic of Venezuela are from International Monetary Fund (IMF), Direction of Trade Statistics.

- Within a relatively short period of time, China has become a much more important trading partner for most Latin American countries. This represents a major structural shift in the region's international trade, particularly in view of how quickly the transformation has occurred.
- As a destination for exports, China became more important in 14 of the 17 countries analysed and was among the top five destinations for seven countries: Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Costa Rica, Peru and Uruguay.
- As an origin for the region's imports, China moved up the ranking for almost all the countries and was among the top five origin countries for 16 of the 17 countries analysed (the exception is Honduras, but even there China is ranked as the sixth largest source of imports).

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

■ Table 5 ■

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

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

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

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

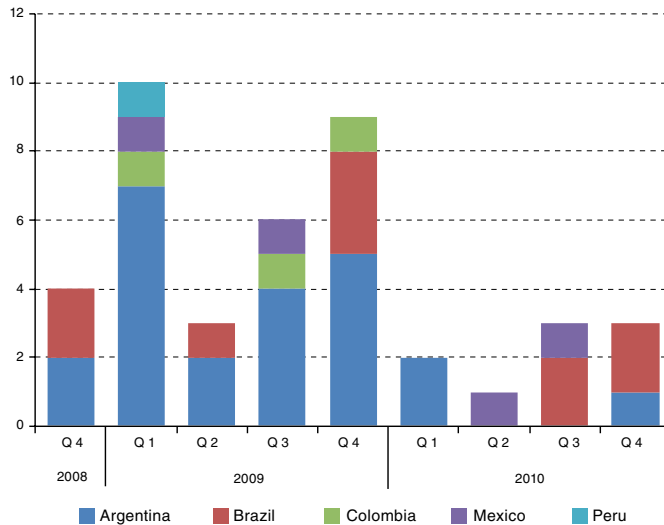
- The products exported by Latin America and the Caribbean to its main trading partners, using the Harmonized System at the six-digit level (5 052 tariff lines) shows that on average, a much smaller number of products are exported to China than to other regions and countries.
- The region's exported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

## 17. Since late 2008, Latin American and Caribbean countries have initiated many anti-dumping investigations into imports from China

■ **Figure 16** ■

**Latin America and the Caribbean: number of anti-dumping investigations, total and involving China, 2008-2010**

(Number of investigations initiated)

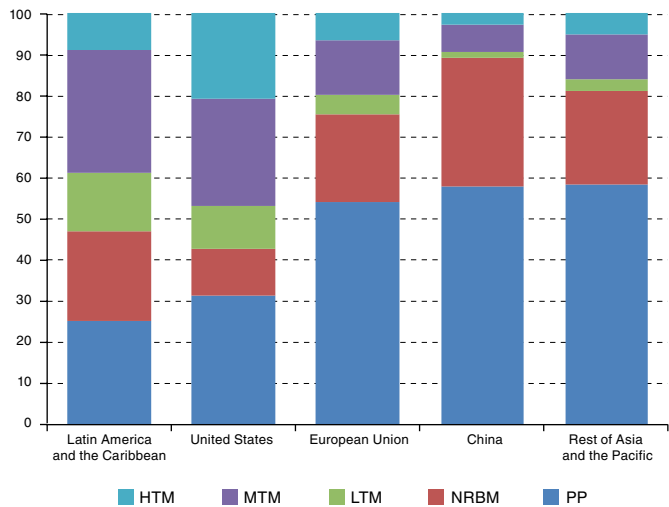


Source: Bown, Chad P. "Global Antidumping Database" [online] [www.brandeis.edu/~cbown/global\\_ad/](http://www.brandeis.edu/~cbown/global_ad/)

