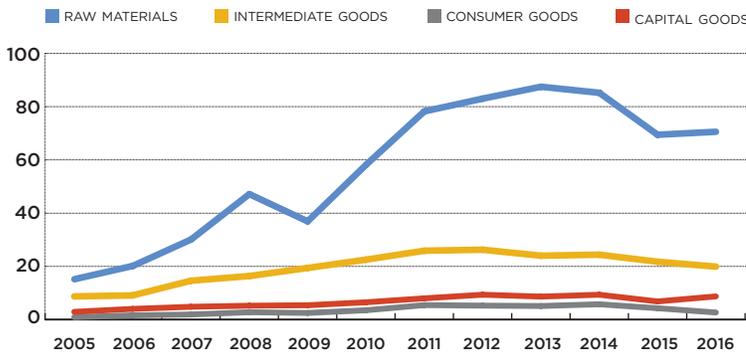


LATIN AMERICA-CHINA TRADE: AN ASYMMETRIC TALE

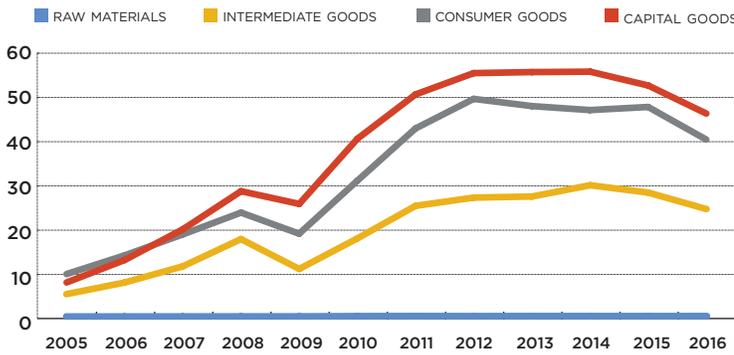


Over the past decade, Latin America has vastly expanded its exports to China, which are now approximately \$100 billion annually. These exports are primarily focused on raw goods and unprocessed goods, mainly: soybeans, iron ore, crude oil, and copper. Many natural resource-rich countries aim to move from exporting raw goods to higher value-added goods, but factors on both sides are preventing some Latin America countries from doing so. For example, export taxes in Brazil on processed soybeans, or tariff escalation in China, which increases tariffs for higher value-added goods. China's exports to Latin America, on the other hand, are increasingly higher value-added goods like electronic consumer goods and capital goods like machines.

LAC Exports to China (\$ Billions)



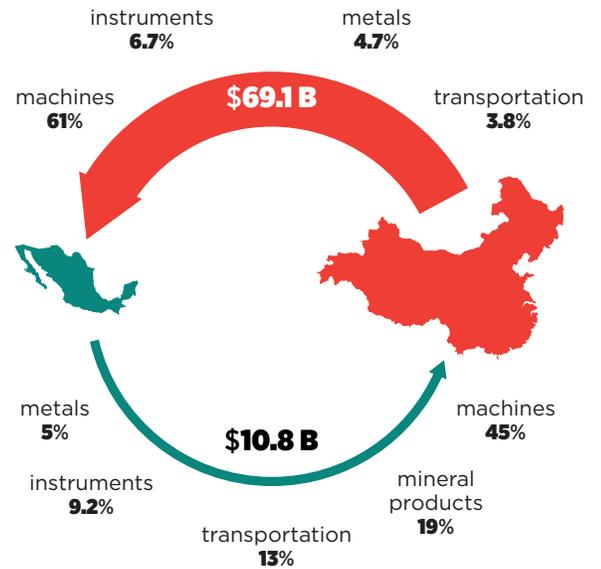
LAC Imports from China (\$ Billions)



SOURCE: WITS

Mexico-China Trade Relationship

Mexico's trade deficit with China continues to grow, as cheaper Chinese goods flow into the country. Lacking the vast natural resources of its South American neighbors, many Mexican manufacturing firms cannot match the production efficiencies of their Chinese counterparts.

