



ASIA-LAC Trade and Investment Forum

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Overview

- Trade integration, including recent trends:
 - LAC and ASIA
 - LAC and China
 - LAC and Japan
 - LAC and Korea
- Foreign Direct Investment, including recent developments:
 - Overall inflows
 - A sector perspective



Trade and Investment between Asia-LAC

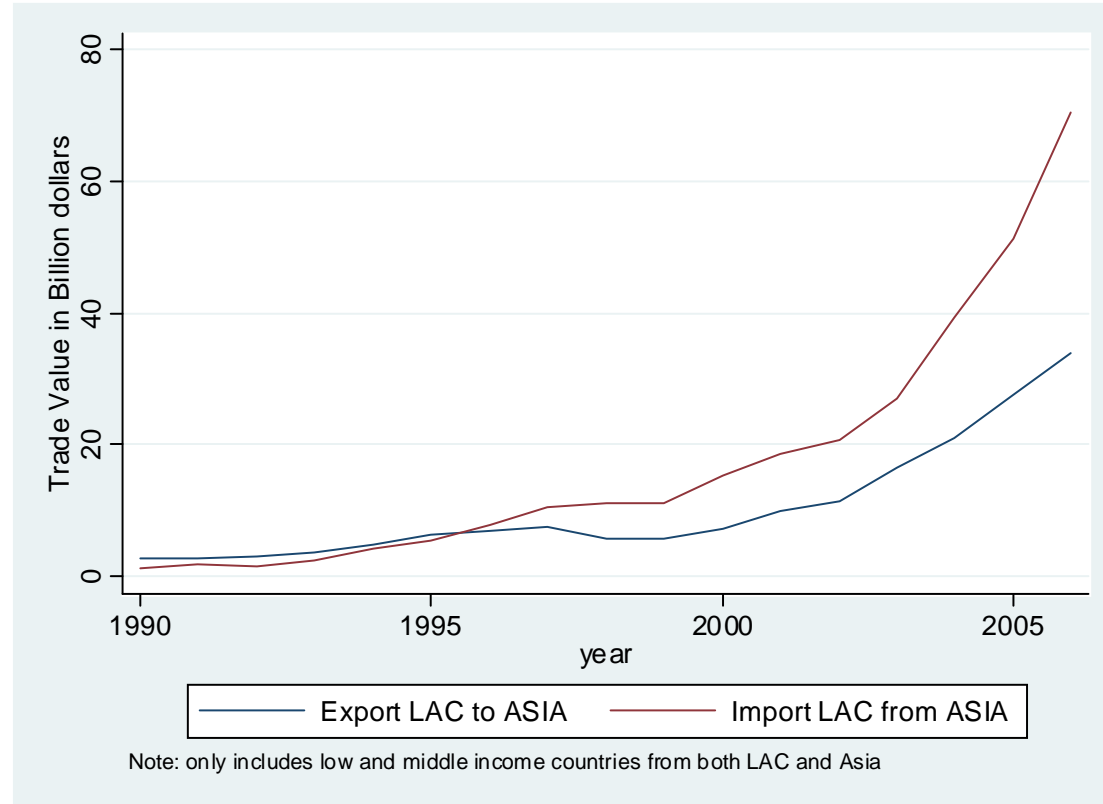
- Economic linkages through trade between Latin America and Asia have been increasing during last years, mainly because of China.
- Most important Foreign Direct Investment (FDI) in LAC comes from USA, the Netherlands and Spain
- There are several opportunities for Asian countries for further cooperation and integration, in particular FDI.