- Since the beginning of the recent global economic crisis, many countries, including some in Latin America and the Caribbean, have initiated anti-dumping investigations into imports from China.
- Data for 2010 show a significant drop in investigations initiated by Latin American and Caribbean countries against China relative to 2009, however. Most of the new investigations (81% of the total) were initiated by Argentina and Brazil.
- The main items involved are iron and steel products, textiles, footwear, domestic appliances and tyres.
- The Latin American steel industry, for example, has expressed great concern over the significant market penetration of Chinese imports in this sector, which has increased from 3% in 2005 to nearly 30% in 2010 according to the Latin American Iron and Steel Institute (ILAFI). As well as Chinese gains in domestic markets, Latin American producers are concerned about potential competitiveness losses in third markets.
- In this as well as other sectors of manufacturing, a longer-term perspective may be needed to consider the priorities of both Latin American and Chinese producers and promote complementarities and cooperation opportunities. In the absence of such a dialogue, trade friction is likely to continue, perhaps resulting in fresh anti-dumping investigations and non-tariff barriers.

18. The region’s basket of exports to China is concentrated in raw materials and raw-materials-based manufactures

■ Figure 17 ■  
Latin America and the Caribbean: structure of exports to main markets by technology intensity, 2009  
(Percentages of the total)



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

Note:

Data for Antigua and Barbuda, Cuba, and Haiti are not available.

The categories of products are PP: primary products, NRBM: natural-resource-based manufactures, LTM: low-technology manufactures, MTM: medium-technology manufactures, HTM: high-technology manufactures.

Other Asia-Pacific countries include: the countries of ASEAN, Australia, Japan, New Zealand and Republic of Korea.

Data for Bolivarian Republic of Venezuela, Belize, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, and Suriname refer to 2008.

- Exports to China are relatively concentrated. The composition by technology intensity of the basket of the region’s exports to its main partners shows exports to China concentrated in raw materials, which account for nearly 60% of total exports, followed by natural-resource-based manufactures, processed mineral products, and agro-industrial products. Intraregional exports show a higher proportion of manufactured products and are more diversified.
- The United States is the only extraregional trading partner with which the region’s exports basket shows a similar proportion of manufactured goods to that of the rest of the region itself. Burgeoning demand by China has been a major determinant of the resurgence of raw materials in the region’s export structure. This is what lies behind talk of a “recommodification” of the export structure of Latin America and the Caribbean in the past few years.

## 19. In addition, the degree of specialization in primary products varies across countries. Costa Rica, El Salvador and Mexico export substantial percentages of high-tech manufactures to China

■ Table 6 ■

### Latin America and the Caribbean: top five exports to China, 2007-2009

(Percentages)

