



RESEARCH

China and Latin America

The BBVA Experience

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BBVA Research – Emerging Markets

ESIC – June 2011



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Outline

Section 1

Aspects of the Latam-China nexus

Section 2

The role of BBVA



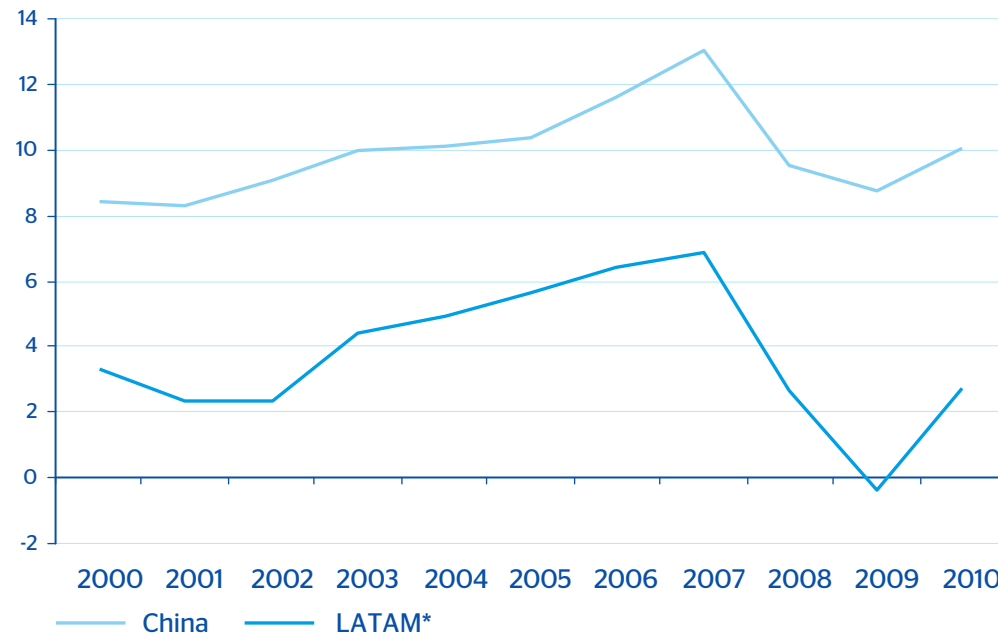
Section 1

The good: cycle smoothing

On the upside, China has become a buffer for LATAM's business cycle allowing the region to resist the latest world crisis

China and LATAM GDP

% Growth Rate
Source: ERD BBVA



LATAM*: Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela

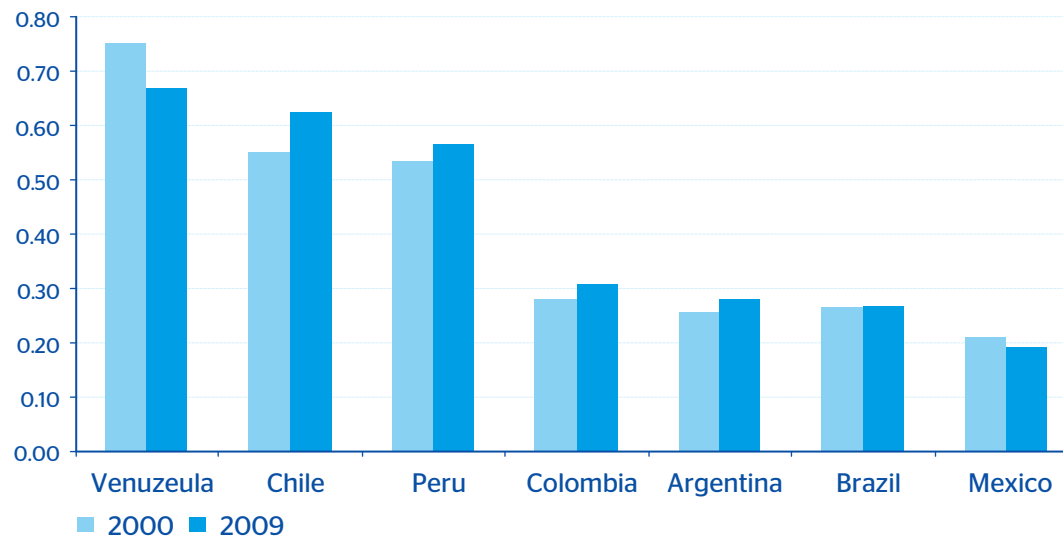
Section 1

The bad? Fear of Dutch disease

- In spite of rising exports, there are some concerns regarding the dependence on commodities in deterred of manufacturing sector

