

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	Upgrading China-LAC Trade and Investment Relationship
▪ TC Number:	RG-T2487
▪ Team Leader/Members:	Isabel Mejia (Team Leader, INT/TIU); Fan Li (ORP/ORP); Laura Correal (INT/TIU); José Cabrera-Macchi (INT/TIU); Francisco Estrazulas (INT/TIU); Oscar Vasco (INT/TIU); and Vanessa González (INT/TIU).
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Research and Dissemination
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	N/A
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	May 2, 2014
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	LAC countries
▪ Executing Agency and contact name:	The Inter-American Development Bank (IDB), through the Trade and Investment Unit (INT/TIU)
▪ IDB Funding Requested:	US \$750,000
▪ Local counterpart funding, if any:	US \$850,000
▪ Disbursement period (which includes execution period):	June 15,2014 – June 15, 2016
▪ Required start date:	June 1,2014
▪ Types of consultants (firm or individual consultants):	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Unit INT/TIU
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector INT/INT
▪ Included in Country Strategy (y/n); ▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Competitive Regional and Global International Integration

II. Objective and Justification

Trade between China and Latin America and the Caribbean (LAC) has grown exponentially over the past decade. China is now the largest trading partner and

creditor of several LAC countries and the regions' second largest investor, behind only the United States. According to the Monetary Fund, trade between China and LAC grew eight per cent (8%) to US\$255.5 billion in 2012, faster than the 6.2 per cent growth of the LAC region's trade with the United States. In 2013, over 13% of all Chinese foreign investment went to Latin America and the Caribbean countries.

Despite these numbers and the important role that China is playing for many LAC countries as the largest export destination and source of capital, the China-LAC economic relationship has been driven primarily by China's need to fuel its expanding economy. On one hand, exports to China are mainly commodity-driven. So far, copper, petroleum, iron-ore and soybeans have been the most exported products. On the other hand, Chinese investments in LAC have been concentrated largely on mining and oil projects.

Without a doubt China's continued demand for commodities has helped many LAC countries survive the latest financial crisis and increased their exports. However, today's global economy demands the adoption of a new regional economic relationship between China and LAC. Promoting specialization based on knowledge, increased value added and improved global value chains is essential to incentivize the creation of innovative LAC enterprises that could lead to the strengthening of higher value industries in the long-term. A great foundation for expanded trade between both regions is in place. However, seeing it grow over the coming years will require sustained efforts on both sides.

The general objective of this project is to support Latin American and the Caribbean countries to better understand China and redefine a more balanced, constructive, and added value economic relationship. The specific objectives of the project are:

- (i) Strengthen technical capacity of government officials in the areas of trade and investment and exporter SMEs from LAC with the aim at achieving a higher level of awareness and understanding on how to take advantage of investment and business opportunities with China.
- (ii) Facilitate the interaction of LAC SMEs with potential clients and partners from China.
- (iii) Generate a high level dialogue between China and LAC policy makers, top executives, and high level Government officials to analyze and discuss, from a public and private perspective, successful cases and lessons learned on how China and LAC can work together to maximize the benefits of their economic relationship.

The objectives and activities of the project correspond to the Bank's Strategy for Regional Integration (GN-2469-2, GN-2470-2), as it will promote trade, investment and regional integration through the exchange of experiences and best practices in trade promotion and through the creation of trade-capacity building and business-matchmaking opportunities between LAC and Chinese entrepreneurs.

III. Description of activities and outputs

Component I: China-LAC Exchange Program: this component includes two main activities: (i) Trade Promotion Organizations (TPOs) Training: this exchange program aims at engaging government officials in charge of trade and investment promotion activities from LAC to develop a trusting and understanding relationship with their Chinese counterparts that will contribute to open markets further in the coming years. In this sense, government officials from the 26 LAC member countries will be invited to participate in a two-week training program, in which they will deepen their understanding on China's politic and economic system, trade and investment policies, history, and Chinese business culture and language, among others. In addition, TPO's representatives will have the opportunity to visit local governments and enterprises in the cities of Beijing, Changsha, and Dongying, to explore business opportunities. The China Council of the Promotion of International Trade (CCPIT) will be supporting technically and financially the execution of this Program.

