



# OBSERVATORY

LATIN AMERICA  
ASIA PACIFIC

## STATISTICAL BULLETIN

### Latin America and Asia-Pacific

### Bulletin N° 9

### First half of year

### 2016



## Statistical Bulletin LATIN AMERICA - ASIA-PACIFIC

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### Foreign trade

- During the January-June 2016 period, the value of the exports of goods of Latin America, and the Caribbean to Asia-Pacific<sup>1</sup> diminished 6,1% as to the same period of 2015. This drop is extending since the three previous six months periods. Among the main destinations of the regional exports, the rise of the exports to Korea contrasts with the decrease of China, Japan, and the rest of Asia.
- Regarding the imports of goods, the half year period showed a decrease of 11,5%, almost the double of that of the exports, with a further decline in the case of the imports from China, the rest of Asia, and Korea. Not this way the purchases the region made in Japan, which had a growth of 8%.
- The greater decline of the imports as to the exports determined a reduction of the trade deficit of the first half period of 2016, of a little bit more than 11, 5 billion dollars, going from US\$ 62,741 in the first half of 2015 to US\$ 51,137 in the first half of 2016.

**Chart 1. Latin America, and the Caribbean: Evolution of the foreign trade with Asia-Pacific and the world, 2015-2016**  
(In million current dollars, and January – June rates of variation)

	Exports					Imports				
	Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun variation		Jan-Jun	Jan-Jun	Jan-Jun	Jan-Jun variation	
	2014	2015	2016	2015	2016	2014	2015	2016	2015	2016
<b>Asia-Pacific</b>	102 833	79 769	74 923	-22.4	-6.1	140 108	142 510	126 060	1.7	-11.5
China	53 301	40 986	39313	-23.1	-4.1	79 315	80 957	73 443	2.1	-9.3
Japan	11 204	9 836	9707	-12.2	-1.3	14 538	14 866	16 052	2.3	8.0
Korea	6 726	6 337	7244	-5.8	14.3	15 573	12 592	12 221	-19.1	-2.9
Rest of Asia	31 601	22 610	18659	-28.5	-17.5	30 683	34 095	24 344	11.1	-28.6
Rest of the world	409 600	366 268	328777	-10.6	-10.2	366 032	323 122	273 444	-11.7	-15.4
<b>World</b>	<b>512 432</b>	<b>446 038</b>	<b>403 700</b>	<b>-13.0</b>	<b>-9.5</b>	<b>506 140</b>	<b>465 632</b>	<b>399504</b>	<b>-8.0</b>	<b>-14.2</b>

Source: ECLAC, based on the information of the Trade Statistical Bulletin N° 24 of the ECLAC.

- During the first half of 2016, except for Argentina, Brazil, Paraguay, and Peru, in South America, and Honduras, in Central America, the exports of the rest of the countries of Latin America to Asia-Pacific showed drops, in some case of two digits. Only Brazil, Chile, and Peru showed increases in their exports to China, main destination of the sales of the region to Asia Pacific (more than 50% of the total).
- The imports from Asia Pacific during the first half of 2016 underwent a general decrease in South America, it being the most severe in the cases of Brazil, Colombia, Ecuador, Uruguay, and Venezuela, R.B. In the case of Central America, only Costa Rica, and Nicaragua registered increases. In the same way Mexico, though moderately.
- The greatest trade deficit with Asia-Pacific within the analyzed period is related to Mexico (US\$ 57865). The increase of the surplus reached by Brazil is to be highlighted, which went from 865 million dollars, during the first half of 2015, to a little bit more than US\$ 11 billion in the first half of 2016. The largest deficits and the largest surplus take place in the bilateral relations with China (see chart 2).

<sup>1</sup> For the purposes of this Bulletin, the Asia-Pacific aggregation includes the trade flows with Asia in its entirety, and Oceania.

