



Opportunities Brought by the 13th Five-Year Plan for China-Latin America Economic Cooperation

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Today, China is the second largest economy, a new manufacturing center and the biggest trader in goods in the world. Economic relations between China and Latin American countries are getting increasingly closer with growing influences upon each other. While adopting a more active opening-up strategy and building an open economic system, China has attached great importance to the all-round opening-up pattern. Latin America is already a key partner of China, and the China-CELAC Forum and China-Latin America Production Capacity Collaboration Fund have started operation. Many Latin American countries have, with growing willingness, conducted substantial cooperation with China in terms of infrastructure construction, energy and resource exploitation, international production capacity collaboration as well as development of big agriculture. In addition, the advantageous products such as resources, energy and bulk agricultural products of quite a few Latin American countries have a bigger stake in the Chinese market. China's 13th Five-Year Plan (FYP) will not only guide its economy to a more balanced and sustainable state, but also bring new historical opportunities for China-Latin America economic cooperation.

I. The building of an open economic system during the 13th FYP period demands comprehensively strengthened China-Latin America cooperation

During reform and opening-up in the past, relying on its abundant labor resources, huge domestic consumption market and solid industrial base, China joined international industrial transfer and entered a new stage of rapid economic growth, continuous industrial upgrading and people's sustainably rising livelihood. China's economic growth gave a great boost to its cooperation with Latin America and attracted much attention from many nations on the continent. However, with the

gradually rising costs of land, labor, capital and technological factors, especially growing labor costs resulted from a gradual decline in new labor supply, many labor-intensive industries are shifting towards other developing countries. Therefore, China must adopt an innovation-driven development pattern and accelerate economic restructuring. Economic transformation requires the transformation of government functions and implementation of systematic reform measures to enable the market play a decisive role. The driving forces behind such reform should be all-round opening-up, an open economic system and the strategy of “promoting reform through opening-up, development through reform and transformation through development” in the process of economic globalization and regional integration. To cope with various challenges at home and abroad, China proposed a more proactive all-round opening-up strategy as well as building an open economic system. From a broader perspective of regional cooperation, China has till now forged multiple international and regional cooperation platforms, including China-CELAC Forum, APEC, the Belt and Road Initiative, and FOCAC. China-CELAC Forum and China-Latin America Production Capacity Collaboration Fund, among others, will be important partners of China in building an open economic system and critical platforms for facilitating the country’s economic transformation and restructuring.

II. China and Latin America will jointly promote global and regional economic governance during the 13th FYP period

In terms of global and regional economic governance patterns, developed economies are pushing ahead for the formulation of new investment and trading rules of the 21st century, of which the Trans-Pacific Strategic Economic Partnership Agreement (TPSEP) is a typical example. Quickened negotiations over TPP, TTIP and the EU-Japan FTA indicate that developed countries will take the lead in promoting future economic integration. Meanwhile, developed countries are gradually losing interest in the world’s multilateral trading system and take a negative attitude towards increasing the voice and voting rights of BRICS countries and other emerging economies in global economic governance, thus making it difficult for IMF to complete its share reform. Currently, the positions of director-general and deputy director-general of the WTO are held by a Brazilian and a Chinese respectively. Hence, it is the bounden duty of both China and Latin America to maintain WTO’s multilateral trade system and to safeguard the interests of developing countries. While significantly improving their international status, both China and Latin America are opening their economies to a higher degree and giving developing countries a greater say in global economic governance.

In its 13th FYP, China pledges to promote multilateral trade negotiations, and balanced, win-win and inclusive development of the multilateral trade system in hope of forming a fair, reasonable and transparent system of international economic and trading rules. It will also support equal participation of developing countries in global economic governance and push forward reforms of international monetary system and

financial regulation. It is in the interests of both China and Latin American countries - members of multiple international organizations - to jointly improve global and regional economic governance patterns. During the 13th FYP period, the two sides need to work closely on global governance platforms like G20 to promote the reform of IMF and World Bank, coordinate positions in climate change negotiations, advance South-South cooperation, improve the governance structure, transparency, environmental and immigration standards of the BRICS Development Bank and Asian Infrastructure Investment Bank (AIIB), and provide financial support for infrastructure construction and sustainable development projects in emerging markets and developing countries. Moreover, they are also supposed to join hands in implementing the 2030 Agenda for Sustainable Development and establishing the APFTA on the Asia-Pacific cooperation platform. Based on the three FTAs between China and Chile, Peru and Costa Rica, China certainly welcomes negotiations over bilateral free trade agreements with more Latin American countries.

III. China's medium-high economic growth during the 13th FYP period will continue to drive Latin America's economic growth

Over the last 15 years, bilateral trade volume between China and Latin America increased twenty folds. Annual volume of bilateral trade is expected to exceed USD 500 billion, close to that between China and EU, ASEAN and the U.S. It shows that Latin America is becoming an increasingly important trading partner of China. Thus far, China has already signed free trade agreements with three Latin American countries, which has fueled the rapid growth in bilateral trade. A main reason for growth is China's demand for bulk commodities from Latin America. Copper, iron, soybeans and oil are provided by Chile, Brazil, Argentina and Venezuela respectively to meet China's industrial needs. Chinese investment in Latin America is also growing at a high rate, and the continent is among China's top investment destinations by accumulated outbound investment. During the 13th FYP period, Chinese economy is expected to grow at about 6.5% on average based on the economic scale of USD10 trillion. China's demand for resources, energy and bulk agricultural products will continue to rise and serve as the locomotive for the economic growth of Latin American countries. In China, consumption currently contributes to about 60% of its economic growth and this figure will see a further increase. The consumer market will continue to expand with a greater demand for imported consumer goods made in Latin America.

