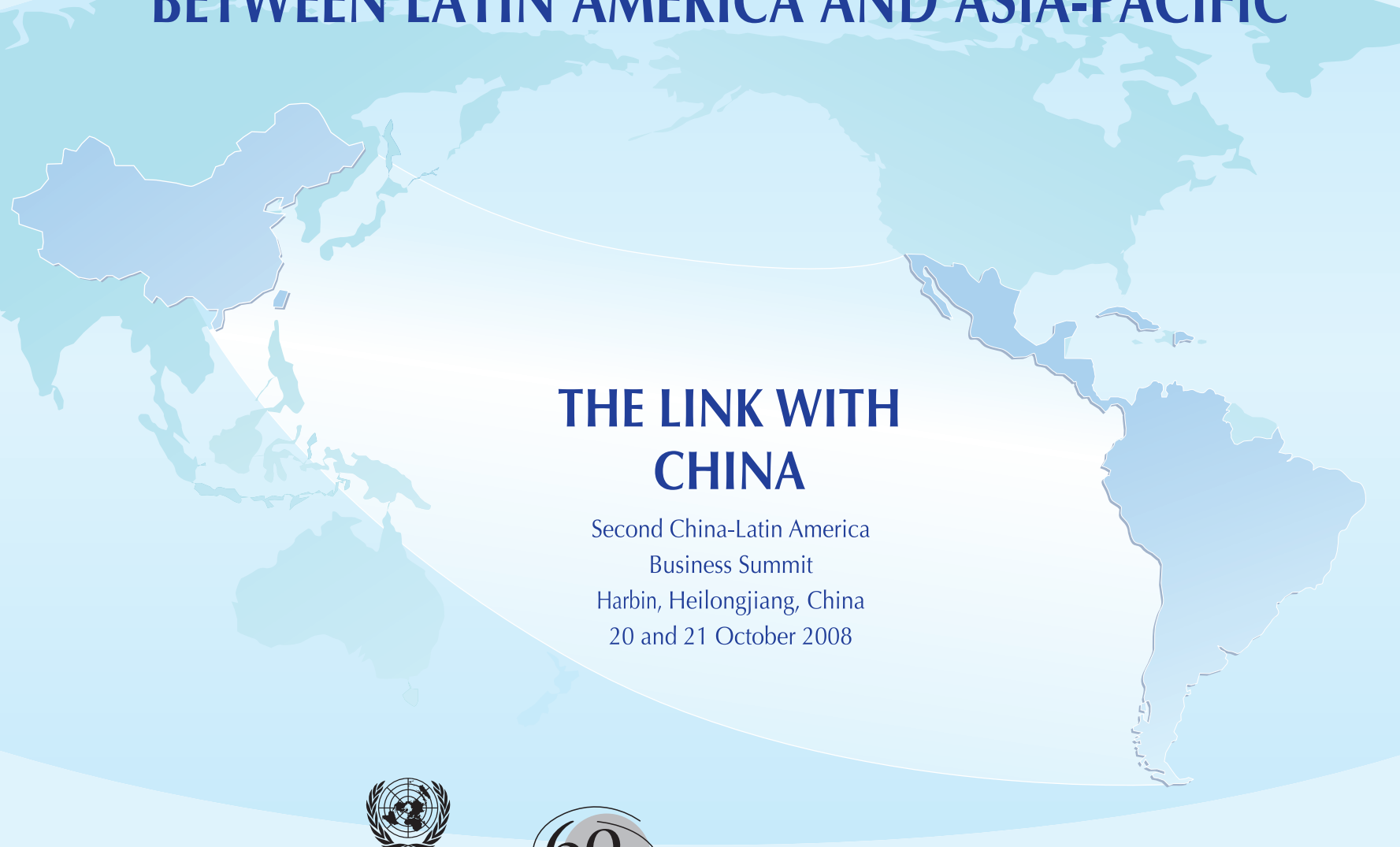
ECONOMIC AND TRADE RELATIONS BETWEEN LATIN AMERICA AND ASIA-PACIFIC



THE LINK WITH CHINA

Second China-Latin America
Business Summit
Harbin, Heilongjiang, China
20 and 21 October 2008

UNITED NATIONS
ECLAC

60 ECLAC
SIXTY YEARS WITH LATIN AMERICA AND THE CARIBBEAN

Alicia Bárcena
Executive Secretary

Laura López
Secretary of the Commission

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

Diane Frishman
Officer in Charge
Documents and Publications Division

LC/L.2959

Printed in Santiago, Chile • United Nations • October 2008

Cover design: Pablo Breton
Interior design: Job López
Interior layout: Gloria Barrios

Contents

Foreword

In response to a request by the China Council for the Promotion of International Trade (CCPIT), the Economic Commission for Latin America and the Caribbean (ECLAC) is pleased to submit this report to the second China-Latin America Business Summit, to be held on 20 and 21 October 2008 in Harbin, Heilongjiang Province. Since the first Summit, held in Santiago, Chile, in November 2007, this Business Summit has become a regular, high-level cooperation mechanism between China and the Latin American and Caribbean region. ECLAC has been actively supporting this cooperation platform since its inception, in close collaboration with several binational China-Latin America Chambers of Commerce.

At the first Summit, attended by over 500 representatives from a total of 16 countries including China, several Latin American countries, Spain and Japan, together with delegates from international organizations such as ECLAC, the International Labour Organization (ILO) and the Inter-American Development Bank (IDB), in-depth studies were made of issues such as Chinese trade development, economic trends in Latin America, and cooperation in the fields of energy and mining. This important event was accompanied by a round table of Chinese-Latin American trade promotion organizations and a business matchmaking conference in which Chinese and Latin American business leaders held over 500 one-on-one meetings and reached agreements on future ventures. The success of the first Summit testifies to the growing importance of trade and investment relations between China and Latin America and the urgent need to address the opportunities and challenges that lie ahead in deepening them.

Measured in purchasing-power-parity (PPP) terms, China is the world's second largest economy, producing 10.8% of global GDP. It is also the world's fastest-growing economy, contributing almost a quarter of global economic growth over the last five years. In the trade and investment sphere, China is the world's second largest exporter after Germany, ahead of the United States, and it has also been the third largest recipient of foreign direct investment (FDI) in the current decade. Backed by its large current account surplus and international reserves, China is playing an increasingly active role in safeguarding global economic balances; the slightest hint of anything affecting those enormous reserves has immediate repercussions on global financial markets. This report aims to shed light on the increasing role being played by China in international production, trade, investment and finance.

Trade and investment links between China and Latin America continue to expand; the bilateral trade volume between the two regions exceeded US$ 100 billion for the first time in 2007. Today, China has become Latin America's third largest import source, accounting for 14% of the region's total import volume, while Latin America has become one of the most important destinations for Chinese FDI. The high growth levels projected for China will make it the key hub of the global economy in the coming years, creating a market of major potential for Latin American and Caribbean exports. Nonetheless, this market has remained largely untapped until recently, apart from a few South American primary products. Latin America faces enormous challenges in strengthening its ties with China in order to

increase production and develop investment synergies with it. Biregional trade is still largely at the inter-industry level, with Latin America mainly exporting commodities and natural-resource-based manufactures to China while importing exclusively manufactures of varying technological intensities. This report makes an in-depth diagnostic study of the trade and investment relations that China has developed not only with Latin America but also within the Asia-Pacific region, where it serves as the headquarters of "Factory Asia".

ECLAC submits this report to participants at the second China-Latin America Business Summit, in the hope that up-to-date and relevant information on the internationalization process unfolding in both China and Latin America, presented in a visual and easy-to-read form, will be useful in promoting public-private-partnership initiatives on various fronts, covering biregional trade and investment, trade facilitation and other biregional cooperation issues.

This report was prepared by the Division of International Trade and Integration of ECLAC, under the direction of Osvaldo Rosales. Mikio Kuwayama, Head of the International Trade Unit, was responsible for its technical coordination.

Alicia Bárcena

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

Introduction

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

A number of important events have been organized in recent years to address the nature and scope of cooperation between the two regions. However, these initiatives have stopped short of institutionalizing high-level political talks or implementing plans and programmes aimed at strengthening economic, political and cultural ties. There is a lack of awareness about the importance of biregional trade and investment, and there have been few coordinated strategies between countries or regional groupings for seeking closer trade and investment links with the Asia-Pacific region. Approaches to that region by Latin America and the Caribbean have thus far been sporadic and piecemeal, and have chiefly been confined to the conclusion of bilateral free trade agreements.

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

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

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

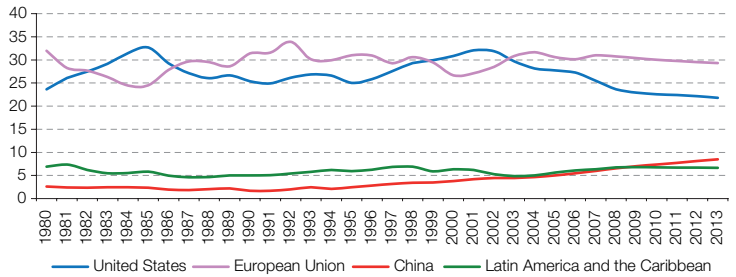
The call for greater biregional business alliances also applies to Asia-Pacific countries, which are global players in the market for technology-intensive goods and labour-intensive sectors such as footwear, textiles and apparel, and some segments of electronics. In these sectors, Asia-Pacific competes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

Chapter I

China in the world and Latin American economies

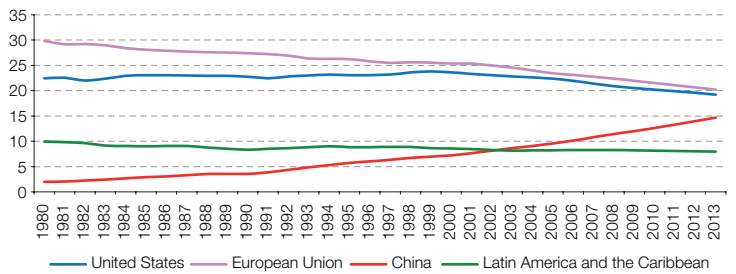
1. The Chinese economy has continued to grow over the last three decades, closing the GDP gap with the United States and the European Union and overtaking Latin America and the Caribbean at the start of the present decade

Figure I.1-A
SHARE OF CHINA AND LATIN AMERICA AND THE CARIBBEAN IN WORLD GDP: CURRENT UNITED STATES PRICES, 1980-2007, PROJECTIONS FOR 2008-2013
(Percentages)



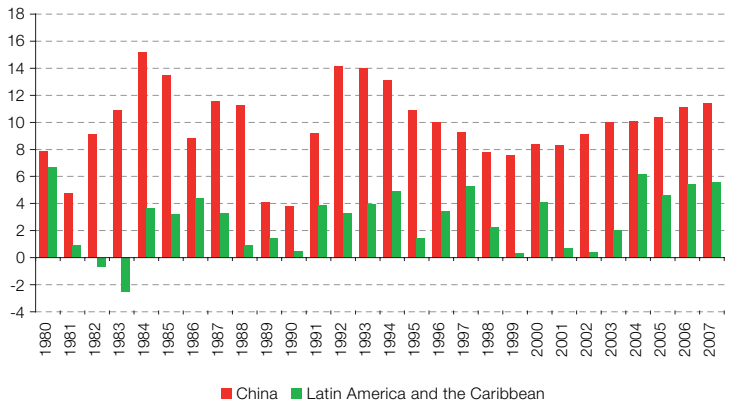
Source: International Monetary Fund (IMF), World Economic Outlook (WEO) database.
Note: 2008-2013 projections by the International Monetary Fund.

Figure I.1-B
SHARE OF CHINA AND LATIN AMERICA AND THE CARIBBEAN IN WORLD GDP: PPP PRICES. 1980-2007, PROJECTIONS FOR 2008-2013
(Percentages)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) database.
Note: 2008-2013 projections by the International Monetary Fund.

Figure I.1-C
ANNUAL GROWTH RATES, CHINA AND LATIN AMERICA AND THE CARIBBEAN, 1980-2007
(Percentages)



Source: International Monetary Fund (IMF), World Economic Outlook (WEO) database.

- China's economic growth over the years has been spectacular: an annual average of 9.9% in 1980-2007, in stark contrast to the 2.8% achieved by Latin America and the Caribbean. In that period, China posted growth rates close to or over 8% every year except 1981, 1989 and 1990.

- As a result, China's GDP is the world's second largest after the United States when measured in purchasing power parity (PPP), and the fourth largest after the United States, Japan and Germany when measured in current dollars.

- Despite lower expected growth rates in the future, China will remain the key engine of world economic growth in the years to come, creating a market of major potential for exports from Latin America and the Caribbean.

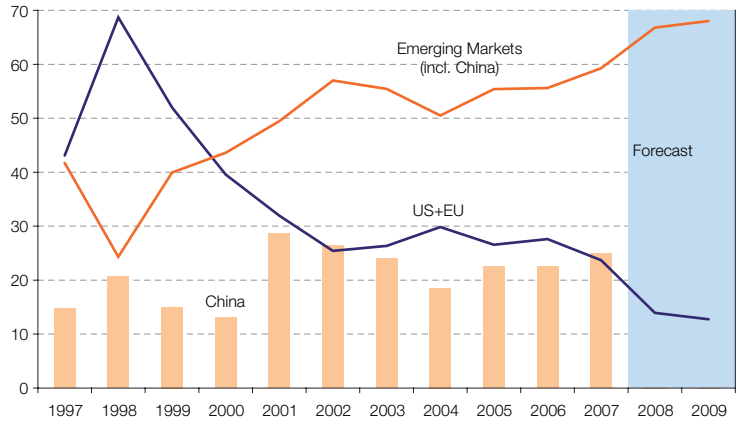
2. China has become a major growth pole of the world economy. Over the last seven years, China has contributed more than 25% of global GDP growth, when measured in PPP terms

- From 2003 to 2007 the global economy expanded at an impressive rate of over 5% per year in PPP terms, with significant contributions from Brazil, the Russian Federation, India and China (the "BRICs").

- China's contribution has been the most spectacular. In 2007, for instance, it contributed roughly 25% of total global economic growth, compared to 9.5% by the United States and 14.2% by the European Union. India's contribution was 8.5%. The BRICs jointly accounted for 42% of world economic growth in that year.

- Advanced economies benefited from low interest rates and low inflation, while many emerging economies saw their exports boosted by vigorous global demand for energy, food, and metals. The emerging countries have become the main engine of global growth, contributing over half of total increase in production every year since 2001.

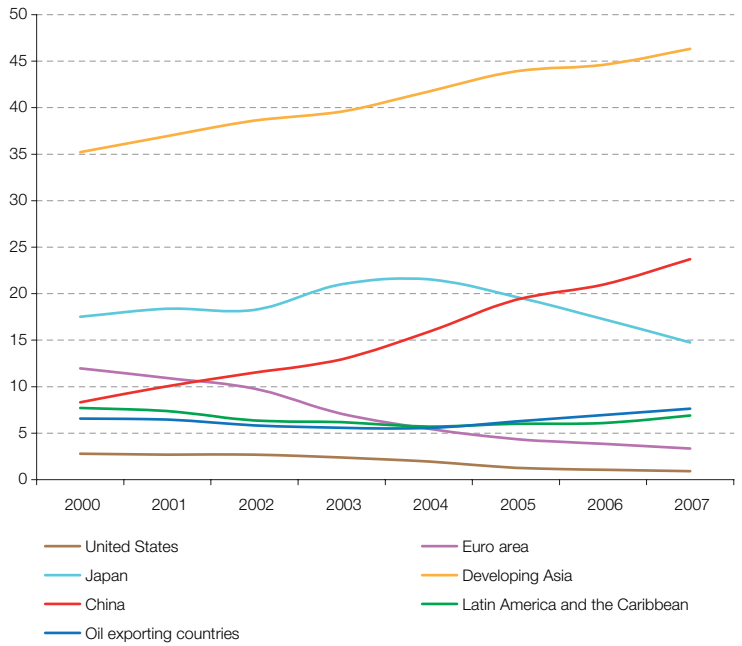
Figure I.2
CONTRIBUTION OF SELECTED REGIONS TO GLOBAL GDP GROWTH
(Percentage of annual GDP growth)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), World Economic Outlook (WEO) database.
Note: Gross domestic product measured in purchasing-power-parity (PPP) terms.

3. China's huge and growing foreign reserves are a mirror image of persistent current account deficits in the United States and the European Union

Figure I.3
SHARE OF COUNTRIES AND GROUPS WITH MAJOR FOREIGN RESERVES (EXCLUDING GOLD), 2000-2007
(Percentage of total special drawing rights worldwide)



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

Table I.1
SHARE OF COUNTRIES AND GROUPS WITH MAJOR FOREIGN RESERVES (EXCLUDING GOLD), 2000-2007
(Percentages)

	2000	2001	2002	2003	2004	2005	2006	2007
United States	2.8	2.7	2.7	2.4	2.0	1.3	1.1	0.9
Euro area	12.0	10.9	9.8	7.1	5.5	4.4	3.9	3.3
Japan	17.5	18.4	18.2	21.0	21.6	19.6	17.3	14.8
Developing Asia	35.2	36.9	38.6	39.6	41.7	43.9	44.6	46.3
China	8.3	10.0	11.5	12.9	15.9	19.3	21.0	23.7
Latin America and the Caribbean	7.7	7.4	6.4	6.2	5.7	6.0	6.1	6.9
Oil exporting countries	6.6	6.5	5.8	5.6	5.6	6.3	7.0	7.6
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

- China's foreign reserves, excluding gold, continue to grow. In June 2008 they reached US$ 1.809 trillion, 43% higher than in the same period 2007.

- In relative terms, China's share in total world reserves was almost 24% at the end of 2007, higher than Japan's, which stood at 15%.

- The rapid increase in China's reserves was primarily responsible for the high share of developing Asia, which accounted for over 46% of the world total. Meanwhile, Latin America and the Caribbean accounted for a not-insignificant 7%.

- The reserves held by the Euro Area countries and the United States have been shrinking fast.

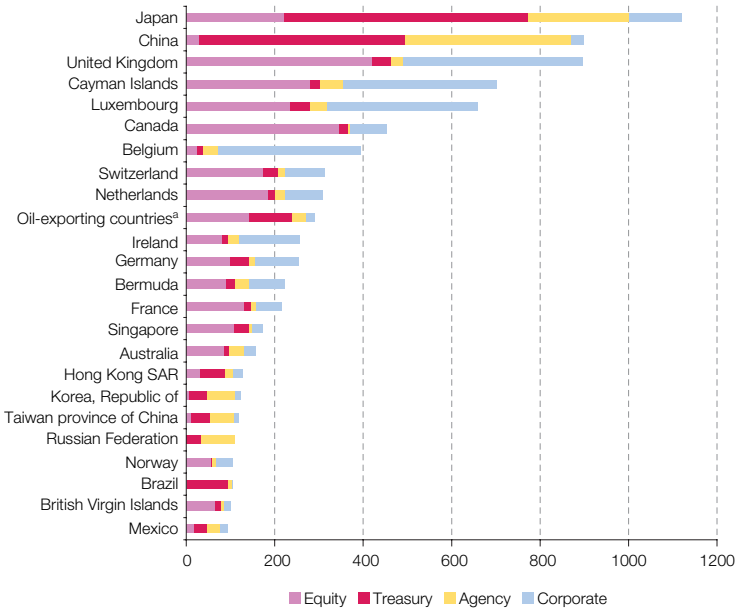
- China has emerged as a global player not only in terms of production and world trade, but also in global finance. For this reason, the slightest hint of activity affecting China's large and growing foreign reserves has immediate repercussions in global financial markets.

4. China is a global player in the international financial market, investing its enormous savings abroad, for example, in United States securities

Figure I.4-A

VALUE OF FOREIGN HOLDINGS OF UNITED STATES SECURITIES, EQUITY AND LONG-TERM DEBT, BY MAJOR INVESTING COUNTRY OR TERRITORY AND TYPE OF SECURITY (AS OF JUNE 2007)

(Billions of dollars)



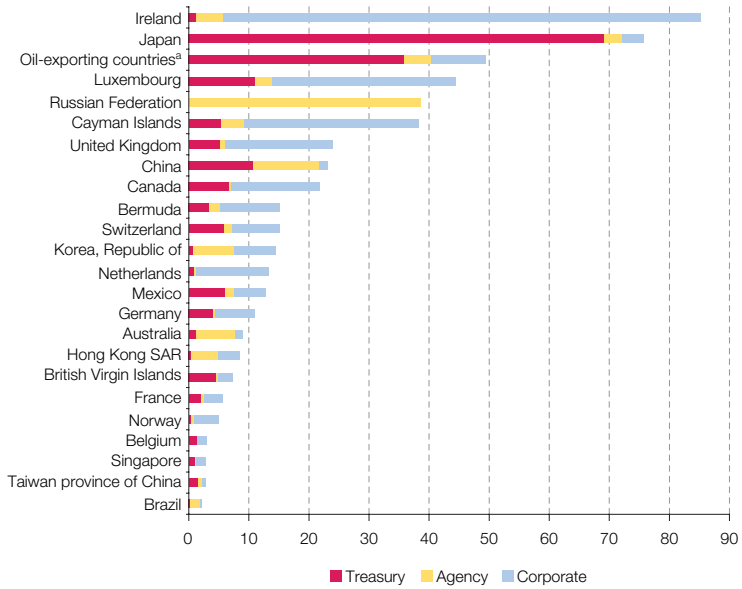
Source: United States Department of the Treasury, Federal Reserve Bank of New York and Board of Governors of the Federal Reserve System, "Report on Foreign Holdings of U.S. Securities at End-June 2007" [on line] http://www.treas.gov/tic/fpis.html, April 2008.

[a] Consists of Middle East oil exporters (Bahrain, Islamic Republic of Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates), African oil exporters, Bolivarian Republic of Venezuela, Ecuador and Indonesia.

Figure I.4-B

VALUE OF FOREIGN HOLDINGS OF UNITED STATES SECURITIES, SHORT-TERM DEBT, BY MAJOR INVESTING COUNTRY OR TERRITORY AND TYPE OF SECURITY (AS OF JUNE 2007)

(Billions of dollars)



Source: United States Department of the Treasury, Federal Reserve Bank of New York and Board of Governors of the Federal Reserve System, "Report on Foreign Holdings of U.S. Securities at End-June 2007" [on line] http://www.treas.gov/tic/fpis.html, April 2008.

[a] Long-term debt securities have an original term-to-maturity of over one year.

■ The 2007 Report on Foreign Portfolio Holdings of United States Securities recorded foreign holdings of those securities at US$ 9.772 trillion as of 30 June 2007, with US$ 3.13 trillion held in United States equities, US$ 6.007 trillion in United States long-term debt securities (of which US$ 1.472 trillion are holdings of asset-backed securities (ABS) and US$ 4.535 trillion are non-ABS securities), and US$ 635 billion held in United States short-term debt securities. China's portfolio holdings of long- and short-term United States securities (US$ 922 billion) accounted for 9.4% of the total (US$ 9.772 trillion), second only to Japan. China's share of United States Treasury bonds and notes was particularly high at almost 24%.

5. China's macroeconomic indicators, especially those relating to the external sector, have been quite impressive. In recent years, the economy has started to experience problems of overheating

Table I.2
BASIC INDICATORS OF THE CHINESE ECONOMY
(Percentages and millions of dollars)

Indicators/year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
GDP growth rates	7.8	7.6	8.4	8.3	9.1	10.0	10.1	10.4	11.6	11.9
GDP in nominal dollars (million)	1 019 479	1 083 286	1 198 461	1 324 807	1 453 827	1 640 959	1 931 644	2 235 909	2 657 868	3 280 038
GDP per capita (nominal) (Dollars)	817	861	946	1 038	1 132	1 270	1 486	1 716	2 012	2 461
Consumer Price Index	-0.8	-1.4	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8
Unemployment rate	3.1	3.1	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0
Current account (B/P basis. million of dollars)	31 471	21 114	20 519	17 405	35 422	45 875	68 659	160 818	253 268	371 833
Current account/GDP (%)	3.1	1.9	1.7	1.3	2.4	2.8	3.6	7.2	9.5	11.3
Trade balance (B/P basis. million of dollars)	46 614	35 980	34 474	34 017	44 167	44 652	58 982	134 189	217 746	315 381
Foreign reserves (million of dollars)	149 188	157 728	168 278	215 605	291 128	408 151	614 500	821 514	1 068 490	1 530 280
External debt (million of dollars)	146 043	151 830	145 730	170 110	171 360	193 634	228 596	281 045	322 988	373 620
Exchange rate (Yuan/ Dollars-End of period)	8.2787	8.2795	8.2774	8.2768	8.2773	8.2767	8.2765	8.0702	7.8087	7.3046
Change in money supply (M2)	14.9	14.7	12.3	15.0	18.3	19.6	14.4	17.9	16.0	14.8
Merchandise exports (million of dollars)	183 712	194 931	249 203	266 098	325 596	438 228	593 326	761 953	968 936	1 218 015
Merchandise imports (million of dollars)	140 237	165 699	225 094	243 553	295 170	412 760	561 229	659 953	791 461	955 818
FDI inflows (million of dollars) (B/P basis)	43 752	38 752	38 399	44 241	49 308	47 077	54 936	79 127	78 095	138 413

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

■ The acceleration of China's burgeoning economy spotlights the risk of uncontrolled growth, which, fuelled by the country's huge current account and trade surpluses, has generated upward pressure on the yuan. Since July 2005, when the Chinese authorities decided to abandon the fixed exchange-rate regime, the yuan has appreciated by more than 17% against the dollar. China also has the world's largest foreign reserve holdings.

■ Over the past decade, the authorities have managed to contain inflation and unemployment. Until very recently, inflationary pressures led to rising interest rates and slowing money-supply growth —inflation in the first half of 2008 stood at 7.9% and unemployment is expected to rise to 4.0% for the year as a whole. However, the Chinese economy has slowed somewhat in recent months, prompting officials to stress the importance of rapid growth and decrease their emphasis on monetary policy. China has already eased bank lending quotas, increased tax rebates for some exports and halted the yuan's appreciation against the dollar.