**Chart 2. Evolution of the trade-in-goods of Latin America with Asia-Pacific, by countries**  
(In millions of current dollars, and percentages)

**a) Asia-Pacific**

	Exports			Imports		
	2015	2016	Variation	2015	2016	Variation
Argentina	6 876	7 193	4.6	7 748	7 623	-1.6
Bolivia, Plurinational State	706	661	-6.4	1 318	1 125	-14.6
Brazil	31 709	32 275	1.8	30 844	21 033	-31.8
Chile	16 000	14 913	-6.8	9 719	9 226	-5.1
Colombia	1 523	770	-49.4	5 515	4 484	-18.7
Costa Rica	220	159	-27.5	1 599	1 632	2.1
Ecuador	1 420	1 284	-9.6	3 614	2 418	-33.1
El Salvador	122	79	-35.0	861	810	-6.0
Guatemala	349	252	-27.7	1 310	1 200	-8.4
Honduras	55	72	32.0	1 095	945	-13.7
Mexico	7 953	7 496	-5.7	64 428	65 361	1.4
Nicaragua	65	55	-14.7	664	794	19.7
Paraguay	477	526	10.4	1 509	1 263	-16.3
Peru	4 646	5 117	10.1	6 785	6 078	-10.4
Uruguay	772	572	-26.0	1 401	962	-31.3
Venezuela, Bol. Rep.	6 879	3 498	-49.1	4 100	1 106	-73.0
<b>Latin America</b>	<b>79 769</b>	<b>74 923</b>	<b>-6.1</b>	<b>142 510</b>	<b>126 060</b>	<b>-11.5</b>

**b) China**

	Exports			Imports		
	2015	2016	Variation	2015	2016	Variation
Argentina	2 982	2 315	-22.4	5 320	5 304	-0.3
Bolivia, Plurinational State	226	185	-18.0	762	715	-6.1
Brazil	18 475	19 771	7.0	16 693	13 683	-18.0
Chile	8 252	8 390	1.7	6 384	6 099	-4.5
Colombia	952	468	-50.8	4 853	3 961	-18.4
Costa Rica	44	23	-49.1	954	898	-5.8
Ecuador	408	299	-26.8	1 752	1 467	-16.2
El Salvador	41	3	-93.3	402	407	1.3
Guatemala	159	40	-74.7	920	851	-7.5
Honduras	8	5	-40.3	714	562	-21.3
Mexico	2 392	2 304	-3.7	32 809	33 170	1.1
Nicaragua	...	...	...	...	...	...
Paraguay	20	10	-48.5	1 158	866	-25.3
Peru	3 217	3 456	7.4	4 285	3 897	-9.1
Uruguay	627	449	-28.4	908	696	-23.4
Venezuela, Bol. Rep.	3 183	1 595	-49.9	3 044	867	-71.5
<b>Latin America</b>	<b>40 986</b>	<b>39 313</b>	<b>-4.1</b>	<b>80 957</b>	<b>73 443</b>	<b>-9.3</b>

Source: ECLAC based on statistics institutes, central banks, exports promotion entities, US International Trade Commission, EUROSTAT of the European Union and Direction of Trade Statistics (DOTS) of the International Monetary Fund.

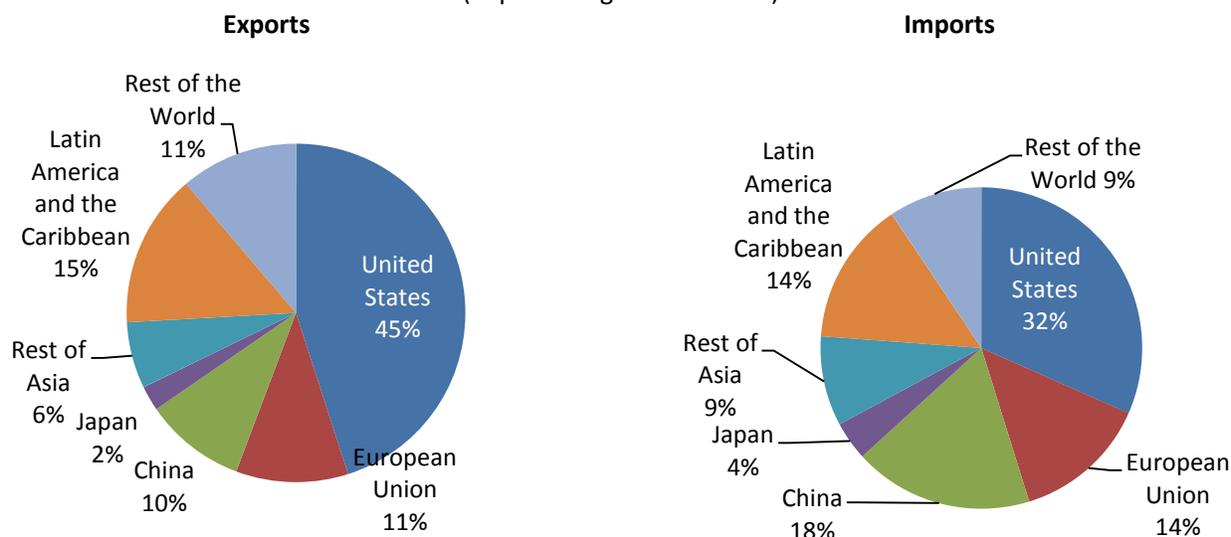
Notes: In the case of the Bolivarian Republic of Venezuela are quarterly data, to which the monthly trend of DOTS was applied. The information of Cuba, Panama, and Dominican Republic is not included due to the lack of official statistical information for the mentioned period.

