



Deeping investment cooperation, promoting industrial transformation between China and Caribbean countries

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**China-CELAC Cooperation Plan 2015-2019
and a second policy paper**

1.1 Background

On Jan 8-9 2015, the first ministerial meeting of the forum of China and the **Community of Latin American and Caribbean States (CELAC)** was held in Beijing, marking the start of a new era that features all-round cooperation between the two sides.

At the meeting, China and CELAC agreed on three major documents :

1. A five-year cooperation plan;
2. The Beijing Declaration and;
3. The Regulations on China-CELAC forum.



Consensus

The China-CELAC forum has yielded delightful early results, which has laid a solid basis for the long-term development of the all-round cooperation between China and Latin America and Caribbean States.

The cooperation aims for win-win results and shared prosperity.



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1.2 China-CELAC Cooperation Plan 2015-2019

Bilateral ties have been further boosted by the China-CELAC Cooperation Plan (2015-2019).

The Plan sets out 13 thematic areas of work, 8 of which are in economic spheres, and 6 among them are closely related to our today's topic:

- Trade, Investment and Finance (III),
- Infrastructure and Transportation (IV),
- Energy and Natural Resources (V),
- Agriculture (VI),
- Industry, Science and Technology (VII),
- Tourism (XI) .

The plan, highlighting inclusive growth, sustainable development, reduction of social inequality and diversification of production, called on China to increase investment in the region to \$250 billion over the next decade. Both sides will also strive to achieve a trade volume of 500 billion US dollars .



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1.3 A second policy paper on Latin America and the Caribbean

In the last five years, President Xi Jinping, Chinese top leader, has launched 3 times state visits, which fully demonstrates that the Chinese government attaches great importance to developing strategic relations with Latin America and the Caribbean countries.

On Dec 25, 2016, at the end of President Xi's successful state visit to Ecuador, Peru and Chile, Chinese government released its second policy paper on Latin America and the Caribbean providing guidance for new ideas, proposals and initiatives in policy.

Released at a sensitive time when world politics and the global economy are undergoing profound changes, it shows China's promise to develop relations with Latin American and Caribbean countries

The document, based on experience from past cooperation, focuses on solving problems and obstacles in current relationships and indicated the direction for future development.



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Investment cooperation between LAC and China

2.1 China's macroeconomic stature as of 2016



The economy has registered a slower but stable performance with good momentum for growth as of 2016; GDP reached 74.4 trillion yuan, representing 6.7-percent growth, and seeing China outpace most other economies. China contributed more than 30 percent of global growth;

Continued advances were made in reform and opening up. Initial success was achieved in supply-side structural reform; rapid progress was made in pursuing the Belt and Road Initiative;

Economic structural adjustment was stepped up. Consumption was the main driver of economic growth. The value created by the service sector rose to 51.6 percent of GDP. High-tech industries and equipment manufacturing grew rapidly

New drivers of growth gained strength. Further progress was made in pursuing the innovation-driven development strategy, and a number of world-leading achievements were made in science and technology. Emerging industries were thriving, and the transformation and upgrading of traditional industries accelerated.

Infrastructure became ever-better able to sustain development. Over 1,900 kilometers of new high-speed rail lines came into service, and more than 6,700 kilometers of expressways and 290,000 kilometers of rural roads were built or upgraded.

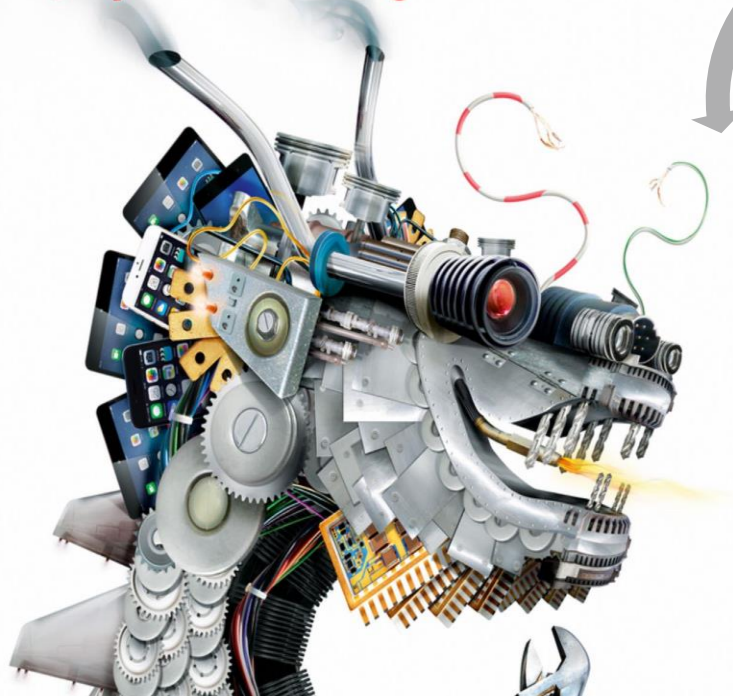
2.2 Impact of China's growth on the global economy