6. Investment and net exports have been the engines driving the burgeoning Chinese economy, accounting for 42% and 9% of GDP in 2007, respectively. The share of private consumption is declining

Table I.3
CHINA'S GDP, BY MAJOR EXPENDITURE COMPONENTS, 1998-2007
(Percentages of the total)

By expenditure category	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Private consumption	46.5	46.7	46.2	44.9	43.7	41.8	39.9	38.9	38.0	37.1
Private consumption (Urban)	29.3	30.5	31.0	30.5	30.2	29.8	28.9	28.4	27.8	
Private consumption (Rural)	17.1	16.3	15.3	14.4	13.5	12.0	11.0	10.5	10.0	
Government expenditure	14.6	15.3	15.8	16.1	15.9	15.2	14.5	14.5	14.2	14.4
Gross fixed capital formation	33.8	34.0	34.1	34.4	36.3	39.4	40.7	42.2	42.5	42.2
Changes in inventories	3.3	2.7	1.0	1.8	1.6	1.8	2.5	1.8	2.0	2.0
Net exports	4.3	2.6	2.4	2.1	2.6	2.2	2.6	5.6	7.9	9.3
GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

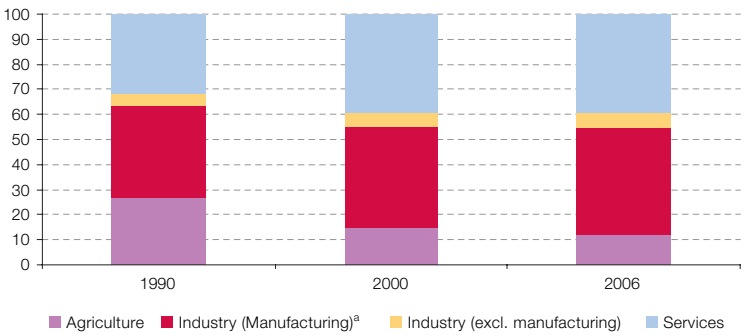
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information of the Chinese authorities.

- Over the last decade the Chinese economy has been propelled by investment and exports. As a percentage of GDP, government expenditure remained stable at 15%, while private consumption has declined relatively in both urban and rural areas.

- By sector, the share of agriculture in GDP continues to decline, falling from 27% in 1990 to 12% in 2006. The burgeoning services sector accounted for almost 40% of total economic activity in 2006. At present, the manufacturing sector accounts for roughly 43% of total GDP.

- As recognized in the eleventh Five-Year Social and Economic Development Plan (2006-2010), the country needs to urgently address the structural weaknesses caused by its rapid industrialization and modernization. These include idle capacity in certain sectors; deepening income inequality, particularly between urban and rural areas and between coastal and inland regions; and serious environmental problems. These issues are challenging the Government to alter the composition of aggregate demand and slow economic growth in order to make it more sustainable in the long term.

Figure I.5
THE CHINESE ECONOMY: GDP COMPOSITION BY SECTOR, 1990, 2000 AND 2006
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the Asian Development Bank database.
[a] Includes mining, and electricity, gas and water.

7. China's major trade partners are its Asian neighbours; but the BRICs have also become important either as destinations for China's exports or as sources of its imports

Figure I.6-A
SHARES OF MAJOR PRODUCT CATEGORIES IN TOTAL CHINESE EXPORTS, 2006
(Percentages)

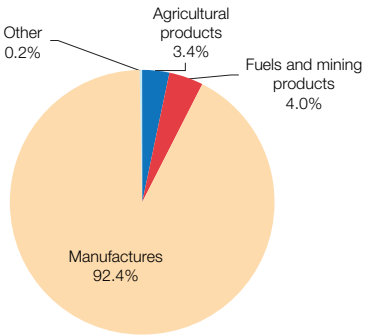
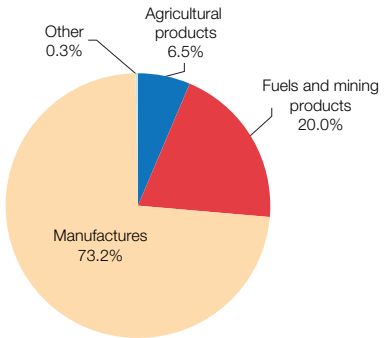


Figure I.6-B
SHARES OF MAJOR PRODUCT CATEGORIES IN TOTAL CHINESE IMPORTS, 2006
(Percentages)



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

Table I.4-A
CHINESE EXPORTS, TOP TEN DESTINATIONS, 2007
(Billions of dollars and percentages)

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

Table I.4-B
CHINESE IMPORTS, TOP TEN ORIGINS, 2007
(Billions of dollars and percentages)

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

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

- Asian countries jointly account for a large share of China's total trade. In terms of exports, although the European Union and the United States rank first and second respectively, Japan, ASEAN, the Republic of Korea, India and Taiwan Province of China were all among the top ten export destinations in 2007. The Russian Federation was in seventh place. Government statistics report exports to Latin America and the Caribbean totalling US$ 51.5 billion, 4.2% of the total.

- On the import side, the United States was the sixth largest source of China's foreign purchases in 2007, well below its rank as an export market. In contrast, the Asian countries had much higher shares. Latin America and the Caribbean supplied 5.3% of China's imports (US$ 51 billion), with Brazil ranking ninth as an import source in that year. Also in 2007, China's total merchandise trade with Latin America and the Caribbean passed the US$ 100 billion mark for the first time.

- By product category, China is heavily specialized in manufactures, although the share of that category in its imports is smaller than in its exports.

8. China is a major importer and consumer of primary products of particular importance for Latin America and the Caribbean

- High rates of economic growth and rapid industrialization in China, India and other developing economies, in a context of short-term supply inelasticity, partly explain the commodity price boom. India accounted for half of the global expansion of rice consumption and a quarter of wheat consumption growth between 2000 and 2007. China was responsible for half the global increase in soybean oil consumption and a third of the expansion in soybean demand during the same period.

- Metal and oil consumption is even more affected by Chinese demand than food markets. The expansion of Chinese demand represented more than 100% of the overall increase in world demand for refined copper between 2000 and 2007 and three quarters of the increase in global consumption of refined aluminium and slab zinc. China's share in global consumption of finished steel products and refined aluminium grew to one third in 2007, up from 16% and 14%, respectively, in 2000.

- The Chinese demand for oil and petroleum products grew almost six times faster than world demand in the same period, contributing 35% to the expansion in global demand for these products.

Table I.5-A

SHARE OF CHINA IN GLOBAL GROWTH OF CONSUMPTION OF AGRICULTURAL COMMODITIES

(Millions of tons and percentages)

	2000	2007	Percentage change	Share in total change	Share in world consumption	
					2000	2007
Wheat, million tons						
China	110.3	104.0	-5.69	-17.4	18.9	16.8
India	66.8	75.9	13.51	25.0	11.5	12.2
World	583.6	619.7	6.19	100.0		
Maize, million tons						
China	120.2	149.0	23.92	17.2	19.8	19.2
India	12.0	16.5	38.08	2.7	2.0	2.1
World	608.3	775.1	27.43	100.0		
Rice, million tons						
China	134.3	127.3	-5.18	-23.7	34.1	30.1
India	76.0	91.6	20.60	53.2	19.3	21.7
World	393.3	422.7	7.48	100.0		
Soybeans, million tons						
China	26.7	48.1	79.98	34.5	15.6	20.6
India	5.3	9.2	74.80	6.4	3.1	3.9
World	171.6	233.5	36.12	100.0		
Soybean oil, million tons						
China	3.5	9.8	176.40	53.4	13.4	25.7
India	2.0	2.5	24.75	4.3	7.7	6.6
World	26.4	38.1	44.41	100.0		
Sugar, million tons						
China	8.5	13.0	53.37	19.5	6.6	8.6
India	17.3	22.1	27.85	20.7	13.6	14.7
World	127.6	150.9	18.21	100.0		

Source: United States Department of Agricultural, Foreign Agricultural Service, official estimates.

Table I.5-B

SHARE OF CHINA IN GLOBAL GROWTH OF CONSUMPTION OF OIL AND METALS

(Millions of tons and percentages)

	2000	2007	Percentage change	Share in total change	Share in world consumption	
					2000	2007
Oil, million barrels daily						
China	4.8	7.9	64.6	34.7	6.3	9.2
India	2.3	2.7	21.9	5.6	3.0	3.2
World	76.3	85.2	11.6	100.0		
Finished steel products, million tons						
China	124.28	408.30	228.5	63.4	16.3	33.8
India	26.30	50.80	93.2	5.5	3.5	4.2
World	760.72	1208.50	58.9	100.0		
Refined aluminium, million tons						
China	3.50	12.35	252.9	73.5	14.0	33.3
India	0.60	1.02	69.3	3.5	2.4	2.7
World	25.06	37.10	48.0	100.0		
Refined copper, million tons						
China	1.93	4.86	152.1	102.9	12.7	26.9
India	0.24	0.44	83.8	7.1	1.6	2.4
World	15.19	18.04	18.8	100.0		
Slab zinc, million tons						
China	1.96	3.59	83.2	74.8	21.6	31.9
India	0.18	0.48	172.1	13.9	1.9	4.3
World	9.06	11.24	24.0	100.0		

Sources: British Petroleum, International Iron and Steel Institute and World Bureau of Metal Statistics.

9. Chinese exports are concentrated in terms of geographical origin and types of enterprise. China's trade needs to be analysed by region

Table I.6

EXPORTS FROM PROVINCES AND CITIES BY TYPE OF ENTERPRISE, 2007

(Billions of dollars and percentages)

Provinces and cities	All types of enterprises		State-owned enterprises		Foreign-funded enterprises		Other enterprises	
	Value (US$ billion)	Percentage of gran total	Value (US$ billion)	Percentage of gran total	Value (US$ billion)	Percentage of gran total	Value (US$ billion)	Percentage of gran total
Guangdong	369.3	30.3	57.0	4.7	232.2	19.1	80.0	6.6
Jiangsu	203.7	16.7	17.8	1.5	155.6	12.8	30.3	2.5
Shanghai	143.9	11.8	28.6	2.3	97.8	8.0	17.5	1.4
Zhejiang	128.3	10.5	19.0	1.6	47.2	3.9	62.1	5.1
Shandong	75.1	6.2	12.4	1.0	40.3	3.3	22.5	1.8
Fujian	49.9	4.1	7.0	0.6	29.0	2.4	14.0	1.1
Beijing	48.1	4.0	23.2	1.9	21.7	1.8	3.2	0.3
Tianjin	38.1	3.1	5.7	0.5	28.3	2.3	4.2	0.3
Liaoning	35.3	2.9	10.6	0.9	17.7	1.5	7.0	0.6
Hebei	17.0	1.4	4.5	0.4	6.6	0.5	6.0	0.5
Heilongjiang	12.3	1.0	2.0	0.2	0.7	0.1	9.6	0.8
Xinjiang	11.5	0.9	2.6	0.2	0.2	0.0	8.7	0.7
Anhui	8.8	0.7	3.3	0.3	2.6	0.2	2.9	0.2
Sichuan	8.6	0.7	2.7	0.2	2.2	0.2	3.7	0.3
Henan	8.4	0.7	3.5	0.3	1.4	0.1	3.4	0.3
Hubei	8.2	0.7	3.2	0.3	2.8	0.2	2.2	0.2
Shanxi	6.5	0.5	3.6	0.3	0.9	0.1	2.1	0.2
Hunan	6.5	0.5	2.7	0.2	1.0	0.1	2.9	0.2
Jiangxi	5.5	0.4	1.8	0.1	1.8	0.1	1.8	0.1
Guangxi	5.1	0.4	1.4	0.1	1.1	0.1	2.6	0.2
Yunnan	4.7	0.4	2.4	0.2	0.4	0.0	2.0	0.2
Shaanxi	4.7	0.4	2.5	0.2	0.9	0.1	1.3	0.1
Chongqing	4.5	0.4	1.5	0.1	0.7	0.1	2.3	0.2
Jilin	3.9	0.3	1.3	0.1	1.0	0.1	1.5	0.1
Inner Mongolia	2.9	0.2	1.4	0.1	0.5	0.0	1.1	0.1
Gansu	1.7	0.1	1.0	0.1	0.2	0.0	0.4	0.0
Guizhou	1.5	0.1	1.1	0.1	0.2	0.0	0.2	0.0
Hainan	1.4	0.1	0.2	0.0	0.5	0.0	0.7	0.1
Ningxia	1.1	0.1	0.5	0.0	0.2	0.0	0.4	0.0
Qinghai	0.4	0.0	0.2	0.0	0.0	0.0	0.2	0.0
Tibet	0.3	0.0	0.3	0.0	0.0	0.0	0.0	0.0
Total Value	1 218.0	100.0	224.8	18.5	695.5	57.1	297.7	24.4

Provinces in the south

Provinces and cities in the east

Provinces and Cities in the North

Provinces in the north-east

Source: Ministry of Commerce of China.

- Although China is the world's second largest merchandise exporter, the origins of its exports by provinces and cities are highly differentiated.

- The four leading provinces (Guangdong, Jiangsu, Zhejiang and Shandong), along with the city of Shanghai, accounted for over 75% of total national exports in 2007. Exports originating from the provinces of Guangdong and Fujian in the southern region accounted for 34% of the total in 2007. Equally important as export sources were Jiangsu, Shanghai, and Zhejiang in the east.

- A large portion of Chinese exports originate from the provinces and cities in the south, east, north and north-east of the country. With the exception of Xinjiang, the provinces in the interior are not major exporters.

- Guangdong Province alone contributed over 30% of China's total exports in 2007, posting merchandise sales worth US$ 369 billion. That province alone ranked twelfth among the world's top export nations, almost matching the total exports of Republic of Korea in that year (US$ 372 billion).

- Foreign-invested enterprises (FIEs) accounted for the lion's share of exports in these major exporting provinces and cities; in the case of Guangdong Province, for instance, 63% of total exports from the province originated from foreign-invested firms and they, in turn, accounted for nearly 20% of China's total merchandise exports. The export performance of foreign firms compares quite favourably with that of State-owned or other enterprises, including collectives.

- These enterprises also accounted for a large share of exports from other provinces and cities, such as Jiangsu, Shanghai, Zhejiang, Shandong, Fujian and Beijing.

- Given China's size, an analysis of its trade structure by region would be useful.

10. China is a major origin and destination for trade in services, ranking eighth as an exporter and sixth as an importer worldwide, while also offering Latin America a promising market for services trade

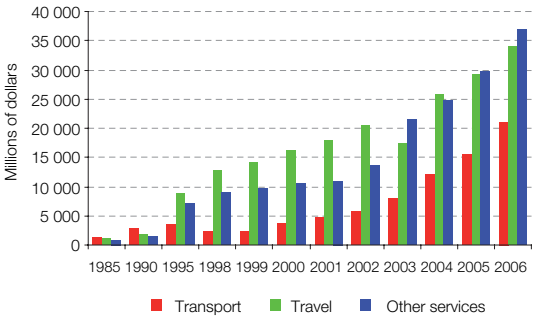
Table I.7
CHINA: TRADE IN SERVICES, 1995-2006
(Millions of dollars and percentages)

Year	1985	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exports												
Transport	42.6	46.2	17.5	9.6	9.2	12.1	13.9	14.4	16.9	19.3	20.7	22.8
Travel	32.0	29.7	45.6	52.7	53.7	53.3	53.4	51.3	37.2	41.2	39.4	36.9
Other services	25.3	24.1	36.8	37.6	37.1	34.6	32.7	34.3	45.8	39.4	39.9	40.3
Total (percentages)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total exports	3 055	5 855	19 130	23 895	26 248	30 430	33 334	39 745	46 734	62 434	74 404	91 999
World ranking	26	26	16	15	15	14	13	11	9	9	9	8
Imports												
Transport	60.4	74.6	37.8	25.4	25.0	28.9	28.8	29.3	33.0	34.0	33.9	34.1
Travel	12.4	10.8	14.6	34.5	34.4	36.4	35.4	33.1	27.5	26.5	26.0	24.1
Other services	27.2	14.6	47.6	40.1	40.6	34.8	35.7	37.7	39.6	39.4	40.1	41.8
Total (percentages)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total imports	2 524	4 352	25 223	26 672	31 589	36 031	39 267	46 528	55 306	72 133	83 796	100 833
World ranking	33	32	12	13	11	10	10	8	8	7	7	6

Source: United Nations Conference on Trade and Development (UNCTAD), Handbook of Statistics, 2007 [on line].

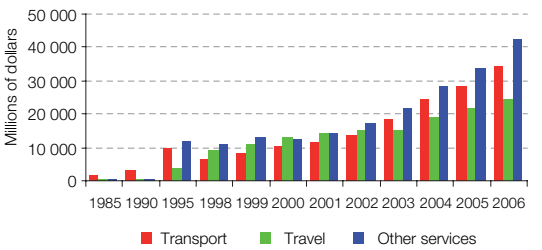
- In 2006, China exported US$ 92 billion and imported US$ 101 billion of services, obtaining world rankings of eighth and sixth, respectively.
- In exports, the share of transport, which had been shrinking in the late 1990s, has started to recover in recent years, reflecting growing demand for different means of transport to support the country's buoyant trade. The category "Other services" is also on a rising trend.
- On the import side, the share of the transport sector has fallen, but this has been offset by a significant rise in the share of "Other services".
- To sustain the expansion of its merchandise trade with China, Latin America will need to achieve expansion in its services trade.

Figure I.7-A
CHINA'S SERVICES EXPORTS, BY SECTOR, 1985-2006



Source: United Nations Conference on Trade and Development (UNCTAD), Handbook of Statistics, 2007 [on line].

Figure I.7-B
CHINA'S SERVICES IMPORTS, BY SECTOR, 1985-2006



Source: United Nations Conference on Trade and Development (UNCTAD), Handbook of Statistics, 2007 [on line].

11. China has emerged as the world's third largest foreign direct investment (FDI) recipient country in recent years, after the United States and the United Kingdom

Figure I.8
SHARE IN WORLD FDI INFLOW STOCK, BY MAJOR RECIPIENT REGIONS, AS OF DECEMBER 2006
(Percentages)

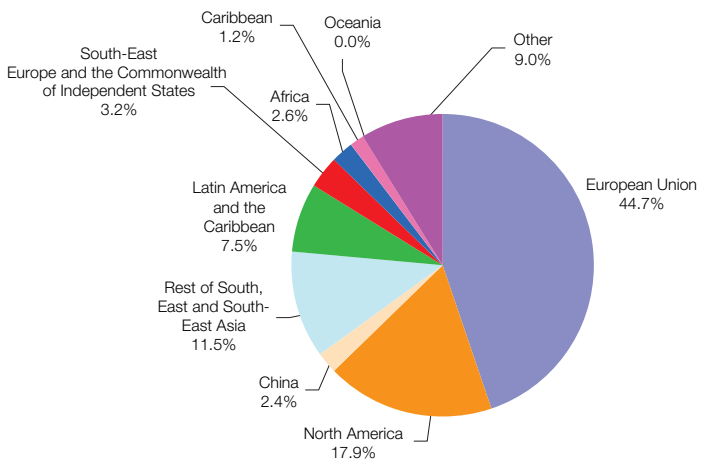
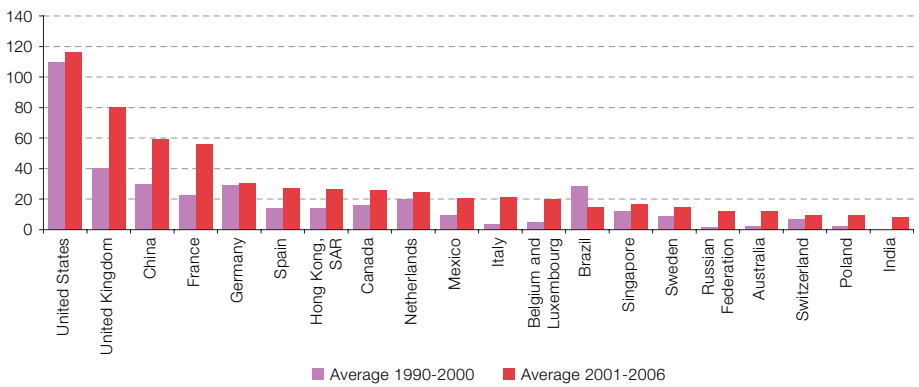


Figure I.9
SHARE IN TOTAL FDI INFLOWS, BY MAJOR RECIPIENT COUNTRIES, ANNUAL AVERAGE, 1990-2000 AND 2001-2006
(Billions of dollars)



Source for figures I.8 and I.9: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from United Nations Conference on Trade and Development (UNCTAD), FDI Database; and Japan External Trade Organization (JETRO), White Paper on International Trade and Foreign Direct Investment, Tokyo, 2008.

- World FDI is estimated to have surpassed the US$ 2 trillion mark in 2007. As of late 2006, the European Union received almost 45% of world total stock of FDI, followed by North America (18%) and East and South-East Asia (14%), 2.4% of which corresponded to China. Latin America and the Caribbean was the fourth largest group, with a stock of more than US$ 908 billion.

- In terms of inflows by country, China has been the world's third largest recipient, after the United States and the United Kingdom, surpassing other major recipients such as France, Germany, Spain and Canada.

- The BRICs (Brazil, Russian Federation, India and China) have also emerged as a major FDI recipient bloc, absorbing US$ 94 billion annually or 11% of the world total during 2001-2006. These four countries were among the top 20 recipient countries at the end of 2006.

- Based on balance of payments statistics, China's outward FDI reached US$ 17.8 billion and US$ 17.0 billion in 2006 and 2007, respectively. For the BRICs as a group, their total outward FDI represented 3.8% of world total outflows in 2007.

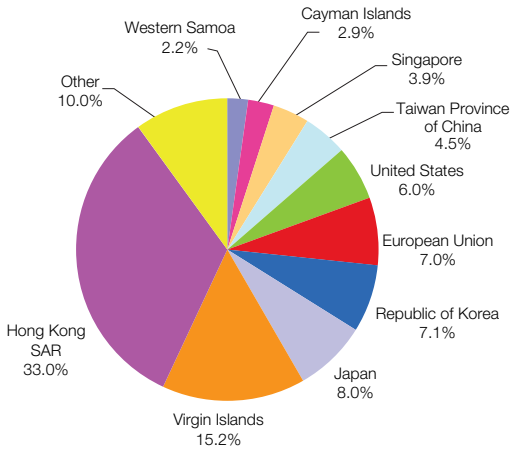
12. The lion's share of China's inward FDI comes from the Asia-Pacific region

Table I.8
ESTIMATES OF CHINA'S FDI INFLOWS FROM LATIN AMERICA
(Millions of dollars and percentages)

Investing Country/region	China's Inward FDI (millions of dollars)					Share in world total (percentages)				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
8 Latin American countries	46	82	72	73	81	0.10	0.15	0.09	0.09	0.08
Argentina	17	28	14	22	25	0.04	0.05	0.02	0.03	0.03
Brazil	15	28	32	28	31	0.03	0.05	0.04	0.04	0.03
Chile	7	3	8	7	8	0.01	0.01	0.01	0.01	0.01
Colombia	-	-	n.a.	n.a.	n.a.	0.00	0.00	n.a.	n.a.	n.a.
Ecuador	-	-	1	n.a.	n.a.	0.00	0.00	0.00	n.a.	n.a.
Mexico	5	19	9	12	13	0.01	0.03	0.01	0.02	0.01
Peru	1	4	4	4	4	0.00	0.01	0.01	0.01	0.00
Venezuela (Bol. Rep. of)	1	n.a.	4	n.a.	n.a.	0.00	n.a.	0.01	n.a.	n.a.
World Total	47 077	54 937	79 127	78 095	96 102	100.00	100.00	100.00	100.00	100.00

Source: Economist Intelligence Unit, World Investment Service, February 2008

Figure I.10
CHINA'S UTILIZED INWARD FDI, BY MAJOR INVESTING COUNTRIES AND REGIONS, AVERAGE 2002-2007
(Percentages of total FDI inflows)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from China [on line] www.fdi.gov.cn.

- According the Chinese statistics, the average annual utilized FDI inflow to China amounted to US$ 61.3 billion between 2002 and 2007. The number of contracts had grown to 37,888 in 2007.

- The 10 Asian economies contributed almost 69% of total FDI during the period, 33% of which came from Hong Kong (Special Administrative Region of China). Individually, Japan, the Republic of Korea, Taiwan Province of China and Singapore contributed 8.0%, 7.1%, 4.5% and 3.9% of total FDI inflows, respectively. In contrast, the corresponding shares of the United States and the European Union were 6.0% and 7.0%.

- The Caribbean is quite an important source of Chinese inward FDI, thanks to the preponderant position of several countries of this subregion, such as the Cayman Islands and the British Virgin Islands.

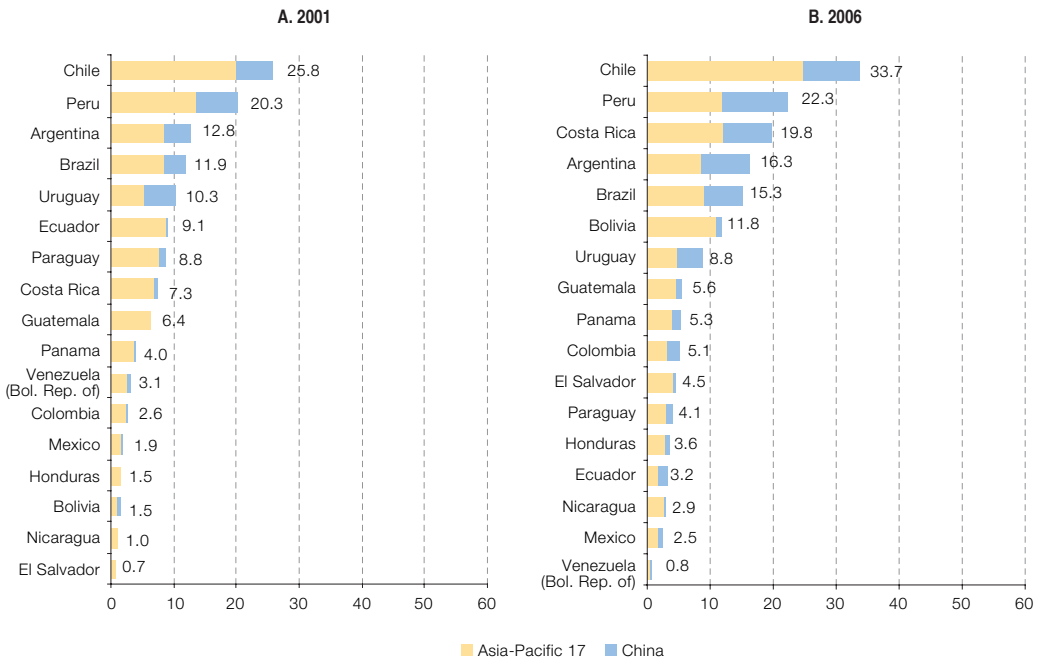
- Data on Chinese FDI coming from Latin America is incomplete and hard to come by. The Economist Intelligence Unit reports that the eight Latin American countries listed in the table invested over US$ 80 million, accounting for 0.08% of Chinese total FDI inflows in 2007.