The decrease of 6,1% of the exports to Asia in the January – June 2016 period involves the fourth consecutive half year with negative growth rate, was lower than those registered in the first and second half of 2015 (-22,4%, and -18,2%, respectively). In the case of the imports, a strong decline of 11,5% was detected. The lower regional economic activity resulted in that the decrease of the imports was more severe than those of the exports.

Within the period under study, the foreign trade with Asia was less dynamic among the countries of South America than with Mexico, and the countries of Central America. In fact, Mexico registered a slight growth of its imports from Asia-Pacific. Likewise, Costa Rica, and El Salvador continued expanding their imports from Asia - Pacific.

Within the January – June 2016 period, the importance of Asia-Pacific in the total of the regional exports and imports situated in 18%, and 31%, respectively, with a greater relative participation of China, which represented 10% of the exports, and 31% of the imports (see chart 1).

**Chart 1. Latin America and the Caribbean:  
Distribution of the trade in goods according to main partners, January-June 2016**  
(In percentages of the total)



Source: ECLAC, based on the information of the Trade Statistical Bulletin N° 24 of ECLAC.

The decrease of the exported value by some countries in the region towards Asia Pacific during the first half of 2016 is explained by the fall in prices during the first half of 2016, mainly of some raw materials. The exports of crude oil (that is 27% allocated to Asia Pacific) were affected by the still decreasing trend of the price of the crude oil during the first half of the year (-31%). The most affected countries were Venezuela, B.R., Colombia, Argentina, Brazil, Ecuador, and, to a lesser extent, Mexico.

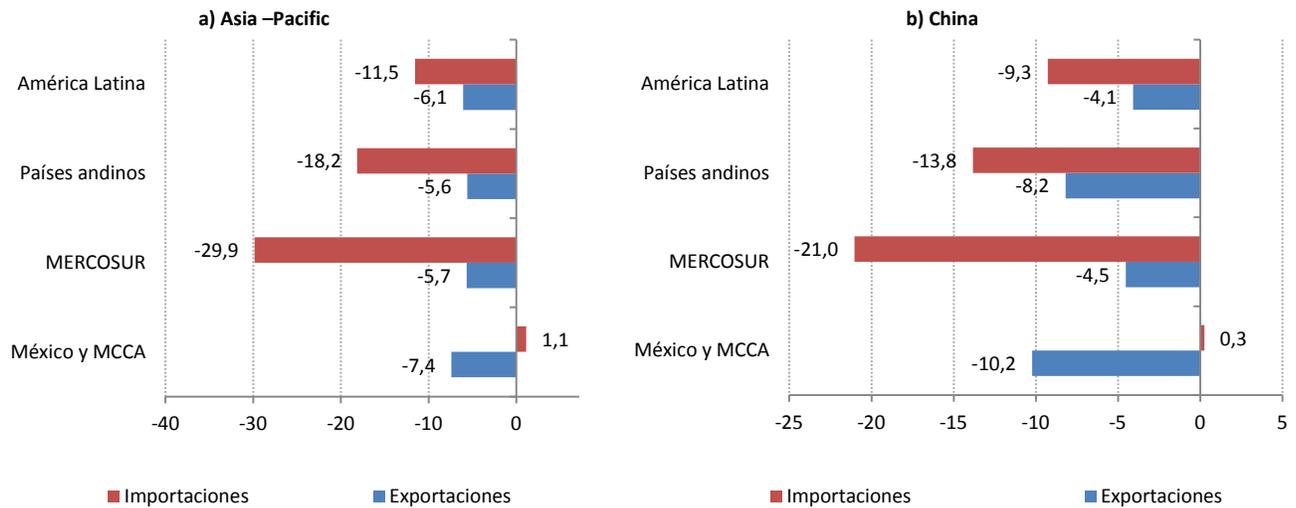
Among the mining products, the strongest fall in prices were those of nickel (-37%), copper (-21%), iron (-18%), and zinc (-16%). The most affected countries among the exporters of minerals were Bolivia, P.S., Brazil, Colombia, Chile, and Peru.

