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LATIN AMERICA:

China's Appetite for Commodities, a Blessing or a Curse?

Felipe Seligman

UNITED NATIONS, Apr 21 (IPS) - If Latin America's economic ties with China do not undergo a structural change, the region will be unable to meet the Millennium Development Goals (MDGs), an Argentine expert said during the Latin Economic Forum, held this week at U.N. headquarters in New York.

"The relations between China and Latin America today represent a historic opportunity, given the enormous growth in Chinese demand for commodities and fuel," professor of statistics Graciela Chichilnisky told IPS.

"On the other hand, the current historical circumstances make it necessary for these countries to stop specialising in exports of natural resources and to enter the knowledge economy," said Chichilnisky, the director of Columbia University's Centre for Risk Management, after moderating a panel on the MDGs at the Apr. 19-20 Forum.

The Latin Economic Forum, Inc., founded in 1996, is a leading international non-profit organisation dedicated to serving the U.S. Hispanic and Latin American community.

This week's event brought together Latin American business, government and community leaders, academics and key representatives of Latino non-governmental organisations to "focus on how to reduce poverty; use corporate social responsibility as a business contribution to sustainable development, implement new business strategies and technologies to ensure a prosperous economy; and strengthen governance."

The need for raw materials is growing faster in China than in any other country in the world. The Asian giant is already the biggest consumer of copper, tin, zinc, platinum, steel and iron. In 2003, it absorbed nearly 40 percent of the cement produced worldwide, 30 percent of coal and steel, and 25 percent of aluminium and copper.

And it is Latin America that is China's biggest supplier of these commodities.

Chile is the world's top producer and exporter of copper, which accounts for a full 40 percent of its total exports. A large part of Chile's copper is shipped to China, which is now the South American country's second-largest buyer.

China, the world's second-largest oil importer, has also become one of the top buyers of oil from Venezuela, the fifth-largest exporter of petroleum.

Oil represents 85 percent of Venezuela's exports and oil revenues cover 50 percent of government expenditure, according to statistics from HSBC Bank International.

The political tension between Washington and Caracas has led the

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ENGLISH	Venezuelan government of Hugo Chávez to review its oil export policies.
ESPAÑOL	Venezuela is interested in increasing oil exports to China and reducing sales to the U.S. market, its biggest client, José Sojo, head of the economic affairs section at the Venezuelan Embassy, said at the Forum.
FRANÇAIS	
SVENSKA	
ITALIANO	But that path will not lead to development in the region, argued Chichilnisky. "Exporting commodities is a bad foundation for development, and is an unsustainable policy."
DEUTSCH	
SWAHILI	
NEDERLANDS	"There are two regions of the world that have failed to grow since World War II: Africa and Latin America - the two that have specialised in commodities. That is not a coincidence," she said in her interview with IPS.
ARABIC	
SUOMI	As a consequence, Latin America is facing a "schizophrenic" dilemma: while opportunities for exporting raw materials are better than ever, this "boom" is actually the worst thing that could happen to the region, because it ultimately entails the exhaustion of its natural riches.
PORTUGUÊS	
JAPANESE	
	<p>"We are destroying our environment, and in doing so, releasing much more carbon dioxide into the atmosphere," she added. Carbon dioxide is one of the main so-called greenhouse gases, linked with global warming and climate change.</p> <p>The speakers at this week's meeting included numerous diplomatic representatives from throughout Latin America, including the ambassadors to the United Nations from Argentina, Bolivia, Chile and the Dominican Republic, who addressed the region's progress in meeting the MDGs, offering largely optimistic forecasts.</p> <p>Chile's ambassador to the U.N., Heraldo Muñoz, said three Latin American countries will succeed in meeting the goals while another five have a good chance of doing so, although he did not specify which countries these are.</p> <p>The eight MDGs established by the U.N. General Assembly in the year 2000, to be fulfilled by 2015, are to reduce extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development</p> <p>So far, only Chile has met the target set under the first goal: to reduce by half the proportion of people living in extreme poverty, with 1990 poverty rates used as the baseline.</p> <p>Latin America and the Caribbean is the region with the largest gap between rich and poor in the world. In 2005, there were 213 million people living in poverty, which represents 40.6 percent of the region's total population, according to the Economic Commission for Latin America and the Caribbean (ECLAC).</p> <p>Muñoz said "the key to development are social policies for the elimination of poverty and for the inclusion of women in the labour market."</p> <p>Erasmus Lara-Pena, the U.N. ambassador from the Dominican Republic, emphasised the need for foreign investment "so that we can stop exporting fruit and move on to exporting fruit juices."</p> <p>Nevertheless, he recognised, the situation is not that simple. "We cannot attract capital when, on the other hand, we do not have technology or skilled personnel."</p> <p>For her part, Chichilnisky said that it would be very difficult for the region's countries to meet the MDGs, and commented that the positive outlooks expressed at the meeting were to be expected, given that the speakers</p>

were official representatives of their countries' governments.

As for the question of modifying Latin America's trade relations with an economic power like China, Chichilnisky noted: "One solution is to create small and medium-sized enterprises in the region and thereby generate employment and respect the environment.."

This strategy would lay the foundations for building trade relations based on the entire production chain, including "the exchange of products and the export-import of technologies," she explained. (END/2006)

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