Chapter 7
Development Trends in Sino-Latin American Agricultural Trade and Investment

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In the era of economic globalization, the economic and trade relations among China, Latin America and the Caribbean (referred to as the China-Latin America economic and trade relations) have received the world's attention. Since the global financial crisis of 2008 in particular, the center of global economic growth has shifted from "the Atlantic" to "the Pacific", and cooperation between Asia and Latin America, where the largest number of emerging markets can be found, has been gradually transforming the world's economic patterns. This change signifies not only the rising status of emerging economies, but also the strengthening economic ties between emerging economies and developing countries through the development of trade and investment amid the "South-South" cooperation.

Against this backdrop, agricultural trade and investment between China and Latin America are also developing rapidly. The momentum is even clearer since the then Premier of the State Council of the PRC Wen Jiabao visited South American countries including Brazil, Uruguay, Argentina and Chile in June 2012, and addressed the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) in the Chilean capital of Santiago and. In the speech Wen articulated the importance of "safeguarding food security through agricultural cooperation". His initiative, which is of significant importance for the promotion of China-Latin America agricultural cooperation, signifies a new phase in the cooperation.

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7.1 Introduction of Agricultural Resources in Latin America

Favorable geographic and climatic conditions bestow Latin America abundant agricultural resources. Here, the author will brief readers on the agricultural resources of Latin America in four major aspects, namely agricultural land resources, yield of main crops, foreign trade of agricultural products, and FDI of the Latin American agricultural sector.

7.1.1 Latin America Enjoys Abundant Agricultural Land and Cultivated Land Resources, but Internal Distribution Is Imbalanced

According to the statistics of the FAOSTAT (Food and Agriculture Organization Corporate Statistical Database), the total area of world agricultural land in 2011 was 4.912 billion ha, of which Latin America held 741 million, accounting for 15%, ranking 3rd in the world behind Asia (33%) and Africa (24%). In Latin America, the area of agricultural land of Brazil, Argentina and Mexico was 275, 148 and 103 million ha, accounting for 37, 20 and 14% of the total respectively. As we can see, the aggregate area of agricultural land owned by the three countries accounts for as high as 71% in Latin America's total (Fig. 7.1).

In 2011, the world's total cultivated land area was 1.396 billion ha, of which Latin America shared 168 million, accounting for 12% behind Asia, Europe, Africa and North America but possessing huge growth potential. Within Latin America, the cultivated land area of Brazil, Argentina and Mexico was of 72, 38 and 25 million ha, accounting for 43, 23 and 15% of the world total respectively. Their aggregate cultivated land area accounts for a surprising 81% in Latin America (Fig. 7.2).

7.1.2 The Main Crops of Latin America Hold an Important Status in the World

According to the FAOSTAT, main crops produced in Latin America such as corn and soybean hold an important status in the world. In 2012, the whole world produced 872 million tons of corn; Latin America produced 133 million tons, accounting for 15% of the world's total and ranking 3rd in the world behind Asia (33%) and North America (33%).[1] The total yield of soybean in the same year was 242 million tons,

[1]Calculated by the author based on data of FAOSTAT, http://faostat3.fao.org/faostat-gateway/go/to/download/Q/QC/E.

