

Remarks by Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC), on the occasion of the visit by Li Keqiang, Prime Minister of the People's Republic of China

Santiago,

25 May 2015

ECLAC

Your Excellency, Li Keqiang, Prime Minister of the People's Republic of China,

Your Excellency, Michelle Bachelet, President of Chile,

Professor Cheng Hong,

Wang Yi, Minister of Foreign Affairs of China,

Heraldo Muñoz, Minister of Foreign Affairs of Chile,

Xu Shaoshi, Minister of the National Development and Reform Commission,

Gao Hucheng, Minister of Commerce,

Xiao Jie, Deputy Secretary-General of the State Council,

Ning Jizhe, Director of the Research Office of the State Council,

Li Baorong, Ambassador of China to Chile,

Wang Chao, Vice-Minister of Foreign Affairs,

Shi Gang, Chef de Cabinet to Prime Minister Li Keqiang

Distinguished members of the delegation of the People's Republic of China,

Members of the diplomatic corps,

Government authorities,

Members of parliament,

Colleagues of the United Nations system and ECLAC,

Friends,

Distinguished President Bachelet, thank you for honouring us with your presence at this important event for the region.

Chile was the first country after Cuba to establish diplomatic relations with the People's Republic of China 45 years ago, and the first to sign a free trade agreement with that country.

Thank you again, Madam President, for your Government's commitment to building constructive, complementary and dynamic relations between Latin America and the Caribbean and Asia-Pacific in general, and with China in particular, and thank you for your stalwart leadership in the fight to build a society of rights, equality and justice.

Excellency, Prime Minister Li Keqiang, please accept our warmest welcome to this house of the United Nations. Since its establishment in 1948, ECLAC has been the living expression of the development aspirations of the Latin American and Caribbean peoples, aspirations which we know are shared by your Government and by the Chinese people.

We are deeply honoured that you have chosen ECLAC to share your vision of this new stage in China's relations with our region. Your visit is a landmark in the process of deepening cooperation and economic and political relations that has been unfolding over the past few years, a process to which ECLAC has been a privileged witness. Your visit speaks of a shift in the direction of relations between China and this region, where, as you yourself have said "it is necessary to vigorously deepen production capacity cooperation, [and] make the people share the fruits of development", in other words, to respond rapidly to the commitments agreed upon in January this year in Beijing between the Community of Latin American and Caribbean States (CELAC) and China.

In 2011 and 2012 we had the immense privilege of receiving—in this very conference room—the then Vice President and now President of China, Xi Jinping, and the then Prime Minister, Wen Jiabao, in

whose message China's visionary proposal of establishing a strategic relationship with this region came clearly through.

In the past decade, ECLAC has followed the impressive evolution of China's economy with great interest, drawing attention to the challenges and opportunities it presents for our region. Since 2007, we have taken part in joint events, such as the China-LAC Business Summits and the China-LAC Think Tanks Forum. China has demonstrated an admirable ability to transform itself, in just three and half decades, into the world's largest economy, with rapid processes of industrialization and urbanization, including one of the most successful poverty reduction efforts in modern history: from 69.4% in 1984 to 6.2% in 2011 according to World Bank data.

At ECLAC we have followed very closely the complex process of reform upon which China is engaged in its efforts to advance towards a more environmentally sustainable, inclusive development model.

We have also followed very closely China's growing role in global economic governance, with ambitious initiatives such as the recently created Asian Infrastructure Investment Bank and the New Development Bank, and the project known as the Silk Road Economic Belt and the Maritime Silk Road.

Today, to mark your distinguished visit, ECLAC is presenting the document *Latin America and the Caribbean and China: towards a new era in economic cooperation*.

In this document we underscore the fact that, trade —especially goods trade— between Latin America and the Caribbean and China, has increased 22-fold over the past 15 years, between 2000 and 2014. China is now the region's second largest trading partner and the foremost partner for Chile and Brazil. Undoubtedly, this occurred in the context of a Chinese economy that posted yearly growth of 10% between 2000 and 2011, fuelling a “supercycle” of high commodity prices that benefited much of the region and the South American countries, in particular.

Financial relations spearheaded by the China Development Bank have also intensified in the past few years, with over US\$ 100 billion in loans and investment flowing into the region between 2005 and 2015. The expansion and deepening of financial relations and investment, particularly in infrastructure and energy, has the potential to bring major shared benefits.

Since 2012, growth has slowed both in China and Latin America and the Caribbean. For its part, China is seeking a growth rate compatible with its ambitious reform programme, and aims to prevent slower growth from hurting job creation. In this context, it is likely that its economy will grow at rates of between 6% and 7% for the rest of the decade.

Both President Xi Jinping and you, Prime Minister, have signalled that the drivers of the country's growth in recent decades are no longer sufficient, and that henceforth increased productivity must play a key role in maintaining high and sustainable growth. In keeping with that assessment, reforms are under way to improve China's integration into the knowledge economy through a massive investment drive in human capital, science, technology and innovation.

For all those reasons, it is important for the entire region to hear your message here today with a view to understanding China's short- and medium-term strategies.

Our region's growth has slowed rapidly, to just 1.1% in 2014, with forecasts of under 1% for 2015. Among the internal factors underlying this performance is the standstill in investment and weakening consumption, while the external factors include a heavy slowdown in external demand and falling prices for raw materials, which has hit the region's exports badly. The growth rate of our exports, which stood at 26% in 2010, fell to a mere 2% in 2014.

