

## Emerging economic actors in the South American economic scenario: China - Southeast Asia and Argentina since 2007.<sup>21</sup>

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### *Abstract:*

Our aim in this paper is to analyze China's and Southeast Asia presence in South America, and Argentina in particular. South America and China relations have shown a high level of trade complementarities. This phenomenon has occurred in parallel to a growing separation from the United States. China appeared as an alternative of international insertion for South America, mainly through the diversification of export destinies. But after a long decade, China's approach to the South American region is reproducing asymmetrical bilateral relations, based on trade disparities rebuilding a centre-periphery scheme. In the case of Argentina, the links with SEA have unexplored potentialities for a more diversified international insertion that can be developed along with a South-South cooperation strategy, as a mean to reduce dependence from major trade partners. As we also argue in the article, this partner's diversification has not been accompanied by a product diversification, instead we observe a higher degree of export concentration in the Argentinean side, reinforcing the agricultural-export model.

**Keywords:** Argentina – Southeast Asia – China

### *1. Introduction*

The current world economic crisis has had several effects around the globe; most of them concentrated in the developed countries but with impacts on emergent economies, mainly on trade and investments fluxes. It certainly had an impact in Latin America and the Asia Pacific regions,

although not as profound and long standing as in other parts of the world. Analysts agree in the rapid recovery of both areas and the strong resilience they demonstrated (IDB, 2012; Montesano and Pohonn, 2010).

The two regions were principally affected by the fall of the external demand and, in the case of Southeast Asia (SEA), the reversal of FDI flows (Chongvilaivan, 2010). In this context, "the growing trade -between the areas- has brought substantial benefits for both regions, which became all the more evident during the crisis when the relationship offered a safe haven from declining markets in the US and Europe" (IDB 2012, 2). The crisis resulted in an opportunity to strengthen the already more active bilateral commercial links as a mean to reduce external vulnerability derived from the dependence on a few commercial partners.

China has played a different and much more outstanding role than SEA economies in Latin America. Its approach to the region has entailed an unprecedented increase of trade numbers, which went from 122 billion dollars to 183 billion only between 2009 and 2010. Besides the opportunity China might represent for the Latin American region –as a destiny for its exports and also as an FDI source- its presence has raised many questions about whether Beijing's goals would favor or harm Latin American economies. As ECLAC has pointed out China's "engagement in the region may be a reflection of the country's interest in securing access to natural resources to fuel its economic growth, but the LAC market is also a destination for exports of Chinese manufactures" (ECLAC, 2008). These observations raise questions about the consequences an extractive Chinese policy might have in Latin America and about the competition local industries must face from Chinese manufactured imports.

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Chinese presence in Latin America has revitalized debates over development, international insertion, diversification and autonomy. Latin America's dependence on a few strategic partners, mainly United States and Europe, has been a feature that characterized the continent's international insertion through decades<sup>23</sup>. This high level of trade dependence has entailed higher levels of vulnerability to external changes -particularly economic crisis- and lower margins of autonomy – both political and economic-. In this context, trade partners diversification, could enhance autonomy and diminish vulnerability (Olivet, 2005; Faust, 2004). We understand diversification as a tool for an improved international insertion strategy, which seeks to achieve wider autonomy margins for international participation.

Our aim in this paper is to analyze China's and Southeast Asia presence in South America, and Argentina in particular, in the light of these concepts. South America and China relations have shown a high level of trade complementarities, it can be clearly seen in the composition of exchanges and the growing trade fluxes since the beginning of this century. This phenomenon has occurred in parallel to a growing separation from the United States, in the economic and also political arenas since the beginning of the present century (Miranda 2004, 82; Van Klaveren 2011, 70). From this perspective, China appeared as an alternative of international insertion for South America, mainly through the diversification of export destinies.

But after a long decade, South American relations with China are reproducing the traditional trade dependent structure, only with a new partner. As we will further analyze in subsequent sections, China is concentrating an increasing part of South American countries export and is also favoring a "reprimarization" of the export composition. Hence, instead of becoming an alternative to a dependent insertion pattern, China's approach to the South American region is reproducing asymmetrical bilateral relations, based on trade disparities rebuilding a center-periphery scheme.

In this scenario, Southeast Asia has probably little to do, given the dimensions of Chinese purchase power, production and investment capacity. But taking a careful look at Brazil's, Chile's and Argentina's export performances, we noticed that in the case of ArgentinaSEA has become a major export destination, while Chinese relative

participation has declined over the last five years. This example shows that the links with SEA have unexplored potentialities for a more diversified South American international insertion that can be developed along with a South-South cooperation strategy, as a mean to reduce dependence from major trade partners.

In the first part we will introduce China's and Southeast Asia's main economies relation with South America. In the second section we will present and analyze Argentina's trade links with both Asian partners through export and import indicators and the composition of both fluxes. Finally we will summarize the main ideas and relate them to the concepts introduced above as concluding remarks.