13. China has become a major export destination for several Latin American countries, especially Chile, Peru, Costa Rica, Argentina, Brazil and Uruguay

Figure I.11

SHARE OF ASIA-PACIFIC (17)[a] AND CHINA IN THE TOTAL EXPORTS OF LATIN AMERICAN COUNTRIES, 2001-2006

(Percentages of the total exports of each country)



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

[a] Asia Pacific (17) includes Australia, Brunei Darussalam, Cambodia, Hong Kong (Special Administrative Region of China), India, Indonesia, Japan, Lao PDR, Malaysia, Myanmar, New Zealand, Philippines, Republic of Korea, Singapore, Taiwan Province of China, Thailand, and Viet Nam.

- One of the key features of trade relations between Asia-Pacific and Latin America in the present decade has been China's emergence as a major trading partner of the latter region.

- In the case of Chile, for example, the combined share of Asia-Pacific (17) and China as an export destination grew from 25.8% in 2001 to 33.7% of the country's total exports in 2006, 9.0% of which corresponded to China alone. There was similar growth in the Asia-Pacific share of Peruvian exports, while Mercosur member countries, apart from Paraguay, also increased their trade share with the Asia-Pacific regions.

- The most notable case is Costa Rica whose share rose from 7.3% in 2001 to 19.8% in 2006. This Central American country sent 7.7% of its total exports to China in 2006. In contrast, Mexico has been less successful than other Latin American countries in exploiting Asian markets.

- Estimates for 2007 (Chapter II of this report) show continued gains for Asia-Pacific as an export destination for the majority of countries in the Latin American region.

- China is set to remain the key engine of world economic growth in the years to come, creating a market of major potential for exports from Latin America. Nonetheless, this market had remained largely untapped until recently, with the exception of certain commodity exports.

14. Despite considerable heterogeneity across countries, Latin America's China export basket consists mostly of commodities and natural resource-based manufactures

- The basket of goods that Latin American countries export to China consists mainly of commodities and natural resource-based manufactures. In general, countries that have been successful in penetrating Asia-Pacific markets (for example, Chile, Peru, Argentina and Brazil) have based their export drive on primary commodities and their processed products.

- Export specialization based on primary products and natural resource-based manufactures is more pronounced in Asia-Pacific and Chinese markets than in those of other regions such as the United States, the European Union and Latin American markets themselves.

- Moreover, primary commodities exported by Latin America to China are restricted to just a few products (see Chapter III of this report).

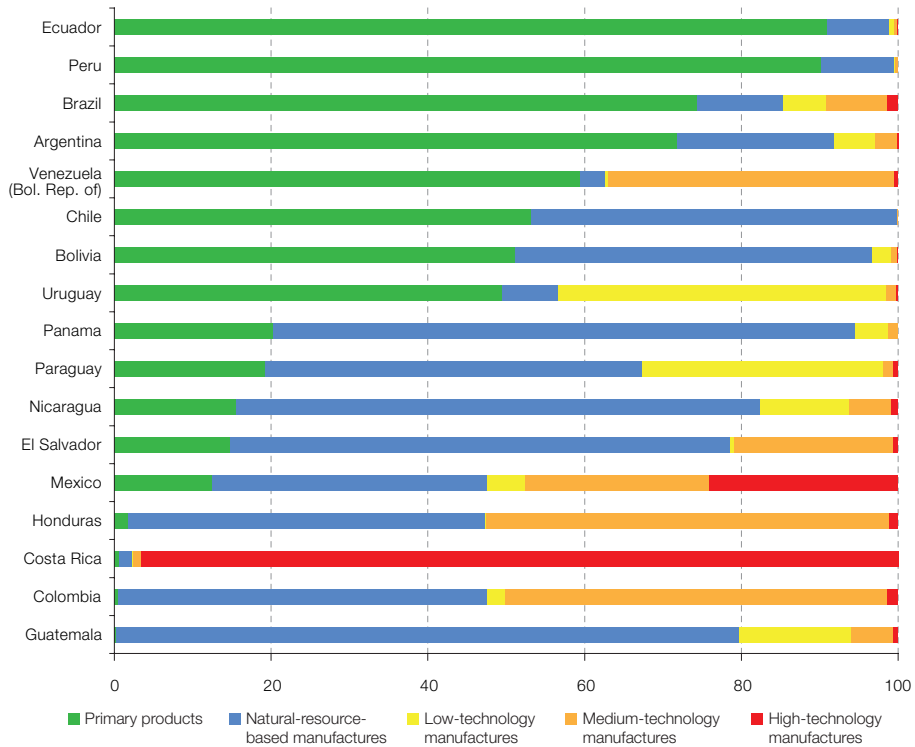
- At the other extreme, 93% of total Costa Rican exports to China consist of high-tech products, especially microcircuits, data machine parts and telecommunications equipment (see again Chapter III of this report). Albeit to a lesser degree, Mexico's export basket to China also contains a number of manufactures of high- and medium-technology intensity.

- The inter-industry nature of trade relations between Latin America and China, in which the region exports primary products and imports primarily manufactures of varying technology intensity, could be a constraint in expanding bilateral trade and investment linkages.

Figure I.12

COMPOSITION OF CHINA EXPORT BASKET, BY TECHNOLOGY INTENSITY, 2006

(Percentages of each country's exports to China)



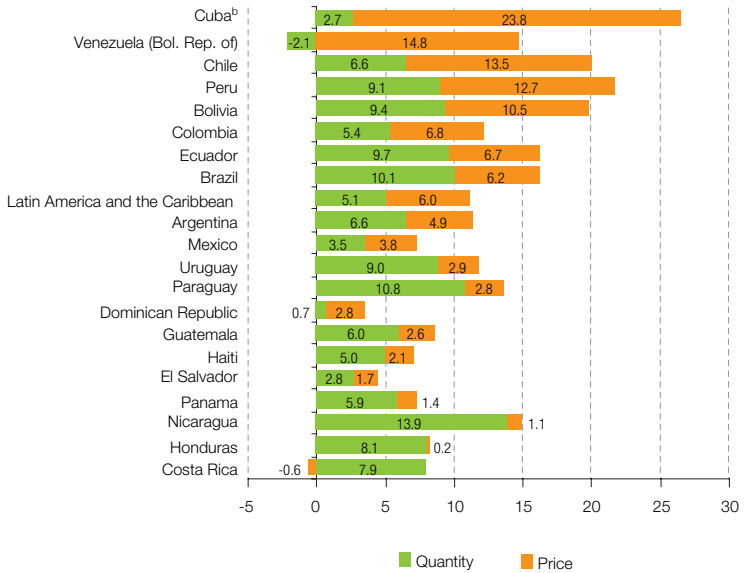
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations Commodity Trade Database (COMTRADE).

15. China's burgeoning demand for commodities has fuelled a rapid expansion of Latin American exports to that market, improving the trade balances and terms of trade especially of South American countries

Figure I.13-A

LATIN AMERICA: BREAKDOWN OF MERCHANDISE EXPORT GROWTH BY PRICE AND QUANTITY, 2000-2007[a]

(Annual average growth, in percentages)



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

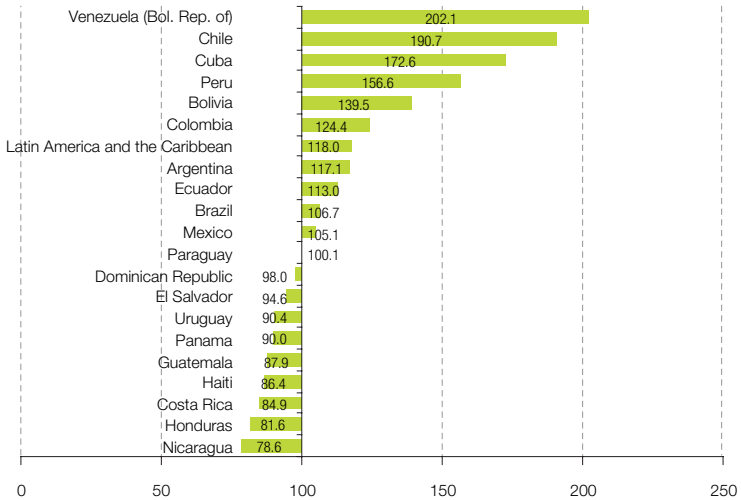
[a] 2007: Preliminary figures.

[b] Cuba for 2005-2007 only.

Figure I.13-B

LATIN AMERICA: MERCHANDISE TERMS OF TRADE F.O.B./F.O.B., 2007[a] (INDEX 2000=100)

(Percentages)



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

[a] 2007: Preliminary figures.

■ Latin American merchandise exports have grown at an annual average rate of 11% in the current decade as the combined result of price effects (5.1%), and quantity effects (6.0%). A considerable increase in export volumes has been achieved in recent years by Bolivia, Brazil, Costa Rica, Honduras, Nicaragua, Paraguay and Uruguay. Price effects have been more pronounced for exporters of mineral and metals and oil and petroleum products, primarily Chile and the Andean countries.

■ High commodity prices have favoured South American countries more than Mexico or those in Central America. As exporters of mining and petroleum products, six countries of the region, Bolivarian Republic of Venezuela, Bolivia, Chile, Colombia, Cuba, Peru have benefited from China's sustained rising demand for these products.

■ The terms of trade of Central American countries have deteriorated in the present decade, mainly because of strong competition faced by their manufactured exports in the United States and the rising price of imported oil. Although Mexico is in an intermediate situation, it is also a net oil exporter.

16. The ranking of Asia-Pacific and Latin American countries in trade-related indicators varies widely. As a middle-income country, China scores satisfactorily. In general, lower-income economies in both regions lag behind in trade facilitation

- China has been the rising star in terms of international trade growth, ranking third worldwide. Viet Nam has also scored very highly in this area.
- In general, the developed economies of Asia-Pacific, such as Australia and New Zealand, Singapore and Hong Kong (Special Administrative Region of China), perform much better on MFN tariff levels and institutional environments than lower-income economies.
- Meanwhile, as a result of trade liberalization over the years, Latin American countries score quite well on external environment indicators when measured by the level of tariffs applied to their exports.
- Apart from Chile, Latin American countries and the lower-income Asian countries still lag behind in areas relating to trade facilitation. Countries in the lower echelons in both regions are often trapped by over-regulation, poor-quality services and insufficient investment in infrastructure.

Table I.9

SELECTED TRADE-RELATED PERFORMANCE INDICATORS[a]

(Ranking)

Indicators	Trade policy	External environment	Institutional environment	Trade facilitation	Trade performance
	Index of tariff restrictions (TTRI) [b] (MFN applied) –all goods	Index of market access [c] (applied tariffs including prerferential) – all goods	Ease of doing business – Position (out of 178) [d]	Logistics Performance Index - Overall[e]	Trade growth 1995 2007 (goods and services, %) [f]
Country/year	2006-2007 most recent	2006-2007 most recent	2006-2007 most recent	2006-2007 most recent	2006-2007 most recent
Singapore	1	43	1	1	80
Hong Kong SAR	1	71	4	8	97
Australia	14	110	9	17	110
New Zealand	17	109	2	19	86
Brunei D.	18	15	78	..	137
Taiwan Prov. of China	19	53	50	21	132
Malaysia	20	42	24	27	129
Philippines	45	45	133	65	100
Indonesia	50	71	123	43	68
Japan	52	73	12	6	119
Costa Rica	55	39	115	72	49
Ecuador	56	63	128	70	113
China	57	59	83	30	3
Chile	65	16	33	32	59
Nicaragua	66	106	93	123	62
Uruguay	69	63	98	79	79
El Salvador	70	116	69	66	111
Thailand	71	98	15	31	69
Panama	73	113	65	54	42
Guatemala	74	105	114	75	88
Peru	76	33	58	59	56
Honduras	77	107	121	80	129
Rep. of Korea	82	98	30	25	20
Bolivia	83	23	140	107	27
Venezuela (Bol. Rep. of)	86	18	172	69	60
Cambodia	90	120	145	81	48
Brazil	92	63	122	61	32
Argentina	96	49	109	45	51
Colombia	105	39	66	82	24
Mexico	107	4	44	56	134
India	117	59	120	39	30
Viet Nam	..	..	91	53	7
Dominican Republic	..	..	99	96	119
Lao PDR	..	..	164	118	21
Myanmar	..	..	..	148	..

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

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

[b] Trade Tariff Restrictiveness Index (TTRI). Ranked (out of 125) according to the uniform equivalent tariff that would maintain the country's aggregate import volume and its current level (given heterogeneous tariffs).

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

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

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

[f] Growth rate based on constant 2000 prices.

17. Lower-income economies in both regions score poorly on cross-border, trade-related indicators

Figure I.14-A
NUMBER OF DOCUMENTS

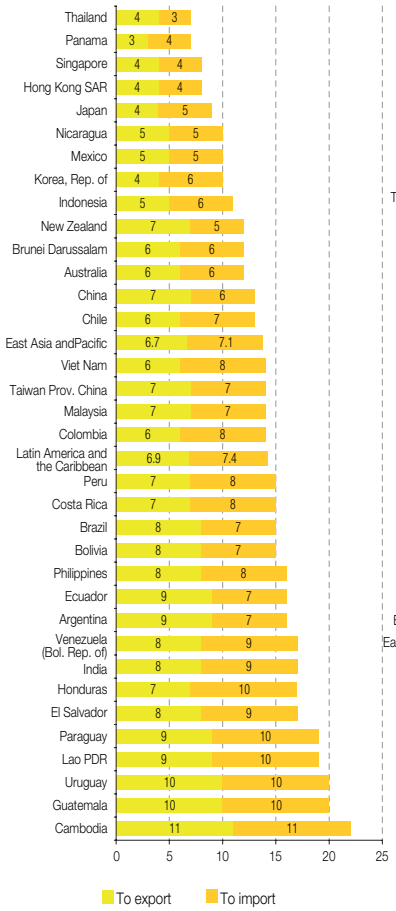


Figure I.14-B
TIME TAKEN TO EXPORT AND IMPORT
(Days)

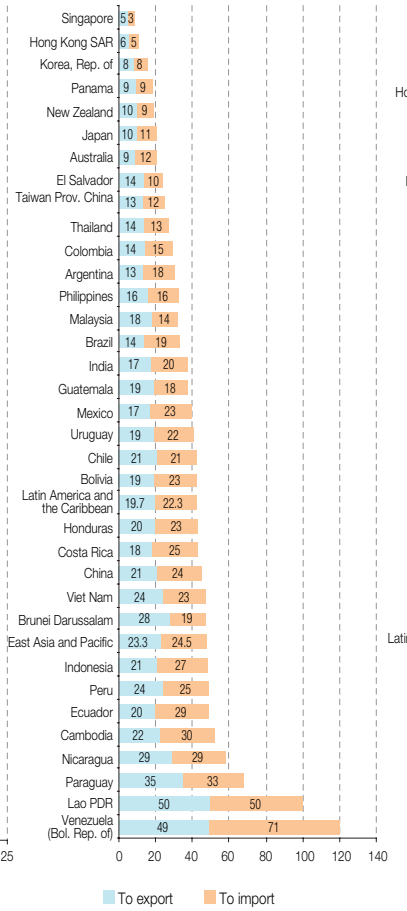
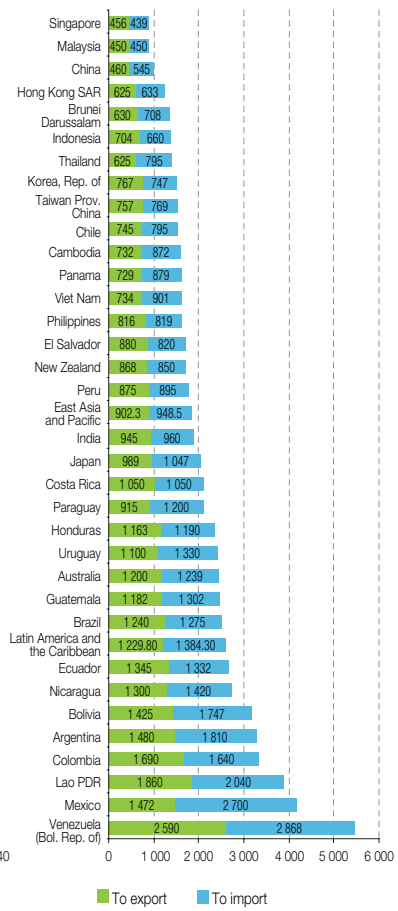


Figure I.14-C
COST OF EXPORTING AND IMPORTING
(Dollars per container)



Source: World Bank, *Doing Business 2009*, Washington, D.C., 2008.

- The World Bank *Doing Business 2009* report states that the costs of exporting and importing vary widely across countries in both Latin America and Asia-Pacific.
- Overall, the countries of both regions fare quite well compared with those of other regions.
- Hong Kong (Special Administrative Region of China), Singapore and Panama score extremely well on the first two indicators.
- Singapore, Malaysia and China lead the ranking in terms of export and import costs per container.
- In general, low-income economies need to make efforts to reduce transaction costs.

18. In conclusion, there is an urgent need for non-traditional policy measures to reduce trans-Pacific red tape

Table I.10
MAIN INDICATORS OF *DOING BUSINESS 2009*
(Ranking out of 182 economies/countries)

Economy	Ease of doing business ranking	Starting a business	Dealing with construction permits	Employing workers	Registering property	Getting credit	Protecting investors	Paying taxes	Trading across borders	Enforcing contracts	Closing a business
Singapore	1	10	2	1	16	5	2	5	1	14	2
New Zealand	2	1	2	14	3	5	1	12	23	11	17
Hong Kong, SAR	4	15	20	20	74	2	3	3	2	1	13
Australia	9	3	57	8	33	5	53	48	45	20	14
Japan	12	64	39	17	51	12	15	112	17	21	1
Thailand	13	44	12	56	5	68	11	82	10	25	46
Malaysia	20	75	104	48	81	1	4	21	29	59	54
Korea, Republic of	23	126	23	152	67	12	70	43	12	8	12
Chile	40	55	62	74	39	68	38	41	53	65	112
Colombia	53	79	54	80	78	59	24	141	96	149	30
Mexico	56	115	33	141	88	59	38	149	87	79	23
Taiwan Province of China	61	119	127	159	26	68	70	100	30	88	11
Peru	62	116	115	149	41	12	18	85	93	119	96
El Salvador	72	103	121	87	42	43	113	124	57	53	78
Panama	81	32	73	172	75	28	104	172	8	116	72
China	83	151	176	111	30	59	88	132	48	18	62
Brunei Darussalam	88	130	72	5	177	109	113	35	42	157	35
Viet Nam	92	108	67	90	37	43	170	140	67	42	124
Nicaragua	107	85	134	66	136	84	88	162	99	66	67
Uruguay	109	120	139	79	149	43	88	167	127	99	44
Guatemala	112	147	164	106	27	28	126	120	123	106	90
Argentina	113	135	167	130	95	59	104	134	106	45	83
Paraguay	115	82	96	177	70	68	53	102	138	103	116
Costa Rica	117	123	123	77	45	59	164	152	94	132	98
India	122	121	136	89	105	28	38	169	90	180	140
Brazil	125	127	108	121	111	84	70	145	92	100	127
Indonesia	129	171	80	157	107	109	53	116	37	140	139
Honduras	133	146	71	156	90	28	150	137	107	176	115
Cambodia	135	169	147	134	108	68	70	24	122	136	181
Ecuador	136	158	85	171	64	84	126	69	124	101	131
Philippines	140	155	105	126	97	123	126	129	58	114	151
Bolivia	150	165	98	180	129	109	126	176	117	133	59
Lao People's Democratic Rep.	165	92	110	85	159	145	180	113	165	111	181
Venezuela (Bol. Rep. of)	174	142	96	180	92	163	170	177	164	71	149

Source: World Bank, *Doing Business 2009*, Washington, D.C., 2008.

- Although high- and medium-income economies perform better than their lower-income counterparts in nearly all Doing Business indicators, a number of areas remain for future improvement. Each economy faces challenges in creating a more transparent, predictable, and harmonized trade and investment regime across the Pacific.

- To promote trade and investment across the Pacific, additional reforms are needed to make traditional measures, such as tariffs, less restrictive, through unilateral, regional and multilateral forums, supported by other policy measures to reduce transaction costs.

- The latter requires: (i) the elimination of "hidden" trade barriers (for example, complex technical standards); (ii) a search for better market access not only for goods but also services and investment, for example, through free trade agreements involving countries on both sides of the Pacific; (iii) more predictable export/import mechanisms, including customs procedures; and (iv) active use of information technology to make policy more predictable and enhance trade and business facilitation.

Chapter II

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

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

Table II.1

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

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

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of International Monetary Fund (IMF), World Economic Outlook Database [online] April 2008.
[a] Asia-Pacific consists of developing Asia plus Australia, Japan and New Zealand.
[b] For the definition of developing Asia, see International Monetary Fund (IMF), *World Economic Outlook*, 2008, Washington, D.C., April 2008.
[c] Newly industrialized Asian economies consist of Hong Kong SAR, Republic of Korea, Singapore and Taiwan Province of China.

- Asia-Pacific including India represents roughly 60% of world population, while Latin America and the Caribbean represents 9%. China alone accounts for 21% of world total.

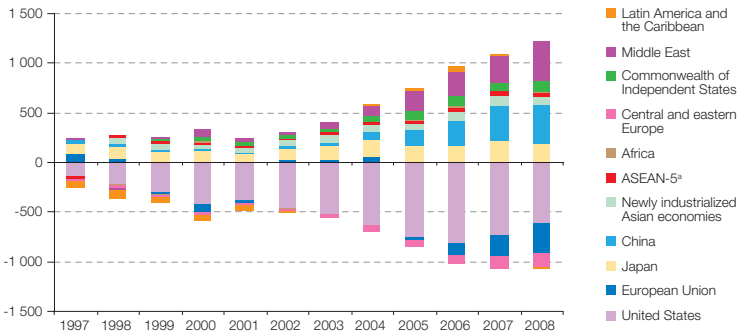
- Total Asia-Pacific GDP in current prices is estimated at US$ 11.1 trillion for 2007, or more than 20% of the world GDP, while Latin America and the Caribbean contributes approximately 6%. The relative size of world output, measured in terms of purchasing power parity (PPP), is much greater: these two regions represent about 28% and 8% of total world output, respectively. Measured in PPP, the GDP of Asia-Pacific surpasses that of the United States or the European Union.

- Growth in output in Asia-Pacific has been impressive. Among the countries in that region, China stands out; despite the downscaling of the PPP by the International Monetary Fund (IMF) in 2008, its economy still accounts for 11% of world output. Asia-Pacific as a whole is projected to increase its share in the world total in the near future.

- Asia-Pacific includes both developed and developing countries with large differences in the size of economy, and as a result, its combined GDP is unequally distributed; four countries, Japan, China, Republic of Korea and Australia each accounted for more than 1% of the world output in 2007. In sum, regardless of the measure considered, Asia-Pacific is already a formidable regional grouping worldwide, especially developing Asia.

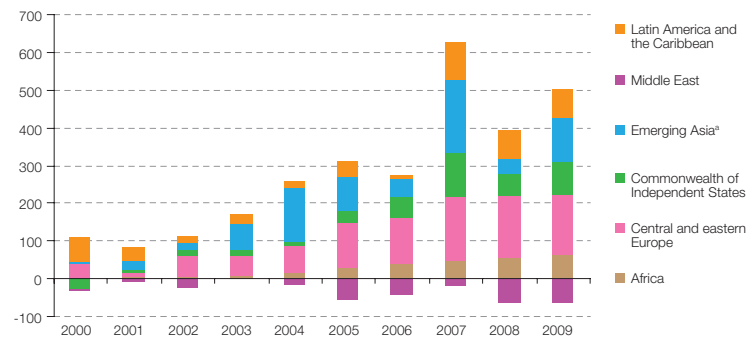
2. Asia-Pacific consists of major current-account-surplus countries, contributing to global macroeconomic stability

Figure II.1-A
BALANCES ON CURRENT ACCOUNT, BY REGION AND COUNTRY
(In billions of dollars)



Note: ASEAN (5) includes Indonesia, Malaysia, Philippines, Thailand and Vietnam and excludes Singapore which is included in Newly Industrialized Asian Economies (Hong Kong SAR, Republic of Korea, Singapore and Taiwan Province of China) .

Figure II.1-B
EMERGIND AND DEVELOPING ECONOMIES: NET CAPITAL FLOWS
(In billions of dollars)



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

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

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

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

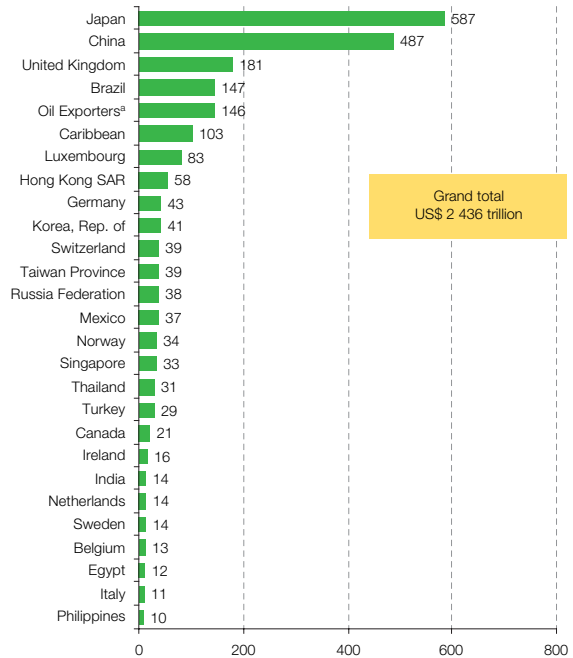
- The size of China's surplus alone was greater than that of the Middle East at US$ 275 billion. Latin America and the Caribbean reported a surplus of US$ 16 billion in 2007.

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

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

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

Figure II.2
TOP 27 FOREIGN HOLDERS OF US TREASURY SECURITIES, FEBRUARY 2008
(In billions of dollars)



Source: United States Department of the Treasury [online] www.ustreas.gov.
[a] Oil exporters include Algeria, Bolivarian Republic of Venezuela, Bahrain, Ecuador, , Gabon, Indonesia, Iraq, Islamic Republic of Iran, Kuwait, Libyan Arab Jamahiriya, Nigeria, Oman, Qatar, Saudi Arabia and United Arab Emirates.

Table II.2
STOCK OF FOREIGN RESERVES (MINUS GOLD), DECEMBER 2007[a]
(In billions of dollars)

	Stock	World Share
Asia	2 917	45.2%
China	1 530	23.7%
India	267	4.1%
Republic of Korea	262	4.1%
Taiwan Province of China	270	4.2%
Other Asian countries[b]	587	9.1%
Latin America[c]	400	6.2%
Central Europe[d]	121	1.9%
Russia	464	7.2%
Middle East[e]	149	2.3%
Total emerging markets (8)	**4 051**	**62.8%**
Japan	953	14.8%
Total world	**6 446**	**100.0%**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), calculations on the basis of information from International Monetary Fund (IMF), International Financial Statistics.
[a] Cumulative sum for 2007, in billions of United States dollars. Aggregates are the sums of the economies.
[b] Hong Kong SAR, Indonesia, Malaysia, Philippines, Singapore and Thailand.
[c] Argentina, Bolivarian Republic of Venezuela, Brazil, Chile, Colombia, Mexico and Peru.
[d] The Czech Republic, Hungary and Poland.
e Kuwait, Libyan Arab Jamahiriya, Oman, Qatar and Saudi Arabia.
[e] Arabia Saudita, Jamahiriya Árabe Libia, Kuwait, Omán y Qatar.