Export Concentration in Products for Selected LATAM Countries

Herfindahl-Hirschman index* by product (2000 and 2009)



Herfindahl-Hirschman index*: this concentration measure takes into account the share of each exported product in total exports. Where export shares of single products are high, the indicator takes a higher value.

- **Avoiding a case of Dutch disease requires** investing in innovation and infrastructure, involving the private sector in R&D projects and implementing good fiscal policy. This creates new opportunities for China's FDI in the region

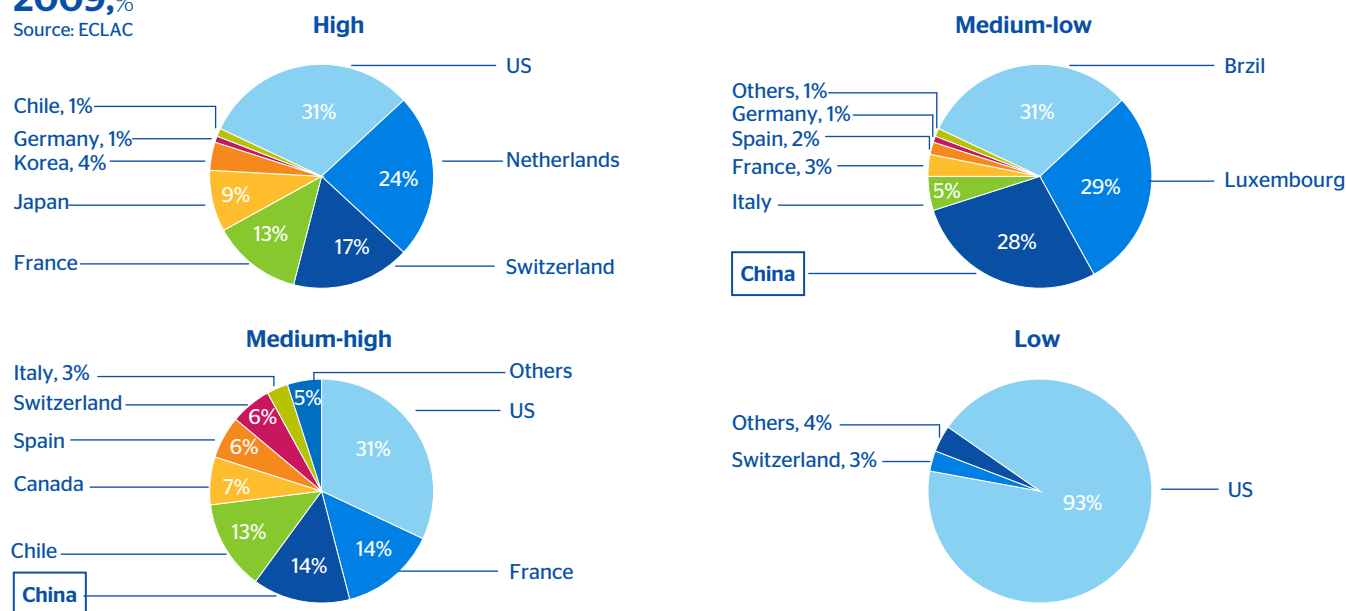
Section 1

The “not-so-ugly”: FDI diversification

China’s FDI investment is not only in natural resources extraction. There are also relevant projects for the manufacturing industry which will help to avoid exports concentration

LATAM: FDI projects announced for the manufacturing industry by technology intensity in 2009,%

Source: ECLAC



Note: manufacturing industries are grouped according to whether their technology use is high, medium-high, medium-low or low. This classification is based on expenditure on R&D by industry as a percentage of the value added or as a proportion of production for 12 OECD member countries for the period 1991-1999 (OECD, 2009a)



