



AMERICA LATINA Y CHINA:
PRINCIPALES CARACTERISTICAS DE
SUS RELACIONES ECONOMICAS Y
COMERCIALES

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CHINA'S GLOBAL SIGNIFICANCE

- GDP growth > 9% p.a since 1980
- Fourth largest economy in GDP
- Increased openness – trade/GDP increased from <10% in 1970s to >60% in 2003-2005
- Share of world trade increased from 1% in 1980 to >6.5% in 2005
- Approx 8% of world FDI flows in 2003-2005 went to China
- China accounted for 13% of global growth between 1995-2004

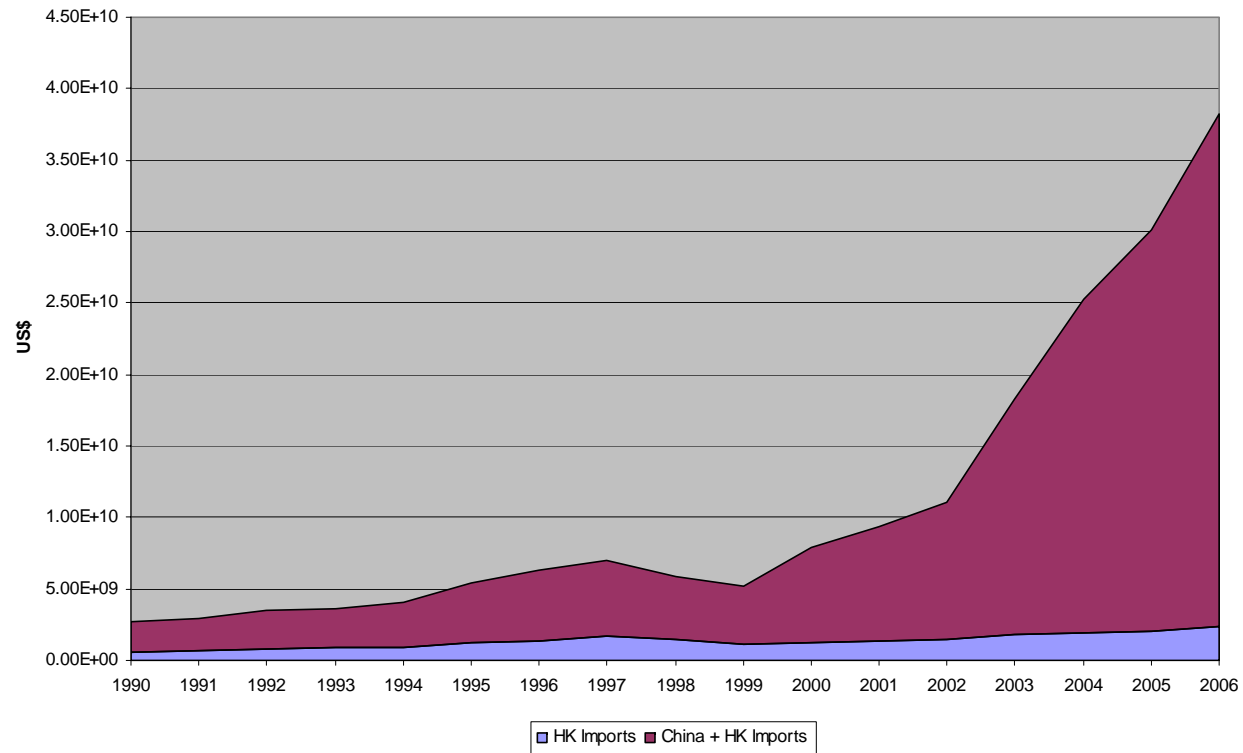


THE DIRECT EFFECTS OF CHINA ON LATIN AMERICA

- A growing market for Latin American exports
- An increased source of competition in the domestic market
- A destination for Latin American FDI
- A new source of FDI in Latin America

