

How to better exploit China and Latam complementarities? A practical overview

Ya-Lan Liu

BBVA Economic Research (Asia)

<http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

Bogotá, November 25th 2009

- 1. Selected preliminary ideas**
- 2. What does stronger growth in China mean for Latam?**
- 3. BBVA global economic forecasts**

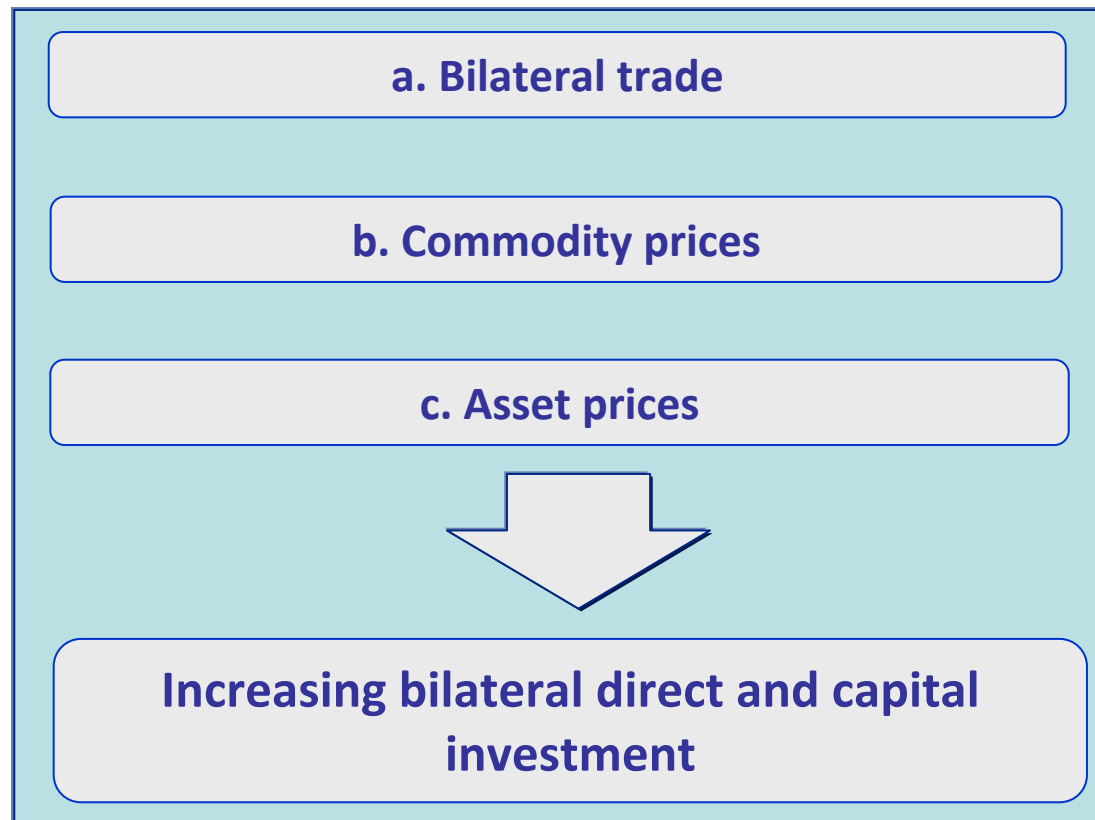
Appendix: BBVA in Asia and group performance

- The impact of China's higher growth in Latam is transmitted by increased trade flows, rising commodity and domestic asset prices. Ultimately, the bilateral investment flows should also increase rapidly under this scenario
- In terms of trade, there is evidence of more complementarities than of direct competition. China should leverage on Latam's geographical situation and market access as an export platform to the rest of the region and EU markets
- The internationalization of the RMB currency for cross-border transactions would eventually facilitate trade flows with Latam but also increased investment flows
- Combined with China's capital account liberalization (likely to be gradual and asymmetric) and the ample domestic liquidity, these factors call for more Chinese portfolio investment overseas: QDII scheme, RMB settlement, RMB swap lines, etc.
- China has ample potential to become a relevant source of overseas investment following the historical experience of its peers
- Looking ahead, not only China but the rest of Emerging Asia has the potential too!

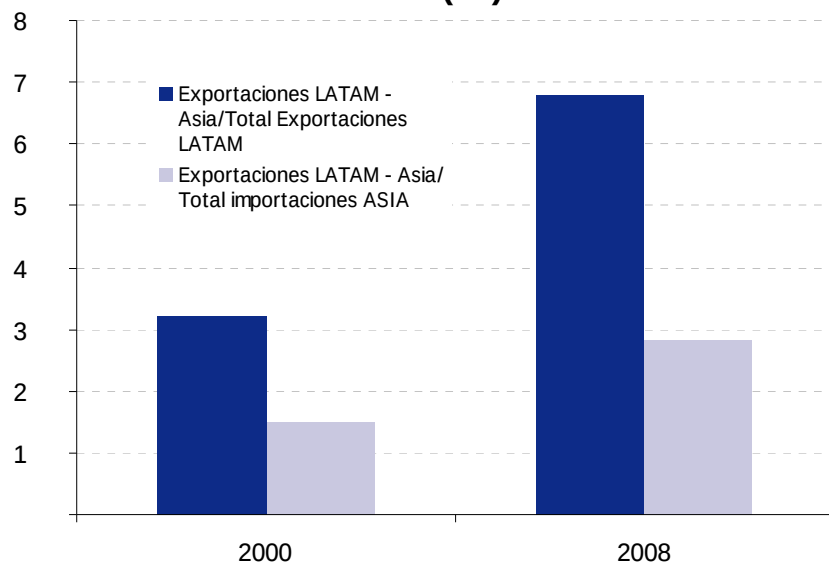
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China's direct impact on Latam's growth still looks relatively limited, but there are three main potential transmission channels:

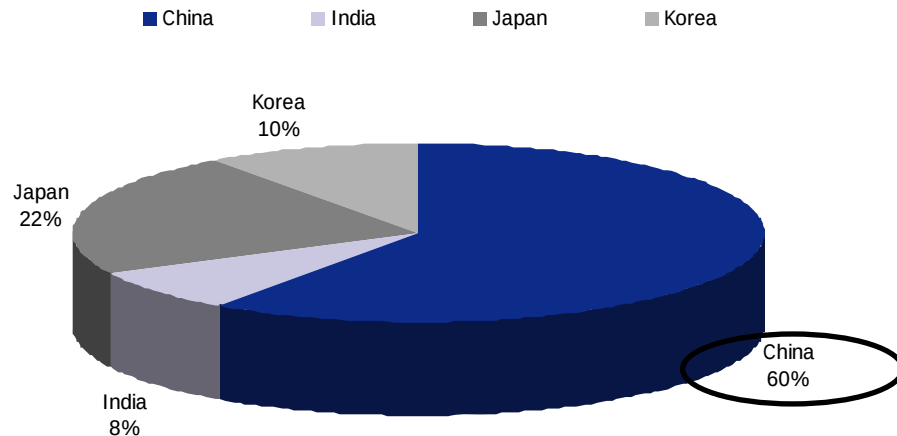


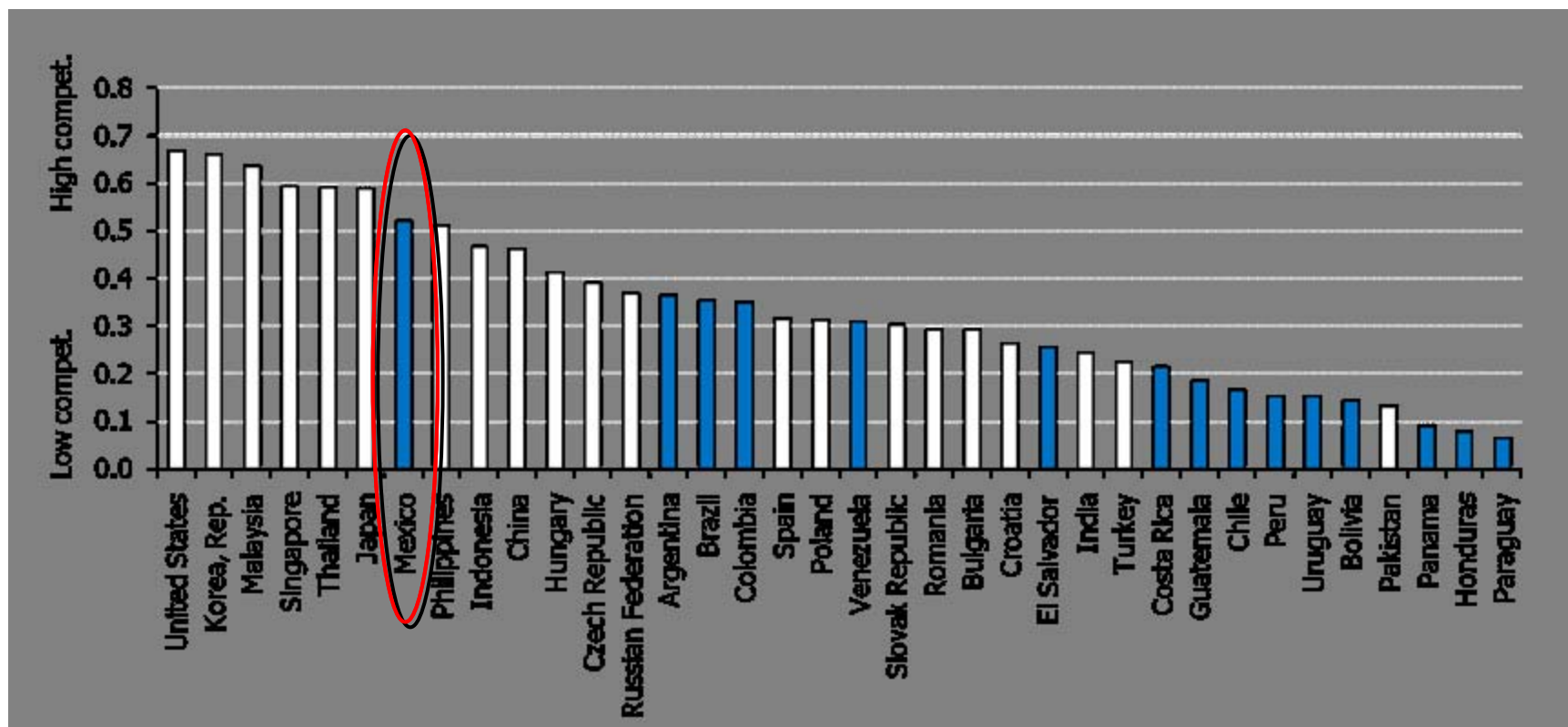
Peso de Exportaciones de América Latina a Asia (%)



Latam: Argentina, Brasil, Colombia, Mexico, Peru y Venezuela. Asia: China, India, Japón y Corea.
Fuente: COMTRADE.

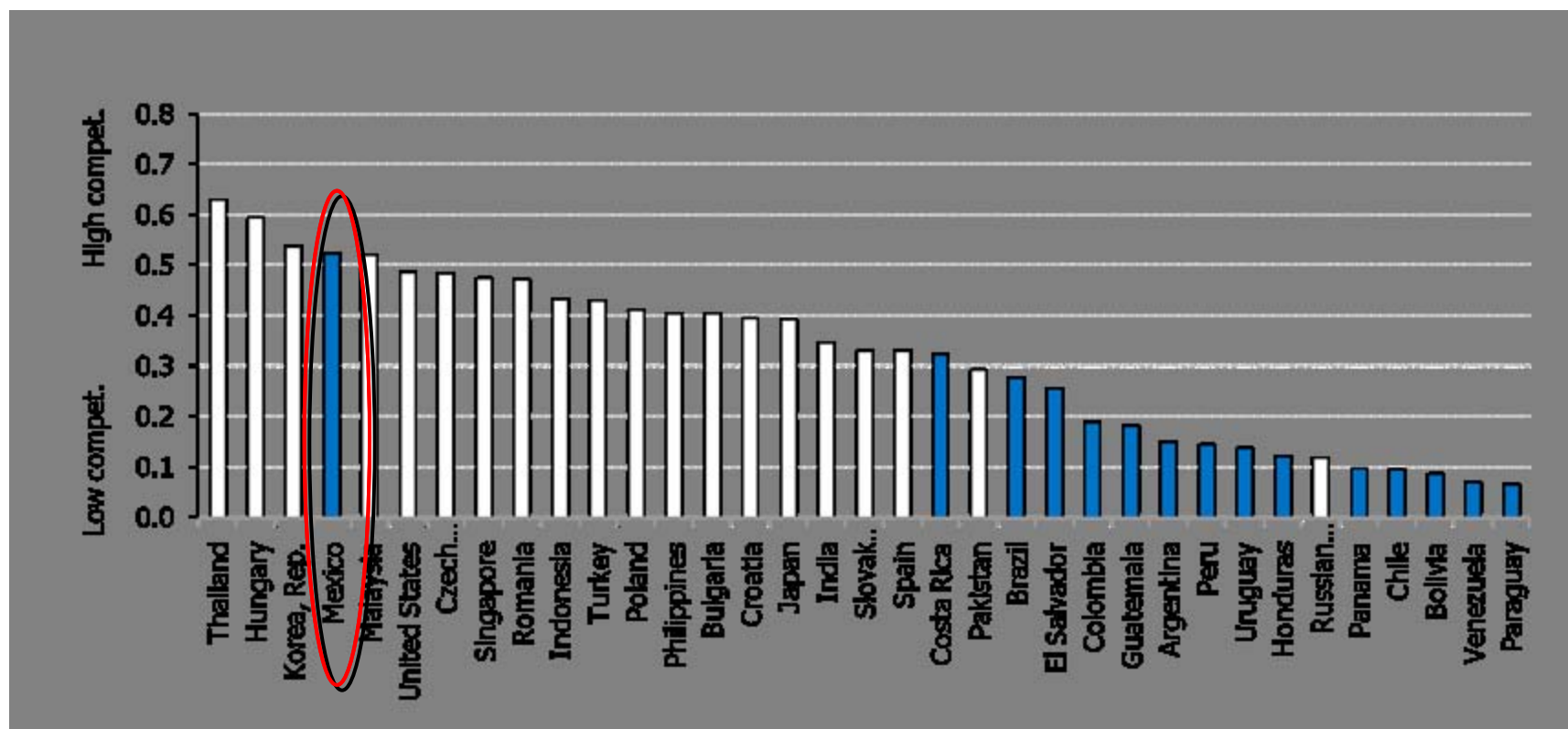
Exports from Latam to Asia by country 2008