Among the agricultural products the prices that influenced most the fall of the exported value were the wheat (-17%), coffee (-15%), soy (-1%), and soy flour (-11%). In all cases, this was the additional falls to the strong declines that these products had in their prices in 2015 (on average of 17%). Other products with strong falls, in prices within the period were the fish flour (-8%), and the silvo-agricultural raw materials (-4%). This dynamic determined the fall of the value of exports to Asia, and mainly to China, by Argentina, Brazil, Paraguay, Peru, and Uruguay.

Foreign trade with Asia was less dynamic among the countries of South America than with Mexico and Central America. In fact, Mexico registered a slight increase of its imports from Asia-Pacific. In the same way, Costa Rica and El Salvador continued expanding their imports from that region.

By sub-regions, the exports of goods to Asia, and particularly, to China, had a general decline. In the case of the imports, Mexico and the countries of the Central American Common Market (CACM) registered a slight growth of their purchases from Asia Pacific. It is to be noted that the imports of goods of other origins different from China (the Republic of Korea, and the countries of the Association of Southeast Asian Nations (ASEAN) had a better performance during the half year period (see chart 2).

**Chart 2. Sub-regions of Latin America: Trade with China and Asia-Pacific, January-June 2016 variation as to January – June 2015 (In percentages)**



Source: ECLAC based on statistics institutes, central banks, exports promotion entities, US International Trade Commission, EUROSTAT of the European Union and Direction of Trade Statistics (DOTS) of the International Monetary Fund.

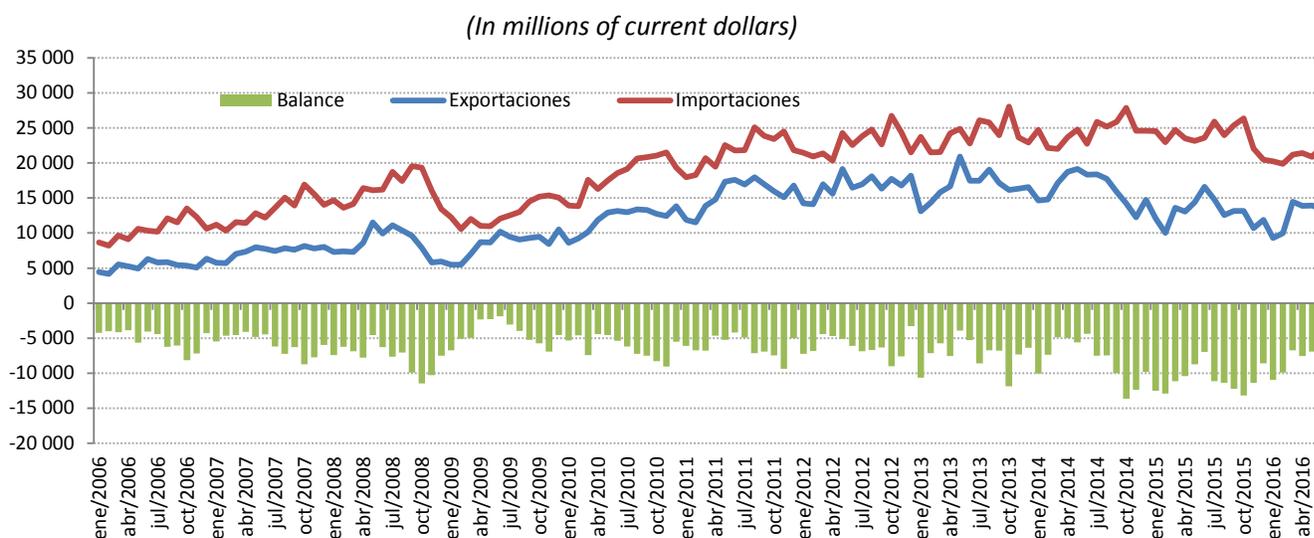
Notes: the information for Venezuela (B.R.) refers to three-months data, to which the monthly trend of DOTS was applied.

The downturn of trade between Latin America and the Caribbean and Asia-Pacific took the monthly average amount from values of a little more than 17 billion dollars during the first half of 2014 to about US\$ 12,5 billion in the first half of 2016. This figure is a little higher than the average exported to Asia by the region during the first half of 2010. Thus, there was a retreat of six years in the exported average amount to Asia.

