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Boom and Post-boom

China's Economic Engagement with Latin America

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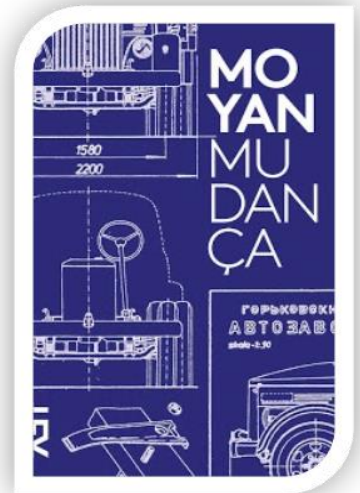
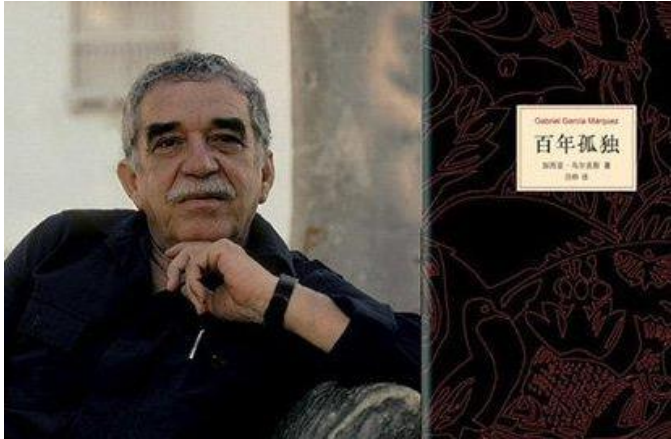
Latin America Fever in China





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El Comienzo del Tiempo-暮年困境

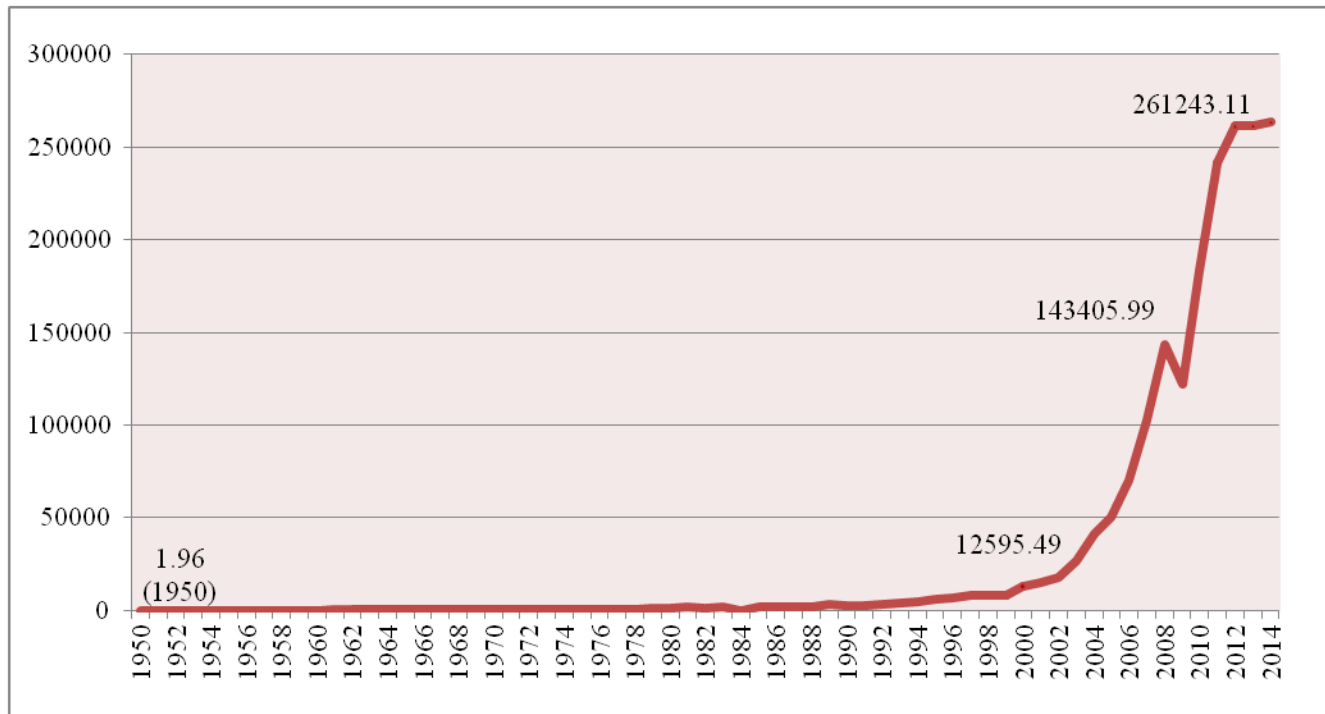


	Confucius Institute	Confucius Classroom
United States	109	348
Canada	12	18
Brazil	10	2
Mexico	5	0
Peru	4	0
Colombia	3	1
Chile	2	6
Argentina	2	0
Ecuador	1	1
Cuba	1	0
Costa Rica	1	0
Jamaica	1	0
Barbados	1	0
Bahamas	1	0
Trinidad and Tobago	1	0
Guyana	1	0
Bolivia	1	0
TOTAL	121+25	366+10

A. When there was an encounter...

FACTS AND FIGURES

Figure 1: Trade between China and LAC, 1990-2014 (USD bn)



- ✓ It took 50 years (1950~2000) for China-LAC trade to pass \$10 bn mark. However, 2007~2012, in just 5 years, the figure soared from around \$100 bn to more than \$260 bn.
- ✓ Between 2000-2014, China-LAC trade grew 22 times over, with the world, just 3 times over.

Source: *Zhongguo Duiwai Jingji Maoyi Nianjian* & *Zhongguo Haiguan Tongji Nianjian* (editions of relative years)

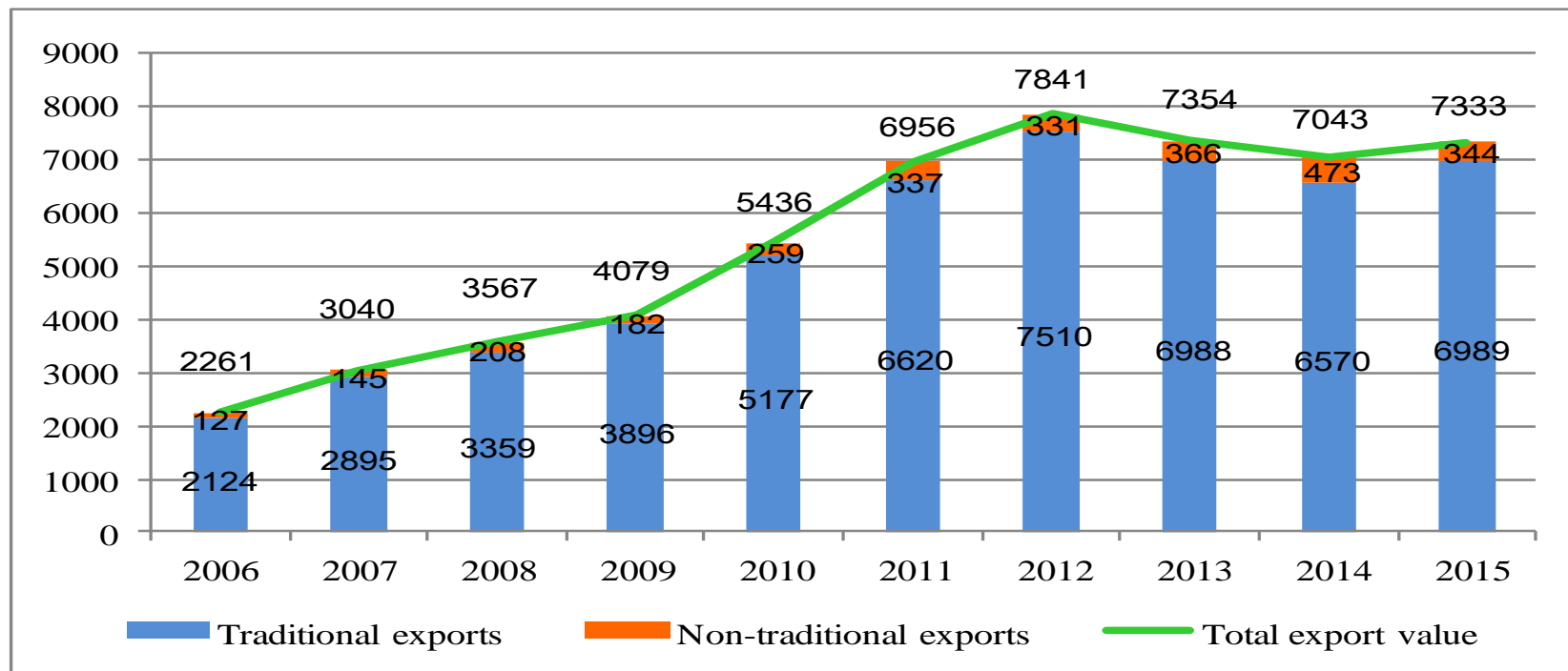
Table 1: China's rank as LAC selected countries' trade partners (in 2000 and 2015)

