

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional/IDB
▪ TC Name:	Advancing China-LAC Partnership through Trade, Investment, and Innovation
▪ TC Number:	RG-T3263
▪ Team Leader/Members:	Mejia Rivas, Isabel (INT/TIN) Team Leader; Li, Fan Vanessa (ORP/PTR); Estrazulas De Souza, Francisco Hugo (INT/TIN); Rospide, Maria De La Paz (INT/TIN); Gomez Gonzalez, Maria Margarita (INT/INT); Esteves, Yasmin (INT/TIN); Garrido Rodriguez, Esperanza Idalid (INT/TIN); Zhang, Ge (INT/TIN); Jimenez De Arechaga, Maria Del Pilar (LEG/SGO); Lutz, Liza M. (LEG/SGO)
▪ Taxonomy:	Research and Dissemination
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	11 Apr 2018
▪ Beneficiary:	LAC Regional
▪ Executing Agency:	Inter-American Development Bank
▪ IDB Funding Requested:	\$ 350.000,00
▪ Local counterpart funding, if any:	\$ 0.00
▪ Disbursement period:	36 months
▪ Types of consultants:	Firms; Individuals
▪ Prepared by Unit:	Trade & Investment
▪ Unit of Disbursement Responsibility:	Integration & Trade
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Economic integration

II. Objective and Justification

- 2.1 The main objectives of the project are to (a) continue strengthening the trade relationship between LAC and China; (b) foster new bilateral growth drivers such as technological innovation and value-added investment trade relationship between LAC and China; (b) foster new bilateral growth drivers such as technological innovation and value-added investment.
- 2.2 Over the past 15 years, China has become an important partner for Latin American and the Caribbean countries. China is now the largest trade partner of Peru, Chile, Uruguay, and Brazil, and the third largest trade partner of Argentina (after US and Brazil). Peru, Chile, and Costa Rica have signed FTAs with China; Uruguay and Colombia are considering similar options. Between 2000-2017, bilateral trade between China and LAC grew 20 times over from US\$14b in 2000 to US\$268b in 2017.
- 2.3 In addition to trade, China also provides other potential sources of growth for LAC. As China rebalances its domestic economy, it is increasingly positioning itself as a global leader in outbound investment and innovation.
- 2.4 Outbound investment: Since 2016, China has overtaken Japan as the world's second largest FDI originator (only behind the US). Huawei (IT), Lifan (automobile), BYD

(renewables), State Grid (electricity) are some of the established Chinese companies that have set up production, R&D facilities, and/or operations globally and in Latin America. However, LAC still only accounts for a small share of overall Chinese outbound investment (<2% annually between 2012-2016 when excluding tax havens). There is ample room for growth.

- 2.5 Innovation: China was responsible for producing 36% of the world's "unicorns" born between 2013-2017 (only behind the US at 41%). Didi Chuxing, a Chinese rideshare "unicorn" and an Uber rival, is now the world's second most valued startup and recently acquired Uber's Brazilian competitor 99 taxi for US\$1b. China's Mobike, the world's first and largest dockless bike share, plans to expand into 3 LAC cities in 2018.
- 2.6 LAC, an innovative and dynamic region itself, is well-positioned to benefit from the trade, investment, and innovation opportunities China has to offer. Additionally, LAC has and can continue to collaborate with China in a number of strategic areas, thus contributing to the growth of the Chinese economy as well as the China-LAC partnership. The Bank, with its proven track record and unique expertise, should play a central role in advancing this mutually beneficial partnership, by helping both regions better understand, adapt to, and act on the evolving bilateral opportunities in the current global environment.
- 2.7 Building upon the Bank's relevant work in strengthening China-LAC commercial ties (section II.3), the project has the following specific objectives:
 - 2.7.1 Generate and inform public-private dialogues between high-level Chinese and LAC policy makers, government officials and top executives to help unlock the potential of the bilateral economic relationship through greater collaboration, innovation, and diversification.
 - 2.7.2 Foster innovative and sustainable trade and investment opportunities in strategic sectors, ranging from the traditional sectors - infrastructure, manufacturing, agribusiness and renewables – to the emerging ones, e.g. services, ITC, tourism, e-commerce.
 - 2.7.3 Strengthen technical capacity of companies and government officials in LAC in the areas of trade and investment by providing them with a better understanding of the new opportunities and challenges in China-LAC relations.
 - 2.7.4 Utilize innovative tools (e.g. ConnectAmericas) to create and disseminate learning material and business and investment opportunities between China and LAC.