Country	Top 5	First	Second	Third	Fourth	Fifth
Argentina	92.0	Soya beans, 53.1	Soya oil, 26.5	Crude petroleum, 7.5	Other bovines, 2.5	Poultry meat and offal, 2.3
Bolivia (Plurinational State of)	75.9	Tin and tin alloys, 23.9	Tin concentrate, 22.0	Crude petroleum, 12.6	Non-coniferous wood, 10.0	Precious metal ores, 7.1
Brazil	82.2	Iron concentrate, 44.9	Soya beans, 24.2	Crude petroleum, 5.9	Iron ore agglomerates, 4.1	Chemical wood pulp, 3.0
Chile	92.3	Copper, 55.4	Copper concentrate, 24.2	Chemical wood pulp, 6.7	Iron concentrate, 3.5	Flours, meals and pellets, unfit for human consumption, 2.4
Colombia	97.6	Crude petroleum, 53.8	Other ferro-alloys, 36.5	Non-ferrous base metal waste and scrap, 4.0	Bovine or equine hides and skins, 2.4	Propylene polymers, 0.8
Costa Rica	98.4	Electronic micro assemblies, 96.3	Semiconductor devices, 0.9	Piezoelectric crystals, 0.6	Electronic devices, 0.3	Electrical apparatus for switching or protecting electrical circuits, 0.2
Cuba	99.7	Nickel mattes, 71.6	Sugar, 18.6	Other common metals, 7.3	Crude petroleum, 1.8	Other non-ferrous waste and scrap, 0.3
Dominican Republic	89.5	Other ferro-alloys, 51.2	Copper concentrate, 16.4	Other non-ferrous waste and scrap, 10.8	Other electronic devices, 6.4	Pump parts, 4.5
Ecuador	98.4	Crude petroleum, 94.7	Other non-ferrous waste and scrap, 1.5	Non-coniferous wood, 1.3	Flours, meals and pellets, unfit for human consumption 0.5	Other waste, parings and scrap, of plastics, 0.36
El Salvador	96.1	Electrical capacitors, 53.6	Other non-ferrous waste and scrap, 35.7	T-shirts, 3.9	Other waste, parings and scrap, of plastics, 2.0	Textile fabrics, 0.8
Guatemala	94.8	Sugar, 59.1	Zinc concentrate, 13.5	Other waste, parings and scrap, of plastics, 10.3	Other non-ferrous waste and scrap, 10.2	Waste and scrap of polymers, 1.6
Honduras	92.7	Zinc concentrate, 35.6	Lead concentrate, 26.6	Other non-ferrous waste and scrap, 19.5	T-shirts, 5.9	Other waste, parings and scrap, of plastics, 4.9
Mexico	37.0	Electronic micro assemblies, 14.0	Copper concentrate, 10.0	Parts of telecommunication equipment, 4.7	Semiconductor devices, 4.2	Office machine parts, 4.0
Nicaragua	82.4	Other non-ferrous waste and scrap, 34.4	Other waste, parings and scrap, of plastics, 20.9	T-shirts, 12.7	Canned seafood, 8.7	Waste and scrap of polymers, 5.5
Panama	83.9	Ships and boats, 44.8	Bovine or equine hides and skins, 16.5	Flours, not for human consumption, 13.1	Frozen fish, 4.8	Non-coniferous wood, 4.5
Paraguay	86.2	Other bovine hides, 31.6	Non-coniferous wood, 28.5	Other waste, parings and scrap, of plastics, 9.9	Other non-ferrous waste and scrap, 9.4	Sesame seeds, 6.7
Peru	80.8	Copper concentrate, 38.6	Flours, not for human consumption, 15.7	Lead concentrate, 10.3	Iron concentrate, 8.7	Zinc concentrate, 7.3
Uruguay	84.3	Soya beans, 45.1	Chemical wood pulp, 23.1	Carded wool, 7.5	Greasy wool, 5.7	Other bovine hides, 2.8
Venezuela (Bolivarian Republic of)	98.2	Crude petroleum, 78.3	Iron concentrate, 13.5	Sponge iron products, 4.9	Artificial fibers, 0.8	Other non-ferrous waste and scrap, 0.5
CARICOM	69.0	Monohydric alcohols, 18.1	Alumina, 16.9	Non-coniferous wood, 13.1	Other non-ferrous waste and scrap, 12.1	Liquefied natural gas, 8.5

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

**Note:** The analysis was conducted at the four-digit level of the Standard International Trade Classification (Revision 3). The names of products have been adapted to fit available space.

## 20. Although the Latin American and Caribbean region is an important destination for outward FDI from China, investments are over-concentrated in financial centres

- It is estimated that by the end of 2009 about 17% of Chinese non-financial outward FDI went to Latin America and the Caribbean. The stock of Chinese FDI in the region stood at US\$ 41 billion.
- However, more than 95% of that stock is in the Cayman Islands and the British Virgin Islands.
- Lately, a growing number of large, State-owned Chinese companies operating in the natural resource and manufacturing sectors have invested in the region, but the amount and scope of those activities is still limited.