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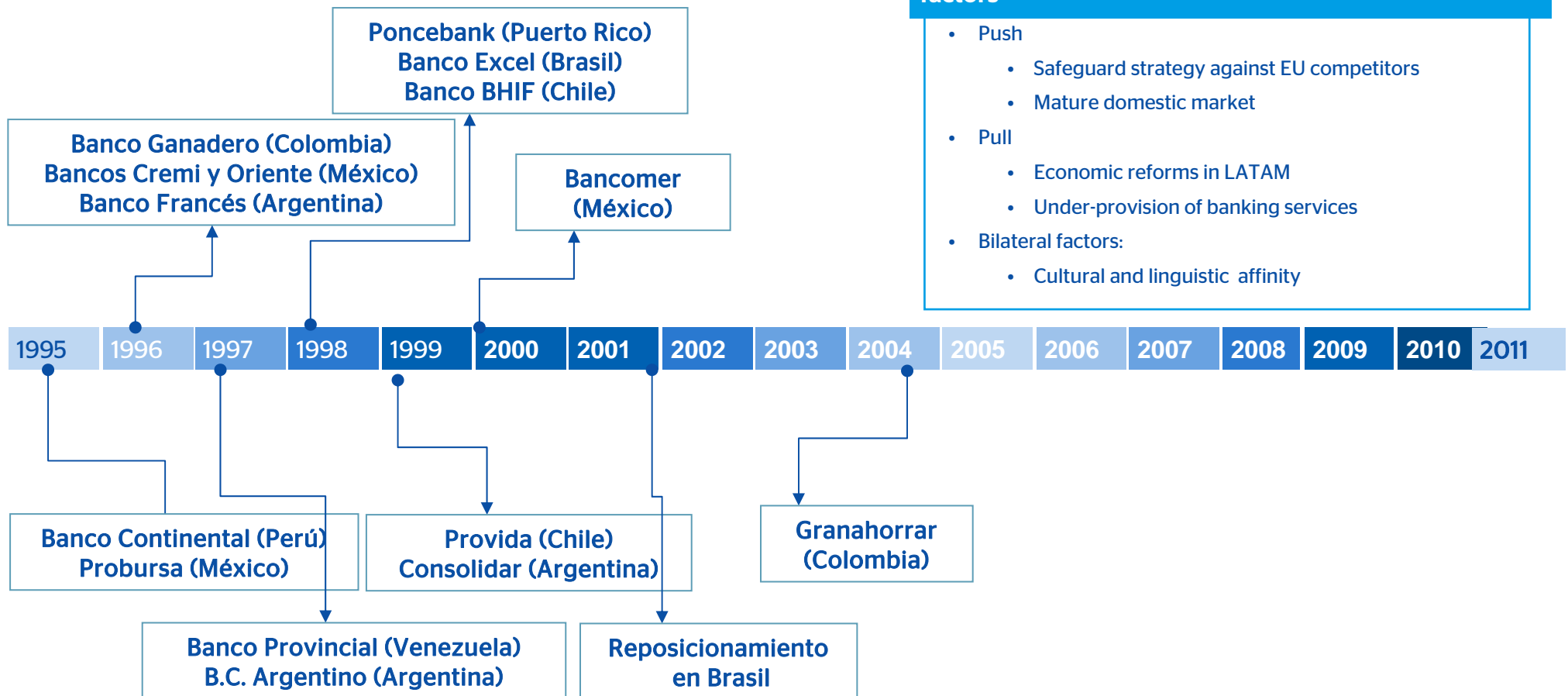
Section 1

Aspects of the LATAM-China nexus

Section 2

The role of BBVA

The international expansion of BBVA.