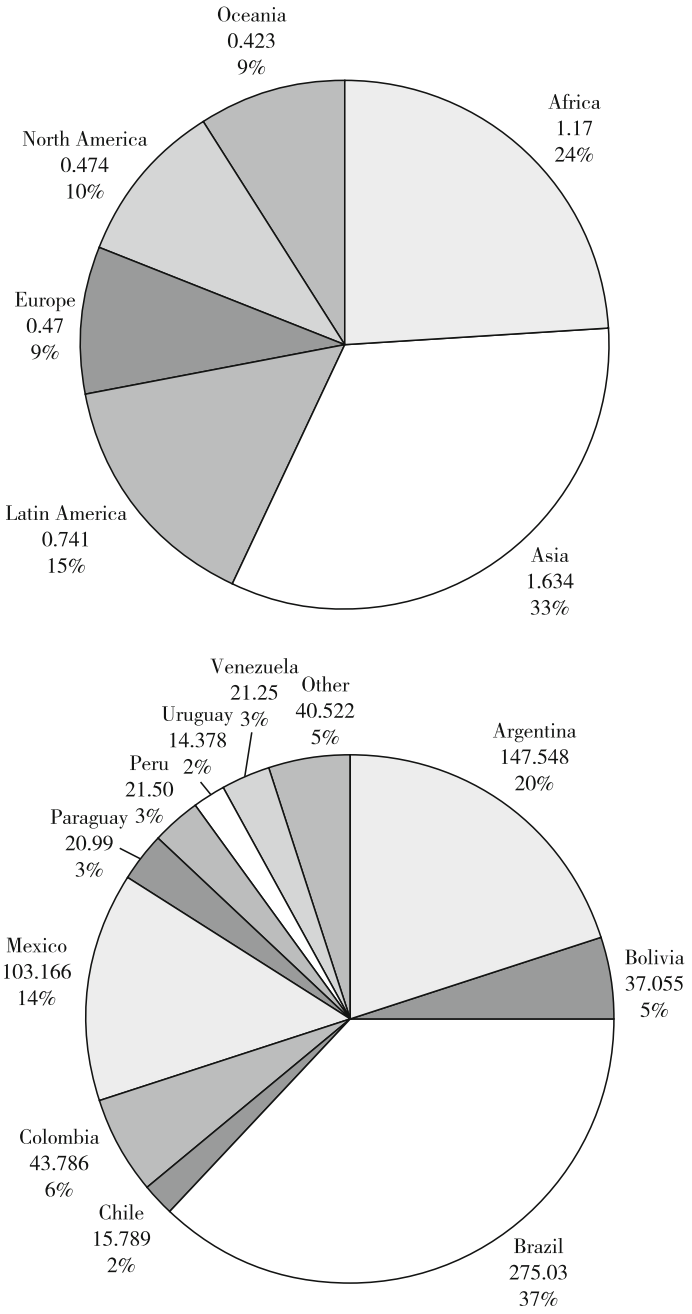

Fig. 7.1 Proportion of agricultural land of Latin America in the world (billion hectares, %); internal distribution of agricultural land in Latin America (million hectares, %). *Source* http://faostat3.fao.org/faostat-gateway/go/to/download/R/RL/E (entry time: March 17, 2014)

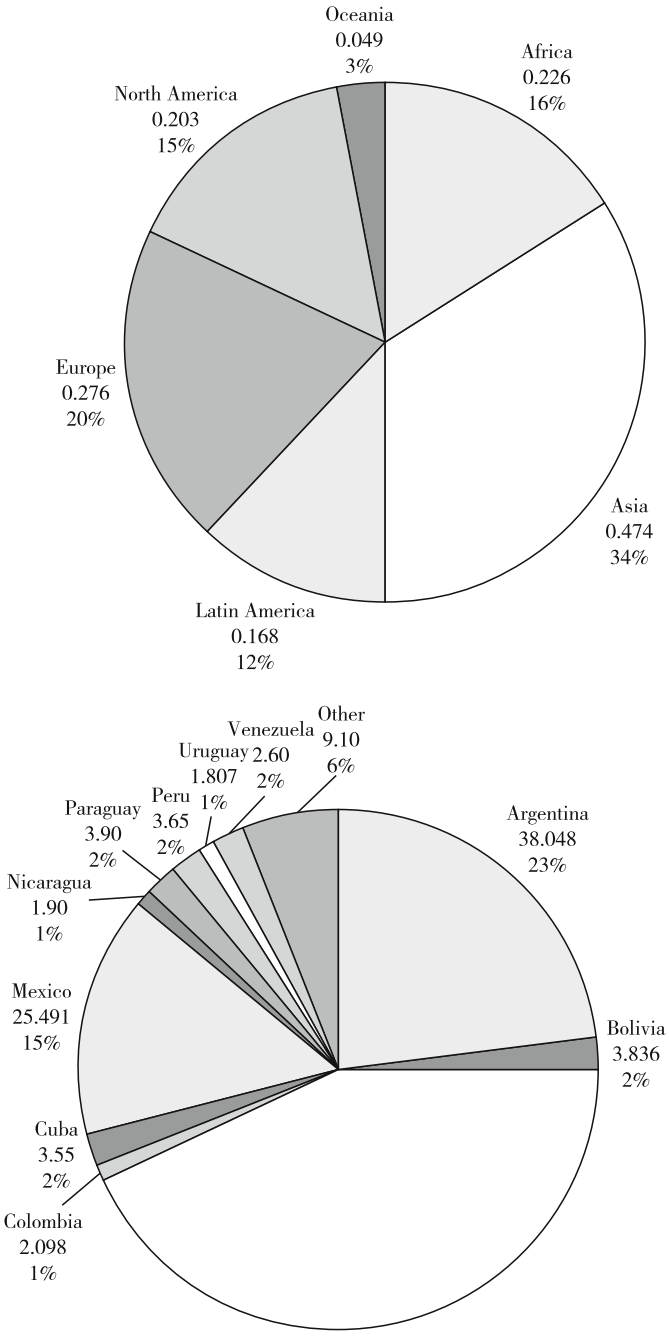

Fig. 7.2 Proportion of cultivated land of Latin America in the world (billion hectares, %); internal distribution of cultivated land in Latin America (million hectares, %). *Source* http://faostat3.fao.org/faostat-gateway/go/to/download/R/RL/E (entry time: March 17, 2014)

