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**East Asian-Latin American
Economic Relations:
A Korean Perspective After the
International Financial Crisis**

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INTERNATIONAL ECONOMIC POLICY**

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INTRODUCTION

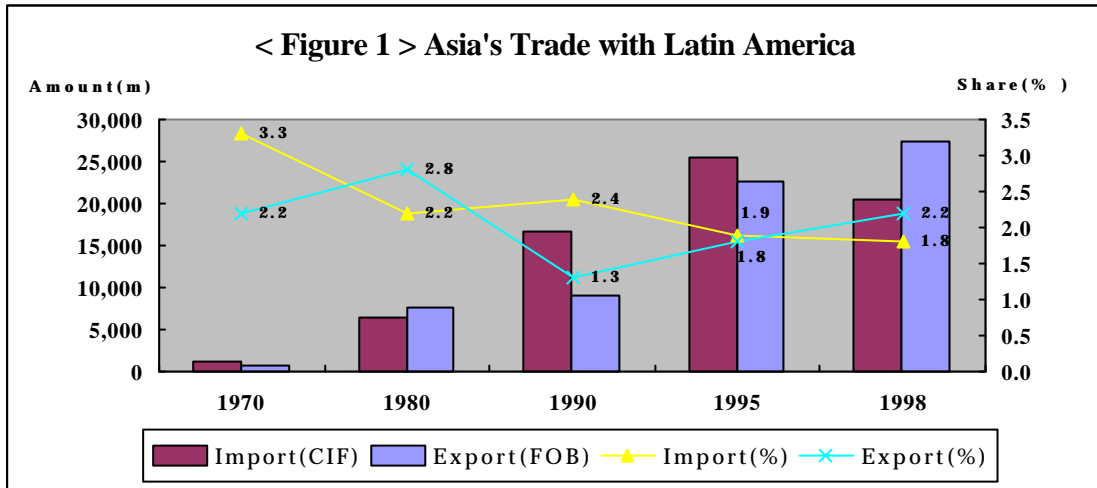
The Asian and Latin American regions largely share a history of colonialism and underdevelopment. In the 1960s and 1970s, their cohesion was once promoted in the names of the Third World, New International Economic Order (NIEO) initiative, the Non-Alignment Movement, and South-South Cooperation. Such international political economic cooperation, however, suddenly disappeared in the early 1980s, when most Latin American countries and some Asian developing countries faced foreign debt problems and needed to negotiate with the industrialized countries and international creditors for debt rescheduling.

The Early political solidarity among Asian and Latin American countries to enhance their international stance could not be taken care of; such was the case with the intra-regional solidarity among Latin American countries in terms of failing to build common debt re-negotiation strategies.¹ Some countries like South Korea and Taiwan, the most anticommunist regimes in East Asia, maintained their political cooperation with rightist military regimes in Latin America through the late 1980s. In most cases, however, Asian-Latin American political cohesion became very insignificant as early as in the mid-1980s, when Latin American military rulers returned to their barracks amid democratization processes.

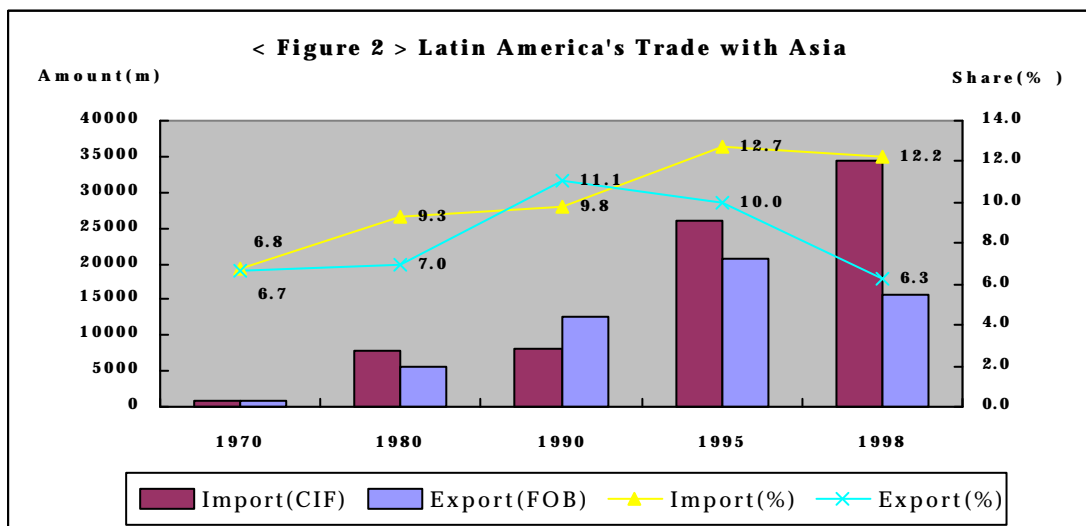
Yet such was true, and also the reverse was true, in biregional trade. The Latin American shares of Asia-Pacific exports and imports have not reached those of 1970 and 1980 in recent years. On the other hand, the Asia-Pacific shares of Latin American exports and imports in the 1990s almost doubled those of 1970 and 1980. In both cases, however, today's trade volume between the two regions can be compared with the past years (See Figure 1 and Figure 2). Although there had been interregional "political attempts" to envision a new development model to escape from the core-periphery economic structure as shown in the NIEO movement, the "actual" economic relations between Asia and Latin America were not quite substantial until the late 1980s except for Japanese investments in Latin America. Rather, the two regions competed with each other while maintaining traditional commercial relations with

¹ "The much-feared "debtors' cartel" never materialized ...None of the major debtors was prepared to adopt measures that could rule out future access to the international capital market, and each remained convinced that it could obtain better terms individually than collectively." Victor Bulmer-Thomas, *The Economic History of Latin America Since Independence* (Cambridge: Cambridge University Press, 1994), p. 375.

industrial countries as major trade partners. In the 1990s, however, Latin America's economic opening and the emergence of most Asian economies to the newly-industrializing status served as momentum for accelerated inter-regional trade and investments, and deepened mutual economic interdependence.



Source: UN Economic Commission for Latin America and the Caribbean, "Trade and Investment Promotion between Asia-Pacific and Latin America: Present Position and Future Prospects," February 3, 2000.



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High-growth Asia-Pacific nations, as export markets and capital sources, would contribute to the Latin American goal of diversifying international economic relations away from an excessive dependence on the United States and Europe. Japan was the undisputed Asian trade and investment partner owing to its economic importance in the post-war world. Korea (South Korea), Taiwan, and Hong Kong, the so-called Asian Newly Industrializing Economies (NIEs) with their fast economic growth, joined the category. China, some Southeast Asian nations including Singapore, Malaysia, and Thailand, and even Australia have recently become important partners for Latin America and the Caribbean. In the meantime, Asia-Pacific began to see a new partner in Latin America while attempting to enter the stage of advanced economic development under the globalization of production, and expanding its sphere of economic activities beyond its traditional markets. Latin America transformed in its economic and trade structures rose as another attractive dynamic economic region to Asia-Pacific.

