



# CHINA Y AMERICA LATINA: RELACIONES COMERCIALES Y ECONOMICAS

---

RHYS JENKINS  
SCHOOL OF DEVELOPMENT STUDIES  
UNIVERSITY OF EAST ANGLIA

Presentación al CECHIMEX, 6 de septiembre 2006



# CHINA'S GLOBAL SIGNIFICANCE

---

- GDP growth > 9% p.a since 1980
- Fourth largest economy in GDP
- Share of world trade increased from 1% in 1980 to >6% in 2004
- Approx 7% of world FDI flows since 2000



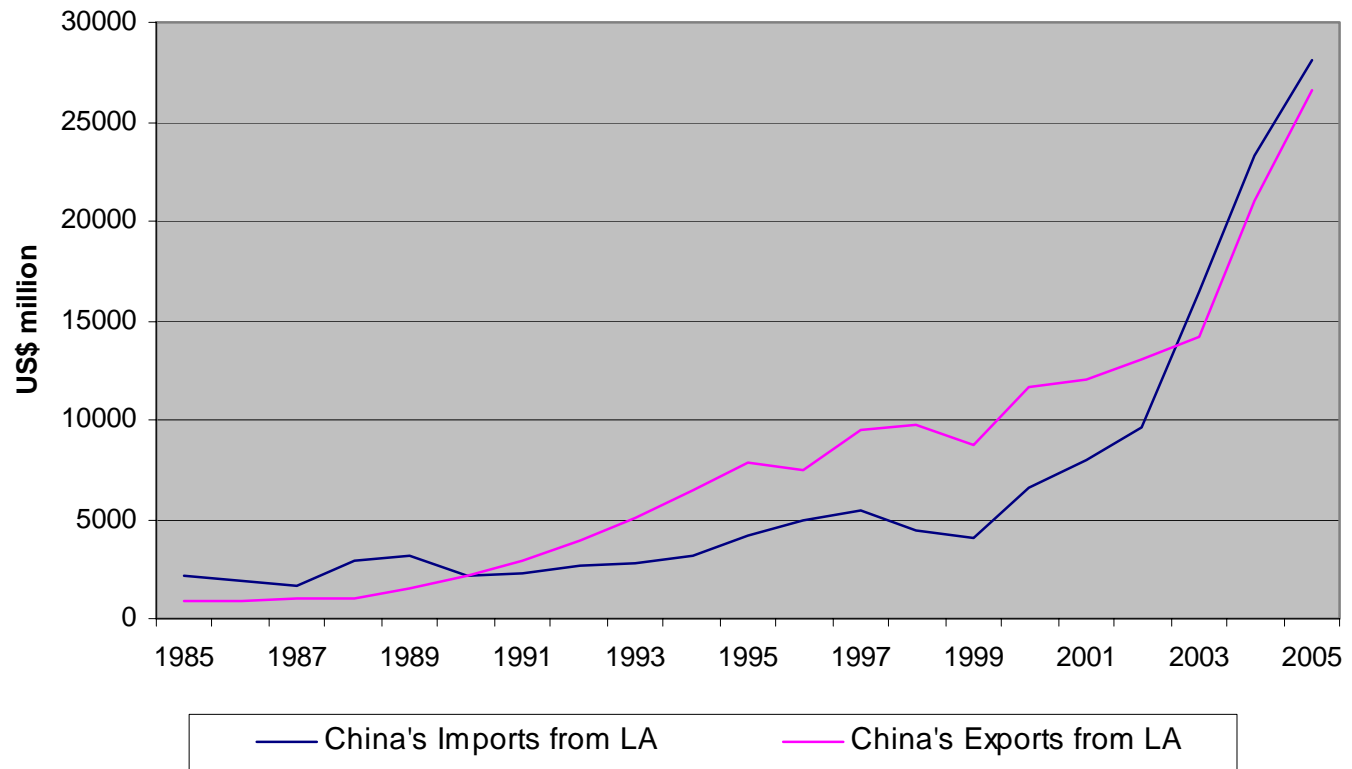
# IMPACTS OF CHINA ON DEVELOPING COUNTRIES

---

- Direct effects
  - Increased market for exports to China
  - Increased competition from China in domestic market
  - Increased bilateral FDI flows
- Indirect effects
  - Competition from China in third markets
  - Diversion of FDI to China
  - Terms of trade effects