■ Table 7 ■

### Latin America and the Caribbean: destinations of Chinese FDI, 2008-2009

(Millions of dollars and percentages)

Country/region	Chinese FDI stock, end-December 2008	Chinese FDI flows, 2009	Chinese FDI stock, end-2009 (estimated)	Percentage in total Chinese FDI stock in the region, end-2009
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
Grenada	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

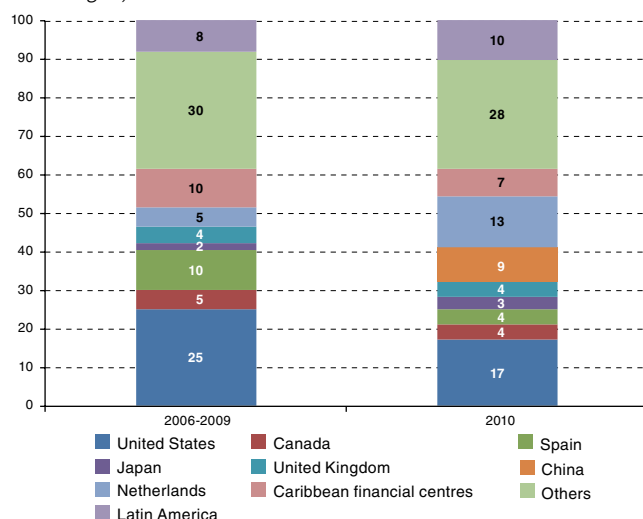
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of figures from the Ministry of Commerce (MOFCOM) of China, April 2010.

## 21. Chinese FDI in Latin America and the Caribbean surged in 2010: the start of a new trend?

■ **Figure 18** ■

### Latin America and the Caribbean: origin of foreign direct investment, 2006-2010<sup>a</sup>

(Percentages)



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

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

■ **Table 8** ■

### China: FDI in selected Latin American and Caribbean economies (Millions of dollars)

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

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

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

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

■ Table 9 ■

**China: trade balance with selected partners by technology intensity, 2008-2010**

(Millions of dollars)

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

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

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

- China runs a trade deficit with ASEAN, the Republic of Korea and Japan because these partners are the main suppliers of capital goods and intermediate inputs for its manufacturing industry. Chinese manufactures are then exported to other partners, mainly the United States and the European Union, with which China has its largest surpluses in low- and high-technology manufactures.
- China is becoming a platform for many of its neighbours' exports to the United States and the European Union. Although Latin America continues to supply both primary products and natural-resource-based manufactures to China, its exports of the latter are much smaller than those

of its competitors. In the Chinese market Latin America competes with the ASEAN countries, the United States, Australia, India and New Zealand (in primary products) and with Japan and the Republic of Korea (in natural-resource-based manufactures).

- Latin American and Caribbean countries are seeking to participate in this "Asia Factory" centred on China by joining Asia's supply and value chains. This will require greater efforts by Latin American businesses to strengthen biregional trade and investment connections through different types of business associations.

## 23. The Latin American and Caribbean region is not among the main recipients of economic cooperation disbursed by China

■ Table 10 ■

**China: breakdown of economic cooperation by main types and by country/region, average 2007-2008**

(Millions of dollars and percentages)

	Total	Share in world total	Contracted projects	Labour services	Consultancy services
	(millions of dollars)	(percentages)	(millions of dollars)	(millions of dollars)	(millions of dollars)
Asia	28 192.1	49.9	24 627.8	3 248.2	320.3
Africa	16 396.8	29.0	16 062.6	230.4	103.8
Europe	3 956.3	7.0	3 442.6	494.8	18.8
Latin America and the Caribbean	2 985.6	5.3	2 936.7	36.8	12.2
Argentina	125.9	0.2	125.0	0.8	0.0
Bolivia (Plurinational State of)	2.6	0.0	2.5	0.0	0.1
Brazil	856.2	1.5	850.1	0.9	5.1
Chile	38.9	0.1	37.9	1.0	0.0
Colombia	90.5	0.2	90.1	0.0	0.4
Costa Rica	0.0	0.0	0.0	0.0	0.0
Cuba	64.6	0.1	64.5	0.1	0.0
Dominican Republic	0.5	0.0	0.5	0.0	0.0
Ecuador	129.4	0.2	129.3	0.0	0.0
Guatemala	0.2	0.0	0.2	0.0	0.0
Honduras	0.2	0.0	0.0	0.2	0.0
Jamaica	63.9	0.1	63.0	0.8	0.1
Mexico	484.8	0.9	478.3	6.5	0.0
Nicaragua	3.8	0.0	0.0	3.8	0.0
Panama	42.1	0.1	27.7	14.3	0.0
Peru	85.3	0.2	80.5	0.3	4.6
Trinidad and Tobago	124.9	0.2	121.5	3.4	0.1
Uruguay	1.1	0.0	1.1	0.0	0.0
Venezuela (Bolivarian Republic of)	724.5	1.3	722.2	0.9	1.4
Other	146.2	0.3	142.1	3.7	0.4
North America	862.9	1.5	786.8	68.1	8.0
Oceania and Pacific Islands	766.8	1.4	743.3	18.0	5.4
Other	28.8	0.1	27.4	1.2	0.2
Interior of China	3 314.4	5.9	0.0	3 314.4	0.0
World total	56 507.9	100.0	48 627.1	7 412.0	468.8