In the case of the imports, the downward of the average is not so strong, since it falls at most about 23 billion dollars to 21 billion. Notwithstanding, it is also necessary to go back five years in order to have similar averages in the imports of the region from Asia (see chart 3).

The fall of the exports and of the imports during the January-June 2016 period determined an important reduction of the trade deficit of the region with Asia Pacific, which went from 62,741 billion of dollars in the same half of 2015 to 51,138 billion dollars in the first half of 2016. 11,603 billion dollars of the deficit were reduced, with a greater reduction during the second three months period of 2016. Such reduction is mainly explained by the increase of the surplus in Brazil, and the reduction of the deficit in practically all the other countries of South America. The only countries that increased their trade deficit were Costa Rica, Mexico, and Nicaragua, the one corresponding to Mexico being the most important. Its deficit with Asia is 57,865 billion dollars, outstripping the amount of the regional deficit.

**Chart 3. Latin America and the Caribbean: Evolution of trade with Asia-Pacific, January 2006 to June 2016**



Source: ECLAC based on statistics institutes, central banks, exports promotion entities, US International Trade Commission, EUROSTAT of the European Union and Direction of Trade Statistics (DOTS) of the International Monetary Fund.

Notes: the information for Venezuela (B.R.) refers to three-months data, to which the monthly trend of DOTS was applied.

### ***The impact of the emergence of China in the production and the trade in Latin America <sup>2</sup>***

The emergence of China as one of the most important powers of the world economy has been undoubtedly one of the most relevant facts in the international economic relations of this century. In the three decades after the beginning of the economic reforms of 1978 that led the country towards the international market, China grew on average 10% per annum, representing a fourth part of the growth of the world economy between 2000 and 2016. In 2010, China took the place of the United States as the main industrial producer of the world, and currently represents a fourth of the world production of manufactures. Besides, after a yearly average growth of its exports, higher than 20%, in 2011 China became the first exporter of the planet. In 2015, China was the largest exporter, and the second importer of goods in the world, with percentages of the total trade that reached 13,8 % and 10,1%, respectively.

The structural change in the world economic hierarchy generated by the emergence of China has had strong implications for Latin America and the Caribbean. China became an important consumer and importer of raw material. China's appetite for the import of raw materials had a direct effect on their price, which brought substantial benefits for Latin America by increasing the value of its exports of natural resources, and related products. For several countries, China became one of the main trade partners. In 2015, China was the first destination market of the exports from Brazil, Chile, and Peru, the second for those of Argentina and the Bolivarian Republic of Venezuela, and the third one for those of Colombia, Mexico, and Uruguay. Even for the countries of Central America, China soared in an important way, and it is among the first ten places of destination of the exports in countries such as Panama, El Salvador, Guatemala, and Honduras.

However, it should be noted that the expansion of the exports of the region to China concentrated on a few basic products and on a small group of countries, especially those with more supply of primary products. In the exports of almost all the countries to China, an only product is responsible for a great part of the value exported of each country to such market. In general, in the case of South America there are primary agricultural products (soy, meat,

<sup>2</sup> This section summarizes the conclusions, and analysis of a more extensive document developed by Durán and Pellandra (2017): "The emergence of China, and its impact on the productive and commercial structure in Latin America and the Caribbean". Serie Comercio Internacional No. 131. Santiago de Chile. February.

crustaceans, and leather), oil and minerals (copper, iron, metallic minerals). In the case of the Central American countries, though it is an only product mainly agricultural (sugar, peanut oil) or mining (metallic minerals, scrap metals), there are also some products with more elaboration such as the electronic circuits exported by Costa Rica to China.

The counterface of this heyday of the natural resources has been a change in the exporting structure of the countries of Latin America. This led many analysts to express their concern about what they consider a real regional deindustrialization, stated in the reprimarisation of the exports of goods, and loss of weight of the manufacture in the total of the GDP. In almost all the countries of Latin America, the exporting structure showed an increase in the weight of the raw materials and of the manufacture based on natural resources, whose participation in the total of the exports of Latin America and the Caribbean went from 45% to almost 60% between 2000 and 2015. The deindustrialization process may also be demonstrated by using data of employment, which show that in the first decade of our century there was a fall between 1 to 4 percentage points in the relation among the workers employed in the manufacturing sector and the economically active population in all the countries of the region. Besides, the countries of the region add very little value to the primary goods exported to China, and there is evidence of erosion of the regional contribution to the value chain of these products, since China is more and more replacing the import of processed goods with its own capacity.