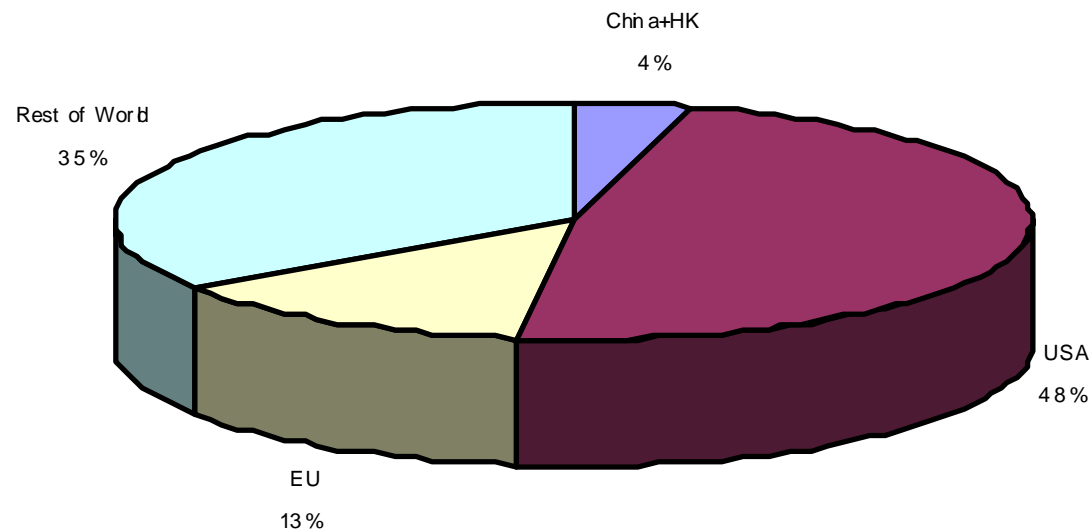
CHINA'S IMPORTS FROM LATIN AMERICA HAVE GROWN SPECTACULARLY

China and HK Imports from Latin America, 1990-2006



BUT CHINA, IS STILL LESS SIGNIFICANT THAN THE US AND EU AS A DESTINATION FOR LATIN AMERICAN EXPORTS

EXPORTS OF 19 LATIN AMERICAN COUNTRIES BY DESTINATION, 2006



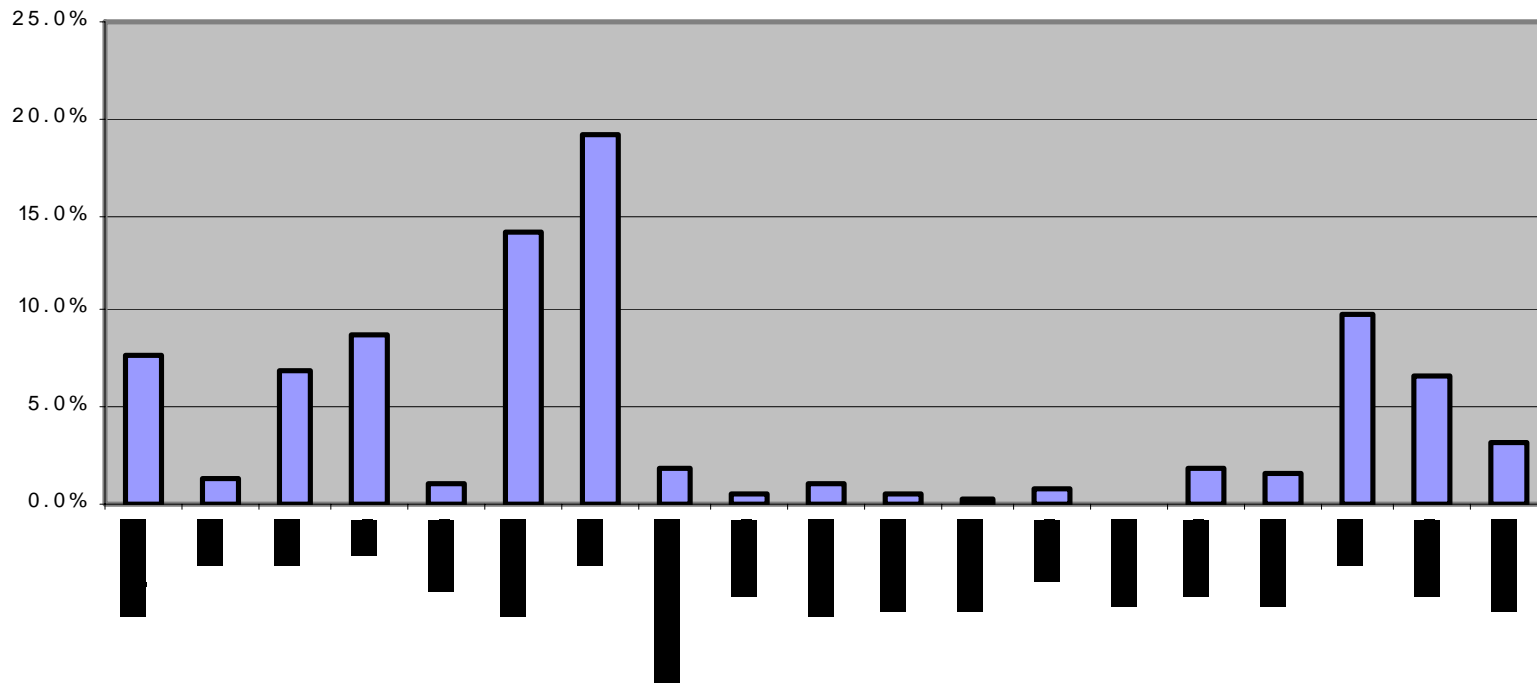


CONTRIBUTION OF CHINA TO GROWTH OF EXPORTS FROM LATIN AMERICA, 1996-2001, 2001-2006

	<i>China+HK</i>	<i>USA</i>	<i>EU</i>	<i>Rest of World</i>
1996-2001	1.9%	88.9%	2.9%	6.3%
2001-2006	6.5%	38.9%	15.0%	39.6%