All this is happening at the same time the post-Cold War world is transforming into a global economy. As globalization proceeds further in the financial sector and the policymaking regime as well as in the goods and service trade, risk and vulnerability increase especially in the so-called "emerging markets" which include most of the Asian and Latin American economies. On the other hand, the global economy is currently being shaped by multilateral regimes such as the World Trade Organization (WTO), regional trade arrangements (RTAs), and through trans-regional convergence. RTAs are more abundant in Latin America than in Asia, examples being: the Southern Common Market (MERCOSUR), the Central American Common Market (CACM), and the Andean Community (CAN). Trans-regional convergence across the Pacific is not broad based yet. Asia-Pacific Economic Cooperation (APEC) only includes a few Latin American economies: Mexico, Chile and Peru. A direct interregional dialogue has just begun with some positive future prospects since the Asian financial crisis of 1997. Thus, what one witnesses across the Pacific now should be characterized as globalization risk increasing, and strategic alliances just being identified.

The purpose of this paper is to explore the historical significance and challenges involved in the recent developments of the economic relations between Asia and Latin America. What motivated the recent dynamism in mutual interdependence? What did the Asian financial crisis mean for Asian-Latin American

economic relations? What kind of strategies are there as options for their relations in the future since both of them are undergoing the bust part of the international financial cycle? In answering these questions, the author will at first review recent trade and investment relations between the two regions in terms of increased interdependence. And then he will critically analyze limits and problems of such a relationship in the context of the current international financial turmoil. Finally, he will examine future policy agendas and challenges with respect to both regions' cooperation efforts.

ECONOMIC RELATIONS IN THE 1990s

Until the late 1980s, both regions' economies took quite different paths, one rather protective of their national industries and the other rather open but still state-led. There had been few interdependent relationships established. By the mid-1980s, a few Asian export firms began to become substantially involved in Latin America and the Caribbean for both external and internal reasons. Externally, the U.S. preferential trade policy for Central American and Caribbean countries, as stipulated in the Caribbean Basin Initiative (CBI) of 1984 by the Reagan Administration, prompted Asian exporters to invest in the Central American and Caribbean countries as springboards to the U.S. market. Investments in Mexico were also made in the *maquiladora* (in-bond) industries as another beachhead for the U.S. market. In other words, the Asian investments at that time mostly were not targeted at the local markets. Domestically, the abundance in foreign exchange in several Asian countries like Japan, Taiwan and Korea encouraged overseas investments.

It was in the 1990s that economic relations between Asia and Latin America picked up speed with a rapid increase in the volume of trade. Asian firms had to look for new frontiers beyond the increasingly conflictive industrial markets of the U.S. and Europe, and needed to think more globally in the era of the new division of labor made possible by new information and communication technologies. They also, particularly those from the post-democratization Korea, had to move abroad to escape from the high-wage domestic environment with its consequent loss of international competitiveness.² In parallel, Latin America's trade liberalization in the wake of the

² As for Korea's trade tendencies with Latin America, see Won-Ho Kim, "Korea and Latin America: End of a Honeymoon?" *Capitulos* (Latin American Economic System, Caracas) No. 56 (May-August), pp. 122-135.

debt crisis, the subsequent economic stabilization and steady recovery (Mexico since 1989; Argentina since 1991; and Brazil since 1994) and sub-regional integration prompted Asian companies to look into these regional markets. Even though Southeast Asia and China also emerged as lucrative sources of intra-regional trade and as investment targets to other leading Asian economies, since the late 1980s, Latin America rapidly caught up with their level of dynamism, emerging as the other center of growth in the world in terms of trade and investments.

As shown in Table 1 through 3, Asia's trade with Latin America steadily increased in the 1990s. Japan, Korea, China, Hong Kong and Taiwan are the top Asian traders with Latin America.³ Japan, without a doubt, is the largest exporter to, and importer from Latin America (See Figure 3, and Table 2 and 3). In 1996 and 1997, Korea's trade volume with Latin America accounted for 3.9 percent and 4.3 percent respectively, out of Korea's total trade, the highest ratio among Asian countries. Such is remarkably true in exports particularly (See Figure 4, and Table 1 and 2). This meant that the Latin American market became more important to the Korean economy than to any other Asian economy, including Japan. Singapore, Malaysia, and Thailand are the second group of Asian trade partners to Latin America. These countries' increase in trade with Latin America is also related to the recent "redeployment of Japanese production," especially in electronics, to ASEAN countries and China, and inter-linked to the decrease of Latin America's share of imports from Japan as shown in Table 4 and 5.⁴

³ Taiwan is a major trade partner to Latin America, but unfortunately its trade volume is not available in IMF's *Direction Of Trade Statistics*.

⁴ Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

<Table 1> Asia's Trade with Latin America
(Unit: \$ m, %)

		1992	1993	1994	1995	1996	1997	1998
Korea	Total trade	157,234	162,703	198,388	260,518	280,896	280,588	243,433
	W/LatAm	7,388	5,675	7,764	9,163	10,880	12,306	9,274
	LatAm/total(%)	4.7	3.5	3.9	3.5	3.9	4.3	3.8
Japan	total trade	572,673	604,187	669,324	778,942	760,750	732,387	677,755
	w/LatAm	23,420	24,047	26,747	30,159	28,069	31,111	29,133
	LatAm/total(%)	4.1	4.0	4.0	3.9	3.7	4.2	4.2
China	total trade	166,077	195,163	236,451	280,955	289,915	325,080	301,994
	w/LatAm	2,975	3,717	4,689	6,097	6,717	8,095	8,358
	LatAm/total(%)	1.8	1.9	2.0	2.2	2.3	2.5	2.7
Hongkong	total trade	242,962	273,601	313,163	366,310	379,077	396,493	358,295
	w/LatAm	3,861	4,397	5,204	6,140	6,010	6,851	6,283
	LatAm/total(%)	1.6	1.6	1.7	1.7	1.6	1.7	1.7
Singapore	total trade	135,321	159,112	199,553	242,581	256,624	257,156	216,334
	w/LatAm	1,834	2,113	2,276	2,717	3,398	3,519	3,282
	LatAm/total(%)	1.4	1.3	1.1	1.1	1.3	1.4	1.5
Thailand	total trade	73,158	83,223	100,127	126,814	129,273	120,364	109,310
	w/LatAm	1,075	1,005	1,331	1,733	1,932	1,815	1,564
	LatAm/total(%)	1.5	1.2	1.3	1.4	1.5	1.5	1.4
Malaysia	total trade	80,636	92,744	118,304	151,336	156,043	158,771	153,812
	w/LatAm	982	1,186	1,517	2,072	2,029	2,382	2,456
	LatAm/total(%)	1.2	1.3	1.3	1.4	1.3	1.5	1.5
Australia	total trade	83,205	85,069	97,520	110,455	122,015	124,884	117,697
	w/LatAm	861	1,013	1,134	1,252	1,613	1,394	1,405
	LatAm/total(%)	1.0	1.2	1.2	1.1	1.3	1.1	1.2
New Zealand	total trade	18,555	20,098	23,888	27,525	29,153	28,534	25,682
	w/LatAm	438	558	498	574	698	706	734
	LatAm/total(%)	2.4	2.8	2.1	2.1	2.4	2.5	2.8

* estimated data.

Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998;
Direction Of Trade Statistics Quarterly, 1999. 6.

<Table 2> Asia's Exports to Latin America
(Unit: \$ m, %)

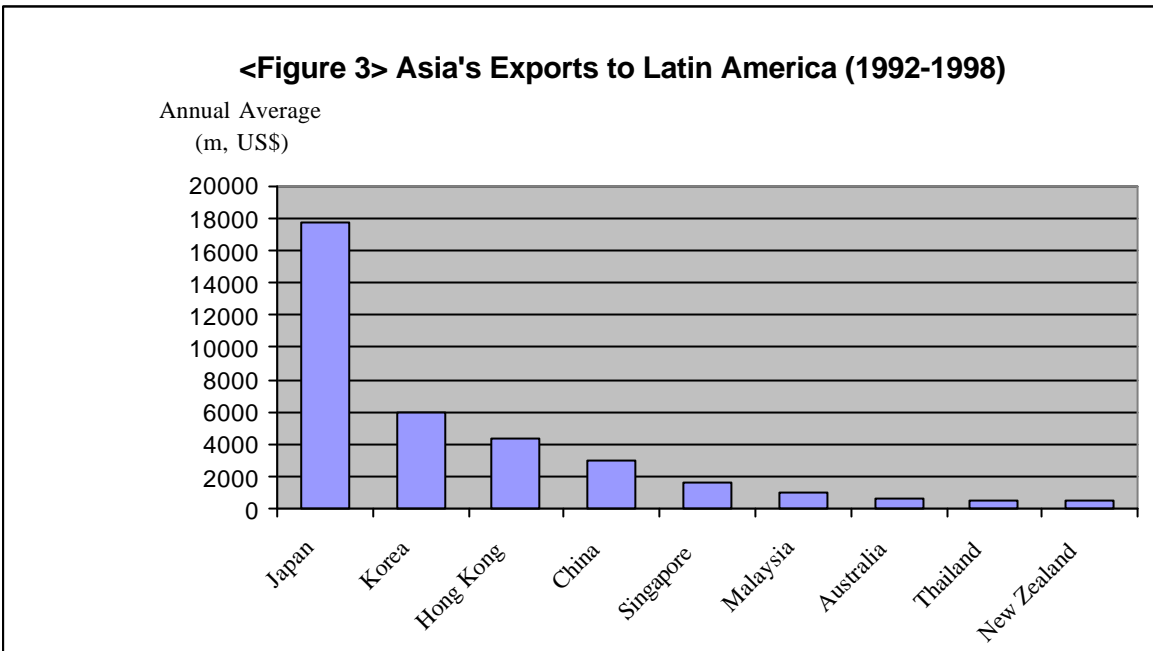
		1992	1993	1994	1995	1996	1997	1998
Korea	total exports	76,641	81,736	96,040	125,365	130,526	136,008	133,222
	to LatAm	4,899	3,826	5,086	5,884	7,181	8,243	6,378
	LatAm/total(%)	6.4	4.7	5.3	4.7	5.5	6.1	4.8
Japan	total exports	339,864	362,583	395,201	443,005	411,242	421,067	393,741
	to LatAm	15,052	15,963	17,573	18,610	16,794	19,829	19,917
	LatAm/total(%)	4.4	4.4	4.5	4.2	4.1	4.7	5.0
China	total exports	85,492	91,611	120,822	148,892	151,093	182,917	217,535
	to LatAm	875	1,574	2,295	2,986	3,001	4,440	5,646
	LatAm/total(%)	1.3	1.9	2.0	2.1	2.1	2.4	2.6
Hongkong	total exports	119,532	135,005	151,393	173,546	180,526	187,870	173,693
	to LatAm	3,027	3,531	4,279	4,920	4,633	5,214	4,827
	LatAm/total(%)	2.5	2.3	2.8	2.8	2.6	2.8	2.8
Singapore	total exports	63,475	74,071	96,911	118,187	125,126	125,302	110,311
	to LatAm	1,051	1,327	1,418	1,608	1,986	2,137	1,889
	LatAm/total(%)	1.7	1.8	1.5	1.4	1.6	1.7	1.7
Thailand	total exports	32,472	37,158	45,583	57,200	55,743	57,560	58,387
	to LatAm	405	402	528	546	537	660	794
	LatAm/total(%)	1.2	1.1	1.2	1.0	1.0	1.1	1.4
Malaysia	total exports	40,709	47,128	58,749	73,722	78,246	78,689	82,272
	to LatAm	460	654	916	1,156	1,049	1,253	1,464
	LatAm/total(%)	1.1	1.4	1.6	1.6	1.3	1.6	1.8
Australia	total exports	42,464	42,529	47,440	52,977	60,500	63,097	56,748
	to LatAm	426	563	614	575	967	779	843
	LatAm/total(%)	1.0	1.3	1.3	1.1	1.6	1.2	1.5
New Zealand	total exports	9,354	10,448	11,954	13,732	14,393	13,983	12,727
	to LatAm	335	444	378	428	537	534	568
	LatAm/total(%)	3.6	4.2	3.2	3.1	3.7	3.8	4.4

Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998;
Direction Of Trade Statistics Quarterly, 1999. 6.