### *2.1. China's role in the Latin American landscape: increasing economic interests and trade dependence*

There has been a partial separation from traditional economic partners in South America, that must be interpreted within an economic and political transition context as a result of the emergence of new economic powers. The growing importance Eastern Asia is having in Latin America, particularly in the southern part of the continent, has contributed to diminish US relative power in the South American region, clearly seen in the economic arena, and with a potential to spill over the political and strategic fields. This change has also been favoured by the distance taken by US from the region, consequence of its focus on other areas of the globe and the lack of conflicts that may threaten the regional stability in this part of the world. This free room is being slowly taken by the PRC in the commercial, economic, political and strategic spheres. Example of this, are its cultural participation by means of the Confucius Institute; its military participation in MINUSTAH since 2004 (Malena, 2012); its financial participation in the BID, where it was accepted as member in 2008 (Ellis 2009, 3), and the creation of the China-Latin America investment fund in 2012.

Beijing's policy towards Latin America must be interpreted within a wider international strategy. While Southeast Asia is a central region in China's foreign agenda, Latin America holds a much lower relevance (Armony and Strauss 2012, 2) given the geographic distance and the fact that the US presence is still strong and closer. Notwithstanding this point, China's presence in Latin America has grown over the last decade. The interests of China

<sup>23</sup> Besides the partners concentration, Latin America has a more profound problem in its export composition which concentrates in natural resources and agricultural manufactures, also configuring a dependent trade structure.

in Latin America are, first of all, to acquire raw material, not only for food, but also to sustain its industrial development process. Second, to gain markets for its products, given how hard it is to place them in its own market, due to economic and cultural matters of the population<sup>24</sup>. Third, to internationally isolate Taiwan since the region hosts a high percentage of countries that recognize it<sup>25</sup>. And lastly, to ensure strategic alliances as a way of world positioning (Ellis 2009, 9).

One of the policies that has favored China's enterprises approach to the Latin American region has been the "Going Out Strategy". Through this policy the PRC government has stimulated state-owned and state supported enterprises to go out to the world in search for investment opportunities (Armony and Strauss 2012, 2). It also encourages the creation of internationally competitive companies, aiming at overcoming its reputation of a low-tech manufacture producer (Yueh 2012, 9).

China's interest in the Latin American and the Caribbean region has become more evident since 2008, when it launched the first Policy Paper directed on LAC. Its participation in the region has also increased through investments and joint ventures in strategic resource related sectors. Chinese investments in the Latin American region accounted for 24.000 million dollars in the period 2003-2009, most of them concentrated in natural resources such as copper, oil, iron ores and soy industrial complex. However, some investments are also emerging in the manufacture sector, some examples of this trend are the ones in the textile, automotive and telecommunication sectors in Mexico and the MERCOSUR countries.

The three main factors that have propitiated China's FDI in Latin America in the last decades have been the access to natural resources, the expansion of external markets and the improvement of efficiency in production and administration. (Rosales and Kuwayama 2012, 113).

One of the latest initiatives implemented between Latin America and China in the investment area was the creation of a new platform, consisting of three regional investment funds, through a partnership between the Interamerican Development Bank and

<sup>24</sup> The population tends to save between 40% and 45% of its income. As a consequence, the incomes that in other societies are used for buying consumption goods, in China they go to investment (Ellis, 2009).

<sup>25</sup> Currently 12 countries in Latin America recognize Taiwan: Belize, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Saint Christopher and Nevis, Saint Lucia, and Saint Vincent and the Grenadines (Eguizábal 2012, 23).

the Exim Bank of China. "The platform is expected to mobilize as much as \$1.8 billion for equity investments to support economic and financial integration between Latin America and the Caribbean and China" (IADB, 2012). The sectors that have been targeted for the capital investments as vital are infrastructure, mid-size companies and natural resources, including agribusiness, energy and mining in the pre-production stage. This initiative is, without any doubts, a sign of Beijing's growing interest in Latin America, and vice versa. But it could entail for our region the reinforcing of a certain production and export structure based on natural resources and derivatives, that is certainly responding to Beijing's national interest, but does not contribute to Latin America's industrial development and autonomy.

So far, China's approach to Latin America has shown these general characteristics. Besides this fact, there are some differences between Beijing's relations with South and Central America, given mainly by the fact that in the latter there is a stronger US influence and less economic complementarities. In South America, the search for alternative trade partners –in a context of decreasing US influence– and the higher level of production complementarities with China have favoured an accelerated increase in trade numbers and political exchanges.

## *2.2. Southeast Asia as an emergent alternative within a South-South relations framework*

The bilateral relations between SEA and Latin America have centered on commercial issues, both historically and contemporarily. This characteristic is mainly due to the fact that Southeast Asia interactions with the rest of the world have been trade-dependent (Montesano and PohOnn, 2010) and Latin America's interest in the Far East region has been based only on economic aspects, leaving aside the political issues.