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

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

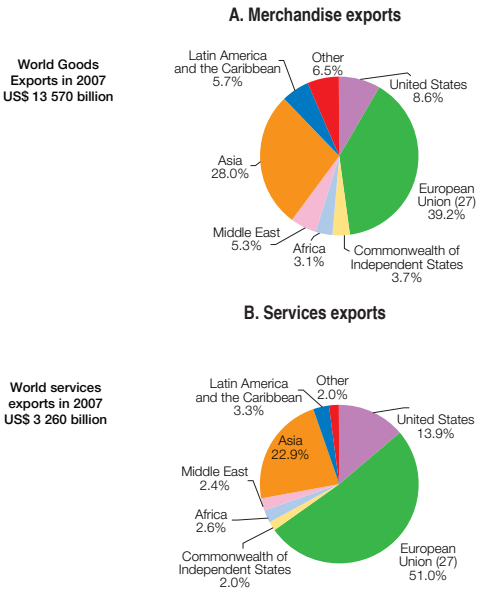
■ Asian countries are the major holders of foreign reserves worldwide: Asia, including Japan, accounts for 60% of world reserves minus gold. The share of China alone was roughly 24% at the end of 2007, with a sum of US$ 1.53 trillion. The seven Latin American countries (Argentina, Bolivarian Republic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

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

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

Figure II.3

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



- World merchandise exports and imports reached US$ 13.570 trillion and US$ 13.940 trillion in 2007, respectively, an increase in value of roughly 15% from 2006. Asia contributed 28% and 25% to the world total.

- In services which account for almost 20% of world trade in goods and services, the Asian countries' shares are equally high; their shares of total exports are slightly lower, however.

- In 2007, China has become the world's second largest exporter of goods, surpassing the United States. The four newly industrialized Asian economies contributed 7% of world exports and imports, while the ASEAN group's total exports and imports totalled US$ 863 billion and US$ 773 billion, respectively, surpassing the total of Latin America and the Caribbean as a group. The share of Latin America and the Caribbean still remains at below 6%.

Table II.3-A

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

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

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

Table II.3-B

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

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

Newly industrialized economies comprise Hong Kong SAR, Republic of Korea, Singapore and Taiwan Province of China.

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

Table II.4

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

(In percentages)

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

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

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

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

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

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

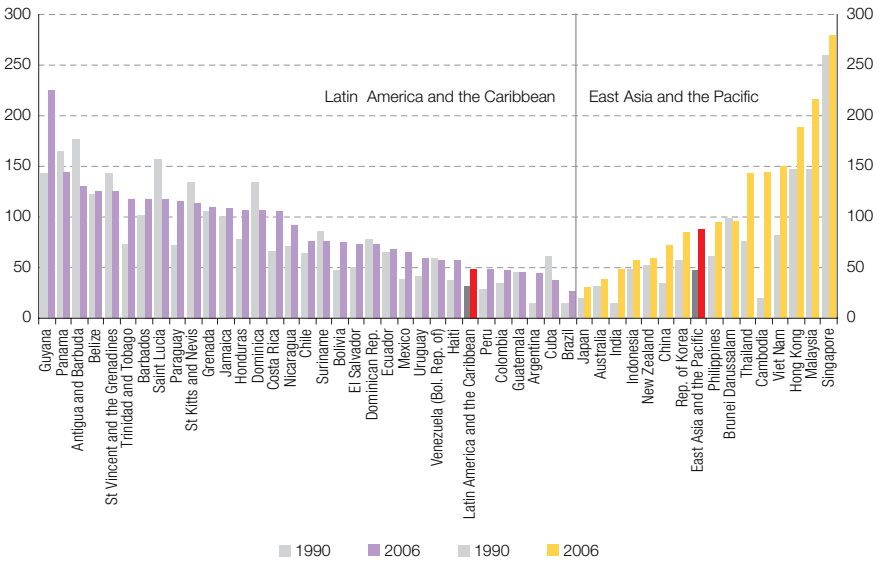
6. Over the past 15 years, countries in both regions have become increasingly integrated into the international trading system, with a high degree of trade openness, especially for smaller economies

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

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

Figure II.4

TRADE OPENNESS: EXPORTS AND IMPORTS AS PERCENTAGES OF GDP



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

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

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

Table II.5

SHARE OF ASIA-PACIFIC AND LATIN AMERICA AND THE CARIBBEAN IN WORLD MERCHANDISE EXPORTS, 1985-2006

(Percentages)

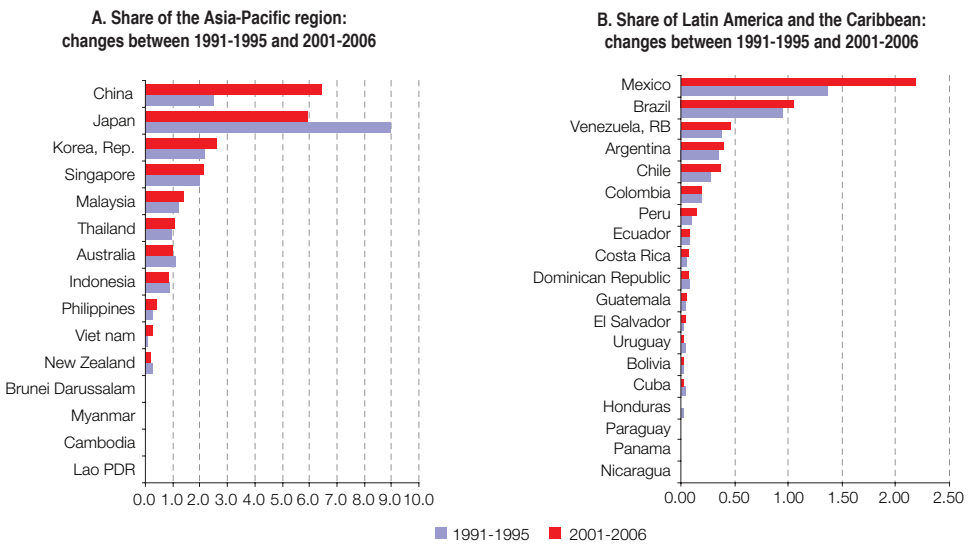
Country	1985-1990	1991-1995	1996-2000	2001-2006	Country	1985-1990	1991-1995	1996-2000	2001-2006
Australia	1.15	1.10	1.04	0.99	Argentina	0.32	0.36	0.44	0.39
Brunei Darussalam	0.07	0.06	0.05	0.06	Bolivia	0.03	0.02	0.02	0.02
Cambodia	0.00	0.01	0.02	0.03	Brazil	1.06	0.95	0.89	1.05
China	1.67	2.51	3.35	6.45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

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

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

Figure II.5

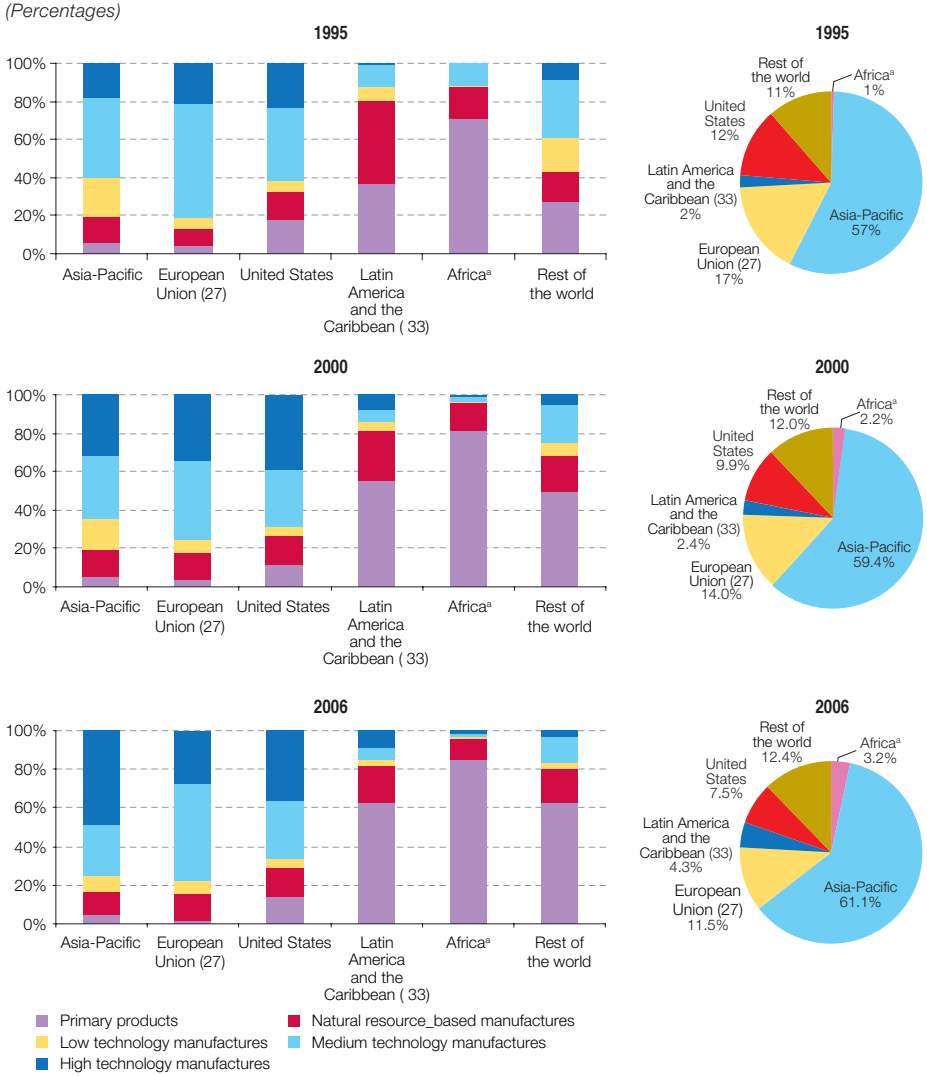
(Percentages)



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

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

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



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information from the database of the United Nations Conference on Trade and Development (UNCTAD).
[a] Africa comprises 54 countries in the African continent.

- China has become a major export market not only for a number of Latin American countries but also for other regions of the world.
- Over the past two decades, the share of Asia-Pacific in China's total imports has been increasing; in 2006 roughly 61% of its imports originated in this region.
- Latin America and the Caribbean's exports to China, consist mainly of primary products and resource-based manufactures, a similar export basket to that coming from African and the rest of the world.
- In this regard, Latin America and the Caribbean competes directly with other regions as a supplier of commodities and processed products.
- In comparison, the United States and countries of the European Union export primarily medium- and high-technology manufactures to this destination.
- The most striking feature of China's import structure is that Asia-Pacific, the leading source of Chinese imports, exports primarily manufactures. Its share of Chinese imports of manufactures exceeds those of the United States and the European Union.

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

Table II.6

STOCK OF INWARD FDI TO ASIA-PACIFIC AND LATIN AMERICA AND THE CARIBBEAN, 1980, 1990, 2000 AND 2006

(Billions of dollars)

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

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

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

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

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

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

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

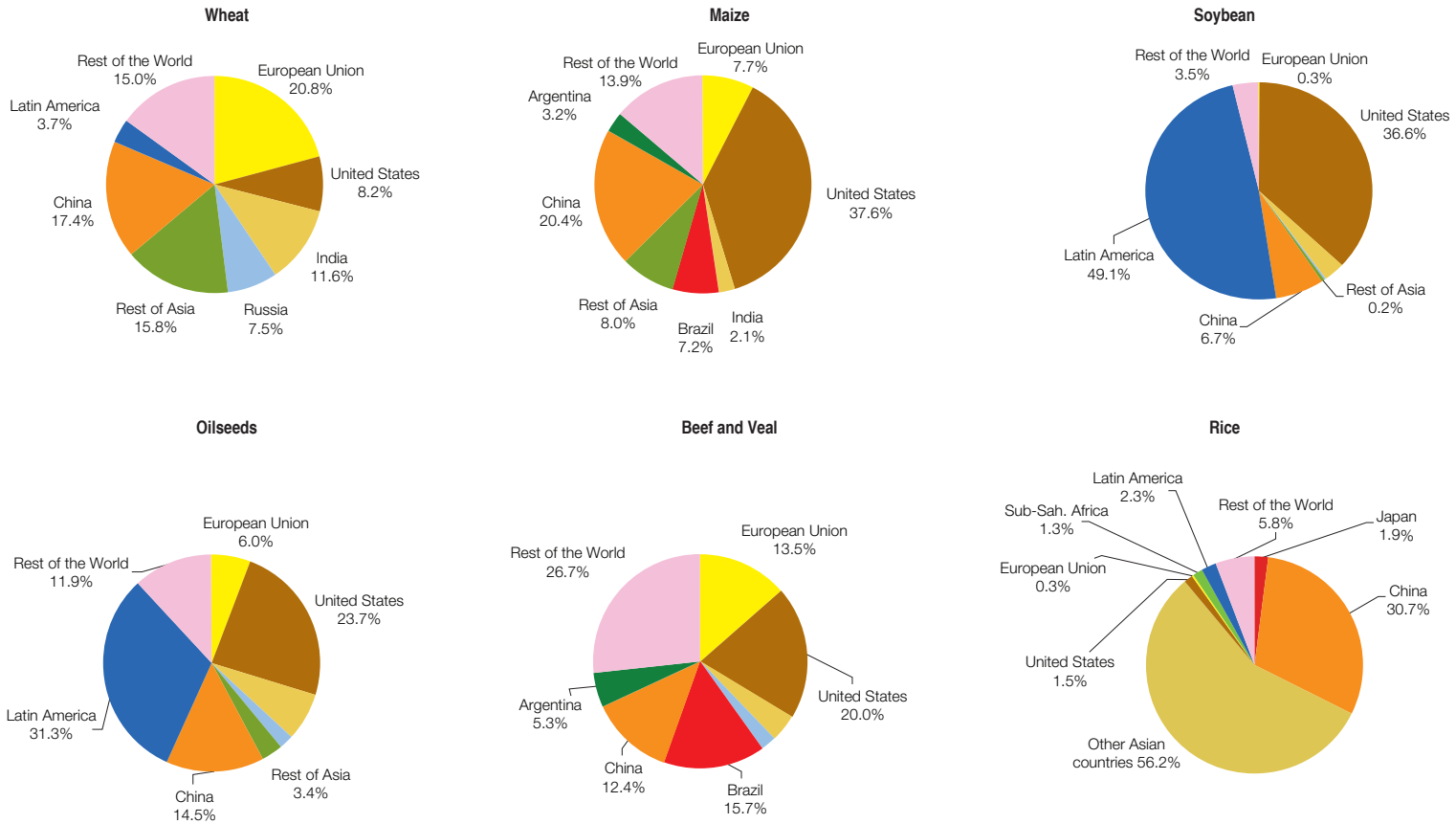
- Inward FDI to Latin America and the Caribbean increased by 1.5% compared with 2005 to stand at US$ 72.4 billion in 2006. Mexico received the highest amount of investment, US$ 19.0 billion, reflecting an increase of 20.8%, while investment in Brazil increased by 24.7% to a total of US$ 18.8 billion.

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

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

Figure II.7

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



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

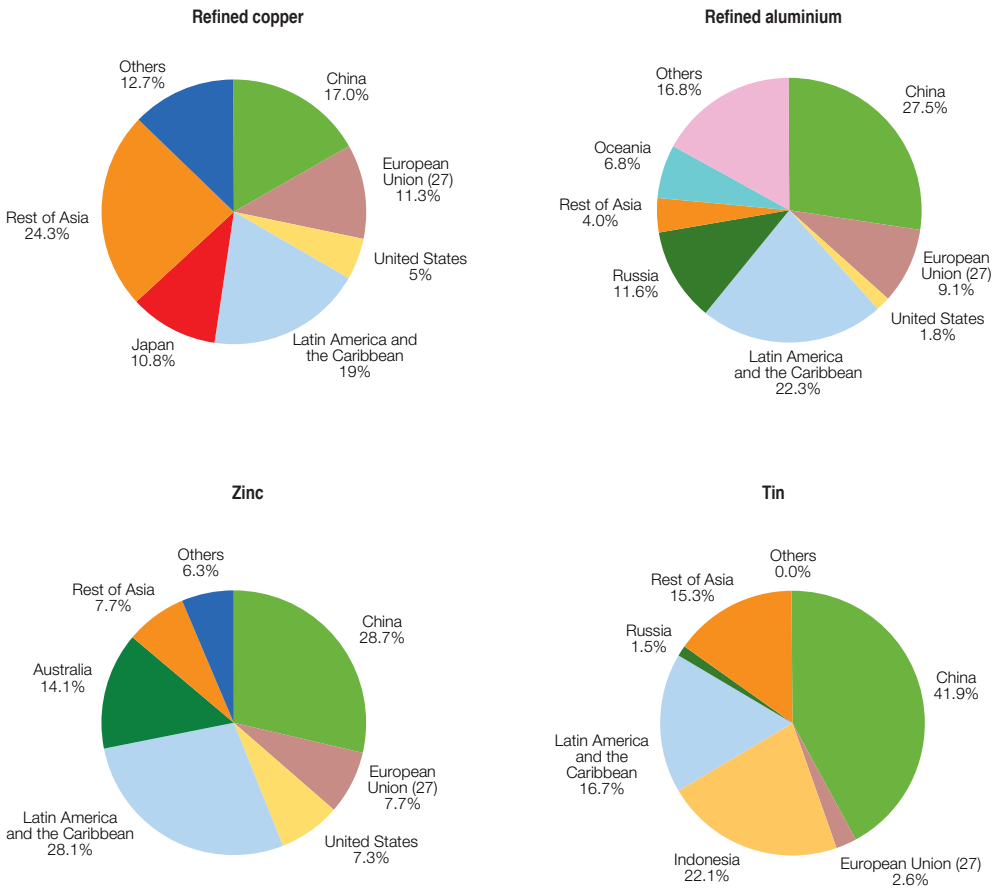
■ Several Latin American countries are important suppliers of natural resources to Asia-Pacific. However, Asia-Pacific has achieved a high level of diversification of supply sources, sufficient to prevent Latin America from having a strong bargaining power with respect to these products. There is significant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

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

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

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

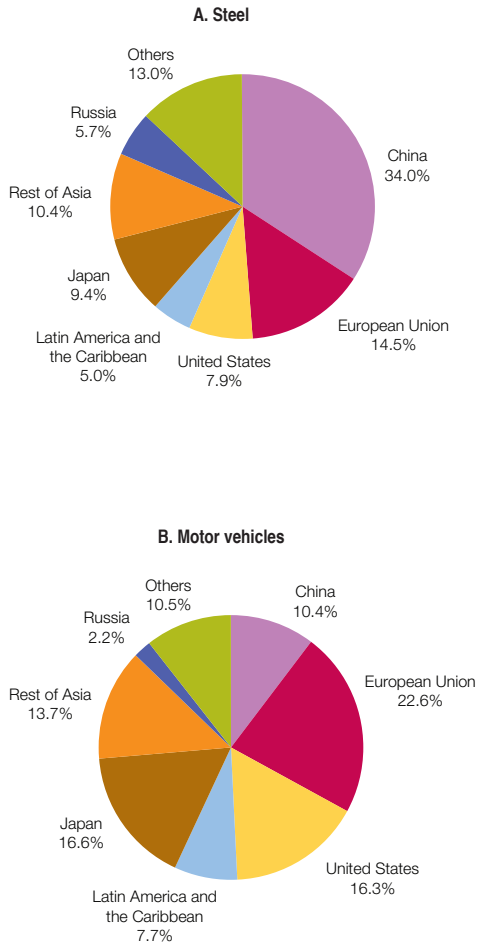
Figure II.8
SHARE IN SOME MINERALS AND METALS, BY REGION/COUNTRY, 2007



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

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

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



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

Table II.7
CONTRIBUTION OF MAJOR CONSUMER COUNTRIES TO THE WORLD MARKET EXPANSION; FOR SOME INDUSTRIAL PRODUCTS[a]

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

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Japan External Trade Organization (JETRO), *White Paper on Trade and Investment* 2006.
[a] The figures indicate each country's percentage contribution to the expansion of the world market in question (100%) during the period, in terms of the number of sales, the value of sales, etc.
[b] The figures for electronic products in 2005 are estimates by *Reed Electronics Research*.

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

■ The performance of the Asian countries offers Latin American and Caribbean countries important opportunities for conquering these markets.

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

Table II.8

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

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

>40% > 15% <40%

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

[a] Preliminary figures.

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

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

- The importance of Asia-Pacific as an export market differs substantially among Latin American and the Caribbean countries.
- Since the beginning of the decade, Asia-Pacific, which includes all countries in developing Asia, has become a significant export market for MERCOSUR countries, with the exception of Paraguay.
- The Andean Community's share of the Asia-Pacific market, increased in the mid-1990s, but has since declined, dropping to less than 5% in 2007. The only exception is Peru which continues to rely heavily on that region.
- For Central American countries, Asia-Pacific has been a rather stagnant market, accounting for less than 4% of their total exports. The exception, Costa Rica, ships more than 20% of its total exports to that market.
- In contrast, following a sharp contraction in 1998 as a consequence of the Asian crisis, Chile's exports to the region have been expanding and accounted for 40% of the country's total in 2007. In the same year, the share of Brazil, the largest exporter to Asia-Pacific in absolute terms, stood at 16%.
- Interestingly, in the case of Mexico, the relative importance of Asia-Pacific remains low; the bulk of exports from Mexico and the Central American countries are sold to the United States, the main trading partner for these countries. The latter have, however, signed trade agreements with a number of Asia-Pacific countries, in an effort to diversify into this market.

Chapter III

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

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

Figure III.1
LATIN AMERICA AND THE CARIBBEAN: SHARE OF THE UNITED STATES, EUROPEAN UNION (27 MEMBER STATES) AND THE ASIA-PACIFIC REGION IN THE REGION'S EXPORTS AND IMPORTS
(Percentages)

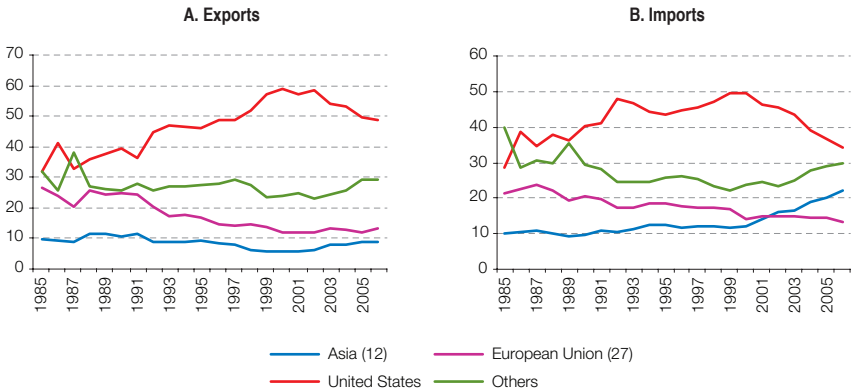
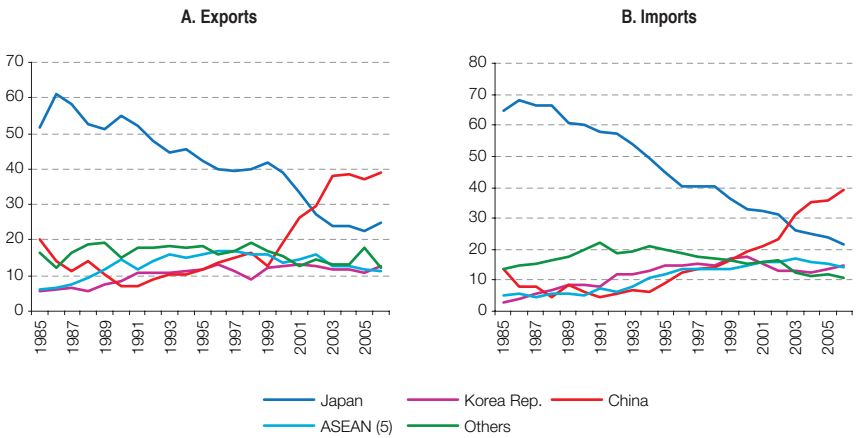


Figure III.2
LATIN AMERICA AND THE CARIBBEAN: SHARE OF SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION IN EXPORTS AND IMPORTS
(Percentages)



Source for figures III.1 and III.2: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations Commodity Trade Database (COMTRADE).
Note: ASEAN (5) includes Indonesia, Malaysia, the Philippines, Thailand and Singapore.

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

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

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

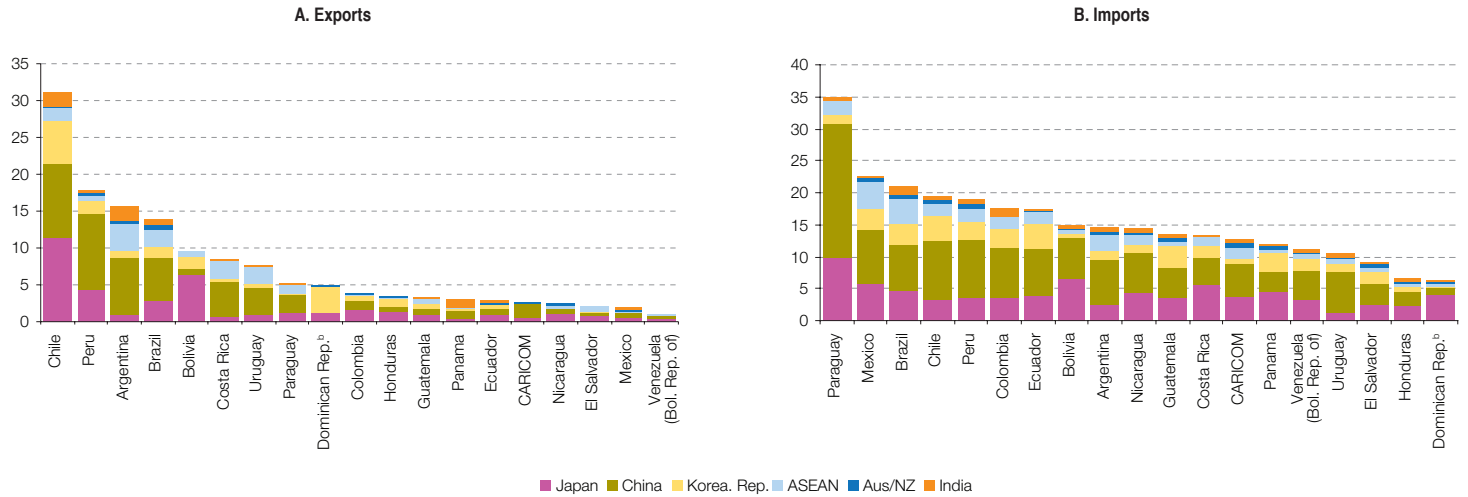
- In general terms, however, there is insufficient awareness of the importance of the Asia-Pacific region. Still less is there a coordinated strategy among countries or regional groupings to seek closer trade and investment links with that region. Approaches to the Asia-Pacific region by Latin American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

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

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

Figure III.3

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



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

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

[b] The figures for the Dominican Republic relate to 2001.