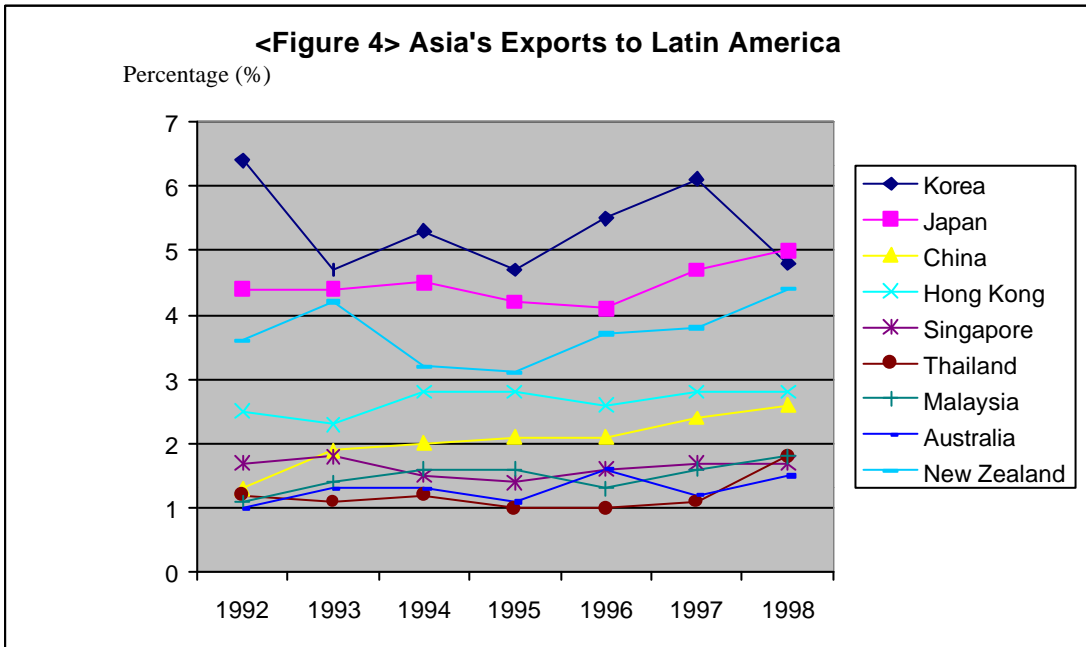
<Table 3> Asia's Imports from Latin America
(Unit: \$ m, %)

		1992	1993	1994	1995	1996	1997	1998
Korea	total imports	81,777	83,800	102,348	135,153	150,370	144,580	110,211
	from LatAm	2,489	1,849	2,678	3,279	3,699	4,063	2,896
	LatAm/total(%)	3.1	2.3	2.6	2.4	2.5	2.8	2.6
Japan	total Imports	232,809	241,604	274,123	335,937	349,508	338,646	284,014
	from LatAm	8,236	8,015	9,088	11,437	11,84	11,194	9,216
	LatAm/total(%)	3.6	3.3	2.8	3.4	3.2	3.3	3.2
China	total imports	81,843	103,552	115,629	132,063	138,949	142,163	159,831
	from LatAm	1,726	1,872	2,126	2,751	3,477	3,655	2,895
	LatAm/total(%)	2.4	1.9	1.9	2.2	2.6	2.6	1.8
Hongkong	total imports	123,430	138,596	161,770	192,764	198,551	208,623	184,602
	from LatAm	833	864	921	1,212	1,364	1,637	1,456
	LatAm/total(%)	0.6	0.6	0.6	0.6	0.6	0.8	0.8
Singapore	total imports	72,181	85,393	102,642	124,394	131,693	131,839	106,023
	from LatAm	783	786	858	1,109	1,411	1,382	1,393
	LatAm/total(%)	1.0	0.9	0.8	0.8	1.1	1.0	1.3
Thailand	total imports	40,686	46,065	54,394	73,692	73,336	62,804	50,923
	from LatAm	670	598	803	1,129	1,358	1,155	770
	LatAm/total(%)	1.6	1.2	1.4	1.6	1.8	1.8	1.5
Malaysia	total imports	39,927	45,616	59,555	77,614	78,422	80,082	71,540
	from LatAm	522	532	601	916	980	1,129	992
	LatAm/total(%)	1.3	1.1	1.0	1.1	1.3	1.4	1.4
Australia	total imports	40,741	42,540	50,080	57,478	61,515	61,787	60,949
	from LatAm	435	450	520	677	646	615	562
	LatAm/total(%)	1.1	1.0	1.0	1.2	1.0	1.0	1.0
New Zealand	total imports	9,201	9,650	11,934	13,793	14,760	14,551	12,955
	from LatAm	103	114	120	146	161	172	166
	LatAm/total(%)	1.1	1.2	1.0	1.0	1.1	1.2	1.3

Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998;
Direction Of Trade Statistics Quarterly, 1999. 6.



Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.



Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.

<Table 4> Main Asian trade partners of Chile (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
Japan	18.2	15.7	Japan	8.4	5.6
Korea	2.9	5.8	China	1.2	3.5
Taiwan	4.4	4.6	Korea	2.2	3.1
China	0.9	2.6	Taiwan	1.5	1.2

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

<Table 5> Main Asian trade partners of Argentina (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
China	2.1	3.4	Japan	7.3	3.7
Japan	3.8	2.2	China	2.3	3.7
Malaysia	0.5	1.3	Korea	3.3	2.1
Taiwan	0.6	1.0	Taiwan	1.7	1.3

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

<Table 6> Main Asian trade partners of Brazil (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
Japan	8.1	10.9	Japan	5.8	5.9
Korea	2.1	2.6	China	0.3	1.9
China	0.7	3.8	Korea	0.6	2.2
Taiwan	1.9	1.7	Taiwan	0.6	1.3

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

In a great contrast to Asia's figures, Latin American trade with Asian countries comprises a much higher share of their total trade (See Table 7 through 9). As shown in Figure 5, Brazil, Chile, Argentina, Mexico, Peru, and Ecuador, in that order, are the main exporters to the Asian region. As shown in Table 8 and Figure 6, Chile and Peru are focusing more on Asian markets as part of their trade diversification strategy, and this explains why they are the only two South American countries who have joined APEC. Panama is shown in Table 9 through 12 as the major importer from Asia due to Panama's free zones to serve as logistical bases and due to Panama's ship

registration policy through which Korea and Japan export ships to the world's shipping companies registered in Panama.

<Table 7> Latin America's Trade with Asia —including Japan

(Unit: \$ m, %)

		1992	1993	1994	1995	1996	1997	1998
Mexico	total trade	108,325	117,125	140,228	151,993	185,455	220,239	213,488
	w/Asia	6,360	7,398	8,798	9,189	13,172	13,376	14,002
	Asia/total(%)	5.9	6.3	6.3	6.0	7.1	6.1	6.5
Argentina	total trade	27,096	29,891	38,782	39,695	47,861	55,647	59,860
	w/Asia	3,194	3,560	4,813	4,683	5,907	7,483	8,217
	Asia/total(%)	11.8	11.9	12.4	11.8	12.3	13.4	13.7
Bolivia	total trade	1,935	2,009	2,330	2,587	2,851	3,172	3,969
	w/Asia	172	161	227	237	263	224	180
	Asia/total(%)	8.9	8.0	9.7	9.2	9.2	7.1	4.5
Brazil	total trade	57,600	66,951	76,702	96,103	101,315	115,844	108,712
	w/Asia	7,310	9,736	12,067	16,343	16,124	17,712	13,345
	Asia/total(%)	12.7	14.5	15.7	17.3	16.0	15.3	12.3
Chile	total trade	20,012	20,502	23,322	32,017	32,892	36,022	37,144
	w/Asia	4,879	4,848	5,963	8,235	7,887	9,844	9,407
	Asia/total(%)	24.4	23.6	25.6	25.7	24.0	27.3	25.3
Colombia	total trade	13,751	17,262	20,981	23,718	24,791	27,049	27,807
	w/Asia	904	1,593	2,249	2,092	2,069	2,168	2,395
	Asia/total(%)	6.6	9.2	10.7	8.8	8.3	7.9	8.6
Ecuador	total trade	5,544	5,573	7,465	8,551	9,538	10,633	10,933
	w/Asia	914	821	1,177	1,076	1,132	1,299	1,409
	Asia/total(%)	16.5	14.7	15.8	12.6	11.9	12.2	12.9
Panama	total trade	2,498	2,695	2,936	12,508	5,091	19,754	25,238
	w/Asia	262	269	292	7,937	1,040	13,816	17,424
	Asia/total(%)	10.5	10.0	9.9	63.5	20.4	70.0	69.0
Peru	total trade	7,228	7,472	10,072	13,050	13,477	14,898	13,369
	w/Asia	1,440	1,404	1,940	2,392	2,142	2,345	2,049
	Asia/total(%)	19.9	18.8	19.3	18.3	15.9	15.0	15.3
Venezuela	total trade	26,407	25,963	25,367	30,634	34,370	40,270	36,555
	w/Asia	1,624	1,595	1,051	1,336	1,045	1,645	1,673
	Asia/total(%)	6.1	6.1	4.1	4.4	3.1	4.1	4.6