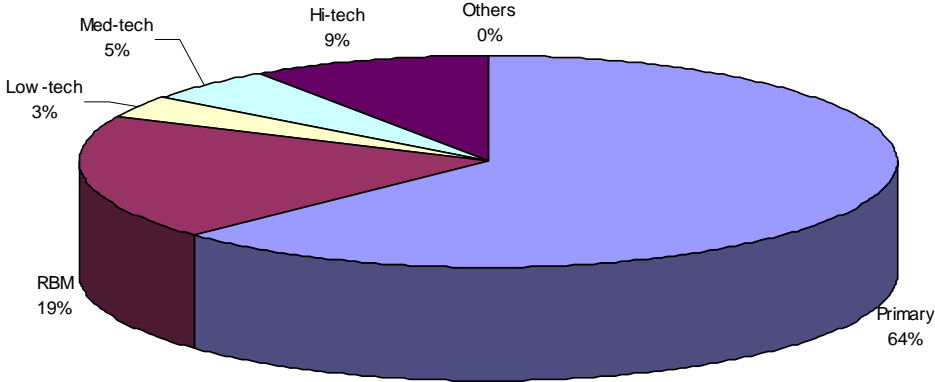
CHINA'S SHARE OF LATIN AMERICAN EXPORTS, 2006

Share of China in Total Exports, 2006



LATIN AMERICAN EXPORTS TO CHINA ARE DOMINATED BY PRIMARY PRODUCTS AND RESOURCE BASED MANUFACTURES

Structure of Chinese Imports from Latin America and the Caribbean, 2006



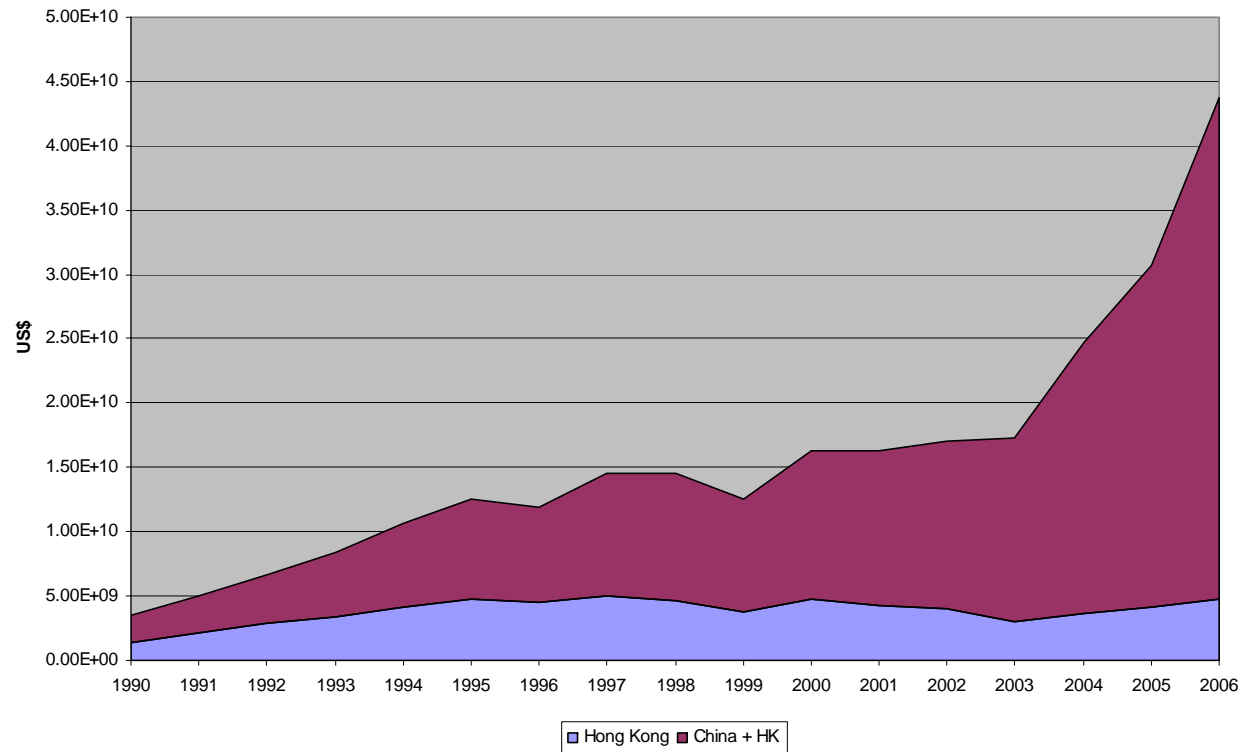


EXPORTS TO CHINA ARE CONCENTRATED IN A SMALL NUMBER OF PRODUCTS (2006 data)

ARGENTINA	BRAZIL	CHILE
Soya beans (40.9%)	Iron ore & concentrates (35.4%)	Copper ore and concentrates (44.3%)
Crude petroleum (25.7%)	Soya beans (28.9%)	Refined copper (33.9%)
Soya bean oil (18.0%)	Crude petroleum (9.9%)	Chemical wood pulp (5.8%)
Leather (3.9%)	Leather (4.5%)	Fishmeal (3.5%)
Copper ore and concentrates (1.7%)	Chemical wood pulp (4.1%)	Copper waste & scrap (2.0%)