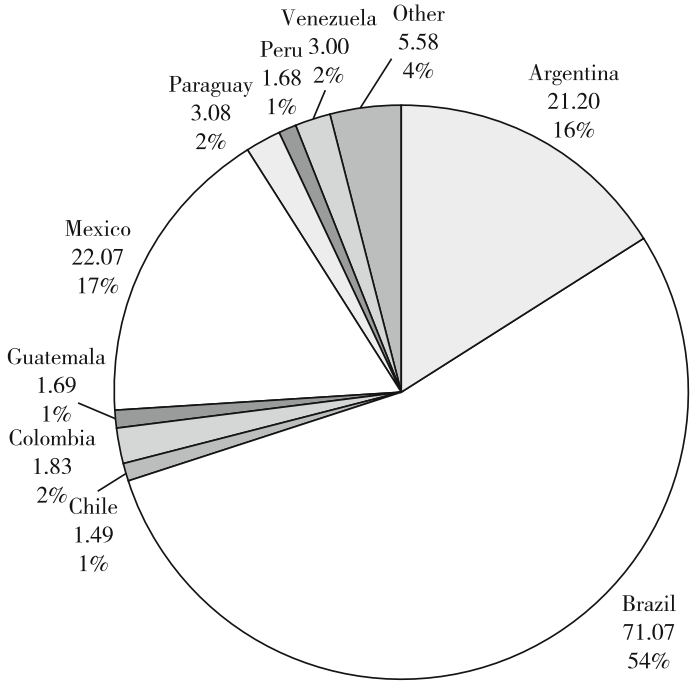

Fig. 7.3 Production of corn in Latin America, 2012 (million ton). *Source* FAOSTAT

of which Latin America produced 120 million tons, ranking 1st in the world and nearly 14% higher than North America (35.9%), the world's 2nd (see Footnote 1).

In 2012, the corn production of Brazil, Mexico and Argentina was of 71.07, 22.07 and 21.20 million tons respectively, and accounted for 87% of the total yield of Latin America (see Fig. 7.3). In 2012, the output of soybean of Brazil and Argentina was 65.85 and 40.10 million tons respectively and accounted for 88% of Latin America's total yield (see Fig. 7.4).

7.1.3 Obvious Differences Exist in the Trade of the Agricultural Products of Latin American Sub-regions

Since the beginning of the 21st century, the proportion of agricultural exports in Europe, North America and Oceania has been dropping, while that of Asia and Latin America has been on the rise. Thanks to rich agricultural resources, the trade of agricultural products in Latin America has also been developing rapidly. From 2000 to 2011, Latin America's share of agricultural exports in the world grew from

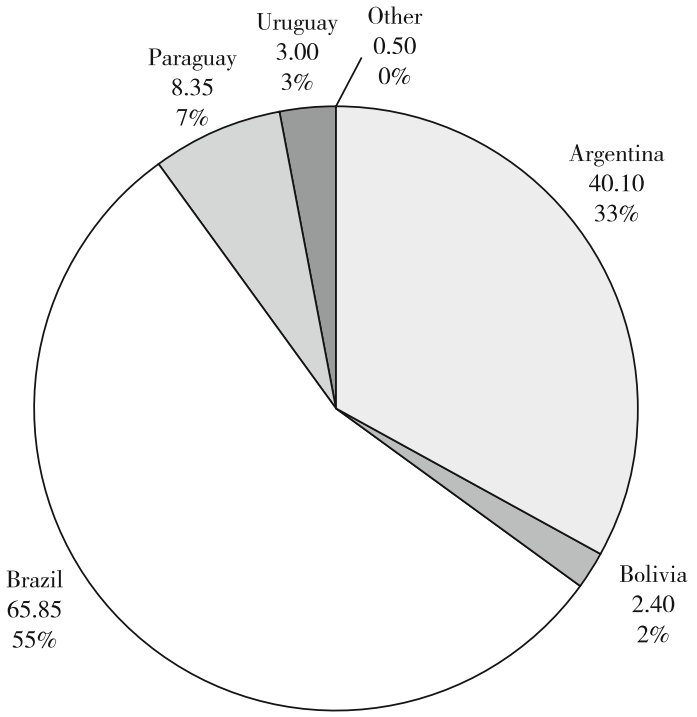

Fig. 7.4 Production of soybean in Latin America, 2012 (million ton). *Source* FAOSTAT

12 to 15%, while the proportion of Europe decreased from 46 to 43% and that of North America from 18 to 14%.[2] In general, Latin America has been a net exporter of agricultural products. During the same period, the Latin American surplus in agricultural product trade rose from USD 20.39 billion to USD 115.23 billion, an increase of 465%. South America maintained a trade surplus throughout the whole period, contributing over 100% to the surplus of the whole Latin American region. The Caribbean had always been a net importer of agricultural products, and Central America was in a trade deficit for most of the years during the period (see Table 7.1).

7.1.4 An Uneven Distribution of FDI Exits in Agriculture and the Agricultural Processing Industry

Although accurate data is hard to find, according to a research made by the World Bank in 2010, interest in purchasing or leasing agricultural land multiplied in the

[2]Calculated by the author based on data of FAOSTAT (entry time: March 18, 2014). http://faostat3.fao.org/faostat-gateway/go/to/download/T/TP/E.

