



# Latin America – Asia Pacific Observatory

Ignacio Bartesaghi – Coordinator

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Latin America and Asia Pacific Realities. Defining the  
agenda



Institute of Strategic & International Studies (ISIS) Malaysia





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- 3) Some aspects of the relation.
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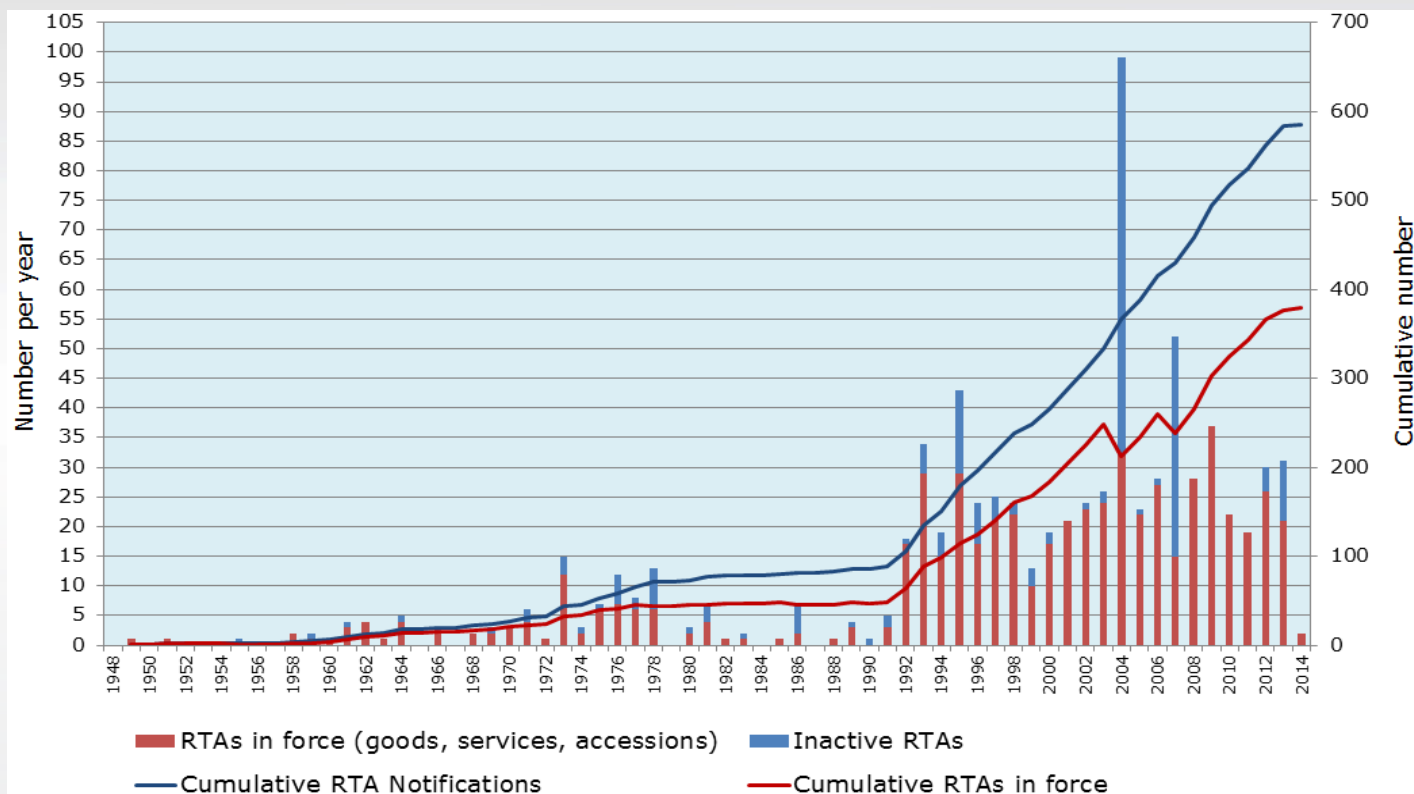


## International context

- Commercial relations between Latin America and Asia Pacific could not be analyzed without mentioning the transformations undergone by international economy and trade during the past two decades.
- The analysis must consider the changes in production systems resulting from advances in technology, the significance of services traded, the various levels of integration (economic, commercial, financial, etc.), and the new disciplines of international trade.



# International agreements

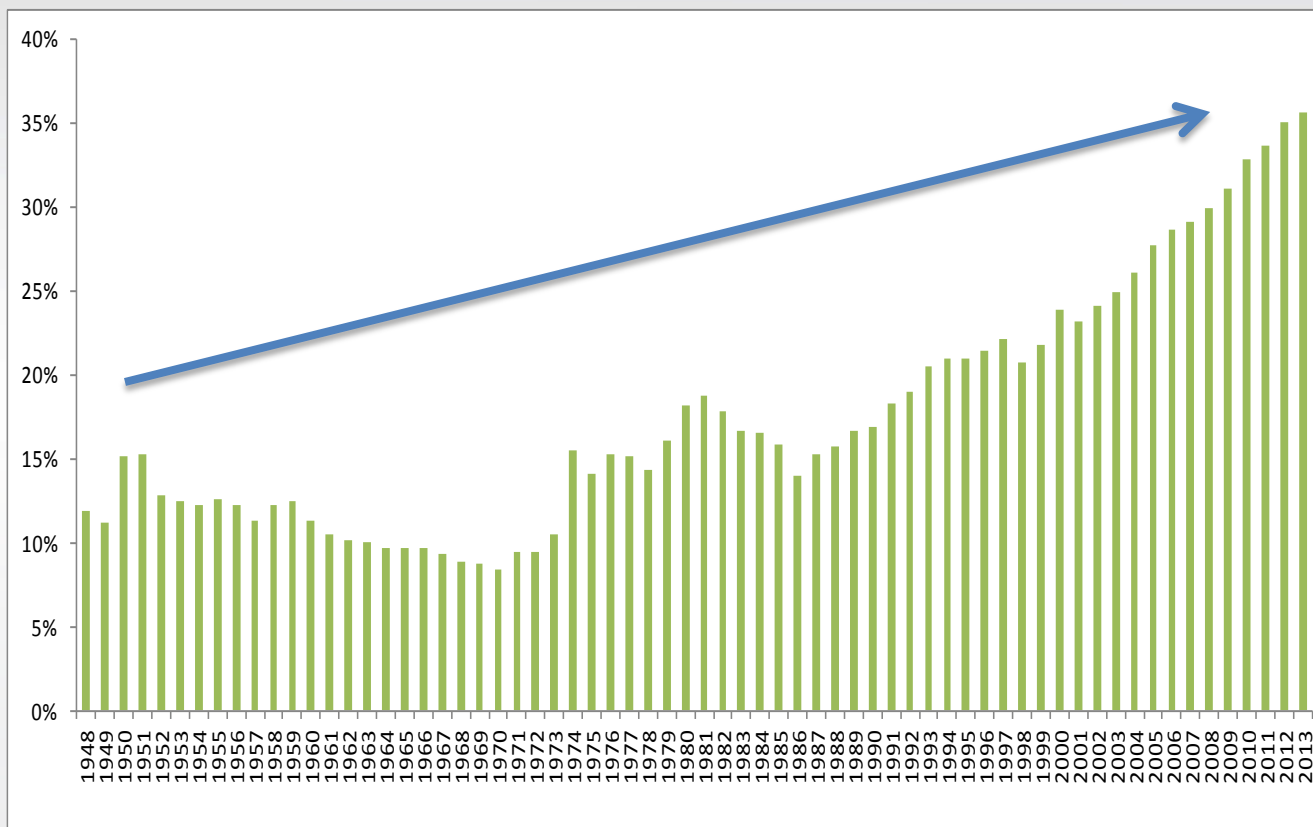


As trade agreements grow exponentially, commercial relations between emerging markets gain significance.

