

Asia – LATAM trade flow

Becoming more important every day

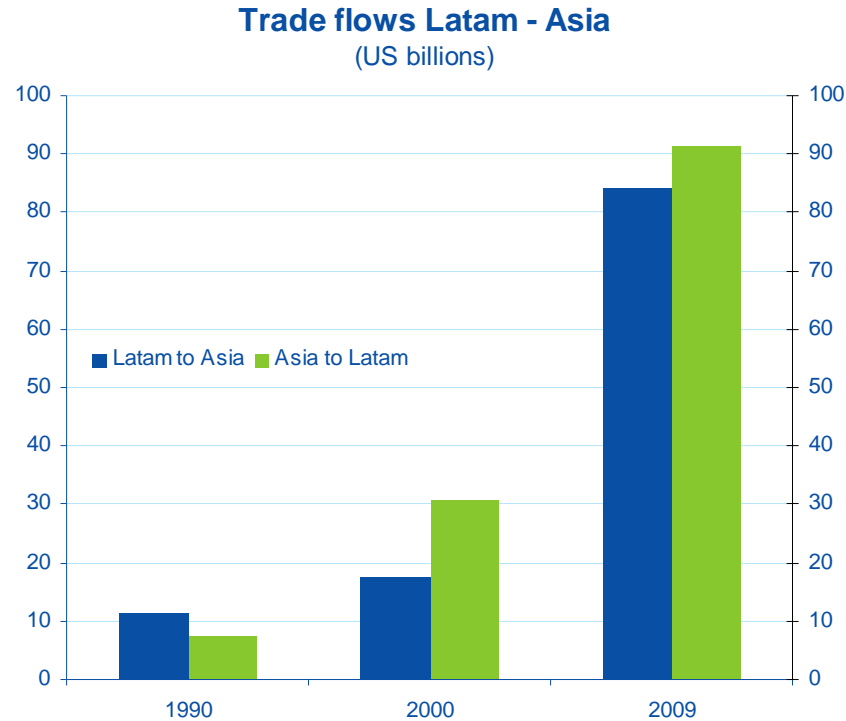
Alicia García-Herrero

Chief Economist Emerging Markets

Singapore – September 2011

1. Trends

- Trade flows between the two regions have grown almost nine fold in the last 20 years



