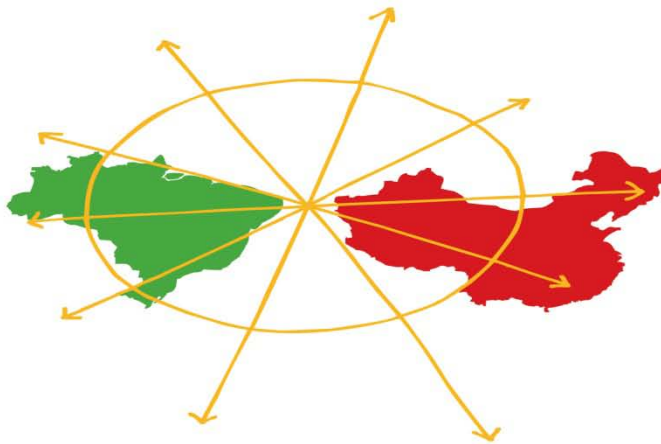


III CAF-ILAS CONFERENCE

Strategic Opportunities in
Latin America –China
Relations



IBRACH
**Institute for
Brazil-China
Studies**

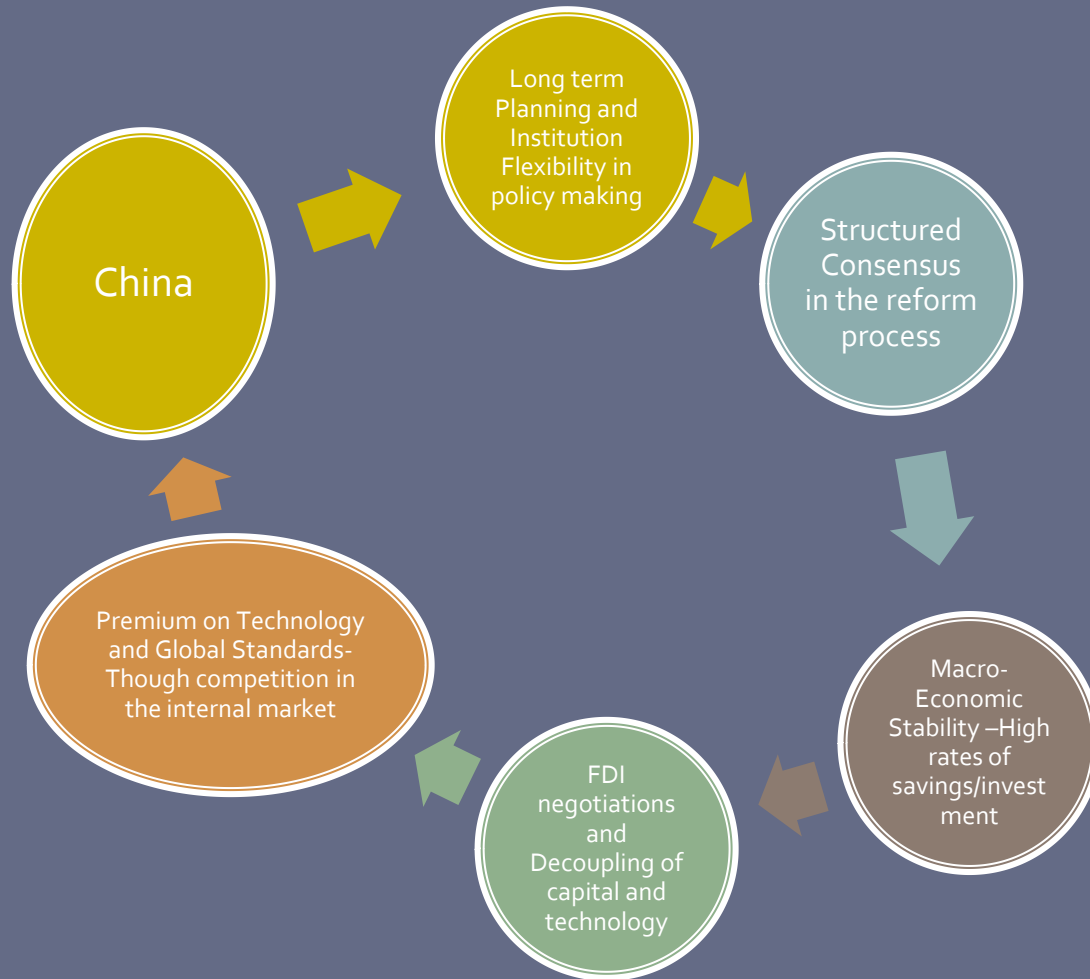
Development and Transformation

- The last decade of globalization brought about radical changes in manufacturing, financing and research. Profoundly altering competition practices and how we conceive development strategies.
- China and the US were the major players of this transformation. China is now the second economy in the world, the manufacturing hub of the Asia-Pacific Region and is on the path of becoming the world's biggest investor. It is also on the verge of transforming itself from a manufacturing hub into an innovation economy.
- Latin America while profiting from the boom remained outside of the revolution in manufacturing, research, fragmented production of IT and had a feeble participation in value chains.
- The 2008 crisis interrupted this expansionary growth and brings new conditions of development for all countries. It is time to rework our space in globalization and our relations to the Asian-Pacific Region.