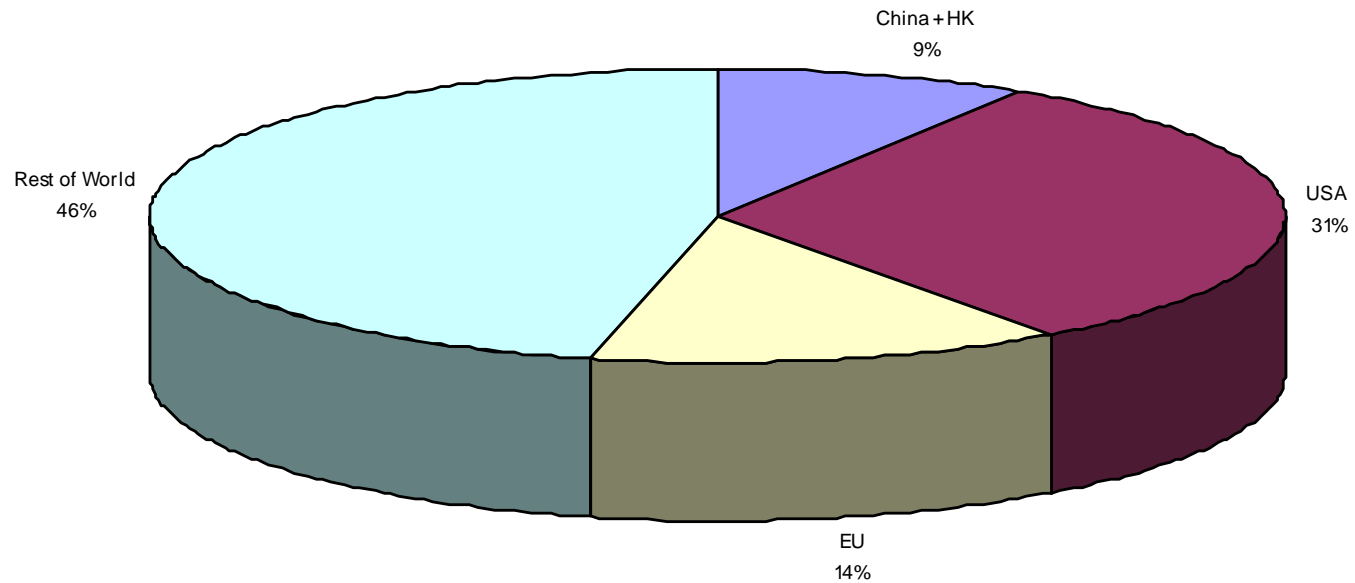
CHINA'S EXPORTS TO LATIN AMERICA HAVE GROWN RAPIDLY PARTICULARLY SINCE 2003

China and Hong Kong Exports to Latin America, 1990-2006



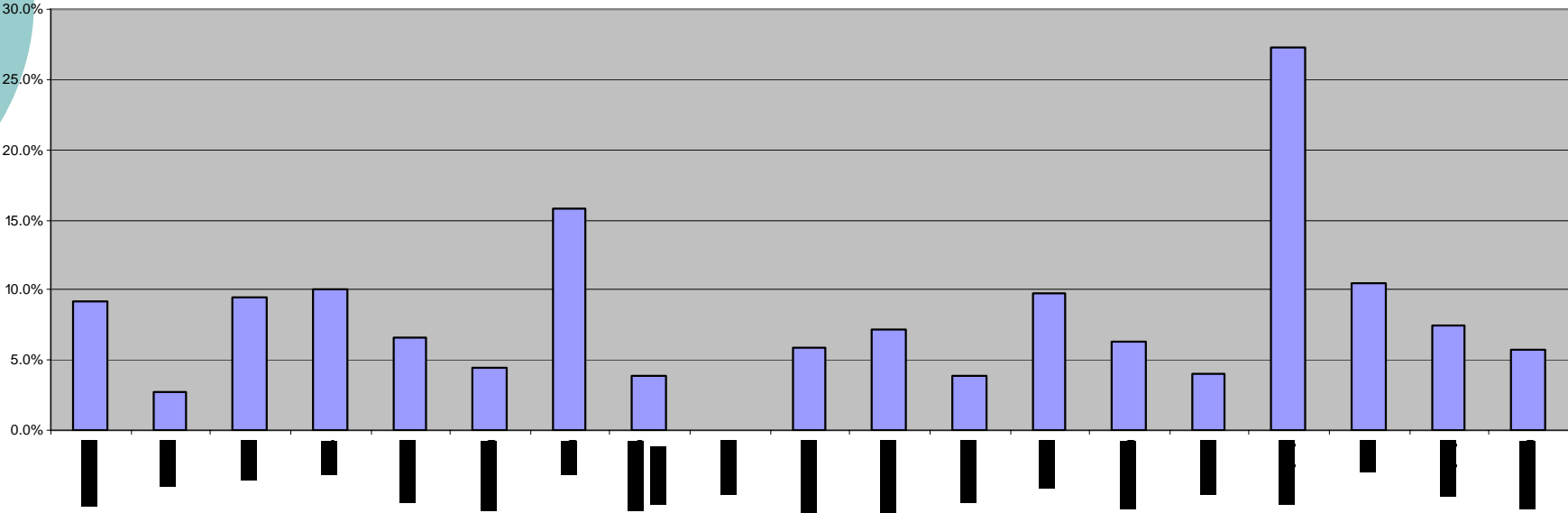
CHINA, US AND EU SHARES OF LATIN AMERICAN IMPORTS

Imports of 19 Latin American Countries, 2006



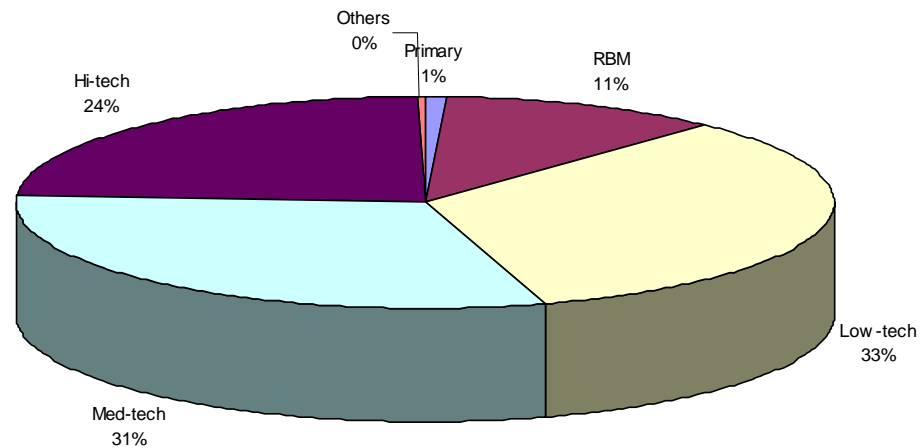
CHINA'S SHARE OF LATIN AMERICAN IMPORTS, 2006

Share of China in Total Imports, 2006



IMPORTS FROM CHINA ARE BECOMING MORE SOPHISTICATED

Structure of Chinese Exports to Latin America and the Caribbean, 2006





ARE CHINESE EXPORTS DISPLACING OTHER EXPORTERS OR DOMESTIC PRODUCERS?

- Despite rapid growth, overall Chinese imports supply small share of overall demand for manufactures
- Argentina – estimated that 70% of increase in share of China came at expense of other importers, 30% from displacing local production
- Sectors where local production was displaced – batteries & lamps; communications equipment; toys & sports goods; .
- Brazil – medical, precision and optical equipment; office & computing equipment
- Chile – mainly traditional sectors where domestic producers are affected – textiles, clothing & footwear

