

Keynote Address—Luis Alberto Moreno

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“Reaching Across the Pacific:  
Latin America and Asia in the New Century”

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This is a fascinating moment to consider the linked fortunes of Latin America and of Asia.

Last month, leaders of the world's two most powerful nations, the United States and China, each visited Latin America and the Caribbean within days of each other.

Chinese President Xi Jinping's visit to Mexico, Costa Rica and Trinidad and Tobago, b 3 0 Td (d) Tj (a5



## Latin America more attractive as a manufacturing base

The narrowing wage gap is not enough to tip the scales in our favor, of course. To compete effectively with Asian manufacturers, Latin America will need to become more competitive in other areas as well.

This means much larger investments in modernizing transport, logistics and energy infrastructure, for example. And Asia <sup>is a</sup> ~~great~~

Trade costs between the two regions are still too high, but as these agreements take effect, tariff and non-tariff barriers are coming down.

And, while it is true that trade between Asia and Latin America continues to reflect the traditional exchange of commodities for manufactured goods, we are starting to see change there as well, as the region's companies become integrated into multinationals' global supply chains.

Latin America's homegrown multinationals are also responsible for this shift toward higher value-added exports:

- x Last year the IDB published a report entitled, *Pathways to China: The Story of Latin American Firms in the Chinese Market*. The report profiled more than 80 Latin American firms, such as Brazil's Embraer and Mexico's Softtek, which are selling goods and services as diverse as aircraft and Information Technology in China.

Still, the same study showed that companies from our region have invested less than \$900 million in China since 2006, which is less than 1 percent of total LAC investment abroad.

Trade between Asia and Latin America also remains too concentrated in a small number of countries:

- x China, Japan, Korea and India account for nearly 90% of Asia's trade with LAC.
- x And Brazil, Mexico, Chile and Argentina account for nearly 80% of LAC's trade with Asia.

With time, however, that too will change, especially as smaller countries bet on Asia to boost their exports, as Costa Rica did when it signed a free trade agreement with China in 2011.