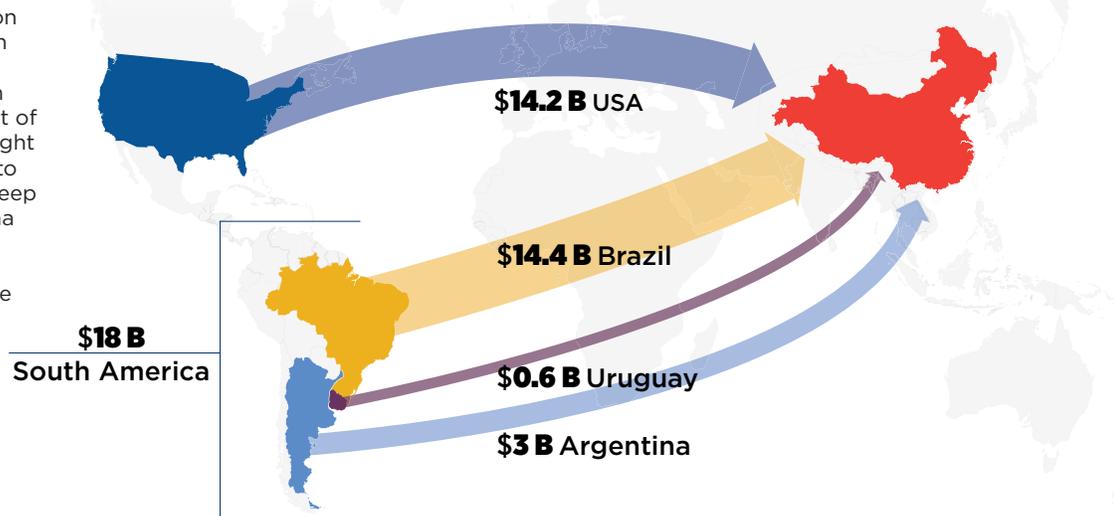


SOURCE: MIT OEC

Soybean Exports to China

In 2016, China imported \$33 billion of raw soybeans—\$14 billion from the United States and \$18 billion from South America, mostly from Brazil. Soybeans are a critical part of China's food chain, some go straight to China's consumers, others go to feed cattle and pigs, helping to keep meat and dairy prices low. If China imposes tariffs on US soybeans, Brazilian farmers could win, but would Chinese consumers feel the pain in their wallets?

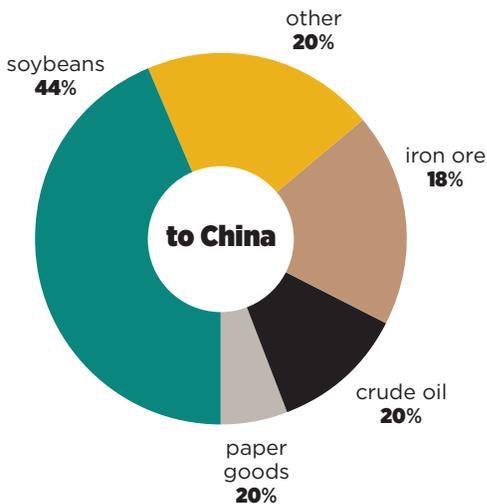
2016: China imported \$33 billion in soybeans



