Economic Relations Asia-Latin America

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5 points

- **Strengthening economic ties among Latin America (LA) and Asia Pacific (AP)**
- **..with significant impacts on LA**
- **Rising medium term concerns**
- **Possible trade scenarios**
- **Challenges for the United States**

Key issues in Latin America- Asia Pacific trade relationship

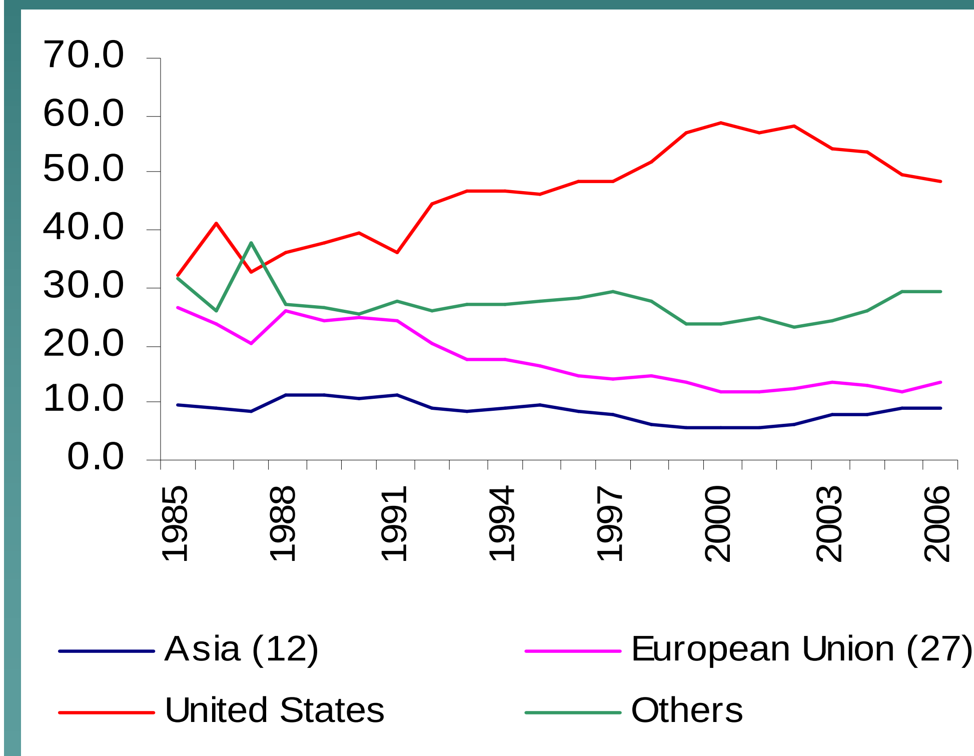
1. Asia Pacific (AP), led by China, is gaining market share both as a destination for exports and as a source of imports for LA.
2. US is still the main market destination of LA exports. Nevertheless, it's share is declining from 60% in 2000 to 40% in 2007.
3. The main loser is the EU, declining from nearby 30% of LA exports in 1985 to 15% in 2007.

For LAC, Asia Pacific (AP) is more important in imports than exports

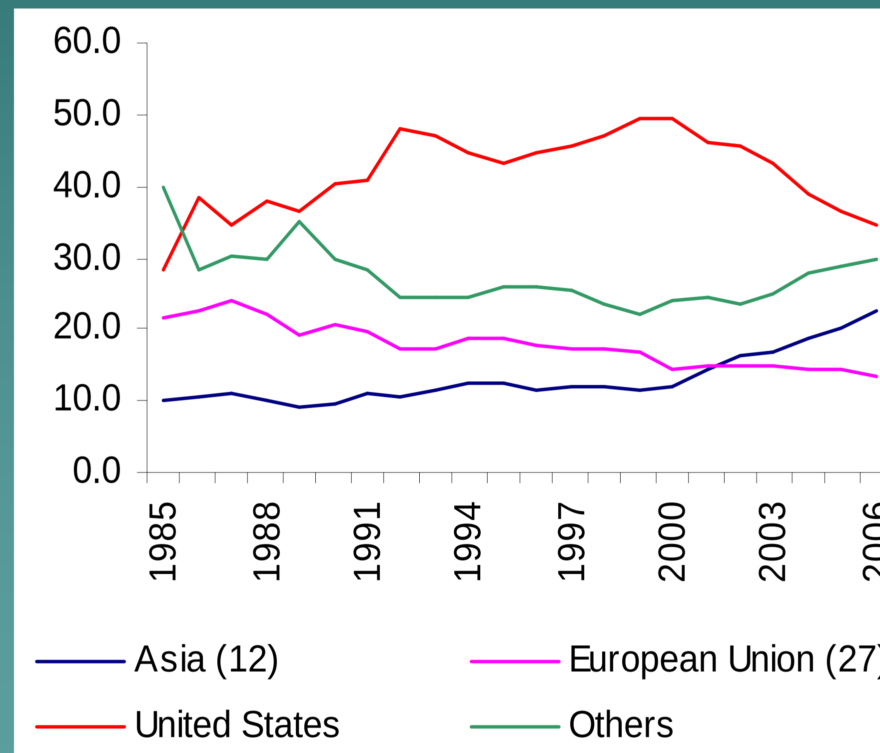
- **LAC has a growing trade deficit with AP since 1992, amounting to US$69 Billion in 2006.**

LATIN AMERICA AND THE CARIBBEAN: SHARE OF THE US, EU AND AP IN THE REGION'S EXPORTS AND IMPORTS (%)

A. Exports



B. Imports



Key issues in Latin America- Asia Pacific trade relationship

4. **The relative position of AP has not changed significantly in 20 years. Declined after Asian crisis, rising from 2001 but maintaining almost the same share of 1985 (10-12% of LA exports).**

5. **China is playing an increasing role in both exports and imports of LA, displacing Japan as the largest trade partner in AP. Japan is the second victim of China trade with LA.**

6. Anyway, some LA countries rely heavily on AP as an export destination….Chile (31%), Peru (18%), Argentina (16%), Brazil (14%).

7. Dependence of other countries on AP as a source of imports is high: Paraguay (35%), Mexico (23%), Brazil (21%), Cuba, Peru (20%).

8. Only in 7 years, China's importance in trade for the majority of LA countries has grown significantly.

9. Projecting the actual trend, in 2010 AP will be a more important trade partner for LA than the E.U.

Key issues…cont.

10. **Brazil (35%), Chile (28%), Argentina (14%), Mexico (9%) and Peru accounted for 92% of LAC exports to AP. These shares have not changed substantially over the last two decades.**

11. **LAC exports to AP are highly concentrated in few natural resources. Normally, top 3 exports items represent more than 2/3 of total exports (Exceptions: Brazil and Mexico).**

12. **30 exports items explain 85% of LAC exports to AP…copper (28%), soy (11%).**

Key issues..cont.

