OBSERVATORY
LATIN AMERICA
ASIA PACIFIC

# STATISTICAL BULLETIN
## Latin America and Asia-Pacific
## Bulletin Nº 12
## Second half
## 2017

ALADI
Asociación Latinoamericana de Integración
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CAF BANCO DE DESARROLLO DE AMÉRICA LATINA

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# Statistical bulletin
# LATIN AMERICA - ASIA-PACIFIC

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BULLETIN NUMBER 12 SECOND HALF 2017

## *A. Evolution in bi-regional trade in 2017*

- Despite a slower rate of growth during the second half of the year, the value of merchandise exports from Latin America to Asia-Pacific[1] increased 25.2% in 2017. This represents a strong recovery after the stagnation of the value of shipments in 2016, which in turn followed a sharp drop in 2015 (-19.6%). In fact, the rate of expansion of shipments to Asia-Pacific in 2017 was almost double the rate of region's growth in total exports (12.9%). Shipments to China grew fastest among all Asian markets (see Table 1).
- The value of regional imports of goods from Asia-Pacific grew 9% in 2017, an expansion similar to that of the region's total imports (8.8%). This marks a sharp break with respect to 2016, when purchases from the Asia-Pacific region contracted 8.4%. Purchases from the Rest of Asia grouping grew the most in 2017 (14.7%), while those from the Republic of Korea fell slightly.
- In 2017, the trade deficit of the region with Asia-Pacific declined for the second consecutive year, going from approximately US$ 112 billion in 2016 to roughly US$ 97 billion (-13.5%).

**Table 1. Latin America: merchandise trade with Asia-Pacific and the world, 2015-2017**
(*In millions of current dollars and annual percent change*)

| | Exports | | | | | Imports | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | Percent Change | | 2015 | 2016 | 2017 | Percent Change | |
| | | | | 2016 | 2017 | | | | 2016 | 2017 |
| **Asia-Pacific** | 156 091 | 155 930 | 195 215 | -0.1 | 25.2 | 292 069 | 267 656 | 291 827 | -8.4 | 9.0 |
| **China** | 77 989 | 76 898 | 99 350 | -1.4 | 29.2 | 170 039 | 152 372 | 166 776 | -10.4 | 9.5 |
| **Japan** | 16 795 | 17 239 | 20 480 | 2.6 | 18.8 | 30 519 | 28 819 | 29 734 | -5.6 | 3.2 |
| **Republic of Korea** | 12 867 | 13 068 | 13 792 | 1.6 | 5.5 | 28 056 | 25 735 | 25 661 | -8.3 | -0.3 |
| **Rest of Asia** | 48 440 | 48 725 | 61 593 | 0.6 | 26.4 | 63 455 | 60 730 | 69 656 | -4.3 | 14.7 |
| **Rest of the world** | 724 378 | 695 102 | 765 989 | -4.0 | 10.2 | 648 306 | 581 461 | 632 009 | -10.3 | 8.7 |
| **World** | **880 469** | **851 032** | **961 204** | **-3.3** | **12.9** | **940 375** | **849 117** | **923 836** | **-9.7** | **8.8** |

Source: ECLAC on the basis of national statistical offices, customs authorities, central banks, export promotion agencies, the United States International Trade Commission, EUROSTAT of the European Union and the Directorate of Trade Statistics of the International Monetary Fund.
Note: Cuba, Haiti, and Panama are not included due to lack of official statistical information for the reference period.

- Growth in the region's exports to Asia-Pacific in 2017 was common across nearly all countries. The exceptions were Argentina and Guatemala (see Table 2). Argentine exports fell to all major Asian destinations except Japan, with the deepest contraction in shipments to the Republic of Korea (-40.9%). This was mainly due to the strong drops in shipments of soybean products (beans, cakes and oil). In the case of Guatemala, shipments to all Asian destinations contracted with the exception of the Chinese Province of Taiwan. Although its exports to China and the Republic of Korea fell by about 20%, the biggest absolute impact came from Japan (-9.8%), since it represents 39% of the country's shipments to Asia-Pacific.
- During 2017, imports from Asia-Pacific also grew in the vast majority of countries in Latin America. However, four countries contracted: Costa Rica, Nicaragua, Honduras and the Bolivarian Republic of Venezuela. These last two countries registered the biggest declines in imports (-24.7% and -20.1%, respectively).

