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Is the U.S. and Europe looking to reduce their dependence on China in strategic sectors?



Sources: Rebellion

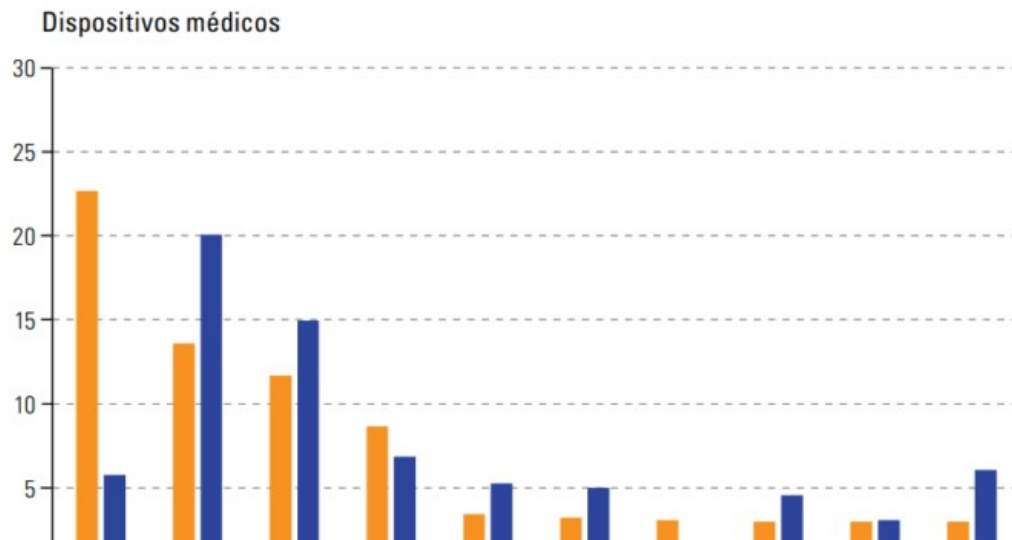
In 2020 China became the leading exporter of medical devices globally.

According to the Economic Commission for Latin America and the Caribbean (ECLAC), in 2020 the People's Republic of China became the leading exporter of medical devices worldwide. In addition, China continues to lead the export of parts and components on a global scale. [1]

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Figure 1: Medical devices from selected countries 2009-2020



The Pan American Health Organization (PAHO) defines the category of medical devices as: accessories and consumables for health workers, personal protective equipment and clothing, medical equipment, laboratory medical equipment, up to instruments, supplies, solutions, reagents, medical gases, furniture, etc. [2]

A report published on December 7, 2021 by ECLAC on the International Trade Outlook for Latin America and the Caribbean 2021 reveals that the United States and the European Union have reacted with plans aimed at increasing their autonomy or reducing their dependence on strategic productive sectors, among them are: the production of semiconductors, electric vehicles and batteries, critical minerals, green hydrogen, cloud computing technologies, and medicines and active ingredients.

The instrumentalization of this plan requires the implementation of a set of policies by the United States and Europe, fundamentally aimed at granting subsidies, increasing investment and public procurement, accompanied by incentives for nearshoring and reshoring (Relocate manufacturing processes from China to return them to a country of origin or a nearby one). In this context, ECLAC warns that any policy aimed at trying to reduce dependence on China would only have an impact in the medium term.

However, figures from the General Administration of Customs of the People's Republic of China (AGA) at the end of 2021 show how the United States and Europe increase their

dependence on China, registering an increase in trade between China and the United States of 28.7% (755,645 million dollars), and between China and Europe of 29.8%, exceeding one trillion dollars (1.1 trillion dollars)

Trade between China and LAC grew 41% in 2021

According to the aforementioned ECLAC report, exports of goods from Latin America and the Caribbean (LAC) will grow 25% in 2021, after falling 10% in 2020. Also, an increase of 34% is projected for South America, the Caribbean 31%, Central America 24% and Mexico 17%. This increase is due, first of all, to the increase in the prices of some raw materials (oil, gas, soybeans, iron, etc.). Secondly, the increase in import demand in China, and thirdly, the recovery of regional economic activity.

Meanwhile, figures from China's AGA reveal that trade between Latin America and the Caribbean with the People's Republic of China grew 41% in 2021, reaching 451,591 million dollars, reaching its all-time high. Likewise, China's exports and imports to the region increased by 51% (\$229,009 million) and 31.4% (\$222,582 million) respectively.