Sources: IMF, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.

<Table 8> Latin America's Exports to Asia —including Japan
(Unit: \$ m, %)

		1992	1993	1994	1995	1996	1997	1998
Mexico	total exports	46,196	51,760	60,882	79,541	96,000	110,431	106,627
	to Asia	1,119	1,138	1,409	1,896	2,457	2,228	2,340
	Asia/total(%)	2.4	2.2	2.3	2.4	2.5	2.0	2.2
Argentina	total exports	12,234	13,118	16,511	20,391	24,010	25,375	27,339
	to Asia	1,142	1,247	1,836	2,132	2,883	3,347	3,288
	Asia/total(%)	9.3	9.5	11.1	10.4	12.0	13.2	12.0
Bolivia	total exports	798	804	1,123	1,139	1,216	1,278	1,264
	to Asia	9	8	9	8	7	7	8
	Asia/total(%)	1.1	1.0	0.8	0.7	0.6	0.5	0.6
Brazil	total exports	37,046	38,783	43,623	46,605	47,763	53,906	51,155
	to Asia	5,579	6,166	7,094	8,152	7,796	7,645	5,552
	Asia/total(%)	15.1	15.9	16.3	17.5	16.3	14.2	10.8
Chile	total exports	10,159	9,534	11,694	16,538	15,453	17,025	16,386
	to Asia	3,083	2,919	3,843	5,638	5,118	5,950	5,426
	Asia/total(%)	30.3	30.6	32.8	34.0	33.1	35.0	33.1
Colombia	total exports	7,065	7,453	9,038	9,859	10,437	11,672	12,145
	to Asia	256	337	498	588	449	440	395
	Asia/total(%)	3.6	4.5	5.5	5.9	4.3	3.8	3.2
Ecuador	total exports	3,028	3,020	3,843	4,358	5,113	5,459	5,259
	to Asia	480	373	425	473	670	678	574
	Asia/total(%)	15.9	12.3	11.1	10.9	13.1	12.4	11.0
Panama	total exports	474	508	532	1,500	2,704	623	1,126
	to Asia	2	2	7	339	750	10	173
	Asia/total(%)	0.4	0.4	1.3	22.6	27.7	1.6	15.4
Peru	total exports	3,484	3,464	4,507	5,513	5,854	6,706	5,745
	to Asia	869	835	1,217	1,435	1,395	1,577	1,090
	Asia/total(%)	24.9	24.1	27.0	26.0	23.8	23.5	19.0
Venezuela	total exports	14,065	14,692	17,090	19,434	23,461	25,558	21,178
	to Asia	472	418	377	524	402	477	345
	Asia/total(%)	3.3	2.8	2.2	2.7	1.7	1.9	1.6

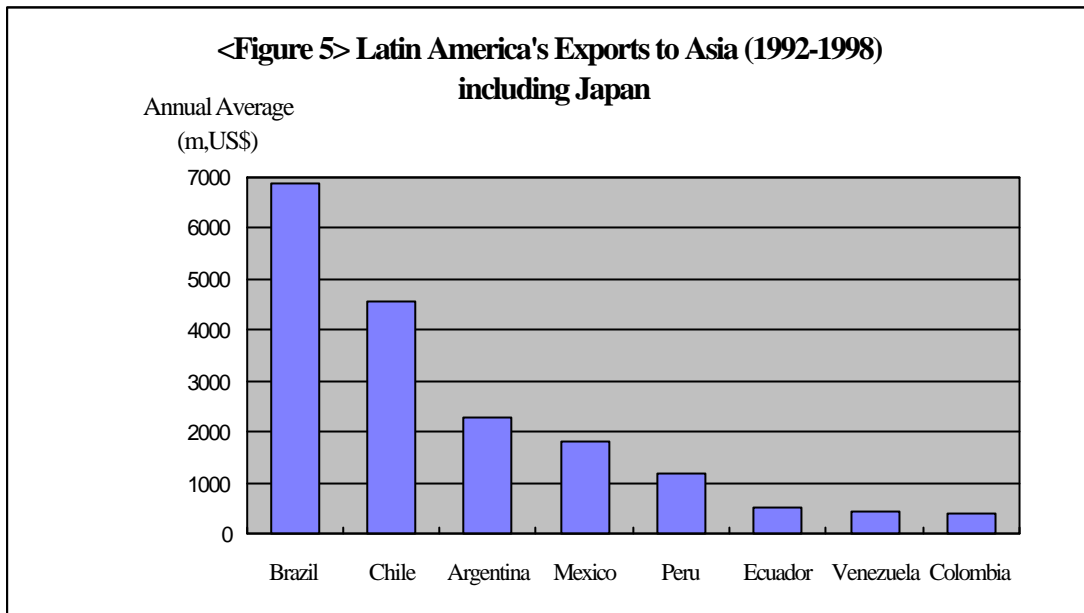
Sources: International Monetary Fund, *Direction Of Trade Statistics Yearbook*, 1998;
Direction Of Trade Statistics Quarterly, 1999. 6.