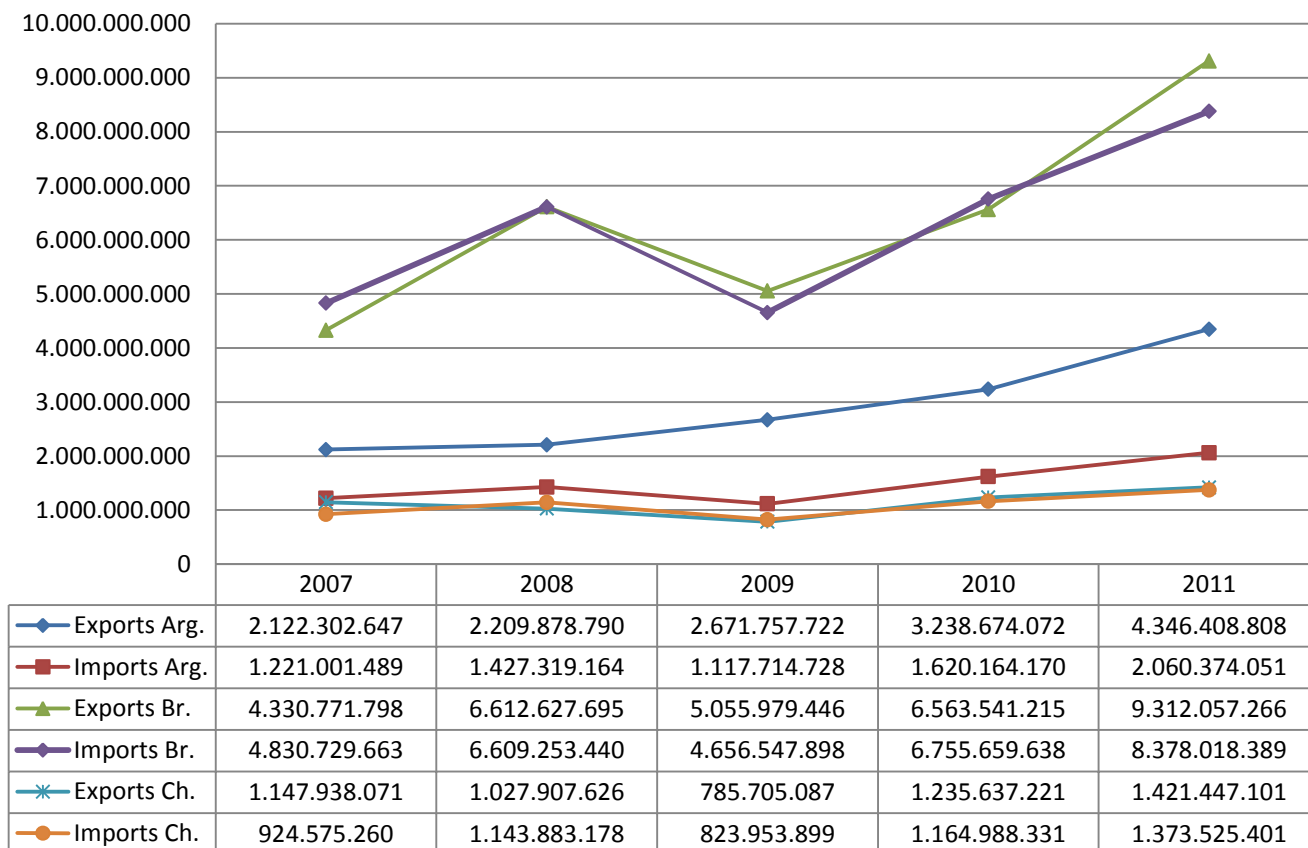
The economic natures of these links have been closely connected to the objective of diversification that arose in Latin American economies during the nineties, closely related to the changing development model. Faust underlines that:

As macroeconomic stabilization and economic growth have been sought via more market-oriented strategies, the wave of privatization and liberalization has given rise to foreign economic policies focusing on export-oriented growth and the attraction of foreign investment to compensate for the shrinking role of the state. The orientation toward the economization

of foreign policies- geared toward market-driven integration into the world economy- has prioritized economic interests". (Faust 2004, 747)

Trade exchanges are still in a very low level, especially when compared to the ones with China. Figure 1.1 shows South America's biggest economies exports and imports from SEA-6.

*Figure 1.1: Exports and imports from Argentina, Brazil and Chile, to and from SEA-6, 2007-2011, in US dollars*



Source: Elaborated with data from UNComtrade, 2012

Brazil's and Chile's exports to SEA in dollars have been close to their imports from these six countries during 2007-2010. In contrast, Argentina's exports have been substantially superior to its imports from this region during this four-year period. In terms of percentage, Argentina's exports to SEA represented 4.7% of total exports in 2010, while for Brazil it accounted for 3.3% and for Chile 1.7% of total exports. Imports from SEA, on the other hand, represented 3.7% of total imports in the case of Brazil, 2.9% in the case of Argentina and 2.1% in the case of Chile.

In comparison, China has represented a much more relevant partner, both in the import and export flows. For example, in 2010 Argentina's exports to China accounted for 8.5%, Brazil's for 15.6%, and Chile's for 24.4% of total exports. While imports from China in 2012 represented 13.5% of total imports for Argentina, 14.1% for Brazil, and 17.6% for Chile (UNComtrade, 2012). In contrast to the trade relation with SEA, Brazil and Chile showed a

substantial surplus in their commercial balance with China in 2010, while Argentina presented almost equal figures in imports and exports flows.

