

ADDRESS BY ALICIA BARCENA,
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Economic Commission for Latin America and the Caribbean
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SUMMIT
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Mr. Abulaiti Abudurexiti, Vice-Chairman of the Chinese People's Political Consultative Conference (CPPCC),

Mr. Wan Jifei, Chairman of the China Council for the Promotion of International Trade (CCPIT),

Honourable ministers, ambassadors and representatives of the diplomatic corps,

Mr. Tong Guili, Vice Mayor of Hangzhou

Mr. Huan Kunmmig, Party Secretary of Hangzhou

Friends of the Latin American Chambers of Commerce that liaise with China
Ladies and gentlemen,

May I first convey my gratitude to the China Council for the Promotion of International Trade for kindly inviting me to address you at this dinner hosted by high authorities of the Province of Hangzhou on the occasion of the sixth China-Latin America and the Caribbean Business Summit.

Let me take the opportunity to express my appreciation to the Latin American Chambers of Commerce that liaise with China and to all the private sector and government officials from China and our region.

I also wish to pay my respects to the senior officials and the People of the Province of Hangzhou for their warm welcome, to Mr. Abudurexiti for his kind words and to acknowledge also the leadership of my friend Luis Alberto Moreno, President of the Inter-American Development Bank.

The Economic Commission for Latin America and the Caribbean (ECLAC) has actively participated in all the China-Latin America and Caribbean business summits, since their inception in Santiago back in 2007. This forum has become a key platform for joint dialogue on trade and investment between Latin America and the Caribbean and the People's Republic of China. It has sown the seed for a powerful, concerted agenda, which will enable us to move progressively towards economic, political and social dialogue at an increasingly high level.

The central theme chosen for this Summit "*Trade and Investment Transformation, Greater Development*" is a very fitting one, with the focus on shared prosperity and promoting closer cooperation particularly through trade and investment as China and Latin America and the Caribbean gain prominence on the world stage.

Much water has passed under the bridge since that first Summit. Between the meetings held in Harbin, Bogota, Chengdu, Lima and the current one here in Hangzhou, we have witnessed the most serious international economic crisis since the Great Depression of the 1930s, the critical economic situation in the euro zone and the increasingly prominent role being assumed on the world economic stage by the emerging and developing economies.

This is clearly a historic period, a change of epoch and the start of a new phase in the world economy. Leverage for world economic growth is now coming from the emerging and developing economies. By the end of this decade, South-South trade will have overtaken North-North trade; within five or six years, China's GDP (measured in purchasing power parity (PPP)) will have overtaken that of the United States of America, and China will be the leading world economy.

The renewed trade and investment linkages between China and the developing countries —China, on the one hand, and Asia, Africa and Latin America, on the other— account for the two-speed international economy: deterioration or weak growth in the industrialized economies and growth in the developing economies that is more than double the expansion in the industrialized economies.

History counts and both China and Latin America and the Caribbean have undergone profound changes in the last 30 years. China has undertaken a drastic transformation in the last 34 years and is pursuing a colossal industrialization and urbanization programme. Meanwhile Latin American and Caribbean countries have learned the hard way to be prudent on the macroeconomic front and progressive in the social sphere, following the dramatic debt crisis which plunged our region into the lost decade of the 1980s.

Today both China and Latin America and the Caribbean are weathering the global financial crisis with more resilience than the developed countries. Economic activity in Asia-Pacific and Latin America and the Caribbean accounted overall for 60% of world economic growth. This trend suggests that by 2020 South-South exports will exceed North-North exports. A similar pattern is emerging with foreign direct investment flows, 50% of which are channelled towards the developing economies. By 2016, the emerging economies, whose weight has been increasing steadily, will account for 53% of world GDP.

The geographical shift that has been taking place in the world economy forces us to rethink the structure of strategic alliances and to recognize the growing importance of South-South relationships.

One point is clear: the South is no longer the same and the Latin American and Caribbean region, like China, has changed as well.

In recent years, despite the 2008 financial crisis, growth in Latin America and the Caribbean had been at a historic high and the region experienced a boom, the likes of which had not been seen for more than four decades.