<Table 9> Latin America's Imports from Asia —including Japan

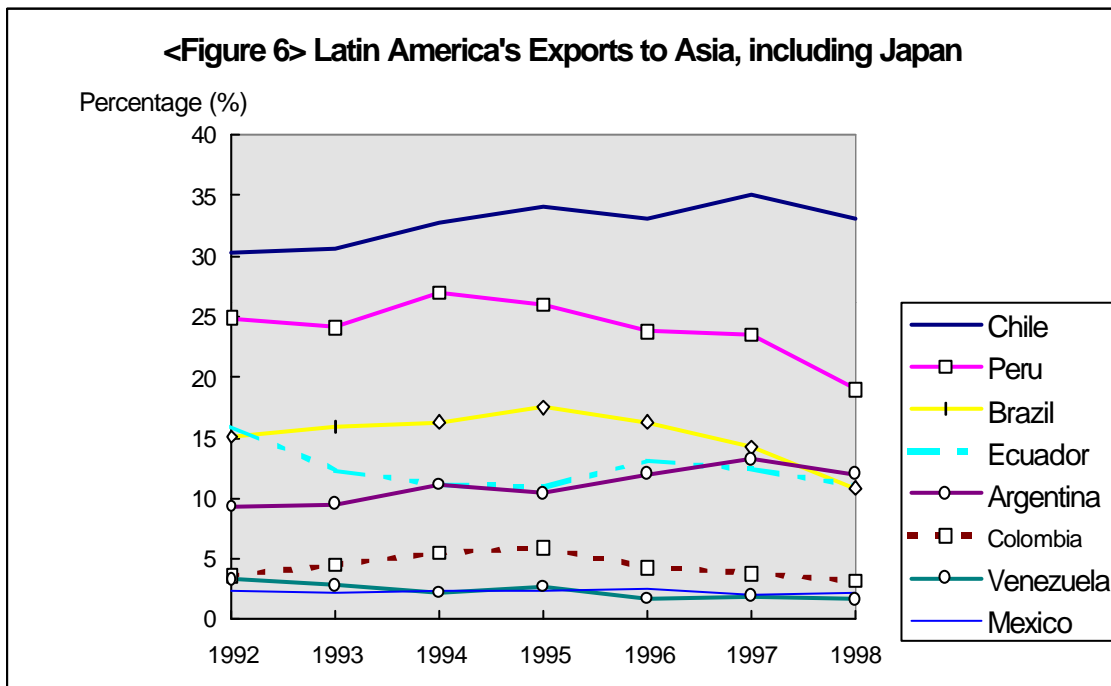
(Unit: \$ m, %)

		1992	1993	1994	1995	1996	1997	1998
Mexico	total imports	62,129	65,635	79,346	72,452	89,471	109,808	106,861
	to Asia	5,241	6,260	7,389	7,293	10,715	11,148	11,662
	Asia/total(%)	8.4	9.6	9.3	10.0	12.0	10.1	11.0
Argentina	total imports	14,862	16,773	22,271	19,304	23,851	30,272	32,521
	to Asia	2,052	2,313	2,977	2,404	3,113	4,137	4,929
	Asia/total(%)	13.8	13.8	13.4	12.4	13.0	16.7	15.1
Bolivia	total imports	1,137	1,205	1,207	1,448	1,635	1,894	2,705
	to Asia	163	153	218	229	256	279	172
	Asia/total(%)	14.3	12.7	15.0	16.6	14.1	14.8	13.5
Brazil	total imports	20,554	28,168	33,079	49,421	53,552	61,938	57,557
	to Asia	1,731	3,570	4,973	8,191	7,571	9,151	7,793
	Asia/total(%)	8.4	12.7	18.7	18.4	15.9	16.0	19.2
Chile	total imports	9,853	10,968	11,628	15,479	17,439	18,997	20,758
	to Asia	1,796	1,929	2,172	2,662	2,770	3,048	3,981
	Asia/total(%)	18.2	17.6	18.7	18.4	15.9	16.0	19.2
Colombia	total imports	6,686	9,809	11,943	13,859	14,354	15,377	15,662
	to Asia	648	1,256	1,751	1,504	1,620	1,819	2,000
	Asia/total(%)	9.7	12.8	14.7	10.8	11.3	11.8	12.8
Ecuador	total imports	2,516	2,553	3,622	4,193	4,425	5,174	5,674
	to Asia	434	448	752	603	470	628	835
	Asia/total(%)	17.0	17.5	20.8	14.4	10.6	12.1	14.7
Panama	total imports	2,024	2,187	2,404	11,009	2,387	19,131	24,112
	to Asia	260	267	285	7,598	290	13,806	17,251
	Asia/total(%)	12.8	12.2	11.8	69.0	12.1	72.1	72.4
Peru	total imports	3,744	4,008	5,565	7,537	7,623	8,192	7,624
	to Asia	571	569	723	957	747	876	959
	Asia/total(%)	15.2	14.2	13.0	12.7	9.8	10.7	12.6
Venezuela	total imports	12,342	11,271	8,277	11,200	10,909	14,712	15,377
	to Asia	1,152	1,177	674	812	645	1,188	1,328
	Asia/total(%)	9.3	10.4	8.1	7.2	6.0	8.1	8.6

Sources: IMF, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.



Sources: IMF, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.



Sources: IMF, *Direction Of Trade Statistics Yearbook*, 1998; *Direction Of Trade Statistics Quarterly*, 1999. 6.

<Table 10.> Main Latin American trade partners of Japan (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
Panama	1.26	1.59	Brazil	1.35	1.11
Mexico	0.89	0.92	Chile	0.79	0.89
Brazil	0.39	0.70	Mexico	0.73	0.48
Chile	0.20	0.25	Peru	0.17	0.16

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

<Table 11> Main Latin American trade partners of Korea (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
Panama	0.87	1.42	Brazil	1.09	0.86
Brazil	0.24	1.25	Chile	0.46	0.80
Mexico	1.08	1.08	Mexico	0.27	0.24
Chile	0.38	0.48	Peru	0.02	0.22

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

<Table 12> Main Latin American trade partners of China (%)

Exports			Imports		
	Share in 1991	Share in 1997		Share in 1991	Share in 1997
Brazil	0.09	0.58	Brazil	0.54	1.05
Panama	0.12	0.55	Argentina	0.48	0.51
Chile	0.13	0.31	Peru	0.46	0.43
Argentina	0.07	0.25	Chile	0.18	0.29

Source: Neantro Saavedra-Rivano. "Trade and Foreign Direct Investment between Asia and Latin America," 99 LASAK conference, Seoul, 21 October 1999.

Among other developments in Latin America's economy, the formation of MERCOSUR as a free trade area in 1991 and a customs union in 1995 stood out in its appeal to the interests of Asian entrepreneurs. Its member countries' political economic stability and market potential induced Asian businesses to enter South America with a more localized mindset. The earlier Asian focus on Central America, the Caribbean and Mexico as a detour to the ultimate U.S. market now contrasted with the new concentration on local markets and meaningful investments in South America,

particularly in Brazil. Furthermore, Brazil's import tariff hikes, adopted in early 1995 to correct its trade deficit in favor of local investors, prompted foreign firms to produce locally. In general, rules of origin in MERCOSUR and the North American Free Trade Agreement (NAFTA) forced foreign entrepreneurs to change their business schemes. Under the globalized business environments,⁵ the penetration strategy into the Latin American region changed from "detour" to "localization."

