

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	Regional
▪ TC Name:	Advancing China-LAC Partnership through Trade, Investment, and Innovation
▪ TC Number:	RG-T3263
▪ Team Leader/Members:	Isabel Mejia, Team Leader (INT/TIN); Fan Li (ORP/PTR); Nicolas Sforzini (INT/TIN), Francisco Estrazulas (INT/TIN), Ge Zhang (INT/TIN), Esperanza Garrido (INT/TIN); Pilar Jiménez de Arechaga (LEG/SGO); Liza Lutz (LEG/SGO); y Maria Rospide (INT/INT)
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract authorization:	May 30, 2018
▪ Beneficiary:	LAC countries
▪ Executing Agency:	The Inter-American Development Bank (IDB), through the Trade and Investment Division (INT/TIN)
▪ Donors providing funding:	Institutional Capacity Strengthening Thematic Fund (ICS)
▪ IDB Funding Requested:	US\$350,000
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	August 1st 2018
▪ Types of consultants:	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Promoting regional integration and cooperation

II. Objectives and Justification of the TC

- 2.1 Over the past 15 years, China has become an important partner for Latin American and the Caribbean countries. China is now the largest trade partner of Peru, Chile, Uruguay, and Brazil, and the third largest trade partner of Argentina (after US and Brazil). Peru, Chile, and Costa Rica have signed FTAs with China; Uruguay and Colombia are considering similar options. Between 2000-2017, bilateral trade between China and LAC grew 20 times over from US\$14b in 2000 to US\$268b in 2017.¹
- 2.2 In addition to **trade**, China also provides other potential sources of growth for LAC. As China rebalances its domestic economy, it is increasingly positioning itself as a global leader in **outbound investment** and **innovation**.
- 2.3 Outbound investment: Since 2016, China has overtaken Japan as the world's second largest FDI originator (only behind the US).² Huawei (IT), Lifan (automobile), BYD

¹ IMF Direction of Trade Statistics (DOTS).

² WEF.

(renewables), State Grid (electricity) are some of the established Chinese companies that have set up production, R&D facilities, and/or operations globally and in Latin America. However, LAC still only accounts for a small share of overall Chinese outbound investment (<2% annually between 2012-2016 when excluding tax havens).³ There is ample room for growth especially in the context of the One-Belt, One-Road initiative (OBOR) which aims to invest in infrastructure, interconnectivity, energy, and other sectors in OBOR member countries.

- 2.4 Innovation: China was responsible for producing 36% of the world's "unicorns" born between 2013-2017 (only behind the US at 41%).⁴ Didi Chuxing, a Chinese rideshare "unicorn" and an Uber rival, is now the world's second mostly value startup and recently acquired Uber's Brazilian competitor 99 taxi for US\$1b. China's Mobike, the world's first and largest dockless bike share, plans to expand into 3 LAC cities in 2018.
- 2.5 LAC, an innovative and dynamic region itself, is well-positioned to benefit from the trade, investment, and innovation opportunities China has to offer. Additionally, LAC has and can continue to collaborate with China in a number of strategic areas, thus contributing to the growth of the Chinese economy as well as the China-LAC partnership. The Bank, with its proven track record and unique expertise, should play a central role in advancing this mutually beneficial partnership, by helping both regions better understand, adapt to, and act on the evolving bilateral opportunities in the current global environment.
- 2.6 The main objectives of the project are to (a) continue strengthening the trade relationship between LAC and China; (b) foster new bilateral growth drivers such as technological innovation and value-added investment. The project has the following specific objectives: (i) generate and inform public-private dialogues between high-level Chinese and LAC policy makers, government officials and top executives to help unlock the potential of the bilateral economic relationship through greater collaboration, innovation, and diversification; (ii) foster innovative and sustainable trade and investment opportunities in strategic sectors, ranging from the traditional sectors - infrastructure, manufacturing, agribusiness and renewables – to the emerging ones, e.g. services, ITC, tourism, e-commerce; (iii) strengthen technical capacity of companies and government officials in LAC in the areas of trade and investment by providing them with a better understanding of the new opportunities and challenges in China-LAC relations and; (iv) utilize innovative tools (e.g. ConnectAmericas) to create and disseminate learning material and business and investment opportunities between China and LAC.
- 2.7 Since 2010, the Bank has continuously and successfully organized numerous activities in those areas through a series of similar TCs,⁵ producing concrete results described in the Annex A of this document. Building on these important results and given the evolving realities in China-LAC relations described before, this technical cooperation will continue to create and spread practical knowledge, tools, and business opportunities to LAC governments and companies vis-a-vis China. While trade promotion remains a central topic, this year's TC also aims to assign greater importance to investment and innovation than previous TCs.
- 2.8 The objectives and activities of the TC correspond to the Sector Strategy to Support Competitive Global and Regional Integration (GN-2565-4), as it will promote trade,

