China, Latin America and the World Economy

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Outline

- Is China a Game Changer?
- Latin American Growth and China
- Chinese growth prospects
- A China Crisis and Latin America
Is China a Game Changer?

- Not sure what this means
- But in terms of incremental growth to the world economy, yes
- Compare increment to world GDP from China, US, Latin America
US, China, Latin America GDP

Source: IMF, World Economic Outlook, April 2010.
Increments to GDP

The Chinese Trade Balance

Log trade weighted real value of CNY [left scale]

Annualized Chinese trade balance (bn. $) [right scale]

12 mo. mov. avg.

Lehman
But Chinese Exports Are Recovering
Latin America as Export Markets

Fig. 3.7 China’s export markets, 2006

Notes: The vertical axis is real GDP per capita, and the horizontal axis is distance in kilometers from Beijing. The size of circles is proportional to China’s exports to indicated country. All markets where China sold at least $1 billion in 2006 are depicted.

Source: Harrigan and Deng (2010) in China’s Growing Role in World Trade
Trends since 2006

Chinese exports to Rest of World [billions USD]

Chinese exports to US

Chinese exports to Latin America
Competition in Third Markets

Figure 2a: Sectoral Export Coefficients for Individual Developing Countries and China

Source: Hanson and Robertson (2010) in China’s Growing Role in World Trade
A China Crisis? What Goes Up…

Figure 2. The monetary stimulus has been massive and broad-based

Newly increased medium to long term loans (RMB bn)

- Others
- Real estate
- Manufacturing
- Infrastructure

Source: PBOC, World Bank staff estimates.
Repercussions for Latin America

○ Indirect effects
○ via commodity demand and prices
○ via impact on US economy
Commodities

LAC exports of crude materials (ex-fuels) to RoW [billions USD]

LAC exports of crude materials (ex-fuel) to East Asia