In 2020, China significantly increased its exports of medicines and medical devices to LAC

According to ECLAC, the main suppliers of medical devices in Latin America and the Caribbean in 2020 were: first, the United States with 33% and in second place China with 32% (only 4% comes from the region). In the period 2019 and 2020, the People's Republic of China (despite not being a traditional supplier in terms of health) managed to double its exports of medical devices to the Latin American and Caribbean region and significantly increased its exports of medicines. [3]

In this context, it is important to note that, since the beginning of the health crisis derived from the pandemic, both the United States and Europe limited access to vaccines and medicines capable of containing the spread of the coronavirus. Consequently, Latin American and Caribbean countries turned to non-traditional suppliers such as China, Russia and India for the import of medicines, vaccines, medical supplies, disinfectants, medical consumables, test kits, instruments, diagnostic devices, among others. For

example: Brazil increased imports of medical supplies from China by 134% between 2019 and 2020, while with the US and Germany they fell 14% and 13% respectively, positioning the Asian country as the second trading partner of the Latin American country in this area[4]. (See Table: 1)

Table 1: Imports of Medical Supplies for Covid-19 from Selected Countries 2019-2020

Importaciones de insumos médicos para Covid-19 desde países seleccionado para el periodo 2019-2020					
País importador	País de origen	Valor importado (miles de dólares)		Variación 2019-2020	Posición en 2020
		2019	2020		
Brasil	China	694,461	1,628,847	134.55%	2
	EE.UU.	2,177,990	1,852,110	-14.96%	1
México	China	1,815,339	2,257,077	24.33%	2
	EE.UU.	7,860,141	7,134,251	-9.24%	1
Chile	China	339,233	860,888	153.77%	1
	EE.UU.	482,962	495,751	2.65%	2
Argentina	China	201,769	421,298	108.80%	2
	EE.UU.	462,106	428,625	-7.25%	1
Perú	China	246,741	952,710	286.12%	1
	EE.UU.	208,557	226,800	8.75%	2

Fuente: Base de datos Comtrade de las Naciones Unidas y cálculos propios

From the Latin American perspective, data from the United Nations Reveal that during 2020 Brazil imported more than 8,579 million dollars in medical supplies for Covid-19, of which: 1,852 million dollars (22%) came from the United States, 1,628 million dollars (19%) from China, 1,176 million dollars (17%) from Germany, 540 million Swiss dollars (6%), among other countries. The statistics also show that imports of medical supplies for Covid-19 from China in the cases of Brazil, Mexico, Chile, Argentina and Peru increased between 2019 and 2020 by 134.55%, 24.33%, 153.77%, 108.8% and 286.12% respectively. Increases much higher than imports from the United States.

A Strategic Plan for Latin America and the Caribbean

The pandemic showed high dependence of Latin American and Caribbean countries on imports of medicines, vaccines and medical devices from the United States, Europe and recently China. In this context, it is vital to jointly develop strategies in the region to reduce imports of medicines and medical devices with the aim of achieving health self-sufficiency in the region and being able to address the health crisis.

On October 22, 2021, the Community of Latin American and Caribbean States (CELAC) presented a strategic plan to achieve health self-sufficiency in the region, with the aim of addressing the crisis and strengthening the production and distribution capacities of vaccines and medicines. The plan also specifies an agenda that promotes greater integration, cooperation and regional solidarity through the fulfillment of seven points, including: the joint purchase of vaccines and medicines, the development and production of vaccines, the implementation of a regional clinical trial platform, as well as the strengthening of primary health systems for universal access to vaccines and their equitable distribution, among others.

In this context, it is vital to incorporate the China-CELAC Forum as one of the main actors of the strategic plan coordinated by CELAC, since China has proposed to CELAC the possibility of accessing special loans (Anti-epidemic) within the framework of a China-CELAC Cooperation Action Plan in Key Areas (2022-2024)[5] to support the construction of public health infrastructure in their respective countries with the aim of jointly overcoming the economic and social crisis derived from the pandemic, and achieve the health self-sufficiency that Latin American and Caribbean countries need.

Notes:

[1] Presentation by Alicia Bárcena, Executive Secretary of ECLAC: International Trade Outlook for Latin America and the Caribbean 2021 https://www.cepal.org/sites/default/files/presentation/files/ppt_alicia_barcena_cepal_perspectivas_de_comercio_internacional_alc_2021.pdf [date of consultation: February 10, 2022]

[2] List of medical devices of the Pan American Health Organization (PAHO) prioritarios https://www3.paho.org/hq/index.php?option=com_docman&view=download&

[alias=49358-lista-de-dispositivos-medicos-prioritarios-para-el-primer-nivel-de-atencion-base-principal-ops-julio-del-2019&category_slug=medicines-health-technologies-1966&Itemid=270&lang=es](#) [date of consultation: February 11, 2022]

[3] International Trade Outlook for Latin America and the Caribbean 2021, <https://www.cepal.org/es/publicaciones/47535-perspectivas-comercio-internacional-america-latina-caribe-2021-busca> [date of consultation: 02 January 2022]

[4] Health cooperation for building the shared future between China and Latin America and the Caribbean <https://rebellion.org/cooperacion-sanitaria-para-la-construccion-del-futuro-compartido-entre-china-y-america-latina-y-el-caribe/> [consultation date: January 2022]

[5] China-CELAC Joint Action Plan for Cooperation in Key Areas (2022-2024) <http://www.chinacelacforum.org/esp/> [date of consultation: 15 December 2021]

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