(ii) Know-how Business Exchange Program (KBEP): this exchange program aims at transferring know-how and best practices from Chinese companies' business models to LAC SMEs to help them forge business links with key partners in China that will contribute to their internationalization process. Participation on this exchange program will be offered as a prize to outstanding LAC SMEs on the ConnectAmericas platform who demonstrate an excellent potential to participate in global value chains. The KBEP may include visits to Inspection and Quarantine Authorities, China Quality Certification Center, General Administration of Customs, other regulatory and export promotion agencies, local companies, logistics nodes (ports, airports, and distribution centers), potential clients, providers and investors, special economic zones, as well as courses to enhance their effectiveness in engaging with Chinese business and authorities.

Component II: Practical tools for doing business with China: This component aims at strengthening the capacities of LAC SMEs and local authorities to engage effectively with Chinese clients, providers, and investors, by producing easy-to-use, highly practical audiovisual, written and other learning tools. Although many of the materials produced under this component will be applicable to trade and investment for all sectors of the economy, this component will focus on three key sectors: agribusiness, global services, and infrastructure. The sectors have been chosen due to the potential they have in the economic relationship with China. These learning tools may include online courses, webinars, instructive videos, infographics, self-assessment tools, written articles, and podcasts. These learning tools will be disseminated through the ConnectAmericas Platform and during the 8th China-LAC Business Summit.

Component III: The 8th China-LAC Business Summit: This component includes a two-day Forum, to be held in China on September 12th and 13th in the city of Changsha, which aims at opening an opportunity of dialogue among policy makers, government officials and top executives to strengthen and upgrade the commercial ties between LAC and China. The forum will be structured in 3 segments: (i) Panel Discussions and Roundtable Meetings: this segment will be dedicated to interactive discussions on relevant topics to promote a higher level of trade and investment flows between LAC and China; (ii) Business Opportunities Exhibition: LAC companies will have the opportunity to showcase the products for which they are seeking export markets as well as the investment projects for which they are procuring capital, with the technical assistance of their respective export and investment promotion agencies; and (iii) Business Networking and Matchmaking: the one-on-one business meetings between LAC SMEs and potential Chinese clients or partners to forge long-term economic and technological cooperation, investment and trade on a mutual basis.

IV. Budget Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: China-LAC Exchange Program	Training and Exchange Programs	USD\$250,000	USD\$300,000	USD\$550,000
Component II: Practical tools for doing business with China	Development of online business tools and dissemination activities	USD\$150,000	0	USD\$150,000
Component III: China-LAC Business Summit	Forum	USD\$350,000	USD\$550,000	USD\$950,000

V. Executing agency and execution structure

This operation will be executed by Trade and Investment Unit of the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2).

The main reasons that justify the execution of the project by the Bank are as follows:

- (i) This is a regional project that involves coordination with several public and private sector stakeholders from all over the region, and the Bank is an ideal position to execute it given its presence in every country.
- (ii) The Bank has gained invaluable know-how in the execution of this type of initiatives. In 2007, the Bank held the Korea-LAC Trade and Investment Forum, this first major trade and investment forum held by the Bank in Asia.

The following year the Bank held a second forum in Tokyo aimed at promoting bilateral trade and investment between both regions. In 2010, INT organized the China-LAC Business Summit in the city of Chengdu, and has continued supporting the subsequent organization of China-LAC Business Summits (Lima, Peru, 2011; Hangzhou, 2013; San Jose de Costa Rica, 2013).

- (iii) The Trade Promotion Organizations (TPOs) of the Bank's 26 member countries will participate in the Forum and Exchange Program in China and it is therefore necessary to have an executing agency that has close relations with each one of them. The Bank, and in particular INT/TIU, maintains a close and functional and working relationship with all of the TPO's in the region. This will ensure that their participation will be beneficial from a technical and institutional point of view.

VI. Project Risks and issues

The success of the project will depend on an adequate level of participation of LAC's officials and private sector representatives. The operation will mitigate this risk by (i) engaging Chinese and LAC governments and private sector associations in the search for potential business partners; and (ii) through extensive dissemination and promotion during the preparation of the components.

VII. Environmental and Social Classification

This operation does not present environmental and social risks. It was classified as Category C in the Environmental and Screening Classification.