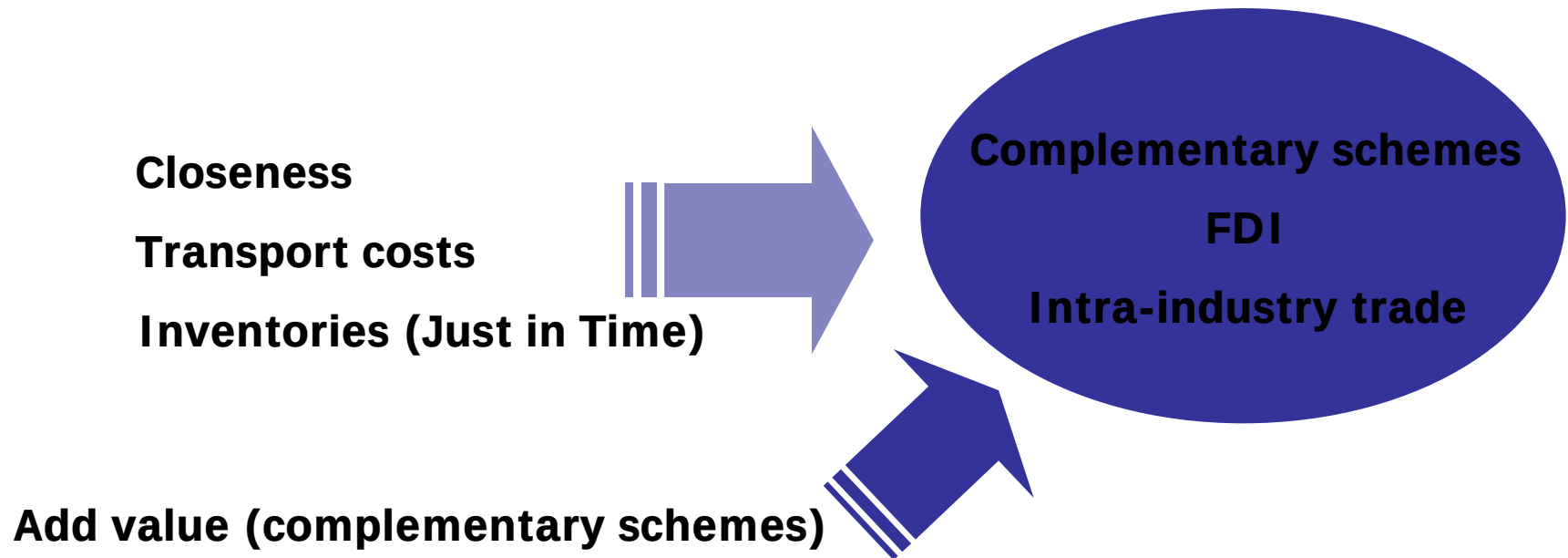
Note: Modified CS and CC coefficients calculated with exports of country *i* and imports of country *j* (China, India).

Sources: OECD Development Centre, 2008; based on WITS Database, 2007.



Note: CS and CC coefficients calculated with exports of country i and exports of country j (China, India).

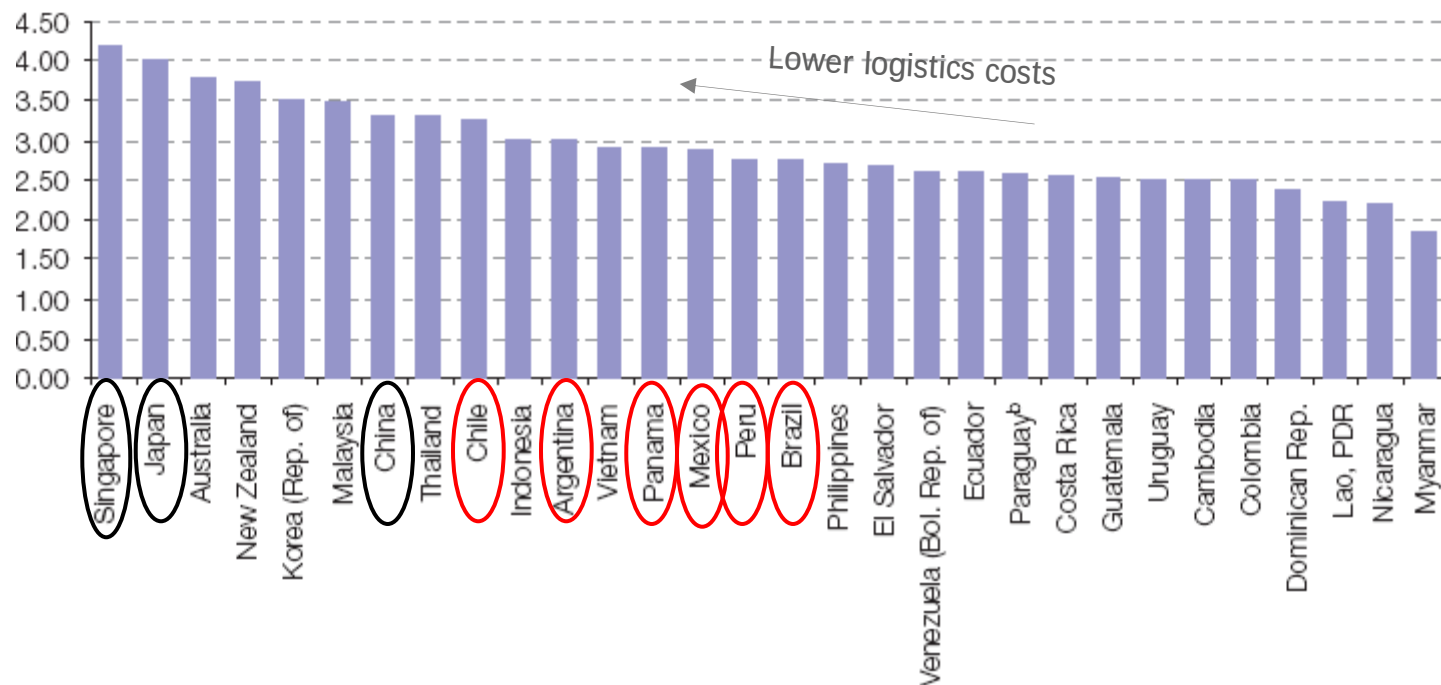
Source: OECD Development Centre, 2008; based on WITS Database, 2007.