Source: WTO



## Asia in worldwide exports

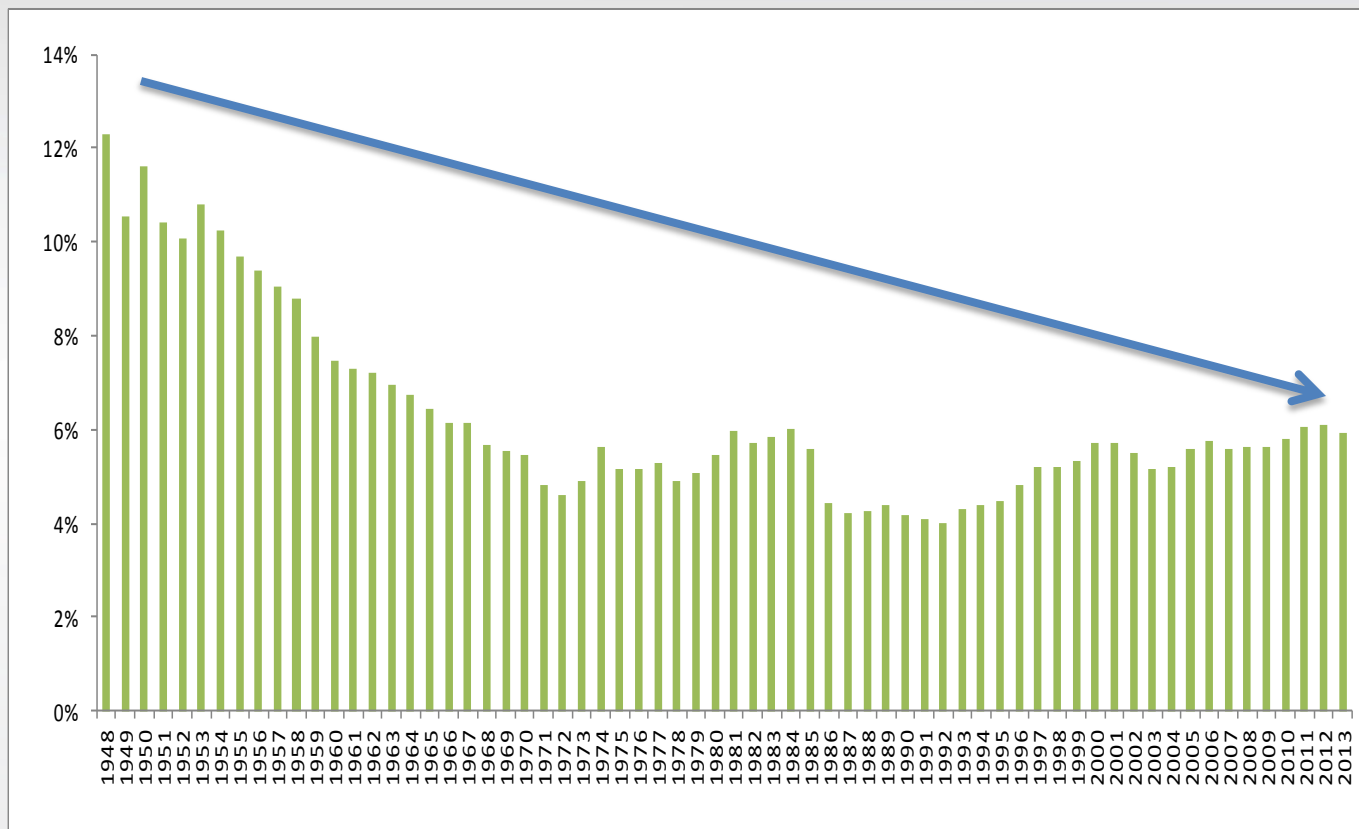


Asia's participation in international trade has risen, particularly in relation to goods with technology content and the generation of production clusters.

Source: UNCTAD



# Latin America in worldwide exports



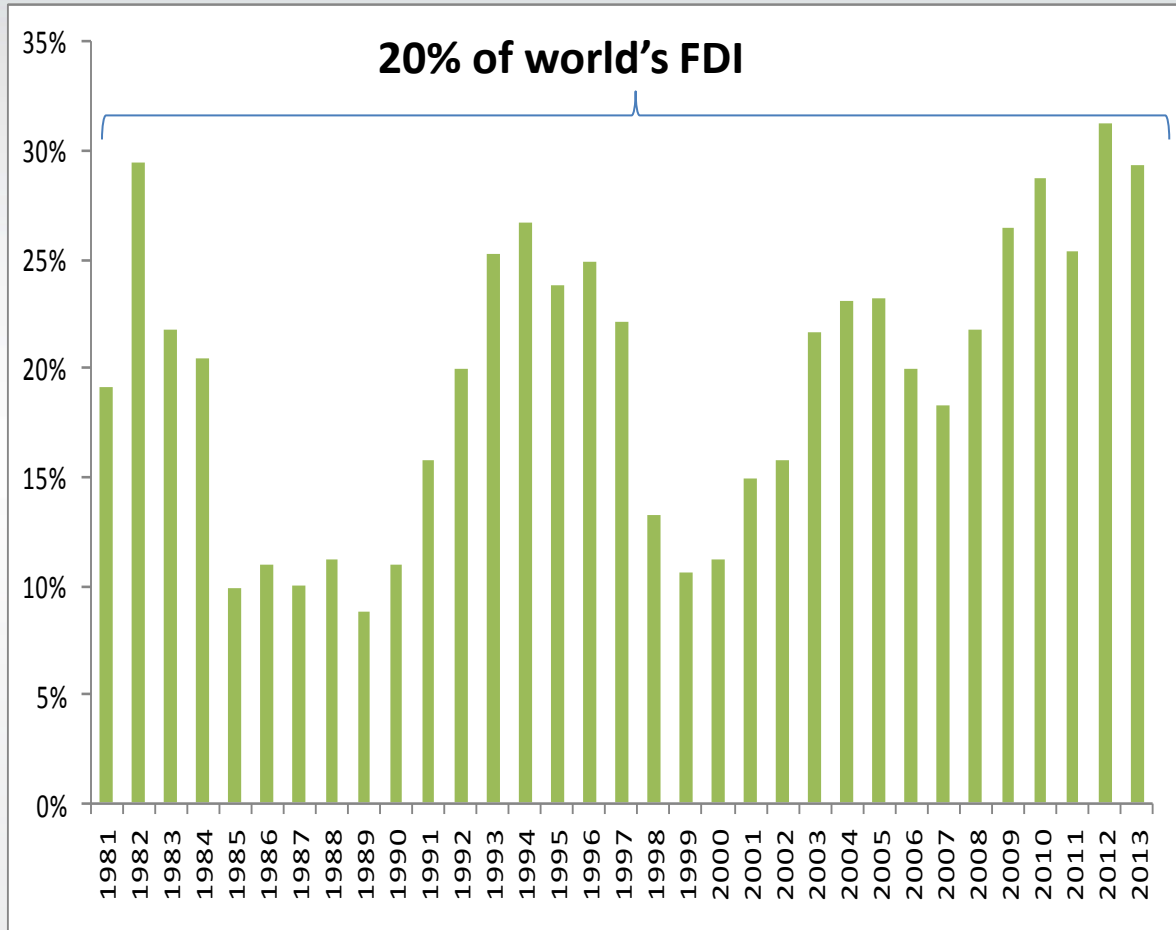
As opposed to the Asian region, Latin America and The Caribbean show a constant decline in significance in international trade.

Also with a scarce participation in production clusters, and a high concentration of primary goods.