On the other hand, the emergence of China also created an important competitor for the region in the markets of industrial products of their main trade partners, especially in the United States, and even in the domestic markets of the very countries of Latin America, where the national industries had growing difficulties in order to compete against the imports from China. Since 2000, the growth of the Chinese exports to Latin America was dramatic: the proportion of the total of the regional imports represented by China increased from 2,3% in 2000 to 17,7% in 2016. Whereas in 2000 China was not between the first three origins of the imports in any of the countries of the region, today it is between the first four countries of origin of the imports in almost all the countries. Currently, China is the first origin of the imports to Bolivia, Brazil, Uruguay, and Cuba, and the second to Argentina, Chile, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Paraguay, Dominican Republic, and Venezuela, B.R.

The great increases of the imports of manufactures from China do not reveal the precise degree of competition with the local products in the markets of Latin America. In order to know if the Chinese imports are causing erosion in the national production, it is necessary to estimate the penetration rate of the imports, which is defined as the proportion of imports of Chinese origin in the apparent consumption of manufactured products. Regarding the total manufacture, the results show a clear and gradual increase of the penetration of the imports from China in all the countries. The country where the Chinese imports represent the lowest proportion of the internal apparent consumption is Brazil, the country with the traditionally largest manufacturing basis, and where the Chinese imports represent about 3% of the total apparent consumption of manufactures. All the other countries present a penetration rate of Chinese imports of more than 5% in 2012, and among the most affected are Chile, Ecuador, Mexico, Uruguay, and Colombia, with important rises in emblematic sectors of the national industry of some countries. The most affected sectors are textiles, clothing, and shoes, and optics and electronics, and machinery and equipment.

Especially for manufacturing companies of the smallest countries, the exports often represent a source of demand for their products that may also be more relevant than the domestic demand, and several countries of Latin America developed an important exporting base in several industry sectors. Therefore, apart from the Chinese competition in the national markets, it is also necessary to analyze the competition that the exporters from Latin America have to face in their destination markets as a consequence of the emergence of China.

Chart 4 compares the evolution of the total imports quota represented by China and other countries or countries groupings in the markets of the United States and of Latin America and the Caribbean in its entirety for the total of goods, and the high technology manufactures. As may be seen in Chart 4a, in 2002 China reached the participation of Mexico in the total imports of the United States, and in 2007 exceeded the participation of the whole region in the imports of the United States. In the specific cases of the participation of South America and the countries of Central America and the Caribbean in the total imports of the United States, we may see a stagnation, especially in the last years, clear indication of the displacement suffered by the countries of the region due to the Chinese competition.

However, it is in the high technology manufactured products that the growth of the Chinese participation in the imports of the United States has been especially dramatic: between 1990 and 2000, it increased from 1,3% to 8,3%, and it was increased again in the following period, up to 36% in 2013, in which year it reached its peak in order to subsequently go back very slightly. In these areas, the most affected by the Chinese competition was Mexico, that represents a downward trend in the first half of the decade of 2000, though since then it showed a partial recovery. Regarding other Latin-American countries, they do not seem to be affected by the Chinese competition, as they are not exporters of high technology manufactures. The main exported products by China to the United States in this area are: telecommunications equipment, data processing machines, medical equipment, photographic equipment, and optical equipment (see chart 4b).