Table 7.1 Foreign trade of agricultural products of Latin America, 2000–2011 (billion US dollars)

	Latin America			South America			Central America			The Caribbean		
	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance	Export	Import	Balance
2000	48.83	28.44	20.39	33.97	12.56	21.41	12.61	12.24	0.37	2.24	3.64	−1.4
2001	52.21	29.38	22.83	37.61	11.66	25.95	12.11	13.98	−1.87	2.49	3.75	−1.26
2002	53.17	29.44	23.73	38.84	10.73	28.11	12.19	14.91	−2.72	2.15	3.8	−1.65
2003	62.61	31.77	30.84	47.24	12.11	35.13	13.35	15.71	−2.36	2.01	3.95	−1.94
2004	75.24	35.81	39.43	57.84	13.87	43.97	15.32	17.48	−2.16	2.09	4.46	−2.37
2005	84.72	37.8	46.92	65.85	14.04	51.81	16.97	18.3	−1.33	1.9	5.46	−3.56
2006	95.87	44.27	51.6	73.43	17.66	55.77	20.21	20.9	−0.69	2.23	5.72	−3.49
2007	118.03	56.36	61.67	92.85	24.18	68.67	22.83	25.28	−2.45	2.34	6.9	−4.56
2008	14.74	74.73	72.67	119.26	35.49	83.77	25.69	30.59	−4.9	2.45	8.64	−6.19
2009	134.55	60.51	74.04	106.99	28.22	78.77	25.01	24.9	0.11	2.55	7.39	−4.84
2010	156.13	67.8	88.33	125.03	32.35	92.68	28.29	27.68	0.61	2.8	7.78	−4.98
2011	196.86	81.63	115.23	158.93	38.04	120.89	34.97	35.34	−0.37	2.96	8.25	−5.29

Source Calculated by the author based on statistics of FAOSTAT (entry time: March 18, 2014), http://faostat3.fao.org/faostat-gateway/go/to/download/T/TP/E

past ten years. In this context, FDI made in Latin America's agricultural sector also rocketed, especially since the global food crisis during 2007 and 2008. According to ECLAC,[3] FDI made in major Latin American nations reached a total of USD 10.325 billion during 2005–2011. However, these investments mainly went to three countries, Brazil, Uruguay and Argentina, which absorbed over 70% of total investments. This means that Latin American countries' potential in terms of attracting investment differs. Countries (such as Brazil, Uruguay and Argentina) with abundant water resources and usable lands are more competitive. In addition, the agricultural processing industry, which produces intermediate products or final products with agricultural raw material, attracts more FDI. From 2005 to 2011, the agricultural processing industry in main Latin American countries attracted an aggregate USD 48.423 billion worth of FDI, the most of which were made in Brazil and Mexico, whose combined shares accounted for 87% thanks to their higher industrialization level, larger market capacity and relatively advanced technology. Therefore, economic structure, diversity of agricultural land and public policy will be the main factors for attracting FDI in agriculture and the agricultural processing industry (Table 7.2).

In conclusion, Latin America possesses abundant agricultural resources, but also faces unbalanced distribution of cultivated land and unbalanced output of main crops. 81% of cultivated land of Latin America lies in Brazil, Argentina and Mexico, which combined yield 87% of the whole continent's corn. Also, Brazil and Argentina account for 88% of Latin America's soybean output. Thus Latin America's agricultural sector is polarized. On the one hand, South American countries possess rich agricultural resources and are important agricultural exporters. One the other hand, however, countries in Central America and the Caribbean are confronted with the task of meeting an increasing food demand at home through a more effective utilization of limited resources and the improved efficiency of agricultural production. Therefore, while carrying out cooperation with Latin America, China is taking the two situations into comprehensive consideration, rather than merely importing certain agricultural products from the continent.

7.2 Development Trend and Features of China-Latin America Agricultural Products Trade

In general, China and Latin America, which are intensely complementary in trade, tend to form a trade pattern where "China exports manufactured products and Latin America sells primary goods". Agricultural products are an important part of primary

[3] About FDI in agriculture and agricultural processing industry, different countries have different data classification method. Thus their utilizability differs. Some countries didn't categorize those data; while some countries which did record categorized data did so basing themselves on different standards. For example, some listed data of agriculture and other primary activities (such as fishery) into the same category, while others contained FDI of the mining sector into data of agriculture.