The enduring appeal of business cards
Your ancestor was a fungus

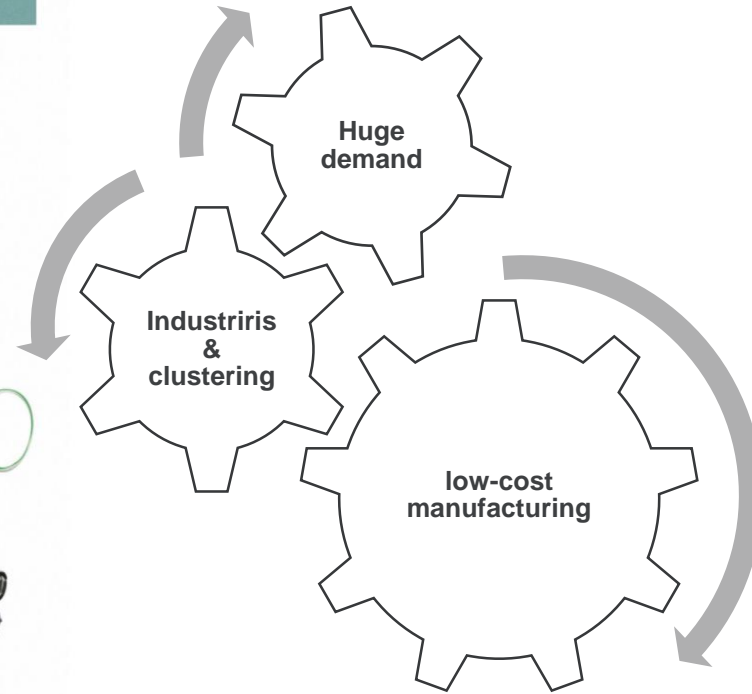
MARCH 14TH-20TH 2015 Economist.com

Made in China

New, improved and stronger than ever



Three core competitiveness of "Made in China"



The global economy is showing signs of moving in the right direction. The related international organizations forecast that it will grow by 3.5 percent this year, the best performance that we have seen in several years. This would not be possible without the efforts of the G20 and the rest of the world. On the other hand, the global economy is still plagued by deep-seated problems and faces many uncertainties and destabilizing factors.

----- **Quoted** from the Statement on the State of the Global Economy by President Xi Jinping, At the G20 Hamburg Summit Hamburg, 7 July 2017

2.3 China's role-2



According to SWIFT statistics, the RMB ranked 3rd, 5th and 5th for the trade, financing, payments and foreign exchange trading respectively at the end 2016.

The volume of RMB settlement in cross-border trade and direct investment continued to increase.

International cooperation regarding RMB internationalization has gained remarkable achievements. By the end of 2015, 33 overseas central banks or monetary authorities had signed the bilateral local currency swap agreements with the People's Bank of China (PBC). The total size of the agreements has reached approximately RMB 3.31 trillion yuan. Overseas RMB clearing arrangements were established in 20 countries and regions.



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2.4 FDI flowed from China to Latin America and the Caribbean (1990-2013)

**Latin America and the Caribbean and selected countries:
estimated FDI flows from China, 1990-2013**
(Millions of dollars)

| Country | 1990-2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-----------|--------|--------|-------|-------|
| Argentina | 143 | 3 100 | 2 450 | 600 | 120 |
| Brazil | 255 | 9 563 | 5 676 | 6 067 | 2 580 |
| Chile | na | 5 | 0 | 76 | 19 |
| Colombia | 1 677 | 6 | 293 | 996 | 776 |
| Ecuador | 1 619 | 45 | 59 | 86 | 88 |
| Guyana | 1 000 | na | 15 | na | na |
| Mexico | 146 | 9 | 2 | 74 | 15 |
| Peru | 2 262 | 84 | 829 | 1 307 | 4 626 |
| Trinidad and Tobago | na | na | 850 | na | na |
| Venezuela (Bolivarian Republic of) | 240 | 900 | na | na | 1 400 |
| Latin America and the Caribbean | 7 342 | 13 712 | 10 175 | 9 206 | 9 624 |

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information, Thomson Reuters, FDI Markets, Heritage Foundation and information from the respective companies.