Source: UNCTAD



## Asia in relation to Foreign Direct Investment (FDI)

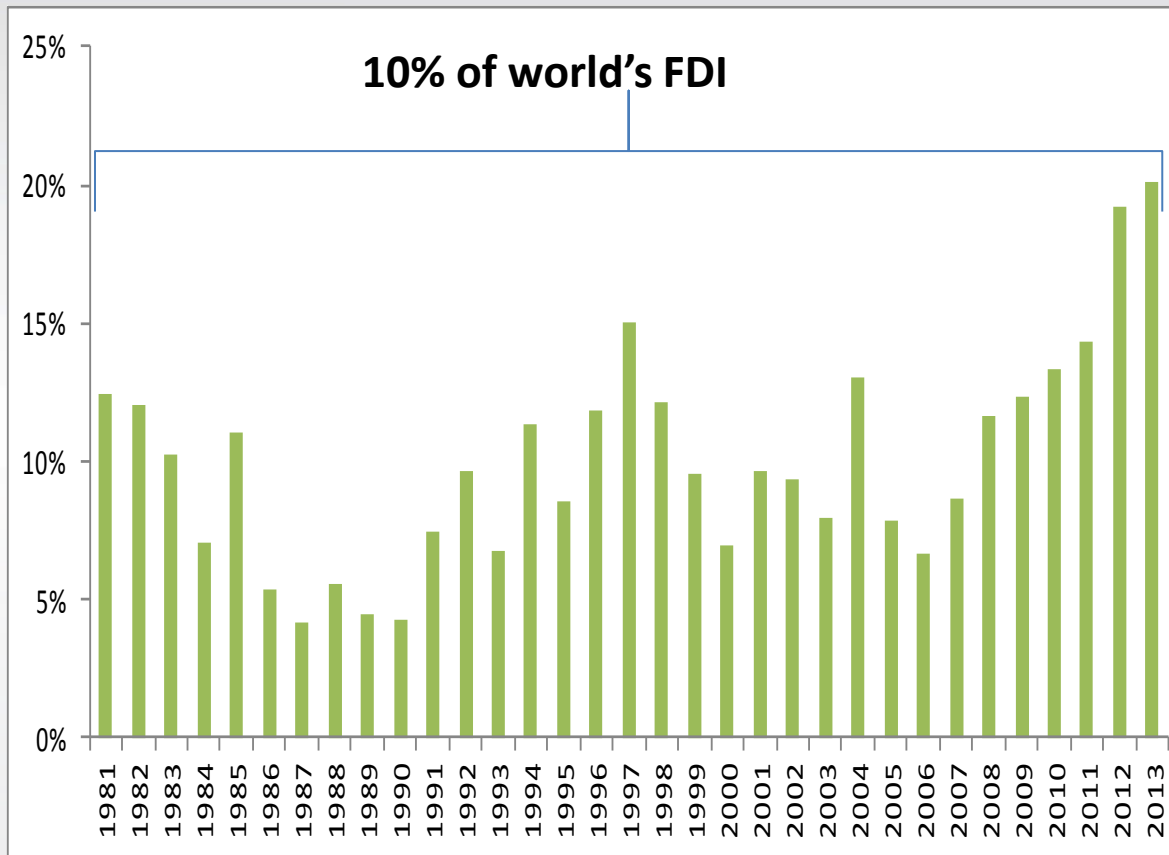


Asia captured 20% of the world's FDI in the past 30 years.

Source: UNCTAD



# Latin America in Foreign Direct Investment (FDI)



Latin America and The Caribbean captured 10% of the world's FDI in the past 30 years.

Source: UNCTAD





## Introduction to the bilateral relations

- The relations between Latin America and Asia-Pacific have grown significantly in the past few years.
- This is because the transformations undergone by Asian countries, but also due to the economic performance of Latin American countries.
- This fact, which is not something new, continues to be a surprise taking place new issues and additional actors, in the agenda of both regions.
- Such scenario calls for all actors who take part of these relations, and particularly those in charge of proposing public policies, to be very professional.



## Some aspects of the relation (1)

- The relation between the two actors implies multiple channels. Nevertheless, the significance of the foreign exchange of goods has represented the main aspect in the bilateral relation. In particular for governments and academicians.
- More recently, the dynamism of investments, the potential trade of services and financing had increase in importance.
- As relations grow, other less studied phenomena gain significance, for instance:

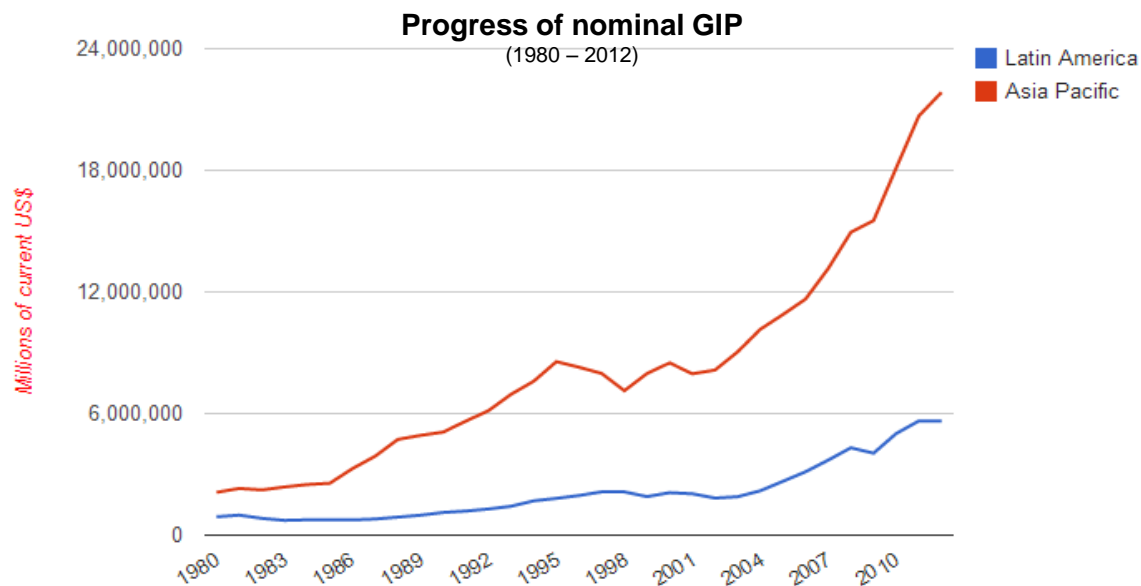


## Some aspects of the relation (2)

- The case of infrastructure-related matter.
- The number of interacting entrepreneurs.
- The academic interchange between the two regions.
- The increasing importance of tourism.
- Culture aspects.



# Economic performance and trade (1)



Source: Latin America – Asia-Pacific Observatory

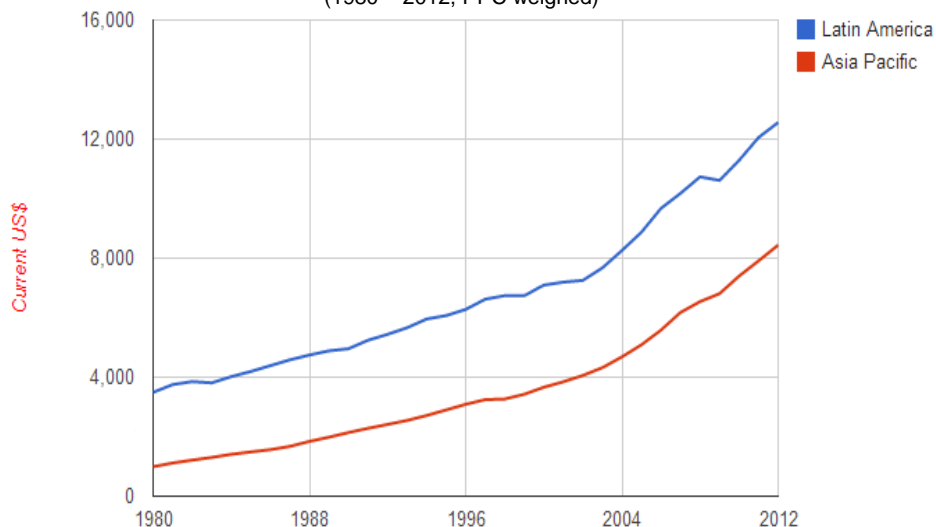
In recent years, both Asia-Pacific and Latin America have shown good economic performance.



## Economic performance and trade (2)

### Progress of per capital GDP

(1980 – 2012, PPC weighed)



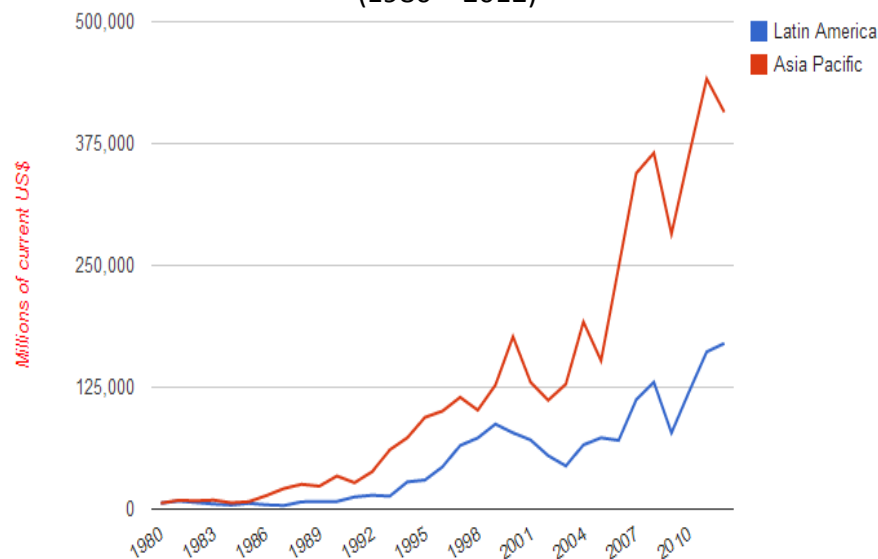
Source: Latin America – Asia-Pacific Observatory

- The GDP is higher in Latin America, but: though the gap is less significant than in previous years.
- The decreasing gap results from the product growth rates in the regions. for the 1980 – 2012 period, while Asia-Pacific grew by 4.3%, Latin American countries reached a 2.8% growth.