Transition

- The transition ensued by the crisis of 2008 means the end of a globalization cycle fueled by de regulated trans-border flows and American consumption
- It brings: Increasing competition to ensure economic advantage , end of easy catching up of industrial solutions and a competitive race amongst suppliers of commodities.
- Competition will be around global standards of manufacturing ,services and technology, requiring the appropriate supply of human capital and infrastructure.
- The transition is equally relevant in power relations. Lack of representation of international institutions weakens global dialogues and gives more space to regional solutions (as well as conflicts)
- It is time to rethink our frameworks for regional and inter-regional cooperation and how regional arrangements can enhance sustainable development.

Latin America and China Have had Contrasting Models of Development



Contrasting Paths

Brazil

Macro-economic
Stability-High
Exchange Rates

Inflation control with
Income distribution
policy and increased
market access

High production Costs
lagging industrial
competitiveness

Global demand led to Techno-Agro-business and
commodity boom---Expansion of consumption
and full employment

Low Investments/Savings ratio-Lagging
infrastructure and uneven technology standards

Challenges

China

Unbalances in Growth
Model

Growing inequality

Environmental
exhaustion

Governance Challenges

Brazil

- Stalling growth
- High Costs of Production
- Costs of sustaining inclusion
- Declining industrial competitiveness

Development Challenges

Maintaining adequate
growth edge

Sustaining Innovation and
the technology frontier

Battling Inequality

Creating Sustainable Cities

Clean energy matrixes

Beyond a consumption
model for emerging middle
classes

Economic Difficulties in the Transition

- Inward orientation of economies
- Progressive convergence amongst emerging economies and tougher competition amongst commodity suppliers
- Open ended solutions to production dilemmas: energy, manufacturing, transportation.
- High stakes on innovation and financing of R&D
- Premium on Knowledge, networks of production and internationally compatible systems of production

Political Challenges

- Contradictions between Traditional International Institutions, System of Power and Global Systemic issues makes problem solving more difficult
- Reliance on different geographies of alliances and instruments of cooperation----Strengthening Regional Networks
- Open new possibilities for cooperation in drafting future development agenda with regards to international financing rules, governance of knowledge and global public goods
- Zhang Bijiang: Cold War Thinking. Engaging in Local Hot Wars and Communities of Interest

LA-China Economic Relations: Towards a New Development Agenda

- Latin American-China relations while booming do not reflect strategic priorities of the future. Essentially a commodity and agro-business trade-Main actors are big State companies .Mostly inter industry as opposed to intra industry trade and there are few routes upon which to build new value chains in spite of the great complementarity of the regions
- In 2010 the volume of bilateral trade amounted to 200 billion US making LA. China's most dynamic trading partner In the last decade. Still, there are few institutions of research, consistent university exchanges are only now starting. Policy makers are unaware of common problems and alternative solutions. Few universities have LA or China Chairs. Few exchange of relevant publication or awareness of development and strategic economic debates
- We must move beyond naturally compatible trade. Nothing can be achieved without long term investments in knowledge , capacity building and institutional networks which are the building blocks of a future development agenda.

Opportunities for Cooperation

- Engaging with China in a new agenda based on innovation processes which will sustain future economic activities in areas of Alternative Energy, Food Production, Infrastructure, Telecommunications and Information Technologies (All priorities in China's 12^o year Plan)
- Forging new networks of research and joint ventures in production and value added in these fields
- Building Knowledge Networks on innovation and programs of capacity building
- Furthering Knowledge Exchange on public policies regarding Welfare, Inequality, Sustainable cities and Cultural enhancement of new emerging middle classes

Building a Common Agenda

- Having a long term strategy for handling future development alternatives
- Mapping an Agenda of Problems and Common solutions for knowledge enhancement
- Building Communities of interest
- Advancing networks of policy makers, researchers and entrepreneurs with strategic vision
- Communities of interest depend on exchanges of knowledge , networking of policy makers willing to work together and having joint stakes in long term projects and capacity building.
- It means enhancing occasions for knowledge exchange and sustaining capacity building.