[1] For the purposes of this bulletin, the Asia-Pacific grouping includes trade flows with Asia as a whole and Oceania.

- In the region, Mexico maintains the largest trade deficit with Asia-Pacific. It grew by 5% in 2017, reaching US$ 124 billion. The strong increase (55.5%) in Brazil's surplus with Asia-Pacific also stands out, rising from almost US$ 19 billion in 2016 to US$ 29 billion in 2017. The largest deficits and surpluses are generally recorded in bilateral relations with China (see Table 2).

**Table 2. Latin American countries: merchandise trade with Asia-Pacific and China, 2016-2017**

*(In millions of current dollars and percent change)*

**a) Asia-Pacific**

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | Percent Change | 2016 | 2017 | Percent Change |
| **Argentina** | 13 912 | 12 607 | -9.4 | 15 235 | 17 849 | 17.2 |
| **Bolivia (Plurinational St.)** | 1 709 | 2 597 | 52.0 | 2 340 | 2 613 | 11.6 |
| **Brazil** | 61 976 | 78 744 | 27.1 | 43 274 | 49 658 | 14.8 |
| **Chile** | 29 960 | 34 656 | 15.7 | 19 980 | 22 084 | 10.5 |
| **Colombia** | 1 786 | 3 014 | 68.8 | 9 747 | 9 986 | 2.4 |
| **Costa Rica** | 322 | 506 | 57.3 | 3 774 | 3 680 | -2.5 |
| **Ecuador** | 2 842 | 3 595 | 26.5 | 4 529 | 5 276 | 16.5 |
| **El Salvador** | 119 | 222 | 85.9 | 1 683 | 2 530 | 50.3 |
| **Guatemala** | 443 | 389 | -12.1 | 2 600 | 2 651 | 2.0 |
| **Honduras** | 134 | 135 | 1.0 | 1 796 | 1 353 | -24.7 |
| **Mexico** | 18 449 | 22 579 | 22.4 | 136 781 | 146 843 | 7.4 |
| **Nicaragua** | 117 | 197 | 68.0 | 1 548 | 1 434 | -7.4 |
| **Paraguay** | 1 130 | 1 904 | 68.5 | 3 033 | 4 248 | 40.1 |
| **Peru** | 12 647 | 18 482 | 46.1 | 12 873 | 13 273 | 3.1 |
| **Dominican Republic** | 844 | 917 | 8.6 | 3 633 | 3 832 | 5.5 |
| **Uruguay** | 1 119 | 1 723 | 54.0 | 2 089 | 2 329 | 11.5 |
| **Venezuela (Bol. Rep.)** | 8 420 | 12 945 | 53.8 | 2 740 | 2 189 | -20.1 |
| **Latin America** | **155 930** | **195 215** | **25.2** | **267 656** | **291 827** | **9.0** |

**b) China**

| | Exports | | | Imports | | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | Percent Change | 2016 | 2017 | Percent Change |
| **Argentina** | 4 420 | 4 325 | -2.1 | 10 466 | 12 313 | 17.6 |
| **Bolivia (Plurinational St.)** | 476 | 401 | -15.6 | 1 536 | 1 859 | 21.0 |
| **Brazil** | 35 135 | 47 489 | 35.2 | 23 364 | 27 322 | 16.9 |
| **Chile** | 17 153 | 19 091 | 11.3 | 13 434 | 14 688 | 9.3 |
| **Colombia** | 956 | 2 000 | 109.1 | 8 631 | 8 754 | 1.4 |
| **Costa Rica** | 46 | 174 | 280.8 | 2 193 | 2 192 | 0.0 |
| **Ecuador** | 656 | 772 | 17.6 | 2 730 | 3 064 | 12.2 |
| **El Salvador** | 6 | 47 | 678.4 | 856 | 1 447 | 69.0 |
| **Guatemala** | 76 | 61 | -19.7 | 1 852 | 1 970 | 6.4 |
| **Honduras** | 12 | 17 | 42.8 | 1 085 | 826 | -23.9 |
| **Mexico** | 5 407 | 6 714 | 24.2 | 69 521 | 74 145 | 6.7 |
| **Nicaragua** | | | | | | |
| **Paraguay** | 21 | 28 | 32.2 | 2 492 | 3 451 | 38.5 |
| **Peru** | 8 453 | 11 586 | 37.1 | 8 226 | 8 845 | 7.5 |
| **Dominican Republic** | 110 | 86 | -21.9 | 2 217 | 2 375 | 7.1 |
| **Uruguay** | 870 | 1 491 | 71.4 | 1 532 | 1 694 | 10.6 |
| **Venezuela (Rep. Bol.)** | 3 102 | 5 069 | 63.4 | 2 237 | 1 832 | -18.1 |
| **Latin America** | **76 898** | **99 350** | **29.2** | **152 372** | **166 776** | **9.5** |