The comparison shows the relatively low level of participation that SEA economies have in South American trade, in relation with China. But if we take a look at the trend, an increasing level of trade exchanges can be noticed, particularly in the case of Argentina-SEA, that could balance the asymmetrical trade relationship sustained with the PRC.

The trade structure with SEA, as in the case of China, it has traditionally been dominated by a commodity-for-manufacturing pattern.

This pattern of trade has translated into a high concentration of LAC's exports in a small number of basic commodities: iron ore, copper, soy, oil, sugar, paper pulp, and poultry; these goods correspond to 70% of all exports. For its part, Asia exports a wide range of

manufactured goods, including ships, cars, electronics, equipment, and parts and components. (IDB 2012, 15).

The next section deals with Argentina's trade and political relations with China and SEA since 2007. Many developments took place in the bilateral relations in the last five years, based on a South-South cooperation strategy and pragmatism in Argentina's trade policy. Our interest is to analyze the specifics of these relations during the last five years and highlight recent activities that might lead to an improve insertion of the country in the Eastern Asia scenario.

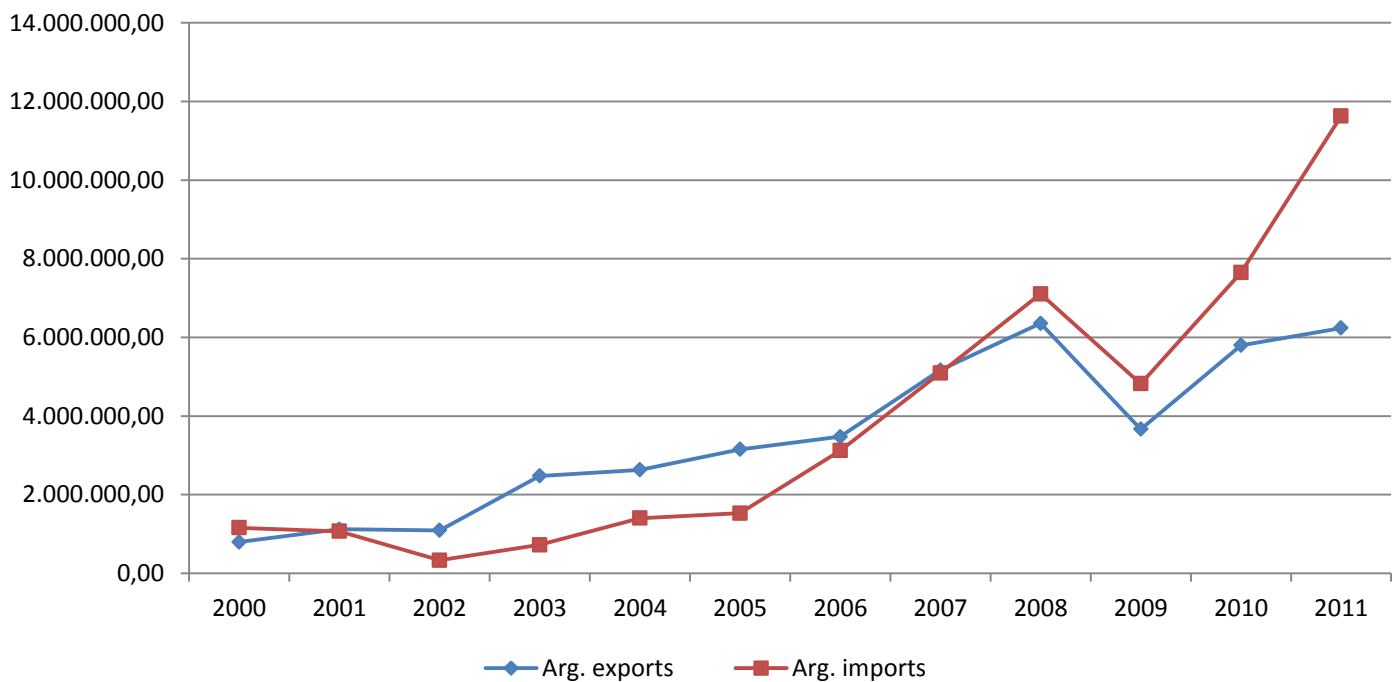
### *3.1. Argentina's policy towards China: decreasing export dependence in a context of trade asymmetry*

Argentina's relation with China has been driven by commercial interests. The intensification of the links started slowly during the nineties but became stronger since the beginning of this century. Argentina supported Beijing's accession to the WTO in 2001 and gave China the market status recognition in 2004, in exchange for a larger access of its exports to the Chinese market (El País, 2004).

Bilateral exchanges in 2003 were increasing rapidly, but unlike nowadays, Argentinean exports to China were higher than its imports. As shown in figure 2.1 trade numbers went from 1.9 thousand millions dollars to over 17 thousand millions in 2011. It certainly shows an unprecedented increase in trade between both countries, and a growing trade deficit for Argentina, since 2008. In 2011 the trade deficit reached 5.4 thousand millions, three times larger than the one observed in 2010 -1.8 thousand millions dollars-.