## Economic performance and trade (3)

**Progress of the FDI captured  
(1980 – 2012)**



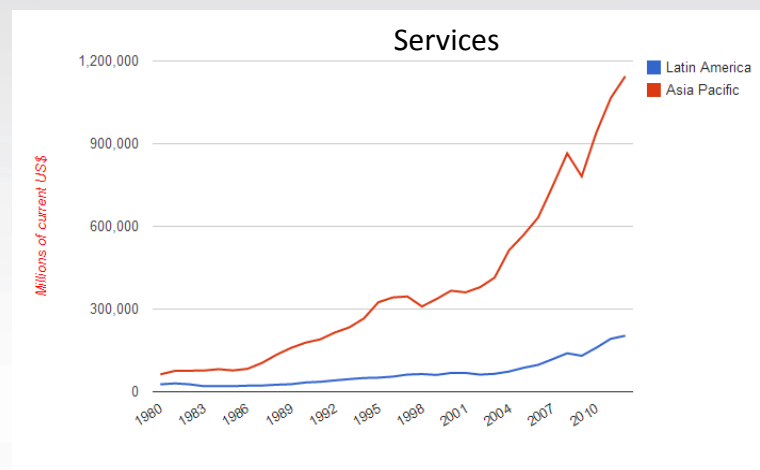
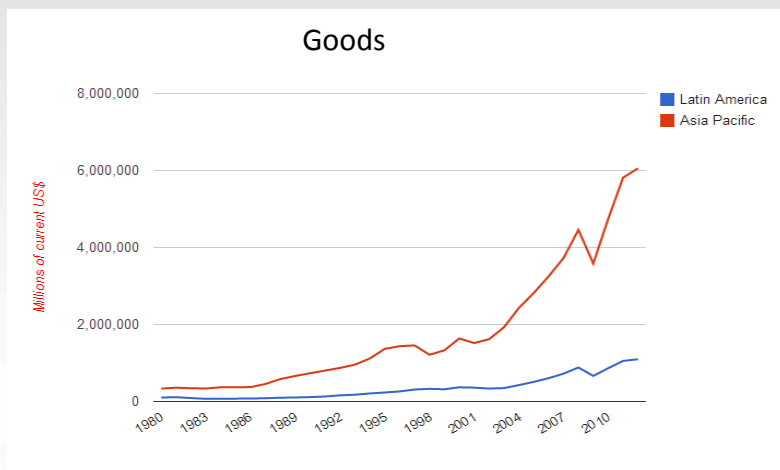
Source: Latin America – Asia-Pacific Observatory

- In Foreign Direct Investment, Asia-Pacific is also at the lead in relation to figures as well as performance.
- The destination of the investment is part of the actual debate in Latin America, particularly in the case of the relations with China.



## Economic performance and trade (4)

### Progress of imports (1980 – 2012)



Source: Latin America – Asia-Pacific Observatory

Values relative to Asia-Pacific are naturally more significant (approximately 600 million inhabitants in Latin America, as compared to around 3.5 billion in Asia-Pacific).

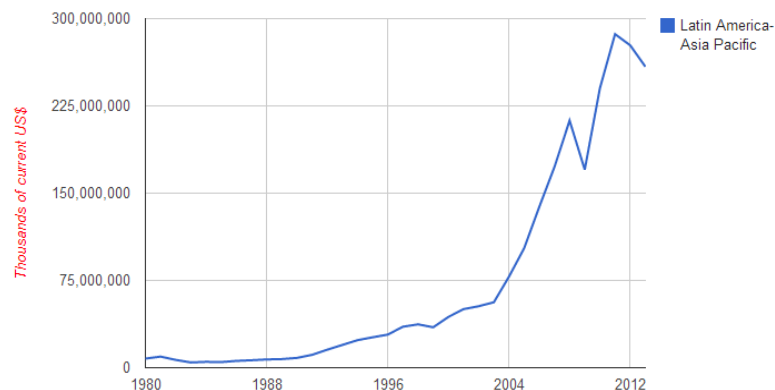
As it happens with GDP average growth rates and FDI levels, data on trade also shows greater growth for the Asian region.

Asymmetries, is part of the reality between the two regions.

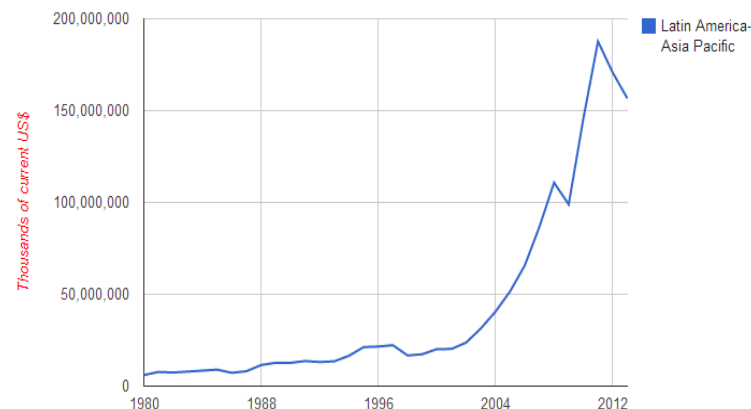


# Significance of bilateral relations (1)

## Imports



## Exports



Source: Latin America – Asia-Pacific Observatory

The bilateral trade of goods between the parties has shown an exponential increase in recent years, more particularly as from the first decade of this century. As shown, both exports and imports have increased, with a trade balance favoring the Asian region.

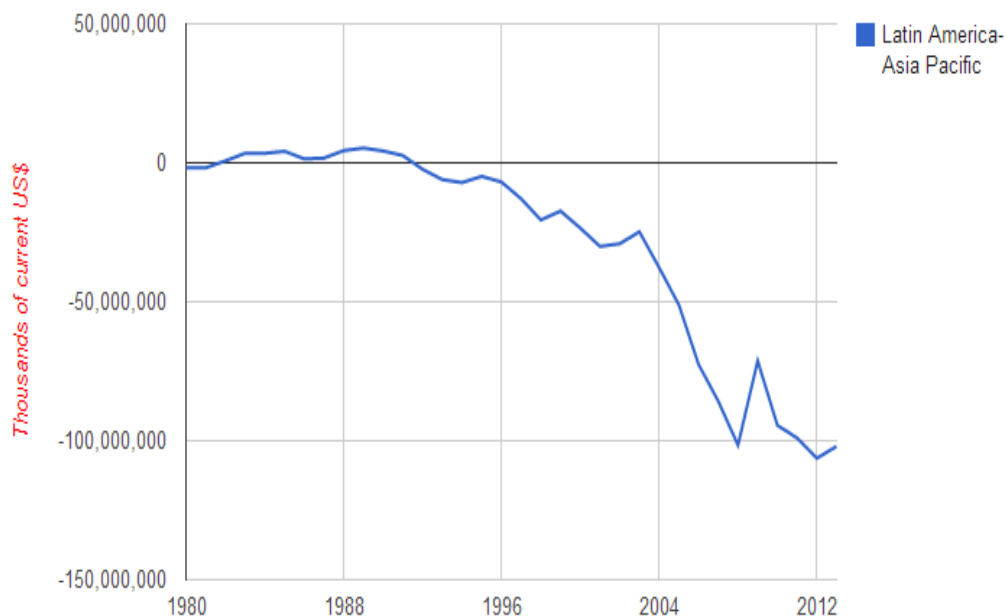




## Significance of bilateral relations (2)

### Progress of trade balance relative to goods

(1980 – 2012, reported by Latin America)



The negative trade balance of Latin American countries in relation to Asia-Pacific, and more particularly China, has brought some tension between the two actors.