Today, just five exports, all primary goods, account for 80% or more of the total value of exports to China. Foreign direct investment from China has had a hand in entrenching this pattern, since almost

90% of Chinese investments between 2010 and 2013 went to extraction activities, mainly oil and hydrocarbons.

We believe that relations between China and Latin America and the Caribbean are mature enough to take a qualitative leap and move towards a strategic partnership able to provide mutual benefits.

The countries of the region must redouble their efforts to diversify exports to China —embedding more value and knowledge— and stimulate business, trade and technological partnerships with firms in China, and promote Latin American investments in Asia-Pacific to help build up the region's presence in Asian value chains, structured around China. From the perspective of our region, production diversification remains the main pending task. The region must move on from its current pattern of international integration.

We are also facing the challenge of inequality, with a structural heterogeneity in which large corporations generate value added but little quality employment, and an enormous array of small and medium-sized firms which generate employment but little productivity.

Despite the obvious differences, the Latin American and Caribbean region faces a similar challenge. To advance towards more prosperous and less unequal societies, the region's growth model must evolve from one which its role in the global economy consists primarily of exporting raw materials and assembled manufactures with little value added.

This is why it is so important to consider the challenges of relations between China and Latin America and the Caribbean.

The China-CELAC Cooperation Plan (2015-2019) adopted in January in Beijing, contains ambitious targets for expanding trade and investment between the parties over the next decade. This is based on the

premise proposed by President Xi of an alliance with Latin America, a shared objective of common prosperity, with three drivers (trade, investment and financial cooperation) and six pillars: energy, natural resources, infrastructure, agriculture, manufacturing, technological innovation and informatics. The Plan proposes a target of US\$ 250 billion in Chinese investment in this region over the next 10 years, and agreements for US\$ 53 billion were signed just days ago with Brazil in this framework. These targets are welcome, as is the proposal you made in Brazil a few days ago of a new model of cooperation between this region and China on production capacity: the “3x3” model which addresses the critical areas of connectivity, financing and business-society-government partnerships.

The aim is undoubtedly to expand these flows in absolute terms, but also to take steps to increase the all-round prosperity of our societies.

This is, obviously, a shared responsibility.

On the one hand, our region, with its enviable endowment of renewable and non-renewable natural resources, should promote sustainable production through active industrial policies geared towards diversifying its export supply. On the other, China could further this effort by actively seeking to import a broader range of Latin American and Caribbean products.

China’s large savings surplus makes it a potential investor of great importance for Latin America and the Caribbean. Chinese investment will make a stronger contribution to development in our region if it is directed not only towards the traditional sectors of hydrocarbons and mining, but more towards a diversified range of manufacturing, services and the development of better infrastructure for transport, energy and logistics. All this needs to be accompanied by increased social and environmental responsibility. One project along such lines, for example, is the proposed railway line between Brazil and Peru, which will join the Atlantic and Pacific coasts of South America.

More plentiful, more diversified Chinese investment flows in the coming years could not only transform economic and trade relations between the two parties, but could also promote production integration within the region. For example, greater Chinese presence in the automotive, agro-industry and electronics sectors, coordinated with local suppliers, could strengthen regional value chains and help increase the customarily low level of intraregional trade in Latin America and the Caribbean.

Insofar as cooperation with China contributes to closing the region's infrastructure, logistics and connectivity gaps, it will also stimulate intraregional trade and the emergence of regional value chains.

Conversely, the wealth of experience our region has built up in terms of innovative social policy, urbanization, environmental protection and many other areas may benefit China in its efforts to tackle major development challenges of its own.

There is also much scope for high-level dialogue and development of understanding between China and this region on key issues of the global agenda, especially the post-2015 development agenda and the future multilateral regime on climate change, as well as the reform of the international monetary system.

We are witnessing a change of era: the post-war order that arose from Bretton Woods no longer reflects the economic and political realities. The developing countries already produce over half of world output. This new scenario calls for a redesign of the forums in which the major economic debates of the coming decades will take place. The recent creation of the Asian Infrastructure Investment Bank and the New Development Bank are a reflection of this new governance, which is taking shape with a significant South-South component. Closer strategic relations between China and Latin America and the Caribbean are also part of this much needed stronger cooperation between the countries of the global South.

The China-CELAC Cooperation Plan (2015-2019) provides a suitable institutional framework for advancing in all these areas. It is now up to both parties to agree upon mutually beneficial initiatives that will give that cooperation concrete form.

Prime Minister, this soil, a common homeland which has yet to shake off the yoke of inequality, has witnessed the birth of giants of literature and philosophy. One such was Pablo Neruda, whose eloquent pen wrote the following words ("Para ti, las Espigas" (1954)) which I am bold enough to paraphrase:

“De mar a mar, de tierra a nieve, todos los hombres te contemplan, China.

Qué poderosa hermana joven nos ha nacido!

El hombre en las Américas....., te mira, China Popular, te saluda

y conmigo te envía este abrazo.”

Excellency, we look forward to your reflections on how to build an even closer and mutually beneficial relationship between China and our region in the coming years.

Please know that you already have this Commission's firm commitment to that endeavour.

Thank you very much (*Xie Xie*), and welcome.