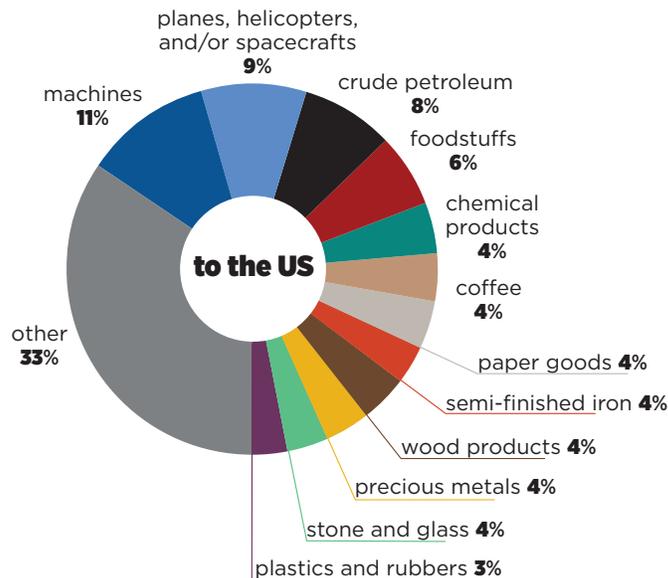
SOURCE: MIT OEC

Brazil Exports to China (\$35.9 Billion) and the United States (\$30.5 Billion)

Brazil's exports to China are representative of other Latin American countries' exports to China, dominated by raw materials. This leaves them vulnerable to commodity prices swings. By contrast, Brazil's exports to the United States are very diverse, made up of a wide variety of manufactured goods like machines, planes, and steel products. This highly diverse set of exports supports Brazil's vast manufacturing industry.



SOURCE: MIT OEC

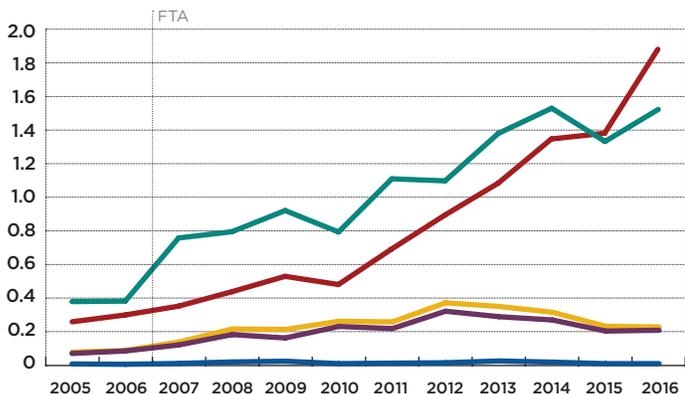


NOTE: DATA FROM 2015
SOURCE: MIT OEC

Growth in Chile Noncopper Exports to China (\$ Billions)

Chile was the first country in the Western Hemisphere to sign an FTA with China, which went into effect in 2006. Tariffs in many agricultural products were phased out over 10 years, and now most enter into China tariff-free. In 2018, for the first time, a container ship filled only with 4,000 tons of fresh Chilean fruit, sailed directly from Chile to China.

- manufactures
- food
- nonfood agricultural products
- machinery and transport equipment
- chemical

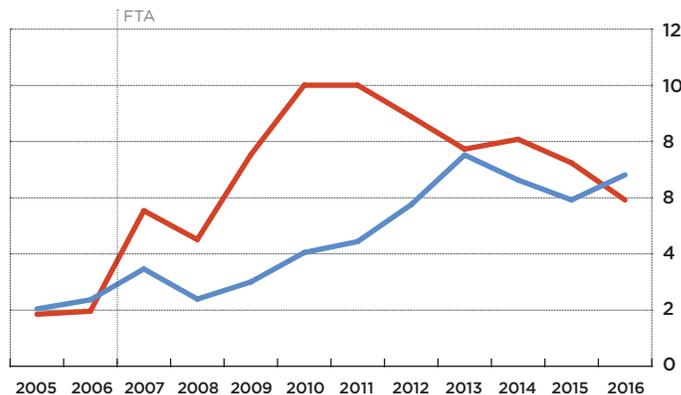


NOTE: DOESN'T INCLUDE ORES AND METALS
SOURCE: WITS

Chile Copper Exports to China (\$ Billions)

After its FTA with China was implemented, Chile saw significant growth in processed copper products like copper piping. However, in 2016, more raw and unrefined copper from Chile entered into China than processed copper. This was due to China's increased domestic capacity for processing copper, and competition from countries like Australia and Peru to export lower value-added copper.

- refined
- raw and unrefined



SOURCE: WITS