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from China's 2009 Statistical Yearbook.

- On average, the region received almost US\$ 3 billion in Chinese economic cooperation funds during the 2007-2008 period, equivalent to 7% of the US\$ 57 billion total disbursed by China.
- Asia absorbed almost half of that total and Africa accounted for 30%, with project implementation being the main cooperation item. With the exception of Ecuador, the main recipients of Chinese cooperation in the region have generally been the larger economies such as Brazil, Mexico and the Bolivarian Republic of Venezuela. There has been little cooperation on labour services, of which Africa has been the main recipient.
- In 2008 China became a member of the Inter-American Development Bank (IDB), and committed US\$ 350 billion to finance public and private infrastructure projects.

24. Chinese heads of State have conducted more frequent official visits to Latin America and the Caribbean in recent years, reflecting agendas of common interest that appear to be progressing

■ Table 11 ■  
**China and Latin America and the Caribbean: presidential visits**  
(Number of visits by heads of State)

Date	President	China to Latin America	Latin America to China
2001	Jiang Zemin	Chile, Argentina, Uruguay, Brazil, Venezuela (Bolivarian Republic of), Cuba	Peru, Chile, Mexico, Venezuela (Bolivarian Republic of)
2002	Jiang Zemin	Mexico (unofficial visit) <sup>a</sup>	Ecuador, Uruguay
2003	Jiang Zemin		Ecuador, Cuba, Guyana
2004	Hu Jintao	Chile, Brazil, Argentina, Cuba	Argentina, Brasil, Venezuela (Bolivarian Republic of), Suriname
2005	Hu Jintao	Mexico	Perú, Colombia
2006	Hu Jintao		Venezuela (Bolivarian Republic of), Bolivia (Plurinational State of)
2007	Hu Jintao		Costa Rica
2008	Hu Jintao	Peru, Costa Rica, Cuba	Peru, Chile, Mexico, Brazil, Venezuela (Bolivarian Republic of)
2009	Hu Jintao		Chile, Brasil, Venezuela (Bolivarian Republic of), Uruguay
2010	Hu Jintao	Brazil, Venezuela (Bolivarian Republic of), Chile <sup>b</sup>	Argentina, Chile
2011	Vice-President Xi Jinping	Cuba, Uruguay, Chile	Brazil

Source: Official website of the Government of China [online] <http://english.gov.cn>

<sup>a</sup> President Jiang visited Mexico in 2002 to attend the APEC CEO Summit.

<sup>b</sup> Visits suspended owing to the earthquake in Qinghai region (China).