	Rank of Export Destinations		Rank of Import Suppliers	
	in 2000	in 2015	in 2000	in 2015
Argentina	6	2	4	2
Bolivia	18	5	7	1
Brazil	12	1	11	1
Chile	5	1	4	1
Colombia	36	2	9	2
Costa Rica	30	9	15	2
Mexico	19	3	7	2
Panama	31	4	25	1
Peru	4	1	9	2
Uruguay	4	1	7	1
Venezuela	35	6*	18	2*

Source: official releases of individual countries

* Ranks of year 2014

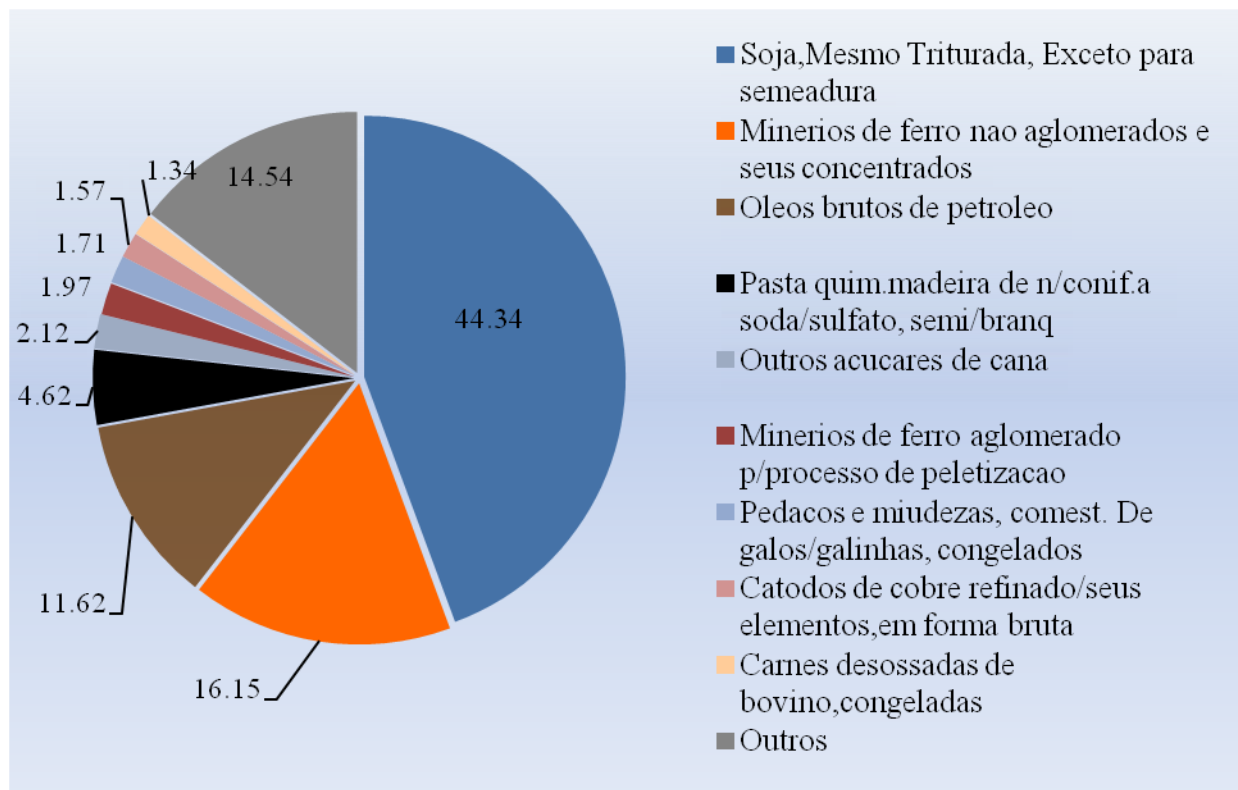
Figure 2: Value and Composition of Peru's Exports to China, 2006-2015 (USD mn)



Source: <http://www.mincetur.gob.pe/newweb/Default.aspx?tabid=793>

Peru-China relations have evolved rapidly in the past decade, but the trading structure is unbalanced, with primary commodities (minerals & fishmeal etc) accounting for the vast majority of its exports to China.

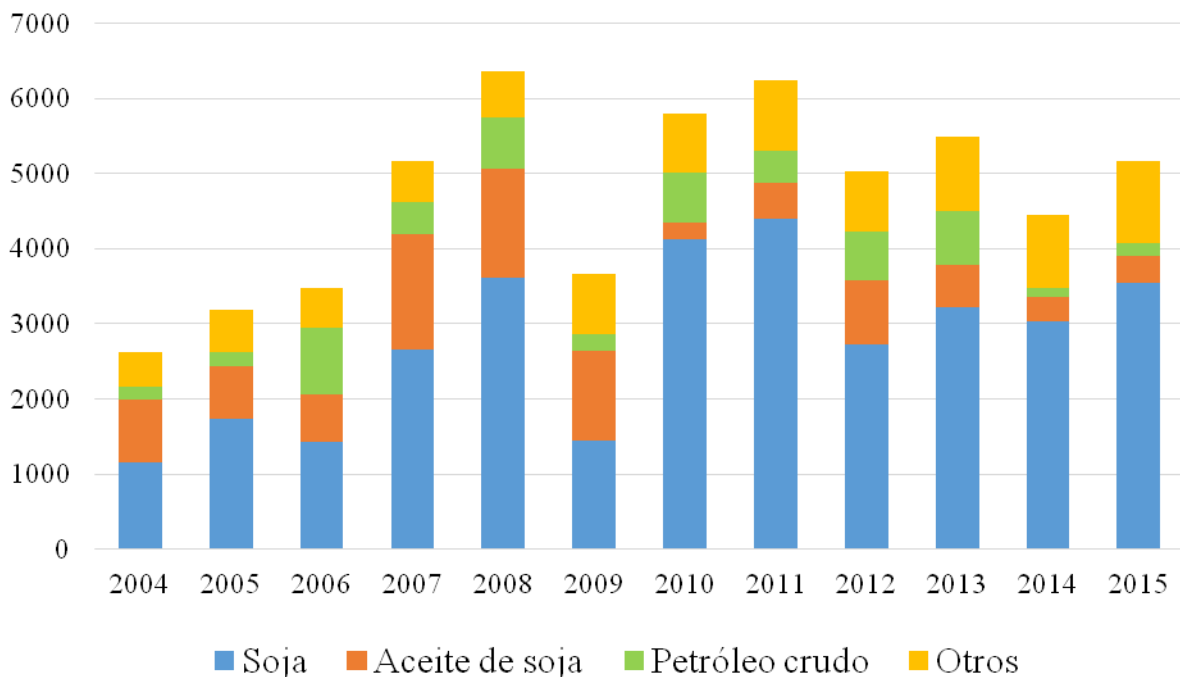
Figure 3 : Brazil's exports to China, 2015 (%)



Fonte: <http://www.mdic.gov.br/sitio/interna/interna.php?area=5&menu=576>

According to statistics from Brazil, in 2015, soybean, iron ore, crude oil, paper pulp, sugar, raw hide, cathode copper, marble and granite, remained the principal exports to China. Primary commodities took more than 80% of total exports to China; By way of comparison, labor-intensive goods continued to represent a large share in China's exports to Brazil.

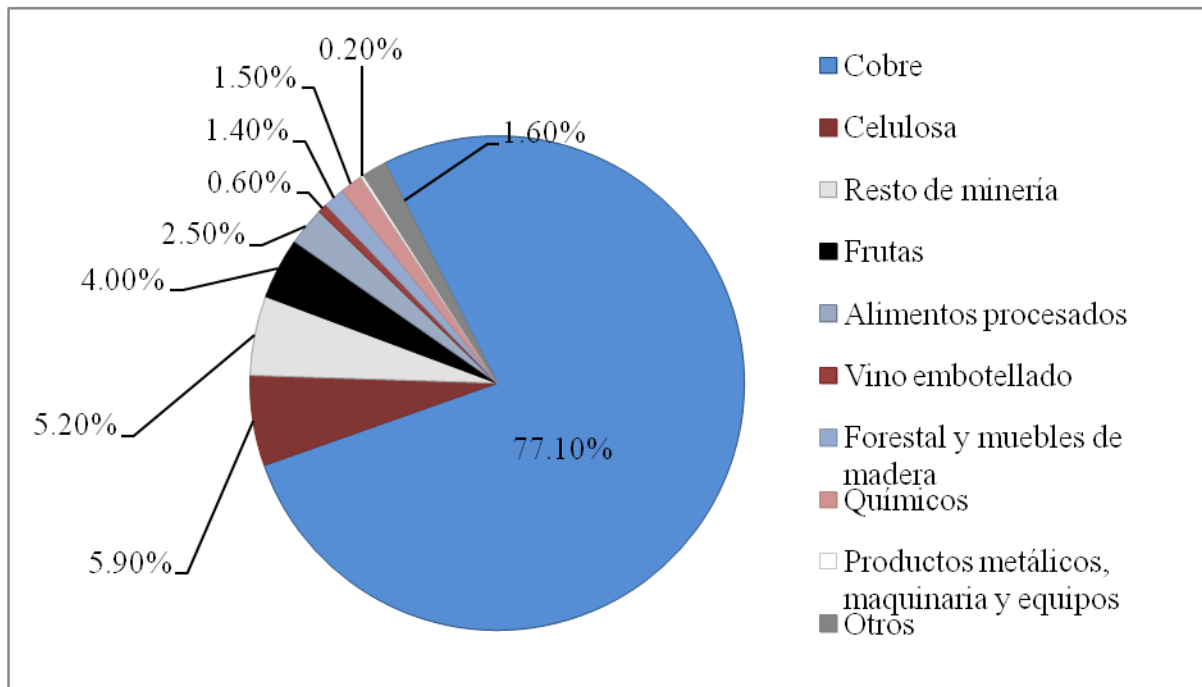
Figure 4: Argentine exports to China, 2004-2015 (USD mn)