Table 7.2 FDI in agriculture and agricultural processing industry of Latin America, 2005–2011

Country	Agriculture[a]		Agricultural processing industry[b]		
	Amount (million USD)	Proportion (%)	Country	Amount (million USD)	Proportion (%)
Brazil	4177.9	40.5	Brazil	24,183.7	49.9
Uruguay	2069.2	20.0	Mexico	18,143.4	37.5
Argentina	1325.1	12.8	Argentina	5339	11.0
Chile	671.9	6.5	Uruguay	517.1	1.1
Costa Rica	662.1	6.4	Paraguay	125.4	0.3
Guatemala	502.3	4.9	Costa Rica	114.7	0.2
Colombia	344.4	3.3	Total	48,423.3	100.0
Mexico	247.5	2.4			
Ecuador	176.4	1.7			
Honduras	147.8	1.4			
Total	10324.6	100.0			

Note [a]The data for forestry is included in the total amount of FDI attracted by agriculture. For Colombia and Ecuador, FDI data defined based on economic sector contain the data of the fishery industry. For Guatemala, the comprehensive data cover mining industry. Chile's FDI data based on economic sector were issued by the national accounts of its central bank as late as in 2009, data before 2009 were estimated and provided by the International Trade Center

[b]The data mainly cover industries of food, beverage and tobacco, and do not include agricultural machinery industry and bio-fuel processing industry

Source ECLAC, *2012 Foreign Direct Investment in Latin America and the Caribbean* (Briefing paper), 2012, pp. 86, 90

goods. Therefore, as China's foreign trade is rapidly growing, its agricultural products trade with Latin America is also taking a great leap forward and has the following features.

7.2.1 Agricultural Products Trade with Latin America Plays an Important Role in China's Foreign Trade of Agricultural Products

Since the mid-1990s, the trade volume of agricultural products between China and Latin America has been on a continuous rise. At the beginning of 2003, in particular, bilateral trade volume entered into a fast growth period, in which it rose from USD 5.277 billion to USD 35.334 billion from 2003 to 2013, an average annual growth rate of 21%. During the same period, the trade volume of China's comprehensive agricultural trade rose form USD 40.136 billion to USD 185 billion, growing at 16.5% per year on average, which is obviously lower than that of China-Latin America agricultural products trade. China's imports from Latin America increased by 558%,

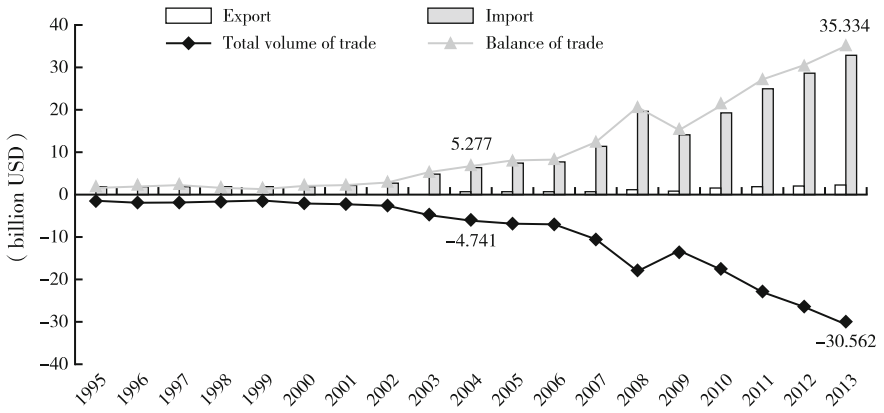

Fig. 7.5 Trend of China-Latin America Agricultural Products Trade, 1995–2013. *Source* Drawn by the author through analyzing the data of agricultural products trade of Department of Foreign Trade, Ministry of Commerce of the PRC. http://wms.mofcom.gov.cn/article/ztxx/ncpmy/

from USD 5.009 billion to USD 32.948 billion, during 2003 and 2013; its exports to Latin America rose from USD 268 million to USD 2.386 billion, an increase of 790%.

In terms of the significance of different regions, Latin America's trade with China in its total volume of agricultural products rose from 13 to 19% from 2003 to 2013, indicating that Latin America had already become an important supplier of agricultural products for China. Meanwhile, it is also obvious that although the trade volume between Latin America and China has been on the rise, China has always been in deficit (see Fig. 7.5). After the transitional point in 2004 when China's trade surplus turned to deficit, the deficit against Latin America was further expanded. From 2004 to 2013, the deficit increased from USD 6.187 billion to USD 30.562 billion, an increase rate of 394%. Moreover, China's deficit against Latin America is a major reason for China's total trade deficit in agricultural products (see Table 7.3).

7.2.2 High Concentration of Certain Trade Partners and Products

China's imports from Latin America mainly come from Brazil and Argentina, which are major exporters and producers of soybeans. In 2013, China imported USD 22.5 billion and USD 5 billion of agricultural products from Brazil and Argentina respectively, accounting for 68.3 and 15.1% of China's total agricultural imports from Latin America. The two exporters combined accounted for 83.4% of Latin America's total agricultural exports to China. In contrast to the high concentration of its importers, China exports to a larger number of nations or regions in Latin America.