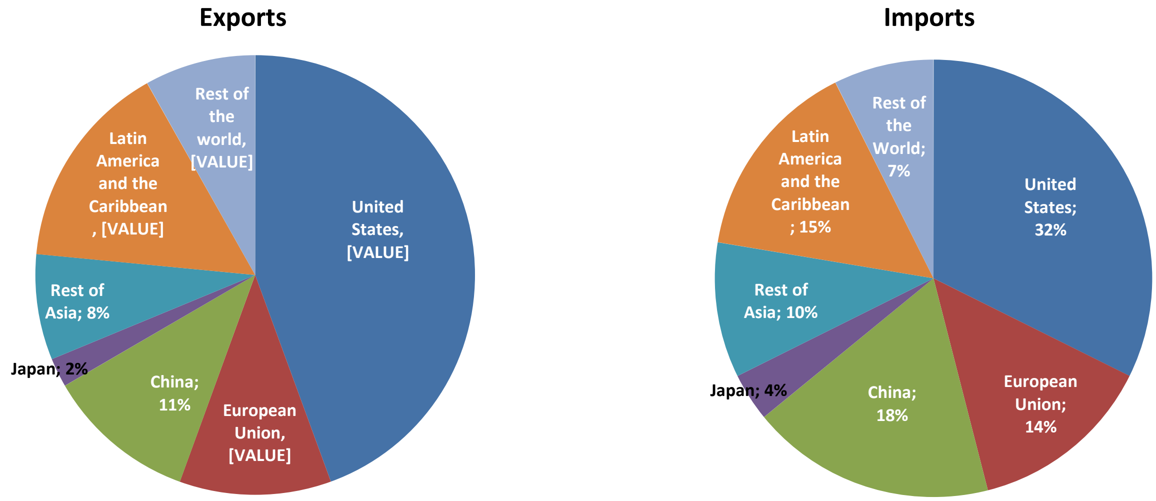
Source: ECLAC on the basis of national statistical offices, customs authorities, central banks, export promotion agencies, the United States International Trade Commission, EUROSTAT of the European Union and the Directorate of Trade Statistics of the International Monetary Fund.

Note: Cuba, Haiti, and Panama are not included due to lack of official statistical information for the reference period.

- In 2017, the share of Asia-Pacific in total regional exports and imports of goods stood at 21% and 32%, respectively. The share of China in both flows stands out, accounting for 11% and 18%, respectively (see Figure 1).

With respect to 2016, the share of Asia in Latin America's shipments to the world increased by two percentage points, while its weight in regional purchases remained stable.