- The official visits conducted by Chinese heads of State to Latin America and the Caribbean over the past decade reflect convergence of interests around a mutually beneficial agenda. Along with these important visits, the network of contacts grows and diversifies.
- In the area of trade, the China Council for the Promotion of International Trade (CCPIT) has organized four China-Latin America Business Summits, which have each attracted a larger number of businesspeople from both sides.
- The first of these Summits was held in Santiago (2007) and the following ones in Harbin, Heilongjiang (2008), Bogotá (2009) and Chengdu (2010). The fifth Summit will take place in Lima in November 2011. This meeting, like the fourth in Chengdu, will be co-organized by CCPIT and IDB.
- In November 2010, the Chinese People’s Institute of Foreign Affairs convened the first China-Latin America Think Tank Forum in Beijing. ECLAC has been present in all of these activities.
- In November 2008, the Government of China published the White Book on foreign relations between China and Latin America. This official document covers several areas of the bilateral agenda, including economic relations, trade, culture, defence, tourism, sports and cooperation.
- China is evidently taking the initiative to energize bilateral links and the time seems ripe for the region to define a shared agenda for building closer ties with China and Asia-Pacific. In the region’s emerging internationalization process, forums for institutional dialogue already exist with the United States and the European Union. By contrast, those with China and Asia-Pacific are still in the wings.

## 25. Conclusions and recommendations

- **China is emerging from the global crisis with a fortified productive, technological and financial base and with stronger ties to Asia-Pacific.** Its continued growth, despite difficult global conditions, and its robust ties to economies in Asia, Africa and Latin America and the Caribbean are all relevant factors in the post-crisis world. The depth of the recent global crisis and its severe impact on the industrialized economies, on the one hand, and China's economic resilience coupled with its ties to developing economies, on the other, help explain the two-speed nature of the current global recovery. The global financial crisis triggered by the subprime mortgage crisis in the United States and its consequences for the sovereign debt of several European economies hastened the convergence of developed and emerging economies.
- **China's GDP, measured by PPP, is expected to exceed that of the United States by 2016, which will make China the largest economy in the world.** This historic moment coincides with the significant and growing trade ties between China and developing and emerging economies. According to OECD, the growth of these economies depends more on their ties with China than those with industrialized nations. In light of this, and assuming that the global economy will continue to be strongly driven by China and other Asian economies, trade and investment patterns will need to respond to the challenge of altering the traditional role of developing economies in the international division of labour. In other words, the current international stage is heavily influenced by the growing weight of China and emerging economies in new governance structures, such as their roles in the G20 and the BRIC bloc. These groupings, while not yet in a position to govern the forces of globalization, already have sufficient political weight to initiate negotiations and meaningful dialogue with industrialized nations. It behoves these new arenas to enable developing economies to find a balance between growth and greater international participation and equality.
- **Given that the Asia-Pacific region is the most dynamic economy in the world, the countries of Latin America and the Caribbean should intensify their efforts to define a new trans-Pacific relationship.** Considering the risks and uncertainty prevailing in the post-crisis global economy, Latin American and Caribbean economies should redouble their efforts to identify and take advantage of the challenges and opportunities arising from greater integration with Asia-Pacific. This effort would be more fruitful if approached in a coordinated manner such that commercial and investment initiatives may tap synergies, economies of scale and political capital in order to pave the way for more ambitious goals.
- **Trade and economic conditions favour a renewed and improved relationship between the regions.** In essence, the favourable growth conditions in both regions create a unique opportunity to lay the foundations for a new trade and investment relationship with China and Asia-Pacific. It is both possible and necessary to advance in: (i) diversifying regional trade with Asia-Pacific; (ii) creating biregional commercial alliances; (iii) increasing mutual investment, emphasizing infrastructure in Latin America and the Caribbean and a greater presence in Asian value supply chains; (iv) substantially increasing cooperation efforts in innovation, business technology and human capital in order to diversify trade and add value and knowledge to exports; and (v) promoting high-level dialogue to develop closer positions on important issues on the global agenda such as the Doha Round, climate change, efficient energy, the search for non-conventional renewable energy sources and reform of the financial and international monetary system.
- **China understands the need for Latin America and the Caribbean to diversify exports.** Statements by the Minister of Commerce, Chen Deming, during a recent visit to Brazil and Argentina, along with statements made by the President of the China Council for the Promotion of International Trade (CCPIT), Wan Jifei, reflect this understanding. CCPIT

is moving in this direction by taking advantage of its ties with binational chambers of commerce. Nevertheless, the respective governments must make joint efforts to strengthen these initiatives and craft a more ambitious programme that reflects the importance of export diversification for the development of Latin America and the Caribbean.