Table 7.3 Agricultural products trade status of China and Latin America, 2003–2013 (billion USD; %)

	Comprehensive situation in China's agricultural products trade			Agricultural products trade between China and Latin America				
	Total export (1)	Total import (2)	Trade balance	Export to Latin America		Import from Latin America		Trade balance
				Amount (3)	Proportion (3)/(1)	Amount (4)	Proportion (4)/(2)	
2003	21.243	18.893	2.35	0.268	1.3	5.009	26.5	−4.741
2004	23.09	27.973	−4.883	0.403	1.7	6.59	23.6	−6.187
2005	27.18	28.65	−1.47	0.522	1.9	7.531	26.3	−7.009
2006	31.03	31.99	−0.96	0.808	2.6	7.682	24.0	−6.874
2007	36.62	40.97	−4.35	0.893	2.4	11.535	28.2	−10.642
2008	40.22	58.33	−18.11	1.314	3.3	19.485	33.4	−18.171
2009	39.21	52.17	−12.96	1.077	2.7	14.216	27.2	−13.139
2010	48.88	71.92	−23.04	1.626	3.3	19.485	27.1	−17.859
2011	60.13	93.91	−33.78	2.101	3.5	225.122	26.8	−23.021
2012	62.5	111.44	−48.94	2.062	3.3	28.542	25.6	−26.48
2013	67.1	117.91	−50.81	2.386	3.6	32.948	27.9	−30.562

Source Calculated by the author based on the data of agricultural products trade of Department of Foreign Trade, Ministry of Commerce of the PRC, http://wms.mofcom.gov.cn/article/ztxx/ncpmy/

In its export list to Latin America, China sees 15 countries or regions holding over 1% (1% included) of its export proportion. Brazil and Mexico are the two biggest destinations for Chinese exports, which combined contribute for 61.4% of the total volume. In terms of Chinese importers on the continent, only 5 countries possess over 1% of the total volume (see Table 7.4).

According to the statistics of ECLAC, exports from Latin America to China mainly come from a small number of countries and have focused on limited products in recent years. As shown in Table 7.5, the total value of Argentina's exported soybean and soybean oil account for 78.5% of the country's total agricultural products exported to China; while for Brazil, its exported soybean and soybean oil account for 30%. For Peru, its exported fishmeal makes up 33%, and for Cuba, its sugarcane account for as high as 85.5%.

China mainly imports Latin American land-intensive products such as soybean, and exports labor-intensive products like garlic. In 2013, China exported USD 1.78 billion worth of garlic to overseas markets, especially Indonesia, the USA and Brazil, the biggest importers of Chinese garlic accounting for 19.5, 12.3 and 8.5% respectively. In the same year, China imported USD 37.97 billion of soybean mainly from the three biggest suppliers, Brazil, USA and Argentina, which accounted for 50.4%

Table 7.4 Distribution of agricultural trade among China and Latin American countries (Regions), 2013

Country (region)	China's agricultural exports to Latin America		Country (Region)	China's agricultural imports from Latin America	
	Amount (million USD)	Proportion (%)		Amount (million USD)	Proportion (%)
Argentina	37.215	1.6	Argentina	4990.54	15.1
Brazil	857.034	35.9	Brazil	22,501.14	68.3
Chile	189.678	7.9	Chile	1410.806	4.3
Colombia	110.353	4.6	Cuba	229.791	0.7
Costa Rica	45.043	1.9	Ecuador	167.197	0.5
Cuba	50.492	2.1	Guatemala	157.097	0.5
Dominica	49.363	2.1	Mexico	238.469	0.7
Ecuador	31.744	1.3	Peru	1137.904	3.5
Haiti	24.542	1.0	Uruguay	2041.27	6.2
Mexico	607.956	25.5	Others	74.179	0.2
Panama	51.401	2.2	Latin America	32,948.39	100.0
Peru	58.635	2.5			
Puerto Rico	45.678	1.9			
Uruguay	30.157	1.3			
Venezuela	85.347	3.6			
Others	111.812	4.7			
Latin America	2386.45	100.0			

Source Calculated by the author based on the data of agricultural products trade of Department of Foreign Trade, Ministry of Commerce of the PRC. *Monthly statistics Report on China's Import and Export: Agricultural Products*, December, 2013, http://wms.mofcom.gov.cn/article/ztxx/ncpmy/

(USD 19.12 billion), 35% (USD 13.28 billion) and 9.6% (USD 3.66 billion) respectively. China imported USD 1.28 billion of soybean oil, of which Argentina USD 690 million and Brazil USD 460 million were the two largest exporters, accounting for 89.8% in total. Also in 2013, China imported USD 1.67 billion of fishmeal which is used as feed for farm animals, of which Chile and Peru were the largest suppliers, accounting for 60.5%. China also imported USD 2.07 billion of sugar, whose three biggest exporters—Brazil, Cuba and Guatemala—made up 87%.[4]

[4]Calculated by the author based on the data of agricultural products trade of Department of Foreign Trade, Ministry of Commerce of the PRC. http://wms.mofcom.gov.cn/article/zt_ncp/table/2013_12.pdf.