**Figure 1. Latin America: Distribution of merchandise trade by main partners, 2017**
(*percent of the total*)

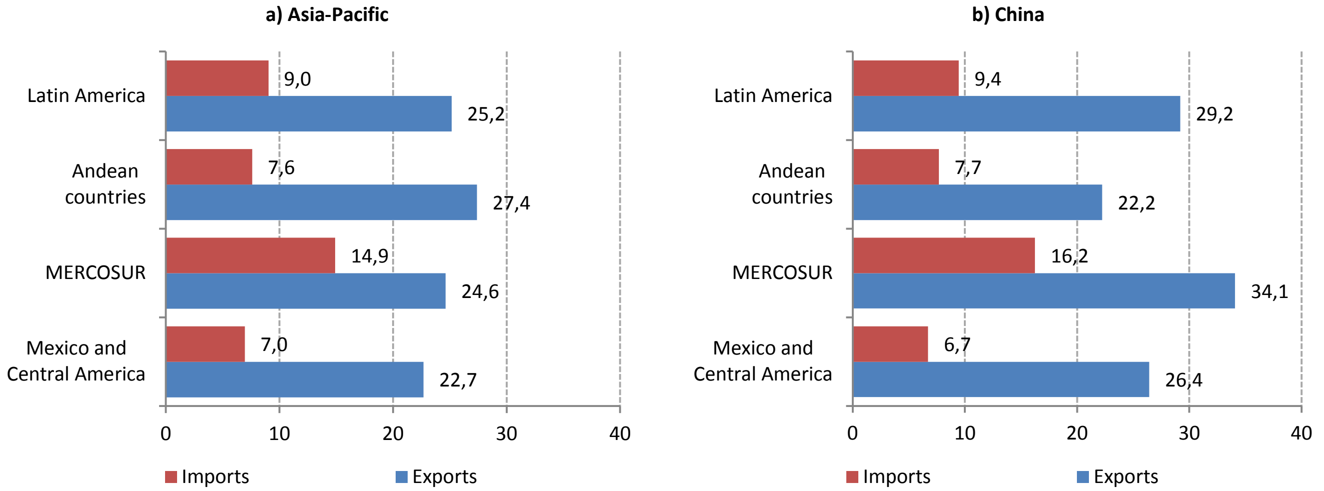



Source: ECLAC on the basis of national statistical offices, customs authorities, central banks, export promotion agencies, the United States International Trade Commission, EUROSTAT of the European Union and the Directorate of Trade Statistics of the International Monetary Fund.
Note: Cuba, Haiti, and Panama are not included due to lack of official statistical information for the reference period.

- By subregions, exports of goods to Asia-Pacific, and particularly to China, rose sharply in 2017. Increases in shipments from the Andean countries to Asia-Pacific, and from MERCOSUR to China were particularly notable. In the case of the Andean countries, all growth rates were high, led by Colombia at 68.8%, while Peru accounted for the largest share of the bloc's export growth to the region in absolute terms. In MERCOSUR, although Argentina saw its shipments to China contract by 2.1%, the strong expansion of Brazil (35.2%), and to a lesser extent the Bolivarian Republic of Venezuela (63.1%) and Uruguay (71.4%), more than compensated for this drop (see Table 2 and Figure 2).

**Figure 2. Subregions of Latin America: change in the value of trade in goods with Asia-Pacific and China, 2017 with respect to 2016**