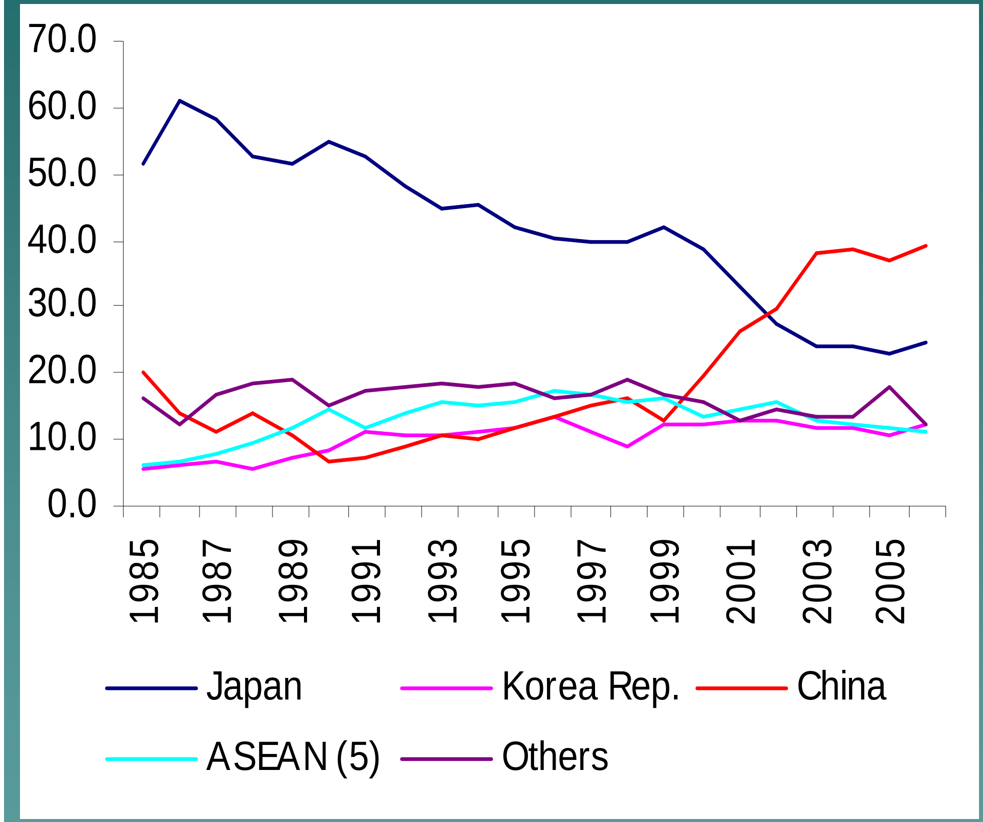
13. LA exports to AP are basically natural resources (59%) and manufactures based on natural resources (24%).

14. LA imports manufactures of medium and high technology intensity from AP. The inter-industrial nature of this relationship reduces the room for export diversification, with more added value and with a greater presence of LA exports in Asian supply/value chains.

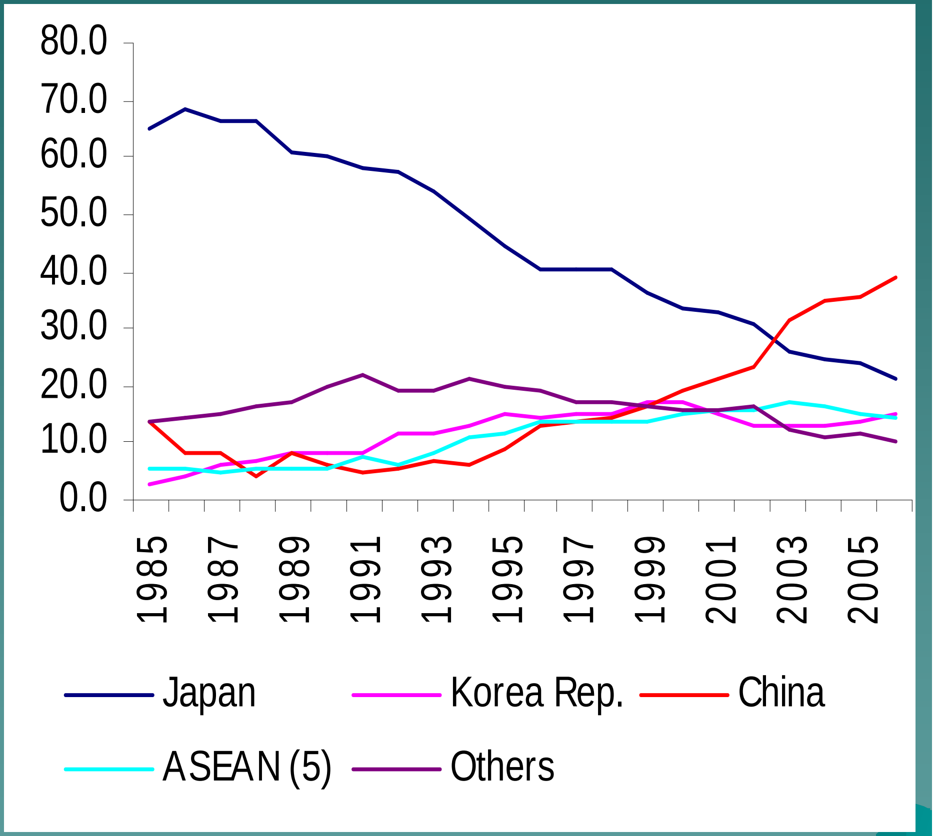
15. AP is increasingly important for LAC but LAC is not a major trade partner for AP....During 2004-2007, only 2% of AP exports came to LAC and AP's imports from LAC were less than 3% of the total.

LATIN AMERICA AND THE CARIBBEAN: SHARE OF JAPAN, CHINA, REP. OF KOREA AND ASEAN(5) IN EXPORTS AND IMPORTS, 1985-2006 (%)

A. Exports



B. Imports



Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information from COMTRADE.
ASEAN (5) includes Indonesia, Malaysia, the Philippines, Thailand and Singapore.