While growth is expected to slow to 3.2% in 2012, down from 4.3% in 2011, this indicator will be above the international average. The major strengths continue to be control of inflation (at 6.6%), sound fiscal policies, a lower and better structured public debt (below 35% of GDP), and unprecedentedly high international reserves (in excess of US\$ 765 billion). In the past two decades,

thanks to decisive action by States, the percentage of poor people in the region declined from 48.4% (1990) to 30.4% (2011). Extreme poverty or indigence fell by almost 10 percentage points, from 22.6% to 12.8% of the population over the same period. Employment increased and also improved qualitatively. Unemployment is now below the pre-crisis level (6.6%). However, we remain the most unequal region in the world and we need to move towards better apportionment of labour income and to better redistribution of productivity gains. As stated in our documents *Time for Equality and Structural Change for Equality*, we are convinced that there are gaps to be closed and trails to be opened up, because inequality conspires against development and security. Our region can grow more and better. **The paradigm for today is growth for equality and equality as a driver of growth.** Upward mobility means that poor households that become part of the middle class can become a powerful engine for growth boosting domestic consumption, which is a shared objective.

The challenge now, and one we view with a sense of urgency, is to apply far-reaching structural changes, absorb technological progress, reinforce innovation and develop dynamic comparative advantages while maintaining high growth rates, industrialization with innovation, equality based on employment with social protection and environmental sustainability. The key to closing social gaps is reducing disparities not only between sectors but also between territorial divisions. The size of companies and the way they fit into the production chain do matter and here we have many lessons to learn from China. Micro-, small and medium-sized enterprises generate 60% of jobs but account for only 25% of GDP. Moving towards productive convergence will depend on success in closing gaps in productivity, innovation, investment and infrastructure.

ECLAC advocates a structural shift underpinned by active industrial and technological policies, in tandem with inclusive financing strategies. It will be crucial to avoid “reprimarization” of some economies and to ensure that windfall earnings from the natural resources exported by the region are administered judiciously, in keeping with a vision for the future and the principles of environmental sustainability.

There is no question that the region's economic resilience, particularly that of South America, is linked to its stronger economic and trade ties with China. China has already supplanted the European Union as the second supplier of imports into Latin America and will soon replace it as the second destination market for our exports. China is increasing and diversifying its investments in our region, while loans granted by Chinese banks to Latin American countries exceed those from the World Bank. China is already the leading export market for Brazil, Chile and Peru and the second for Argentina, Bolivarian Republic of Venezuela, Costa Rica, Cuba and Uruguay.

This noteworthy transformation has occurred within a matter of ten years. At ECLAC, however, we do not view it as a passing phase. On the contrary, we think that it is a structural change to which we should pay the utmost attention and which calls for an adjustment of our international integration policies and a new partnership strategy.

First of all, this new relationship with China poses opportunities and challenges for us: colossal opportunities thanks to robust demand in China and the outlook for urban development and industrialization, which open up great prospects for our agricultural and food production. According to ECLAC studies, international prices for the commodities exported by Latin America and the Caribbean will remain buoyant thanks to vibrant growth in China through to the end of the decade. Latin America needs to take advantage of the golden opportunity provided by this boom and to use it to invest more heavily in infrastructure, education, innovation and social cohesion. The challenges are considerable as well. Trade with China has soared at a dizzying pace but has been based on just a few products, mostly of low value added or with limited potential for generating production chains or jobs.

China's investment in Latin America has been growing but is still far below bilateral trade rates, and concentrated in resource-based industries. Much has to

be done to strengthen both trade and investment facilitation. Investor security calls for clarity and transparency in the way information on regulatory systems and policies is exchanged.

The main challenges are domestic ones, and complaints about the high demand by China for our primary exports are mainly attributable to lack of policies on the part of Latin America and the Caribbean for reinforcing trade and investment and redirecting them towards sectors that can boost industrial sectors in our region. Our region's natural resource endowment should be seen as an opportunity and not a curse. The real curse is the lack of policies.

Therefore one key objective must be to match our national and regional innovation and competitiveness agendas to the growing economic needs of China, in order to avoid a return to a period of excessive dependence on primary exports with low-technological content. We know also that today's agricultural and mineral exports are more sophisticated than those of 20 years ago, and that, sooner rather than later, successful experiences in development will be reflected in industrialization, exports of greater technological complexity and denser production and technology chains between primary, manufacturing and services sectors. This is also the lesson to be drawn from the newly industrialized Asian economies and, of course, from China, itself.

Two significant gaps must be closed in our region: the gap in investment and the gap in intraregional trade. Investment levels in the region now stand at 20% of GDP. By contrast, in Asia-Pacific, investments are of the order of 40%. Intraregional trade represents just 19%, compared with as much as 48% in Asia-Pacific and 54% in Europe.