The graphic also shows the effect of the 2008 world crisis on the bilateral exchanges. Both exports and imports dropped over 30% between 2008 and 2009. It was the more profound reduction of imports since Argentina's 2001 economic crisis. In 2010 imports numbers were already exceeding those reached in 2008 but exports recuperation was slower, and even in 2011 they were not in the same level as three years before. In the global position, Argentina's total exports recovered from the crisis in 2010, and in 2011 export numbers were already exceeding those from 2008 for over 13 thousand millions dollars. So the slower pace in exports to China was a feature of this relation that was not reflecting the recovery in total figures.

*Figure 2.1: Argentina-China trade exchanges, 2000-2011, in thousands of dollars*



Source: UNComtrade, 2012.

It was during this last years that China started to evidence a lower participation ratio as a destiny for Argentina's exports, and Southeast Asia started to gain positions, as we will see in the next section.

Table 2.1 present the numbers of the bilateral exchanges. There was a remarkable trade deficit for Argentina since 2008, which does not coincide with the balances for Brazil and Chile, for example, that had a surplus in their balances for these same years (the only exception was Brazil in 2008<sup>26</sup>).

*Table 2.1: Argentina-China trade exchanges, 2003-2011, in thousands of dollars and percentage*

	Arg. exports	% of total	Arg. imports	% of total	Balance
2003	2,478,422.70	8.28	720,754.90	17.89	1,757,667.80
2004	2,630,446.70	7.61	1,400,969.10	11.72	1,229,477.60
2005	3,154,288.70	7.86	1,528,619.50	10.99	1,625,669.20
2006	3,475,852.70	7.47	3,121,708.40	10.18	354,144.30
2007	5,166,608.00	9.26	5,092,953.60	11.39	73,654.40
2008	6,354,956.00	9.08	7,103,890.80	12.36	-748,934.80
2009	3,666,460.70	6.59	4,822,598.90	12.43	-1,156,138.20
2010	5,798,775.30	8.51	7,648,820.40	13.54	-1,850,045.10
2011	6,237,838.20	7.43	11,627,020.30	15.11	-5,389,182.10

Source: UNComtrade, 2012

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Trade measures have been taken by the Argentinean government to fight, at least partially, these trade imbalances, which might through some results from 2012 onwards, but the main factor affecting this trend is the inter-industrial trade pattern that prevails in the bilateral exchanges. As we have presented before, this characteristic is not privative of Argentina's trade with China, it is a feature affecting every South American state links with Asia. In the particular case of Argentina we can distinguish a very high concentration of exports on three products, namely soybeans, soybean oil, and crude oil (ALADI, 2012).

*Table 2.2: Argentina exports to China, principal products, 2007-2011 (percentage)*

	First	Second	Third	Fourth
2007	Soybeans (51.5%)	Soybean oil (29.4%)	Crude oil (8.2%)	Leather (1.7%)
2008	Soybeans (56.8%)	Soybean oil (23%)	Crude oil (10.7%)	Leather (1.1%)
2009	Soybean oil (39.3%)	Soybeans (32.7%)	Crude oil (6.1%)	Sunflower seed oil (3.3%)
2010	Soybeans (71%)	Crude oil (11.5%)	Soybean oil (4%)	Sunflower seed oil (1.3%)
2011	Soybeans (70.4%)	Soybean oil (7.7%)	Crude oil (6.8%)	Tobacco (1.4%)

Source: ALADI, 2012

The concentration of exports in natural resources and derivatives might jeopardize the incipient renewed trend of industrial development that has taken place in the country for the last decade. Table 2.2 shows that in the last five years, over 70% of exports to China were composed by soybeans and its derivatives. Given China's demand structure, the ratio of its participation as an export destiny its crucial, since it has a profound influence in the overall composition of the trade basket.

Even though a high percentage of Argentina's exports are directed to China, its share over total exports is decreasing. Argentina's main export destination is Brazil, and the principal products are vehicles. Brazil's influence over Argentina's export structure proves stronger than China's if we analyze the composition of the countries world's export structure. In 2011, Argentina's exports were as follows: Residues of food industry (12.8%), vehicles (11.8%), Cereals (10%), vegetables oils (8.4%), oil seeds (7%), petroleum oils (6%) (UNComtrade, 2012).

Considering these numbers, and Chinese decreasing participation in Argentina's exports, we argue that China's influence over Argentina's export structure, or the reprimarization phenomenon ECLAC identifies for Latin America, does not seem to be taking place in this case. So, even though Chinese presence is much stronger in Argentina's trade scenario than a decade ago, Brazil's much more important role has favored the development of an industrial export pattern, led by the vehicle industry. We do not aim to sustain that Argentina's export structure is mainly industrial, because it is not, but that the vehicle export industry has maintained a growing participation, becoming the second export item for 2012 and 2011.

What is also a relatively new phenomenon is the increased participation of residues of food industry in Argentina's export basket. As seen before,

<sup>26</sup> Brazil's exports to China in 2008 accounted for 16,403,038.90 and its imports accounted for 20,040,022.30.