# CHINA'S TRADE WITH LATIN AMERICA

China's trade with Latin America, 1985-2005





# MAJOR PRODUCTS IMPORTED BY CHINA FROM LATIN AMERICA

---

- 75% primary products and resource-based manufactures
  - Soya
  - Iron ore
  - Copper
  - Wood pulp
  - Fishmeal
  - Leather
- Concentration in a small number of products

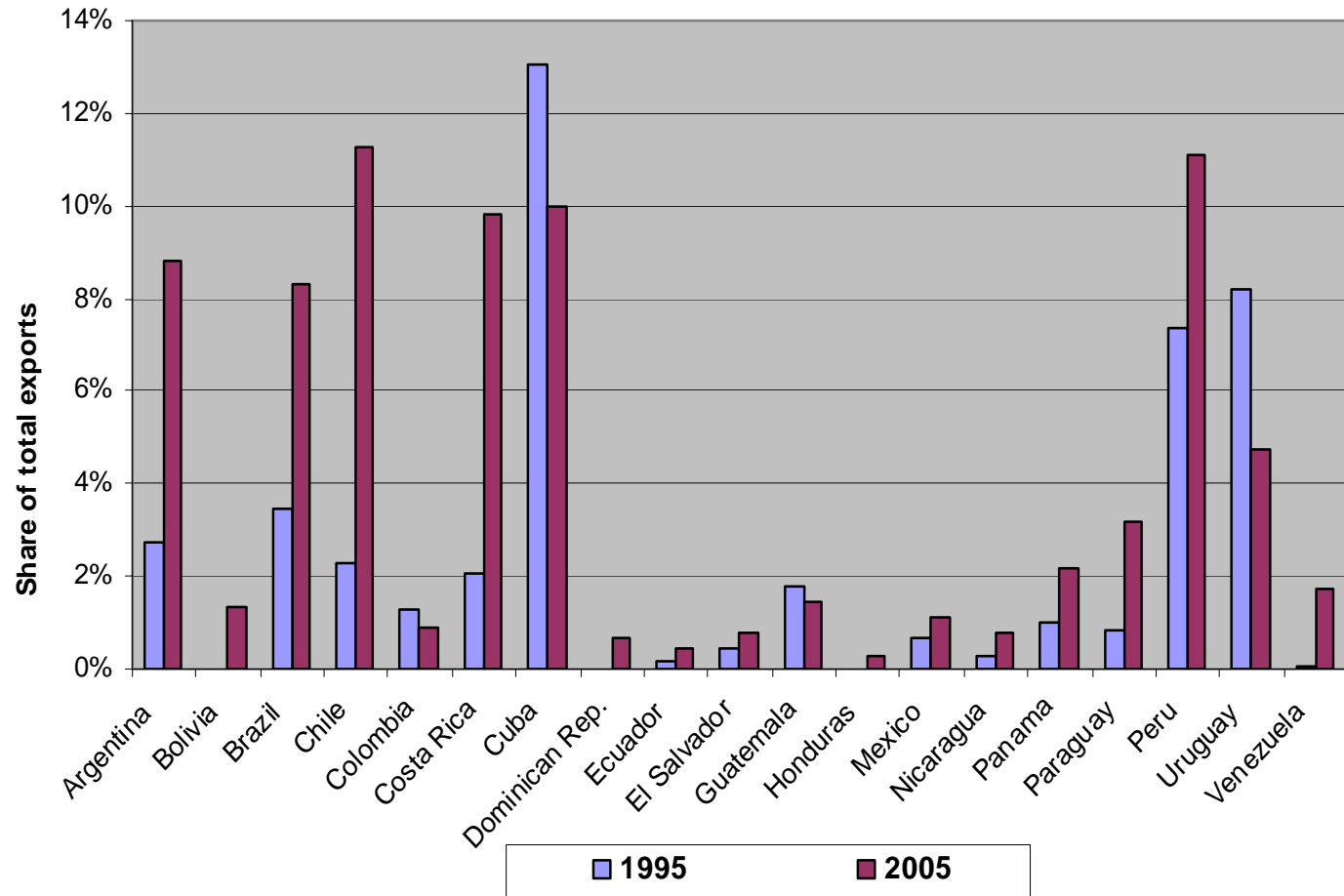


# DETERMINANTS OF THE GROWTH OF LATIN AMERICAN EXPORTS TO CHINA

---

- Marked acceleration since 1999 – for region as a whole and major countries
  - Growth of Chinese economy
  - Increased openness of Chinese economy especially with WTO membership
  - Chinese demand for primary products outstripping domestic demand
  - Low but increasing Chinese elasticity of demand for Latin American exports
  - Increased outward-orientation of Latin America