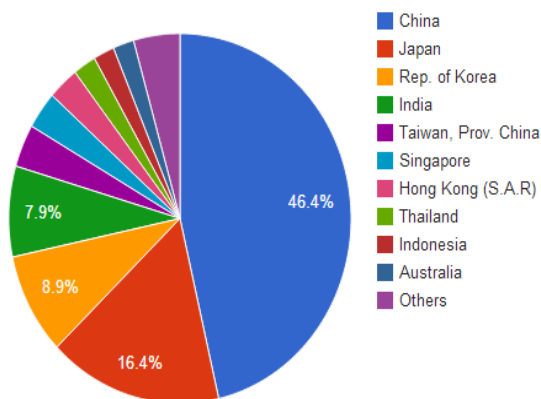
Some economies started applying protectionist measures (specifically not related to taxes) to seek protection from the competitive imports from Asia, China and other countries in Southeast Asia.

Source: Latin America – Asia-Pacific Observatory



## Significance of bilateral relations (3)

**Main markets in Asia-Pacific for Latin America**  
(Participation throughout the 2001 – 2012 period)



In what concerns the main markets in Asia-Pacific for Latin America, a central aspect is concentration, where the average of the last decade shows China representing over 46.4% of all acquisitions, followed by Japan with 16.4%, and the Republic of Korea with 8.9%.

Source: Latin America – Asia-Pacific Observatory

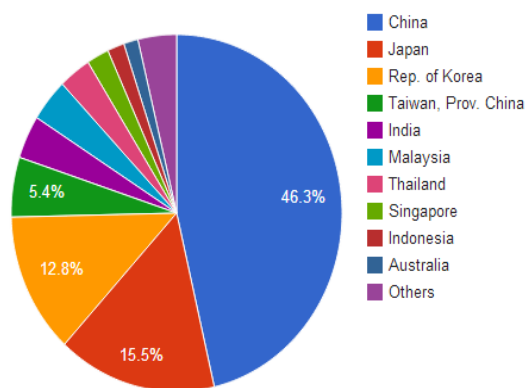
To a lesser extent, and surprisingly given the business potential with that market, India represented 7.9%. Among the less traditional economies, sales to the Chinese Province of Taiwan, Singapore and Hong Kong have been considerable.



## Significance of bilateral relations (4)

### Main Latin American providers in Asia-Pacific

(Participation throughout the 2001 – 2012 period)



Source: Latin America – Asia-Pacific Observatory

An equal scenario occurs in the case of the main Asia-Pacific provider markets of Latin America, where China represented most of the sales by the Asian region to Latin America, followed by Japan, and to a lesser extent by the Republic of Korea whose participation is more as a provider than as a purchaser.

In the last decade China explain the 46.3% of the total exports of Asia Pacific to Latin America, followed by Japan with 15.5%, and the Republic of Korea with 12.8%.



## Significance of bilateral relations (5)

- In the case of Asia-Pacific, for the case of exports, the main Latin American markets were Mexico (24.8%), Brazil (22.9%) and Panama (19.7%), followed by Chile, Argentina, Colombia and Venezuela.
- The main provider markets of goods acquired by that region were Brazil (36.8%), Chile (19.4%) and Mexico (10.7%), followed by Argentina, Venezuela, Peru and Costa Rica both to a lesser extent.
- Regarding concentration by countries, both for imports and exports, a greater level of concentration is shown by Latin America, particularly given the significance of China in the overall trade of all Latin American countries. Is Latin America showing a dependence on China Market?



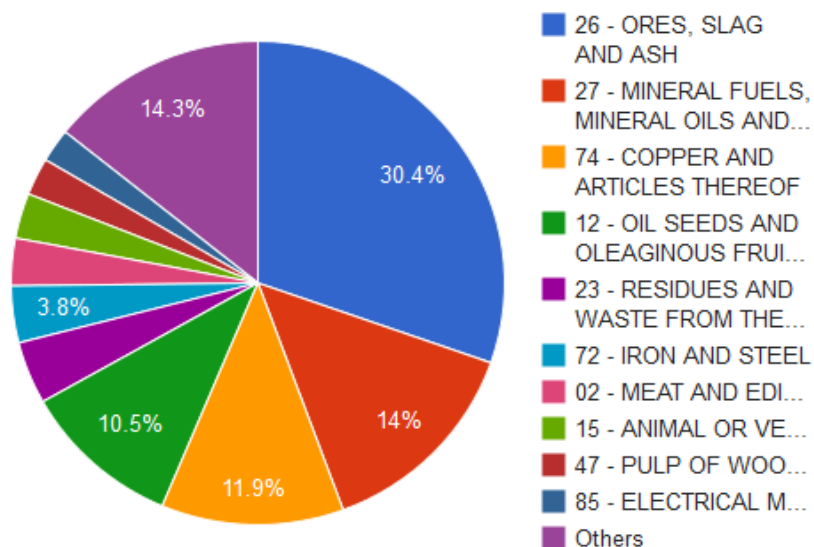
## Significance of bilateral relations (6)

- For the case of goods exported, also for the 2001 – 2012 period, as in the analysis per country, there is a significant concentration in Latin American sales to Asia-Pacific.
- In fact, close to 30% of that region's sales to countries in Asia-Pacific consisted of minerals, followed by fuels (14.0%), copper and related manufacturing (11.9%), seeds (10.5%), discards and waste from food industries (4.2%), cast iron and steel (3.8%), meat and food waste animal (3.2%), fat and oils (3.0%), and wood pulp (2.5%).
- The share of primary goods has risen in the past few years, confirming the primarization of sales to the Asian region.



## Significance of bilateral relations (7)

### Main exported products from Latin América to Asia Pacific (2001-2012)



Source: Latin America – Asia-Pacific Observatory



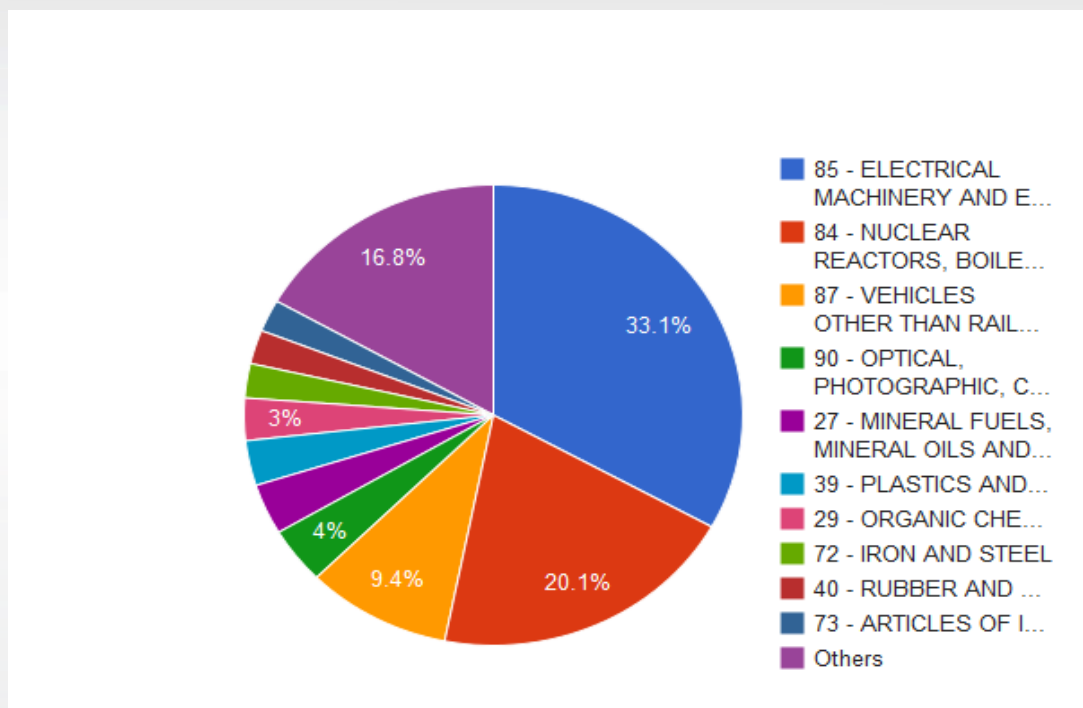
## Significance of bilateral relations (8)

- Opposed to that, Latin American countries import industrial goods with higher technology content.
- In the some period electrical machinery explains (33.1%), mechanical machinery and devices (20,1%), motor vehicles and their spare parts (9.4%), optical devices and instruments, medical equipment, and measurement, photographic and controlling equipment (4.0%), mineral fuels (3.6%), plastics and their manufactured products (3.2%), and organic chemical products (3.0%).
- These results clearly show that the pattern of trade between the parties involves exports of primary goods from Latin America and exports of industrialized products with high levels of technology originating in Asia-Pacific.