Source: https://opex.sig.indec.gov.ar/index.php?pagina=mapa_dinamico

- ✓ The scenario for Argentina bears much resemblance to Brazil, with its export structure to China having been particularly concentrated in agro commodities.
- ✓ Among its total exports to China in 2015, above 85% were agro-exports (largely soybeans & soy oil, combined 75%, and beef & seafood unprecedentedly up to 3% respectively)

GRÁFICO 5: Las Exportaciones Totales de Chile a China, 2014 (en millones de US\$)



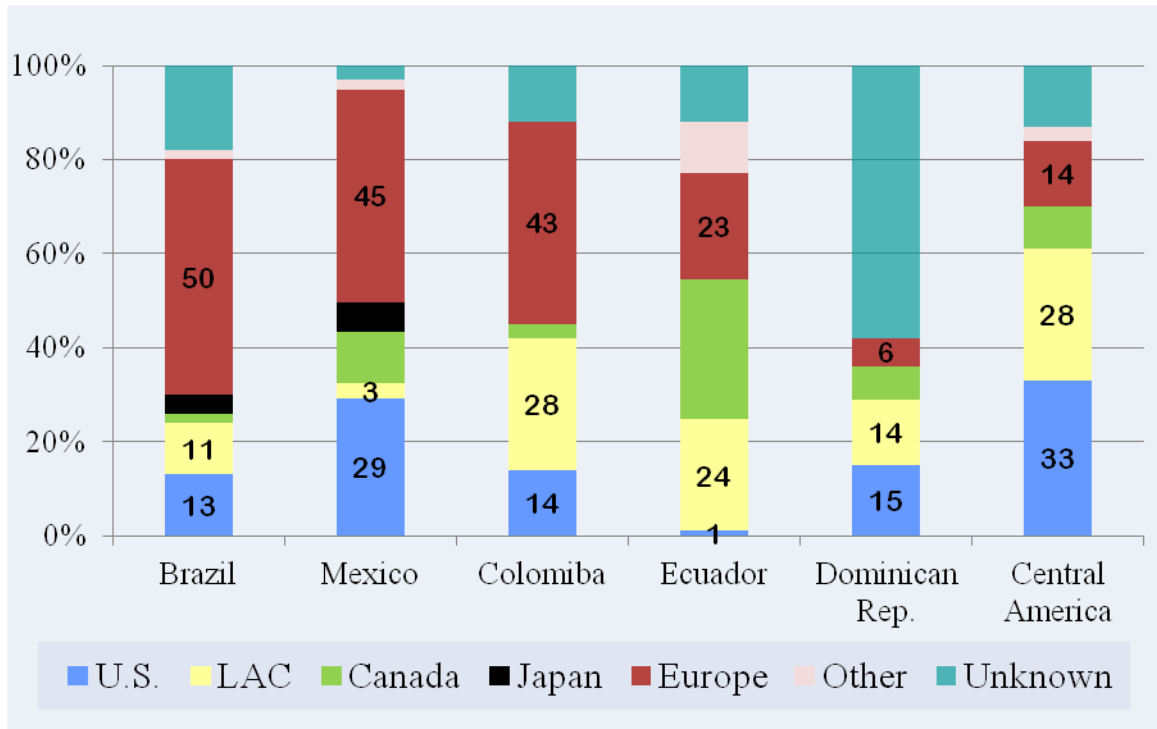
Source: Departamento de Estudios Dirección General de Relaciones Económicas Internacionales, Ministerio de Relaciones Exteriores, *Informe Anual Comercio Exterior de Chile 2014-2015*, Julio 2015, págs.116-125.

Dentro de las exportaciones, las mineras se redujeron un 6,5%, afectando el desempeño de los envíos totales ya que representaron un 82,3% del total.

China fue el tercer receptor de las exportaciones silvoagropecuarias y pesca chilenas, significando un 15% del total de estos envíos al mundo.

Las frutas, donde China también fue el tercer principal destino, explicaron el 87% de los envíos del sector, y se expandieron un 45,5% en el último año.

Figure 6: OFDI in the LAC (selected), 2014

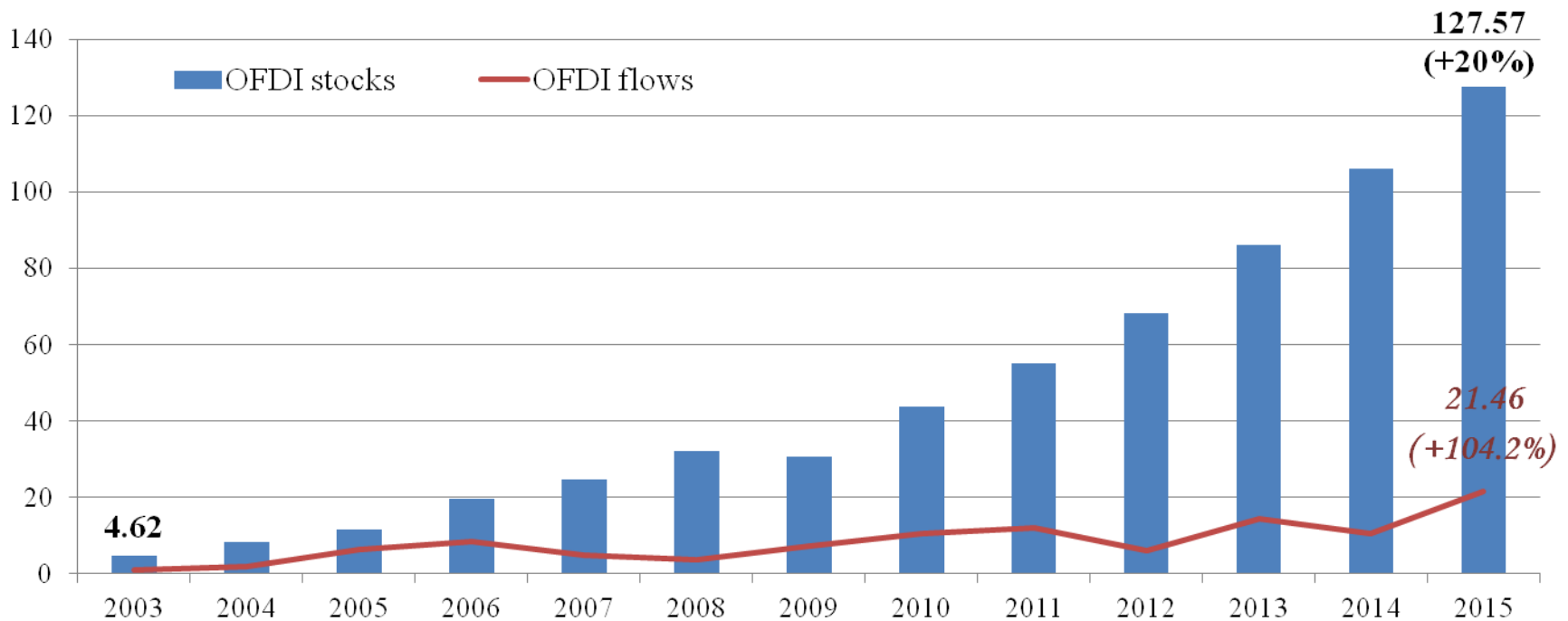


Source: CEPAL, "Economic and Social Panorama of the Community of Latin American and Caribbean States, 2015," Santiago, Chile, January 2016, p.30.

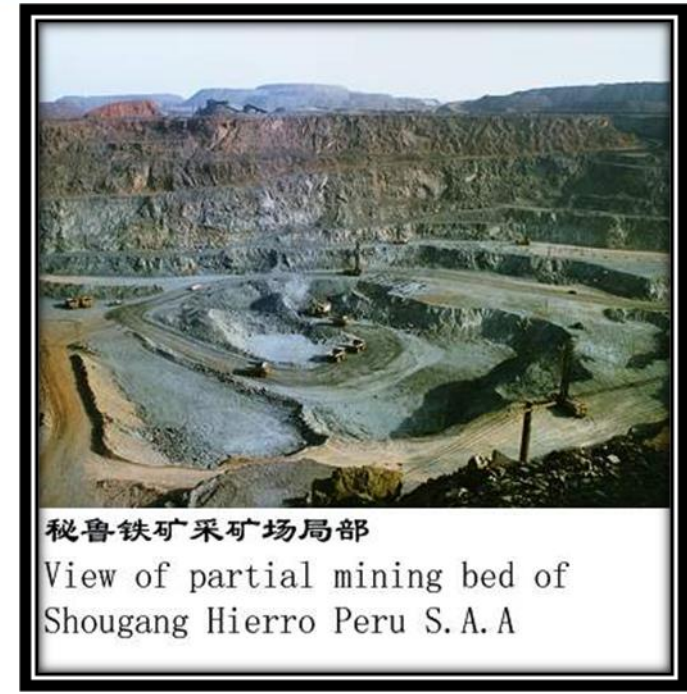
In the year of 2014, the **Netherlands** was the largest investor country in LAC, accounting for 20% of inflows. **The US** was responsible for 17%. Its investments account for a large share of total FDI in Mexico (29%), Colombia (14%) and Central America (33%). **Spain** was the third largest investor in the region, with particularly strong presence in Mexico (18%), Colombia (13%) and some of the Central American economies.