# EXPORTS TO CHINA AS SHARE OF TOTAL EXPORTS, 1995, 2005



# INTER-COUNTRY DIFFERENCES IN EXPORTS TO CHINA

---

## Gravity type model

- Geography – distance; Pacific Coastline; land-locked – not significant
- Economic factors – more open economies export more
- Political factors – recognition of Taiwan lowers exports



# LATIN AMERICAN IMPORTS FROM CHINA

---

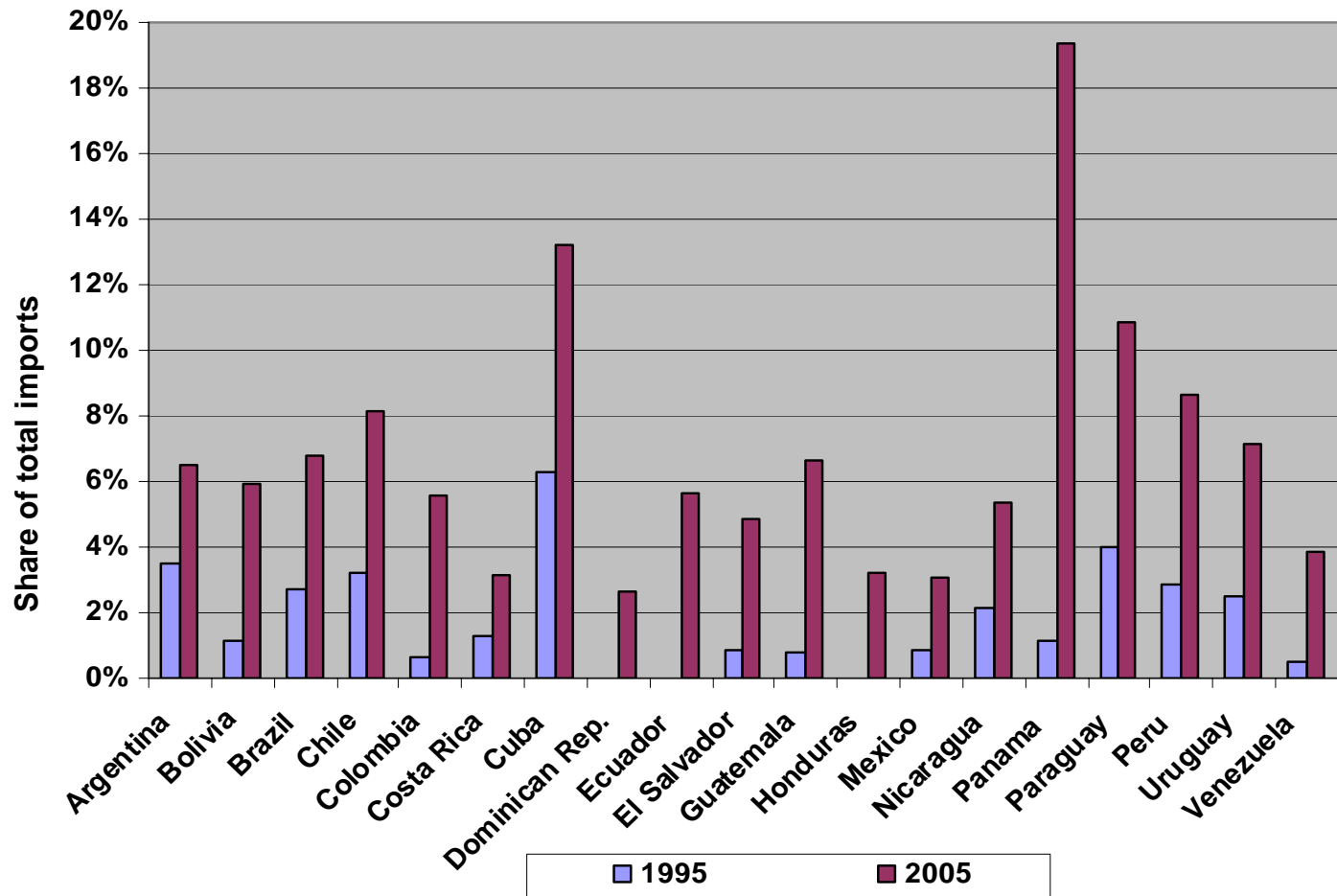
- Steady growth from late 1980s to early 2000s
- Acceleration of imports from 2003
- 90% of imports manufactures
  - Almost half low-tech/labour-intensive
  - Technology level increasing over time

# DETERMINANTS OF THE GROWTH OF LATIN AMERICAN IMPORTS FROM CHINA

---

- Increased competitiveness of China
- Growth of Latin American economies
- Paradox – China's membership of WTO not significant (or even negative)
- Increased openness of Latin America not significant (China displacing other imports?)