Table 7.5 Main products of Latin American countries exported to China

Country	Coding products according to 2–4 of SITC (accounting for 5%)	Number of product	Proportion in total export volume (%)
Argentina	Soybean (47.6%), soybean oil (30.9%), petroleum (5.6%)	3	84.10
Bolivia	Tin concentrate (88.4%)	1	88.4
Brazil	Iron concentrate (26.6%), soybean (24%), iron ore (6.4%), soybean oil (6.2%)	3	56.8
Chile	Copper (54.2%), copper concentrate (24%), wood pulp (9.3%)	3	85.2
Peru	Fishmeal (32.9%), copper (26%), iron concentrate (9.8%), ferroalloy (7%), copper alloy (5.1%)	5	79.9
Costa Rica	Micro electronic component (92.4%)	1	92.4
Mexico	Electronic component (15.1%), microcircuit (15.3%), copper concentrate (6.2%), compressed-iron-core coil (5.8%), waste and scrap of other ferrous metals (5.4%)	5	47.8
Guatemala	Sugarcane (46.6%), waste and scrap of other ferrous metals (36.2%), refined sugar (6.5%)	3	89.3
Cuba	Sugarcane (85.5%), copper (13.5%)	2	99

Source Osvaldo Rosales, "*Trade and Investment relations between Latin America and China with special reference to agri-products*", Workshop on Agricultural Trade Linkages between Latin America and China, FAO, September 27–28, 2011, Rome

7.3 Status Quo of China's Investment in Latin America's Agricultural Sector

7.3.1 China's Investment in Latin American Agricultural Sector Is Questioned Despite of Its Low Proportion

Along with rapidly growing China-Latin America trade, China's direct investment in Latin America skyrocketed in 2010. However, 90% of China's investments have been made in gas, oil and mining industries, whereas investments in the agricultural sector have been relatively small.

Such imbalanced investment arouses concerns among governments, business and academic circles in Latin America. First, investment in natural resources exploitation will hamper local industrial development and technological upgrade, fostering "deindustrialization". Second, Chinese SOEs (state-owned enterprises) have been

the major players engaging in big deals for Latin American natural resources. That is why the Latin American side is worried that assets Chinese companies gained through trade will finally be controlled by the Chinese government. In their opinion, different from what the USA has done to Chinese companies, few Latin American countries set investment barriers for Chinese SOEs for the sake of national security. However, since the global food crisis during 2007 and 2008, there has been a tendency for Latin American countries to limit the purchase of local lands with foreign capital. Third, while doing business in Latin America, Chinese companies rarely pay attention to local environmental issues and assume CSR, hence causing repeated labor and environmental disputes. Fourth, China's investments in local agriculture are usually integrated in their own industrial value chain. Therefore, added value of investment left in Latin American countries has been reduced, which is disadvantageous to local poverty alleviation. In conclusion, while going global, Chinese companies should give full attention to the above-mentioned issues.

7.3.2 Influenced by Changed Policies, the "Access to the Local" Strategy of Chinese Companies Has Been Transferred from Direct Purchase of Land to the "Tenancy" Plan

In August 2010, the Brazilian government signed a decree prescribing a 5000 ha limit on the area of land that a single foreign individual or foreign company can purchase. According to the decree, all Brazilian companies which are controlled by foreigners or foreign companies shall declare to the local government the land they own in every quarter, and land controlled by foreigners or foreign companies must be equivalent to less than 25% of the total land area of the city or town where they do business. In 2011, the Brazilian government issued a new decree prohibiting foreigners, foreign companies and Brazilian companies held by foreign capital to purchase, merge and acquire Brazilian companies with land ownership. The new decree can be seen as an upgraded version of the purchase restriction policy. On December 22nd 2011, the National Congress of Argentina passed an act which also imposes restrictions on foreigners buying local land. According to the act, cultivated land purchasable by foreign institutions and individuals must be no larger than 15% of Argentina's total agricultural land area. Moreover, land to be purchased by foreign buyers of a single country must be equivalent to less than 30% of the total area allowed to be sold to foreigners. In addition, the act stipulates that each and every foreign legal person or natural person can only buy 1000 ha of land at most in Argentina; land that possesses large amount of water resources are not allowed to be sold to foreigners; for foreigners, purchasing land will no longer be deemed as investment behavior. Due to the fact that countries like Brazil and Argentina have issued restrictions on land purchase, Chinese investors have already changed their strategy to replace direct investment in land.

7.3.3 *Investment in "Big Agriculture" Faces Three Types of Risk*

Agriculture in a narrow sense only refers to crop planting, which involves land policy issues, while in a broad sense, agriculture means investment in the whole industrial chain, covering planting, storage, processing, transport and sale. It requires corresponding policies and measures targeting each step. For investment in the industrial chain of "big agriculture", Chinese companies normally have four types of investment. The first is investment in projects of logistics infrastructure for agricultural products. The second is investment in agricultural development through credit and supply contract, in which the Chinese side offers credit funds in return for Latin America's agricultural products. The third is to become a shareholder in local companies through mergers and acquisitions so as to obtain a share in profit from sale and export of agricultural products. The last is to engage in further processing of agricultural products through the establishment of joint ventures. Currently, Chinese companies are confronted with three major types of risk while investing in Latin America's agricultural sector.