Official FDI from Asia to the region is minimal, accounting for some 6% of total flows in 2014, of which one sixth comes from China.

Figure 7: Chinese non-financial OFDI into the LAC, 2003-2015 (USD bn)



Source: *2014 Statistical Bulletin of China's Outward Foreign Direct Investment*, Beijing, 2014;
<http://www.mofcom.gov.cn/>



The Chinese investment had made its entry into the region long before the recent attention. In fact, years before the “Going Abroad” strategy was announced, Shougang had already stepped foot on Peru.

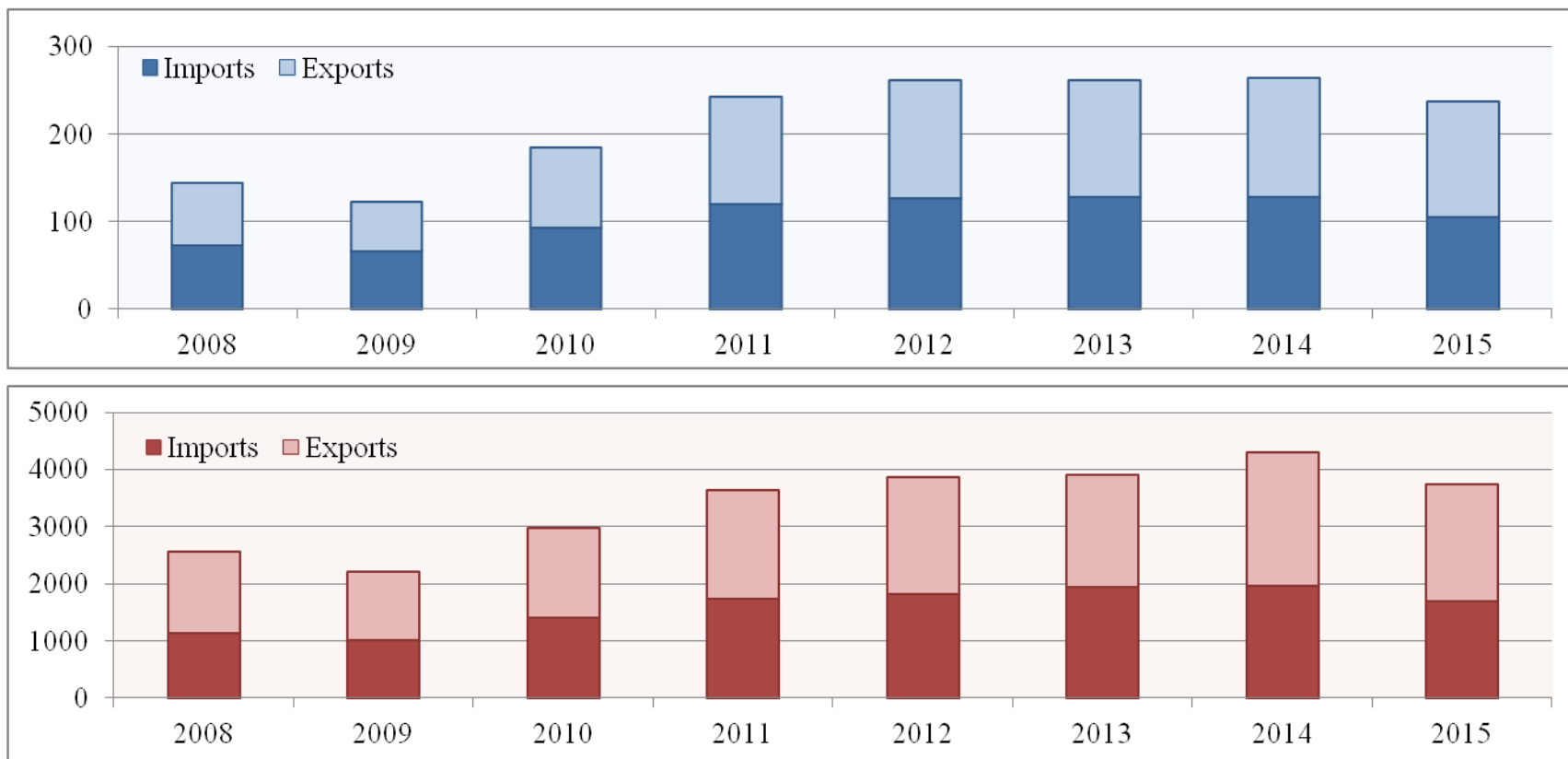
Table 2: Chinese companies' major oil investment in LAC, 1993-2013

Date	Investor	Investment activities
Oct. 1993	CNPC	Block 7 in Talara Oilfield, Peru
July 1995	CNPC	Block 6 in Talara Oilfield, Peru
June 1997	CNPC	Caracoles and Intercampo Oilfields, Venezuela
June 2001	CNPC	Orimulsion Cooperation with PDVSA
Aug. 2003	CNPC	Block 11 of Amazon Project, Ecuador
Nov. 2003	CNPC	Purchased 45% stake of the Argentine company PLUSPETROL on Block 1-AB/8 in Peru
Dec. 2003	SINOCHEM	Purchased CRS Resources (Ecuador) LDC from ConocoPhillips Co. of USA. Its asset concludes 14% of the interests of Ecuador Block 16.
Aug. 2005	CNPC & SINOPEC	Jointly purchased oil and gas assets and development rights and interests of five blocks owned by Encana in Ecuador, and established Andes Petroleum Ecuador Ltd.
Dec. 2005	CNPC	Signed risk exploration contracts with Peru's Ministry of Energy & Mining covering Block 111 and Block 113 in the MDD basin.
Aug. 2006	CNPC	Signed a joint venture agreement on Zumano Oilfield in Venezuela with PDVSA.
Sept. 2006	SINOPEC	OVL and SINOPEC Jointly bid for 50% stake in Omimex de Colombia. Each of them has 25% stake.
Mar. 2007	CNPC	Joint venture for exploration, drilling and upgrade the super-heavy oil with PDVSA on Block Junin 4 in the Orinoco heavy oil belt in Venezuela
Mar. 2007	SINOPEC	Jointly purchased all assets of Talisman in Trinidad and Tobago
May 2009	SINOPEC & CNOOC	Acquired 100% equity of Emerald Energy PIC, which includes 50%-100% rights and interests of 8 blocks in Colombia and 100% rights and interests of block 163 in Peru.

Date	InvestorS	Investment activities
Oct. 2009	SINOCHEM	Acquired 100% equity of Emerald Energy PIC, which includes 50%-100% rights and interests of 8 blocks in Colombia and 100% rights and interests of block 163 in Peru.
Mar. 2010	CNOOC	Established a 50% 50% joint venture with Argentina's Bridas Energy Holdings.
May 2010	SINOPEC	Purchased 40% stake of Peregrino Oilfield (Brazil) from Statoil ASA.
Oct. 2010	SINOCHEM	Won concession of five blocks in Peru: blocks 178, 185 and 165 in Marañon field and Blocks 173 and 175 in Ucayali field.
Oct. 2010	SINOPEC	urchased 40% stake of Repsol Brazil
Dec.2010	SINOPEC	Purchased all assets of Occidental Petroleum Corp.'s Argentine oil and gas unit; Purchase of Colombian oil and gas assets owned by Hupecol
Dec.2010	CNPC	Signed a joint venture operation agreement with PDVSA on Block Junin 4 in the Orinoco heavy oil belt.
Feb.2011	CNOOC	Pan American (owned by Bridas Corp — itself co-owned by China's CNOOC and Argentina's Bulgheroni family) purchased an oil refinery and more than 700 service stations in Argentina, Paraguay and Uruguay from Exxon Mobil Corp
Nov.2011	SINOPEC	Purchased 30% stake in Galp Energia SGPS SA (GALP)'s Brazilian unit
Dec.2011	SINOCHEM	Purchased 10% stake of the Brazilian unit of French oil and natural-gas company Perenco SA in five offshore blocks in the Espirito Santo Basin
Feb. 2012	SINOCHEM	Purchased TEPMA BV (Total SA's Colombian assets), which has a stake in the Cusiana field as well as shares in the OAM and ODC pipelines in Colombia.
Oct.2013	CNPC &CNOOC	Formed a consortium with other oil companies and won the concession of exploration and extractions in Libra oilfield (Brazil). CNPC and CNOOC each has 10% stake.
Nov.2013	CNPC	Purchased Petrobras's Peru unit.