In light of this, the investment relationship between both regions has quickly deepened and widened. Foreign direct investments in Latin America, once conducted only by Japan as an Asian participant in the 1960s and 1970s, were very aggressively done by Korea and China in the 1990s. One example, the acquisition of the privatizing iron-mine Hierro-Peru by China's Shougang for 122 million dollars in 1992, was noteworthy. In 1996, China invested in a joint venture with Venezuela to produce *orimulsion*, the tar-based fuel that Venezuela promoted to exploit heavy crudes from the Orinoco River Basin.⁶ Japan also returned to Latin America business in the 1990s after their absence during the 1980s due to their frustration with the debt crisis. These Asian aggressive investments in Latin America even appeared to be a threat to the entrenched interests of Europe and North America.

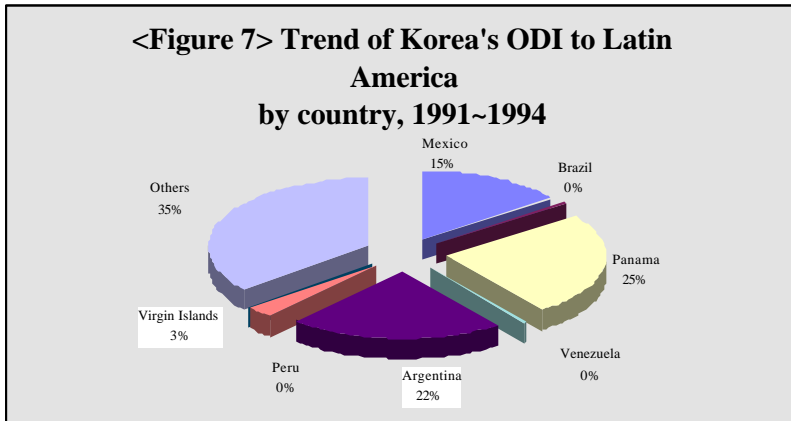
Among others, economic relations between Latin America and Korea constitute a significant dynamic subject and one of the most relevant areas within the frame of transforming interregional relations. Korea has been the most prominent runner-up to Japan in consolidating economic relations with the region in terms of trade and investment in the 1990s. Korea's exports to Latin America increased more quickly than to any other regional export market, while the highly credit-rated Korean conglomerates, or *chaebols*, could afford to make direct investments in Latin America by freely borrowing from the international capital markets. The Korean current-account surplus in 1986, and the subsequent liberalization of overseas direct investments were key factors in expanding production in Central America in the late 1980s and in Mexico in the early 1990s.⁷ As of December 1993, however, there had

⁵ As many industries lacked price competitiveness, foreign direct investment became the alternative practice to substitute domestic production. Within this context, investments made by Korean corporations increased noticeably in Southeast Asia, China, Western Europe as well as in Eastern Europe and Latin America.

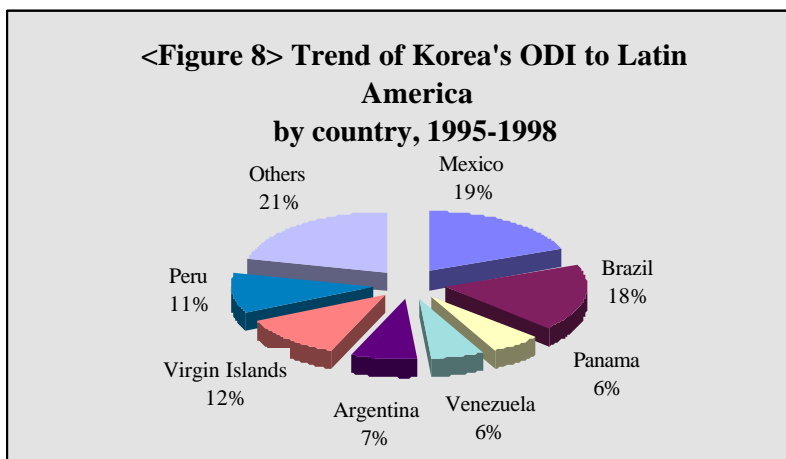
⁶ SELA's Permanent Secretariat, "La Republica Popular China: tendencias economicas e implicaciones para America Latina y el Caribe de la reincorporacion de Hong Kong," 1997.

⁷ See Young Chul Park and Won-Am Park. "Capital Movement, Real Asset Speculation, and Macroeconomic Adjustment in Korea," in Helmut Reisen and Bernard Fisher, eds., *Financial Opening: Policy Issues and Experiences in Developing Countries* (Paris: OECD).

been almost no Korean direct investment in Brazil; since 1995, the first year after the stabilizing Real Plan and the first year of MERCOSUR as a customs union, Korean investors have rushed to Brazil (See Figure 7 and 8).

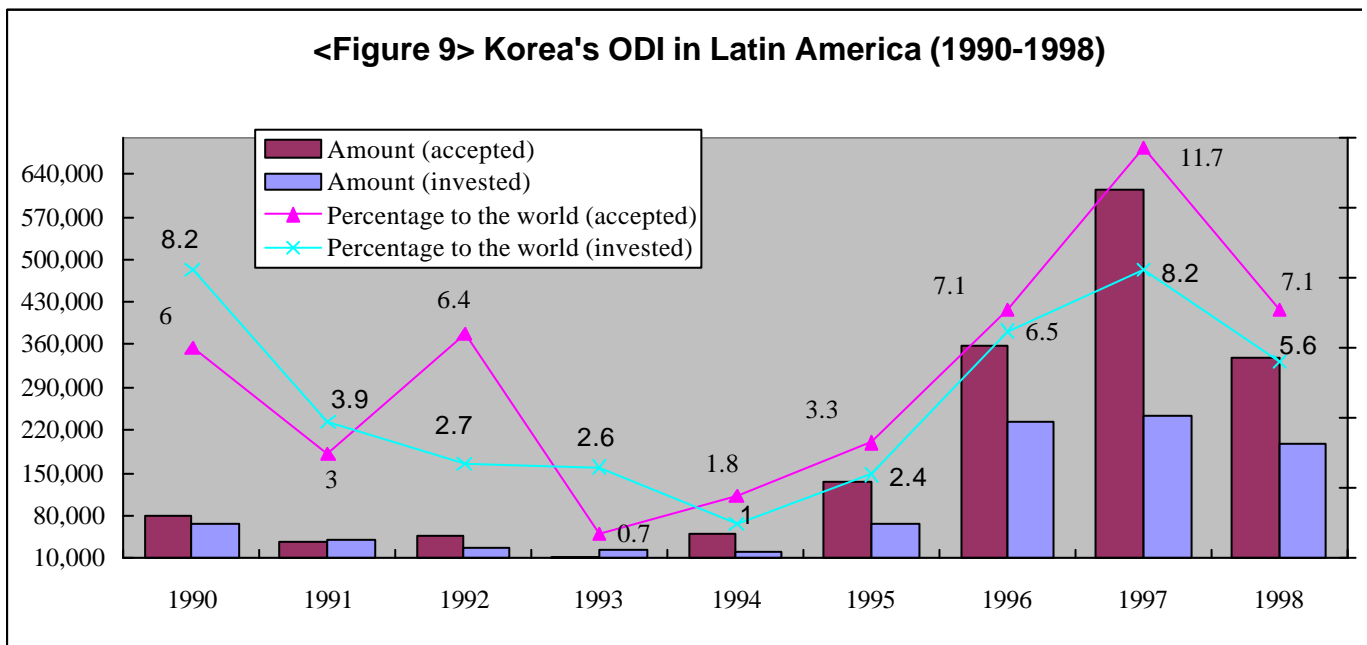


Source: Economic Cooperation Bureau, Ministry of Finance and Economy, *Trends in International Investments and Technology Inducement*. January 31, 1999.