LAC EXPORTS TO ASIA PACIFIC, 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	Asia Pacific b/	World	Japan	China	Korea, Rep.of	Asia Pacific b/	Japan	China	Korea, Rep.of	Asia Pacific b/
Latin America and the Caribbean	**11,564**	**18,481**	**5,648**	**6,081**	**46,254**	**558,199**	**100**	**100**	**100**	**100**	**2.1**	**3.3**	**1.0**	**8.3**
Andean Community	**1,573**	**2,358**	**618**	**244**	**4,793**	**103,575**	**13.6**	**12.8**	**10.9**	**10.4**	**1.5**	**2.3**	**0.6**	**4.6**
Bolivia	193	26	55	20	295	3,092	1.7	0.1	1.0	0.6	6.3	0.8	1.8	9.5
Colombia	305	276	143	45	770	20,770	2.6	1.5	2.5	1.7	1.5	1.3	0.7	3.7
Ecuador	90	84	52	5	232	10,068	0.8	0.5	0.9	0.5	0.9	0.8	0.5	2.3
Peru	796	1,788	326	134	3,044	17,771	6.9	9.7	5.8	6.6	4.5	10.1	1.8	17.1
Venezuela	188	184	41	39	452	51,873	1.6	1.0	0.7	1.0	0.4	0.4	0.1	0.9
MERCOSUR	**3,799**	**10,161**	**2,177**	**4,384**	**20,522**	**163,204**	**32.9**	**55.0**	**38.5**	**44.4**	**2.3**	**6.2**	**1.3**	**12.6**
Argentina	365	3,093	392	1,513	5,363	40,368	3.2	16.7	6.9	11.6	0.9	7.7	1.0	13.3
Brazil	3,384	6,893	1,763	2,777	14,817	117,671	29.3	37.3	31.2	32.0	2.9	5.9	1.5	12.6
Paraguay	20	45	3	19	87	1,740	0.2	0.2	0.1	0.2	1.2	2.6	0.2	5.0
Uruguay	30	130	19	75	254	3,425	0.3	0.7	0.3	0.6	0.9	3.8	0.6	7.4
Chile	4,757	4,181	2,475	712	12,125	41,790	41.1	22.6	43.8	26.2	11.4	10.0	5.9	29.0
CACM	**123**	**369**	**71**	**205**	**768**	**14,242**	**1.1**	**2.0**	**1.2**	**1.7**	**0.9**	**2.6**	**0.5**	**5.4**
Costa Rica	50	320	23	168	560	6,786	0.4	1.7	0.4	1.2	0.7	4.7	0.3	8.3
El Salvador	13	4	2	11	31	1,528	0.1	0.0	0.0	0.1	0.9	0.3	0.2	2.0
Guatemala	35	29	34	20	118	3,837	0.3	0.2	0.6	0.3	0.9	0.7	0.9	3.1
Honduras	17	12	11	3	42	1,307	0.1	0.1	0.2	0.1	1.3	0.9	0.8	3.2
Nicaragua	9	4	1	3	17	784	0.1	0.0	0.0	0.0	1.1	0.5	0.1	2.1
Mexico	1,203	1,099	270	522	3,094	217,383	10.4	5.9	4.8	6.7	0.6	0.5	0.1	1.4
Caribbean and other LA countries	**105**	**301**	**35**	**13**	**484**	**17,025**	**0.9**	**1.6**	**0.6**	**1.0**	**0.6**	**1.8**	**0.2**	**2.8**
CARICOM	**96**	**301**	**6**	**13**	**444**	**16,211**	**0.8**	**1.6**	**0.1**	**1.0**	**0.6**	**1.9**	**0.0**	**2.7**

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

- Only in 7 years, China's importance in trade for the majority of LAC countries has grown significantly

	Destination for exports		Source of imports	
	2000	2007	2000	2007
Arg.	6	2	4	3
Brazil	12	2	11	2
Chile	5	1	4	2
Colombia	35	6	15	4
Peru	4	2	13	2
Venezuela	37	3	18	4
Costa Rica	26	2	16	5
Mexico	25	5	6	2
Cuba	5	2	5	2

China gained market share in 21 LAC markets

- Top 5 in 10 countries
- Top 2 in 4 countries

… in almost all 32 markets

- Top 5 in 23 countries
- Top 2 in 5 countries

RANKING OF CHINA, JAPAN, 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, Rep. Bol 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
	Dom. 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
	St. Kitts and Nevis	8	42	9	18		32	28	20	5	5	30	38
	St. Lucia	19	19	12	30		44	8	14	4	7	30	28
	St. Vincent & Granads.			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

Source: IMF Direction of Trade Statistics

Indicates an improvement in the rank from 2000 to 2007

SHARE OF CHINA, ASIA PACIFIC (including China), UNITED STATES AND THE EUROPEAN UNION IN LA EXPORTS AND IMPORTS BY 2000, 2007 AND 2010…...

EXPORTS	China			Asia Pacific			United States			EU (27)		
	2000	2007	2010	2000	2007	2010	2000	2007	2010	2000	2007	2010
Argentina	3	10	16	8	16	22	12	8	7	19	19	19
Brazil	2	10	19	10	17	22	25	15	12	29	24	22
Chile	5	15	25	26	34	38	18	13	11	26	25	24
Colombia	0	3	11	3	6	8	51	32	26	14	18	19
Peru	7	12	16	18	23	26	28	19	17	21	18	17
Costa Rica	0	14	41	2	24	42	38	25	21	21	24	26
Mexico	0	1	3	1	3	5	89	78	73	3	6	7
LAC TOTAL	**1**	**6**	**14**	**5**	**11**	**17**	**60**	**42**	**36**	**12**	**15**	**16**

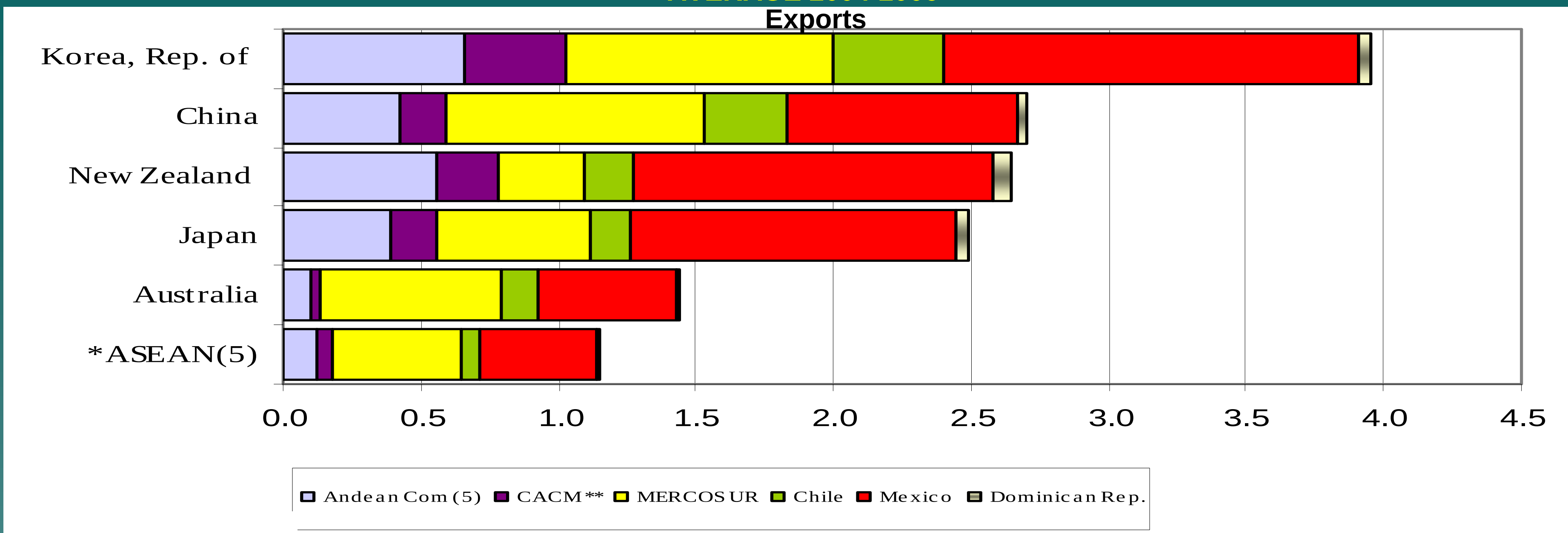
IMPORTS	China			Asia Pacific			United States			EU (27)		
	2000	2007	2010	2000	2007	2010	2000	2007	2010	2000	2007	2010
Argentina	5	9	12	14	16	17	20	15	14	24	21	20
Brazil	2	9	17	13	20	24	24	21	20	26	24	24
Chile	6	12	17	16	19	21	20	19	18	18	15	14
Colombia	2	7	14	11	17	21	36	29	26	18	14	13
Peru	2	11	23	10	19	26	30	21	17	21	12	9
Costa Rica	2	5	9	8	15	20	36	42	44	14	12	11
Mexico	2	6	9	10	19	24	75	57	51	8	12	14
LAC TOTAL	**2**	**8**	**18**	**11**	**19**	**30**	**51**	**36**	**30**	**14**	**15**	**15**