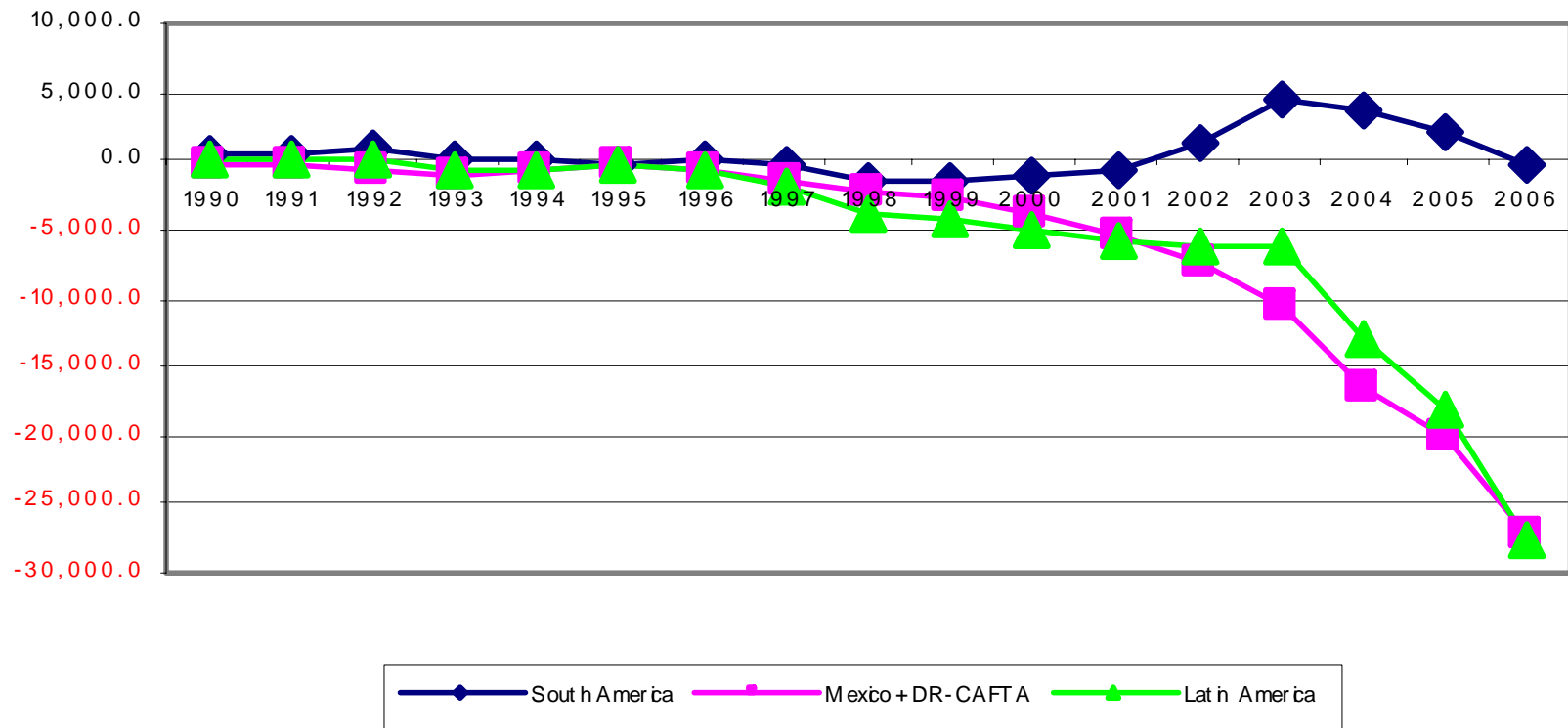


SOME CAVEATS CONCERNING THE IMPACTS OF CHINESE IMPORTS

- Some evidence from Brazil that initially China displaced other exporters but over time increasingly competes with domestic producers
- Data based on official statistics may underestimate effect in sectors where contraband is significant

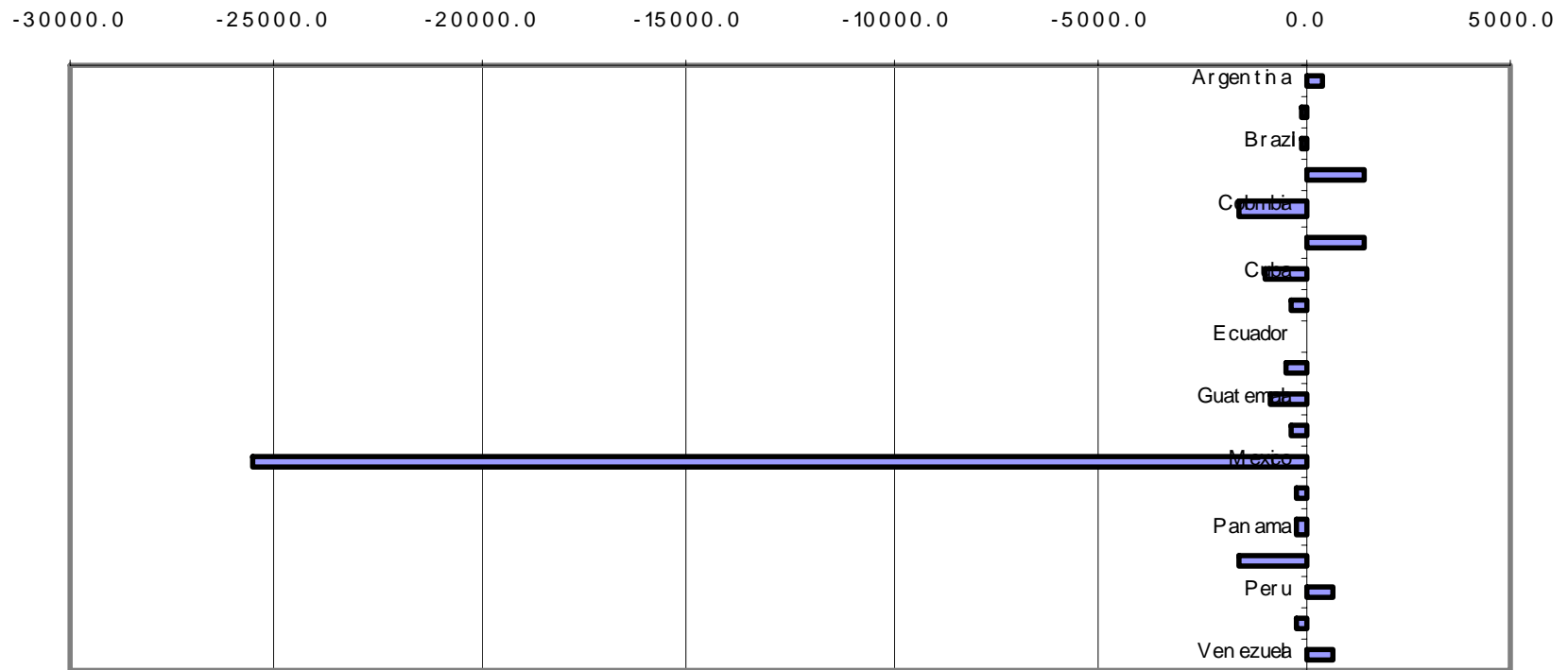
LATIN AMERICA'S TRADE BALANCE WITH CHINA. 1990-2006

Latin America's Trade Balance with China, 1990-2006 (US \$ mn.)



TRADE BALANCES OF LATIN AMERICAN COUNTRIES WITH CHINA + HK, 2006

Trade Balance of Latin American Countries with China + HK, 2006 (US \$ mn.)