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Chinese imports have concentrated on other soy products, such as beans and oil. Imports of residues have low, only 0.3% of total exports to this country in 2011. Other countries have had a stronger influence over this phenomenon, namely the Netherlands, Indonesia, Italy, Spain, Poland and Vietnam. The Philippines, Malaysia and Thailand are also between the main fifteen destinations of this product in 2011.

### *3.2. Southeast Asia: A nontraditional partner with increasing influence in Argentina's foreign trade and international insertion*

Argentina's Minister of Foreign Relations, Héctor Timerman, visited Indonesia and the Philippines last September. This was the first high rank visit of an Argentine official to the region after Menem's trip in 1997. The visit was an unequivocal sign of the renewed importance the region is having for Argentina's trade and international insertion. Prior to this trip, Southeast Asia had been basically neglected in Argentina's foreign policy. As we have argued in previous papers, Argentina's concentration on improving relations with China, the consequences of the crisis over foreign policy – such as the reduction of the budget- and the lack of knowledge about Southeast Asia have discouraged a more active approach to the region. The difference with the nineties was notorious, and still is, in the foreign policy sphere, since the region was a target for two presidential visits in 1996, and 1997, and several high rank visits, even a tripartite mission – political, business and academics- in 1999. The actions during that decade covered almost every country of ASEAN. Since the beginning of the actual century the impulse that has driven the policy towards the region was abandoned and it was not until the last two years that some relevant actions were implemented towards Southeast Asian countries.

Timerman visit was the highest point of an increasing interest in improving relations with Southeast Asia. Some of the actions taken before, in the political field, were the creation of three Parliamentary Groups of Friendship -in 2010 with Vietnam, in 2011 with ASEAN and in 2012 with Indonesia (*Honorable Cámara De Diputados De La Nación*, 2012)- and the participation in the First Parliamentary Meeting Argentina ASEAN in 2012. There was also an increase in the numbers of diplomats destined to the embassies in Southeast Asian States –particularly to Vietnam and Indonesia-.

Some other actions included commercial missions, bilateral documents –like the Cooperation Agreement in the Energy Sector, the Memorandum of Understanding regarding cooperation in the field of Commercial and Economic Negotiations with Vietnam-, high level meeting –such as the meeting of the Committee of Planning on Triangular Cooperation with Thailand in 2010- and agreement between enterprises as the Letter of Intention between the Argentinean company IMPSA and Petrovietnam Power in the wind energy sector (Ministry of Foreign Affairs, International Trade and Cult, 2010).

A South-south cooperation strategy has also been behind the rapprochement to this region, considered the most relevant southern area given its economic performance and the possibilities it entails for Argentina's trade policy<sup>28</sup>.

Besides this sporadic, though increasing, political actions, the central arena of relations was the commercial one. Figure 2.2 shows Argentina's exports to its main partners in Southeast Asia.

Argentina's main destinies in Southeast Asia have fluctuated through the last years. In 2011, Indonesia positioned itself as Argentina's main export destination in the region, and second in Asia, after China. This notorious raise has led Argentine's diplomats and different public officials to pay more attention to relations with Indonesia, and the visit of President Cristina Fernández and Foreign Relations Minister, Héctor Timerman, to the country must be understood within this commercial contest. Indonesia is nowadays Argentina's most important trade partner in SEA.

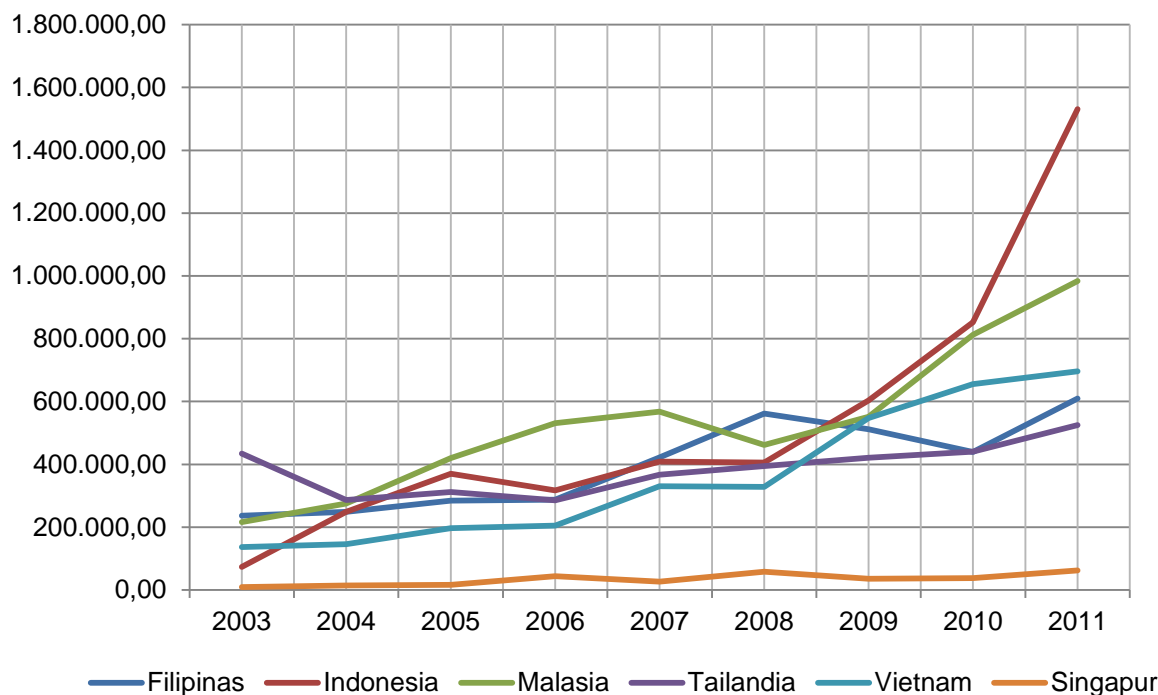
The region as a whole went through an increasing participation as Argentina's exports destination. There share over the total went from 3.76 in 2007 to 5.18 in 2011. When compare to China's performance as an export destiny, we can see that the growing ratio of participation for SEA was paralleled by a decreasing Chinese share (9.3% in 2007 to 7.4% in 2011). This did not respond to a declining in total amounts, since in both cases exports values in dollars were higher in 2011, given the record levels of international commodity prices and a raising Asian demand. But this does mean that purchases from SEA are growing at a more rapid pace than those from China and if the trend is sustained it might alter Argentina's trade scenario