*(In percentages)*

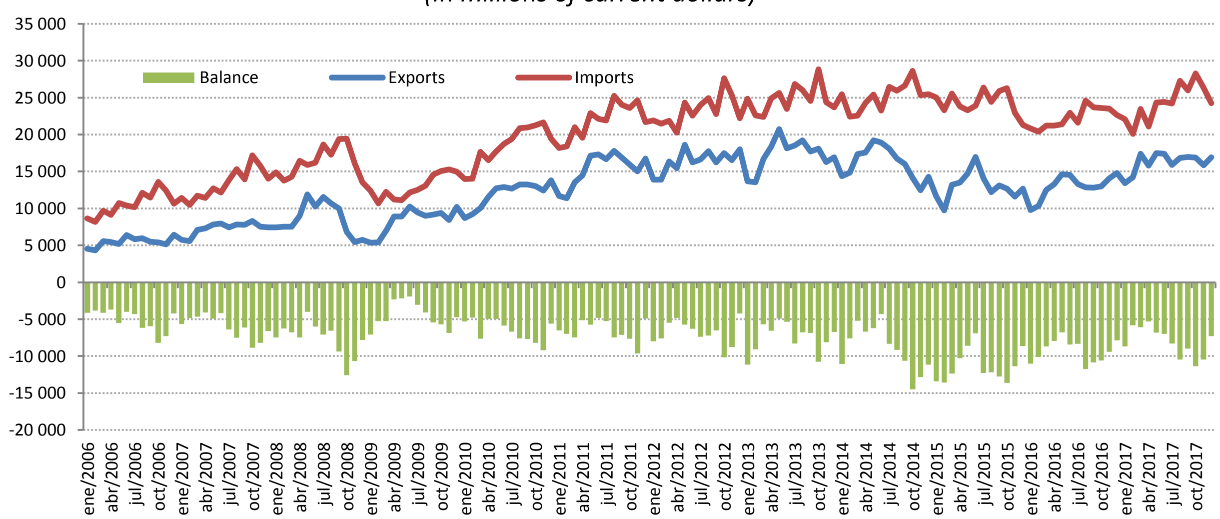



Source: ECLAC on the basis of national statistical offices, customs authorities, central banks, export promotion agencies, the United States International Trade Commission, EUROSTAT of the European Union and the Directorate of Trade Statistics of the International Monetary Fund.
Note: Cuba, Haiti, and Panama are not included due to lack of official statistical information for the reference period.

- The average monthly amount exported by Latin America to Asia-Pacific was just over US$ 16 billion during 2017. Although this value is still below the monthly average achieved during 2013 (just over US$ 17 billion), this represents a large recovery with respect to 2015 and 2016 (Figure 3).

**Figure 3. Latin America: merchandise trade with Asia-Pacific, January 2006 to December 2017**

*(In millions of current dollars)*




Source: ECLAC on the basis of national statistical offices, customs authorities, central banks, export promotion agencies, the United States International Trade Commission, EUROSTAT of the European Union and the Directorate of Trade Statistics of the International Monetary Fund.
Note: Cuba, Haiti, and Panama are not included due to lack of official statistical information for the reference period.

- On average, the trade deficit of the region with Asia Pacific was almost US$ 8 billion per month in 2017. This implies a reduction of almost one billion dollars per month compared to 2016. In this way, the trade deficit returns to levels similar to those of 2013.

- The reduction of the regional deficit with Asia-Pacific in 2017 is primarily explained by the marked difference between the growth rates of exports and imports from Brazil and Mexico. Both countries, which together account for 62% of total trade between Latin America and Asia-Pacific, expanded their exports to the latter market by 27.1% and 22.4% respectively, while their imports did so at a lower rate (14.8% and 7.4%, respectively). Chile, the Latin American country that trades third most with Asia (representing 11.7% of bi-regional flows), also saw its exports to that market grow more than its imports (15.7% and 10.5%, respectively).

## B. Towards a trade war between the United States and China?

During the first half of 2018 there has been a strong increase in concern about the possible outbreak of a "trade war" between the world’s two largest economies, the United States and China. The trigger has been the abrupt turn of American trade policy under the current administration. The "America First" policy is characterized by an overtly protectionist rhetoric focused on strict reciprocity, the reduction of trade deficits with various partners and the reshoring of industries and jobs. The practical expression of this new orientation has been a marked shift from multilateralism to bilateralism and unilateralism. In this context, the Trump administration has adopted or announced several restrictive trade measures during 2018. Some of them are targeted at China, while others are of a general scope. This has led to announcements of retaliatory measures by several partners, which if realized could generate an escalation that in turn could adversely affect the dynamism of world trade and therefore the global economy. Below is a brief review of the main trade conflicts currently unfolding.

In April 2017, President Donald Trump ordered that the United States Department of Commerce initiate separate investigations into the effect of steel and aluminum imports on the country's national security under Section 232 of the Trade Expansion Act of 1962. In recent years there has been growing concern about the global overcapacity in both industries, particularly steel in China. This was reflected in the creation, in September 2016, of the Global Forum on Steel Excess Capacity within the framework of the Group of Twenty (G20). The Department of Commerce reports concluded that the increase in steel and aluminum imports threatens to undermine the national security of the United States. Based on its recommendations, on March 1, 2018, the imposition of tariffs of 25% on imports of steel and 10% on aluminum imports from all origins was announced. Some countries, such as Argentina, Brazil and the Republic of Korea, agreed with the United States to limit shipments of steel, aluminum or both to the country to avoid the application of the new tariffs.