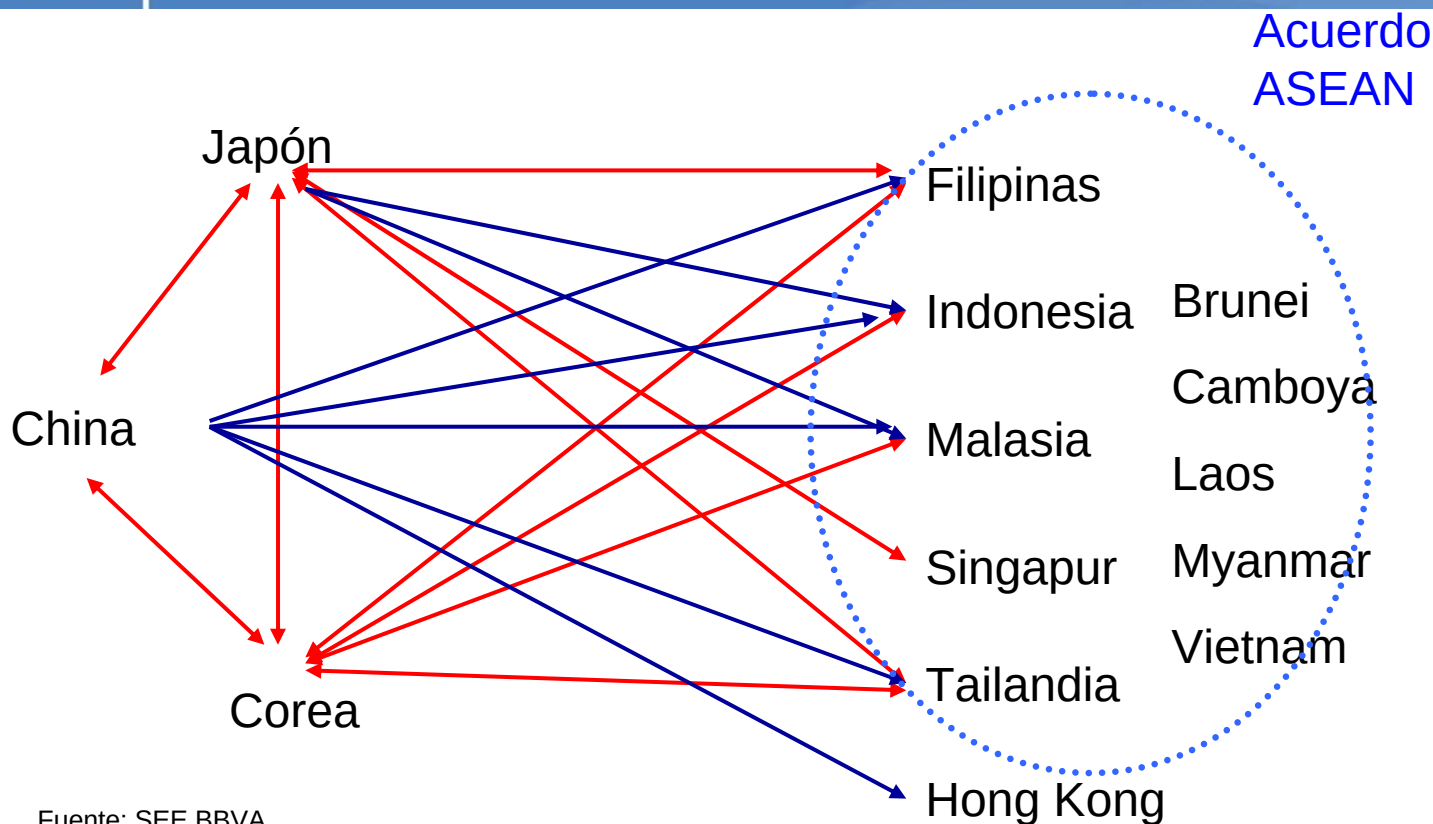
In order to attract FDI, Latin American countries still has much work to do in improving their institutions and infrastructure

Latin America is and will continue to be an important market for China/HK (export diversification and provision of services).

Logistics performance index (score in the range of 0-5)



Source: ERD BBVA, ECLAC (2008), World Bank (2007)



Fuente: SEE BBVA

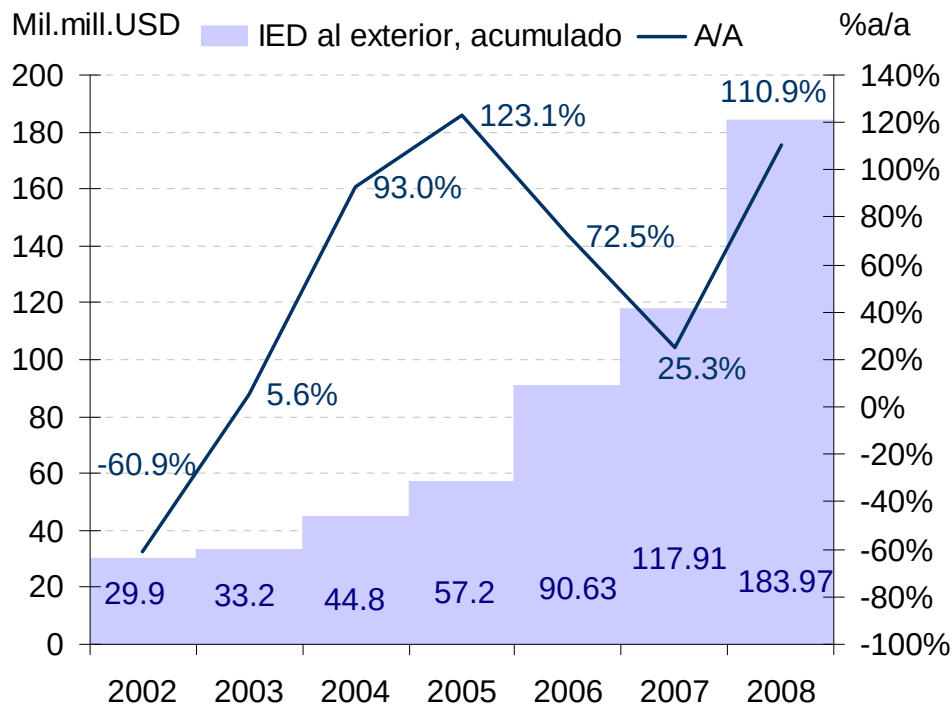
Acuerdo de Chiang Mai (ASEAN): Acuerdos recíprocos, no recíprocos → Total US\$36,5 m.M (abr04), US\$83 m.M (abr07), US\$120 m.M (abr09)

China: Extensión swaps → Corea (\$26,4 m.M, dec08), Hong Kong (\$29,4 m.M. ene09), Malasia (\$12m.M feb09), Indonesia (\$14.7 m.M. mar09)