III. Description of activities and outputs

- 3.1 Component I. 12th CHINA-LAC Business Summit which aims at opening an opportunity of dialogue among policy makers, government officials and top executives to strengthen and upgrade the bilateral commercial ties. As in previous editions, the Forum will be structured in 3 segments:

- 3.1.1 Panel Discussions and Roundtable Meetings: this segment will be dedicated to at least 6 interactive thematic discussions to promote a higher level of trade and investment flows between LAC and China. These panels may cover relevant topics such as: infrastructure, sustainability/environment, energy, technology/innovation, agriculture, services, among others.
- 3.1.2 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.
- 3.1.3 Business Networking and Matchmaking: the on-site one-on-one business meetings between LAC SMEs and potential Chinese clients or partners to forge long-term trade, investment, and cooperation plans.
- 3.2 For the execution of this component, the project will finance: (i) consulting services required for the successful technical and logistical organization of the China-LAC Business Summit. This may include technical assistance for design Summit agenda and inviting speakers, or the cost of implementing, maintaining, and troubleshooting the matchmaking software; (ii) travel support for LAC SMEs; (iii) travel costs and accommodations of LAC panelists and government officials; (iv) corporate consulting services to provide logistic and administrative support for the organization of the Summit; (v) identification of potential Chinese buyers and LAC suppliers; (vi) the production, filming, edition and translation services of the successful stories of partnerships between China and LAC companies; and (vi) survey, dissemination, among other follow-up activities
- 3.3 As usual, the Chinese Council for the Promotion of International Trade (CCPIT), the Bank's long-time counterpart for China-LAC Business Summits, will be providing sufficient counterpart resources to cover the remaining costs of organizing the event.
- 3.4 **Component I: Component I: 12th CHINA-LAC Business Summit.** Two-day Forum, to be held in China on November 1st and 2nd of 2018 in Zhuhai, China. The Forum, now at its 10th edition and a premier event in the LAC-China business sphere, aims at opening an opportunity of dialogue among policy makers, government officials and top executives to strengthen and upgrade the bilateral commercial ties

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: 12th CHINA-LAC Business Summit.	\$ 350,000.00	\$ 0.00	\$ 350,000.00

V. Executing agency and execution structure

- 5.1 This operation will be executed by Trade and Investment Division of the Inter-American Development Bank, in accordance with the Bank's Technical Cooperation Policy (Document GN-2470-2).
- 5.2 The main reasons that justify the execution of the project by the Bank are as follows:
 - 5.2.1 This is a regional project that involves coordination with several public and private sector stakeholders from all over the region, and the Bank is in an ideal position to execute it given its presence in every country.
 - 5.2.2 Regarding Component I, CA users from the Bank's 26 member countries and beyond will be invited to participate in the 2nd China-LAC Virtual Knowledge Week hosted on CA. This component requires the close coordination between CA and China-LAC Project Teams, as well as other internal IDB or external experts who will be contributing to the creation of original content.
 - 5.2.3 The success of Component II relies heavily on (i) excellent relations with LAC and Chinese governments and TPOs; (ii) connections to a deep pool of qualified LAC exporters and Chinese buyers; (iii) accumulated knowledge and operational experience in LAC-China trade dynamics.
 - 5.2.4 Therefore, the IDB, especially its INT/TIN division, is uniquely well-positioned to take the lead on this project. INT/TIN - the originator of both CA and the annual China-LAC Business Summits - will work internally to generate optimal synergy between these two resources, while seeking support from other relevant Bank-wide and external agents. The Bank has gained invaluable know-how in the execution of this type of initiatives. 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; Changsha, 2014; Guadalajara, Mexico, 2015; Tangshan 2016; Punta del Este, Uruguay 2017).

VI. Project Risks and issues

- 6.1 As in previous editions, the success of the project will depend on an adequate level of participation of LAC and Chinese government officials and private sector representatives. The operation will mitigate this risk by (a) actively engaging our local partners in China and LAC (b) conducting extensive research, dissemination and promotion in preparation for the event.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".