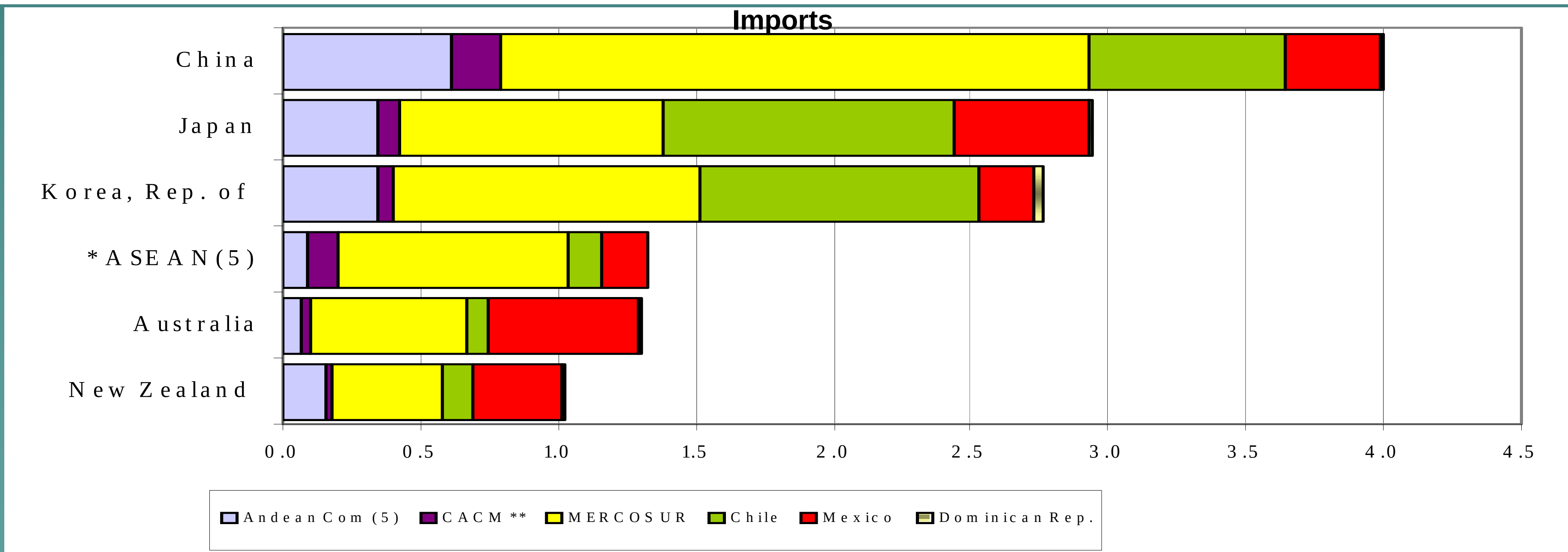
Source: IMF Direction of Trade Statistics

Indicates market share growth greater than 10%

Indicates market share decrease greater than 10%

% OF LA IN ASIA PACIFIC EXPORTS AND IMPORTS,
AVERAGE 2004-2006





Source: Economic Commission for Latin America and the Caribbean (ECLAC) on the basis of official information from COMTRADE.
* ASEAN(5) consists of Indonesia, Malaysia, Philippines, Singapore and Thailand.
** For this analysis, Bolivarian Republic and Venezuela are included in the Andean Community.

Growing concentration on top 30 exports from LAC to ASEAN+3 (China, Japan and Korea)

LAC EXPORTS TO AP: 30 LEADING PRODUCT GROUPS
(SITC 2 four digit level, Rev.2) 1990, 1995, 2003, and 2006
(In million US 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
Soya beans	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
Soya bean 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: DITI over Comtrade database.
(a) Brunei Darussalam, Cambodia, Philippines, Indonesia, Lao (D. R.), Malaysia, Myanmar, Singapore, Thailand, Vietnam; China, Korea (Rep. of), Japan.
(b) SITC Rev. 2 (4 digits).
(c) In millions of dollars adjusted by the CPI of the industrial countries (1990 =100). Source: DITI over IMF database.
Red: Products that were not among the 1990 top 30 exports

LATIN AMERICA AND THE CARIBBEAN, 3 LEADING EXPORT PRODUCTS TO ASIA PACIFIC, BY COUNTRY AND DESTINATION, 2004-2006

	China		Japan		Korea (Rep.)		ASEAN 5	
Argentina	Soya beans **46.2%;** Soya 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	Soya beans **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 **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 telecom. **38.4%;** Microcircuits **24.0%;** Parts & acces. 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's 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	Switch. 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's fats and oils **33.0%;** Iron's 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 (Rep. Bol.)	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*	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 official information from COMTRADE.