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

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

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

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

Table III.1

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

(Millions of current dollars and percentages)

	Total exports by destination								Percentage of total of Latin America and the Caribbean							Percentage of total of total of each destination						
	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]	World	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]
Latin America and the Caribbean	**11 564**	**18 481**	**5 648**	**6 081**	**1 240**	**3 240**	**46 254**	**558 199**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**2.1**	**3.3**	**1.0**	**1.1**	**0.2**	**0.6**	**8.3**
Andean Community	**1 573**	**2 358**	**618**	**244**	**96**	**172**	**5 061**	**103 575**	**13.6**	**12.8**	**10.9**	**4.0**	**7.8**	**5.3**	**10.9**	**1.5**	**2.3**	**0.6**	**0.2**	**0.1**	**0.2**	**4.9**
Bolivia	193	26	55	20	3	1	299	3 092	1.7	0.1	1.0	0.3	0.3	0.0	0.6	6.3	0.8	1.8	0.6	0.1	0.0	9.7
Colombia	305	276	143	45	22	25	817	20 770	2.6	1.5	2.5	0.7	1.8	0.8	1.8	1.5	1.3	0.7	0.2	0.1	0.1	3.9
Ecuador	90	84	52	5	16	36	284	10 068	0.8	0.5	0.9	0.1	1.3	1.1	0.6	0.9	0.8	0.5	0.1	0.2	0.4	2.8
Peru	796	1 788	326	134	54	77	3 175	17 771	6.9	9.7	5.8	2.2	4.3	2.4	6.9	4.5	10.1	1.8	0.8	0.3	0.4	17.9
Venezuela (Bol. Rep. of)	188	184	41	39	1	33	486	51 873	1.6	1.0	0.7	0.6	0.1	1.0	1.1	0.4	0.4	0.1	0.1	0.0	0.1	0.9
MERCOSUR	**3 799**	**10 161**	**2 177**	**4 384**	**652**	**1 664**	**22 838**	**163 204**	**32.9**	**55.0**	**38.5**	**72.1**	**52.6**	**51.4**	**49.4**	**2.3**	**6.2**	**1.3**	**2.7**	**0.4**	**1.0**	**14.0**
Argentina	365	3 093	392	1 513	148	746	6 257	40 368	3.2	16.7	6.9	24.9	11.9	23.0	13.5	0.9	7.7	1.0	3.7	0.4	1.8	15.5
Brazil	3 384	6 893	1 763	2 777	503	910	16 230	117 671	29.3	37.3	31.2	45.7	40.6	28.1	35.1	2.9	5.9	1.5	2.4	0.4	0.8	13.8
Paraguay	20	45	3	19	0	4	91	1 740	0.2	0.2	0.1	0.3	0.0	0.1	0.2	1.2	2.6	0.2	1.1	0.0	0.2	5.2
Uruguay	30	130	19	75	2	4	260	3 425	0.3	0.7	0.3	1.2	0.1	0.1	0.6	0.9	3.8	0.6	2.2	0.0	0.1	7.6
Chile	4 757	4 181	2 475	712	129	804	13 058	41 790	41.1	22.6	43.8	11.7	10.4	24.8	28.2	11.4	10.0	5.9	1.7	0.3	1.9	31.2
CACM	**123**	**369**	**71**	**205**	**14**	**13**	**795**	**14 242**	**1.1**	**2.0**	**1.2**	**3.4**	**1.1**	**0.4**	**1.7**	**0.9**	**2.6**	**0.5**	**1.4**	**0.1**	**0.1**	**5.6**
Costa Rica	50	320	23	168	6	9	575	6 786	0.4	1.7	0.4	2.8	0.5	0.3	1.2	0.7	4.7	0.3	2.5	0.1	0.1	8.5
El Salvador	13	4	2	11	1	1	33	1 528	0.1	0.0	0.0	0.2	0.1	0.0	0.1	0.9	0.3	0.2	0.7	0.1	0.1	2.2
Guatemala	35	29	34	20	2	3	122	3 837	0.3	0.2	0.6	0.3	0.2	0.1	0.3	0.9	0.7	0.9	0.5	0.1	0.1	3.2
Honduras	17	12	11	3	3	0	45	1 307	0.1	0.1	0.2	0.0	0.2	0.0	0.1	1.3	0.9	0.8	0.2	0.2	0.0	3.5
Nicaragua	9	4	1	3	2	0	19	784	0.1	0.0	0.0	0.0	0.2	0.0	0.0	1.1	0.5	0.1	0.4	0.3	0.0	2.4
Mexico	1 203	1 099	270	522	334	561	3 989	217 383	10.4	5.9	4.8	8.6	27.0	17.3	8.6	0.6	0.5	0.1	0.2	0.2	0.3	1.8
Caribbean and other Latin American countries	**105**	**301**	**35**	**13**	**13**	**16**	**484**	**17 025**	**0.9**	**1.6**	**0.6**	**0.2**	**1.1**	**0.5**	**1.0**	**0.6**	**1.8**	**0.2**	**0.1**	**0.1**	**0.1**	**2.8**
CARICOM	96	301	6	13	13	16	444	16 211	0.8	1.6	0.1	0.2	1.1	0.5	1.0	0.6	1.9	0.0	0.1	0.1	0.1	2.7
Bahamas[b]	1	0	0	0	3	0	4	509	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.2	0.0	0.0	0.0	0.6	0.0	0.8
Barbados	0	1	0	1	0	0	2	332	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.2	0.0	0.0	0.6
Belize	3	0	0	0	0	0	3	231	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.1	0.0	0.0	0.0	0.0	1.3
Cuba[b]	19	92	2	1	1	1	117	2 246	0.2	0.5	0.0	0.0	0.1	0.0	0.3	0.9	4.1	0.1	0.1	0.1	0.0	5.2
Guyana	2	7	1	4	1	6	20	550	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.3	1.2	0.2	0.6	0.2	1.1	3.6
Jamaica	26	193	0	1	5	2	228	1 636	0.2	1.0	0.0	0.0	0.4	0.1	0.5	1.6	11.8	0.0	0.1	0.3	0.2	13.9
Suriname	19	3	0	0	0	0	22	306	0.2	0.0	0.0	0.0	0.0	0.0	0.0	6.2	1.0	0.0	0.1	0.0	0.0	7.2
Trinidad and Tobago	24	4	2	6	3	6	46	10 049	0.2	0.0	0.0	0.1	0.2	0.2	0.1	0.2	0.0	0.0	0.1	0.0	0.1	0.5
Rest CARICOM	1	0	0	0	0	0	2	351	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.4
Dominican Rep.[b]	10	0	30	0	0	0	40	814	0.1	0.0	0.5	0.0	0.0	0.0	0.1	1.2	0.0	3.7	0.0	0.0	0.0	4.9
Panama	3	12	2	2	0	10	30	980	0.0	0.1	0.0	0.0	0.0	0.3	0.1	0.3	1.2	0.2	0.2	0.0	1.0	3.0

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

[a] The total for Asia-Pacific corresponds to the sum of the previous columns and, hence, does not include exports to other Asian countries and economies such as Taiwan Province of China or Hong Kong SAR.

[b] Figures for Bahamas refer to 2006; for Cuba to 2004 and 2005; and for Dominican Republic to 2001.

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

Table III.2

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

(Millions of current dollars and percentages)

	Total imports by origin								Percentage of total of Latin America and the Caribbean							Percentage of total of each origin						
	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]	World	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]	Japan	China	Korea (Rep. of)	ASEAN	Australia/ New Zealand	India	Asia Pacific[a]
Latin America and the Caribbean	**23 478**	**37 705**	**14 091**	**15 788**	**2 471**	**3 230**	**96 764**	**498 979**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**4.7**	**7.6**	**2.8**	**3.2**	**0.5**	**0.6**	**19.4**
Andean Community	**2 509**	**4 733**	**1 739**	**1 054**	**173**	**508**	**10 714**	**68 708**	**10.7**	**12.6**	**12.3**	**6.7**	**7.0**	**15.7**	**11.1**	**3.7**	**6.9**	**2.5**	**1.5**	**0.3**	**0.7**	**15.6**
Bolivia	157	145	18	14	3	13	350	2 352	0.7	0.4	0.1	0.1	0.1	0.4	0.4	6.7	6.2	0.8	0.6	0.1	0.5	14.9
Colombia	782	1 694	620	377	33	260	3 765	21 489	3.3	4.5	4.4	2.4	1.3	8.0	3.9	3.6	7.9	2.9	1.8	0.2	1.2	17.5
Ecuador	386	718	383	188	11	37	1 723	9 861	1.6	1.9	2.7	1.2	0.5	1.2	1.8	3.9	7.3	3.9	1.9	0.1	0.4	17.5
Peru	456	1 137	345	275	77	115	2 404	12 638	1.9	3.0	2.5	1.7	3.1	3.6	2.5	3.6	9.0	2.7	2.2	0.6	0.9	19.0
Venezuela (Bol. Rep. of)	728	1 040	372	201	49	83	2 472	22 368	3.1	2.8	2.6	1.3	2.0	2.6	2.6	3.3	4.6	1.7	0.9	0.2	0.4	11.1
MERCOSUR	**4 530**	**8 850**	**2 862**	**3 735**	**753**	**1 352**	**22 081**	**112 512**	**19.3**	**23.5**	**20.3**	**23.7**	**30.5**	**41.8**	**22.8**	**4.0**	**7.9**	**2.5**	**3.3**	**0.7**	**1.2**	**19.6**
Argentina	701	2 017	375	725	130	222	4 168	28 431	3.0	5.3	2.7	4.6	5.2	6.9	4.3	2.5	7.1	1.3	2.5	0.5	0.8	14.7
Brazil	3 371	5 685	2 388	2 889	608	1 078	16 019	75 926	14.4	15.1	16.9	18.3	24.6	33.4	16.6	4.4	7.5	3.1	3.8	0.8	1.4	21.1
Paraguay	413	892	54	95	3	21	1 478	4 230	1.8	2.4	0.4	0.6	0.1	0.6	1.5	9.8	21.1	1.3	2.3	0.1	0.5	34.9
Uruguay	45	255	46	27	12	31	416	3 924	0.2	0.7	0.3	0.2	0.5	1.0	0.4	1.2	6.5	1.2	0.7	0.3	0.8	10.6
Chile	987	2 624	1 137	559	205	133	5 644	28 995	4.2	7.0	8.1	3.5	8.3	4.1	5.8	3.4	9.1	3.9	1.9	0.7	0.5	19.5
CACM	**1 211**	**1 274**	**629**	**328**	**92**	**127**	**3 659**	**31 036**	**5.2**	**3.4**	**4.5**	**2.1**	**3.7**	**3.9**	**3.8**	**3.9**	**4.1**	**2.0**	**1.1**	**0.3**	**0.4**	**11.8**
Costa Rica	534	390	172	133	7	24	1 261	9 416	2.3	1.0	1.2	0.8	0.3	0.8	1.3	5.7	4.1	1.8	1.4	0.1	0.3	13.4
El Salvador	137	175	96	47	28	16	499	5 405	0.6	0.5	0.7	0.3	1.1	0.5	0.5	2.5	3.2	1.8	0.9	0.5	0.3	9.2
Guatemala	327	452	301	81	38	48	1 247	9 284	1.4	1.2	2.1	0.5	1.6	1.5	1.3	3.5	4.9	3.2	0.9	0.4	0.5	13.4
Honduras	104	100	27	31	12	20	294	4 443	0.4	0.3	0.2	0.2	0.5	0.6	0.3	2.3	2.2	0.6	0.7	0.3	0.4	6.6
Nicaragua	108	157	33	36	7	19	360	2 488	0.5	0.4	0.2	0.2	0.3	0.6	0.4	4.3	6.3	1.3	1.4	0.3	0.7	14.5
Mexico	12 985	18 836	7 448	9 626	1 036	984	50 916	224 905	55.3	50.0	52.9	61.0	41.9	30.5	52.6	5.8	8.4	3.3	4.3	0.5	0.4	22.6
Caribbean and other Latin American countries	**1 118**	**1 300**	**187**	**473**	**196**	**121**	**3 395**	**29 829**	**4.8**	**3.4**	**1.3**	**3.0**	**7.9**	**3.8**	**3.5**	**3.7**	**4.4**	**0.6**	**1.6**	**0.7**	**0.4**	**11.4**
CARICOM	902	1 242	172	447	181	109	3 054	24 332	3.8	3.3	1.2	2.8	7.3	3.4	3.2	3.7	5.1	0.7	1.8	0.7	0.4	12.5
Bahamas[b]	23	1	1	0	1	0	25	1 927	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.1	0.0	0.0	0.0	1.3
Barbados	83	43	22	17	18	4	187	1 465	0.4	0.1	0.2	0.1	0.7	0.1	0.2	5.6	3.0	1.5	1.2	1.2	0.3	12.8
Belize	9	15	3	3	0	1	30	493	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8	3.0	0.6	0.6	0.1	0.2	6.1
Cuba[b]	199	740	73	243	58	17	1 330	6 600	0.8	2.0	0.5	1.5	2.4	0.5	1.4	3.0	11.2	1.1	3.7	0.9	0.3	20.1
Guyana	32	34	2	12	8	10	98	769	0.1	0.1	0.0	0.1	0.3	0.3	0.1	4.1	4.4	0.3	1.5	1.1	1.3	12.7
Jamaica	199	155	20	53	43	19	489	4 620	0.8	0.4	0.1	0.3	1.8	0.6	0.5	4.3	3.3	0.4	1.1	0.9	0.4	10.6
Suriname	74	44	0	10	2	16	146	932	0.3	0.1	0.0	0.1	0.1	0.5	0.2	8.0	4.7	0.0	1.1	0.2	1.7	15.7
Trinidad and Tobago	212	179	44	94	34	38	602	5 680	0.9	0.5	0.3	0.6	1.4	1.2	0.6	3.7	3.2	0.8	1.7	0.6	0.7	10.6
Rest CARICOM	73	33	7	14	15	4	146	1 846	0.3	0.1	0.1	0.1	0.6	0.1	0.2	3.9	1.8	0.4	0.8	0.8	0.2	7.9
Dominican Rep.[b]	216	57	15	27	15	12	342	5 497	0.9	0.2	0.1	0.2	0.6	0.4	0.4	3.9	1.0	0.3	0.5	0.3	0.2	6.2
Panama	139	89	90	13	17	6	354	2 994	0.6	0.2	0.6	0.1	0.7	0.2	0.4	4.6	3.0	3.0	0.4	0.6	0.2	11.8

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

[a] The total for Asia-Pacific corresponds to the sum of the previous columns and, hence, does not include exports to other Asian countries and economies such as Taiwan Province of China or Hong Kong SAR.

[b] Figures for Bahamas refer to 2006; for Cuba to 2004 and 2005; and for Dominican Republic to 2001.

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

Table III.3

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

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

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

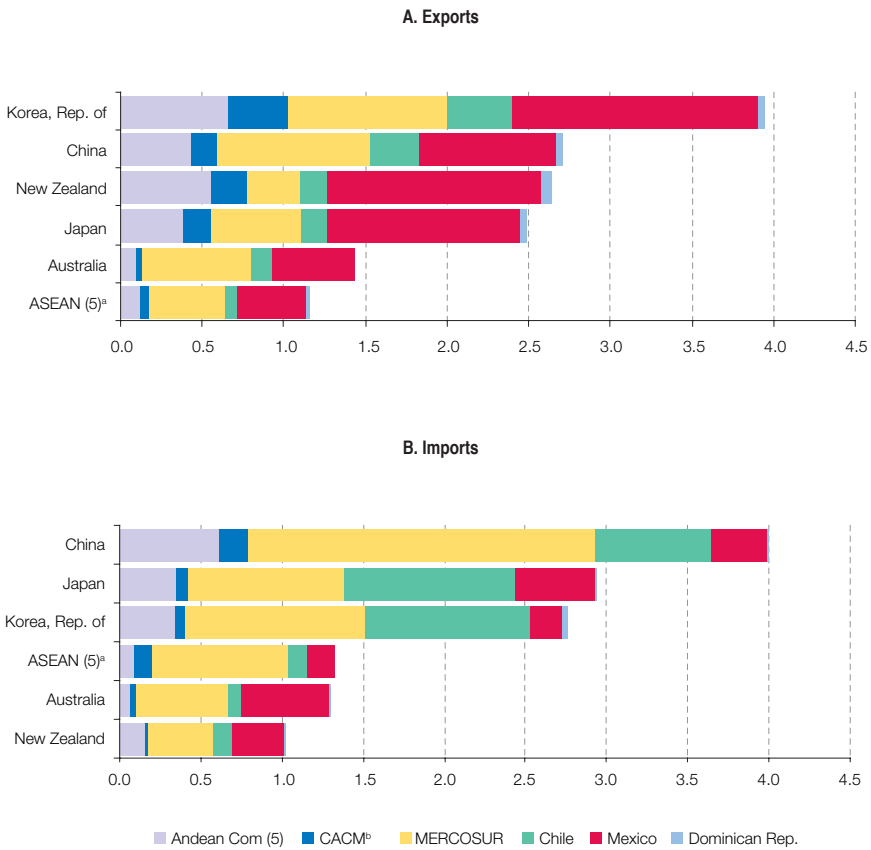
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from International Monetary Fund (IMF), *Direction of Trade Statistics*.

- In a relatively short span of time (seven years), China has become a much more significant trade partner for the majority of the countries in Latin America and the Caribbean.
- As a destination for exports, China gained market share in 21 markets, reaching the top five in 10 countries (including Argentina, Brazil, Chile and Mexico).
- As a source of imports for the region, China gained market share in almost all 32 countries and entered the top five import markets in 23 of them (up from just four in 2000).
- This contrasts with the experience of Japan and the Republic of Korea which have lost ground in most markets, despite having made some gains as a destination for Latin American and Caribbean exports (and less so as a source of its imports).

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

- From the perspective of the Asia-Pacific region, thus far Latin America and the Caribbean has not been a major trade partner.
- Between 2004 and 2006, on average, only 2.3% of total Asia-Pacific exports went to Latin America and the Caribbean, while imports from the region represented 2.7% of the total. Moreover, these shares have not changed significantly over the last two decades.
- The share of Latin America and the Caribbean in total exports and imports of Asia-Pacific does not exceed 4% for any of the countries or geographical groupings.
- However, there are significant differences among countries and groupings. The Latin American and Caribbean region's highest average market share in total exports is in the Republic of Korea (3.9%), while imports from the region are most significant in the case of China (4.0%). Latin America and the Caribbean is relatively unimportant in the total exports and imports of the smaller economies in Asia-Pacific, such as ASEAN.
- In terms of Asia-Pacific exports to Latin America and the Caribbean, Mexico is largest destination for all the different countries and groupings, except for ASEAN and Australia.
- MERCOSUR has been the largest supplier of Asia-Pacific imports from Latin America and the Caribbean, though in this case market shares are more evenly distributed among the subregions than in the case of exports.

Figure III.4
SELECTED COUNTRIES AND GROUPINGS OF THE ASIA-PACIFIC REGION: SHARE OF LATIN AMERICAN AND CARIBBEAN COUNTRIES AND GROUPINGS IN TOTAL EXPORTS AND IMPORTS, AVERAGE 2004-2006
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations Commodity Trade Database (COMTRADE).
[a] ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.
[b] For the purposes of this analysis, the Bolivarian Republic of Venezuela is included in the Andean Community.

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

Table III.4

LATIN AMERICA AND ASIA-PACIFIC: TRADE BY REGIONS AND PRODUCTS BY TECHNOLOGY INTENSITY, 2006

(Percentages)

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

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

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

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

[b] The European Union includes 15 countries.

[c] Asia-Pacific includes Taiwan Province of China and Hong Kong SAR.

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

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

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

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

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

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

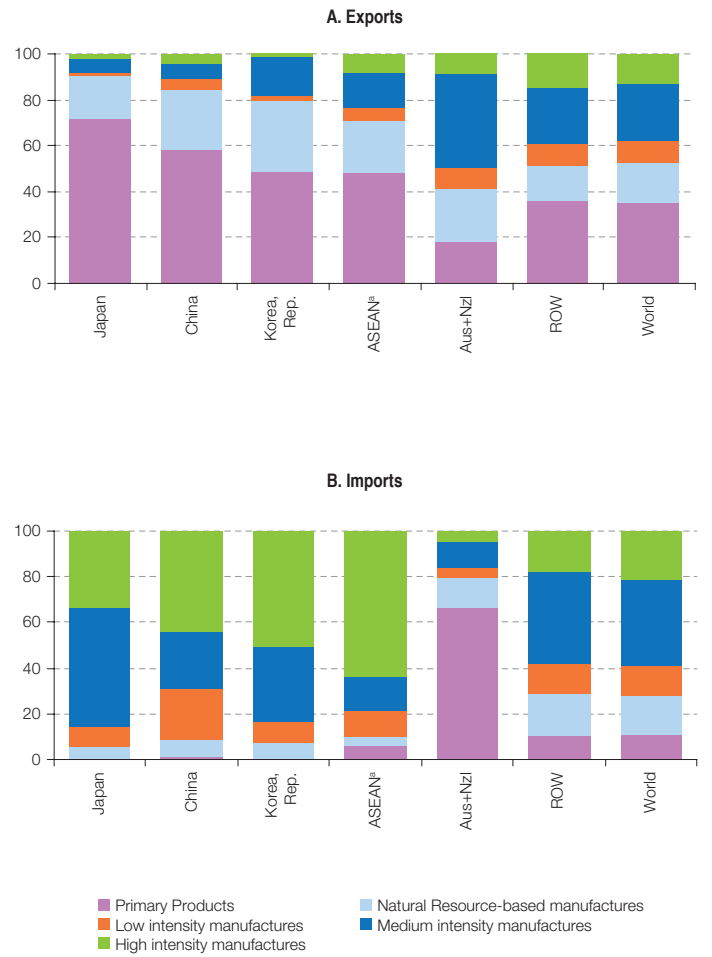
- The strong bias towards primary products and natural-resource-based manufactures in Latin American and Caribbean exports to the Asia-Pacific may be clearly observed in the cases of Japan, and to lesser extent China, ASEAN and the Republic of Korea.

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

- On the other hand, the structure of Latin American and Caribbean imports from the Asia-Pacific region is the reverse of its export structure, but with sharp variations between countries and subregions. In the case of Japan and, to a lesser extent, China, the Republic of Korea and ASEAN, the most important components are high- and intermediate-technology-intensive manufactures. The largest coefficient of high-technology manufactures occurs in the ASEAN group. In contrast, the export basket of the countries of Oceania is concentrated in primary products.

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

Figure III.5
LATIN AMERICA AND THE CARIBBEAN: STRUCTURE OF TRADE WITH SELECTED MARKETS, AVERAGE 2004-2006
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of United Nations Commodity Trade Database (COMTRADE).
[a] ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.

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

Table III.5

LATIN AMERICA AND THE CARIBBEAN: EXPORTS OF 30 LEADING PRODUCT GROUPS TO THE ASIA-PACIFIC REGION, 1990, 1995, 2000, 2003 AND 2006[a]

(Millions of dollars and percentages of total exports)

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

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

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

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

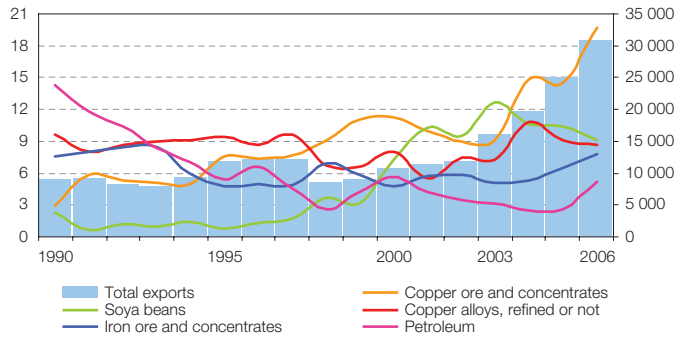
[c] In millions of dollars adjusted by the CPI of the industrial countries (1990 = 100).

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

Figure III.6

LATIN AMERICAN AND CARIBBEAN EXPORTS TO ASEAN+3: FIVE LEADING EXPORTS

(Percentages of total exports, millions of dollars)



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

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

■ This mounting concentration reflects a large increase in the share of some key commodities due, in turn, to both price and volume effects. In addition, the list of the top 30 products itself has changed significantly since 1990, with 13 new products in 2006 including microcircuits, parts and accessories, and motor vehicles.

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

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

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

Table III.6

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

(Millions of dollars and percentages)

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

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

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

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

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

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

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

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

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

Table III.7

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

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

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

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

Table III.8

PERFORMANCE OF JAPANESE SUBSIDIARIES ABROAD, 2005

(Number of firms, millions of dollars and percentages)

Regions	No. of firms		Sales		Current Profit		Profit rates
	Number	(Percentage)	Millions of dollars	(Percentage)	Millions of dollars	(Percentage)	(Percentage)
All regions	15 850	100.0	1 681 368	100.0	69 172	100.0	4.2
North America	2 825	17.8	601 778	35.8	21 863	31.6	3.6
United States	2 623	16.5	552 478	32.9	19 707	28.5	3.5
Latin America and the Caribbean	823	5.2	57 766	3.4	8 904	12.9	15.5
Asia	9 174	57.9	594 306	35.3	22 711	32.8	4.0
China	4 051	25.6	211 293	12.6	5 759	8.3	2.8
Mainland	3 139	19.8	112 555	6.7	4 046	5.8	3.7
Hong Kong SAR	912	5.8	98 737	5.9	1 713	2.5	1.8
ASEAN4[a]	2 715	17.1	170 262	10.1	8 855	12.8	5.4
NIEs3[b]	2 044	12.9	191 699	11.4	6 233	9.0	3.5
Middle East	76	0.5	22 892	1.4	1 603	2.3	7.1
Europe	2 384	15.0	347 800	20.7	8 569	12.4	2.4
European Union	2 258	14.2	339 540	20.2	7 977	11.5	2.2
Oceania	446	2.8	45 259	2.7	4 899	7.1	11.6
Africa	122	0.8	11 567	0.7	624	0.9	5.5

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

[a] ASEAN 4: Indonesia, Malaysia, Philippines and Thailand.