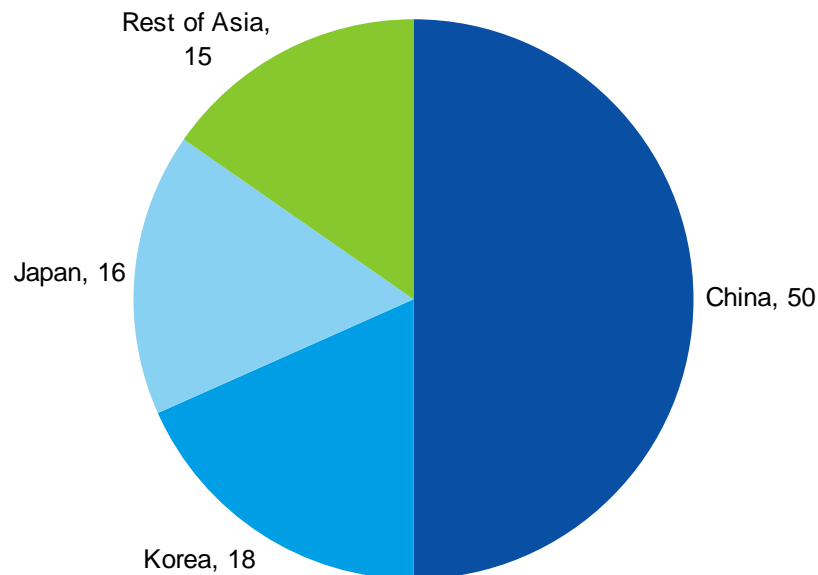
Source: COMTRADE

2. The big players

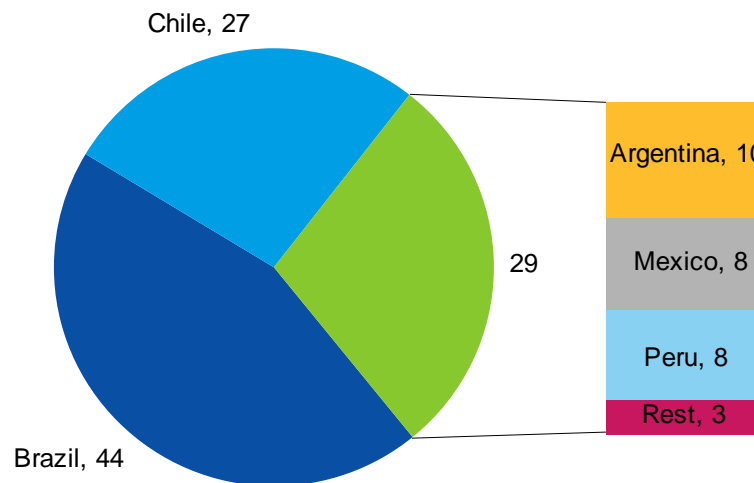
China, Korea and Japan: In 2009 the three countries accounted for 85% of total exports to LATAM (91 b USD)

Brazil and Chile: In 2009 the two economies accounted for 71% of total exports to Asia which added up to 84 b USD. Argentina, Mexico and Peru played a minor role

Trade flows Asia to LATAM: the big players
2009



Trade flows LATAM to Asia: the big players
2009



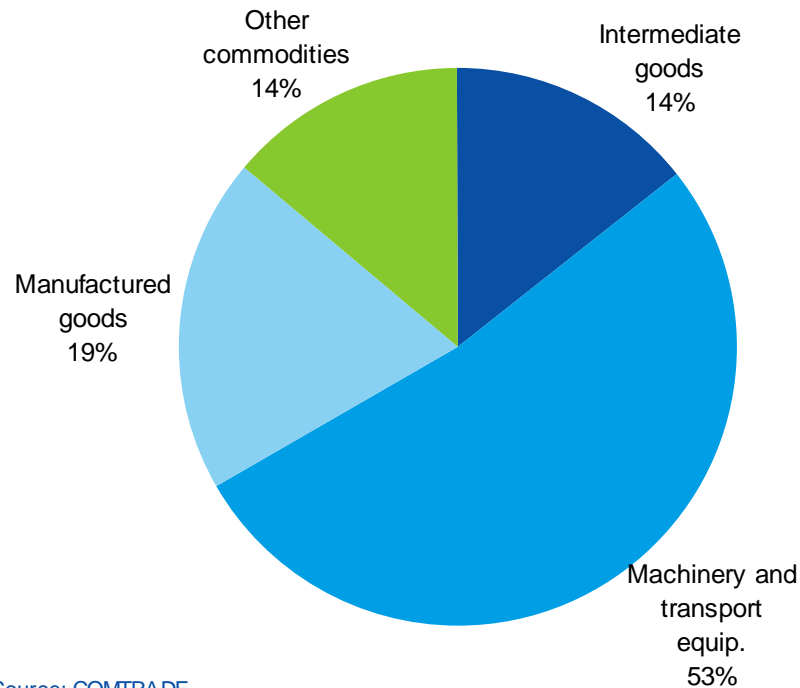
3. What is traded?

Asian exports: High value added goods like motor vehicles, communication devices and electronic devices. Also some intermediate goods like textiles, fabrics, iron and steel.

LATAM exports: Commodities: iron ore, soybean, copper, paper and food for animals