CHINESE FDI IN LATIN AMERICA

- So far FDI from China is small
 - No Latin American country in top 20 recipients
 - Total inflow in 2005 US \$50 mn.
 - Brazil - \$58mn. (2001-2004)
 - Argentina - \$25 mn. up to 2003
 - Chile - \$74mn since 1974
 - Mexico - \$63mn
 - Mainly resource seeking – oil, mining, forestry



LATIN AMERICAN FDI IN CHINA

Also very limited:

- Argentina - \$95 mn. (1997-2004)
- Brazil - \$15 mn. Stock (2003)
- Chile - \$30 mn. (2002-2005)
- Mexico - \$113 mn.



THE INDIRECT EFFECTS OF CHINA ON LATIN AMERICA

- Competition from China in third markets
- Competition with China to attract FDI (will not be analysed directly)
- Terms of trade effects – higher world prices for Latin American exports

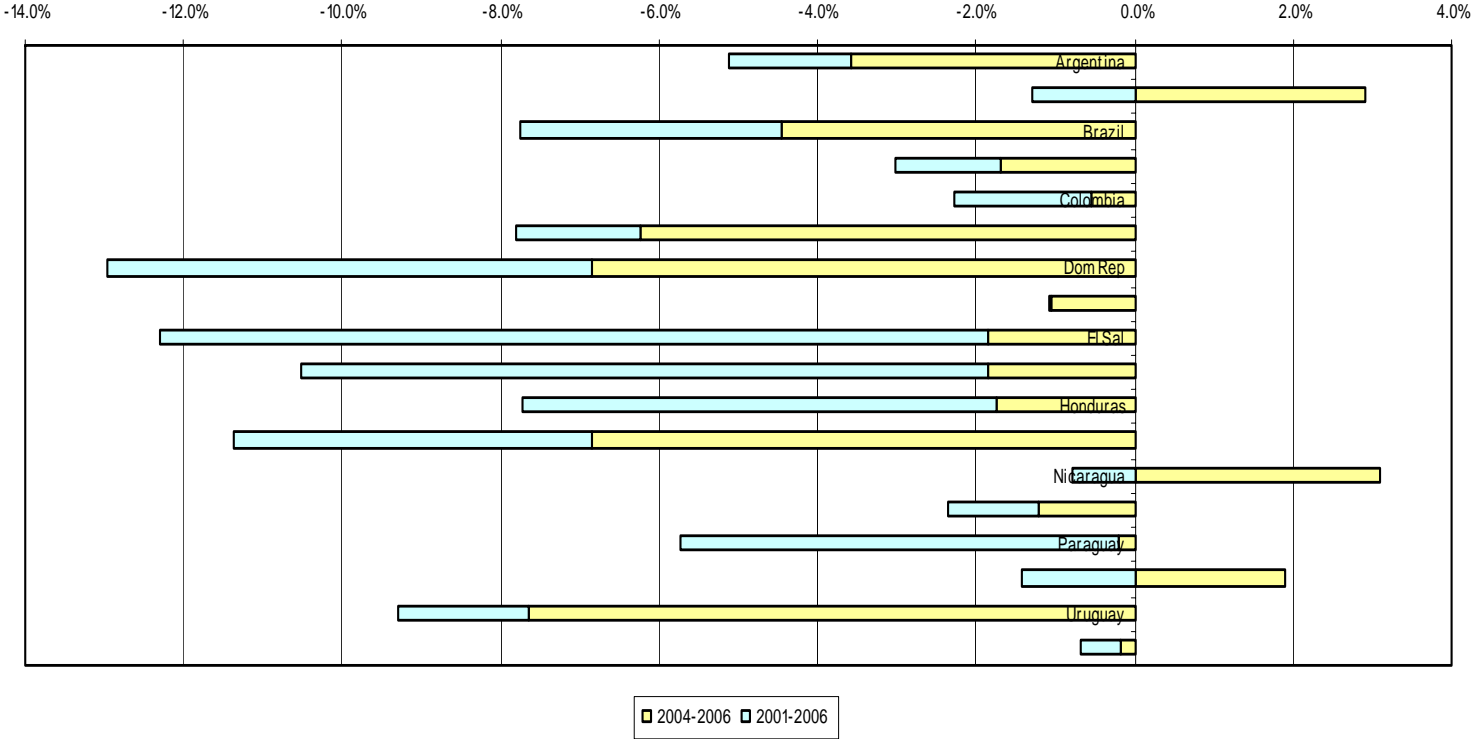


COMPETITION FROM CHINA FOR LATIN AMERICAN EXPORTS

- Conventional wisdom
 - Only a problem for a few countries and a few manufacturing sectors
 - Latin America (except Mexico) becoming more complementary to Chinese economy over time
- Underestimates significance of Chinese competition
 - WTO accession
 - Ending of quotas on textiles