China has become a net outbound investor in 2015 and its outbound investment will keep two-digit growth with Latin America still a top investment destination during the 13th FYP period. As far as infrastructure development is concerned, Latin America has a pressing demand for foreign investment of USD300-400 billion every year. For Latin American countries where investment is badly needed, China is not only a key source of high-quality investment, but also a provider of unconditional loans. In

contrast, when applying for loans from the IMF or World Bank, these countries always have to accept many additional conditions.

With more than 100 million tourists travelling abroad every year, China's overseas consumption per capita ranks fifth in the world. Latin America will receive a huge number of Chinese tourists who will drive its economic growth.

During the 13th FYP period, guided by the concept of innovative, coordinated, green, open and shared development, China will be willing to share its development experience with Latin American countries and actively promote poverty reduction, inclusive growth and win-win cooperation. For instance, Chinese enterprises which invest in and maintain business relations with Latin America possess the ability of project contracting and can offer a package of solutions covering products, services, raw materials or even loans. They can make new contributions to improving the investment and development climate of the continent.

IV. China and Latin America will step up international production capacity cooperation during the 13th FYP period

During the 13th FYP period, China will accelerate economic transformation and restructuring. It is predicted that the share of manufacturing in GDP will drop by 1 or 2 percentage points year on year while that of the service industry will be on the contrary. During the internationalization of Chinese superior production capacity, Latin American countries will have what they need – manufacturing production capacity transfer, new investment, job creation and increased tax revenue.

During his visit to Latin America in 2015, Premier Li Keqiang pointed out in a speech that both sides should explore a “3×3” cooperation mode: jointly building logistics, power and information channels; realizing sound interactions among enterprises, the society and the government; and expanding three financing channels of fund, credit and insurance. During the 13th FYP period, Chinese companies will accelerate their investment process in Latin America, enhance cooperation in energy, mineral resources and deep processing of agricultural products, forge partnerships along the whole industrial chain in such fields as machinery, metallurgy, building materials, chemicals and food, facilitate demand-based equipment export, and open up future-oriented cooperation areas such as new energy, Internet, etc. The two sides may discuss the establishment of special economic zones and industrial parks to boost the efficiency of capacity cooperation.

During the 13th FYP period, China's supply capacity of whole industrial chain will well satisfy Latin America's need for infrastructure improvement and become a key conjunction point of their collaboration. Up to now, China and four Latin American countries have concluded framework agreements on production capacity cooperation and signed 70-odd documents regarding cooperation in energy and mineral resources,

infrastructure construction, S&T innovations, etc., with ongoing efforts to push collaboration on major projects including “Two Oceans Railway” and “Two Oceans Tunnel” (linking the Atlantic and Pacific oceans). It needs efforts from both sides to carry out the agreed major projects in the 13th FYP period.

With a population of 600 million, Latin America is also an attractive big market where mobile communication and the middle class are growing rapidly. In 2014, AliExpress recorded over 12 million page views in Brazil. The rapid growth of Brazilian customers contributed to a 139% increase in Alibaba’s international business. China and Latin American can develop a multi-layered cooperation system by combining infrastructure development with the development of service industry.

Latin America boasts abundant agricultural, forest and fishery resources with a huge potential for development. Therefore, China-Latin America cooperation on large-scale agriculture has a promising future. The agricultural cooperation is not only a key measure for jointly safeguarding their food security and economic development, but also a strategic initiative for improving global food security.

V. China and Latin America will advance the Belt and Road Initiative together

The Belt and Road Initiative proposed by China has received active support and response from dozens of countries including Latin American countries. As an ambitious economic vision of the opening-up of and cooperation among the countries along the Belt and Road, the Initiative is open for cooperation and harmonious and inclusive development, follows market operation and seeks mutual benefit. To be specific, countries along the Belt and Road should improve the region’s infrastructure, lift their connectivity to a higher level and further enhance trade and investment facilitation. This Initiative will help maintain closer economic ties, deepen political trust and enhance cultural exchanges. It is open to all countries and international and regional organizations for engagement. Countries should work in concert and move toward the objectives of mutual benefit and common security.

The Belt and Road Initiative is open and inclusive in four aspects – cooperation philosophy, cooperation room, cooperative field and cooperation mode. Though they are not covered by the Initiative in space, Latin American countries may still join the Initiative and share the fruits. China welcomes Latin America to make investment in and provide financing support for the Initiative, to increase trade with countries along the Belt and Road and tap their market potential and development opportunities. As a founding member of the AIIB, Brazil will play a constructive role in AIIB’s support for the operation of relevant projects. Additionally, economic entities of both China and Latin America in countries along the Belt and Road may conduct extensive third-party cooperation in areas such as policy coordination, poverty reduction, trade, investment, tourism, and cultural, educational and science and technological exchanges. While promoting their collaborative process under the Initiative, China

and Latin America should diversify their participants and ways of cooperation.