Trade flows Asia to LATAM: commodities

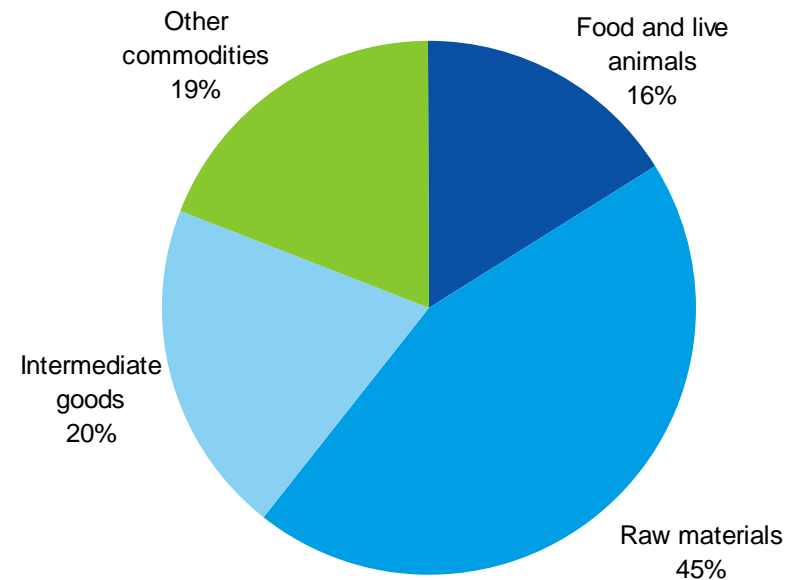
2009



Source: COMTRADE

Trade flows LATAM to Asia: commodities

2009



Source: COMTRADE

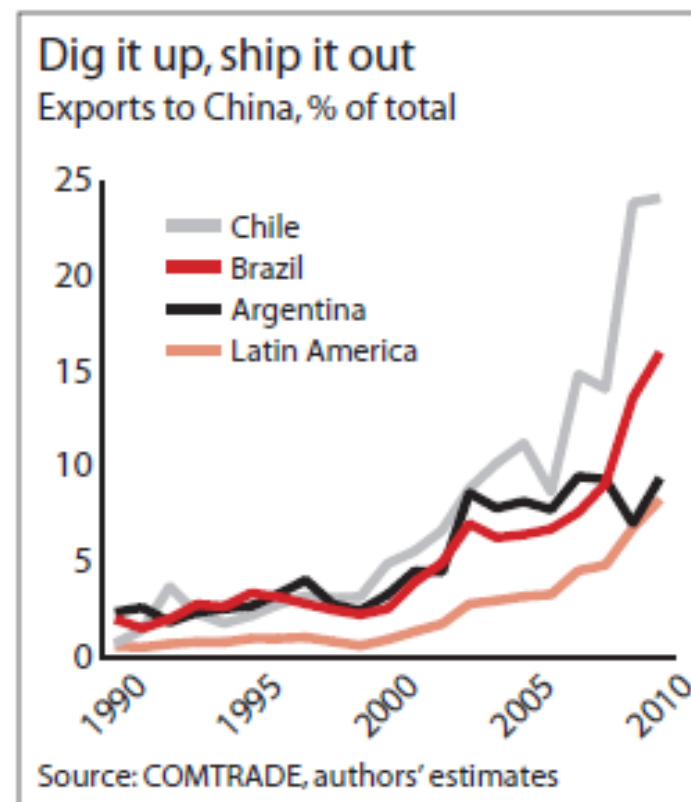
4. The relative importance of both markets

For LATAM: Asia has become a top trade (exports and imports) partner

For Asia : LATAM is one of the main providers of commodities. When excluding intraregional trade LATAM is the **third most important export destination**

LATAM in 2009

Export partner ranking		
Ranking	LATAM 7	
	Partner	Share
1	USA	37.8
2	China	7.4
3	Brazil	3.0
Import partner ranking		
Ranking	LATAM 7	
	Partner	Share
1	USA	31.6
2	China	12.9
3	Germany	4.9

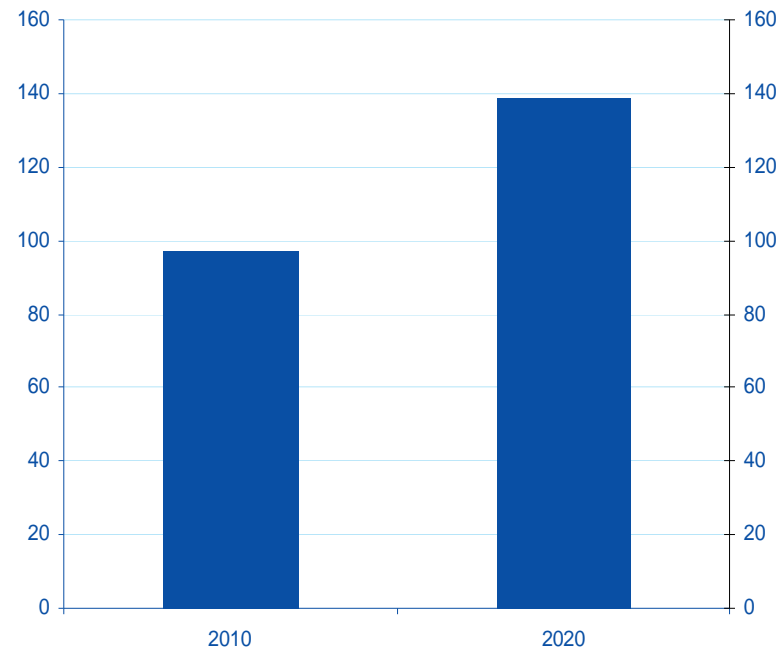


5. The future of relationships

LATAM market: Given its size, economic growth and growing middle class, it could become a key market for Asian exporters