# IMPORTS FROM CHINA AS SHARE OF TOTAL IMPORTS, 1995, 2005



# INTER-COUNTRY DIFFERENCES IN IMPORTS FROM CHINA

---

Differences not so marked as for exports

Gravity model

- Geographical factors not significant
- Political factors – unlike for exports, recognition of Taiwan not significant
- Social factors – existence of Chinese population increases imports (cf. Rauch and Trindade, 2002)

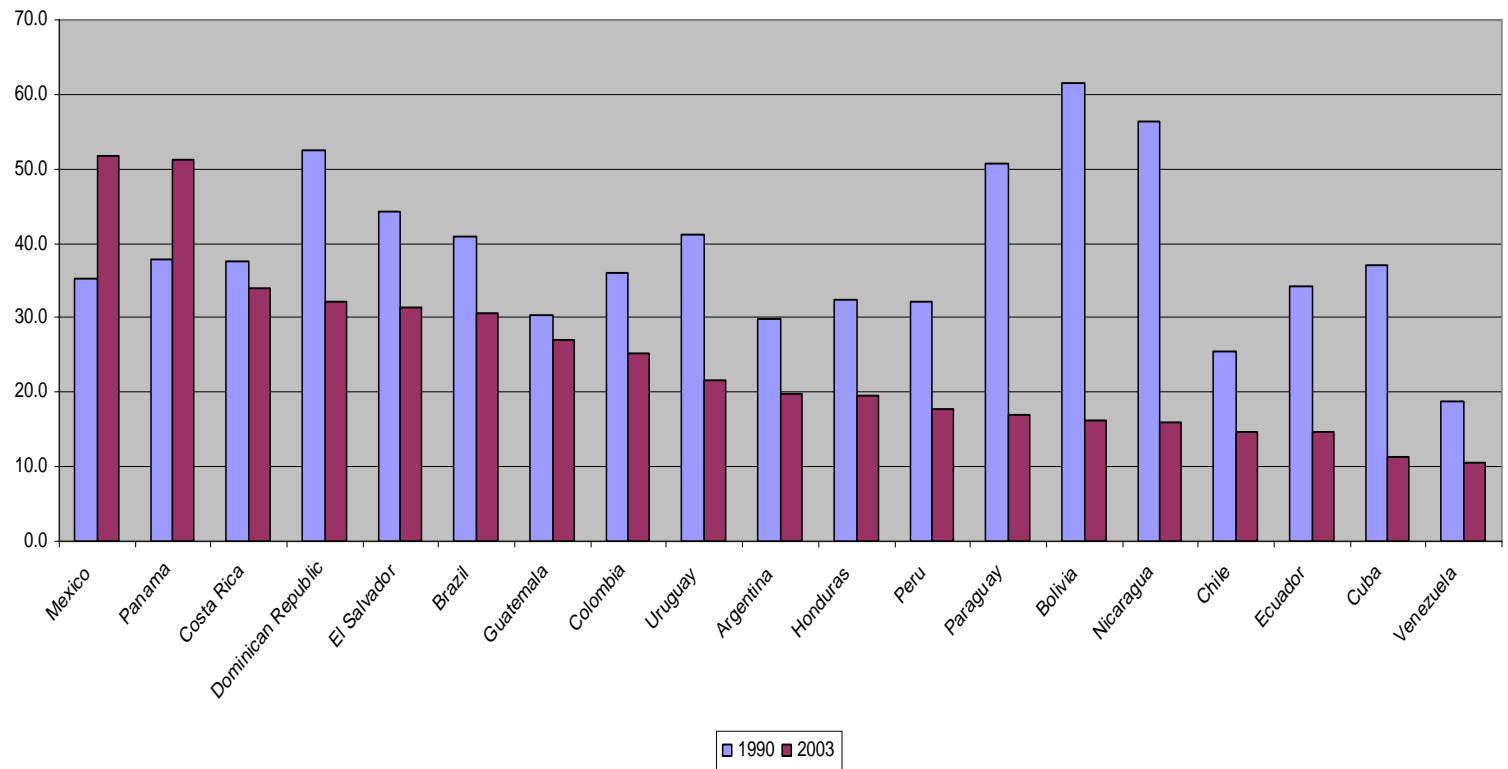


# CHINA'S THREAT TO LATIN AMERICAN EXPORTS

---

- Conventional wisdom
  - Seen as mainly affecting Mexico and Central America
  - Seen as mainly affecting labour-intensive products esp. garments