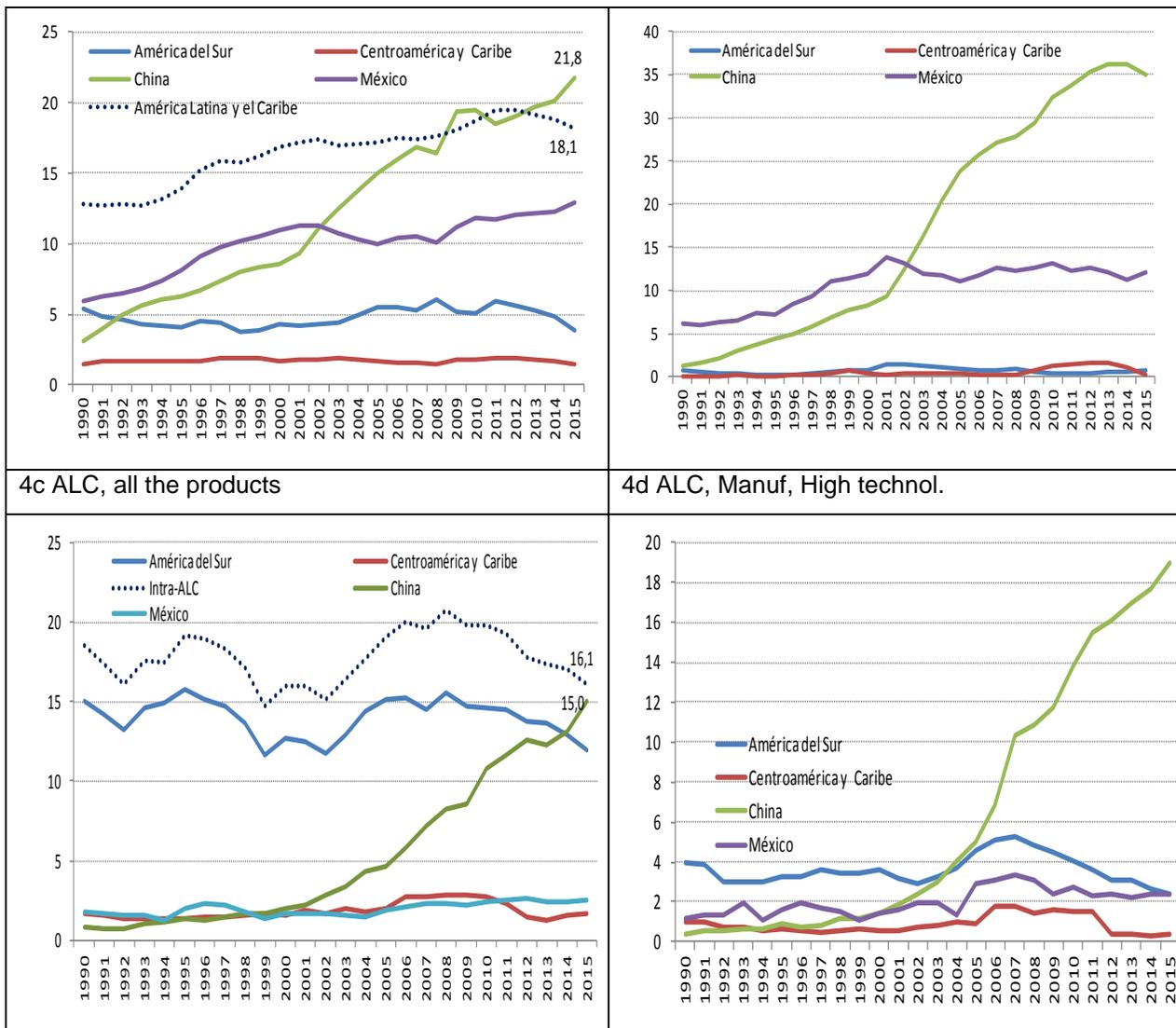
Chart 4c compares the evolution of the participation of China in the total of the imports of the whole Latin-American region, with the percentages represented by the different groups of countries of the region in intra-regional trade. It is to be noted that the imports quota from China had an explosion during the last decade, increasing its participation in the regional market of 2% in 2000 to 15% in 2015. Up to the end of 2000 such increase was much more at the expenses of the United States exports, and it did not seem to affect substantially. Notwithstanding, during the most recent period (between 2010 and 2015), the imports from China also began to replace imported goods from other countries of the region, particularly South America, as demonstrated by the downward trend that showed the coefficient of the intra-regional trade in all the manufacturing items. As in the case of the market of the United States, the Chinese growth was particularly impressive on the high technology manufactures (chart 4d), where its participation in the imports of the region grew from 5% to 19% between 2005 and 2015, whereas the participation of the very region dropped from 8,3% to 5,1% in the same period.

In recent years, the Chinese government tried to redirect the growth model of the country towards a "new normality", that should be with a rebalance of the economy according to a model promoted by the exports — "export-led"— to another promoted by the domestic consumption. However, this rebalance has not been completed yet. The Chinese growth is nowadays supported by a huge quantity of public investment, and subsidies financed with debt, which created strong imbalances referred to the indebtedness, and productive overcapacity that question the sustainability of growth in the near future. The economic slowdown of China in recent years has also caused strong drops in the prices of the raw materials, leaving the economies of the region in a very vulnerable situation, especially after the deindustrialization process caused by the combination of the effect of the "Dutch disease" —caused by the appreciation of currency that followed the exports peak of commodities— and the competition of the Chinese manufacturing imports. In view of the new situation, it is necessary for the region to rethink its relation with China, dissociating it from the old center-periphery development pattern that has prevailed over the last decade.

