

## 2017: Trade deficit of Latin America with China reaches US\$ 23 billion, increasing 8% versus last year

- The total trade deficit of Latin America with China is US\$ 23 billion.
- Total Chinese steel exports to Latin America were 7.0 million tons.
- Alacero publishes its “China-Latin America Foreign Trade Yearbook 2015-2017”.

Alacero - Santiago, Chile, March 28, 2018. During 2017, the Latin American steel value chain - which includes raw materials, steels (finished and derivatives) and indirect trade - registered a trade deficit with China for US\$ 23,443 million, decreasing its gap 8% compared to the previous year (See Table 1). This is mainly due to the increase of raw materials and steel products prices, as well as the intensification of indirect trade between China and the region with respect to the previous year.

These figures are part of the “China-Latin America 2015-2017 Foreign Trade Yearbook” prepared by Alacero, exclusive for their members and covers all figures of the regional steel value chain (raw materials, finished steel, manufactured products and indirect trade).

TABLE

LATIN AMERICA-CHINA TRADE BALANCE: STEEL VALUE CHAIN (MILLION US\$ AND ANNUAL %)

	2015	2016	2017
Raw materials	13,529 (36 %)	13,924 3 %	18,887 36 %
Finished steel	(5,252) (16 %)	(3,627) (31 %)	(4,416) 22 %
Indirect steel trade	(39,334) (3 %)	(31,940) (19 %)	(37,906) 19 %
<b>Total value chain</b>	<b>(31,066)</b> 21 %	<b>(21,642)</b> (30 %)	<b>(23,435)</b> 8 %

Note: The does not include chapter 73 trade balance because its products are already included either in finished Steel or in indirect steel trade.

Source: GTIS/WTA – China Customs – Alacero

### Raw Materials

In 2017, steel raw materials (iron ore, coal, scrap, among others) accentuated the increase in their global sales prices that started in 2016. Despite this, China received a volume 5% higher (1,265 million tons (Mt)), compared to 2016 (1,209 Mt). For its part Latin America dispatched to China 254 Mt, 5% more than in 2016.

The main input imported by China from Latin America was iron ore with 254 Mt, 5% more than in 2016. Brazil originated 90% of these exports.

China's shipments of raw materials to the region declined 4% in volume (1.1 Mt) and increased 66% in dollar value (US \$ 455 million) vs. 2016. Coke was the main steel input sent by China to the region, receiving 913 thousands tons (13% less than in 2016).

### Finished and Derivates Steel

In 2017, the world received from China 72,8 Mt of steel, which includes finished products (long steel, flat and seamless tubes) and derivatives (wire and seam)-, which was 31% less than in 2016 (106.2 Mt). For its part, the región received 7.0 Mt of Chinese steel, 8% less than in 2016.

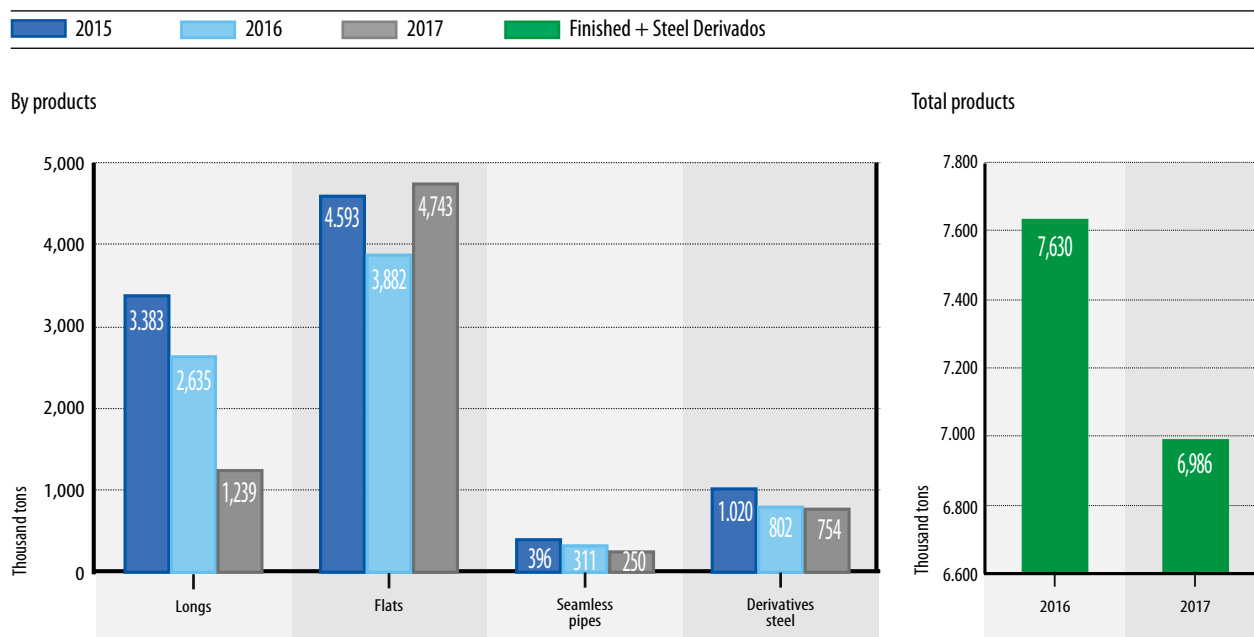
At the same time, the region exported to China only 9.2 thousand tons of finished and derivative steel, a figure significantly lower than the inflow to the region, despite being 2% higher than registered in 2016 (9.0 thousand tons).