LATAM: A historic conjunction of “push” and “pull” factors

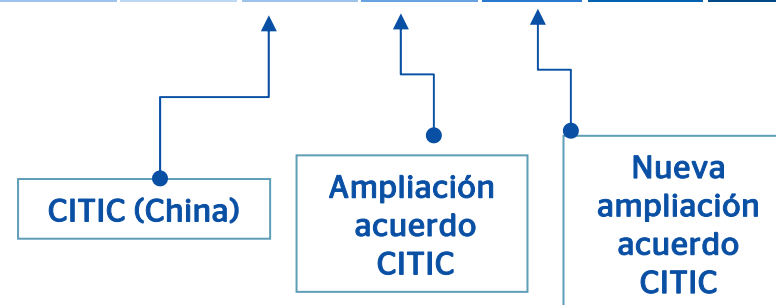
- Push
 - Safeguard strategy against EU competitors
 - Mature domestic market
- Pull
 - Economic reforms in LATAM
 - Under-provision of banking services
- Bilateral factors:
 - Cultural and linguistic affinity

The international expansion of BBVA.



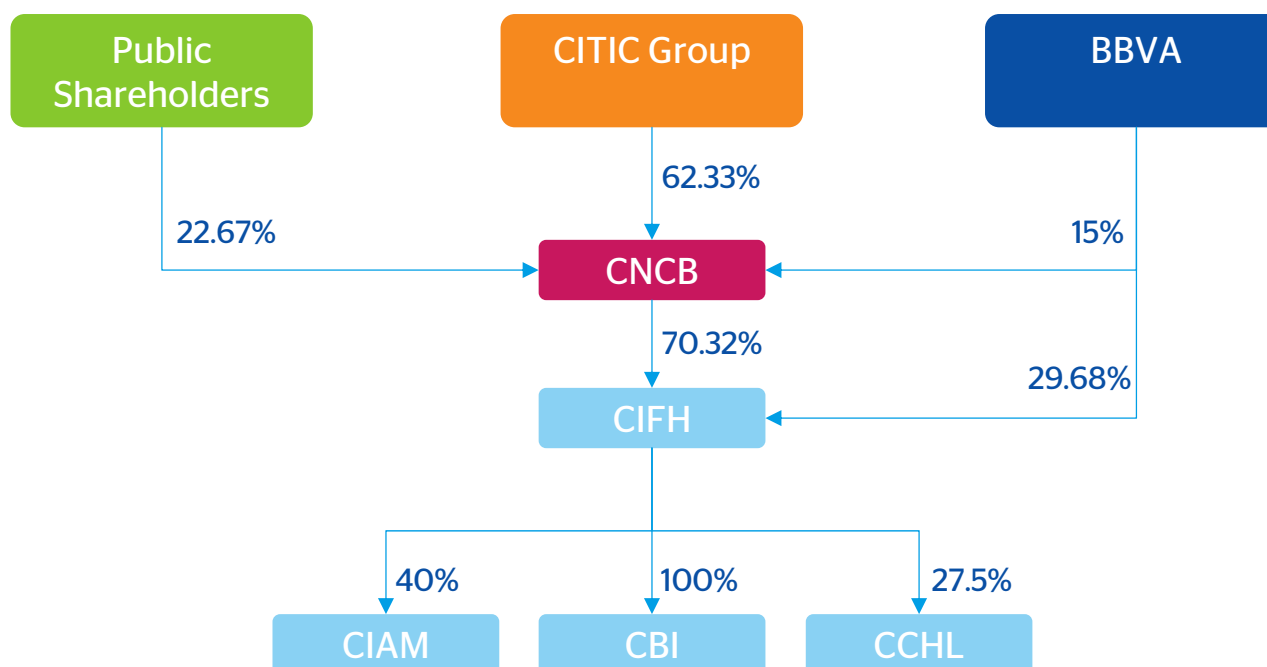
BBVA in Asia

- Tapping the most important region for future global growth: a global bank MUST be in Asia to remain global.
- Entrance in China justified by a well regulated banking sector, through a market leader in China, also with access to Hong Kong financial markets.
- Great potential for most banking services (Wholesale, Retail Banking, Investment banking, pension funds, private banking, etc.)
- Leadership in trade and project finance in Latin America made the expansion into Asia a natural move, just as trade and investment links between both regions increased.