United States restrictions on imports of steel and aluminum have been harshly criticized by several of its major partners. Those measures have been questioned not only in terms of their negative impact on the affected countries, but also because reasons of national security have been used to justify measures whose foundation is essentially economic. In this context, both China and the European Union (EU) have initiated dispute settlement procedures in the World Trade Organization (WTO), questioning the compatibility of the restrictions with the agreements of that organization. Also, both partners have announced retaliatory measures on US products. For example, on June 20$^{th}$ the EU gave a green light to the application of a 25% surcharge to a list of 200 US products (including sweet corn, blueberries, rice, orange juice, cigarettes, cosmetics, t-shirts, boats, steel and motorcycles), whose imports amount to approximately US$ 3.3 billion. Japan has also announced its intention to raise tariffs on US products.

In addition, in August of 2017, President Trump ordered the beginning of an investigation into the policies and practices of China in the realm of technology transfer, intellectual property and innovation. The investigation was initiated under Section 301 of the Trade Act of 1974, which grants the United States the authority to enforce trade agreements, resolve commercial disputes and open foreign markets to US goods and services, including the possibility of applying sanctions to other countries unilaterally. The background of this investigation is the high and persistent deficit of the United States in the trade of goods with China, which in 2017 reached US$ 396 billion.

The investigation concluded that China applies various practices that harm US business interests. These include requirements for foreign investors to form joint ventures with Chinese partners, various measures to force or pressure the transfer of technology from US companies to Chinese companies, and commercial cyber-espionage. The damage to the US economy was estimated to be at least US$ 50 billion per year (USTR, 2018). Based on these findings, in March 2018 President Trump instructed the following actions:

1. The beginning of a dispute settlement procedure in the WTO questioning the conformity of the aforementioned practices with the rules of the multilateral trading system.
2. The application of an additional tariff of 25% on a volume of US$ 50 billion of imports from China, including products from the aerospace, machinery and information and communication technologies sectors.
3. Restrictions on certain Chinese investments in the United States in sensitive technology sectors.

In April 2018, China initiated a dispute settlement procedure in the WTO, questioning the tariff increases announced by the United States as a result of the investigation under Section 301. In May, both countries entered into negotiations to avoid a trade war. Initially, an agreement in principle was announced under which China would undertake to substantially reduce its trade surplus with the United States, mainly by increasing purchases of agricultural and energy products. However, on June 15th, the United States released a list of 1,333 Chinese industrial products that would be subject to a 25% tariff surcharge, and whose imports in 2017 were worth US$ 50 billion. A first group of at least 800 products (whose imports amounted to US$ 34 billion dollars in 2017) would have this surcharge applied starting July 6th. The list includes items such as robots, vehicles, electronic equipment and various types of machinery.

The same day, June 15th, China reacted by announcing the application of surcharges of between 10% and 25% on US$ 50 billion of imports from the United States. Like the United States, China announced that the surcharges would be applied to the first group of products (whose imports totaled US$ 34 billion in 2017) from July 6th. This group includes automobiles and numerous agricultural and agroindustrial products such as mutton and pork, cheese, fresh fruit, whiskey, wines and ethanol. A second group of products (including chemical products and medical equipment, among others) would be subject to surcharges at a later date yet to be determined. In turn, on June 18th President Donald Trump instructed the preparation of a second list of Chinese products, with an import value of US$ 200 billion, to which a tariff surcharge of 10% would be applied in the case that China implements the announced surcharges. The brief period that remains until July 6th appears critical to reach an agreement that allows for the deactivation of the start of protectionist escalation between the two countries.

**Source:** UN ECLAC, on the basis of Inside U.S. Trade (various articles), United States Trade Representative (USTR), "Section 301 Factsheet" [online] https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2018/march/section-301-fact-sheet, and WTO, "WTO disputes" [online] https://www.wto.org/spanish/tratop_s/dispu_s/dispu_status_s.htm.

***Recent work and events of LAIA, CAF and ECLAC on topics related to the relationship between the two regions***

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