## Significance of bilateral relations (9)

### Main imported products from Asia Pacific (2001-2012)



Source: Latin America – Asia-Pacific Observatory





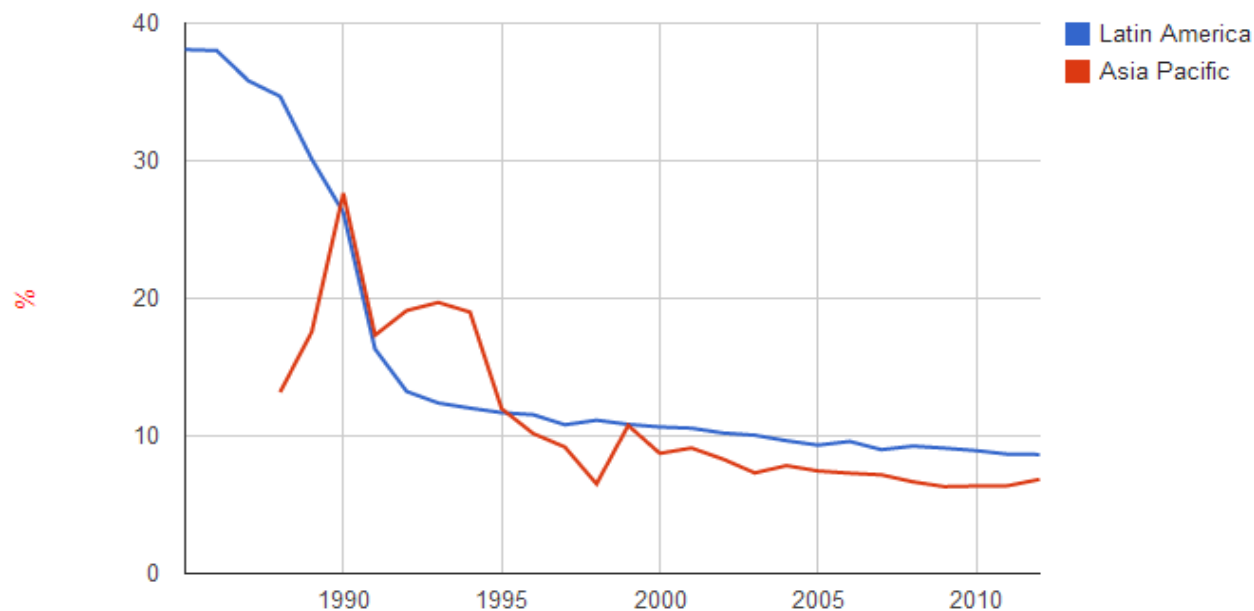
## Trade and investment agreements (1)

- Trade and Investment agreements subscribed between the regions is a relatively recent aspect of the bilateral relation.
- According the average taxes, Latin America rose the level of 8.6% in 2012, and Asia Pacific 6.8% in the some year.
- Any way countries in both sides aplicate other trade instruments to protect their economies, specially in the case of Brazil, India for instance, but not only.



## Trade and investment agreements (2)

Average taxes



Source: Latin America – Asia-Pacific Observatory



## Trade and investment agreements (3)



- In what concerns trade agreements, the Latin American country with more agreements subscribed is Chile. This country has treaties with Australia, Brunei, China, Republic of Korea, India, Japan, Malaysia, New Zealand, Singapore, Vietnam and Hong Kong.
- Peru is the second country in the region with a greater dynamism in its business opening to countries in the Asian region, having subscribed agreements with China, Republic of Korea, Japan, Singapore and Thailand.
- Both countries where focus in Asia time ago for differences reasons, as geographical, migrants aspects (very important in Peru case) among others.



# Trade and investment agreements (4)

## Trade agreements in place between Latin America and Asia-Pacific

(Every blue box represents a trade agreement in place)

	Australia	Brunei	Cambodia	China	Rep. of Korea	Philippines	India	Indonesia	Japan	Laos	Malaysia	Myanmar	New Zealand	Singapore	Thailand	Taiwan, Prov. China	Vietnam	Hong Kong (SAR)
Argentina																		
Bolivia																		
Brazil																		
Chile																		
Colombia																		
Costa Rica																		
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Mexico																		
Nicaragua																		
Panama																		
Paraguay																		
Peru																		
Dominican Rep.																		
Uruguay																		
Venezuela																		

Source: Latin America – Asia-Pacific Observatory



## Trade and investment agreements (5)

- A different situation occurs in the case of investment agreements subscribed, with a much more significant number of reciprocal investment protection treaties in place.
- For example the case of Argentina has shown greater dynamism in signing this type of agreements with Asia-Pacific.
- In Asia China leads with South Korea the number of investment agreements subscribed.
- We must take in account that FTAs and Economic Association Agreements negotiated among countries from the two regions, also include a chapter relative to investments. So the number of this agreements will be less important in the future.



# Trade and investment agreements (6)

**Agreements between Latin America and Asia-Pacific regarding current investments**  
(Every blue box represents a trade agreement in place)

	Australia	Brunei	Cambodia	China	Rep. of Korea	Philippines	India	Indonesia	Japan	Laos	Malaysia	Myanmar	New Zealand	Singapore	Thailand	Taiwan, Prov. China	Vietnam	Hong Kong (S.A.R)
Argentina																		
Bolivia																		
Brazil																		
Chile																		
Colombia																		
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Nicaragua																		
Panama																		
Paraguay																		
Peru																		
Dominican Rep.																		
Uruguay																		
Venezuela																		

Source: Latin America – Asia-Pacific Observatory



## Trade and investment agreements (7)

- In relation with negotiations, Chile is the most active country, currently in negotiations with Australia, Brunei, India, Indonesia, Malaysia, New Zealand, Singapore and Vietnam. Chile has already subscribed an agreement with Thailand, still to be applied.
- Mexico runs second in importance after Chile, followed by Peru.
- These three countries also participate in negotiations relative to the Trans Pacific agreement, involving –to this date– a total of twelve countries.



## Trade and investment agreements (8)

- Colombia has shown interest in negotiating with Asian countries, though to a lesser extent as compared to the other member countries of the **Pacific Alliance**, since this country is not part of the TPP (nor the APEC).
- After the case of Colombia, a progressive interest to advance in this path has been shown by Central America, with the possibility of start negotiations between several Central American countries and the Republic of Korea for example.
- As shown in the figure below, no MERCOSUR countries (in addition to Bolivia, Ecuador, Cuba and Nicaragua) hold open negotiations with Asian countries, showing the different inclusion strategies applied by Latin American countries.





## Trade and investment agreements (9)

	Australia	Brunei	Cambodia	China	Rep. of Korea	Philippines	India	Indonesia	Japan	Laos	Malaysia	Myanmar	New Zealand	Singapore	Thailand	Taiwan, Prov. China	Vietnam	Hong Kong (S.A.R)
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Dominican Rep.																		
Uruguay																		
Venezuela																		

Source: Latin America – Asia-Pacific Observatory



## Challenges for the bilateral agenda

<b>EXPECTED OUTCOME</b>	<p>A COMPLEX RELATION</p> <p>ASYMMETRIES</p> <p>STRENGTHENING AND RE-DIRECTING</p> <p>NEW ISSUES ON THE AGENDA</p> <p>PUBLIC POLICIES</p>	<b>SPECIALIZED AND PROFESSIONAL ACTORS</b>
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## A complex relation (1)

- One of the main challenges in the bilateral relation is to identify the differences existing between the countries in these two regions. This aspect is very important in the definition of public policies.
- By way of example, the strategy deployed towards relations with China could not possibly be the same as one defined for the ASEAN member countries or India, or for countries in the MERCOSUR market, or for Central American or Andean countries.
- The history, geography, and cultural aspects of countries and sub-regions in the two areas, as well as their productive development and strategies for inclusion are different in every case.



## A complex relation (2)

- All the countries and economies that are part of either region imply levels of complexity, but in the case of Asia-Pacific is more important than Latin America, a region a bit more similar.
- Asian countries have differential policies with Latin American countries.
- Latin American countries have also shown strong differences as to how they relate to the region. The differences strategies in the trade agreements and other trade instruments (defense measures) are very clear in the case of Pacific Alliance and Mercosur.
- Is this a problem for the region or is natural?