³ MOFCOM.

⁴ CB Insights.

⁵ RG-T1890 (2010), RG-T2197 (2012), RG-T2355 (2013), RG-T2487 (2014), and RG-T2725 (2016).

investment and regional integration through the exchange of experiences and best practices in trade promotion and through the creation of trade-capacity building and business-matchmaking opportunities between LAC and Chinese entrepreneurs. The TC will directly address two of the three major development challenges identified in the Banks' "Update to the Institutional Strategy 2016-2019": (a) limited trade & economic integration, both intra-regional and international; (b) low productivity and innovation (through use of innovative solutions such as ConnectAmericas). The project also receives support from the Bank's Chinese partners, as it corresponds to the priorities and goals laid out in the MoU of Medium-term Cooperation Plan between the IDB and the People's Bank of China, signed in 2014. The project constitutes part of a continuous IDB effort to expand and upgrade LAC-China trade and investment ties, exemplified by RG-T1890 (2010), RG-T2197 (2012), RG-T2355 (2013), RG-T2487 (2014) and RG-T2725 (2016), which funded similar activities and programs.

- 2.9 In addition, the project is aligned with the objectives of the Institutional Capacity Strengthening Thematic Fund (ICS) established in document GN-2524 as the activities proposed will (i) "promote opportunities to create strategic alliances among public, private and relevant social actors", (ii) "increase inter-institutional communication and information flow"; (iii) and "disseminate best practices internationally and within the region to encourage a "South-South" dialogue". This TC is aligned with the ICS Strategic and Eligibility Committee decision to continue supporting projects that deepen the relationship between China and LAC countries.

III. Description of Activities/Components and Budget

- 3.1 **Component I: 12th CHINA-LAC Business Summit.** This component includes a two-day Forum, to be held in China on November 1st - 3rd of 2018 in the city of Zhuhai, China. The Forum, now at its 12th edition and a premier event in the LAC-China business sphere, aims at opening an opportunity of dialogue among policy makers, government officials and top executives to strengthen and upgrade the commercial ties between LAC and China.
- 3.2 As in previous editions, the Forum will be structured in 4 segments:
- (i) Panel Discussions and Roundtable Meetings: this segment will be dedicated to at least 6 interactive thematic discussions to promote a higher level of trade and investment flows between LAC and China. These panels may cover relevant topics such as: infrastructure, sustainability/environment, energy, technology/innovation, agriculture, services, among others;
 - (ii) Business Opportunities Exhibition: LAC companies will have the opportunity to showcase the products for which they are seeking export markets as well as the investment projects for which they are procuring capital, with the technical assistance of their respective export and investment promotion agencies;
 - (iii) Business Networking and Matchmaking: the on-site one-on-one business meetings between LAC SMEs and potential Chinese clients or partners to forge long-term trade, investment, and cooperation plans
 - (iv) Business visit: LAC participants will have the opportunity to visit Chinese industry leaders in promoting China-LAC trade, investment, and cooperation. Possible business visit destinations include Gree Electric (the world's largest air conditioning manufacturer headquartered in Zhuhai with factories in LAC) and the Hengqin China-LAC Economic and Trade Cooperation Park.