<sup>28</sup> In an interview by the author to a member of Parliament (October 2012, Buenos Aires) the official underlined the importance of South-South cooperation for Fernández government as a tool for an autonomous international insertion. The policy towards Africa is another indicator of this strategy.

with East Asia, with Indonesia and other SEA countries becoming major trading partners. A situation that could favor Argentina's trade

autonomy vis-à-vis China and enhance South-South cooperation with Southeast Asia.

**Figure 2.2: Argentina's exports to SEA-6, by destination 2003-2011, in thousands of dollars**



Source: UNComtrade, 2012

**Table 2.3: Argentina-SEA-5 trade exchanges, 2007-2011, in thousands of dollars and percentage**

	Arg. Exports	% of total	Arg. imports	% of total	Balance
2007	2,095,835.00	3.76	1,094,815.40	2.45	1,001,019.60
2008	2,152,087.00	3.07	1,270,892.50	2.21	881,194.50
2009	2,636,081.00	4.74	1,008,442.80	2.60	1,627,638.20
2010	3,201,063.00	4.70	1,454,254.30	2.57	1,746,808.70
2011	4,346,408.70	5.18	1,885,327.10	2.45	2,461,081.60

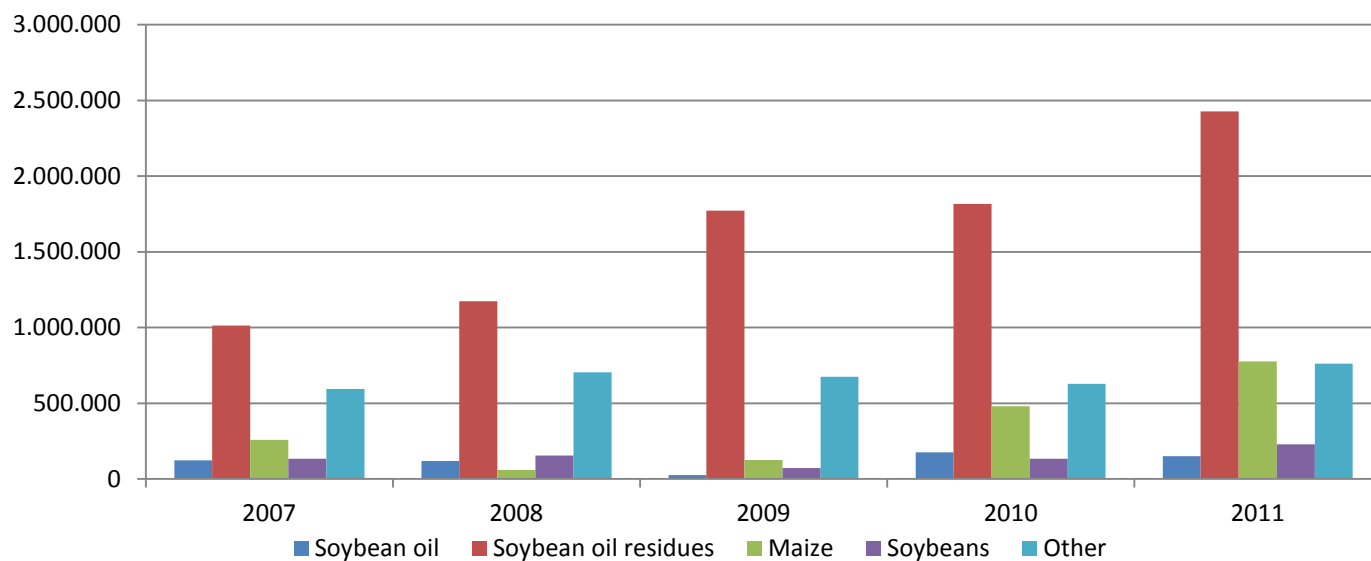
Source: Elaborated with data from UNComtrade, 2012

The fact that Indonesia almost duplicated its imports from Argentina -852,441.6 million dollars in 2010 to 1,530,986.7 million dollars in 2011- had a visible repercussion in Argentina's export basket composition. Soybean oil residues, which were already Argentina's main export item to the world in 2007, more than duplicated their participation in the export basket towards Southeast Asia. As figure 2.3 shows, this item had a boost between 2007 and 2011, being Indonesia a major reason for this increase in the last two years.