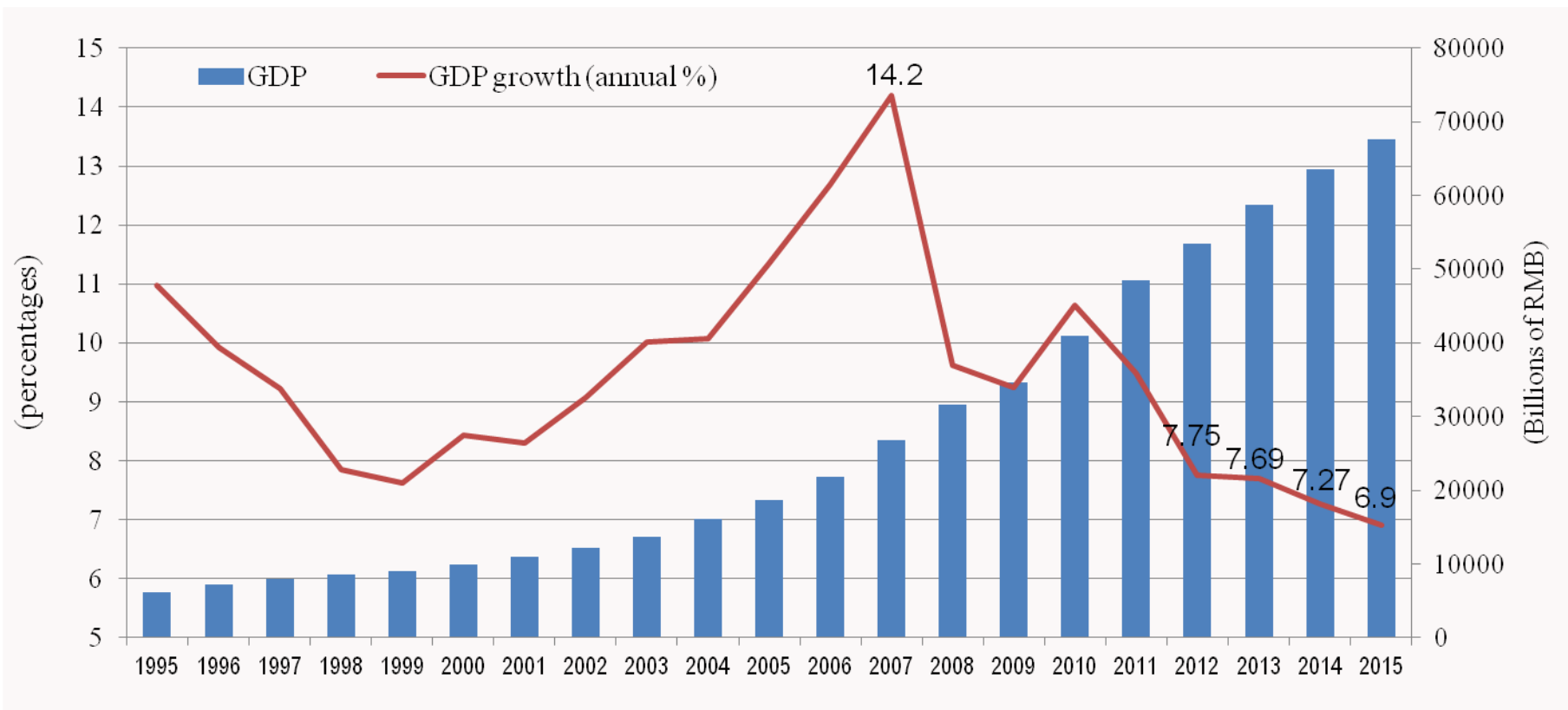
B. When the boom is over...

Figure 8: China's trade with LAC and with the world, 2008-2015 (Billions of USD)



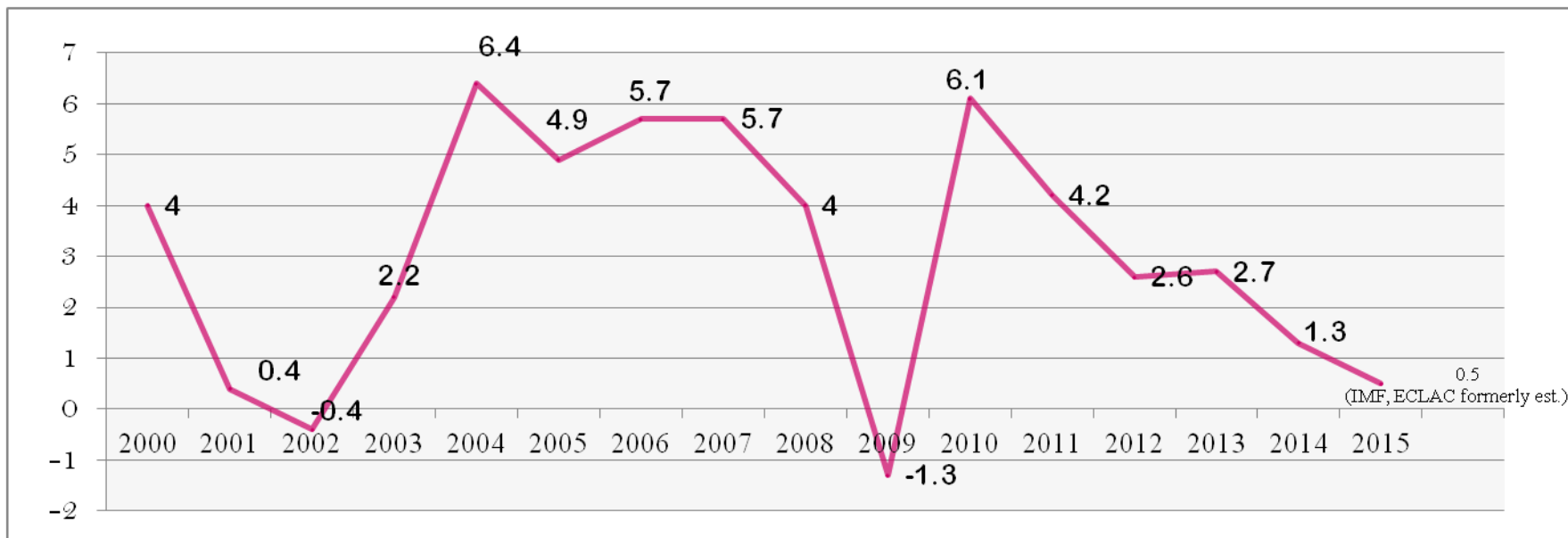
Source: National Bureau of Statistics of China database; MOFCOM database, etc.

Figure 9: China's GDP & GDP Growth Rate, 1995~2015



Source: National Bureau of Statistic of China (NBS) database

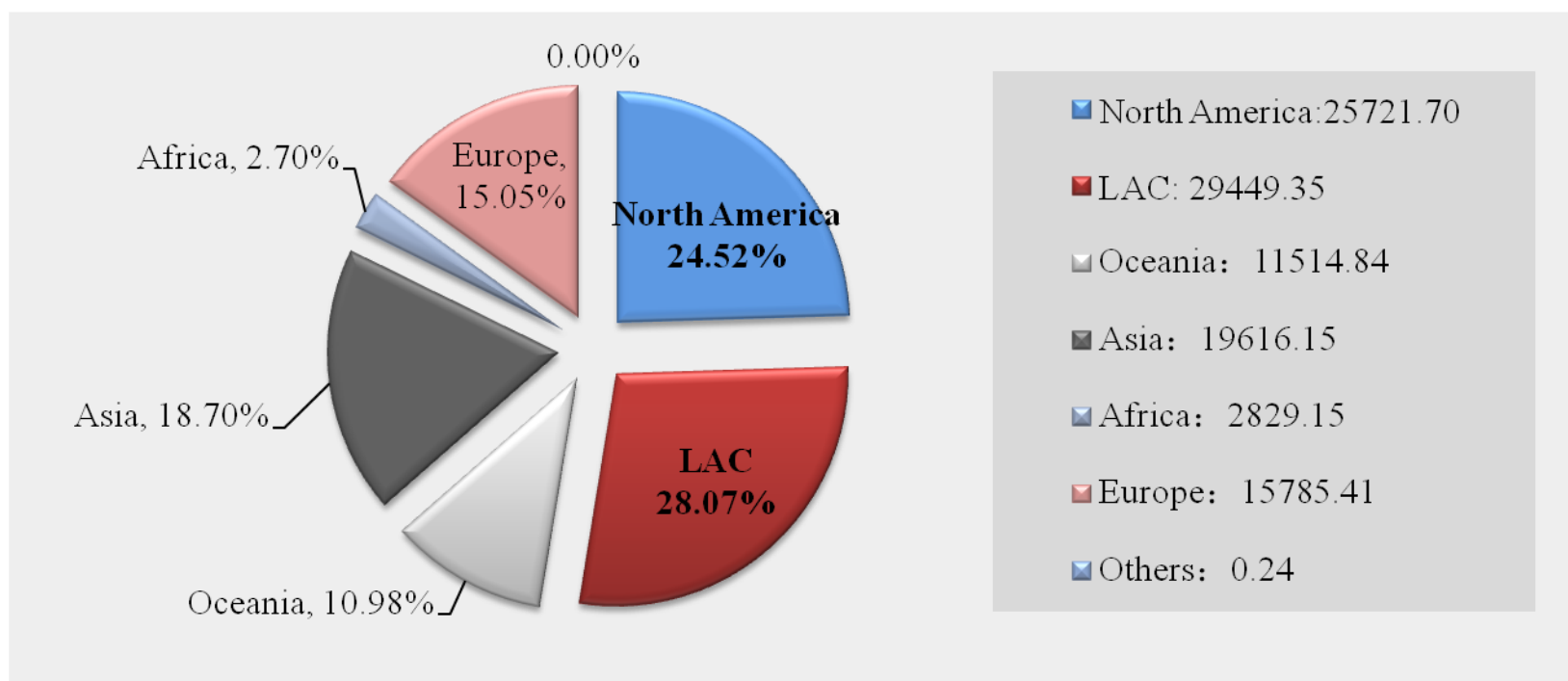
Figure 10: LAC's GDP Growth Rate 2000-2015 (based on constant 2010 USD)



- In the period 2003-2011, LA enjoyed the benefits of the super cycle of commodity prices and more favorable external financial conditions.
- Throughout much of Latin America, the "golden years" of economic growth during the last decade's commodity boom have given way to economic decline or stagnation.
- In 2015, regional GDP shrank by 0.4%, which translated into a 1.5% downturn in per capita GDP. This performance was reported the poorest since 2009.