- 3.3 For the execution of this component, the project will finance: (i) corporate consulting services required for the successful technical and logistical organization of the China-LAC Business Summit. This may include technical assistance for design Summit agenda and inviting speakers, or the cost of implementing, maintaining, and troubleshooting the matchmaking software; (ii) travel support for LAC SMEs; (iii) travel costs and accommodations of LAC panelists and government officials; (iv) corporate consulting services to provide logistic and administrative support for the organization of the Summit; (v) identification of potential Chinese buyers and LAC suppliers; (vi) the production, filming, edition and translation services of the successful stories of partnerships between China and LAC companies; and (vi) survey, dissemination, among other follow-up activities.
- 3.4 The event aims to benefit all its participants through the exchange of knowledge, know-how, business and investment opportunities. The participants of this event include the following groups: (1) speakers: high-level government officials and private sector leaders from both China and LAC; (2) representatives from Chinese and LAC trade and investment agencies; (3) Chinese and LAC business people and investors, including SMEs from LAC; (4) the organizing teams; IDB, CCPIT, Bank of China, Government of Zhuhai (host city). For selection criteria for Summit Participants please refer to [Annex B](#). The project team will invite and support, through ConnectAmericas.com, a select number of LAC SMEs to participate in this event. ConnectAmericas.com is the IDB's online trade facilitation and SME support platform with 180,000 registered users, most of whom are SME entrepreneurs from LAC covering all of the Bank's 26-member countries.⁶ The marketing and convening power of ConnectAmericas will be critical to the successful organization and dissemination of the Summit, especially the matchmaking component.
- 3.5 As in previous editions, the Chinese Council for the Promotion of International Trade (CCPIT) will be the Bank's local counterpart for this event. Over the years, the CCPIT has proven itself as a reliable partner of the Bank and the project team. Its financial contribution, technical assistance, and network of local companies and government agencies have been and will be critical to making these events successful. Specifically, the CCPIT will be responsible for (i) inviting and confirming Chinese panelists; (ii) inviting Chinese participants (general attendants); (iii) inviting Chinese companies (for matchmaking); (iv) promoting and disseminating the event in China; (v) local logistical and administrative coordination, including selection of hotels, transportation, business visits, catering, etc.
- 3.6 Building on results and feedbacks from previous China-LAC forums - which saw cumulatively 20,000+ bilateral business meetings materializing in \$44m worth of business for 600+ SMEs from 26 LAC countries ([Annex A](#)) - this year's Summit aims to further enrich participants' experience in four additional, value-added ways:
- 3.7 Synergy with other events: While it was challenging in previous years for the project team to link the China-LAC Business Summit to other important trade shows in China, this year's Summit represents a unique opportunity given both Zhuhai's strategic geographical location and a favorable economic and geopolitical context in China.

⁶ ConnectAmericas.com provides SMEs users with free access to information and knowledge ([articles](#), [videos](#), [webinars](#), [MOOCs](#)), practical tools ([example](#)), business opportunities ([example](#)), potential clients, partners, investors ([directory](#)), and financing options ([example](#)) critical to their growth and internationalization efforts.

Specifically, the Summit will explore synergies with (a) the Canton Fair (Oct 31 – Nov 4), hosted in Guangdong (2-hour drive from Zhuhai); and (b) the first ever China International Import Expo (Nov 5-10, Shanghai), a high-level event focused on bringing quality foreign brands and products to Chinese consumers.