En 2009, China ha firmado por primera vez acuerdos de swaps de moneda con bancos centrales de Latam (Argentina) y Bielorrusia por un periodo inicial de 3 años

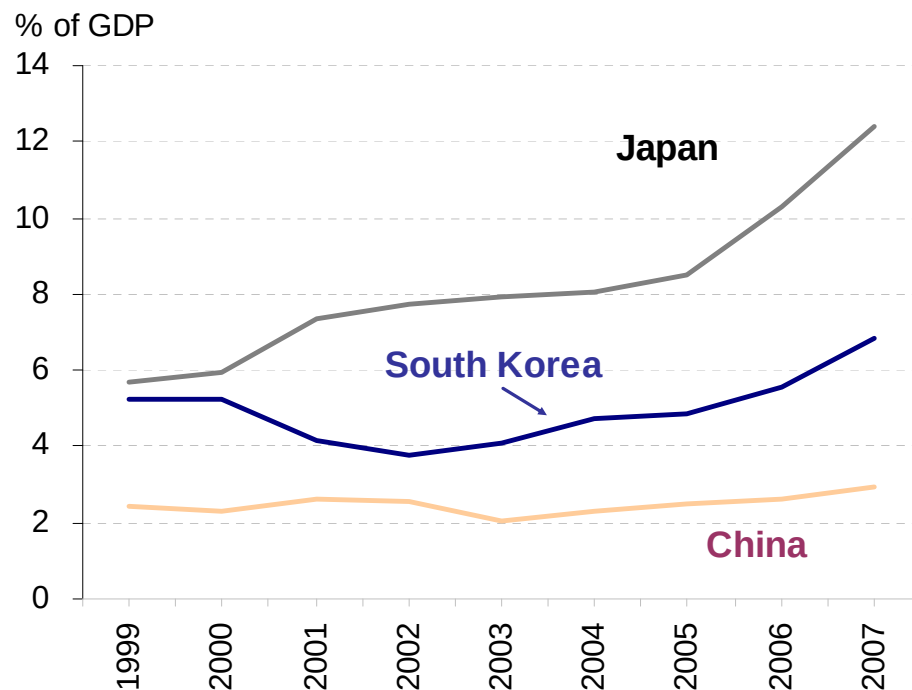
Chinese FDI has ample room to increase further when compared with the experience of its peers in Asia

Chinese outward FDI growth
(year-on-year vs stock)



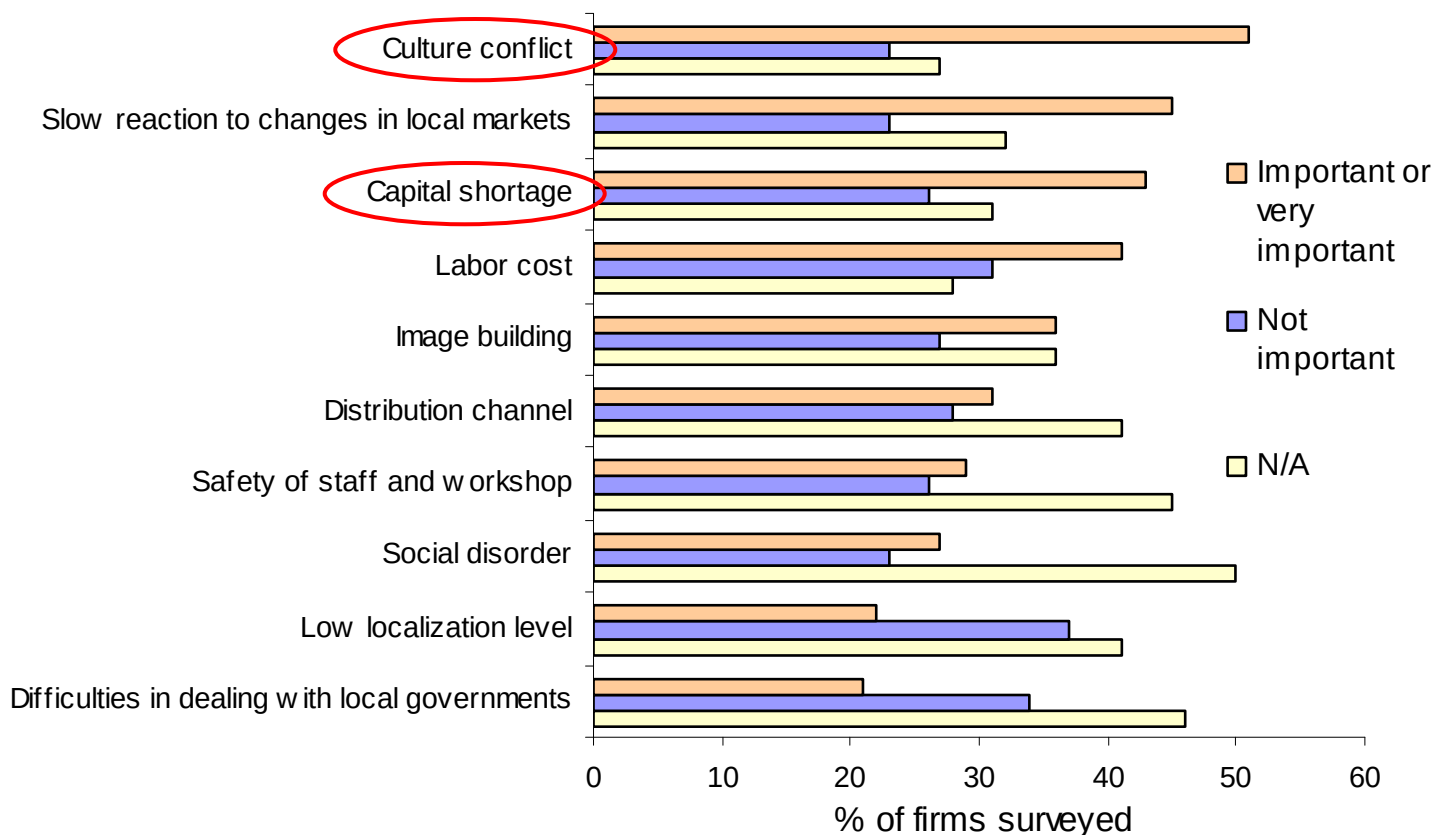
Source: Mofcom, BBVA ERD

Chinese FDI stock vs Selected Asian Peers
(outward FDI stock as % of GDP)



Source: UNCTAD (2008), BBVA ERD

Main Challenges Faced in International Operations (in % of responses, firm survey)



Source: Battat, Joseph, FIAS/ MIGA Firm Survey (April 2006)

Operaciones recientes de créditos y M&A de empresas/instituciones estatales chinas en 2009