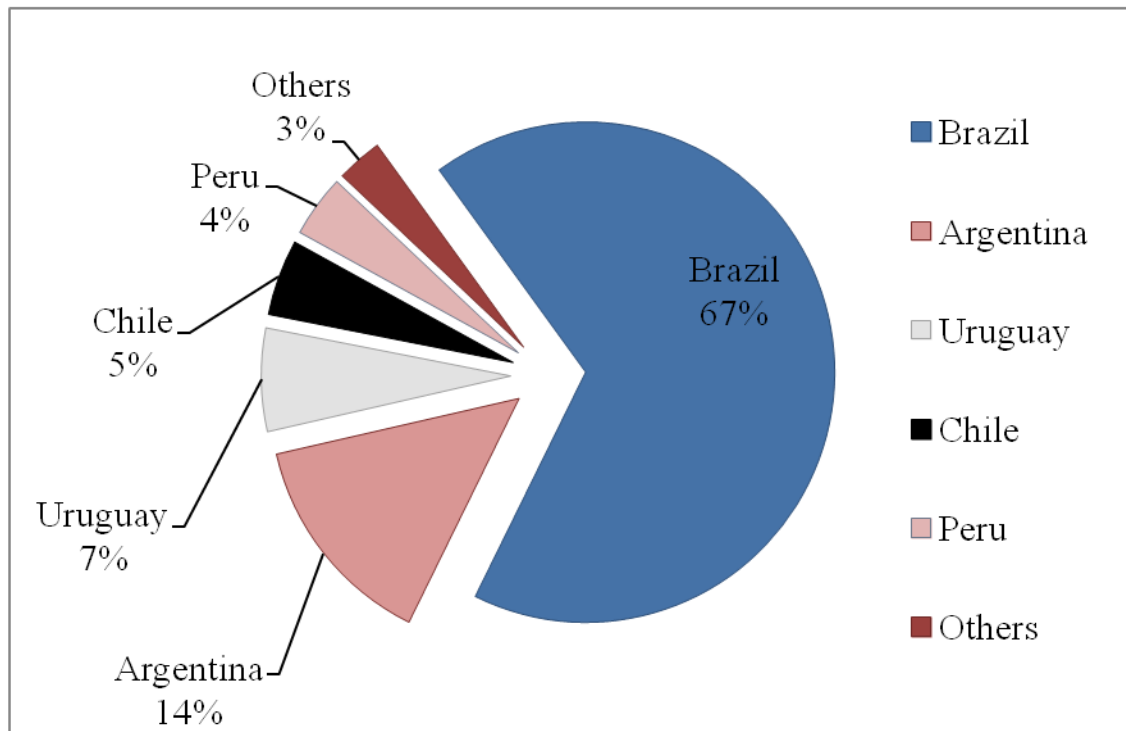
Subtle changes of the trading s

Figure 11: China's agricultural imports, January to November of 2015
(by regions, millions of USD)



Source: MOFCOM database

Figure 12: China's major agro-commodities import source countries in the LAC, 2014

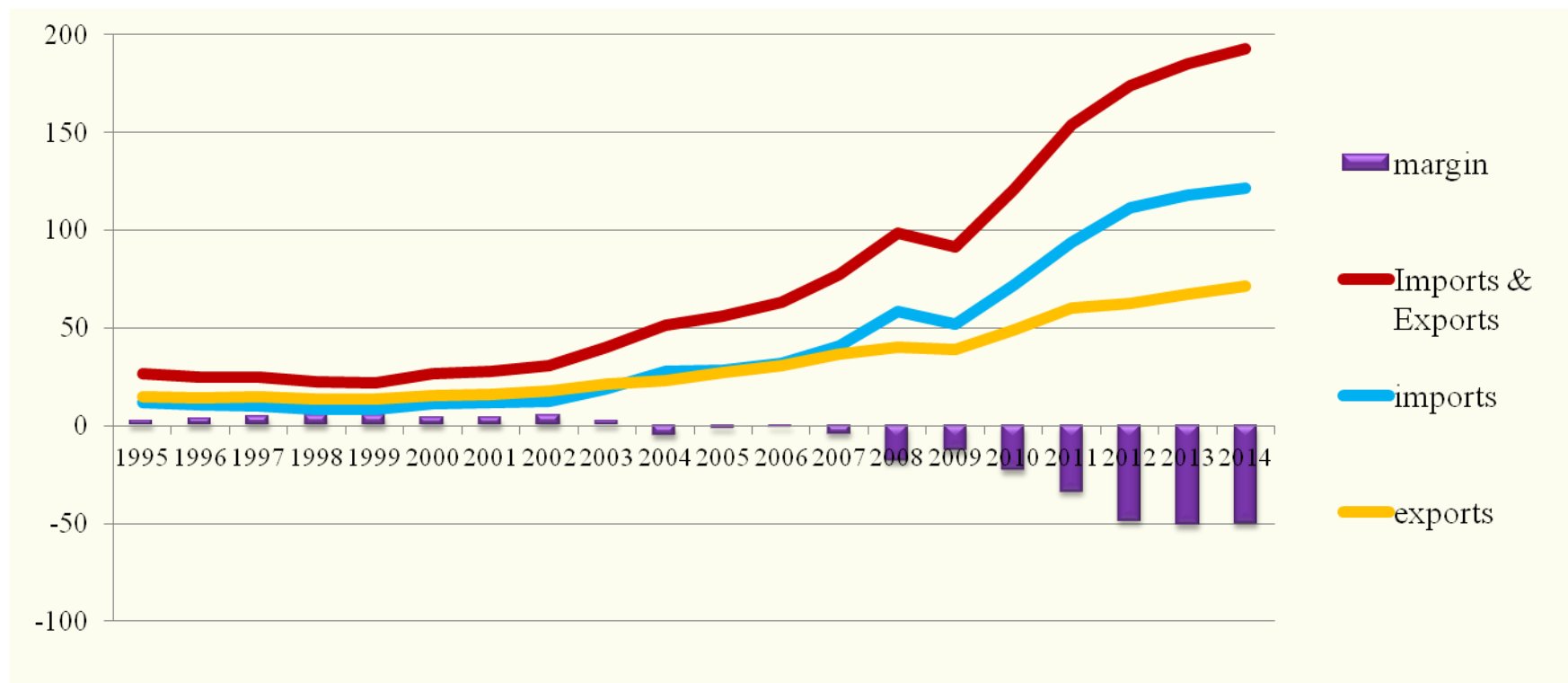


Source: MOFCOM database

At the country level, in 2014, Brazil accounted for 67% of those sales, and other major exporters included Argentina, Uruguay, Chile, Peru, among others.

Brazil is already China's second-largest agricultural supplier after the US, with a 20% share in imports.

Figure 13: China's agro products imports and exports, 1995-2014 (billions of USD)



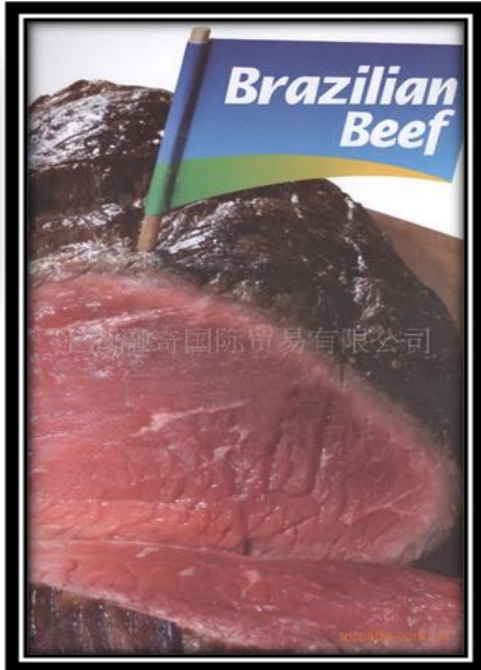
Source: MOFCOM database



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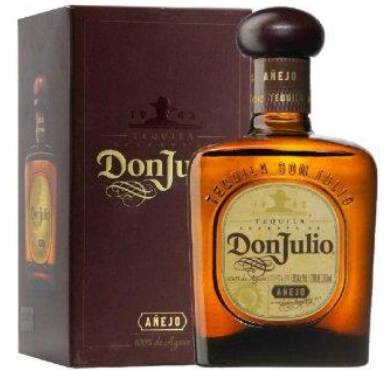