[b] NIEs 3: Republic of Korea, Taiwan Province of China and Singapore.

- At the end of 2006, roughly 8.7% of Japan's OFDI stock (US$ 39 billion) was invested in Latin America and the Caribbean.

- Japanese OFDI in Asia was concentrated in manufacturing, which accounted for 66% and 59% of the number of investment projects and the invested value, respectively, while non-manufacturing sectors absorbed less than 40% of the total number of projects and invested value.

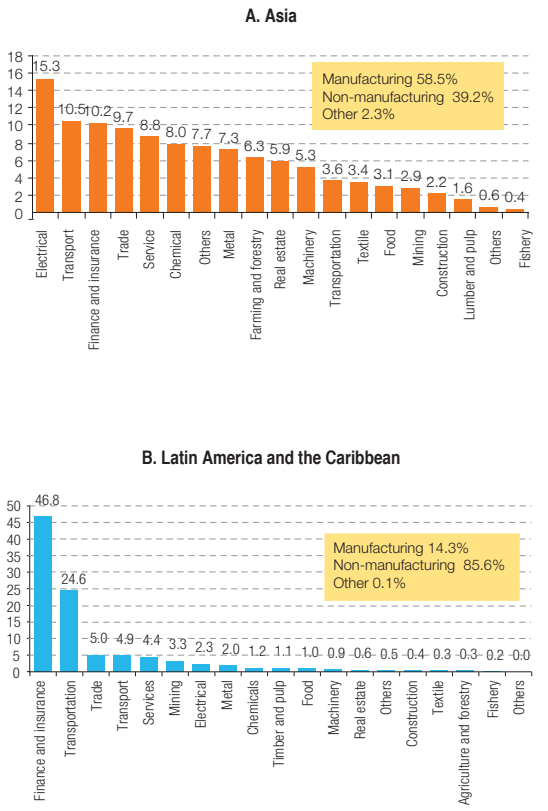
- This contrasts starkly with the situation in Latin America and the Caribbean. The manufacturing sector there accounted for only 14% of Japanese OFDI in the region, with the transport sector contributing almost 5% of the total invested value. By sector, the largest recipient was finance and insurance, which absorbed roughly 47% of the total invested, followed by transportation services with a share of 25%. Surprisingly, with the exception of mining, natural-resource-based industries were not a significant recipient of Japanese OFDI.

- The performance of Japanese subsidiaries in Asia is especially notable in terms of the number of firms, sales, and profits; in terms of profit rates, however, Latin America and the Caribbean is exceptionally well placed.

Figure III.7

JAPANESE OUTWARD FOREIGN DIRECT INVESTMENT TO ASIA AND LATIN AMERICA BY INDUSTRY, 1989-2004

(Share of total stocks)



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

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

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

Figure III.8

CHINESE OUTWARD FOREIGN DIRECT INVESTMENT STOCK COMPARED WITH DEVELOPED COUNTRIES, 2006

(Billions of dollars)

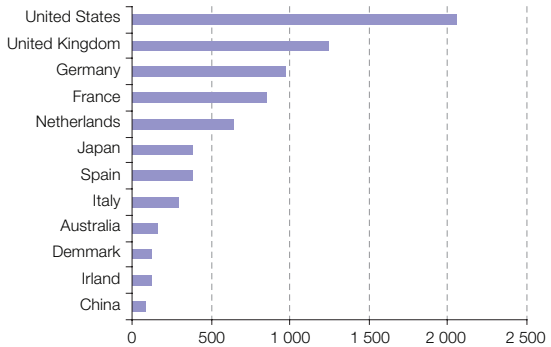


Table III.10

RANKING OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT DESTINATIONS

(Billions of dollars)

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

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

■ Lately China too has been investing abroad. In fact, it is now the world's sixth-largest source of FDI among the developing countries.

■ As of late 2006, Chinese non-financial companies held a investment stock of US$ 75 billion abroad, of which US$ 17 billion was invested in 2006. Regarding the destination of investments, close to 90% of non-financial OFDI has gone to economies in Latin America and the Caribbean and Asia.

Table III.9

MAJOR CHINESE COMPANIES OPERATING IN LATIN AMERICA

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

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

■ Latin America and the Caribbean received US$ 8.5 billion in 2006, which accounted for 48% of the total for that year. These investments went mainly to the Cayman Islands and the British Virgin Islands which are both tax haven located in the Caribbean but lacking important linkages with other Latin American and Caribbean economies.

■ An increasing number of large Chinese companies are starting to operate or invest in several Latin American countries. The most favoured areas of investment have been petroleum and gas, minerals and metals, transportation services and telecommunications. There is no official information available on this process, however.

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

Table III.11

LATIN AMERICA (SELECTED COUNTRIES): KOREAN OUTWARD FOREIGN DIRECT INVESTMENT STOCK BY SECTOR, 2004-2007

(Thousands of dollars)

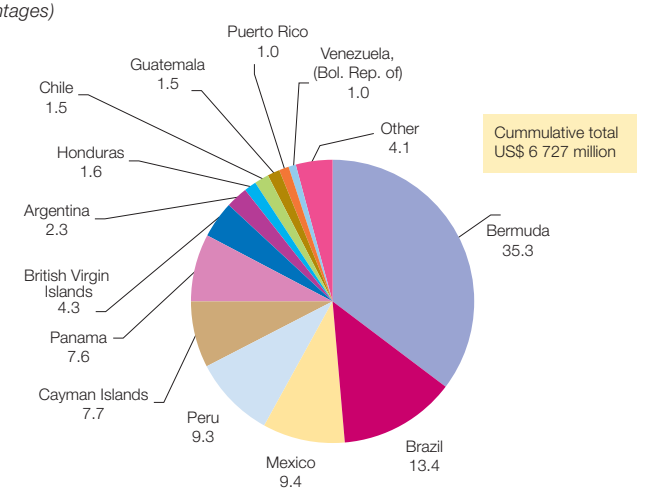
	Manufacturing	Wholesale and retail trade	Natural resources	Construction	Other services	Total
Argentina	771	500	7 109	0	0	8 380
Honduras	20 941	0	0	0	0	20 941
Colombia	247	26 725	0	0	0	26 972
Guatemala	17 676	0	0	17 059	0	34 735
Chile	5 927	35 895	0	508	0	42 330
Panama	2 000	86 975	0	4	173 700	262 679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

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

Figure III.9

LATIN AMERICA AND THE CARIBBEAN: KOREAN OUTWARD FOREIGN DIRECT INVESTMENT STOCKS, 1980-MARCH 2008[a]

(Percentages)



[a] Data for 1980 represent a cumulative figure from 1968 to 1980.

- As at March 2008, about 7% of Korean OFDI stock had been invested in Latin America and the Caribbean.

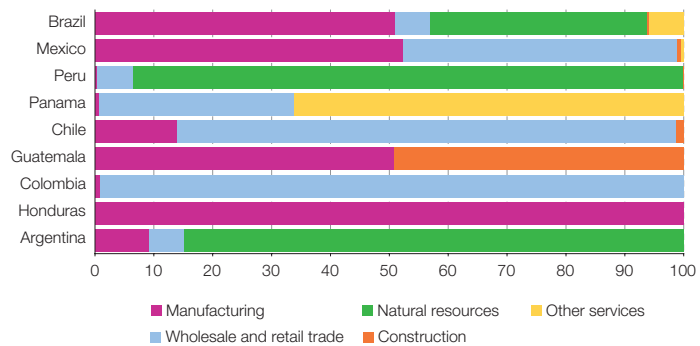
- Within that region, tax haven countries such as Bermuda, Cayman Islands and the British Virgin Islands have been major recipients, in addition to Brazil (13%), Peru (9%) and Mexico (9%). Central American countries received almost 5% of the total, with a sum of US$ 300 million.

- By sector, Korean OFDI in the region is concentrated in a few major industries: manufacturing (59%), trade (24%) and natural resources (6%). This initial focus on natural resources gradually shifted towards manufacturing activities, especially electronics (38% of the investing firms), textiles and apparel (34%), iron and steel, and petroleum, in the case of large Korean firms, and textiles and apparel in the case of SMEs.

Figure III.10

LATIN AMERICA (SELECTED COUNTRIES): DISTRIBUTION OF KOREAN OUTWARD FOREIGN DIRECT INVESTMENT, BY SECTOR, AVERAGE 2004-2007[a]

(Percentages)



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

Chapter IV

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

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

Table IV.1

ASIA-PACIFIC INTRAREGIONAL TRADE BY GEOGRAPHIC GROUPING[a]

(Percentages of the region's total trade)

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

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

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

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

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

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

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

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

- This indicator surpasses the level of intraregional trade attained by NAFTA and is rapidly approaching that recorded by the European Union. Trade among members of ASEAN (10) has increased and surpasses the 16%, 9% and 11% attained by MERCOSUR, the Andean Community and the Central American Common Market (CACM), respectively, in 2006.

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

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

- The nature and scope of IIT in Latin America and the Asia-Pacific region have changed substantively over the years, especially in the latter.
- The Grubel Lloyd Index (GLI) indicates that:
  - (a) Both Latin America and Asia-Pacific have increased IIT over the years: from 0.13 to 0.20 in Latin America and the Caribbean; and from 0.22 to 0.36 in Asia-Pacific;
  - (b) The strongest hikes in IIT coefficients are observed in intra-Asia-Pacific trade;
  - (c) The IIT coefficients for biregional trade between Latin America and Asia-Pacific, though rising, still remain very low, at 0.07 and 0.05; and
  - (d) Coefficients for IIT with the United States and the European Union are rising substantially for both regions. The increase is most striking in the case of ITT with the United States.
- In more than 93% of the sectors analysed, most trade flows between the Asia-Pacific region and Latin America are inter-industrial rather than intra-industrial in kind, i.e., trade consists of exchanging primary products or natural resource-based products for manufactures.
- However, this general pattern, which is based on regional averages, hides the considerable variations in trade among the countries or groups of countries within each region and between countries from both regions.

Table IV.2

IIT IN ASIA-PACIFIC-LATIN AMERICA AND WITH OTHER REGIONS, 1990, 1995, 2000 AND 2006

(Grubel Lloyd Indices)

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

>0,1<0,3

>0,3

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

Note: The analysis of intra-industry trade (IIT) between Latin America and the Asia-Pacific region is based on the methodology developed by Grubel and Lloyd that measures the degree of trade flows in the same sector between countries/regions. It is calculated as follows:

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

Where X_{it} and M_{it} are exports and imports of the product in question in the year t. The value can take a value between 0 and 1. The coefficient moves closer to 1 as the proportion of IIT increases.
In this exercise, in order to capture substantive changes and differentiate the depth of IIT, three levels of GLI are adopted: first level: GLI > 0.33; second: 0.10 > GLI <0.33; and third; GLI < 0.10. The calculations are made at the 3 digit SITC level, disaggregated into 233 product groups.

3. Japan's Asian neighbours are its main trading partners and are becoming major recipients of its outward foreign direct investment (OFDI)

Table IV.3
JAPAN'S TRADE AND OUTWARD FOREIGN DIRECT INVESTMENT BY COUNTRY AND REGION

Country/region	Foreign trade		Cumulative OFDI as of end of 2006	
	2004-2006 Annual average		Based on balance of payments, net, millions of dollars	
	Exports share (percentage)	Imports share (percentage)	Stock end of 2006	Share (percentage)
Asia	48.1	44.3	107 653	23.9
China	13.6	20.7	30 316	6.7
Asian NIEs [a]	24.0	9.9	39 042	8.7
Taiwan Province of China	7.2	3.6	6 328	1.4
Republic of Korea	7.8	4.8	10 669	2.4
Hong Kong SAR	6.0	0.3	7 776	1.7
Singapore	3.1	1.3	14 270	3.2
ASEAN-4[b]	8.7	11.5	34 313	7.6
Thailand	3.6	3.0	14 839	3.3
Indonesia	1.4	4.1	7 457	1.7
Malaysia	2.1	2.9	7 763	1.7
Philippines	1.5	1.5	4 253	0.9
ASEAN (10)	12.4	14.2	49 837	11.1
India	0.6	0.6	2 315	0.5
Latin America and the Caribbean	4.3	3.2	39 291	8.7
Oceania	2.5	5.3	13 794	3.1
Middle East	2.8	16.7	2 038	0.5
Africa	1.4	2.1	2 701	0.6
United States	22.5	12.6	156 411	34.8
European Union 25	15.0	11.4	118 852	26.4
Other	3.4	4.4	8 941	2.0
Total	**100.0**	**100.0**	**449 680**	**100.0**
Total year average (millions of dollars)	**582 734**	**494 750**		

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Japan External Trade Organization (JETRO) [online] http:// www.jetro.go.jp
[a] Asian NIEs includes Hong Kong SAR, Republic of Korea, Taiwan Province of China and Singapore.
[b] ASEAN-4 includes Thailand, Malaysia, Philippines and Indonesia.

- Japan's neighbours are crucial as both destinations and origins for its foreign trade. East Asian countries supply over 44% of Japan's imports and absorb an even larger proportion (nearly 48%) of its exports.

- Among neighbouring Asian countries, China is a key trading partner, especially in terms of imports —almost twice as large an import source as the United States or the European Union, considered separately. Japan's imports from ASEAN (10) already surpass those originating from the United States or the European Union. Latin America and the Caribbean plays a relatively minor role, with barely a 4% share in Japanese trade.

- A large proportion of the goods that Japan trades with its Asian neighbours, both exports and imports, consists of electronic machinery, transport equipment and other manufactured products of general use. This characteristic is clearly visible not only in its trade with China and the recently industrialized economies of Asia, but also in its trade with the members of ASEAN.

- In terms of cumulative stock of FDI during 1989-2004, Japan's outward FDI (OFDI) in Asia was concentrated in the manufacturing sector, which accounted for 66% of the number of investment projects and 59% of the amount invested.

- The predominant position of Asia as a destination, on the one hand, and the importance of the manufacturing sector, on the other, points to the role played by that sector as the key economic integration hub for Japan in Asia-Pacific.

- In stark contrast to Japan's investment patterns in Asia, Japan's OFDI in the manufacturing sector in Latin America and the Caribbean accounted for only 14% of its investments in the region. The combined share of the electrical and electronics and transport equipment sectors, which was highly relevant in Asia, amounted to only 7%. The largest recipient was the finance and insurance sector, which absorbed approximately 47% of total Japanese FDI, followed by transportation, which received 25%.

4. Almost 60% of foreign affiliates of Japanese corporations are located in Asia, while only 5% are located in Latin America and the Caribbean

Table IV.4

NUMBER OF JAPANESE AFFILIATES OVERSEAS BY COUNTRY/REGION, 2006[a]

(Number of companies)

	World	United States Unidos	European Union	Latin America and the Caribbean	Brazil	Mexico	Asia	China	NIEs-3[c]	ASEAN-4[c]
Total	15 850	2 623	2 258	823	194	140	9 174	3 139	2 044	2 715
Manufacturing	8 048	1 221	835	251	107	81	5 449	2 156	959	1 761
Foods	393	79	25	17	8	2	246	125	21	78
Textiles	399	17	19	14	8	1	347	216	18	82
Wood and pulp	144	11	10	5	3	-	84	37	3	36
Chemicals	1 089	180	151	23	7	6	704	237	194	216
Petroleum and coal	35	6	3	2	2	-	19	6	6	6
Iron and steel	203	44	8	10	5	1	135	51	18	58
Non-ferrous metals	221	28	10	3	3	-	175	55	26	77
General machinery	848	133	124	33	12	12	527	234	113	136
Electric machinery	665	83	69	14	6	5	484	223	94	119
Communication equipment	1 183	140	121	36	12	17	866	293	175	280
Transport equipment	1 375	305	157	69	28	28	771	258	96	335
Precision machinery	273	39	44	8	6	2	174	70	36	31
Other manufacturing	1 220	156	94	17	7	7	917	351	159	307
Non-manufacturing	7 802	1 402	1 423	572	87	59	3 725	983	1 085	954
Farming and forestry	114	13	10	22	7	-	37	9	4	18
Mining	142	21	21	21	4	1	19	4	3	10
Construction	269	28	14	7	5	1	205	33	35	117
Communications	385	94	47	9	5	-	218	107	48	39
Transportation	1 006	100	155	190	9	8	496	148	119	149
Wholesale	3 763	669	796	160	41	33	1 812	449	604	354
Retail	503	91	125	11	2	3	229	52	86	50
Services	939	187	142	49	9	6	494	136	130	152
Other non-manufacturing	681	199	113	103	5	7	215	45	56	65

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

[a] Excludes the financial and insurance industry and the real estate industry.

[b] ASEAN-4 includes the Philippines, Malaysia, Indonesia and Thailand.

[c] NIEs-3 includes the Republic of Korea, Singapore and Taiwan Province of China.

■ The number of Japanese affiliates operating overseas reached roughly 16,000 worldwide in 2006, according to a recent survey conducted by the Ministry of Economy, Trade and Industry (METI) of Japan. Approximately 58% of these were located in Asia, 20% in China alone. Some 13% were operating in the three NIEs and another 17% in ASEAN-4. About 800 affiliates of Japanese firms (5% of the total worldwide) were operating in Latin America and the Caribbean, mostly in Brazil, Mexico and Argentina.

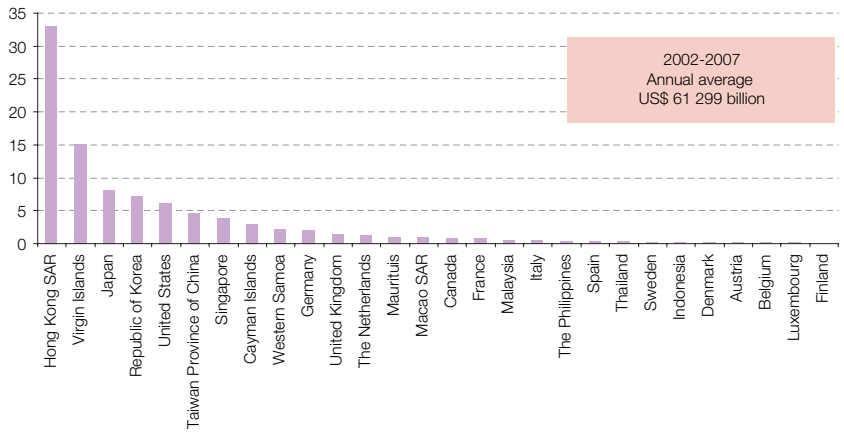
■ By industry, roughly 50% of the affiliates were engaged in activities related to the manufacturing sector. Chemicals, communication and transport equipment were the top three sectors, followed by general and electric machinery. The production bases in these cases were primarily located in Asia. In Latin America and the Caribbean, some 570 Japanese affiliates were operating in the non-manufacturing sector, mainly in transport and wholesale activities, and 250 in the manufacturing sector (approximately 70 of them in the production of transport equipment). The number of affiliates operating in natural resource-related sectors was relatively small. Japan's overwhelming presence in the machinery industry in Asia reflects the buoyant and complex supply chains network that has been developing in that region.

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

Figure IV.1

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

(Percentages)



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

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

  (i) the United States and the European Union accounted for about 6% and 7%, respectively, of total FDI during the period;

  (ii) 4.5% came from Taiwan Province of China;

  (iii) almost 33% of FDI entering China comes by triangulation from Hong Kong SAR; and

  (iv) the ASEAN countries are an important source of FDI for China even though most of their FDI flows to China originate in Singapore (between US$ 2 billion and US$ 3 billion per year).

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

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

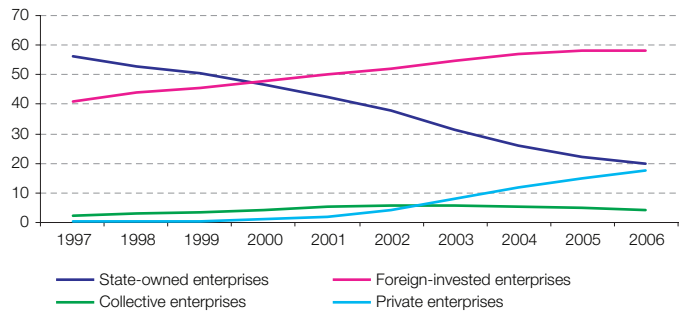
- Over the last 10 years, foreign-invested-enterprises (FIEs) have rapidly displaced State-owned and collective enterprises to emerge as the main engine of external trade in China. In 2006, FIEs exported US$ 564 billion, equivalent to 58% of total exports, and imported US$ 473 billion, close to 59% of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

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

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

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

Figure IV.2
CHINESE EXPORTS BY TYPE OF ENTERPRISE (1997-2006)
(percentages)



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

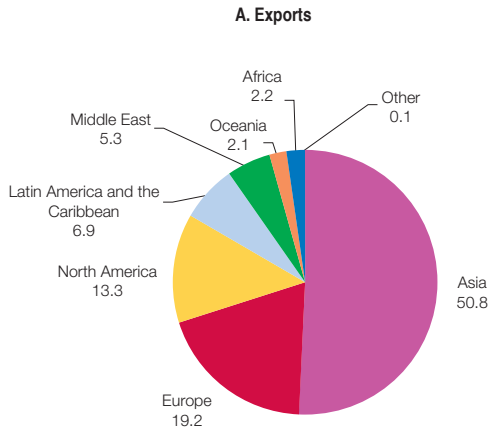
Table IV.5
CHINESE EXPORTS AND IMPORTS BY FOREIGN-INVESTED ENTERPRISES, 2006
(Millions and percentages)

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

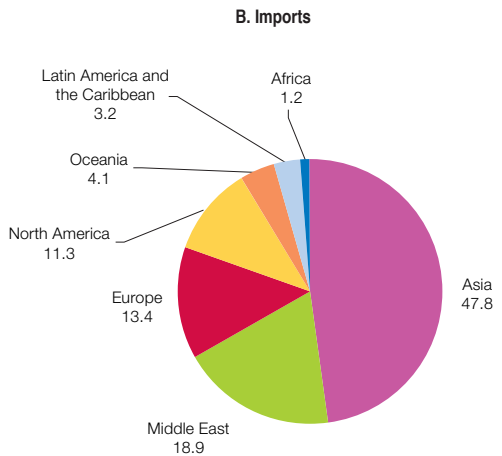
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the Ministry of Commerce of China, "Invest in China" [online] http://www.fdi.gov.cn

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

Figure IV.3
REPUBLIC OF KOREA: TRADE IN GOODS BY MAJOR REGIONS, 2007
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from KITA [online] http://stat.kita.net/statistics/gikz3310d.jsp



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from KITA [online] http://stat.kita.net/statistics/gikz3310d.jsp

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

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

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

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

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

Table IV.7

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

(Millions of dollars and percentages)

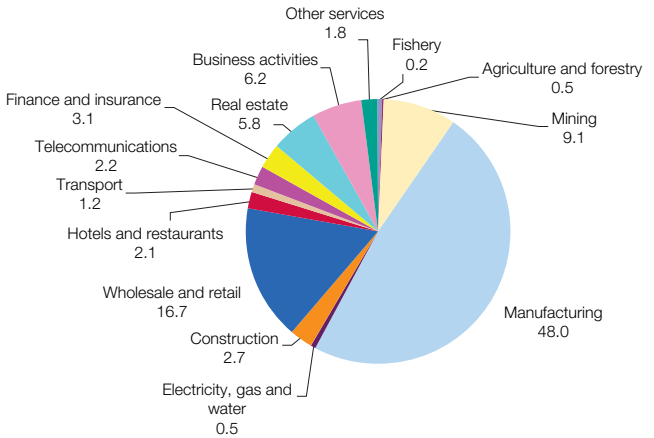
	Number of investment projects	Share of total (percentage)	Value of FDI undertaken (US$ million)	Share of total (percentage)
North America	**21 831**	**16.6**	**23 758.1**	**24.3**
Europe	**4 564**	**3.5**	**15 151.3**	**15.5**
Asia	**95 260**	**72.6**	**47 102.3**	**48.2**
China	64 804	49.4	23 356.9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

Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Export-Import Bank of Korea [online] http://www.koreaexim.go,kr.
Note: Data for 1980 is a cumulative figure from 1968 to 1980.

Figure IV.4

STOCK OF OUTWARD FOREGIN DIRECT INVESTMENT FROM THE REPUBLIC OF KOREA IN LATIN AMERICA AND THE CARIBBEAN, BY SECTOR, 1980-MARCH 2008

(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of information from Export-Import Bank of Korea [online] http://www.koreaexim.go,kr.
Note: Data for 1980 is a cumulative figure from 1968 to 1980.

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

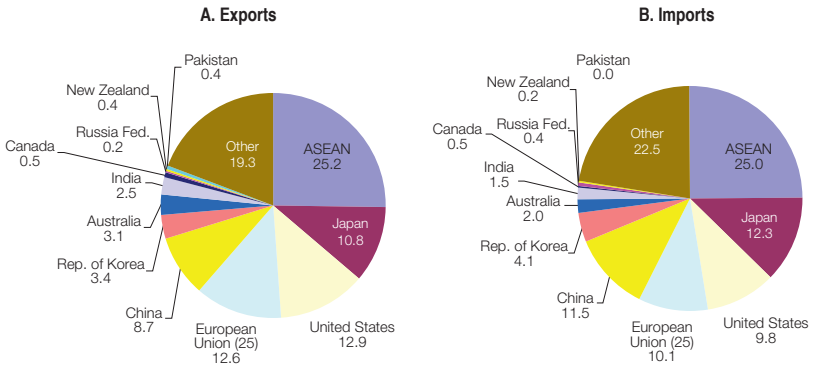
- Asia's share in the Republic of Korea's OFDI totalled 73% in terms of the number of projects undertaken and 48% in terms of the value of FDI. This surpassed by far the share corresponding to the United States or Europe. In Asia, in addition to China, the main recipients of FDI from the Republic of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

- In terms of sectors, as of March 2008, manufacturing accounting for most FDI (48%), followed by wholesale and retail trade (17%), mining (9%), and business activities (6%). Manufacturing has been the driving force behind the Republic of Korea's OFDI, the main objective of which is to support overseas production facilities and source markets for sales.