Recent Developments on Trade

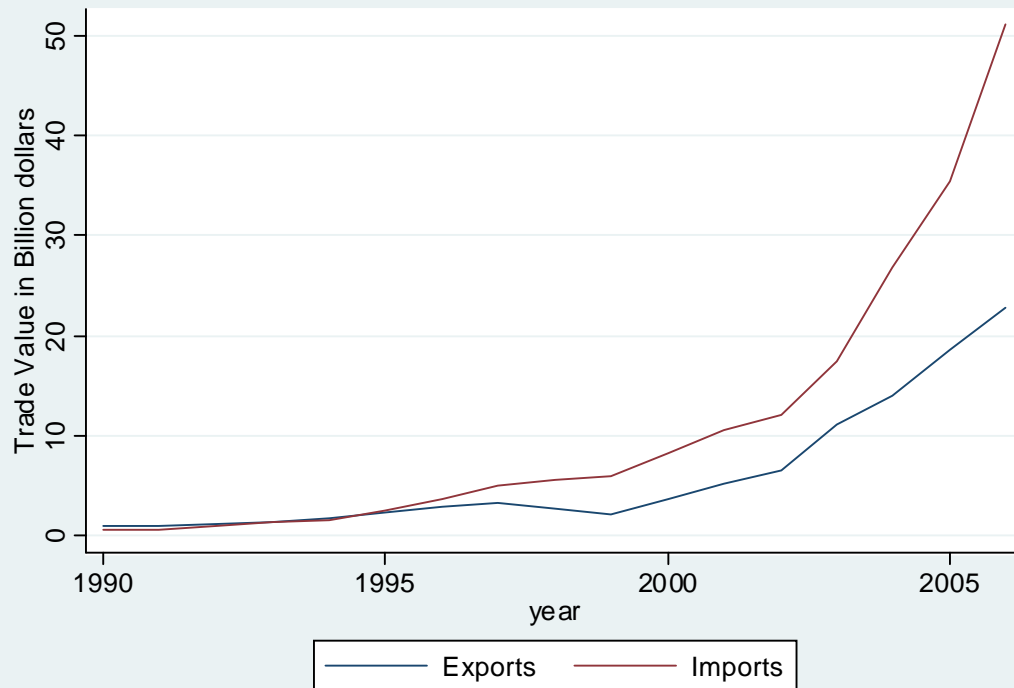


ASIA and LAC have been integrating at a fast pace

- LAC imports from Asia went from US\$5.5 Billion in 1995 to US\$70 Billion in 2006.
- LAC exports to Asia increased from US\$6 billion in 1995 to US\$34 billion in 2006.
- Asia became a net exporter after 1996
- The trade gap is widening



China has become Latin America's second largest trading partner and its largest export market in Asia



source: WITS data base

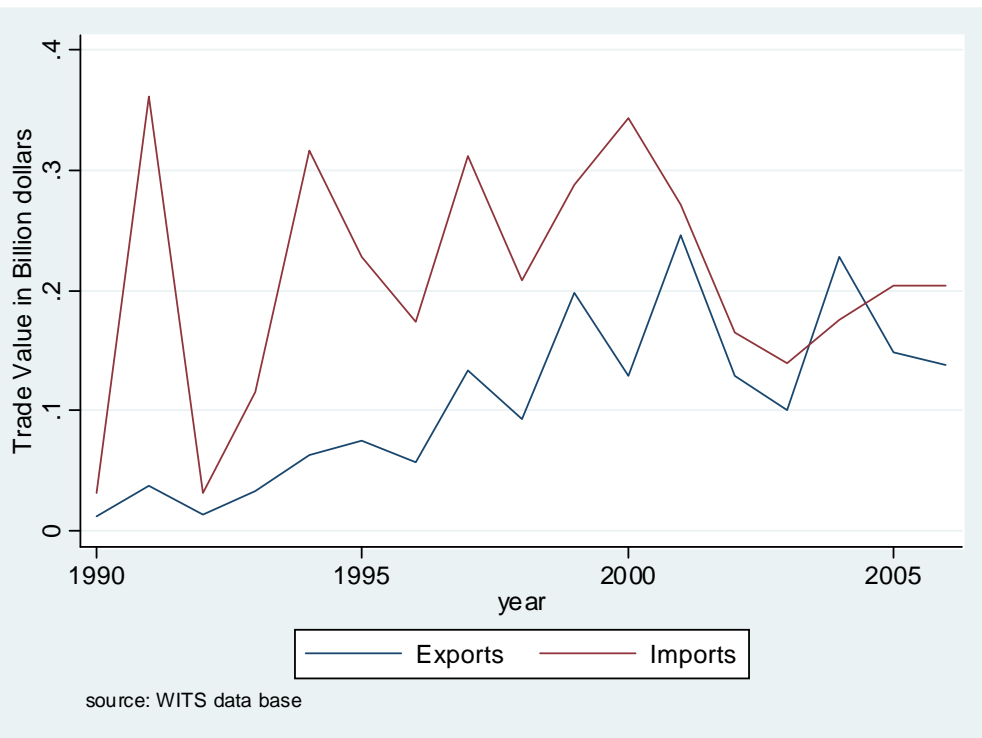
- Impressive commercial integration between LAC and China
- LAC imports from China went from US\$5 billion in 1997 to US\$51 Billion in 2006.
- LAC exports to China increased from US\$3 billion in 1997 to US\$23 billion in 2006.
- Same pattern as overall Asia: LAC has become net importer and the trade gap is widening

Trade with Japan has picked up dramatically since 2003

- LAC exports to Japan remained flat most of the 1990's but increased 100% between 2003 and 2006
- The same behavior happened with LAC imports from Japan (US\$ 14.6 Billion in 2003 to US\$ 27.2 Billion in 2006)
- LAC trade gap remains the same.