- **It is possible to overcome the marked asymmetry between burgeoning trade flows and small reciprocal investments.** In this sense, the significant increase in Chinese FDI in the region in 2010 is a positive development, although it is not yet possible to determine whether this represents a temporary spike or a longer-term trend. Here the onus is on the governments of the region to propose a coordinated package of investment projects capable of attracting the interest of the banks, businesses and Government of China. China's investment in infrastructure and energy projects will not only bring stronger ties with Latin America and the Caribbean but also generate positive externalities for the region's integration. The most natural candidates for investment in the realm of infrastructure are the Regional Infrastructure Integration in South America (IIRSA) initiative and the MesoAmerica Project.
- **The significant budget surplus in China and Asia-Pacific makes them possible first-order investors in Latin America and the Caribbean.** Asia-Pacific and China in particular have the funds to provide complementary financing for initiatives involving infrastructure, energy, transportation and logistics in the Latin American and Caribbean region. Given the low interest rates and limited growth expected for industrialized nations in the next five years, Asia-Pacific may well show heightened interest in profitable projects in the region. The challenge lies in identifying and evaluating projects to create a portfolio in which Asian investment will be the most useful for expediting projects.
- **Facilitating these investments by means of a single regional promotion and monitoring network presents a critical challenge for regional integration.** Given the potential of such investment for expediting the regional integration process in Latin America and the Caribbean, it is advisable to pursue a strategic alliance with Asia-Pacific in tandem with efforts to accelerate regional integration. The combination of the aforementioned investments in infrastructure, energy, transportation and logistics would

foster progress towards broader and more unified markets with increasingly similar standards in trade and investments and requiring a stronger legal framework. In this regard, a closer relationship with Asia-Pacific is not an impediment to regional integration but rather, will directly aid regional integration by facilitating trade flows and intraregional investment and promoting new trans-Latin companies that may, in time, yield new alliances with their Asian, European and American counterparts.

- **China has already become a prominent trading partner for several large Latin American economies.** China is the largest importer of goods from Brazil and Chile and the second largest importer of goods from Bolivarian Republic of Venezuela, Costa Rica, Cuba and Peru. Robust Chinese demand for food, energy, minerals and metals has benefited countries that export those goods by allowing them to improve their terms of trade and stimulate growth. But ample room remains to deepen and diversify trade and investment relationships between the regions.
- **Asia-Pacific imposes high tariffs on agricultural products and certain natural-resource-based manufactures, in which the Latin American and Caribbean region has a significant comparative advantage.** In this regard, the free trade area between China and ASEAN countries, which came into effect on 1 January 2010, encompasses a population of 1.9 billion and registers US\$ 4.5 billion in annual trade, is particularly significant. By eliminating tariffs on much of the trade between China and the 10 ASEAN economies, the free trade area could potentially undermine the competitiveness of several Latin American exports to China, because they must now compete with ASEAN products which benefit from favourable tariff regimes. In any case, these Latin American exports compete not only with Asian imports but also —depending on the product— with imports from the United States, Canada, Australia and New Zealand. It will be a considerable challenge to remain competitive and the need is ever more pressing to gain a stronger foothold in the Asian value chain associated with the natural resources in which the region has a comparative advantage. In this regard, trade agreements with China and other Asian economies along with regional investments in Asian value chains will counteract the threat posed by other imports.