First, the risk posed by changed policies. As mentioned above, Latin American countries have strengthened their restrictions on land purchase by foreign capital since the global food crisis of 2007 and 2008. Thus Chinese investors have no choice but to change investment strategies.

Second, Chinese companies are faced with labor issues, which can be summarized as follows. Latin American workers don't observe contracts strictly, and often ask for wage increase and benefits improvement based on almost any reason. Labor unions in Latin American have always been strong and are used to intervene in labor disputes. They usually support workers' appeal for wage increase and benefits improvement unconditionally, making ordinary labor disputes complicated. Besides, labor laws as well as the rules and regulations of related systems are far too complicated and cumbersome in Latin America. Therefore, it is very hard for Chinese companies to thoroughly comprehend and apply all laws and rules in the short term. Once entering judicial procedures, a labor dispute case can often be delayed for 2–3 years. What is even worse is that all local parties, such as judicial departments, labors' advisers, attorneys and labor unions, take sides with laborers. What's more, labor market in Latin America has long been divided into two parts, formal employment and informal employment. Due to the government's insufficient investment in vocational training schemes, local laborers usually lack professional competence.

Lastly, Chinese companies are faced with environmental risks. In Latin America, people have quite strong awareness in terms of environmental protection, and active NGOs exert enormous social influence. For instance, in spite of having been approved by governments or national legislative institutions, investment projects that aren't accepted by environmental protection NGOs usually face high risks upon implementation. In addition, should a project launch in settlements of local Indians,

it may face the opposition of locals, or its investors may not be welcome due to the unique culture or tradition of native Americans. All of these mean unpredictable risks for Chinese investors.

7.4 Conclusion and Lessons

Today, the underlying influence of the international financial crisis has still not been eliminated, bringing many uncertain factors when it comes to world economic recovery. The development of the world's agricultural industry is not going so smoothly, and is accompanied by a severe situation in the global food security. Against this background, in order to improve economic development and sustainable development in China and Latin America and even in the whole world, it is of great significance to further enhance agricultural exchange and cooperation between China and Latin America, so as to realize win-win results and simultaneously improve both countries' ability in agricultural production and protecting food security.

In the perspective of trade, although trade volume between China and Latin America has been on the rise, their trade structure takes on an imbalanced relationship. This imbalance is mainly manifests in 3 aspects. First, China's import from Latin America is 12–15 times larger than its export to the continent, a major cause for China's comprehensive deficit in global agricultural products trade. Moreover, imported agricultural products from Latin America account for a very large proportion of China's total agricultural imports. By contrast, however, agricultural exports from China to Latin America only account for a minor proportion among China's total agricultural imports. Second, China imports from only a few Latin American countries while exporting to a larger number of Latin American countries, which means that China should further enhance the diversification of its import nations and products. Third, a distinct feature is that most of China's imported products are land-intensive while most exported products are labor-intensive. This is a result of both parties' comparative advantages, but with the transformation of the economy, this static comparative advantage should develop toward dynamic advantages and competitive advantages.

Compared with investment in energy and mineral industries, China will gain a larger marginal utility by way of its investment in the Latin American agriculture industry. In China and Latin America, agriculture is a primary industry with both economic and social effects, which are more obvious in the fight against the global food crisis and poverty alleviation. In the future, on the basis of their current cooperation, China and Latin America should work together to strengthen regional food security and realize millennial development goals.

Since Latin American countries have different national conditions, resource endowments and investment risks, and Chinese corporations vary in terms of business abilities, China should carry out agricultural investment in Latin America progressively and with clearer focuses. First, at the beginning, China can participate in agricultural infrastructure construction in Latin American countries. The main objective is to help Latin American countries with underdeveloped infrastructure to undertake

integrated infrastructure projects. Second, agricultural product storage and logistics systems can be established to control agricultural marketing networks. The focus here is on richly endowed agricultural countries in Latin America. Third, China should encourage more corporations to invest in the Latin American agriculture industry. Industrial cooperation mechanisms should also be built in order to promote industrial fusion and integration. Fourth, with enhanced cooperation between China and Latin America, China can build up agricultural technological research centers, agricultural processing demonstration parks and agricultural investment and development zones, in order to promote investment into the whole agriculture chain.

China and Latin American countries have built up excellent partnership in terms of agricultural exchange. As of 2013, China had signed bilateral agricultural cooperation agreements with 16 Latin American countries and established fixed bilateral cooperation mechanism with 12 countries. China has been focusing on the sharing of agricultural information and exchange of technicians and experts, and carrying out vigorous cooperation, actively promoting agricultural production and facilitating agricultural trade. It has been proven that an enhanced partnership serves both parties' fundamental benefits and drives forward both parties' economic development. Therefore, China and Latin America should preserve this kind of momentum.

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