# EXPORT SIMILARITY INDICES BETWEEN LATIN AMERICA AND CHINA, 1990, 2003





# CRITIQUE OF ESI

---

- Inappropriate where level and concentration of exports differ between countries being compared
- Misleading for comparing the threat to different countries
- Misleading for looking at changes in competitive threat over time



# AN ALTERNATIVE MEASURE OF COMPETITIVE THREAT

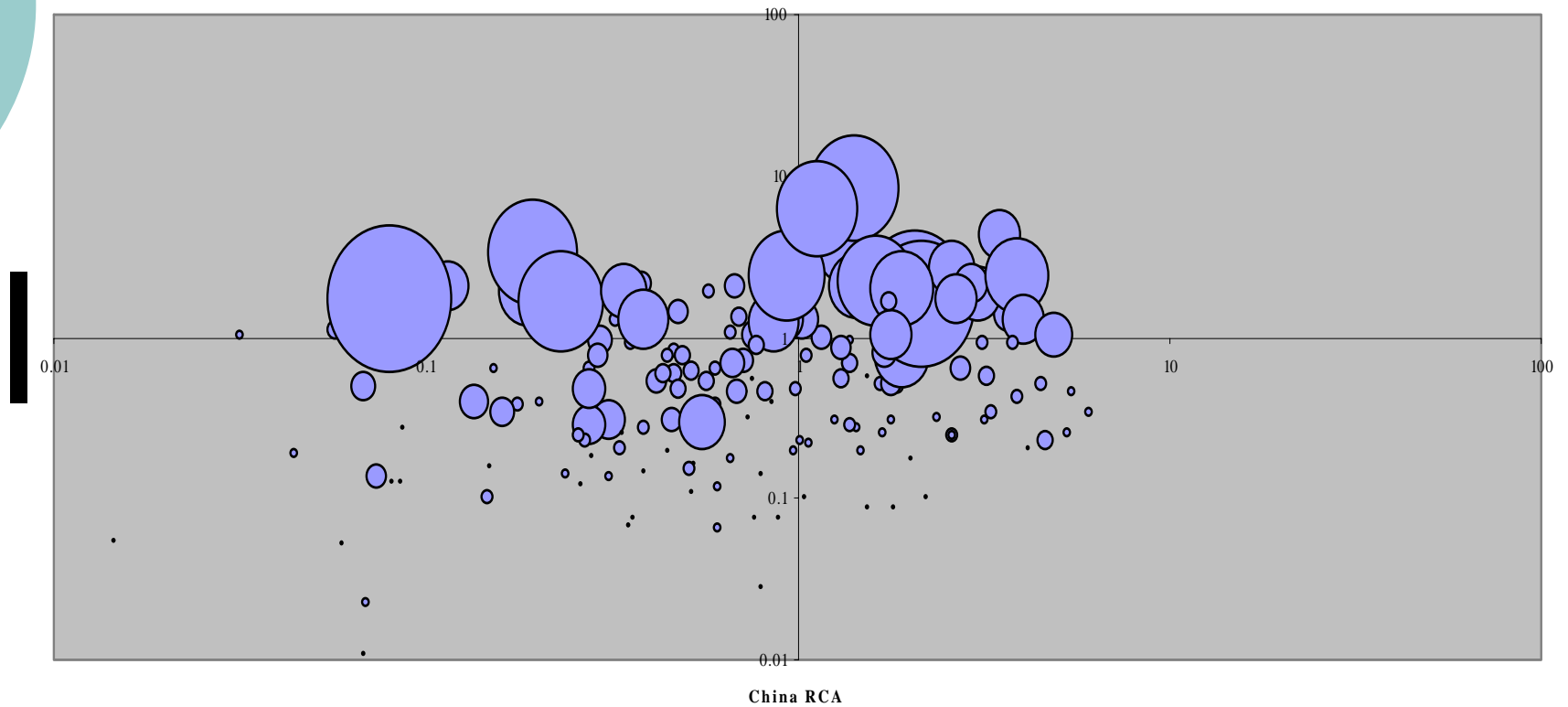
---

- Share of country's exports threatened by China
  - Static measure – products in which China's  $RCA > 1$
  - Dynamic measure – products in which China's world market share is increasing