Until 2010, very little foreign direct investment (FDI) flowed from China to Latin America and the Caribbean. It has increased significantly since then. ECLAC estimated that in the two decades prior to 2010, the region's inward FDI from China was about US\$ 7 billion in total. A turning point was reached in 2010, when the inflow of FDI from China approached an estimated US\$ 14 billion — equivalent to 11% of the region's total inward FDI.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Latin America and the Caribbean and China Towards a new era in economic cooperation, 2015*

Note: Official data on Chinese FDI in Latin America and the Caribbean do not reflect the real scope of these investments because Chinese companies usually channel most of their investments through third countries.

2.5 FDI flowed from China to Latin America and the Caribbean (2015-2016)

According to the statistics of the ministry of commerce of China, in 2015 and 2016, China's non-financial direct investment to Latin America and the Caribbean reached to \$21.4 billion and \$29.8 billion respectively, representing 67% and 39% annual rate of growth.

While the new civil engineering contract between China and Latin America and the Caribbean countries, valued \$18.1 billion and \$19.1 billion respectively, representing 10.3% and 10.3% annual rate of growth.

In January 2015, the CELAC member countries and China agreed to aim for a mutual investment stock target of at least US\$ 250 billion by 2025, which means a average +25% annual growth rate should be maintained during the coming decade.

We believe the Belt and Road Initiative and related reforms under way in China could give a strong boost to FDI flows into Latin America and the Caribbean in the next few years and make the goal be realized.



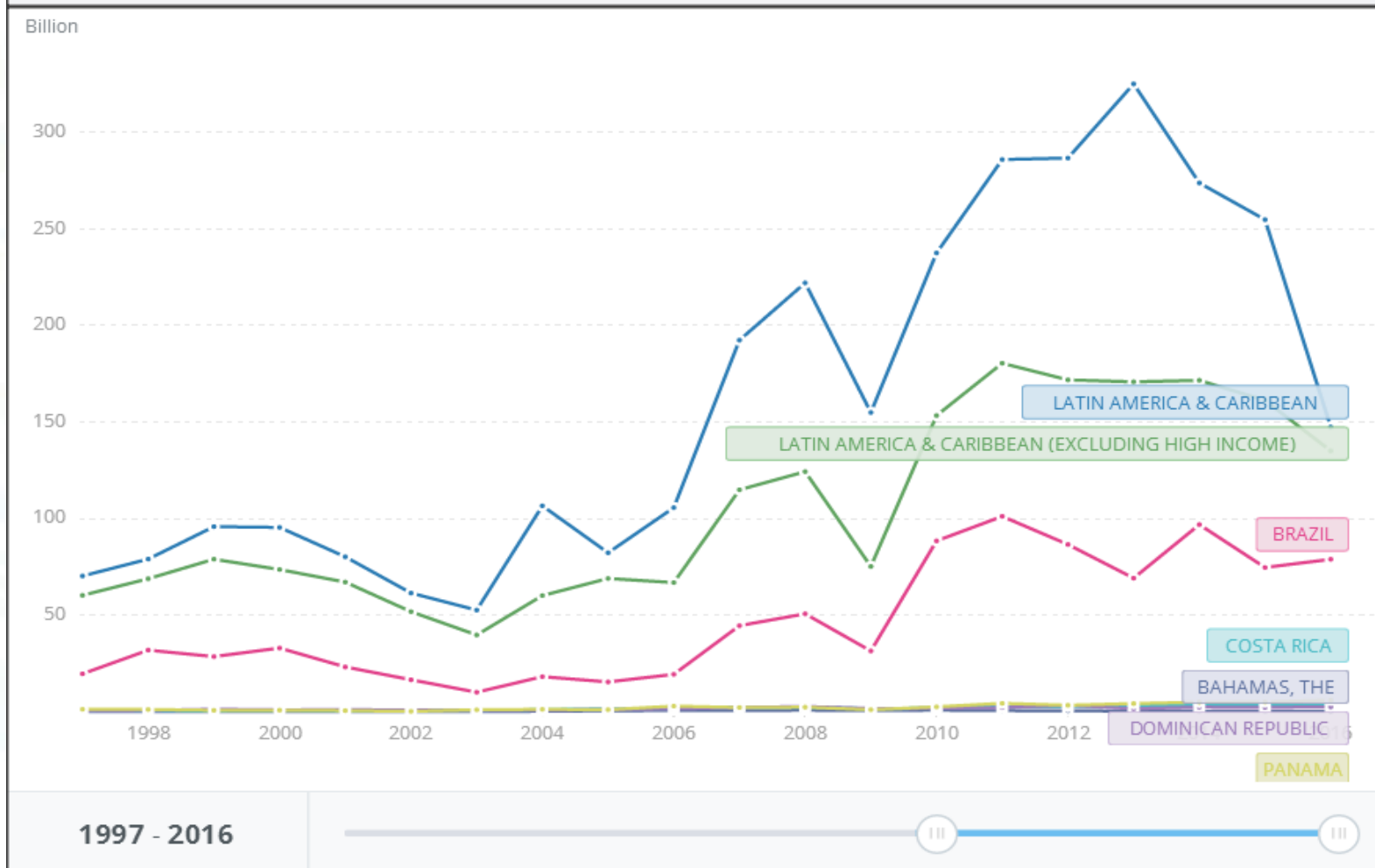
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2.6 FDI net inflows in Latin America and the Caribbean