## Asymmetries (1)

- The asymmetry existing between the two actors is evident in terms of GDPs, territory, population, significance in international trade, and investment flow, among others.
- In the case of Latin America, there is an additional challenge that relates to the referred concentration in the trade with China.
- The current concentration at the product and market level is greater in the case of Latin American business trends than in those of Asia-Pacific.
- Asia Pacific productive structure is more sophisticated than the Latin America, and the competition in this sector is very important in some internal markets and regional markets.



## Asymmetries (2)

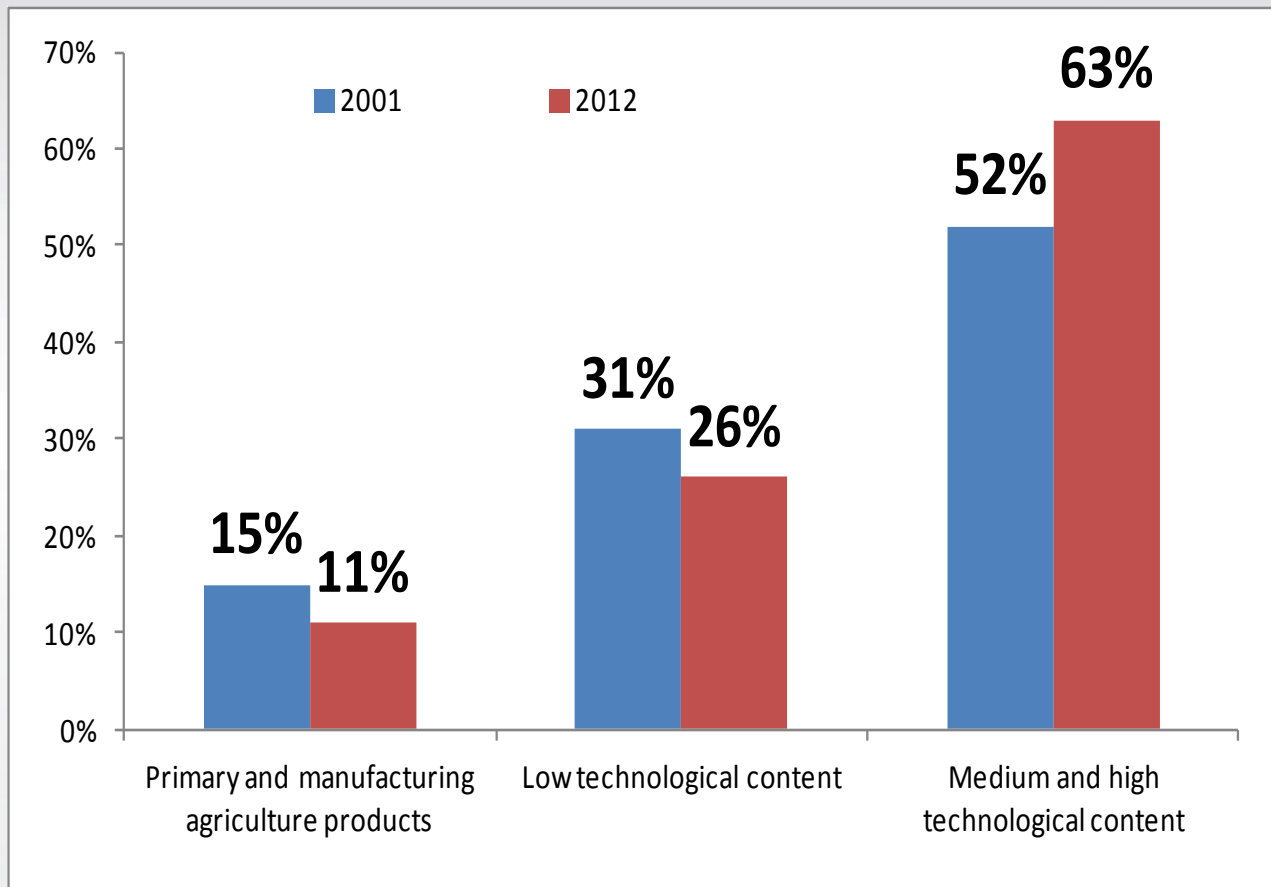
- Is Latin American region replicates with Asia-Pacific its trade pattern with the United States of America and Europe? and even to a greater degree in the case of China. Is this a but news for Latin America countries, must Asia take it in account in the relation?
- It is also true that there are some positive aspects of this trade pattern. Latin America economy increase because the demand of primary products of Asia Pacific, and the exporters countries are less dependent with the central economies.
- Also Asia provides capital goods and other technological products at prices that are convenient for the development of the region.



## The case China – Brazil (1)

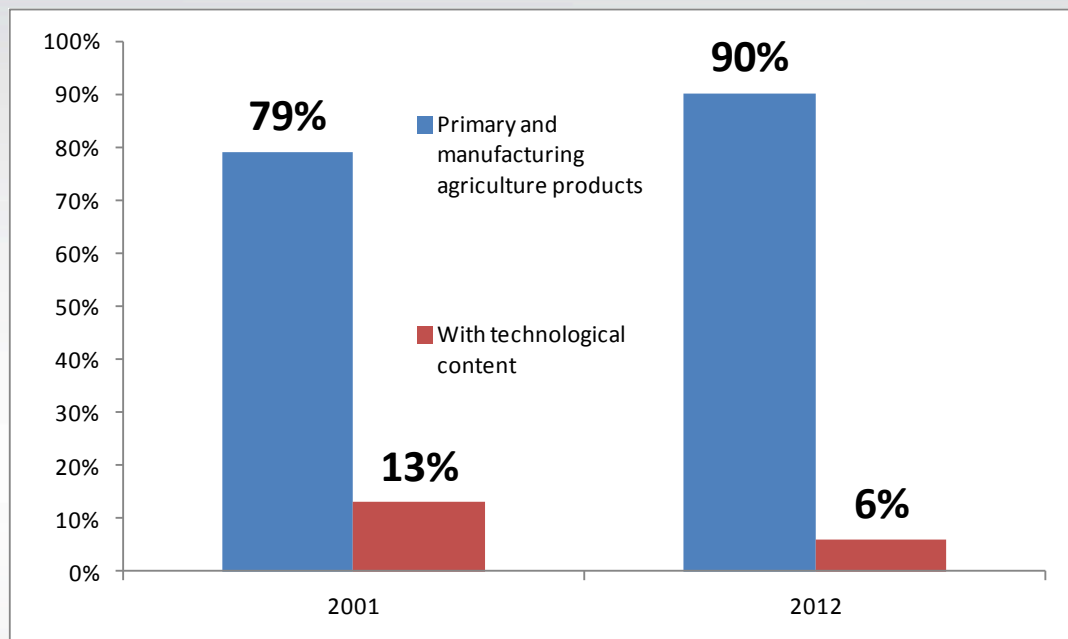
China gained ground, in recent years, in relation to the supply of goods with a high technology content.

With a lesser preponderance of its primary goods and products from the agro-industrial sector or with low technology content, China has specialized in more industrialized goods.