Tech intensity in LAC EXPORTS

	US	EU	AP
Primary products	26%	46%	59%
NRBM	12%	29%	24%
LTM	11%	5%	3%
MTM	30%	15%	9%
HTM	19%	4%	5%

Higher quality in the exports oriented to US markets

LATIN AMERICA AND ASIA PACIFIC TRADE
BY REGIONS AND PRODUCTS BY TECNOLOGICAL INTENSITY, 2006

(In percentages)

Products by technological intensity	Asia Pacific						Asia Pacific					
	Export matrix by region and sector						Export distribution by region and sector					
	LAC a/	United States	European Union b/	Asia Pacific 12 c/	Others	Total	LAC a/	United States	European Union b/	Asia Pacific 12 c/	Others	Total
Primary products	0.1	0.5	0.6	4.5	1.3	7.0	3.0	2.6	4.3	9.3	8.2	7.0
NRB manufactures	0.3	1.4	1.4	7.6	2.0	12.6	7.1	7.8	9.5	15.5	13.2	12.6
Low tech manufactures	0.6	3.9	2.8	6.3	3.3	17.0	17.0	22.0	19.5	12.9	21.8	17.0
Medium tech manufactures	1.6	6.2	4.3	12.3	6.1	30.6	45.1	34.7	29.9	25.3	39.8	30.6
High tech manufactures	0.8	5.5	4.8	16.3	2.4	29.9	23.3	30.9	33.4	33.5	15.9	29.9
Other transactions	0.1	0.3	0.4	1.3	0.7	2.9	4.1	1.8	2.9	2.6	4.8	2.9
Total	3.6	17.9	14.5	48.7	15.3	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

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

B. Relevant impacts on Latin America

- Long cycle of growth with stability
  - 2003-2008, GDP ph growing 3% a year
  - Fiscal stability, low inflation and B/P under control
  - Favorable terms of trade (South America)

- Resilience against the subprime crisis
  - Deceleration in US, EU and Japan
  - Price shocks arising from energy and foods
  - But L.A will grow 4.7% this year… mainly thanks to the buoyant trade relationship with China

C. Medium term concerns.

- Backward trend in export diversification
- Risks of the “Dutch disease”
- Urgent need to take advantage of the favorable economic cycle to enhance investments in:
  - Infrastructure and logistics
  - Competitiveness
  - Education and human resources
  - Innovation

D. Regional scenarios on trade

- In 2010, 11 LA countries will have FTA with US
- 11 or 18 with EU
- 15 trade agreements will link 5 LA countries wit 11 Asian economies
- An important debate is needed to address the convergence mechanisms among these agreements and the rationale of the regional integration

FTAs with United States in the Americas

Some salient trends

- **CAFTA-NAFTA convergence**
  - **Amplified markets with similar rules and disciplines on goods, S and I**
  - **Tech and business alliances to deal with Asian challenges**
  - **Accumulation of rules of origin (ROO)**
- **CAFTA-NAFTA will cover Panama-Colombia**
  - **Real state boom in Panama and other CA countries**
  - **Business linked to the expansion of Panama Canal**
  - **Plan Puebla-Panama-Colombia**
    - **I on infrastructure, logistics, ICT's**

Initiatives on APEC

- **A more vigorous convergence process among Canada, USA, Mexico, Peru and Chile**
  - **Avoid intercontinental breakdown of APEC**
  - **Avoid isolating Asian economies…engine of the world economy but might act as a stumbling block**
  - **Avoid discriminatory Asian regionalism**
  - **Joint initiatives (5 countries) oriented towards Asia Pacific**

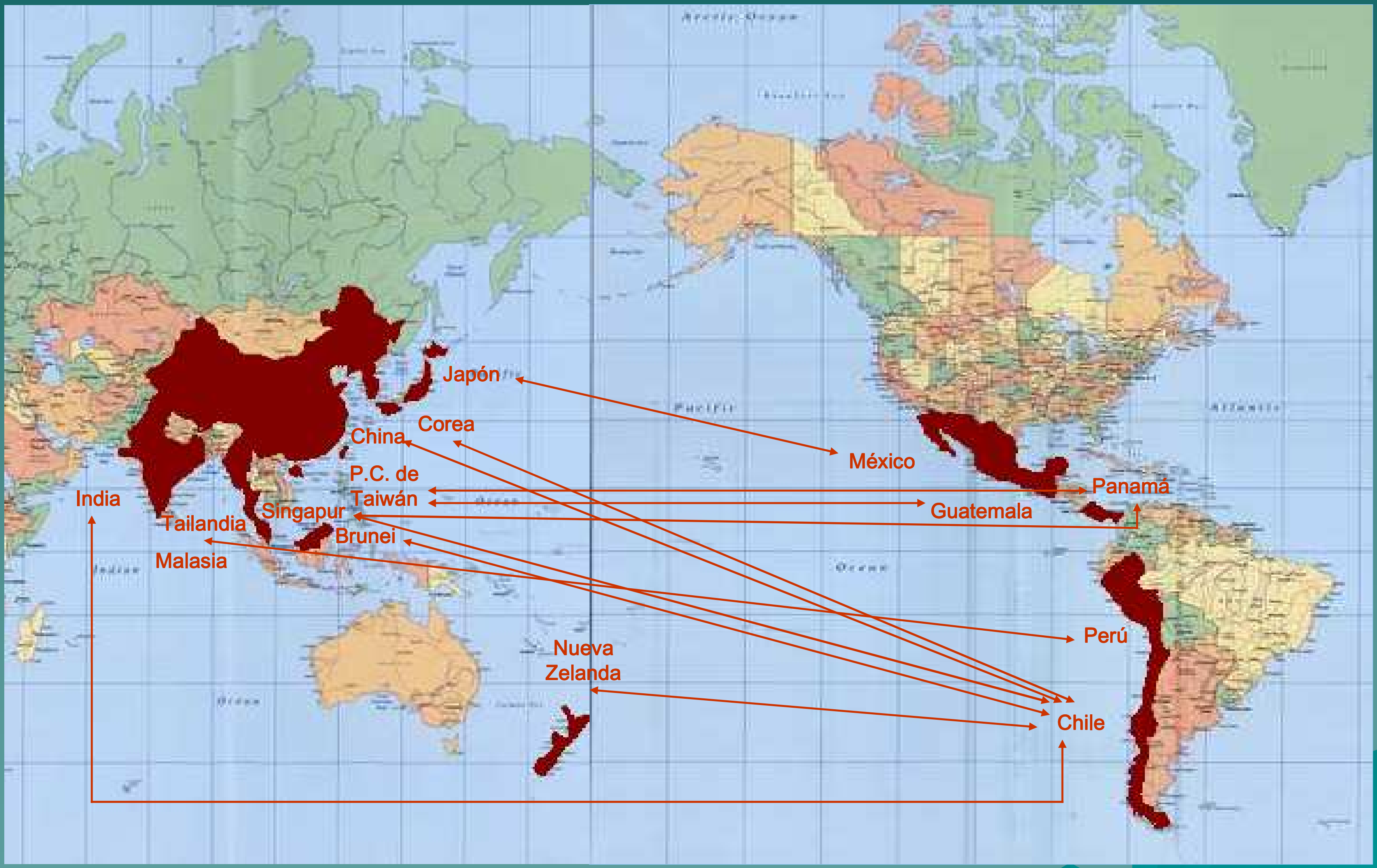
Initiatives on APEC-1

- **Promote global APEC FTA, "first best"**
  - **Convergence on Asian agreements**
    - **CAFTA; ASEAN; Japan and Korea**
  - **Convergences on Western agreements**
    - **Canada, USA, Mexico, Peru and Chile**
      - **Common rules**
      - **Accumulation of rules of origin**
      - **Supply/Value chains oriented towards Asia Pacific**
  - **Convergence on Asian and Western agreements**