Trade with Korea is relatively small and without clear trend



- Trade between both regions is less than half a billion US dollars.
- Trade gap has been reducing
- Currently, LAC is a net importer

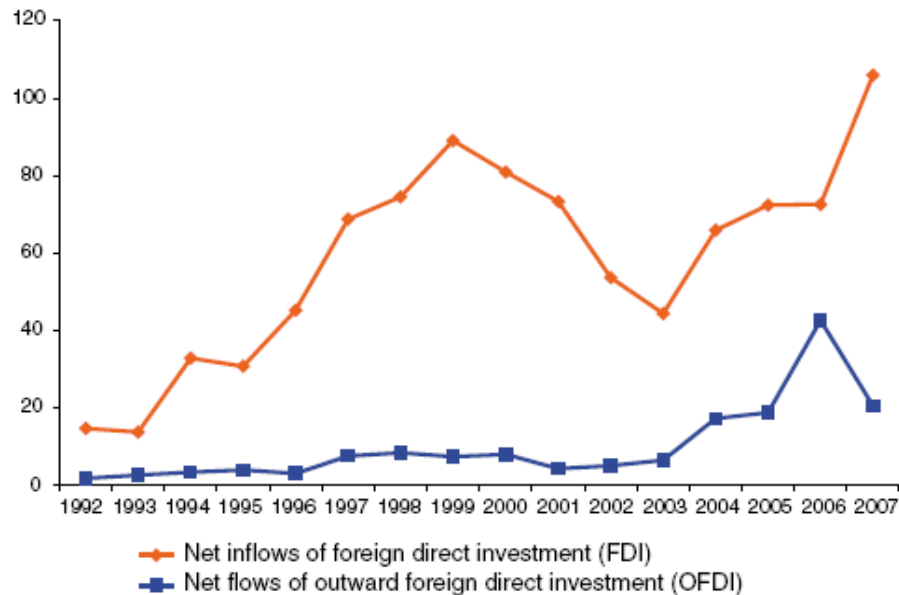
How can we promote further integration?

- Opportunities for both sides
 - LAC's recent growth performance has increased its demand for manufactured goods, which Asia produces competitively.
 - At the same time, Asia can obtain from LAC necessary commodities and natural resources to continue developing its economies.
- Options?
 - Due to failure in Doha's talks, bilateral and bloc agreements are more likely.
 - Ongoing negotiations include: Mexico-South Korea, Peru-China, Peru-Singapore
 - Is it possible to undertake trade negotiations as a single bloc, i.e. meaning Latin America-Asia trade talks?

If yes, what would the basic conditions be?

Recent Development on Foreign Direct Investment (FDI)

FDI inflows to LAC have increased to record levels, US\$100 Billions



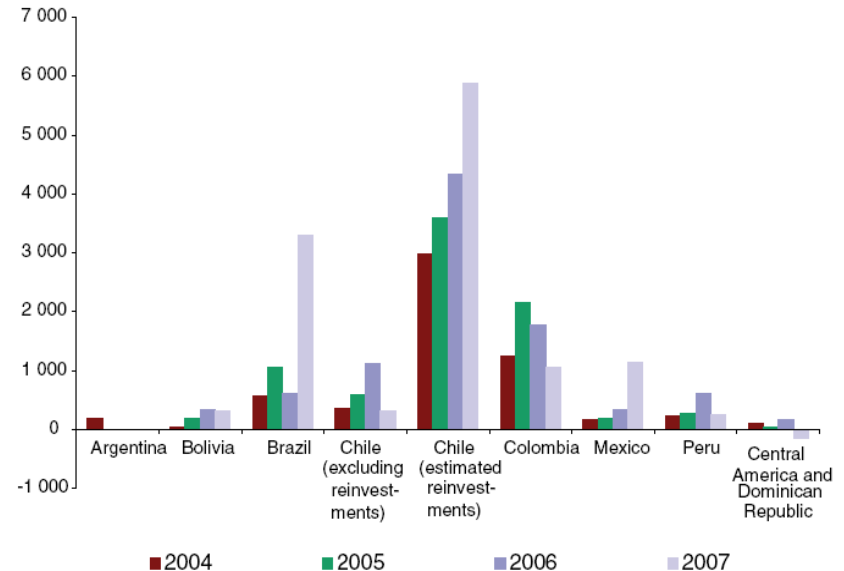
- Main investors: USA, Netherlands, Spain.
- Most important recipients: Brazil, Mexico and Chile
- Asia's outflows to the world in 2007 surged to its highest level ever, US\$ 150 Billion
- But, LAC has not been Asia's major FDI destination.
- Japan was the only Asian country among the 30 most important cross-border acquisitions in LAC last year. (Company: Caribbean Business Firm, electricity sector)