Foreign direct investment, net inflows (BoP, current US\$)

International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.



Source: World Bank Data



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**Potential using scenario of RMB in
LAC and its effect**

3.1 Potential using scenario of RMB in LAC

- I. Cross-border RMB settlement
- II. The RMB as a Reserve Currency
- III. RMB-denominated International Bonds
- IV. Domestic RMB Financial Assets Held by Non-residents
- V. RMB Foreign Exchange Transactions
- VI. The Offshore Use of RMB Banknotes
- VII. Bilateral Local Currency Swap
- VIII. Overseas RMB Clearing Arrangement



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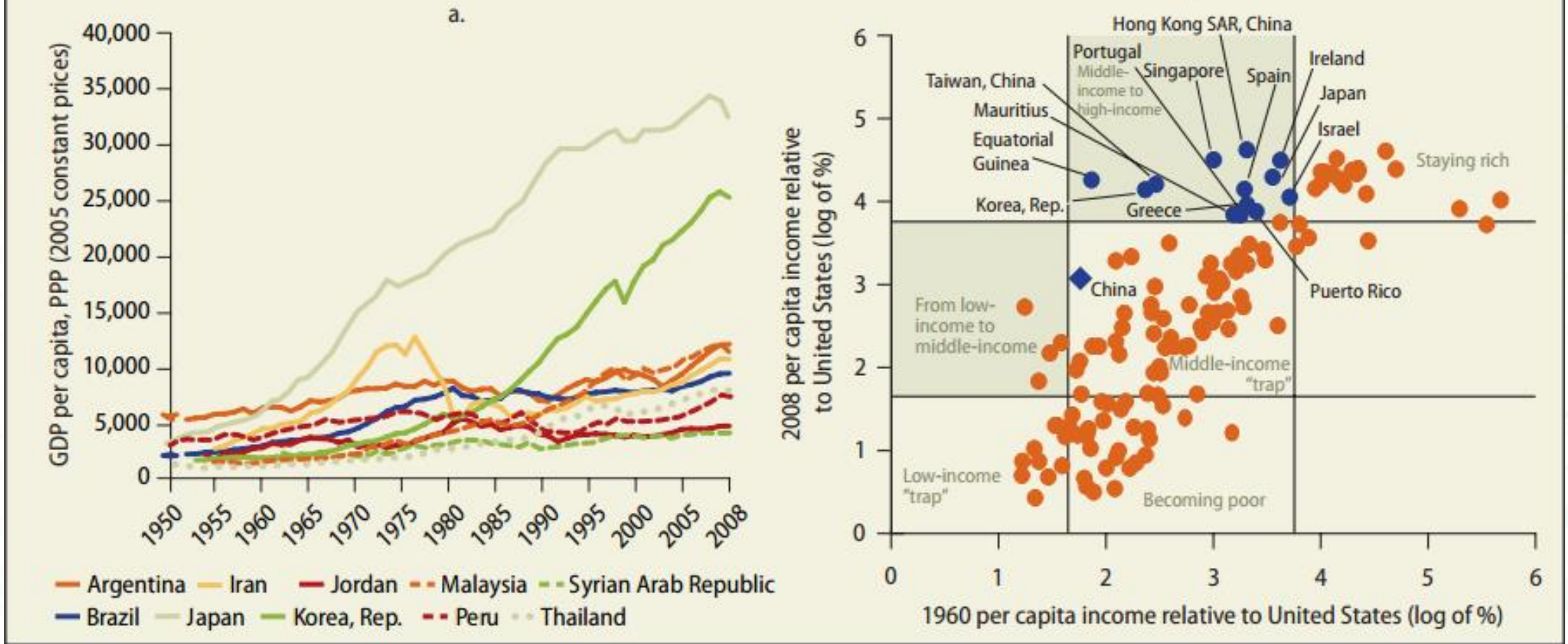
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Recommendations