Fecha Anuncio	Empresa Inversora	Empresa Receptora	Tipo de Operación	Sector	País	Importe (US\$ millones)	Comentarios
27-abr-09	China Sci-Tech Holdings Limited	OZ Minerals Ltd.	Adquisición minas oro y plata en Indonesia	Minería	Australia	211	Finalizacion venta prevista en junio 2009
24-abr-09	China Minmetals Group	OZ Minerals Ltd.	Adquisición de activos	Zinc	Australia	850	Aprobado. Oferta anterior por 100% capital (US\$2500 millones) rechazada por el gobierno australiano
16-abr-09	China National Petroleum Corp	Oil and Gas Kazakhstan	Créditos	Gas y petróleo	Kazakhstan	5000	Garantizar el suministro de crudo
05-abr-09	State Development Bank	Ecuador	Créditos	Petróleo	Ecuador	1000	Garantizar el suministro de crudo
13-mar-09	State Development Bank	Angola	Créditos	Petróleo	Angola	1000	Garantizar el suministro de crudo
24-feb-09	Hunan Valin Iron & Steel Group	Fortescue Metals Group Ltd.	17.6% participación de capital	Acero	Australia	936	Aprobado
21-feb-09	State Development Bank	PDVSA	Créditos	Petróleo	Venezuela	4000	Garantizar el suministro de crudo
18-feb-09	State Development Bank	Petrobras	Créditos	Petróleo	Brasil	10000	Garantizar el suministro de crudo
17-feb-09	State Development Bank	Rosneft, Transneft	Créditos	Petróleo	Rusia	25000	Garantizar el suministro de crudo
12-feb-09	Aluminum Corp. of China	Rio Tinto	Joint venture y suscripcion de bonos convertibles	Acero	Australia	19500	Pendiente aprobacion por el gobierno australiano. Seria la mayor inversion directa china hasta la fecha

Fuente: prensa china. SEE BBVA

Adquisiciones seleccionadas de empresas chinas en el extranjero (excluyendo sector financiero y commodities)

Adquiriente	Adquirida	Fecha	Sector	Importe (Millones \$EEUU)	Tipo de operación	Tipo de transacción
Shanghai Automotive Industry	Ssangyong Motors (Corea)	2004	Automóvil	550	Participación	48,9%
Lenovo	IBM's PC business (EEUU)	2004	Tecnológico	1750	Adquisición	100%
Nanjing Automobile Group Corporation	MG Rover (R. Unido)	2005	Automóvil	87	Adquisición	100%
China Mobile Communications Corporation	China Resources Peoples Telephone (HK)	2005	Telecomunicaciones	430	Adquisición	100%
Bank of China	Singapore Aircraft leasing	2006	Transporte	3430	Adquisición	100%
Blue Star	Adisseo	Enero 06	Alimentación animal	518.7	Adquisición	100%
Blue Star	Luo Sulphadiazine Company	Octubre 2006	Químico	N/A	Adquisición	100%
WuXi PharmaTech	Apptec Laboratory Services	Enero 07	Bioteología	163	Adquisición	100%
TCL	Thomson división de TV (Alemania)	Enero 07	Electrodomésticos	59	Adquisición	100%
China Mobile Communications Corporation	Paktel (Pakistan)	Abril 07	Telecomunicaciones	460	Adquisición	100%
China International Marine Containers	Burg Industries (Holanda)	Junio 07	Transporte	74	Participación	80%
ChinaYoungor Corporation	Smart Apparel Group (HK)	Noviembre 07	Textil	120	Adquisición	100%
State Grid Corporation of China and two Philippines companies	Los derechos del sistema de red eléctrica (Filipinas)	Diciembre 07	Servicio público	3950	Participación	40%
Mindray Medical	Datascope Corp's Patient Monitoring division	Mayo 2008	Medicina	200	Adquisición	
Huaneng Power International	Tuas Power (Singapur)	2008	Energía	3000	Adquisición	100%
Blue Star	Rhodia-unidad de silicona orgánica	Enero 08	Químico	n. d.	Adquisición	100%
Sichuan Tengzhong Heavy Industrial Machinery Company	Hummer de General Motors (EEUU)	Junio 09	Automóvil	150	Participación	80%

Fuente: BBVA SEE, Iberchina, prensa

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October 2009 GDP growth scenarios				
Central				
	2009	2010	2011	2012
US	-2.5	1.5	2.2	2.5
EMU	-3.8	0.2	1.2	1.5
Spain	-3.8	-1.2	1.2	2.4
Mexico	-7.2	3.1	4.0	4.2
Brazil	-0.1	4.7	4.4	5.0
LatAm 5	-1.0	2.3	3.0	3.4
China	8.3	9.3	8.9	9.0
Non-China Asia	1.1	4.4	5.7	5.9

Source: BBVA ERD

Note: Latam 5 includes Argentina, Chile, Colombia, Peru and Venezuela

China forecasts (as of October 2009)

		2008	2009F	2010F	2011F	2012F
GDP		9.0	8.3	9.3	8.9	9.0
CPI, headline	average	5.9	-0.3	2.7	3.3	3.6
	eop	1.2	1.4	3.1	3.4	3.7
RMB/USD	average	6.9	6.8	6.7	6.5	6.2
	eop	6.9	6.8	6.6	6.3	6.1
Interest rate	eop	5.3	5.3	5.6	6.1	6.4