**Chart 4.**

**Evolution of the quota of total imports represented by China and other countries or countries groupings in the markets of the United States, and in Latin America and the Caribbean, 1990-2015 ( Percentages).**

4a United States, all the products	4b United States, High Technology Manufactures
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Source: authors, based on the data base of COMTRADE.

Certainly, the exporting diversification is an urgent challenge, and the same transformation process where the Chinese economy is involved could bring opportunities to the countries of the region, especially with a view to a greater diversification of its sendings to China. First of all, it is evidenced how agriculture and agroindustry could represent very promising sectors so as to achieve such goal. The ongoing transformations in China are bringing changes in their food consumption patterns, a country with only 7% of arable land, and 6% of the water resources in the world, must feed 19% of the world population. Consequently, the agriculture and agroindustry are the most obvious sectors where to look to achieve the diversification of the regional exporting basket to China. Other opportunity for Latin America to diversify its productive and exporting basket could be offered by the Foreign Direct Investment (FDI) of China in the same region. Latin America is currently the second receiver of Chinese FDI after Asia. Notwithstanding, it directed almost in its entirety to the primary sector, by reinforcing the reprimarisation process held since the beginning of the century. So, it is essential that the countries of Latin America may create common strategies as regards the trade with China, and multilateral forums that allow to establish shared rules in order to promote the Chinese FDI in the region. As Chinese investment flows diversify in the next years, this could also encourage the Latin-American productive integration. The intra-regional trade shows a greater concentration in manufactures, and products with greater added value than the rest of the exporting basket in the region. If the cooperation with China may bridge differences that the region still presents regarding the infrastructure, logistics, and

connectivity, and increase the productive articulation between Chinese companies, and local companies in sectors such as agroindustry, cars, and information technology, this could increase the scarce levels of current intra-regional trade, and increase the productive linkage among the countries of the region, thus contributing to a dynamic productive transformation of their economies as to products with higher technological content.

***Recent events and works of the ALADI, CAF, and ECLAC in topics related to the bi-regional relation***

Publication

- Miguel Pérez Ludeña (2017): "Chinese Investments in Latin America. Opportunities for growth and diversification", Series Production Development, Economic Commission for Latin America and the Caribbean, LC/TS.2017/18, Santiago: Naciones Unidas, Abril.
- José Durán Lima y Andrea Pellandra (2017): "La irrupción de China y su impacto sobre la estructura productiva y comercial en América Latina y el Caribe", Serie Comercio Internacional No. 131. LC/TS.2017/6. CEPAL, Santiago de Chile, Febrero.
- Durán Lima, J. y Cracau, D. (2016): "The Pacific Alliance and its economic impact on regional trade and investment: Evaluation and perspectives", Series International Trade, LC/L.4272, Naciones Unidas: Santiago, Diciembre.
- CEPAL (2016): "Relaciones económicas entre América Latina y el Caribe y China: oportunidades y desafíos". LC/L.4241, Naciones Unidas: Santiago, Noviembre.
- CEPAL (2016), "Fortaleciendo la relación entre la India y América Latina y el Caribe", LC/MEX/L.1223, Naciones Unidas: Santiago, Noviembre.
- T. Bernhardt (2016): "El comercio Sur-Sur y Sur-Norte: ¿cuál contribuye más al desarrollo de Asia y América del Sur? Ideas a partir de la estimación de elasticidades-ingreso de la demanda de importaciones", *Revista CEPAL*, Vol. 118, pp. 101-120, Abril.

Events

- Conferencia para la Creación de una Plataforma de Comercio y Servicios de Beijing en América Latina (24 mar 2017, Chile).
- APEC Public Private Dialogue on Regional and Global Value Chains in Latin America and the Caribbean (17 AGO 2016, Peru)
- Seminario El Acuerdo de Asociación Transpacífico: impactos para América Latina y el Caribe (5 ABR 2016, Chile)
- Seminar Republic of Korea- CELAC "Exploring strategies for economic cooperation between Korea-Latin America and Caribbean" (11 ABR 2016, Chile)