- 3.8 Technology and innovation-related content: Zhuhai is located with the Pearl River delta, China's Silicon Valley and one of the most dynamic and innovative economic areas in the world. By coordinating closely our local counterpart CCPIT, the project team aims to draw on Zhuhai's convenient location to bring in more Chinese tech experts and entrepreneurs to the Summit
- 3.9 Investment promotion: The Summit will seek to unlock the potential of Chinese investment in LAC, an under-utilized segment of China-LAC Business Summit and China-LAC commercial relations in general. To that end, the project team seeks to bring in a more extensive network of "local partners," involving not only trade promotion agencies (e.g. ProMexico, PromPeru), but also LAC investment promotion agencies or officials, as well as Chinese investors and financial institutions, especially in the infrastructure sector.
- 3.10 Sustainability: In emphasizing China-LAC investment promotion while continuing in the IDB's relevant work in bilateral trade promotion, the project team aims to help expand and incubate an eco-system of committed public and private sector players who are critical to sustaining and increasing commercial activities between China and LAC. Additionally, the expanded partners' network allows for establishing better accountability, as it will enable more and better channels to monitor and report concrete results that materialized during and after the Summit, all of which will feed into our final reports and contribute to improving future Summits.
- 3.11 Furthermore, a strong and sustainable communication strategy will be implemented to disseminate the results of the deals and agreements signed during the China-LAC Business Summit. The ConnectAmericas platform will also be used to create and disseminate the knowledge products and the successful stories of business partnerships between LAC SMEs and Chinese companies. Those knowledge products -in forms of articles, services, videos, webinars- will be disseminated to a massive audience from LAC (beyond Summit participants). This will not only help promote a better understanding on how to strengthen LAC's economic relationship with China, but also promote the branding effect of the China-LAC Business Summit itself which contributes to project sustainability. Both internal and external partners, including the Institutional Capacity Strengthening Thematic Fund (ICS) will be acknowledged when publishing knowledge and dissemination products or events.
- 3.12 The total cost of this TC will be US\$350,000, which will be financed by the Institutional Capacity Strengthening Thematic Fund (ICS).

Indicative Budget

Activity/ Component	Description	IDB /Fund Funding	Counterpart Funding ⁷	Total Funding
Component I: The 12th China-LAC Business Summit	Individual consultant that will provide technical assistance for the organization of China-LAC Business Summit	40,000	0	40,000
	Individual consultant to provide technical assistance to prepare a Summit Results Report that will gather all the materials presented in the Summit as well as the results and deliverables of the panels and discussions groups, the establishment of a database of intra-regional business contacts and survey of participants to measure and monitor business leads and overall satisfaction	40,000	0	40,000
	Logistics firm that will provide travel and lodging arrangement and logistical support to all LAC participants (SMEs, TPOs and speakers)	160,000	0	160,000
	Provision and customization of general registration and matchmaking system for the Summit including software and on-site assistance	50,000	0	50,000
	Component Total	290,000	0	290,000
Execution, monitoring and dissemination	Individual consultant to support the execution, evaluation, dissemination, and follow-up of the Project	30,000	0	30,000
	Production, translation, and dissemination of technical and marketing material to promote the Summit	20,000	0	20,000
	Component Total	50,000	0	50,000
Contingencies (2,9%)		10,000	0	10,000
Total		350,000	0	350,000

IV. Executing Agency and Execution Structure

4.1 The activities to be executed are included in the Procurement Plan (Annex IV) and will be contracted in accordance with current Bank procurement policies and procedures. Specifically, Section AM-650 of the Administrative Manual “Complementary Workforce” will be applied in the case of individual consultants, the Policy for the Selection and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1) and its Operational Guidelines (OP-1155-4) for hiring consulting services of intellectual nature and the Corporate Procurement Policy (GN-2303-20) for logistics and other related services. The main reasons that justify the execution of the project by the Bank are as follows:

- (i) This is a regional project that involves coordination with several public and private sector stakeholders from all over the region, and the Bank is in an ideal position to execute it given its presence in every country.
- (ii) The success of the project relies heavily on (i) excellent relations with LAC and Chinese governments and TPOs; (ii) connections to a deep pool of qualified LAC exporters and Chinese buyers; (iii) accumulated knowledge and operational experience in LAC-China trade dynamics.
- (iii) The IDB may explore and create synergies between the China-LAC Business Summits and other China-related IDB conferences. For instance, since the China-LAC Business Summits have a practical, entrepreneurial focus and aims

⁷ We estimate that the CCPIT will allocate 400,000 for the organization of the Summit. The CCPIT and the People's Bank of China will be exclusively responsible for managing and allocating these resources that will be used for the organization the 12th China-LAC Business Summit. The IDB will not receive these resources and neither will be involved in any way on how these resources will be allocated. It is also important to note that this financial contribution is not detailed in the MoU signed between the IDB and the CCPIT since the MoU only provides a general framework for collaboration.

to facilitate concrete trade and investment opportunities to LAC countries and companies, it complements well with the IDB Group's policy and knowledge-based conferences such as the China-LAC Policy Summit. Additionally, since the Business Summits are multi-sectoral and multi-component (panels, matchmaking, TPO roundtables, etc.), they add value to the IDB's existing portfolio of China-related events - such as the Green Finance Summit - which tends to deep dive into a specific sector.

- 4.2 The IDB, especially its INT/TIN division, is uniquely well-positioned to take the lead on this project given its proven track record in promoting LAC's trade, investment, and integration with China. Since 2010, IDB (INT/TIN) has successfully led the organization of five China-LAC Business Summits (Chengdu, 2010; Hangzhou, 2012; Changsha, 2014; Tangshan 2016; Punta del Este, 2017). This translated into 12,000+ business meetings between LAC and Chinese entrepreneurs (\$44m worth of business for 600+ SMEs from LAC 26-member countries of the Bank), the presentation of 200+ major LAC investment projects (mostly infrastructure e.g. energy, transportation, etc.) to Chinese investors, among other concrete results ([Annex A](#)).
- 4.3 In doing so, the INT/TIN team has gained invaluable know-how in the planning and execution of Summit activities, coordinated closely with other IDB divisions and specialists in the context of the Summit, and developed a long-term working relationship with the Chinese counterpart (CCPIT). Additionally, INT/TIN may utilize its ConnectAmericas platform (180,000 registered users) to maximize the impact and sustainability of the event through by producing, disseminating, and storing Summit-related content and results.

V. Major Issues

- 5.1 **Risk mitigation.** The success of the project will depend on an adequate level of participation of LAC's officials and private sector representatives. The operation will mitigate this risk by (i) engaging Chinese and LAC governments and private sector associations in the search for potential business partners; and (ii) through extensive dissemination and promotion during the preparation of the components.

VI. Exceptions to Bank Policy

- 6.1 There are no exceptions to Bank policy in this project.

VII. Environmental and Social Strategy

- 7.1 This operation has been classified under the "C" category in accordance with the Environment and Safeguards Compliance Policy (OP-703) (see [Safeguards Analysis Report](#) and [Safeguard Policy Filter Report](#)).

Required Annexes:

- Annex I: [Request from the client](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)
- Annex A: [Results and achievements of previews projects](#)
- Annex B: [Selection criteria for Summit Participants](#)

ADVANCING CHINA-LAC PARTNERSHIP THROUGH TRADE, INVESTMENT, AND INNOVATION

RG-T3263

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Institutional Capacity Strengthening Thematic Fund (ICS)** through a communication dated May 29, 2018 and signed by Kai Hertz (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$350,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Certified by:	Original firmado	08/03/2018
	Sonia M. Rivera	Date
	Chief	
	Grants and Co-Financing Management Unit	
	ORP/GCM	

Approved by:	Original firmado	08/06/2018
	Antoni Estevadeordal	Date
	Manager	
	Integration and Trade Sector	
	INT/INT	