乌拉圭原装进口草饲金钱腱、腱子芯

不懂得买牛肉怎么办？买了牛肉不会料理怎么办？自从有了肉管家乌拉圭原装进口金钱腱，眼前这六个字那都不算个事！

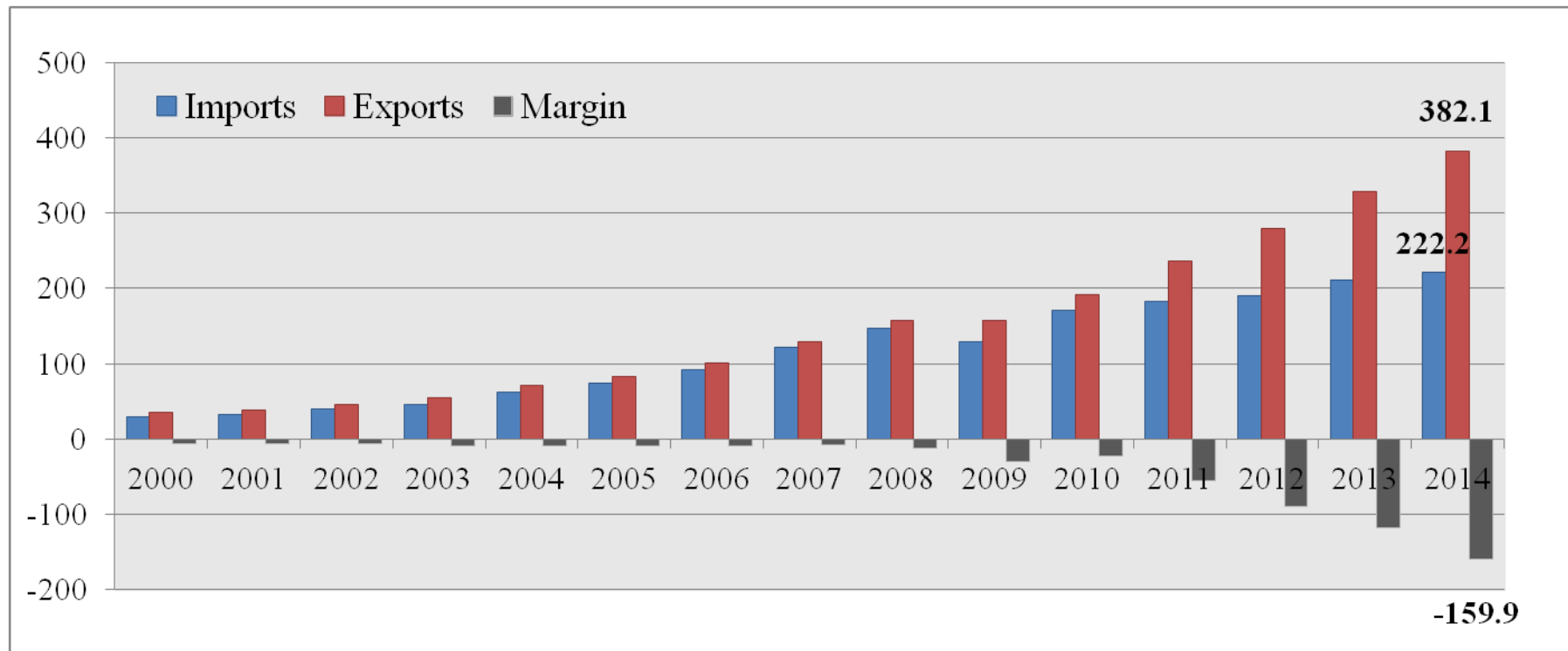
上海九雅堂食品有限公司
上海九雅堂食品有限公司





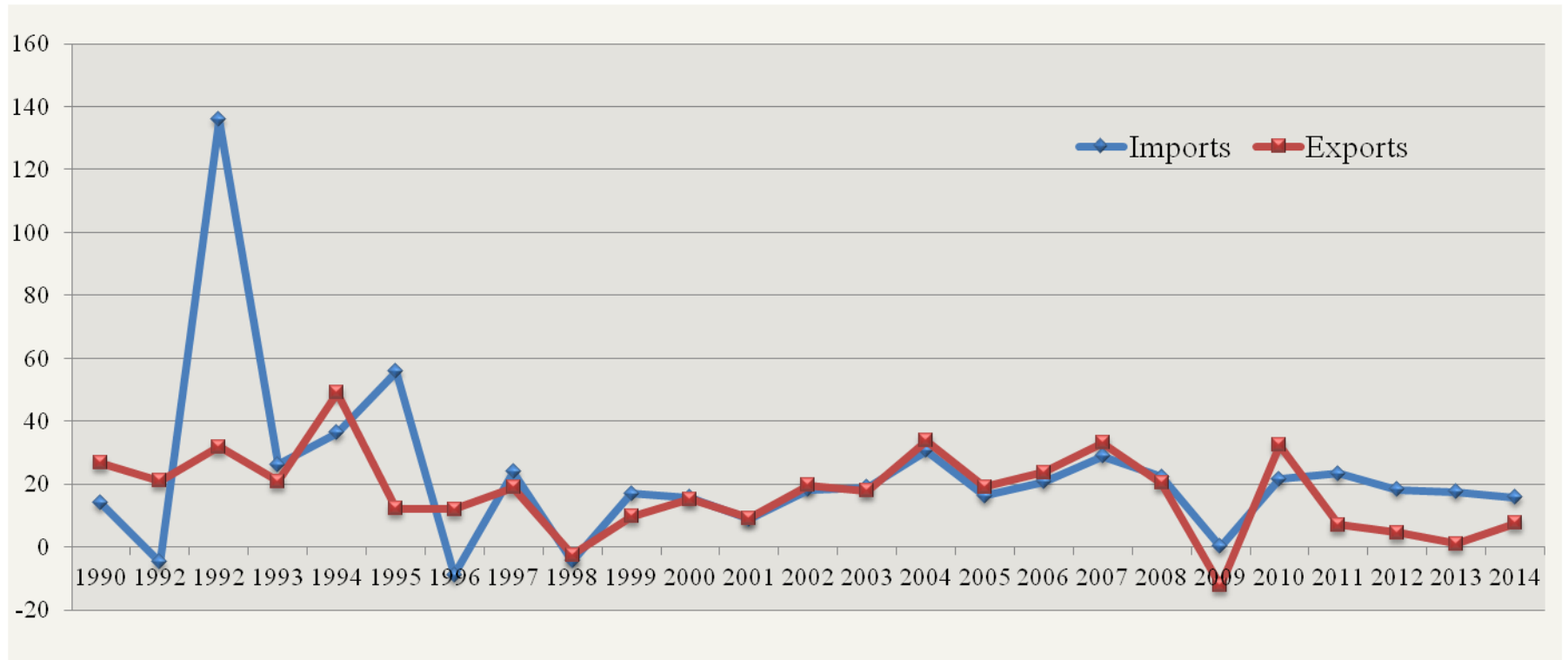
C. Slow growth, New Hope..

FIGURE: CHINA'S EXPORTS AND IMPORTS OF SERVICES, 1990-2014 (IN USD BN)



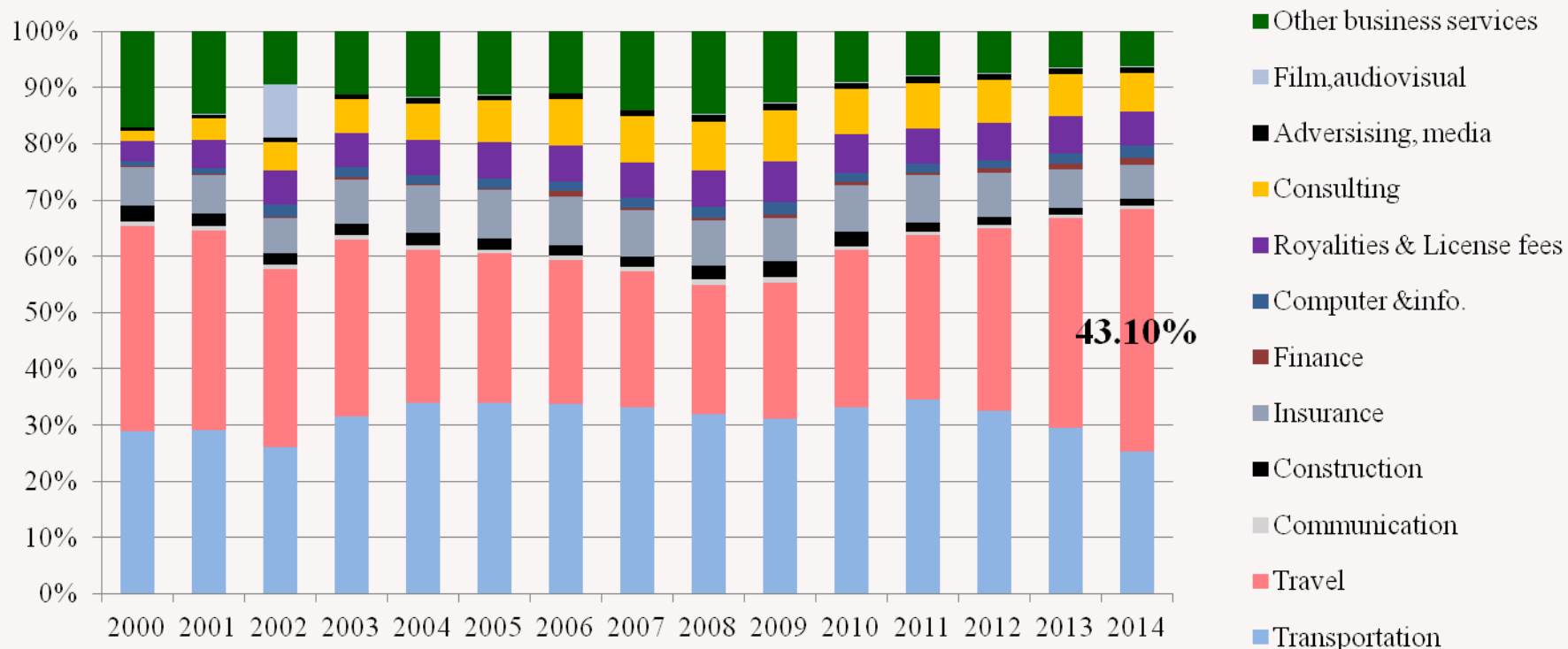
Source: *China Statistic of Trade in Services 2015*