Source: BBVA ERD

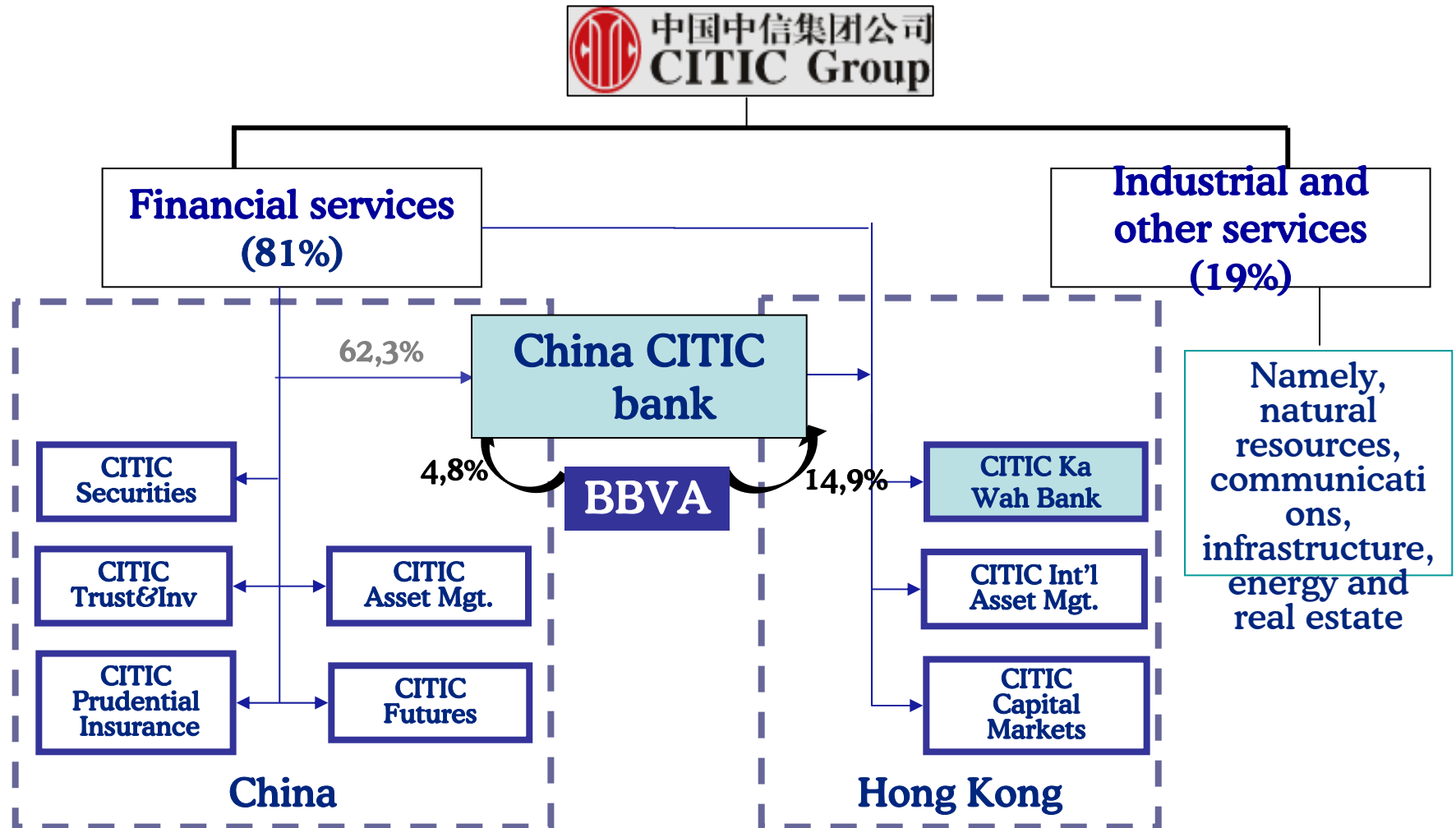
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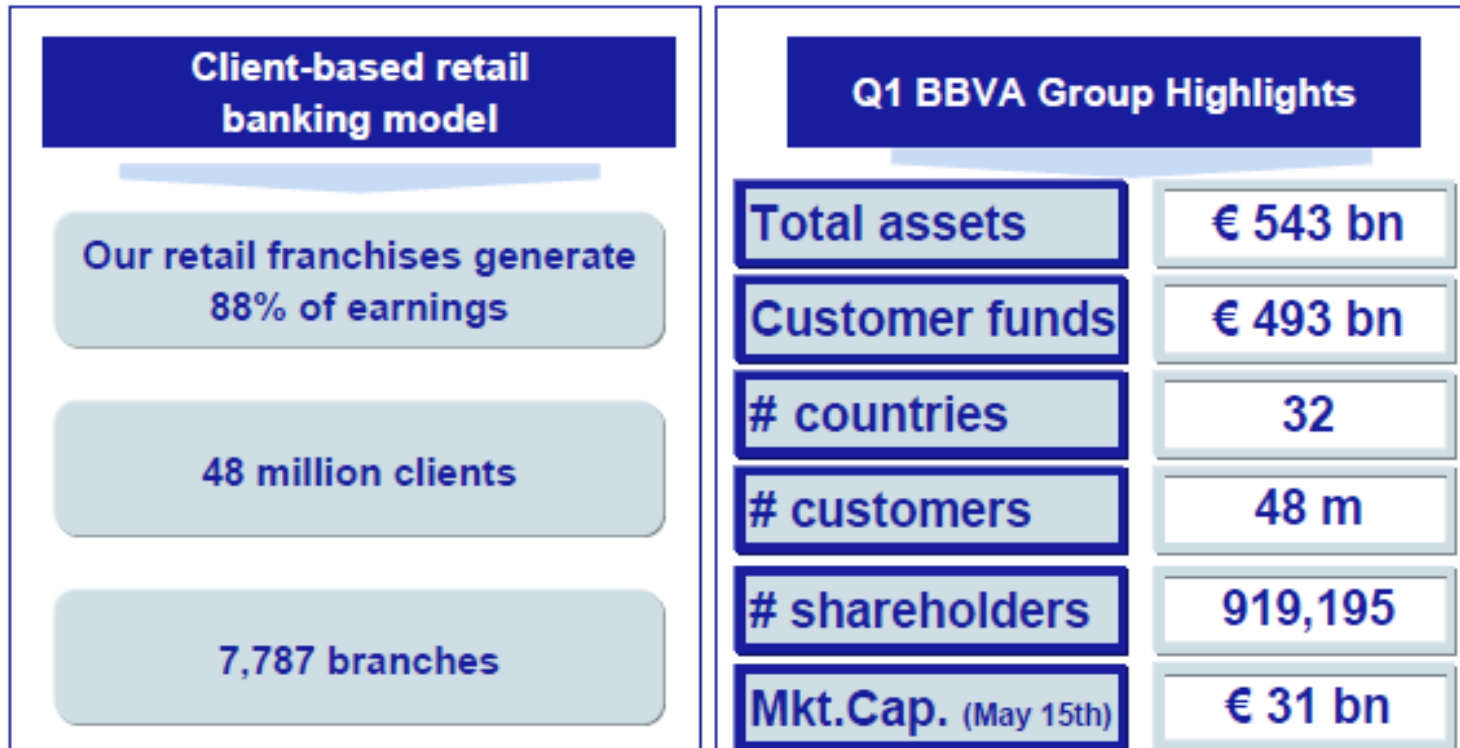