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

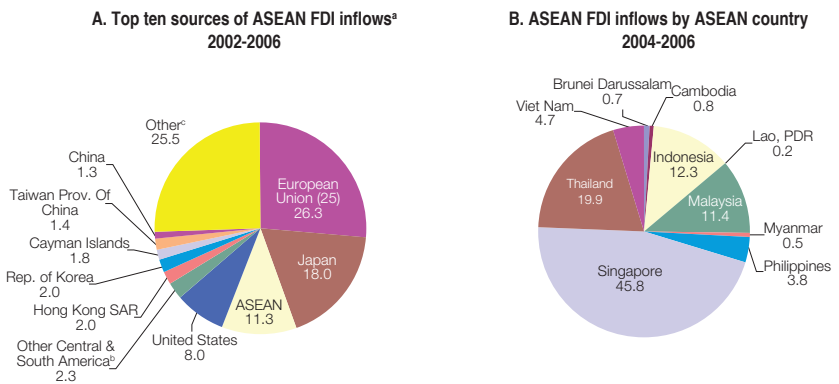
9. The main trading partners and sources of FDI of the ASEAN countries are the other member countries, Japan, China and the Republic of Korea. About one third of FDI in ASEAN comes from within ASEAN+3

Figure IV.5
ASEAN TRADE BY SELECTED PARTNER COUNTRY/REGION, 2006
(Percentages)



Source for figures IV.5 and IV.6: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from ASEAN Secretariat.

Figure IV.6
ASEAN FOREIGN DIRECT INVESTMENT (FDI) BY SELECTED PARTNER COUNTRY/REGION, 2006
(Percentages)



[a] Identified based on cumulative FDI inflow from 2002-2006
[b] includes countries in Central and South America, other than Argentina, Brazil, Mexico and Panama
[c] includes inflow from all other countries, including the Russian Federation, as well as total reinvested earnings in the Philippines (local banks only) for 2002-2006.

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

- There is an asymmetry, however, because the United States is actually the second most important market for the exports of ASEAN countries, while the second supply source for ASEAN is Japan. The same applies to the other trading partners, because while ASEAN exports to the European Union make it its third most important import market, China occupies third place as a supplier to ASEAN countries. It is also interesting to note the predominance and concentration of trade flows from ASEAN among the 10 leading trading partners, which account for 80% of total trade. The share of intra-ASEAN trade, in exports as well as in imports, reached 25% of total flows in 2006, a higher percentage than that recorded by intraregional trade in the various Latin American and Caribbean integration schemes.

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

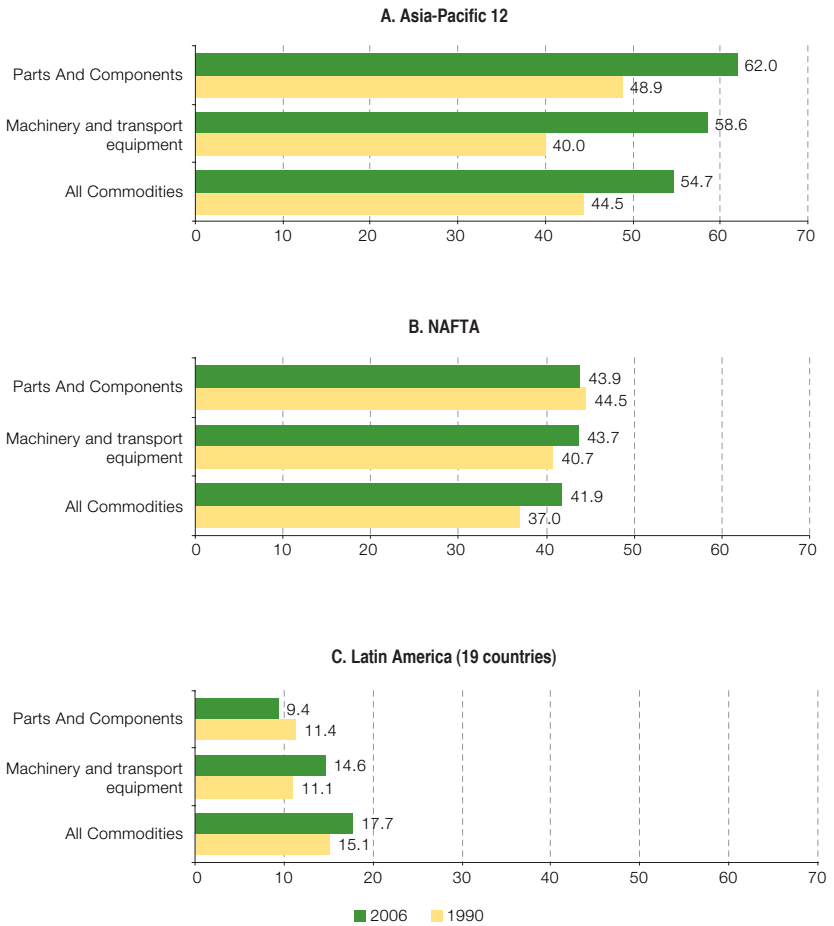
- Singapore and Thailand are the leading countries in terms of FDI flows among ASEAN members, followed at some distance by Malaysia and Indonesia.

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

- East Asia, especially the ASEAN+3 economies and Taiwan Province of China, is one of the most important IIT hubs in the world.
- The last decade has witnessed high and rising coefficients of IIT in technology- and human-capital-intensive manufactures. At present, roughly 60% of trade in machinery and transport equipment and parts and components in Asia-Pacific takes place intraregionally. There has been a significant increase since the beginning of the 1990s. East and South-East Asia thus jointly assume the mantle of "Factory Asia."
- IIT in these sectors has been far less buoyant in the NAFTA countries where intraregional trade in parts and components has even declined slightly.
- There is less intraregional trade in parts and components in relative terms in Latin America and the Caribbean, although trade in machinery and transport equipment registered a slight increase during the period in question.
- To attract greater investment in the region, Latin American and Caribbean countries need to promote supply chain networks in these sectors.

Figure IV.7

INTRAREGIONAL TRADE IN MACHINERY AND TRANSPORT EQUIPMENT AND PARTS AND COMPONENTS[a]



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

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

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

Table IV.8

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

Region/country	Exports	Imports	Balance	Commodities	Manufactures			
					NR-based	Low-tech	Medium-tech	High- tech
ASEAN	40 411	54 871	-14 460	-4 087	-3 334	5 506	1 361	-13 926
Japan	66 984	80 135	-13 151	4 956	466	15 218	-22 331	-11 368
Republic of Korea	25 932	53 975	-28 044	3 223	-3 799	424	-10 442	-17 293
United States	118 194	40 038	78 156	-3 901	1 009	44 321	12 499	24 199
European Union (27)	103 469	61 044	42 425	1 385	79	29 408	-9 107	20 644
Latin America and the Caribbean (33)	17 601	18 708	-1 108	-10 182	-2 156	5 528	3 703	1 983
India	6 227	5 991	236	-3 229	601	445	672	1 742
Australia and New Zealand	8 971	12 044	-3 073	-8 367	-1 002	3 641	1 168	1 739

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

Machinery, electronic equipment, precision machinery related to information technology

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

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

- A major feature of the dynamics of intra-Asian trade and FDI flows, which constitute one of the hubs of the world economy, is China's dramatic emergence as a key player.

- China has a trade deficit with ASEAN, Japan and the Republic of Korea, because these countries are its main suppliers of capital goods and intermediate inputs for its manufacturing industry. China's manufactures are subsequently exported to other trading partners, particularly the United States and European Union, with which it invariably has the largest trade surpluses in both low- and high-technology manufactures (China has a deficit in medium-technology products). The ASEAN countries have a major influence as suppliers and compete shoulder to shoulder with other hubs, such as Japan, the Republic of Korea and Taiwan Province of China. The deficit would be much larger if the inputs that China imports from Hong Kong SAR were taken into account. On the other hand, China is a net exporter of each type of manufacture to India.

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

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

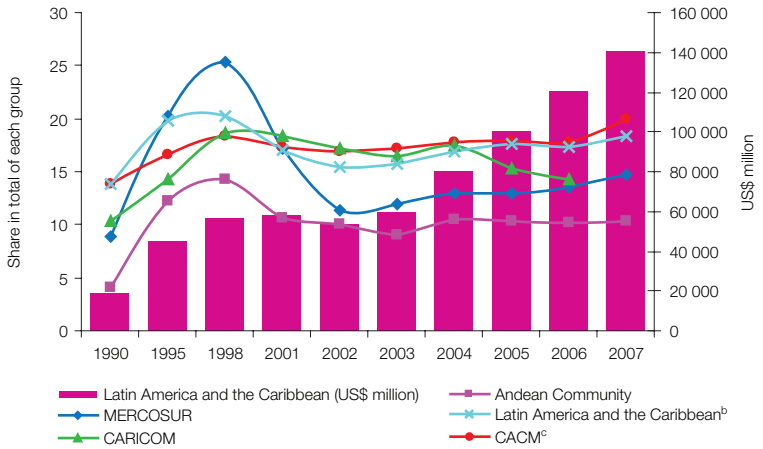
- In 2007, for the fifth consecutive year, intraregional trade –defined as the proportion of the region's total exports represented by the total sum of intraregional exports– continued to win back some of the ground lost during the downswing that followed the Asian crisis and lasted into 2001 and 2002.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

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

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

Figure IV.8

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



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

[a] Preliminary figures.

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

[c] Figures include maquila trade.

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

Table IV.9

LATIN AMERICAN INTRAREGIONAL TRADE BY SITC CLASSIFICATION (REV. 2), TWO DIGIT LEVEL

(Millions of dollars and percentages)

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

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

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

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

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

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

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

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

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

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

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

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

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

Figure IV.9

FOREIGN DIRECT INVESTMENT INFLOWS TO LATIN AMERICA AND THE CARIBBEAN, 1980-2007

(Millions of dollars)

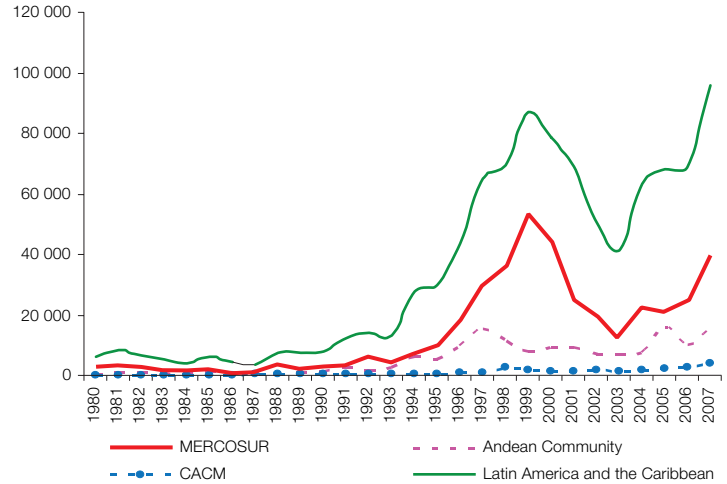
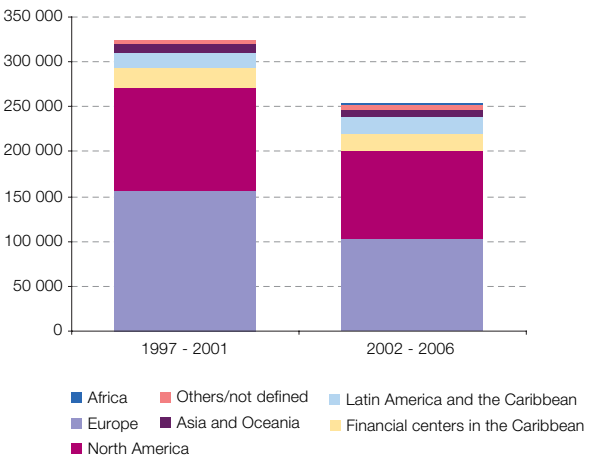


Figure IV.10

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

(Millions of dollars)



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

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

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

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

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

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

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

Chapter V

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

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

Table V.1

LATIN AMERICA: REGIONAL AND PLURILATERAL PREFERENTIAL TRADE AREAS

(PTAs concluded as of November 2007)

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

Source: Kuwayama, *et al.*, 2005., based on legal instruments signed by countries or trading blocs: MERCOSUR —Argentina, Brazil, Uruguay and Paraguay; Andean Community —Bolivia, Colombia, Ecuador and Peru; CACM (Central American Common Market) —Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua; Caribbean Community (CARICOM) —Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago; and Latin American Integration Association (LAIA) (www.aladi.org).

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

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

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

[d] FTA negotiations finalized.

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

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

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

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

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

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

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

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

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

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

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

Table V.2

EAST ASIA: REGIONAL AND PLURILATERAL PREFERENTIAL TRADE AREAS

(PTAs concluded and under negotiation, as of January 2008)

Countries	Partners: Asia	Partners: Rest of the world	Number of agreements[c]	Number of countries[c]
China – Signed	ASEAN (10) + Pakistan (1) + Hong Kong SAR (1) + Macao SAR (1) = 13	Chile (1)	5	14
China – Negotiating	Australia (1) + Singapore (1) + New Zealand (1) = 3	Gulf Cooperation Council[a] (6) + Peru (1) = 7	5	10
Indonesia – Signed	ASEAN (9) + China[b] (1) + Republic of Korea[b] (1) + Japan (1) = 12	None	4	12
Indonesia – Negotiating	Indiac (1) + Australia[c] (1) + New Zealand[c] (1) + Pakistan (1) = 4	European Union[c] (27)	5	31
Malaysia – Signed	ASEAN (9) + China (1)[b] + Japan (1) + Republic of Korea[b] (1) = 12	None	4	12
Malaysia – Negotiating	Australia (1) + New Zealand (1) + Pakistan (1) + India[c] (1) = 4	United States (1) + Chile (1) + European Union[c] (27) = 29	7	33
Philippines – Signed	ASEAN (9) + China[b] (1) + Republic of Korea[b] (1) + Japan (1) =12	None	4	12
Philippines - Negotiating	Australia[c] (1) + New Zealand[c] (1) +India[c] (1) = 3	European Union[c] (27)	4	30
Singapore – Signed	ASEAN(9) + China[b] (1) + Republic of Korea[b] (1) + Australia (1) + New Zealand[d] (1) + Japan (1) = 14	United States (1) + EFTA (4) + Jordan (1) + Panama (1) + Chile[d] (1) = 8	10	22
Singapore - Negotiating	India[c] (1) + Pakistan (1) = 2	GCC (6) + Canada (1) + European Union[c] (27) + Mexico (1) + Sri Lanka (1) + Perú (1) + Egypt (1) + Ukranie (1) = 39	10	41
Thailand – Signed	ASEAN (9) + China[b] (1) + Republic of Korea[b] (1)+ India (1) + Bahrain (1) + Australia (1) + New Zealand (1) + Japan (1) = 16	None	8	16
Thailand - Negotiating	Bay of Bengal Initiative of Multisectoral, Technical and Economic Cooperation (BIMSTEC)[a] (6) + India[c] (1) = 7	Peru (1) +United States (1) + EFTA (4) + European Union[c] (27) = 33	6	40
Vietnam – Signed	ASEAN (9) + China[b] (1) + Republic of Korea[b] (1)= 11	None	3	11
Vietnam - Negotiating	Japan[c] (1) + Australia[c] (1) + New Zealand[c] (1) + India[c] (1) = 4	Chile (1) + European Union[c] (27) = (28)	6	32

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

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

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

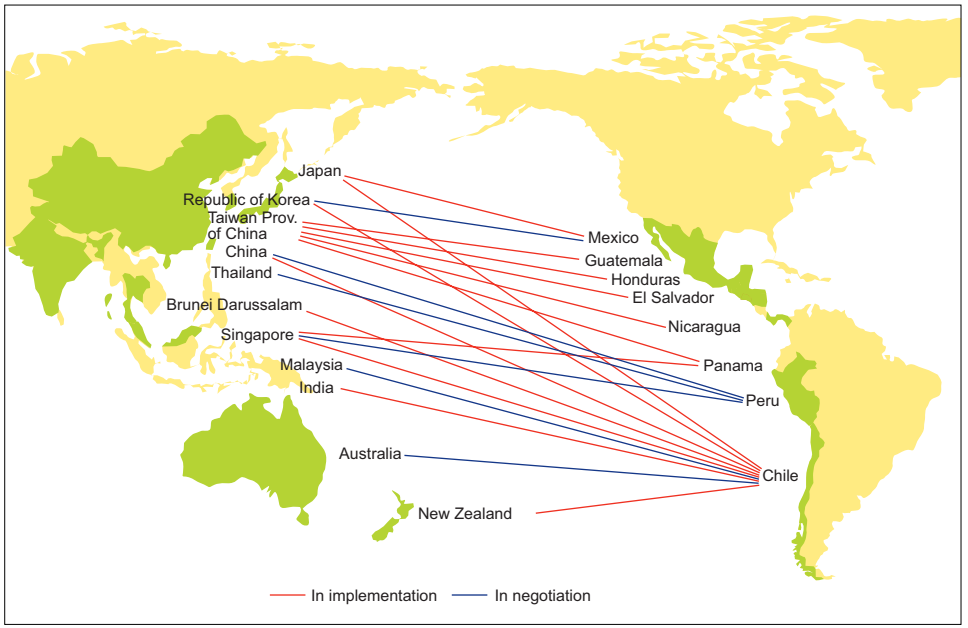
[c] As part of a plurilateral FTA being negotiated with Australia, India, Japan, New Zealand, and European Union.

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

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

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

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



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

■ Examples of trans-Pacific agreements include the treaty between Chile and China, the first trade agreement that China has signed with a western-hemisphere country; the agreement signed by Chile with India and Japan; and the agreement between Panama and Singapore and with Taiwan Province of China. The Agreement between Japan and the United Mexican States for the Strengthening of Economic Partnership entered into force in April 2005 and is the first broad-scope agreement that Japan has signed thus far. Other initiatives between Pacific Rim and Latin American countries include: the Chile-Korea Free-Trade Agreement, which was the first ever trans-Pacific free-trade treaty; and the Trans-Pacific Strategic Economic Partnership Agreement between Chile, New Zealand, Singapore and Brunei Darussalam (referred to as a P4 agreement).

■ In addition to the recently approved FTA with the United States, Peru has an FTA in force with Singapore and has signed an "Early Harvest" scheme in the Peru-Thailand FTA. Peru is negotiating an FTA with China. Chile has signed an FTA with Australia and is negotiating another with Malaysia.

■ This set of initiatives reveals a serious intent by Latin American countries to take a long-term view in their relations with Asia and the Pacific. Similarly, the United States has concluded agreements with Australia and Singapore, while it has concluded the negotiations with the Republic of Korea, and is in negotiation with Malaysia and Thailand. It has proposed agreements with Brunei Darussalam, Indonesia and the Philippines.

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

- For a number of countries of the Pacific Basin (the countries of North America, Latin American States members of APEC, India, Pakistan and Sri Lanka), a large proportion of trade is already subject to preferential tariffs.

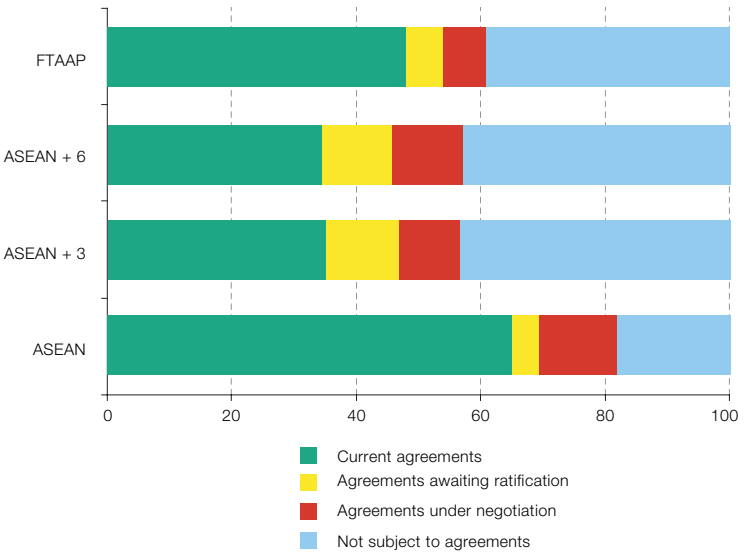
- As of August 2008, the network of free trade agreements in force in the Pacific Basin involved preferential tariffs applicable to 48% of total exports, most of which were grouped around the ASEAN countries (65%). The interests of China, Japan and the Republic of Korea, which make up the "ASEAN+3" area, and those of Australia, India and New Zealand ("ASEAN+6"), together with the drive and dynamism of Canada, the United States and other countries of the region (Chile and Peru), are reflected in the proposal to build a large-scale agreement on the basis of APEC, a Free Trade Area of the Asia Pacific (FTAAP).

- The proportion of FTAAP's trade subject to preferential tariffs could quickly increase to 61%, and within the ASEAN+6 area that figure could rise to 57% of total exports. The adoption of FTAAP is already supported by the business communities in Brunei, Chile, Mexico, New Zealand, Peru, Singapore and the United States.

Figure V.2

FREE-TRADE AGREEMENTS IN THE PACIFIC BASIN, AUGUST 2008

(Percentage of exports covered by preferential tariffs)



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

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

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

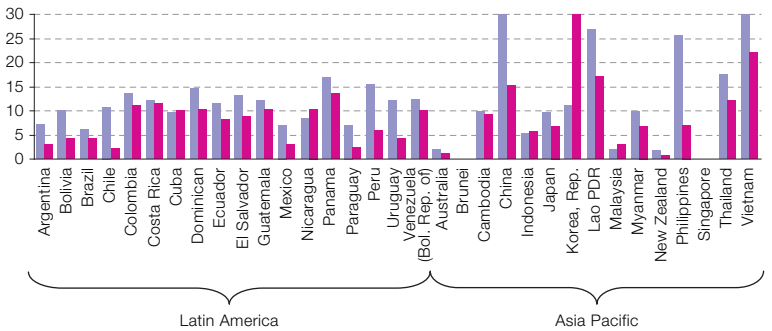
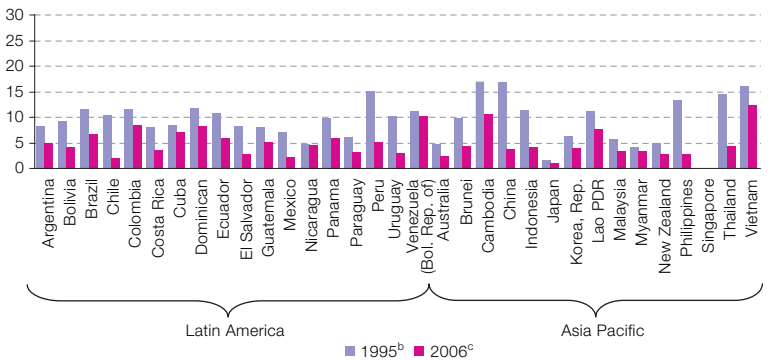


Figure V.3-B
TARIFFS CHARGED TO THE WORLD FOR NON AGRICULTURAL PRODUCTS[a]



Source for figures V.3-A and V.3-B: ECLAC calculation based on TRAINS Effective Applied Tariff (WITS).
[a] Based on the WTO classification.
[b] Twelve out the 33 countries considered did not report tariffs for 1995. In those cases, the closest year reported is used.
[c] Four out the 33 countries considered did not report the tariffs for 2006. In those cases, the closest year reported is adopted.

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

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

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

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

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

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

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

- For example, rising transport freight costs are one factor that puts Latin American exporters at a disadvantage. Particularly high and rising costs in freight and insurance, due in part to high oil prices and a lack of maritime transport interconnections, have emerged as one of the major trade barriers that limit the potential growth of Latin American exports to Asia-Pacific.

- The maritime connections between the two regions are not yet adequately developed, while the North-North and South-North routes are more complete and well developed. In general, South-South flows have few connections, and direct lines between Latin America and Asia-Pacific are known to be available only to and from Chilean ports, while in the rest of the region, several stops must be made in South Africa or other American countries are before setting course to Asia.

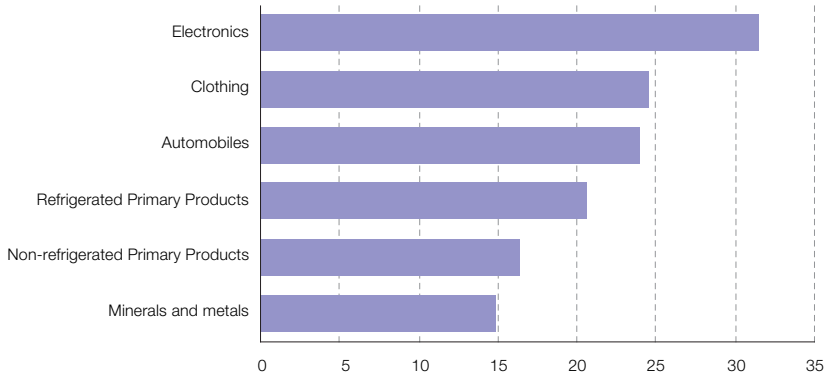
- The two cases of soybean and copper ore indicate that the shipping costs, measured as the difference between the unit value in the origin port and the unit value at destination, is remarkably higher in bi-regional flows that in intra-regional ones.

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

Figure V.4-A

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

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



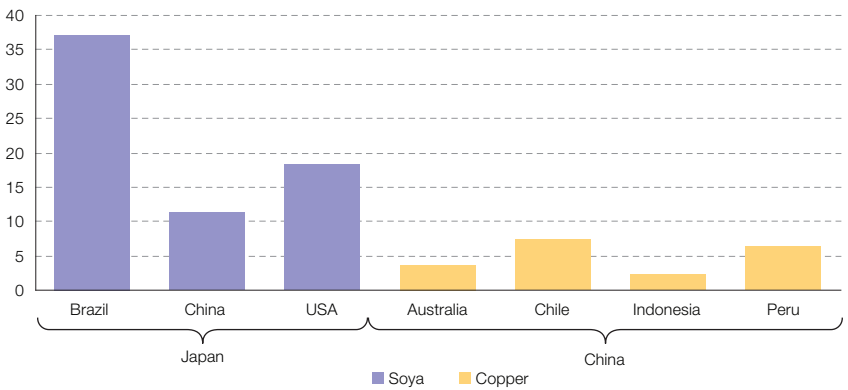
Source: Durán, J. and Mariano Alvarez, "Shipping Costs: A Rising Challenge To the Region's Competitive Development" (Table 2) in FAL Bulletin Number 256, December 2007.

[a] Argentina, Brazil, Chile, Peru, and Mexico.