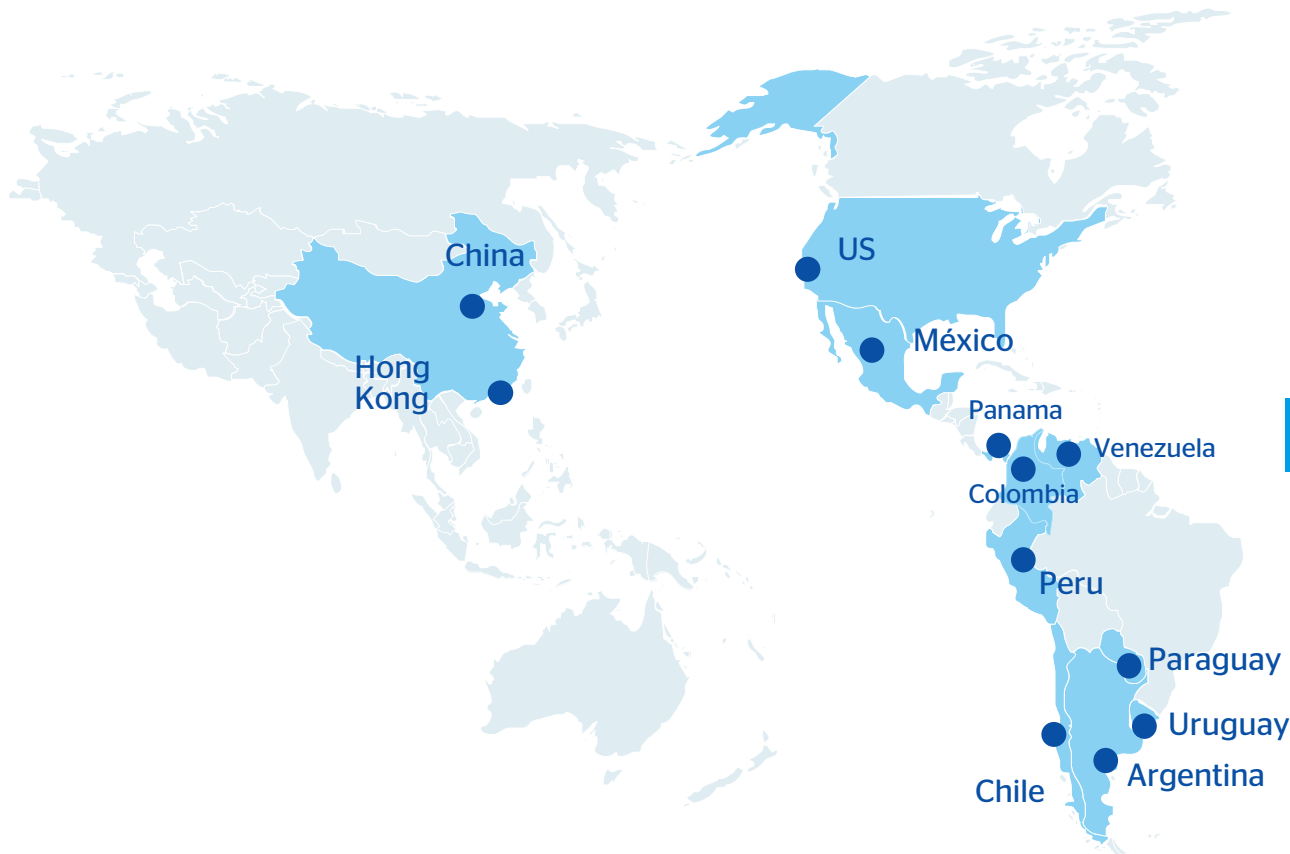
Section II

CITIC - Shareholding Structure



Section 4

The role of BBVA



A unique business platform...

- **CNCB:**
 - Universal bank, leader in China
 - Extensive retail franchise across the mainland.
 - Strong support from CITIC group
- **CIFH:**
 - Leader in the provision of commercial and offshore financial services in Hong Kong.
- **BBVA:**
 - Strong presence in Europe and the Western Hemisphere

...a formula for success

- Different geographical expertise leaves ample room for synergies and exchange of know-how.
- BBVA emerges as a key player for the China-LATAM relations. Currently we have corporate & investment banking, and trade finance solutions for firms with business on the two regions.

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