Majority of FDI inflows to LAC from the world directed to service sector

- Mexico and the Caribbean attract investment in manufacturing.
- South America attracts investment in natural resources, in particular, the mining sector.

FDI inflows to mining are increasing

- Flow heavily concentrated in 3 countries
- Important to highlight Mexico's increasing reception of FDI
- Asia's incursion in the sector is also noticeable, mainly for copper operations
- Examples: Jinda Steel from India (Bolivia); Korea Resource (Bolivia); Chinalco and Zijin Mining (Peru)



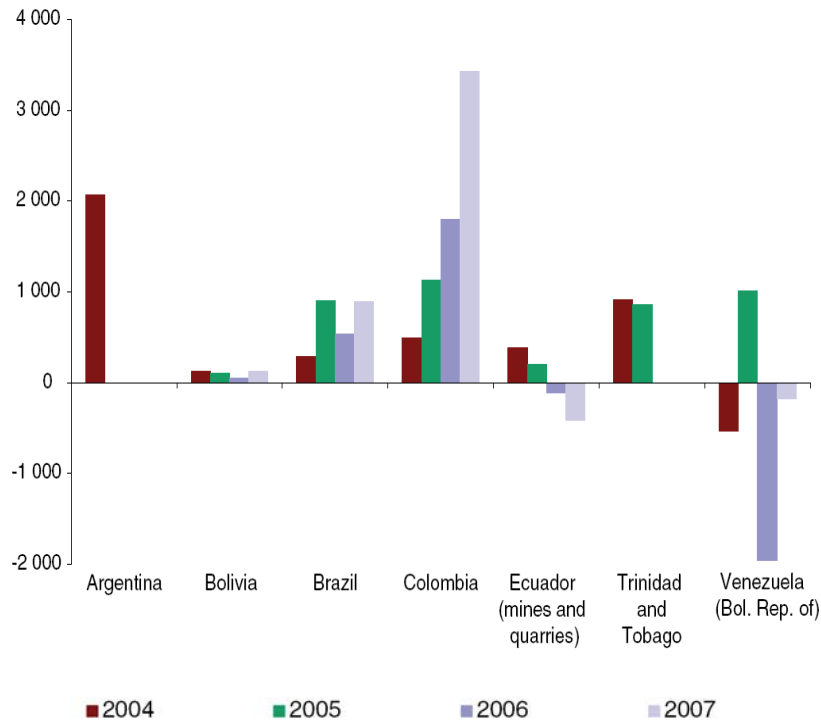
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures as at 30 April 2008.

^a No data available for Argentina from 2005 onwards.

Current challenges for mining companies:

- Rapidly falling commodity prices, copper in particular
- Legal uncertainty (e.g., taxes)
- Handling of local communities' social unrest and environmental effects

FDI inflows to hydrocarbons increased overall but shows mixed trends



- Rise mainly explained by investments in Colombia
- Divestment in Ecuador and Venezuela
- Changes in regulation and taxes in Ecuador and Argentina
- Elsewhere, policy focus to improve climate investment and attract new investment
- Gas segment has become attractive
- Current Asian countries investing in the oil sector are China, India and Hong Kong

Asia-LAC are complementary and have lot of potential for further increase FDI

- LAC provides an opportunity for portfolio diversification for Asia's current account surplus
- Investment in LAC's energy and natural resources could secure a long-term and stable supply of resources for Asia
- In particular, there are attractive opportunities for sustainable energy and renewals
- Biofuels sector is receiving FDI and...
- ...governments are taking actions to promote this industry (e.g., Mexico's law promotes production)
- Among current Asian investors are Carlyle and Riverstone funds from Singapore; Mitsui and Eni partnership with Petrobras to invest in Brazil and Colombia



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