Figure: Growth Rate for China's Imports & Exports in Services, 1990-2014 (%)



Source: *China Statistic of Trade in Services 2015*

Figure: China's Imports of Services by Sectors, 2000-2014



Source: *Ibid.*

More diversified Chinese OFDI in

- Chinese investment has already expanded beyond natural resources, and can be virtually found across numerous industries, including manufacture, agriculture, electronics, power, information technology and software, finance, whole sale and retail, clean energy, infrastructure, textile, pharmaceutical industry, transportation, warehousing, catering service and tourism, etc.
- **Momentum**: to explore overseas market, reduce production and logistic costs, transfer overcapacity, increase competitiveness, and increase the R&D competences.



比亚迪汽车
BYD AUTO



KONKA

Skyworth
创维



SINOVEL



lenovo



创意感动生活
The Creative Life



ZOOMLION



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- Since 2007, Chinese agricultural corporations, both SOEs and private entities, have started investing in the LAC. Some of them have gained a foothold in the region by direct or indirect investment .
- Two acquisitions by COFCO in 2014: Nidera in February and Noble's agribusiness arm in April.



中糧
COFCO





1920s	Dutch immigrants establish Nidera S.A. in Buenos Aires, Argentina
1940s	Nidera establishes a subsidiary in Uruguay
1950s	Nidera starts trading with Brazil as the country enters international trade of cotton and castorseeds oils.
1960s	Nidera establishes a fully owned subsidiary in Brazil .
1970s	Nidera' s first country elevator in Argentina ' s Buenos Aires province
	Construction of port terminal and crushing plant for grains and oils in Puerto San Martin, Santa Fe province in Argentina
1980s	Acquisition of Asgrow Seed Argentina , leader in R&D 2000' s for soybean seed
	Acquisition of castor seed crushing plant in Bahia, Brazil
	Acquisition of and construction of three classification plants for agronomic seeds in Argentina .
1990s	Acquisition and enlargement of vegetable oils refinery and bottling plant in Buenos Aires, Argentina
	Construction of new oilseeds crushing plant in Saforcada, Argentina
	Construction of fertilizer port terminal in Quequen, Argentina
2000s	Nidera establishes own subsidiaries in Ukraine, Russia, Kazakhstan, Romania, Australia and Brazil .
2010s	Copatia seeds is established in Paraguay .
	Expansion in crushing capacity and construction of unloading facility in Puerto San Martin, Argentina .
	Acquisition of Corn and Soybean Seeds operations in Brazil , investments in R&D.

"3 × 3 Model"

On 19 May, during his visit to Brazil, Premier Li Keqiang put forward for the first time the "3 × 3 model", an important initiative for industrial cooperation between China and LAC.

The first "3" refers to cooperation in building three arteries for Latin America in the fields of **logistics, power and information**.

The second "3" refers to sound interaction among **businesses, the society and the government**.

The third "3" refers to expansion of the three financing channels of **fund, credit and insurance**.

See Li Keqiang's Speech at the China-Brazil Business Summit, May 19, 2015.

Loans & Funds

- 1- (CDB) to implement the \$10bn special loans for infrastructural cooperation and further raise the credit limit to \$20bn.
- 2- to provide \$10bn of concessional loans for LAC countries.
- 3- to launch the China-Latin America Cooperation Fund with a commitment to invest \$5bn.
- 4- to implement \$50mn of special fund for China-Latin America agricultural cooperation.
- 5- to establish a \$30bn special fund for promoting China-Latin America cooperation in production capacity and equipment manufacturing.

Table 2: Quality of Infrastructure (out of 140 economies)

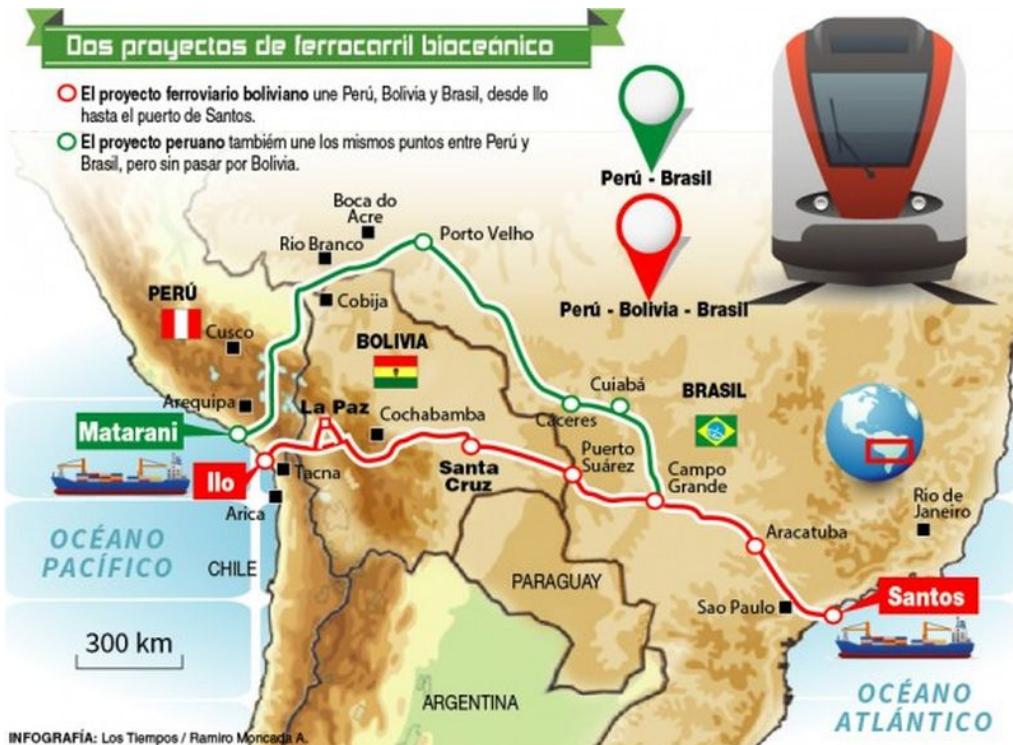
Countries	Quality of overall infrastructure		Quality of roads		Quality of railroad infrastructure		Quality of port infrastructure		Quality of air transport infrastructure		Quality of electricity supply	
	value	rank/144	value	rank	value	rank	value	rank	value	rank	value	rank
Paraguay	2.5	131	2.2	138	n/a	n/a	3.1	110	2.6	133	3.3	102
Venezuela	2.6	130	2.7	128	1.5	104	2.6	125	2.6	134	1.9	131
Brazil	2.9	123	2.7	121	1.7	98	2.7	120	3.8	95	3.8	96
Argentina	3.0	122	3.1	108	1.9	93	3.8	81	3.8	92	2.6	124
Peru	3.2	112	3.0	111	1.9	94	3.6	86	4.1	82	4.7	70
Colombia	3.2	110	2.7	126	1.4	106	3.6	85	4.2	74	5.0	59
Bolivia	3.3	105	3.1	109	2.2	87	2.1	134	3.4	110	4.4	82
Costa Rica	3.3	103	2.9	115	1.8	95	3.1	109	4.6	60	5.6	41
Uruguay	3.7	87	3.3	95	1.3	108	4.7	43	3.6	102	5.8	35
Mexico	4.1	65	4.3	54	2.8	61	4.3	57	4.7	55	4.7	73
Chile	4.6	48	4.9	35	2.4	79	4.9	35	5.2	36	5.5	46
Panama	4.8	40	4.6	45	3.9	36	6.3	7	6.2	6	4.8	65

SOURCE: World Economic Forum, *The Global Competitiveness Report 2015–2016*.

El ferrocarril bioceánico

Los proyectos de ferrocarril bioceánico

- El proyecto ferroviario boliviano une Perú, Bolivia y Brasil, desde Ilo hasta el puerto de Santos.
- El proyecto peruano también une los mismos puntos entre Perú y Brasil, pero sin pasar por Bolivia.



TRANSOCEÂNICA

Ferrovia ligaria o Atlântico ao Pacífico



Tentative Conclusions

- Miracle is never sustainable. More diversified structure in trade and investment would in the end benefit both sides.
- For LAC countries, it is highly important to get a better understanding of China's domestic development, the New Normal, its momentum and related structural reforms, as well as the changes of China's international economic strategy or policies
- Industrial cooperation, China's infrastructure initiative, among others, are actually not tailored to LAC; for the countries in the region, it's important to make the best of the new opportunities provided by the new trend of China's changes.

¡Muchas Gracias!