OR=oficiu de representación/representative office

An important milestone in building BBVA as the bank of choice in Asia



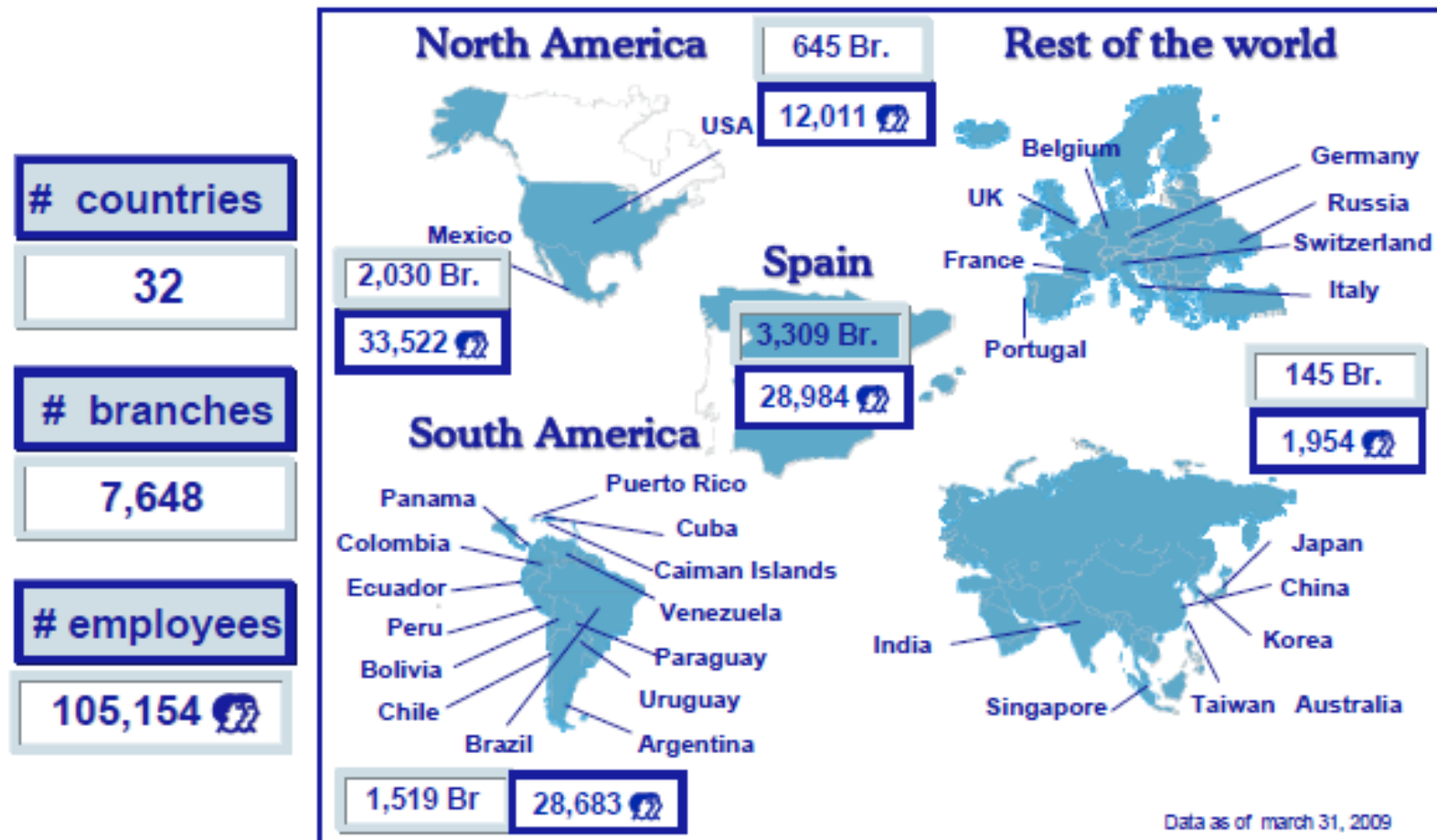
BBVA, a business model focused on client-based retail banking



See 2009Q3 results in our website:

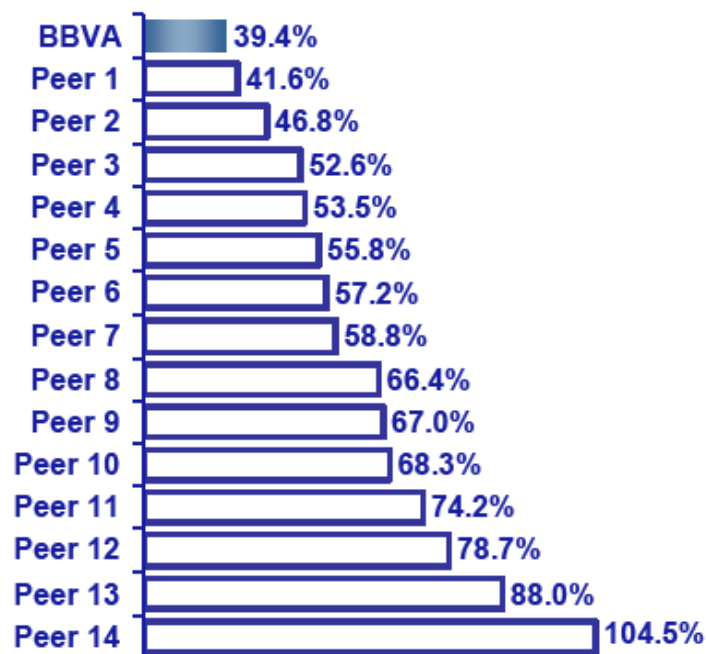
<http://www.bbva.com/TLBB/tlbb/jsp/ing/home/index.jsp>

BBVA, a diversified international presence

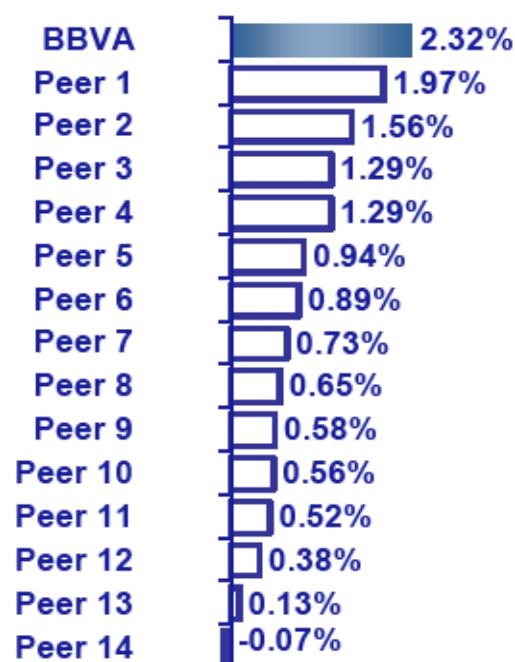


Strong growth in operating income this year confirms BBVA group as the leader in efficiency and profitability

Efficiency
Peer Group
(% at Jun.09)



Operating income / total assets
Peer Group
(% at Jun.09)



BBVA's balance sheet position is solid

BBVA's strength is based on ...



A

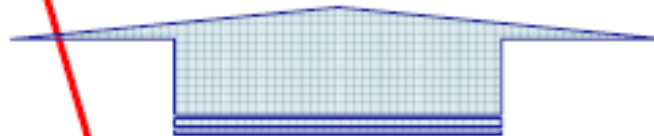
Comfortable liquidity

B

Recognized solvency

BBVA one of the banks with strongest ratings in the current environment

STANDARD & POOR'S (MARCH 09)									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
		BBVA (-)	ISP(-) C Agricole Barclays (-) BONY	Lloyds/HBOS RBS UBS Credit Sui DB JPM (-) SOCGEN	Commerz. Goldman (-) Citi Morgan S (-) Unicredito BOA				
		BNP(-) Santander (-) HSBC (-) US Bancorp** Wells Fargo**							



STANDARD & POOR'S (JULY 2007)									
AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
	BNP Wells Fargo	Lloyds Barclays Santander HSBC (+) RBS UBS Citi BOA Wachovia US Bancorp	BBVA C Agricole Credit Sui (+) SOCGEN (-) ISP DB JPM Morgan S Merrill Lynch Goldman Sachs	Unicredito BONY	Commer				

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Will the recovery be
robust enough?

An Asian outlook

BBVA Economic Research

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November 17, 2009