The main destinations for finished steel and derivative products from China to Latin America were Central America, which received 1.4 million tons (20% of the regional total), Chile (1.4 million tons, 20%) and Peru (962 thousand tons, 14%). While Brazil was the fourth destination of these steels in the region with 862 thousand tons, followed by Colombia with 627 thousand tons and Mexico 530 thousand tons.

Flat products accounted for 68% of total finished steel and derivative products imported from China to Latin America (4.7 Mt), increased by 22% versus 2016 (3.9 Mt). Long products received from China reached a volume of 1.2 Mt, 18% of the total and 53% less than in 2016 (2.6 Mt). Seamless tubes reached 250 thousand tons (4% of the total), while derivatives products received by the region reached 754 thousand tons, 11% of the total (See Chart 01).

GRAPH 01

#### FINISHED STEEL: CHINESE EXPORTS TO LATIN AMERICA IN TONS BY PRODUCT AND TOTAL



Source: GTIS/WTA – China Customs – Alacero

By volume, the most representative flat products from China in 2016 were: Sheets and Coils of other Alloy Steel (1.4 Mt) and Hot Dip Galvanize Dip (1.2 Mt). In the case of long products, Wire Rod (578 thousand tons) and Bars (544 thousand tons) concentrate the higher volumes.

### **Manufactured Goods with Significant Steel Content (Indirect Trade)**

In 2017, China respect to the world accounted a trade surplus in the manufactured goods with significant steel content of US\$ 357,577 million, increased 8% versus 2016. Meanwile the trade deficit between Latin America with China reached 37,906 millions, 19% higher than 2016.

Chinese exports to Latin America of products with high steel content included in the indirect steel trade reached 6.1 Mt in 2017, 10% up than last year. Conversely, Chinese imports from the region reached barely 59.4 thousand tons of steel content, 7% less than in 2016.

Among the products that arrived in the region, cars and commercial vehicles contributed 996 thousand tons, reaching the most significant participation in dollar terms (\$ 7,480 million), 18% of the total. The second most relevant category (in terms of dollars value) was Office Machines of which Latin America received 49 thousand tons from China to a value of \$ 6,068 million. Machines and Equipment followed with a value of US\$ 5,484 million.

### **Conclusions**

While Latin America continues to record a surplus in the trade of steel raw materials with China, this is not enough to compensate for the deficit in finished products and indirect trade. This trade declined compared to 2015, breaking the upward trend of recent years. The region needs to increase its capacity to manufacture and export higher value-added products in order to reduce the gaps that exist with the main economies of the world.

### **Glossary**

*Raw material:* Refer to those materials involved in the steelmaking process They include iron ore, coal, coke, coating and refractory materials, nickel, zinc, tin, manganese and electrodes.

*Finished steel:* Refers to steel included in one of these 3 groups: Long products (e.g.: reinforcing bars, bars, wire rod, light sections, heavy sections, rails), flat steel (e.g.: sheets and coils, coated sheets, prepainted, stainless steel, chrome-plate sheets, hot dip galvanized sheet etc.) and seamless tubes.

*Manufactured steel products:* Also known as Chapter 73 (customs code HS). These include higher added value, more elaborated steel products.

*Indirect steel trade:* Include those manufactured goods with significant steel content. For example: metallic furniture, automobiles, mechanical products, etc.

*Ton:* A unit of weight or volume of sea cargo, equal to a metric ton (1,000 kg).

## About Alacero

Alacero –the Latin American Steel Association– is the organization that brings together the Steel Value Chain of Latin America to promote the values of regional integration, technological innovation, corporate responsibility, excellence in human resources, safe working environments, and social and environmental sustainability. Founded in 1959, Alacero is formed by 49 companies in 12 countries of Latin America, whose production of about 70 million annual tons. Alacero is a Special Consulting Organization to the United Nations and is recognized as International Non-Government Organization by the Republic of Chile, host country of Alacero’s headquarters.

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