Initiatives on APEC-2

- **Promote open negotiations by:**
  - **Inviting Mexico, Colombia, Peru and USA to join the P-4**
  - **Proposing an FTA among Chile, Colombia, Mexico and Peru with ASEAN**
  - **Supporting incorporation of Colombia, Ecuador, C. Rica and Panama to APEC**

FTA's among Asian and LA countries



Other Initiatives on Asia Pacific

- **Latin-American Pacific Arch is a good initiative**
  - **11 countries: Colombia, C. Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Peru**
  - **Except Ecuador, 10 countries with FTA with US**
  - **4 working groups**
    - **Convergence on trade agreements**
    - **Trade Facilitation, Infrastructure and Logistics**
    - **Promotion and Protection of Investments**
    - **Cooperation on Competitiveness**

Canada and the USA are encouraged to support these working groups with technical and financial assistance

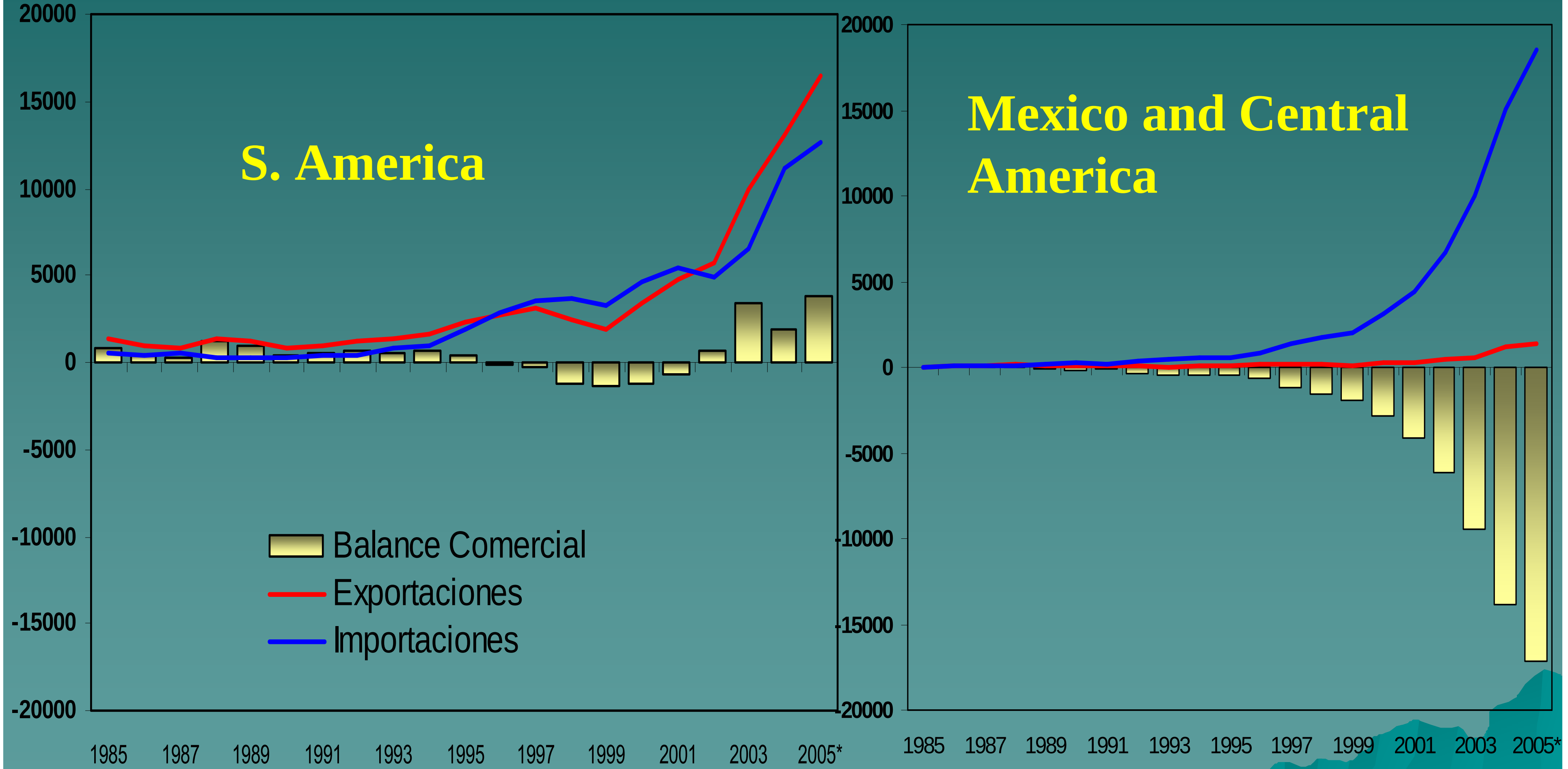
US options: indifference

- Lost opportunities
- Reduced market shares in LAC trade
- Loosing leadership
- Protectionism against China
- No hemispheric initiatives on trade

US options: active engagement

- Pushing free trade initiatives on APEC
- Promoting accumulation of ROO among the FTA's with Canada and LA countries
- Promoting business and tech alliances with LA partners and encouraging value chains in Asia Pacific
- FTAs, only the firs step..advancing to strategic aid oriented to enhance competitiveness, innovation and internationalization
- Recovering High Level Meetings on Hemispheric Trade Issues
  - Administration of FTAs, best practices
  - Trade Facilitation
  - Aid for Trade

Trade pattern of LAC with China is different among South America and Mexico-C. America