- **Latin American and Caribbean nations must carefully consider the China-centred productive integration occurring in Asia and attempt to join the supply and value chains now being formed.** To that end, they should foster Chinese investment in the region as well as outward investments by the region in China, and promote alliances between local and Chinese businesses, thus emulating the Asian production integration experience surrounding regional and subregional supply value chains.
- **It is necessary to move towards an agenda of dialogue, trade cooperation and investment between Asia-Pacific, China and Latin America and the Caribbean.** Items on this agenda may include access to information, trade and investment promotion, market access, progress in technological innovation and competitiveness, free trade agreements and stimulus for regional integration. Some examples of measures are:
  - (i) Exchange of information regarding opportunities and market access, including basic economic indicators, legislation and trends in investment and biregional trade, technical standards, sanitary and phytosanitary measures, non-tariff trade barriers and major trade protection rules.
  - (ii) Exchange of information with respect to investments, including FDI flows; bilateral, regional and multilateral investment agreements; labour and environmental measures related to investment projects; listings of programmes that contain investment incentives; and rules and regulations affecting investments and economic activity in Asia-Pacific and Latin America and the Caribbean.
  - (iii) Policies that support small and medium-sized enterprises (SMEs) and prioritize institutional links between SME associations and multilateral development banks in both regions, in order to open new financing avenues for risk capital, technological scaling, training, and associative or collaborative projects.
  - (iv) Establishment of an ongoing dialogue through institutional channels regarding:
    - Bilateral trade disputes or significant threats to the competitiveness of specific industrial sectors in domestic or third markets, in which there is call for dialogue, agreements and/or arbitrations that favour a long-term perspective, with emphasis on complementarities and possible mutual benefits;
    - Best practices in both regions, which should be disseminated in order to enhance international competitiveness and promote innovation and regional integration.
- **This is the time to identify, in a cohesive manner, the region's priorities with respect to its relationship with China.** As noted earlier, China's foreign policy on Latin America and the Caribbean, formulated in "The White Book," acknowledges the region's potential to move forward with integral cooperation that includes political and economic relations, as well as social, cultural, judicial and security issues.
- **The relationship between China and Latin America and the Caribbean is mature enough to think about enhancing quality.** The first decade of the twenty-first century witnessed significant advances in the trade relationship between the region and China. In just a few years China has become a major partner in the region's trade strategies and international positioning policies. The relationship is now sufficiently developed to proceed towards a mutually beneficial strategic alliance. In order to forge such an alliance, the Latin American and Caribbean nations must redouble their efforts to diversify sales to China and embed more value and knowledge into their exports in order to stimulate business, trade and technological ties with their Chinese counterparts. They must also promote Latin American investments in China and Asia-Pacific that will build the region's presence in Asian supply and value chains, focusing on China.
- **In this area, the most pressing task for governments in the region is to advance an agenda that includes trade, investment, infrastructure, logistics, tourism and technological exchanges in order to foster a strategic alliance with China.** Latin American and Caribbean governments should take advantage of the Chinese economy's

momentum to stimulate a stable, sustainable, innovation-based growth pattern with positive social impacts. China can also make good use of its substantial international reserves by supporting the aforementioned investments and playing a stronger role in regional multilateral banks to support projects that will modernize the productive, technological and exporting bases of Latin American and Caribbean SMEs. China should also stimulate a more fluid exchange between universities and technology centres. The country is also in a position to promote more active dialogue between business organizations in order to identify and promote agendas of mutual interest, which would make it possible to anticipate and avert trade disputes by taking the avenue of dialogue and mutual benefits.

- **Latin America and the Caribbean could craft a response by outlining the parameters of a strategic alliance with China.** Regional coordination to outline a response to the White Book, based on a technical dialogue, could pave the way for the organization of a China-Latin America Summit of Heads of State within the next few years. A summit of this sort could garner consensus on a shared agenda of trade and investment projects with the goal of attracting Chinese investment and diversifying trade with China. Given the relevance of these issues to growth and equality in the Latin American and Caribbean region, the recently constituted Community of Latin American and Caribbean States may well add them to its own agenda as part of efforts to strengthen regional integration and cooperation.