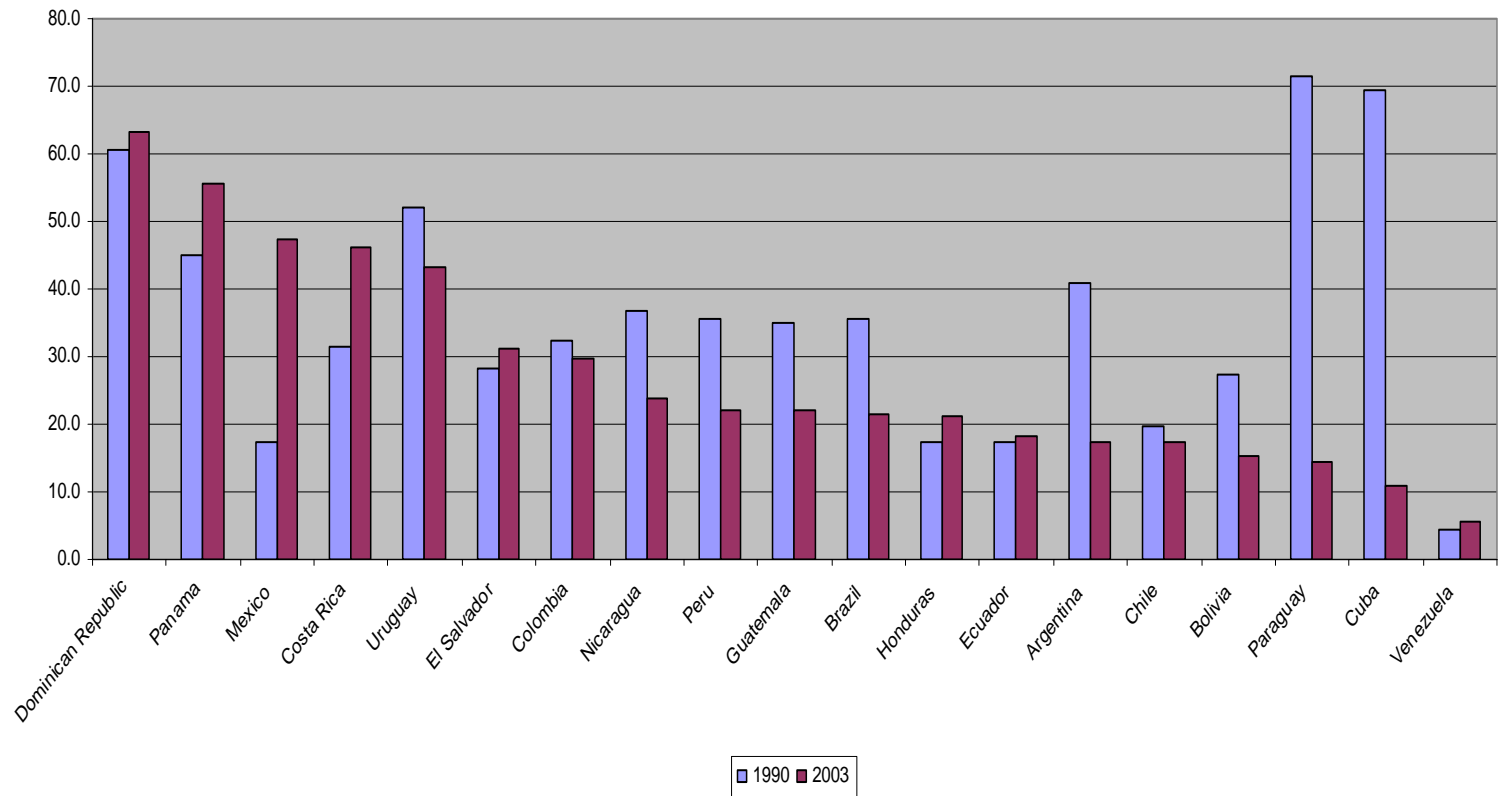


# A MEXICAN ILLUSTRATION

Mexican Exports and Competition with China



# COMPETITION FROM CHINA – STATIC MEASURE





# COMPARING ESI AND ALTERNATIVE MEASURE

---

- ESI underestimates the competition faced by small countries
- ESI shows that most countries face declining competition from China; alternative shows that competition increased in half the countries