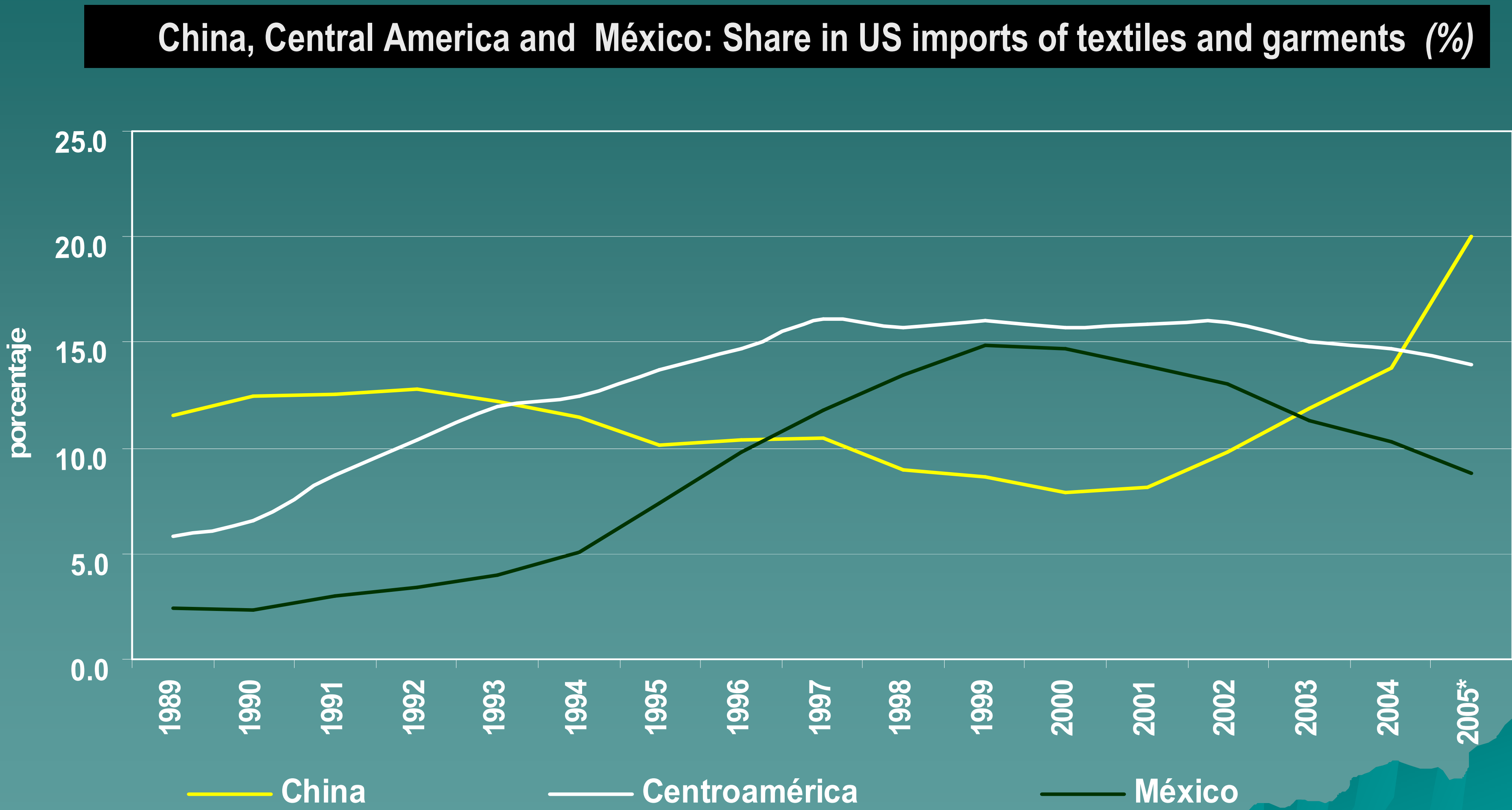


Fuente: CEPAL, División de Comercio Internacional e Integración sobre la base de información oficial de los países

Mexico is also loosing share market in US with China

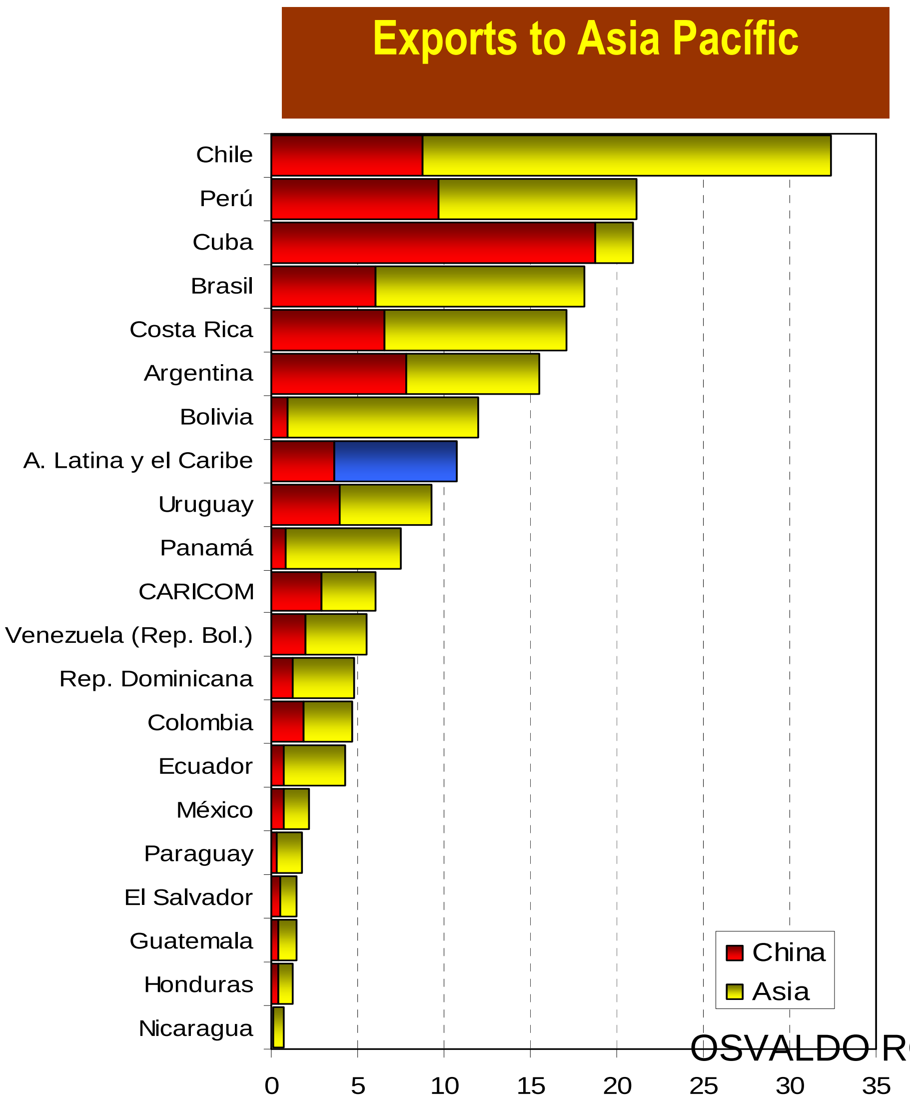
Fuente: CEPAL, División de Comercio Internacional e Integración, sobre la base de datos del Departamento de Comercio de los Estados Unidos (Información en línea: http://dataweb.usitc.gov/)

