

Preface

This detailed study of the impact of China on Latin America is part of a major Development Centre initiative that culminated in a March 2006 conference. The event brought together experts from OECD and non-OECD countries to discuss the impacts of the Asian Drivers on other developing economies in Africa, Asia and Latin America.

China has been a powerful global player in the past, as detailed by Angus Maddison in earlier work for the OECD Development Centre¹, contributing as much as nearly a third of world GDP as late as the beginning of the 19th century. Its recovery over the past decade has been spectacular, creating both opportunities and challenges for many other countries, most notably developing countries and emerging economies. For Latin America, China looks more like a “trade angel”, as it provides an outlet for commodities from the region. China’s trade impact on Latin America is, thus, positive; directly, through a boom of exports, and indirectly, through better terms of trade.

The rise of China is also a challenge for Latin American countries. If they are to keep building on their comparative advantage, reforms must continue, particularly in the area of infrastructure.

The following chapters present detailed evidence of the positive and negative trade and financial impacts of the rise of China on Latin America, demonstrating that this is probably one of the regions in the world to benefit most. Some of the authors concentrate their analysis on the trade impacts while others deal with foreign direct investment. All of them note that China represents a unique opportunity for Latin America to build on the traditional endowments of the region. The major policy issue will be how to continue to capitalise on the Chinese windfall while avoiding the risk of being pushed into a raw materials corner, instead of deepening integration into the global value chain.

Beyond trade, what is also emerging is a notable shift in global patterns of economic interdependence. Economic ties between Latin America and Asia were already strong, especially with Japan and Korea. The emergence of China – and India – extends and deepens dramatically these ties. Latin America is looking more and more towards Asia; emerging Asia seeks resources and new markets in Latin America. For Europe and the United States, this is also a wake-up call.

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1. See, OECD Development Centre Studies:

MADDISON, A. (2003), *The World Economy: Historical Statistics*, Paris.

MADDISON, A. (2001), *The World Economy: A Millennial Perspective*, Paris.

MADDISON, A. (1998), *Chinese Economic Performance in the Long Run*, Paris.