Argentina's exports basket was highly concentrated in very few items, reproducing a tendency already present in its trade relation with SEA in the previous decade. Figure 2.3 shows an impressive and increasing concentration in only one product: soybean oil residues. On top of this, two of the other three most exported products to SEA also consist of soybean or its derivatives. The four main products Argentina exports to SEA account for more than two thirds of the total exports to the region.



*Figure 2.3: Argentina's exports to SEA-6, by principal products, 2007-2011*



Source: Elaborated with data from UNComtrade, 2012

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It must be mentioned that some manufactures also participated in the exports basket in those years, but their share in the total showed a decreasing tendency. Some examples of these are motor vehicles to Vietnam (contracted from 40 million in 2008 to 32 million dollars in 2010), and iron tubes to Indonesia and Singapore (UNComtrade, 2012).

As a final remark of this section, even though there seems to be a diversification trend in Argentina's foreign trade, which is being underpinned by incipient policies towards SEA, the effect over the composition of exports is not in line with diversification. Instead, it is generating a stronger concentration on few products, and particularly on soybean oil residues. This double tendency – partners diversification and items concentration in low-value-added products- cannot function as an efficient strategy for an autonomic and less vulnerable international insertion pattern, unless measures are taken to introduce support a more

diversified export basket to SEA, reducing dependence on one product.

#### 4. Conclusion

As stated before, the 2008 global crisis made clear the need to reduce dependency on few big partners. China became the new star for Latin American countries, and the world crises made it evident that Beijing was here to stay, and to present itself as the best alternative to traditional partners. Chinese presence in the region has also been benefited by a relatively decline of US presence in general, and in the trade and economic spheres in particular, given in part by its focus on political and strategic affairs since 2001, and the low relevance South America has in US strategy.

Hence, this southern region became a prominent opportunity for the uprising of new partners, in a scenario of relaxed US influence. What became evident later was that dependency links were not broken, but redefined with a new big partner. Nowadays, South America's trade dependence on China is not only as stronger as it was during the decade before with the US, but it is also generating a higher level of export concentration on primary and agricultural manufactures exports.

In the case of SEA, trade interdependence is still low between both regions. There are several factors that are preventing a stronger interdependence.

First, SEA and the South American countries compete to access the same markets and also to attract FDI from other East Asian countries as well as from other developed countries (Rubiolo and Baroni, 2011). Second, there are high costs in the exchanges due to high tariff and non-tariff barriers and to high costs of transportation, poor infrastructure and inefficient transport services (ADB 2012, 16). Third, the limitation of products in the export basket of the South American countries – mainly raw materials and agricultural manufactures – curtails the possibilities of expanding exports to the countries of Southeast Asia.

The case of Argentina differs from most of the rest of the region. The relatively decreasing participation of China as an export destination is minimizing its influence over the export basket, and as a consequence the items demanded by Beijing are having a declining share over Argentina's world exports. China's influence over other economic areas, such as investments and finances<sup>29</sup>, are becoming more relevant for Argentina bilateral relations, and should be analyzed in further investigations.

In the case of SEA the scenario is not so different than that from China. On the one hand, there are evident disparities, such as SEA countries' demand size and structure, and there is a perception that Argentina's a SEA's international position is much more similar than that with China. This perception

has led to identify several cooperation areas and to find new political channels for improving bilateral relations. On the other, Argentina's export structure to SEA remains strongly concentrated on very few products, and has not shown any signs of change. Instead, the boost of Indonesia's demand of oil residues has contributed to a higher level of concentration, than five years ago.

In order to achieve a higher degree of autonomy, both in the political and economic spheres, Argentina should not only diversify its export destinations, but also the export structure. Concentration, either of partners or products, contributes to a higher vulnerability to external changes. In a favorable trade environment, like the one that is prevailing since 2003, with high international commodity prices, there is room to think that primary exports can contribute to the countries development. But if there is no diversification of exports, to manufactures and value-added products that are less dependent on external variables, dependency can be slightly reduced by diversifying partners. The relation that is configuring with SEA is again reproducing an inter-industrial trade pattern and unless measures are taken to introduce new products to Argentina's export basket, this relation that is intended to reduce dependency over few major partners, will end up reinforcing a dependent international insertion model.

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<sup>29</sup> Argentina signed a currency arrangement with China in 2009 in virtue of which Argentina would be able to purchase Chinese imports in yuan instead of dollars in order to avoid liquidity related problems.

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