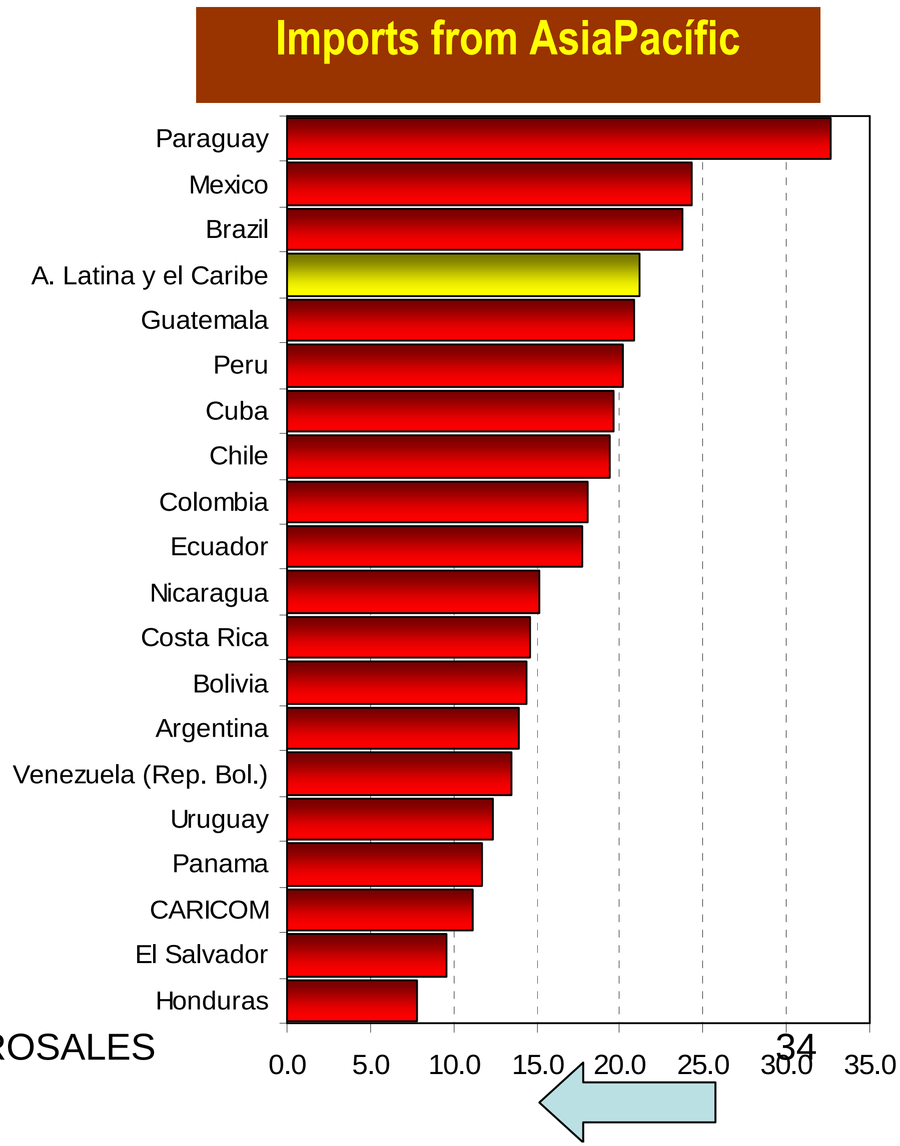
Mexico and C. America compite with China on American market



Fuente: CEPAL, División de Comercio Internacional e Integración, sobre la base de cifras oficiales del Departamento de Comercio de los Estados Unidos

Asia Pacific, destination and source of a higher share of LA trade



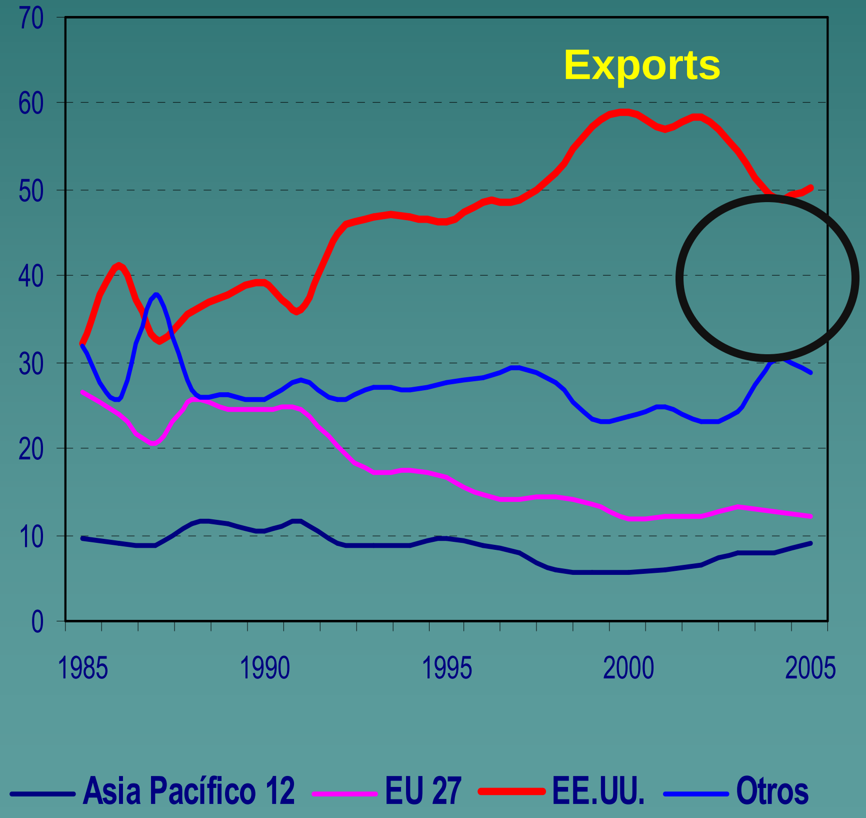


Latin America: main exports to China

(% of total exports to China)

Países	Principales productos según CUCI Rev. 2. a 4 dígitos (Participación mayor al 5%)	No. de productos	% del total
Argentina	Semilla de soja (47,6%), aceite de soja (30,9%), petróleo (5,6%)	3	84,1%
Bolivia	Estaño y sus concentrados (88,4%)	1	88,4%
Brazil	Hierro concentrado (26,6%), semilla de soja (24%), hierro aglomerado (6,4%), aceite de soja (6,2%)	3	56,8%
Chile	Cobre no refinado (54,2%), concentrado de cobre (21,6%), pulpa de madera (9,3%)	3	85,2%
Perú	Harina de pescado (32,9%), cobre (26%), hierro concentrado (9,8%), aleaciones de hierro (7,0%), aleaciones de cobre (5,1%)	5	79,9%
Costa Rica	Circuitos microelectrónicos (92,4%)	1	92,4%
Mexico	Accesorios eléctricos (15,1%), Microcircuitos (15,3%), cobre y sus concentrados (6,2%), lingores de hierro (5,8%), desperdicios metálicos (5,4%),	5	47,8%
Guatemala	Azúcar cruda de caña (46,6%), desperdicios y desechos de metales (36,2%), azúcar refinada (6,5%)	3	89,3%
Cuba	Azúcar cruda de caña (85,5%), cobre (13,5%)	2	99,0%

While US is still the main market destination of LA exports,….



In the last years, AP (12) is displacing EU as important provider of imports for LA