Figure BO.1.1 Few economies escape the middle-income trap



Latin America and the Middle East provide compelling support for the middle-income trap hypothesis: in these two regions, most economies reached middle-income status as early as the 1960s and 1970s and have remained there ever since (see figure BO.1.1a)



Recommendations



Diversifying exports and greater trade balance equilibrium, to save more foreign currency including RMB.



Increasing and diversifying Chinese investment in the region, especially the RMB cross-border investment



Establish more efficient systems for granting visas to Chinese citizens to boost the tourism and facilitate foreign investment.



Capacity building. A Regional Centre or platform for promoting and facilitating Trade and Investment in RMB is in need.



Established Background of CLACFund



In July 2014, President Xi Jinping announced a commitment of \$5 billion to form China-LAC Cooperation Fund. In April 2015, the State Council decided to increase the size of the fund to \$10 billion. China-LAC Cooperation Fund was officially launched on January 12, 2016. It is a private equity investment fund with the geographic focus on Latin America and Caribbean area, and with a mandate to promote the investment activities in CELAC.

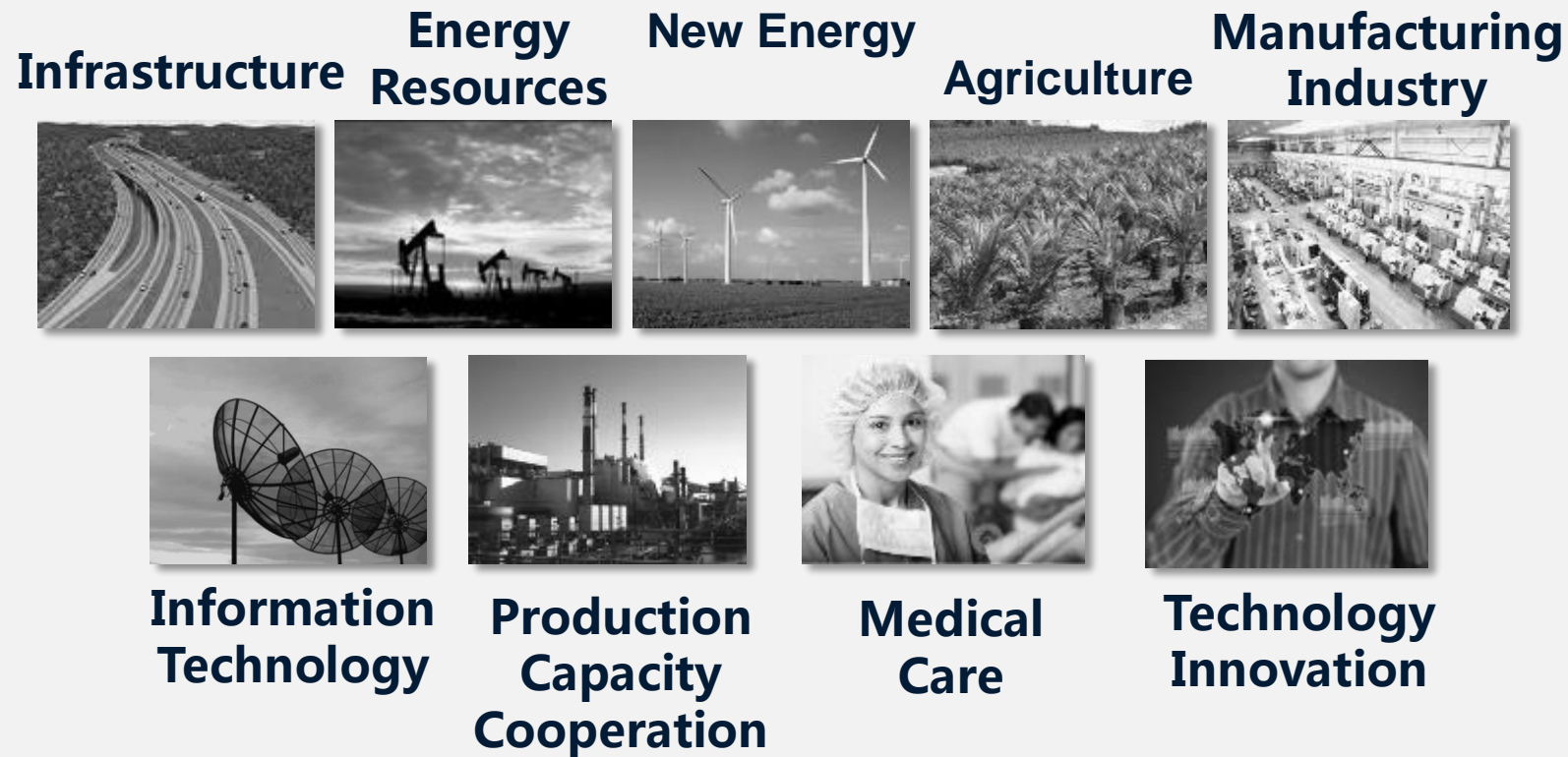


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Investment areas



■ **Green field projects**
(PPP, BOT, BT, BLT)

■ **Brown field projects**
(M&A)



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Projects screening principals



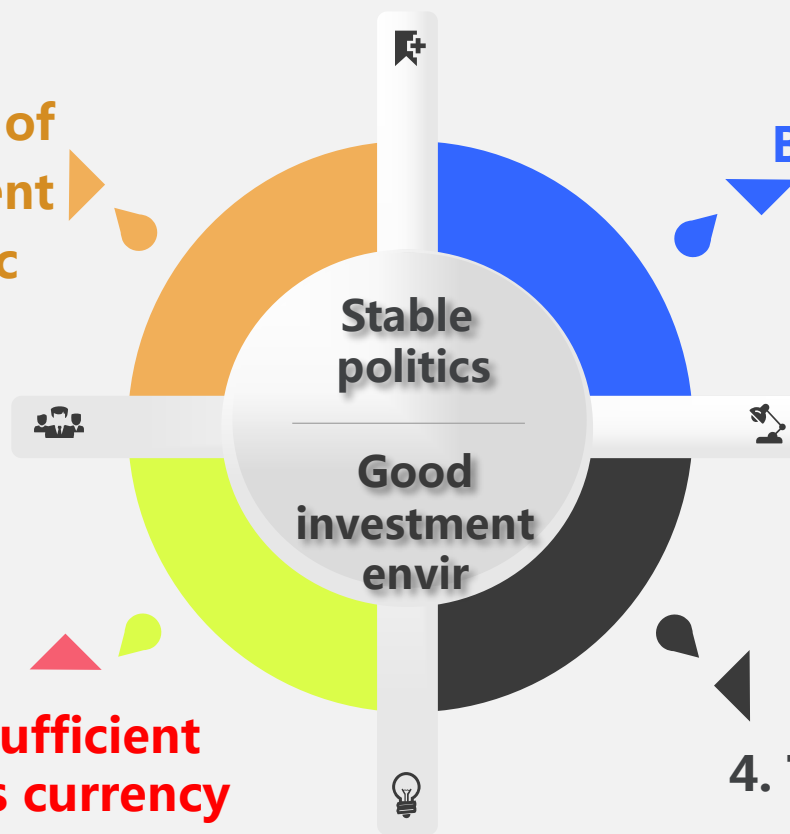
1. The balance of strategic content and economic feasibility

2. Sustainable Business model



3. Stable and sufficient cash flow , less currency exchange risk

4. Team ! Team !



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Even mountains and seas
cannot distance people with
common aspirations.

THANKS!



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