# IMPACTS ON THE TERMS OF TRADE

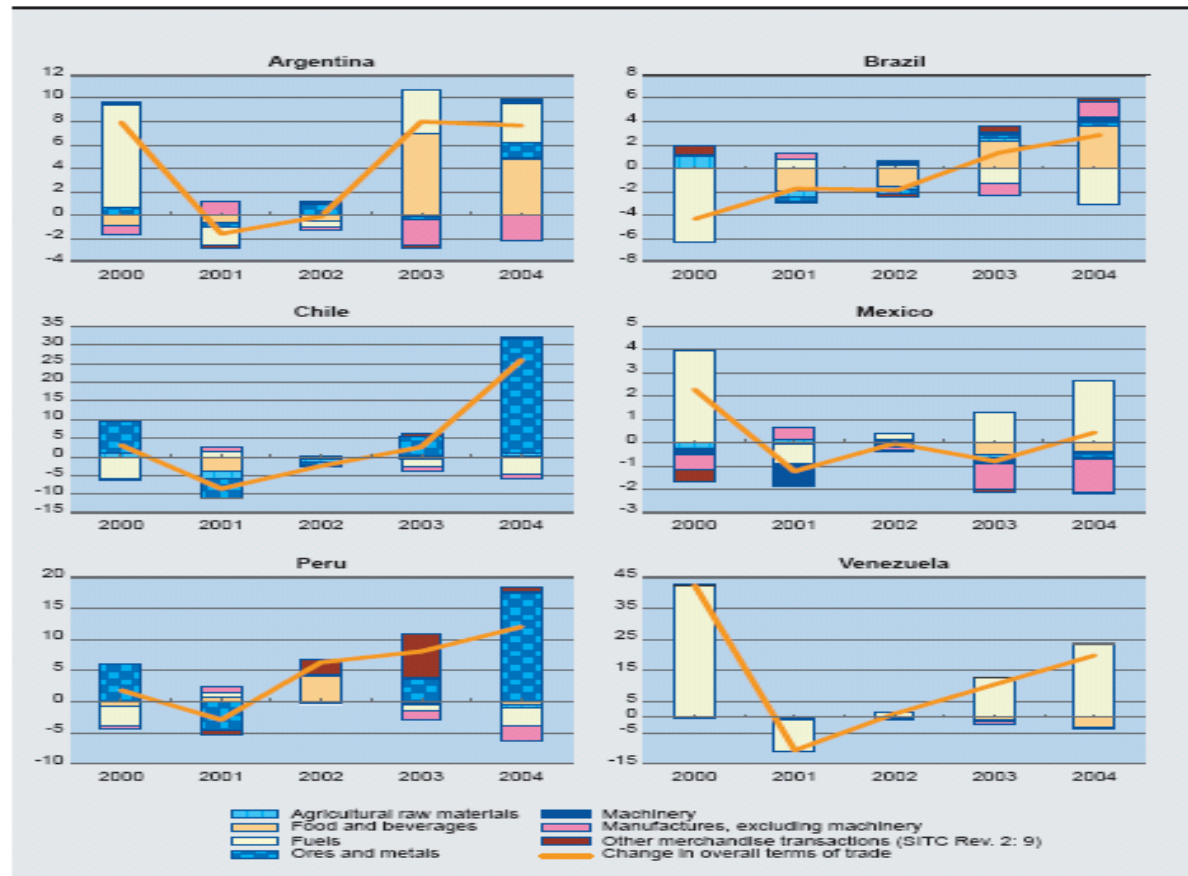
---

## China not a “small country”

- Chinese demand for primary products and current commodity boom
- Falling prices of manufactured goods exported by China
- Terms of trade of main Latin American countries improved, 2000-2004