## The case China – Brazil (2)



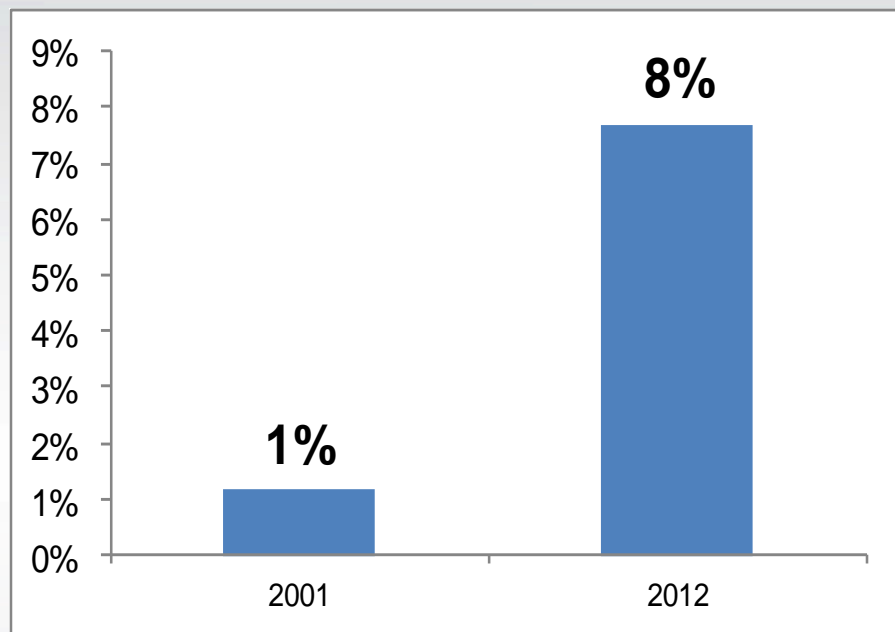
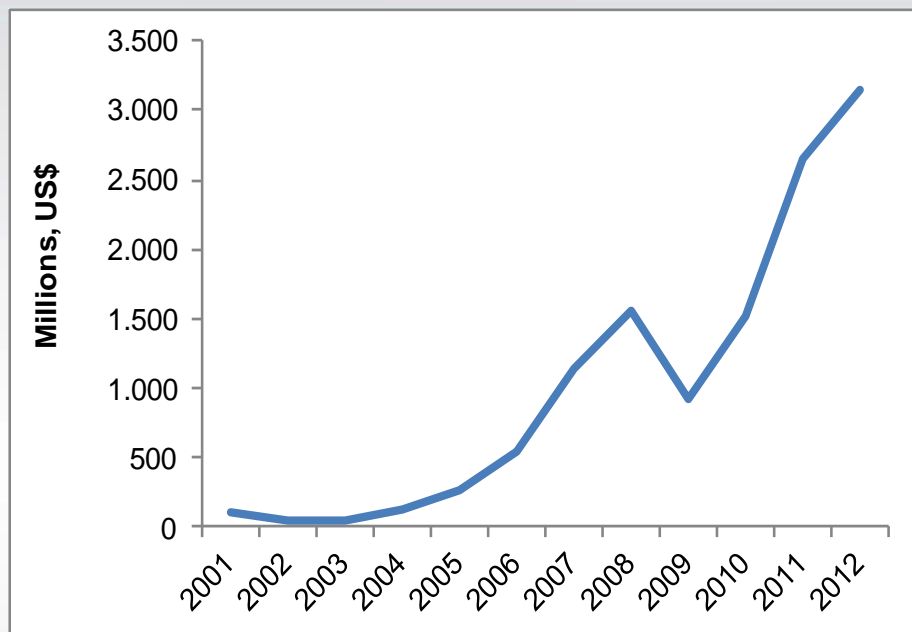
Source: Comtrade.

By contrast, China imports products from Mercosur with less technology, leading to the primarization of the region's exports.





## The case China – Brazil (3)



Vehicle and spare-parts imports from China to Mercosur rose from USD 98 million in 2001 to USD 3.152 billion in 2012, representing an increase from 1% to 8% of all imports by Mercosur.



## Strengthening and Re-directing (1)

- The business relations between the two regions have advanced into a new stage in the last five years. In particular because the effects of transformations in the world's new middle-class—, and the new opportunities existing between Latin America and certain countries with significant potential, such as India or countries from Southeast Asia.
- Latin America is going to sale food products with a higher degree of processing, that a every year are more important in Asia internal consume. The opportunities in this sector are very important and Latina America has competitive advantages.
- China investment in Latin America in this sector are increasing and will transform in the biggest player.



## Strengthening and Re-directing (2)

- Despite the fact that trade agreements are already a reality, this aspect should be further expanded, particularly at the light of the little dynamism shown by some subregions like South America and Central America.
- The degree of integration achieved by the ASEAN member countries and their supplementary agreements (ASEAN +), as well as the impact of a possible closing of negotiations as part of the TPP and the RCEP, could lead to the loss of relative advantages in accessing Asian markets, in particular for Latin America.



## New issues on the agenda (1)

- The agenda of the two actors has gradually included the potential of new issues, for example:
- Trade of services.
- The relation between investments and productive development.
- The significance of financing by Asian banks (particularly from China).
- The potential of tourism.
- Joint projects in the energy sector.



## New issues on the agenda (2)

- Investments in infrastructure.
- Levels of corporate associatively.
- New cooperation methods including the military, scientific or technological cooperation.
- Empowerment of productive clusters.
- Cultural aspects.
- Academic, and political interchanges, among other issues.



## New issues on the agenda (3)

- Some of the aspects referred confirm that the relations are no longer limited to trade which is the most outstanding channel.
- On the contrary, the agenda will turn increasingly more complex, demanding the definition of precise policies for different areas. This reality will demand teams of experts in the Foreign Ministries and more precise policies.
- The increasing number of issues also defines an exponential growth of interchange between the peoples, thus generating more opportunities for entrepreneurs and academicians, and at the end we are going to learn more about each other.



## Public Policies (1)

- The relations between Latin America and Asia-Pacific, justify the active role of the State in defining policies to favor interaction. Is this happening? Are the private and public sector working together?
- The scenario of an asymmetrical and complex relation, must be accompanied of decisions to mitigate the negative impacts of the relation and to empowering the benefits expected.
- In addition to strategies, the countries should be aware of the dynamics of the changes, including new issues and actors and generating further challenges in public administration.



## Public Policies (2)

- The risk of non-action or actions that arrive late could imply spaces and opportunities lost.
- The public policies implemented by the two regions should be able to enable certain agreements as to the integration mechanisms and the political harmonizing of both Latin America and Asia-Pacific.
- Of course the bilateral view will be part and is necessary, but in some issues the regional position is important.





## Specialized and Professional Actors (1)

- The increasing relative importance and the dynamism characteristic of the two regions in question calls for all actors who take part in their relationships base their actions on their specific specializations and professional fields.
- Such scenario demands that both public and private actors develop prospective capabilities to enable the identification of business opportunities that will motivate the implementation of public policies and the definition of trading strategies aimed at the actual realization of the trade between the parties.
- To this end, it will be necessary to count on public, private and academic sectors increasingly prepared and specialized, and working together.



## Specialized and Professional Actors (2)

- In this sense, the Latin America – Asia-Pacific Observatory created in 2012 by LAIA, CAF and ECLAC has been cooperating, along with other organizations, with that objective in mind.
- To that end, it regularly publishes studies on the economic and business relations between Latin America and Asia-Pacific, while promoting the publication of studies by specialists. It has also created an Academic Forum, which includes over one hundred experts from both regions, and it organizes specialized events, as well as workshops and activities relative to different aspects of interest.



## Specialized and Professional Actors (3)

- The Observatory's Web Portal includes up-to-date information and provides very useful tools to academicians, government officials, member of diplomatic representations, entrepreneurs, and the general public as well.
- A permanent monitoring of economic and business relations is also carried out by the Observatory through the inclusion of new issues on its agenda and making available to its target public new inputs for favoring further specialized analyses.



## A few of conclusions (1)

- The relation between the two actors implies multiple channels. Nevertheless, the significance of the foreign exchange of goods continues representing the main aspects.
- Trade is very concentrated in products and actors terms. The effect of this situation, as well as the balance trade in some cases, is part of the tensions between the two regions.
- The dynamic increase of the economy in both sides, opens several opportunities, but the transformations are going faster in Asia, which seems to be better prepare for the new scenario, for example in advance in integration, production structure, services, innovations and quality of the policies, among others.



## A few of conclusions (2)

- Any way we can see the potential in other issues, services, investment, financing (in particular in China) and in tourism. This process is very low in particular for Latin America, which is losing opportunities in comparison with other economies of Asia, case of Australia, New Zealand and ASEAN members.
- De two regions started to signed trade agreements, but the position about this policy is different between the countries in Latin America, for example the view of Mercosur comparison with Pacific Alliance.
- Latin America has difference policies with Asia (in particular with China), and that is natural because of the particularities of the region. Any way, the region must define some general policies at least in some common issues, is this possible?



## A few of conclusions (3)

- The world is changing really fast, most part of Latin America is not being part of the international value chains phenomenon that is pulled by Asia.
- While Latin America is a very good provider of primary products, that are strategic for some Asia countries, in my opinion is necessary to go throw the value and processing of the products, and especially to identify new opportunities in sectors such services and other industrial products.
- The joint efforts of companies, business sector and the academic sector of Latin America and Asia Pacific is very important to achieve this objective.



# THANK YOU

[observatorio.coordinador@aladi.org](mailto:observatorio.coordinador@aladi.org)

[www.observatorioasiapacifico.org](http://www.observatorioasiapacifico.org)



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Ignacio Bartesaghi – Coordinator

2 of october, 2014  
Kuala Lumpur, Malaysia

Latin America and Asia Pacific Realities. Defining the  
agenda



Institute of Strategic & International Studies (ISIS) Malaysia