Our Governments and societies, indeed our region as a whole must strengthen integration mechanisms, build and expand joint areas for trade, infrastructure, innovation and technology, and a capacity for forging partnerships and advancing in regional value chains. This will enable us not just to improve the quality of our trade linkages with China and Asia but also to make more substantial strides in

intraregional trade and in incorporating small and medium-sized enterprises (SMEs) in the export programme.

At ECLAC, we have supported these processes thanks to the trust placed in us by the Governments of the region. Thus, we have been working in conjunction with the Community of Latin American and Caribbean States (CELAC), the Union of South American Nations (UNASUR), the Latin American Integration Association (LAIA), the Central American Integration System, the Southern Common Market (MERCOSUR) and the Andean Community. The pace and coverage may differ but in all cases the focus is on the urgent need for a wider regional market. This regional dimension is still weak and needs to be strengthened. This calls not just for better interaction with China and the Asia-Pacific region but also for a stronger role for Latin America in South-South dialogue and, of course, in the major debates on the global agenda.

This explains the significance for us of Prime Minister Wen Jiabao's address to Latin America, delivered from our house, ECLAC headquarters last June 2012. The Prime Minister revealed a deep understanding of the Latin American debate on the opportunities and challenges represented by our relations with China. But he went one step further. He went on to formulate concrete proposals for boosting cooperation ties between China and Latin America for our mutual benefit.

He proposed the creation of a China-Latin America and the Caribbean cooperation forum; he suggested the organization of a periodic dialogue at the level of ministers of foreign affairs between China and the CELAC troika; he called for bilateral trade to double in the next five years, in order to bring it to US\$ 400 billion by 2017, and for an effort to bring trade balances into equilibrium and diversify products. Conscious of the infrastructure lag in our region, he offered a US\$ 10 billion line of credit from the Chinese Development Bank to boost road, railway, bridge, electricity and telecommunications infrastructure. He also proposed the creation of a forum of Chinese and Latin American and Caribbean agriculture ministers, with the first meeting to be held in China in 2013. Lastly, he

advocated the creation of a forum on scientific and technological innovation between China and Latin America and the Caribbean.

Like the Prime Minister, we at ECLAC believe that the time is ripe to take a qualitative leap in the relationship with China and Asia-Pacific as a whole. Latin America, through its authorities and regional organizations, must now take the floor and respond to China's attractive and stimulating offer.

At ECLAC, we are more than ready to support our Governments and their regional representatives in building a better coordinated, collective agenda for dialogue between our region and China, with emphasis on the opportunities and challenges and similar themes to those put forward by Prime Minister Wen Jiabao.

We had the opportunity to exchange views along these lines with Vice-President Xi Jin Ping during his visit in June 2011 and today with Vice Premier Hui Liangyu.

We are convinced that closer, better quality ties between China and Latin America will enhance the role of developing countries in the international arena and improve governance of globalization. China and Latin America seek growth with equality that is sustainable and that avoids the "middle-income trap". ECLAC, together with other regional agencies, can facilitate a better exchange of experiences in the area of public policy. We have learned and documented through our publications important lessons in macroeconomic management, social policy, urbanization, industrial, technological and environmental policies and international integration.

Lastly, I should like to thank the Chambers of Commerce of Latin America that liaise with China for the support provided to ECLAC and to congratulate them on having been the first to draw attention to the scope for trade and development that economic reforms in China and their growing impact on the world economy represent for our region.

We view the establishment of the Community of Latin American and Caribbean States (CELAC) as a historic event of the greatest significance, the objective being to change the way we relate to each other and to the rest of the world with pragmatism and idealism.

Being partners for prosperity means recognizing that we are equals but respectful of the differences that we perceive in each other; it means recognizing that we have shared but differentiated responsibilities in building this prosperity. Prospering together is, in the final analysis, making a new covenant, a new partnership. Let us turn our word into reality for our peoples.

In the past two days my colleagues and I have enjoyed the warm hospitality extended to us by the Government of the People's Republic of China through the Ministry of Foreign Affairs and the people of Beijing and we have had the opportunity to reiterate our great admiration for this civilization, which dates back thousands of years, and our full commitment to continue enhancing bonds of friendship and mutual development goals between Latin American and Caribbean countries and people and China.

We at ECLAC are at the disposal of the partners and participants of this Summit. And so, on this occasion which brings us together here today, I have great pleasure in thanking, and proposing a toast to, CCPIT, the authorities of Hangzhou and the Latin American Chambers of Commerce that liaise with China. To the success of this business summit! CAMPEI!