Asian market: Key engine for growth in LATAM already. Also increasing source of FDI, e.g. in 2010 China was the third largest investor in the region

Latin American middle income class
(millions of people)



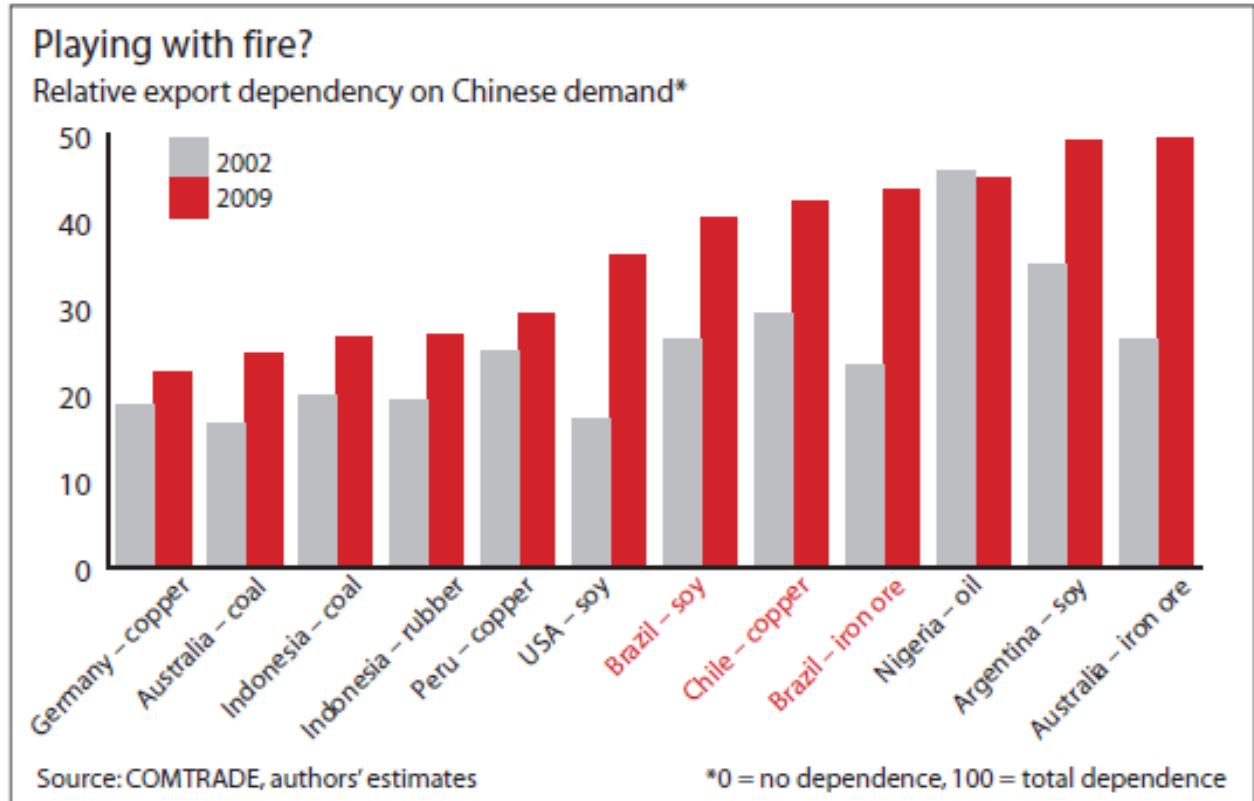
6. China dependence: how much of a risk for LATAM?

Most of LATAM countries exports rely on pure commodities. In spite of China's role as a major trade partner, the size of LATAM exports towards Sino economy is still low when compared relative to GDP



7. Exports to China are important but not essential

Trade relations with China are concentrated in three commodities but vulnerability is not the higher when compared to other countries



8. In summary

- China, Korea and Japan are key for most LATAM countries as export destination but also as a source of imports
- Trade flows will continue benefiting from high commodity prices and strengthening of LATAM middle classes
- In the following years the relationship is expected to become stronger. Capital and investment flows will gain relevance