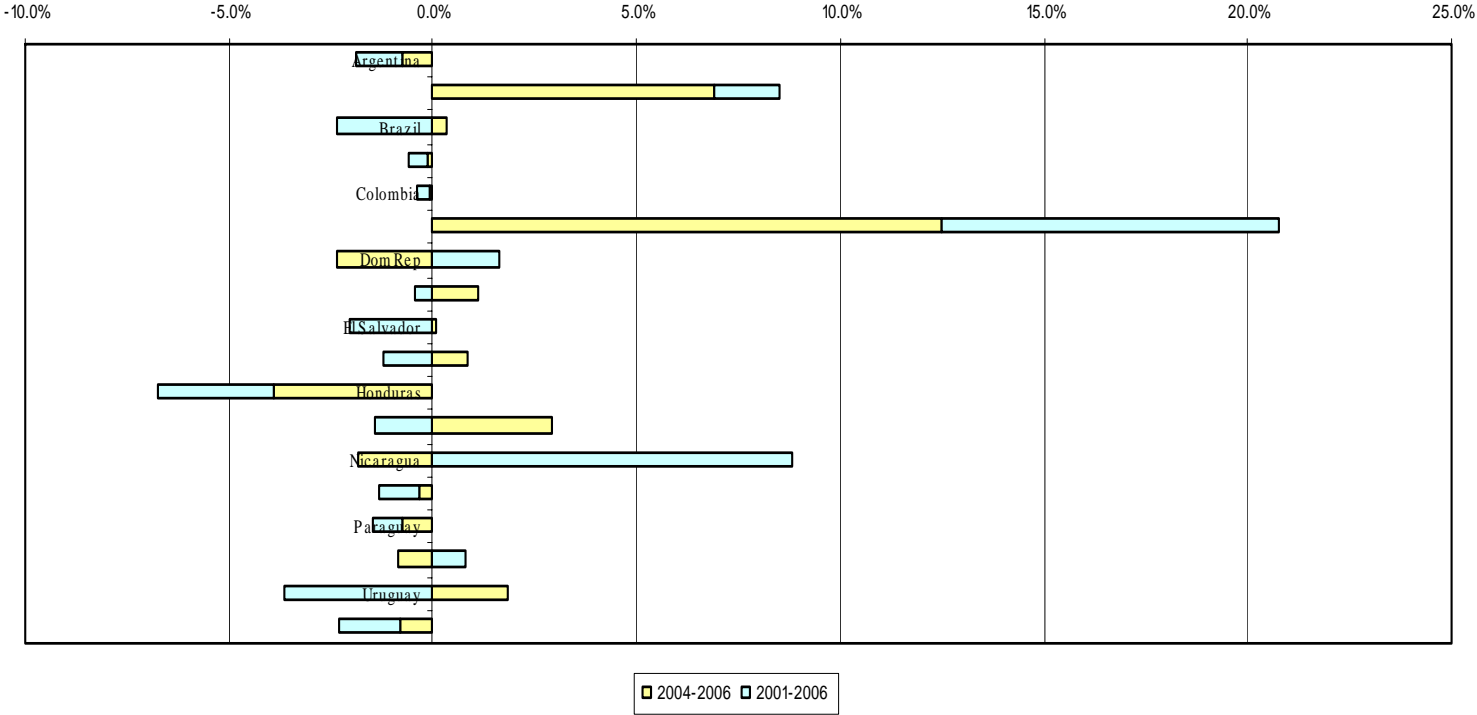
LOSS OF EXPORTS TO CHINA IN THE US MARKET, 2001-2006

Loss of Market Share to China in the USA, 2001-2006



LOSS OF EXPORTS TO CHINA IN THE EU MARKET, 2001-2006

Loss of Market Share to China in EU, 2001-2006





CHINESE EXPORTS AND INTRA-REGIONAL EXPORTS

- Chinese goods not only competing in developed country markets but also affecting trade within Latin America
- Brazilian exports to Argentina and Chile affected by Chinese competition
- Chile (and FTA with China)



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
- Improved terms of trade of main Latin American countries (except Mexico and Colombia).
- But terms of trade lower than in 1980.



MAIN COMMODITIES EXPORTED FROM LATIN AMERICA

	Price rise, 2002-6	Share of China in Increase world demand, 2002-5
Beef	20.3%	100.0%
Fish	110.7%	26.7%
Sugar & honey	114.5%	26.0%
Cotton	24.2%	90.0%
Iron ore	160.0%	54.0%
Copper ore	331.1%	51.0%
Nickel ores	257.9%	87.0%
Alumium ores	90.4%	48.0%
Zinc ores	311.1%	100.0%
Crude petroleum	157.6%	30.0%
Soya bean	26.3%	40.0%



ESTIMATE OF GAIN TO LATIN AMERICAN COUNTRIES FROM HIGHER COMMODITY PRICES

Rough estimates excluding crude petroleum (2002-2006).

- Argentina - \$2.1 bn. (copper; soya)
- Brazil - \$9.1 bn (iron ore; sugar; aluminium; copper; soya; beef)
- Chile - \$18.3bn. (copper; fish)

Cf. increase in exports to China:

- > Brazil and Chile
- = Argentina



FUTURE PROSPECTS

- Concerns over bilateral trade flows – increasing deficits and shrinking surpluses.
- But indirect effects are more significant.
- Concerns here that:
 - There will be further losses to China in export markets
 - Commodity boom may come to an end



FUTURE PROSPECTS (cont.)

- Prospects of future Chinese FDI flows
- Possibilities of diversifying exports?
Or to make use of surpluses to diversify further.