Figure V.4-B

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

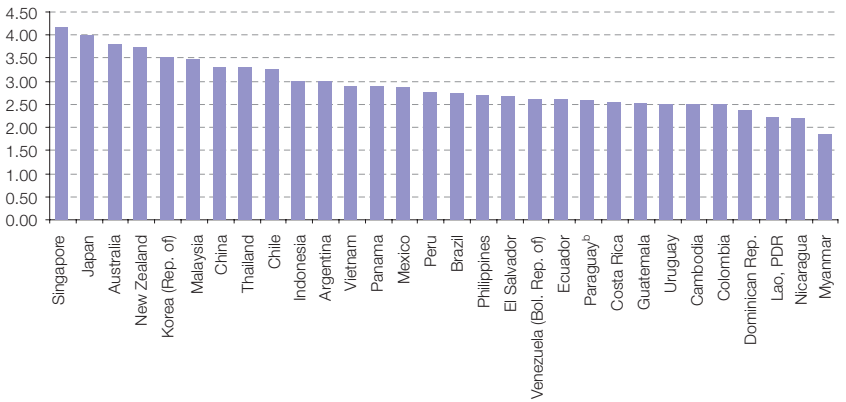
(As a percentage of the CIF cost of the product)



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

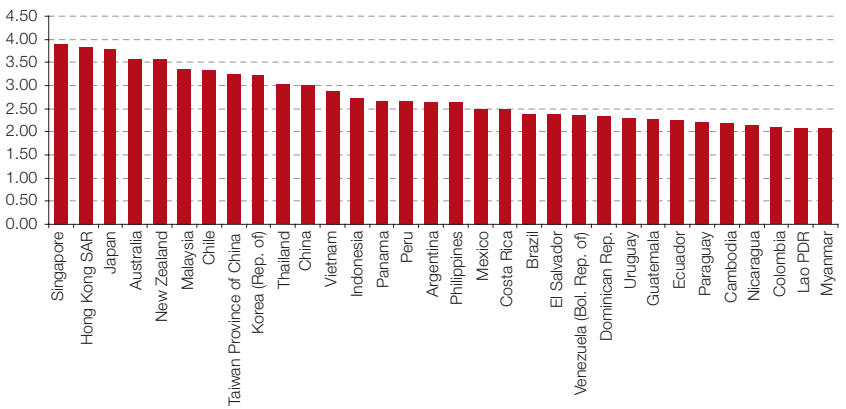
7. Latin American and Caribbean countries are also weak in trade logistics, which results in shipment delays and lower international competitiveness

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



Source: Connecting to Compete: Trade Logistics in the Global Economy (2007).
[a] The study does not provide numbers either for Bolivia, Brunei Darussalam or Cuba.
[b] As Paraguay is a landlocked country, its scores are disputed by studies by authors such as Martínes Zarzoso and Hoffmann, who rank Paraguay among the last.

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



Source: Arvis, Jean-Francois, Mónica Alina Mustra, Johon Panzar, Lauri Ojala and Tapio Naula (2007), "Connecting to Compete: Trade Logistics in the Global Economy", World Bank, Washington D.C.

- Another trade barrier is related to high logistics costs and weak port capacities; there is a significant difference between the two regions in this respect.

- In the Logistic Performance Index, developed by the World Bank and several academics, only one Latin American country figures among the top 10 countries of Asia Pacific. A low logistic performance represents a higher cost for exporters, resulting in shipment delays and lower competitiveness.

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

- Progress in regional cooperation in the area of trade facilitation could enhance international competitiveness, generating greater trade and investment opportunities between Latin American and the Caribbean and Asia Pacific enterprises.

- In this regard, the countries of Asia Pacific are encouraged to finance projects that are of mutual benefit to bi-regional integration.

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

Table V.6

ISO CERTIFICATIONS IN 2006, BY STANDARD

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

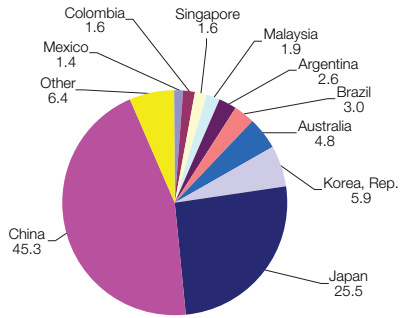
ISO Standards	9001	14001	16949	13485	TOTAL	Share	Certifications per million inhabitants
	Quality management systems	Environmental management systems	Quality for automotive production	Sanitary management systems			
China	162 259	18 842	4 758	228	186 087	45.33%	142
Japan	80 518	22 593	939	438	104 488	25.45%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

Source: ECLAC, on the basis of the International Organization for Standardization, *The ISO Survey*, 2006.

Figure V.6

ISO CERTIFICATIONS BY COUNTRY

(Percentages for Asia Pacific and Latin America)



Source: ECLAC, on the basis of the International Organization for Standardization, *The ISO Survey*, 2006.

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

- Several standards are obligatory commitments while others are of a voluntary nature based on the recommendations by the private sector. These non-mandatory standards are considered to be very influential in determining not only the competitiveness of the product in the world market but also the ultimate buying decision of the consumer.

- Latin American countries lag far behind their Asia Pacific counterparts in this respect. For example, the number of ISO Standards of Quality that each region certified in 2006 shows a stark difference, not only in terms of absolute number of certifications but also when the size of population is taken into account.

- By country of issuance, China and Japan together account for more than 70% of the all the ISO issued in the two regions in 2006, only two countries from Latin America (Brazil and Argentina) represented roughly 5.5% of the total.

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

Table V.7
SOME RESEARCH AND DEVELOPMENT INDICATORS

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

Source: United Nations Development Programme (UNDP), Human Development Report 2007/2008.
[a] Data refer to the most recent year available during the period specified.

- The Human Development Indicators related to the R&D capacities of the countries in both regions show that Latin America and the Caribbean countries lag far behind Asian developed countries such as Australia, Japan and New Zealand, but also the so-called Asian Newly Industrialized Economies (NIEs).

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

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

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

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

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

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

A. Science

Rank	Country	Science
2	Hong Kong SAR	542
4	Taiwan Province of China	532
6	Japan	531
7	New Zealand	530
8	Australia	527
11	Korea	522
17	Macao SAR	511
OECD AVERAGE		**500**
40	Chile	438
43	Uruguay	428
46	Thailand	421
49	Mexico	410
50	Indonesia	393
51	Argentina	391
52	Brazil	390
53	Colombia	388

B. Mathematics

Rank	Country	Mathematics
1	Taiwan Province of China	549
3	Hong Kong SAR	547
4	Korea	547
8	Macao SAR	525
10	Japan	523
11	New Zealand	522
13	Australia	520
OECD AVERAGE		**498**
42	Uruguay	427
44	Thailand	417
47	Chile	411
48	Mexico	406
50	Indonesia	391
52	Argentina	381
53	Colombia	370
54	Brazil	370

C. Reading

Rank	Country	Lectura
1	Korea	556
3	Hong Kong SAR	536
5	New Zealand	521
7	Australia	513
15	Japan	498
16	Taiwan Province of China	496
21	Macao SAR	492
OECD AVERAGE		**492**
38	Chile	442
41	Thailand	417
42	Uruguay	413
43	Mexico	410
48	Indonesia	393
49	Brazil	393
51	Colombia	385
53	Argentina	374

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

■ The most recent results of the Programme for International Student Assessment (PISA), a triennial survey of the knowledge and skills of 15-year-olds, surveying more than 400,000 students from 57 countries (almost 90% of the world economy) shows that Asian countries, with the exception of Thailand and Indonesia, score among the highest in all three areas tested: science, mathematics, and reading. Asia shares the top of the rankings with industrialized economies of Europe and Canada and always has at least one country in the top three for all categories.

■ In contrast, and with only one exception in one category, all Latin American participants have scores that place them below the rank of 40, out of a field of 57 countries (Chile ranks 38 in Reading). Latin America shares the bottom of the rankings with countries in the Middle East and Eastern Europe, including Serbia, Jordan, Romania and Bulgaria.

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

Conclusions and recommendations

- Given the risks the world economy is now facing and its new emerging geography centred increasingly on the Asia-Pacific region, government authorities in Latin American and Caribbean should redouble their efforts to identify and capitalize upon the potential complementarities created by greater integration with that region. In order to do this, the Latin American and Caribbean countries should adopt a coordinated approach to trade and investment initiatives.

- The favourable economic conditions now facing the region offer a unique opportunity to lay the foundations for sustained trade and investment relations with Asia-Pacific by: (i) creating bi-regional business alliances; (ii) enhancing cooperation in innovation and human capital in order to diversify trade, add greater value and knowledge to exports; and (iii) helping to create more stable conditions for growth.

- One of the reasons for the limited bi-regional trade and investment flows is the lack of intra-industry trade (IIT) between the two regions. Although there is substantial IIT within each region, trade of this type across the two regions is still scarce. The fact that IIT flows still account for a relatively small proportion of bi-regional trade suggests that not only vast possibilities but also enormous challenges may lie ahead for this type of trade and investment cooperation.

- The nature of trade flows is still inter-industrial: imports from Asia-Pacific consist of manufactures, while Latin American and Caribbean exports consist mainly of primary commodities. Whereas manufactures represent a rising share of intraregional exports in Latin America and the Caribbean, exports to Asia-Pacific show the opposite trend. Shipments of food items and minerals and metals have risen as a proportion of total exports to Asia-Pacific, reflecting the region's comparative advantages and the potential of those markets.

- In contrast, the experiences of Central America, particularly Mexico, show the benefits of an investment-cum-trade strategy, different from the one adopted in the rest of the region. Given the divergent patterns of international specialization in the two regions, new production possibilities and export opportunities may open up for the Latin American and Caribbean countries as international production chains in Asia-Pacific continue to expand and deepen and the demand for commodities remains strong.

- Latin America and the Caribbean is beginning to export a more diversified range of products to Asia-Pacific: the list includes a number of new products, such as fishery products and pig meat, along with high-technology manufactures that include electronic microcircuits, telecommunications equipment and data-processing machinery. The presence of these products indicates that Latin America is beginning to integrate, albeit sporadically, into the extensive supply-chain networks prevalent in the Asia-Pacific region.

- There are some intra-industrial bi-regional trade flows and these, albeit incipient, are increasing. In general Mexico's trade with Asia-Pacific shows higher Grubel Lloyd indices than those for other Latin American countries. Costa Rica and Brazil have begin to record some intra-industry trade with Asia-Pacific. On the Asia-Pacific side, Australia, New Zealand and Singapore are beginning to register intra-industrial trade with the region. In short, there has been a breakthrough with trade shifting from a purely inter-industrial to a slightly more intra-industrial structure.

- Both intraregional FDI flows within Asia-Pacific and direct investment inflows into emerging Asia from large developed countries have promoted de facto regional integration in that region, since both types have represented major investment in the individual Asian countries over the years. A clear "trade-

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

- A significant outcome of the fragmentation of manufacturing processes in the Asia-Pacific region was that Japan lost comparative advantages in manufacturing production, which led Japanese firms to slice up their productive processes and outsource more labour-intensive stages to neighbouring East Asian countries. This "hollowing out" of the Japanese economy was replicated in Taiwan Province of China, the Republic of Korea, Singapore and Hong Kong SAR, thereby deepening the "Asia Factory" process. China and the ASEAN countries' later entry onto the international economic stage further eroded the industrial comparative advantages enjoyed by the higher-income East Asian countries, making offshore production more attractive. It is notable that all this regional trade and investment creation occurred outside the ambit of regional trade agreements. Latin American and Caribbean firms must now take steps to enter Asian supply chains by signing trade and investment partnerships, in addition to trade agreements, in order to gain new access to these markets and integrate into Asian production and export chains.

- Apart from natural-recourse-based FDI, another predominant type of FDI in Latin America has been market-seeking, which has been too inward-looking and has not contributed sufficiently to the building of local manufacturing capacities and international competitiveness. One of the main reasons for the low level of trade-cum-investment flows between the two regions is the lack of efficiency-seeking FDI, which is the type most common in Asia-Pacific. Where such investment does exist in the region, it shows the shortcomings typical of this type of FDI: the creation of an "enclave" economy and a low value-added trap, as well as a lack of industrial agglomeration.

- Efforts to deepen trade and investment relations with Asia-Pacific must, therefore, take a twofold approach: (i) the promotion of efficiency-seeking FDI on the Latin American and Caribbean side; and (ii) efforts to address the drawbacks of market-seeking investment that often affect the national economy in general and the export sector in particular.

- A number of recent experiences show that value and knowledge can be added to commodity exports, in the interests of efficient and coordinated exploitation of comparative advantages. Although with more difficulty than manufactures, commodities can also be integrated into production and marketing chains in Asia-Pacific; this calls for a systemic approach encompassing the production process, trade logistics, maritime and air transport, and marketing and distribution in the final consumption market. Exports conducted through alliances with Asia-Pacific investors could help to form a complex of activities involving goods, services, investments and financing. Strategic partnerships should be created to increase value added throughout the production and marketing chain, and mutually beneficial technological partnerships should be developed (to apply advances in biotechnology to agro-industry, mining, forestry and fishery, for example).

- The countries of the region also urgently need to: (i) take full advantage of current growth in the Asia-Pacific region and develop new linkages to strengthen innovation and competitiveness (a weak link in the Latin American region); (ii) strengthen links between trade and investment; and (iii) consolidate productive and technological linkages.

- The Asia-Pacific region offers investments that could provide complementary financing for major initiatives, especially in the infrastructure and energy areas. An interesting challenge is to identify the infrastructure and energy projects in Latin America and the Caribbean where Asian investment might

be most useful to speed up the implementation of works. This would not only help to strengthen the trade facilitation and investment link with Asia-Pacific, but also would generate externalities for Latin America's own regional integration process. It would thus be advisable to link strategic partnership with Asia-Pacific with efforts to advance regional integration, in order to build unified markets supporting increasingly common standards and providing greater legal certainty.

■ A series of market-access problems remain. Asia-Pacific applies high ad valorem equivalents (AVEs) to agricultural products and a number of natural-resource-based manufactures that constitute major export interests for Latin America and the Caribbean and in which the region has strong comparative advantages. The challenge for the region is therefore to engage more actively in the Asian production and distribution chains with exports that face the highest levels of protection.

■ The lack of a well-established network among companies, whether large firms or SMEs, represents an obstacle to strategic alliances and corporate association. Despite profitable opportunities, the high sunk costs of new ventures and the risks involved for single investors may also continue to act as formidable barriers. Inadequate infrastructure, especially the lack of a good transport system, also impedes dynamic trade and investment flows. The provision of solutions for these bottlenecks would certainly enhance bi-regional trade and investment.

■ There are several issues of mutual interest and great importance relating to trade and investment promotion, enhancement of international competitiveness, market access, free trade agreements and regional integration. In order to reduce the existing large gap in information and perception of business opportunities and market access, the countries in both regions should consider taking action in the economic and trade sphere, as described below. Such actions should be coordinated with and take advantage of existing international and regional actions, and must engage business associations and other private-sector agents:

(i) Information exchange on market opportunities and market access, including basic economic indicators, recent trends on bi-regional trade and investment, developments in regional integration, standards, tariffs and non-tariff trade measures;

(ii) Policy dialogue on:

- Promotion of bi-regional trade and investment, aimed at identifying the bottlenecks in such promotion and needs for capacity- and institution-building;
- Trade and investment promotion policy, to review best practices in both regions and analyse public policies to enhance international competitiveness, innovation and regional integration;
- Trade-related capacity-building, including several emerging issues such as trade facilitation and the Aid for Trade Initiative;
- The WTO process, addressing not only the Doha Round of trade talks, but also the development dimension, the issue of convergence or divergence between regionalism and multilateralism and strengthened operational rules on special and differential treatment;
- Free trade agreements, including bilateral, sub-regional or bi-regional FTAs and the related negotiation, implementation and administration processes;

(iii) Exchange of information on investment, including trends in FDI flows; investment-related multilateral and bilateral agreements; inventory of investment promotion programmes and policy and regulatory regimes of the Asia-Pacific and Latin American and Caribbean regions;

(iv) Promotion of small- and medium-sized enterprises (SMEs), with an emphasis on establishing institutional linkages among SMEs through respective associations in the two regions, promoting venture capital for technological upgrading, including information communications technology (ICT), and developing E-commerce, which would increase interregional trade and investment; and

(v) Transport infrastructure, including the assessment of existing pre-feasibility studies and efforts to secure financing to implement infrastructure projects.

- In this regard, the countries of the region should pursue better market access in the Asia-Pacific region, either seeking bilateral arrangements individually or working in coordination to reach joint agreements. Chile, Mexico and Peru should play a key role in coordinating positions and working together on different fronts, not only within APEC-related forums but also within and between the intra-regional integration schemes.

- Routes by which the region could pursue better market access in Asia-Pacific might include:

(i) Creation of a trade bloc in East Asia to promote further trade liberalization in the framework of APEC, possibly though a Free Trade Area of the Asia-Pacific (FTAAP), which might include more than the three existing Latin American members of APEC (Chile, Mexico and Peru). This would make it possible to pursue greater uniformity and convergence of rules and disciplines among the FTAs signed by APEC members and those signed by Latin American and Caribbean countries;

(ii) Promotion of intra-APEC trade and investment, by simplifying and harmonizing the rules of origin (ROOs) contained in most of the FTAs signed by APEC members and increasing flexibility in accommodating ROOs among the different integration schemes and FTAs in the region;

(iii) Possible enlargement of the Trans-Pacific Strategic Economic Partnership Agreement (P-4 FTA), widening its geographic coverage for future negotiations, for example, by including Peru, Mexico, Colombia and Thailand;

(iv) Coordinated support by the three existing Latin American APEC member countries to seek APEC membership for other countries in the region;

(v) The possibility that the three Latin American APEC member countries –Chile, Mexico and Peru– may seek to negotiate a free-trade agreement with ASEAN, which could subsequently be joined by other Latin American Pacific-basin countries, and

(vi) Strengthening of the Forum for East Asia-Latin America Cooperation (FEALAC) –the only forum for dialogue on cooperation that extends beyond the Pacific Rim– and more active participation in it by the countries of both regions.

Annex

Address delivered by Ambassador Sun Zhenyu, Permanent Representative of China to the World Trade Organization (WTO), on the occasion of the fourth Forum of Ministers of the Latin American Pacific Basin Initiative

2-3 October, 2008
Santiago, Chile

CHINA'S DEVELOPMENT AND ITS COOPERATION WITH LATIN AMERICA

On the road to achieving sustainable economic development, China and Latin America are facing common challenges, namely: the challenge of sustainable economic growth, the challenge of the pressure for job creation and the challenge to meet the Millennium Development Goal of poverty alleviation. In view of the current world financial crisis, energy crisis and food crisis, there is also the challenge of how to reduce or minimize the negative impact of those crises on our financial and economic sectors.

In the joint efforts to face these common challenges and to overcome the tremendous difficulties in front of us, Asian and Latin American countries have no other choice but to work closely by exchanging our past experiences and lessons and strengthening our economic co-operation.

1. Some useful elements for sustainable development

Recently the World Bank published a growth report on strategies for sustained growth and inclusive development. It summed up the experience of 13 economies which have grown at an average rate of more than 7 percent a year for 25 years or longer since 1950. These 13 economies include Brazil, China, Japan, Korea and other Asian tigers. India and Vietnam are also on their way to joining this group. The report analyses the causes, consequences and internal dynamics of their high growth, trying to offer a framework that could help policy makers create a growth strategy of their own. Among other things, the report puts emphasis on a long-term commitment by political leaders, a commitment pursued with patience, perseverance and pragmatism. It highlights the importance of taking advantage of the more open and integrated world economy by actively courting foreign direct investment and foreign education in order to import ideas, technologies and know-how from the rest of the world. It also encourages an increase in the levels of incentives and public investments that are crucial for private investment to take off and ensure the long-term diversification of the economy and its integration in the global economy.

Mr. Stephen Roach, a well-known economist, once pointed out: "No one said globalization would be easy. But in the end it sure beats the alternatives."

China has been spending the past 3 decades trying to achieve economic growth through opening and reform policy and through the process of globalization. Its road in this process has never been smooth-sailing. As a country with a history of more than 5,000 years, China started to have contacts with other countries even before the 1 century B.C. in China's Han dynasty, when trade with Central Asian and Mediterranean countries was carried out through the silk roads. Trade flourished since then with Chinese silk, porcelain, and other products being exported and bringing back to China diamond, jade, spices, etc. From 1405 to 1435, during the Ming Dynasty, China experienced one of the most open periods in its relations with the Asian, European and African countries. The Chinese explorer Zheng He led his fleet of vessels in seven voyages to Asia and Africa, covering Malaysia, India, Kenya, Tanzania and many other countries. Some historians and scholars said that he even arrived in Latin America before Christopher Columbus, but some other historians and scholars are not convinced. We could be a little more patient to wait until the historians get the right answer. According to the annals of the Ming Dynasty, the largest fleet Zheng He ever led had 35 vessels with more than 20,000 sailors. The largest vessel, the Treasure Boat, was 135 meters long and 55 meters wide. They brought silk and porcelain to Asian and African countries and brought back various local products and even animals like rhinos, zebras and giraffes to China. Unfortunately, after his seventh voyage, the emperor of the Ming Dynasty died and his son became the emperor at the age of eight. Some short-sighted Confucian scholars around him started to run the country and had all the vessels destroyed and the country was closed from the rest of the world for the next 400 years, which led to China's poverty and backwardness in its economy.

China became a semi-feudal, semi-colonial country since the Opium War in the middle of the 19th century. The Chinese people suffered a great deal in the hands of the Western powers and the economy was in very bad shape. After the founding of the People's Republic in 1949, due to the particular historic situation at that moment, China's economy remained closed. The Cultural Revolution from 1966 to 1976 brought the economy to the brink of bankruptcy. It was not until 1978 that China started to implement the reform and opening policy advocated by Deng Xiaoping, the great leader for China's economic re-emergence.

2. Experience, lessons and challenges

This year marks the 30th anniversary of China's implementation of reform and opening-up policy, which has changed China fundamentally. Over the past 3 decades, China's economic growth has averaged over 9% per year. Per capita GDP grew 11 fold and foreign trade volume increased by 95 fold. Before 1979, there was not even a single dollar of foreign investment in China. Now the accumulated investment till the end of 2007 is more than $692 billion. On top of that, more than 200 million people have been lifted out of poverty in the process. Mr. Joseph Stiglitz, the former Chief Economist at the World Bank, pointed out that "Never before has the world seen such sustained growth. Never before has there been so much poverty reduction."

The development of China has not only further improved the livelihood of its 1.3 billion people, but also provided a strong drive for the stability and growth of the global economy. The improved living standard in China has been stimulating a new wave of consumption in cars, tourism, education, communications and housing. The large-scale infrastructure projects, industrial transformation and upgrading also provide great opportunities for China's trading partners to increase their exports to China.

Now the question is: Is China's current development sustainable? The answer is a mixed yes and no. If China does not attach great importance to narrowing the gap between the rich and the poor, it is not sustainable. If China does not adopt effective measures to tackle the environmental problems, it is not sustainable. If China does not try its best to establish the social security network, to provide sufficient medical care both in the urban and rural areas, and to improve substantially its education system, it is not sustainable. If China does not properly solve the food safety issue and protect the health of its people, it is not sustainable. These are some of the major challenges for China in its future development. What we need to do is to look beyond the GDP growth and to put emphasis on scientific and sustainable development. That is of course easier said than done.

Last year President Hu Jintao outlined the road map for China's sustainable development. He stressed the need in the next five years to persist in putting people's needs first, to change the concept of development, to enhance innovative capability, to protect the environment, to have a more efficient consumption of energy and to seek balances in various dimensions. China's current Five-Year Plan is a program for comprehensive implementation of the scientific approach on development and for bringing about internal "harmonious development" and external "peaceful development".

An open and stable China needs an equally open and stable international economic environment. In the process of opening and reform, China faces the challenges of world financial crisis, energy crisis, food crisis and trade protectionism. To meet these challenges successfully is of crucial importance for China's sustainable development.

3. China's co-operation with the Latin American countries

In spite of the geographical distance between China and Latin America, our economic and trade relations have been very close. If we put aside the controversies among historians on who found Latin America first, the exchanges between us can date back to the mid 16th century. Today, with frequent high-level visits and large scale economic and trade co-operation, we have entered the best period of Sino-Latin American ties in history. During President Hu Jintao's visit to Latin America in 2004, he said that Sino-Latin American co-operation was facing an unprecedented historical opportunity. We should seize it and work side by side to push this friendly co-operation towards continuous progress. The President set the goal for increasing trade with Latin America to $100 billion by 2010. That goal was easily met in 2007 when trade increased by 42.6% to reach $102.6 billion.

There is a very favorable basis for expanding our cooperation, as the Asia-Pacific is the most dynamic region in the world economy in terms of growth, international trade, foreign direct investment and technological innovation.

China is now the third largest importing country from Latin America, absorbing 14% of Latin America's total exports. For years, China has been a traditional buyer of Chilean copper, fertilizer and sea products, Peruvian iron ore and fish meal, Mexican auto parts, Colombian nickel and coffee, and Ecuadorian bananas. In recent years, with the improvement of the living standard of the Chinese people, there is a rapid increase of imports of Chilean wine and fruits and Mexican beer. In addition, around 600 Chinese ships sail through the Panama Canal every year, making China the third biggest customer of the Panama Canal.

At the same time Latin America is a very attractive market for China, with a total population of 548 million consumers and per capita average income of $5,500, which is more than twice the per capita income of China. Among Chinese exports, apart from traditional exports such as textiles and clothing, toys and footwear, there is more and more machinery equipment such as construction equipment, port equipment, automobiles and manufacturing equipment.

Latin America has become China's largest foreign investment destination, accounting for a quarter of China's total foreign direct investment. The accumulated investment was $22 billion by the end of 2007.

In short, China and Latin America share the same development goals and common interests in a wide range of areas. We are now facing an unprecedented historic opportunity of further growth and we should seize this opportunity securely and in a pragmatic and creative manner.

In order to further enhance our economic co-operation, I believe we could make our joint efforts in the following fields:

First, we could work closely together to further tap the potentials of our economic co-operation. While continuing with our traditional trading relations, we could seek to diversify our trade and enhance co-operation in technology-intensive and other high- value-added industries such as energy and environmental technologies and equipment, as well as resource based products such as oil and minerals.

Second, expand further our trade in services. While the proportion of service trade makes up about 70% of the GDP world wide, China's trade in services represents just a bit over 40%. Therefore there is great potential for expanding our service trade with Latin American countries, particularly in the sectors of banking, telecommunication, transportation, tourism, education and medical service.

Third, expand mutual investment. There have been active investments both ways between China and Latin American countries. China's investments in Latin American involve oil drilling, iron ore mining, fish farming and agricultural projects. We also welcome more Latin American companies to invest in China. To this end, I strongly believe that China's membership in the Inter-American Development Bank and the second Entrepreneurs' Summit between China and Latin America, to be held late this month in China's Harbin, will facilitate greatly the two-way investment.

Fourth, strengthen further our co-operation in the multilateral trading organization. Over the past 7 years since China joined WTO, we have worked very closely with the Latin American countries in the Doha Round of negotiations. China, as a recently acceded Member of the WTO, has learned a great deal from Latin America. We look forward to strengthening our co-operation for a stronger and fairer trading system. At the same time we would also like to enhance inter-regional co-operation. China has already established an FTA with Chile and is conducting negotiations with Peru and other Latin American countries. I am fully convinced that our enhanced economic relationship will be conducive to promoting sustainable development for all our countries.