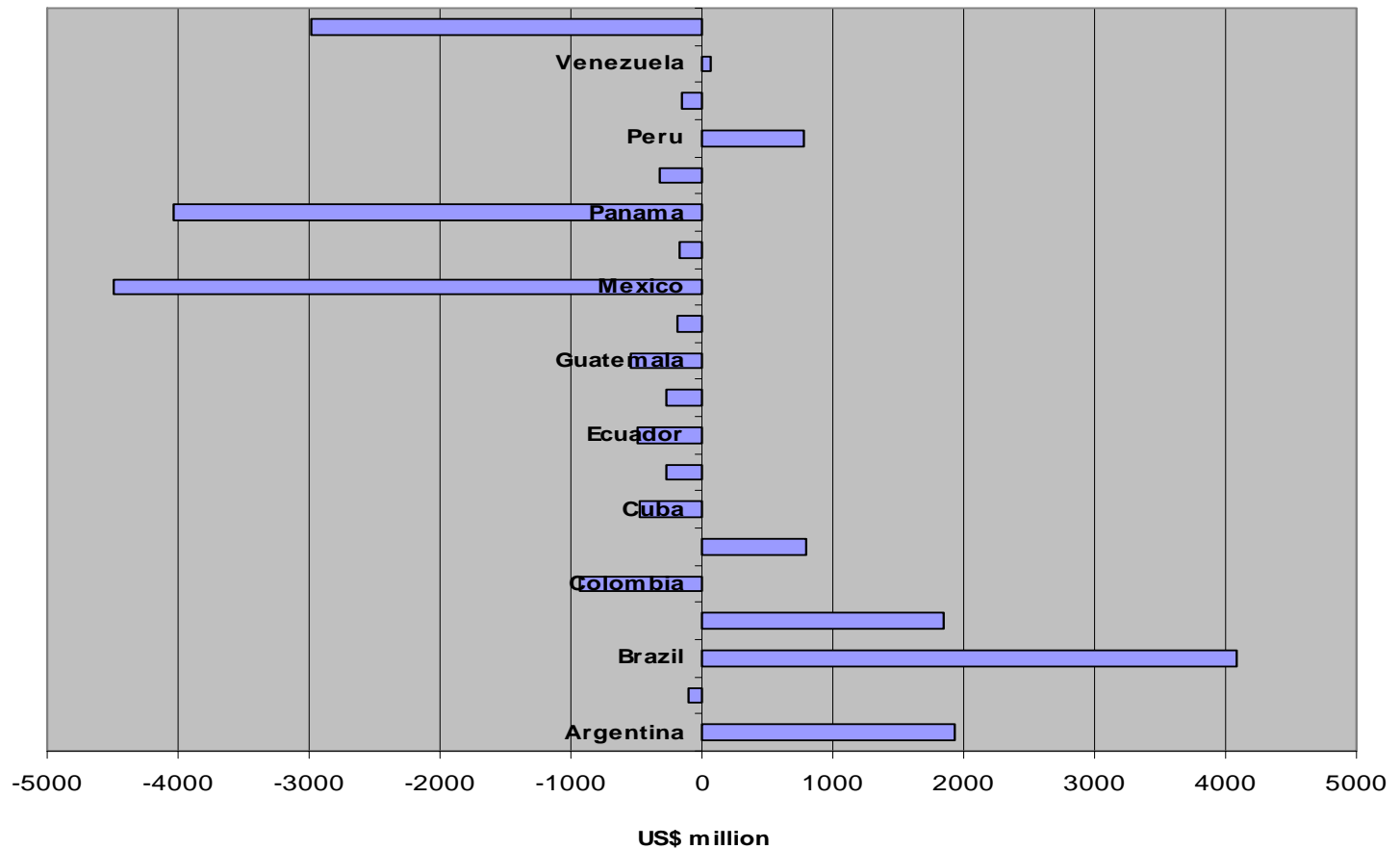
# TERMS OF TRADE OF MAJOR LATIN AMERICAN ECONOMIES

CONTRIBUTION OF DIFFERENT PRODUCT GROUPS TO TERMS-OF-TRADE CHANGES, SELECTED DEVELOPING ECONOMIES, 2000-2004  
(Per cent)



# TRADE BALANCE OF LATIN AMERICAN COUNTRIES WITH CHINA

Trade Balance of Latin American Countries with China, 2005



# LATIN AMERICA'S TRADE BALANCE WITH CHINA

---

- Trade surplus or trade deficit?
  - Five countries have surpluses - Argentina, Brazil, Chile, Costa Rica and Peru
  - All others have deficits - Mexico and Panama have large deficits
- Need to take account of impact on exports to third markets



# FUTURE RESEARCH: DIRECT EFFECTS

---

- Latin American exports to China:
  - Why concentrated in so few countries?
  - Why concentrated on so few products?
  - What are the prospects for future export growth?
- Imports from China
  - How far are these displacing other imports or domestic production?
  - What are the implications for employment in Latin America of Chinese competition?





# FUTURE RESEARCH: INDIRECT EFFECTS

---

- Exports to Third Markets
  - More disaggregated analysis by markets and products
  - Development of alternatives to ESI
  - Estimating impact of China on level of Latin American exports



# FUTURE RESEARCH: CASE STUDIES

---

- Focus on 4 countries:
  - Argentina
  - Brazil
  - Chile
  - Mexico
- Studies of 2 value chains in each country