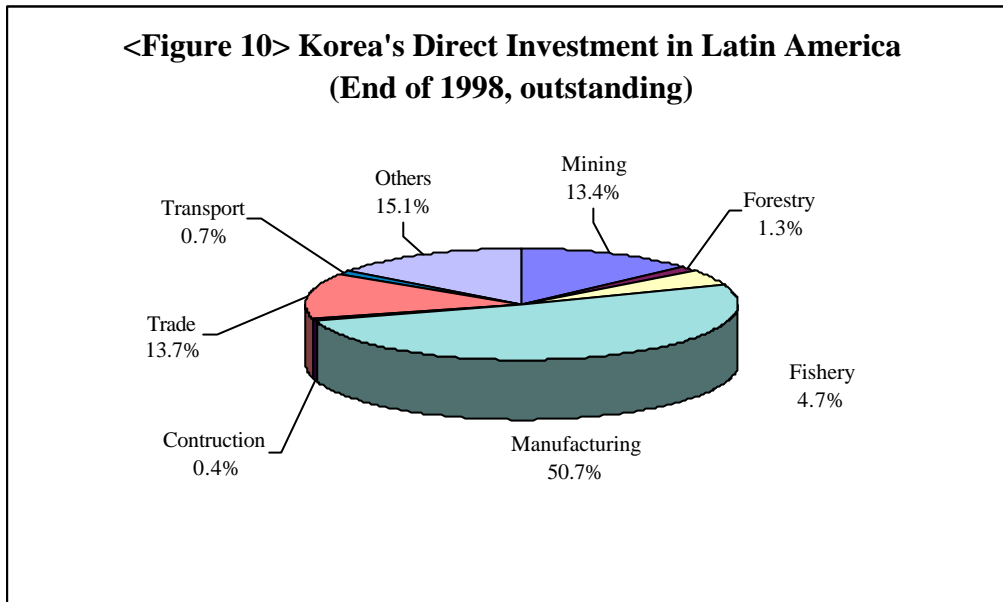


Source: Economic Cooperation Bureau, Ministry of Finance and Economy, *Trends in International Investments and Technology Inducement*. January 31, 1999.

Korean president Kim Young Sam's first-ever state visits to Guatemala, Chile, Argentina, Brazil and Peru in September 1996, and to Mexico in June 1997 (second to a presidential visit in September 1991) reconfirmed Korean entrepreneurs' changed strategy toward the Latin American market. More than a hundred business leaders accompanied him, and announced more than two billion dollars worth of investment projects in the fields of automobile manufacturing, electronic appliances, telecommunications and mining, among others. This signaled a diversification of the investment sectors and greater emphasis on capital and technology-intensive industries, rather than the formerly dominant labor-intensive ones. The next year Korea's investments in Latin America recorded the highest amount in its history, US\$614 million (as of net accepted investments), accounting for a record-high 11.7 percent of Korea's total overseas investments (See Figure 9). Investment was also encouraged by the elimination of the remaining regulations on overseas investments in June 1996 and August 1997. In contrast to Japan and China, whose investments in Latin America focus on resource development, more than half of Korea's direct investments involve manufacturing (See Figure 10).



Source: Economic Cooperation Bureau, Ministry of Finance and Economy, *Trends in International Investments and Technology Inducement*. January 31, 1999.



Source: Economic Cooperation Bureau, Ministry of Finance and Economy, *Trends in International Investments and Technology Inducement*, January 31, 1999.

IMPACT OF THE INTERNATIONAL FINANCIAL CRISIS

The interregional partnership formed between Asia and Latin America in the early 1990s has come into crisis lately. The momentum for expansive trade and intensive investments have become threatened by the financial crisis in Asia first, and then by the contagion of this crisis over Latin America, and finally by policy responses here and there. Factors that led to the financial crisis in Asia were considered under the International Monetary Fund (IMF) bailout programs as: (1) Excessive investment and production; (2) Excessive consumption; (3) Lack of financial supervision; and (4) Favoritism. This assessment signaled a new emphasis on strict financial supervision, which meant that formerly powerful business groups, mostly in the case of Korea, could no longer enjoy political support for their expansionary projects. It was inevitable that the Asian crisis brought about less demand for production inputs, less overseas investments, less demand for

consumption goods, less trade and investment financing, less official development assistance, and less security for existing business relationships. All these meant an inevitable contraction of trade, investment, and development cooperation between Asia and Latin America. Rather, Asian countries would want to increase exports to Latin America as well as to the rest of the world to secure liquidity just as Latin American countries in the early 1980s needed liquidity to service foreign debt and sought to enforce the trade surplus.

What was worse than the 1980s situation, however, was the contagion of this Asian crisis over Latin America. While Latin America was trapped in the debt crisis in the 1980s, Asia was on the boom track. By the end of 1997 such seemed to be the case. The drastic fall in commodity prices and the Russian financial crisis in mid-1998, however, became the fatal blows to Latin American emerging markets such as Brazil and Chile. Brazil finally sought a financial bailout from the IMF in November 1998, and ultimately fell into Mexico-style *real* devaluation and free floating currency in January 1999.⁸

The real threat, at the turning point of the century, was the change of mood between the Asian and Latin American policymaking fronts. As more Asian goods, cheaper with currency devaluations, came on the local markets of Latin America, several Latin American countries erected tariff and non-tariff barriers to restrict Asian imports. It will be the only way to cope, if one wants to evade any currency devaluation, if one's fiscal and monetary adjustments do not look to be enough to correct macroeconomic imbalances. This might signal a new era of conflict and severe competition between Asia and Latin America, ending a short honeymoon and cooperation period.

Such impact may be illustrated by a concrete country case, that of the once Latin America-focusing Korea. The 1997 Asian financial crisis, to which Korea became the last country to succumb, devastated Korea's earlier momentum in establishing an Asian stronghold, second only to Japan's, in Latin America. Korea's financial crisis of November 1997 and the subsequent economic recession had a number of negative implications for Korean-Latin American relations: First, Korean entrepreneurs' aggressive investments in the region were suddenly halted. They

⁸ Developments of the international financial crisis contagion into Latin America are well described in SELA's Permanent Secretariat, "Latin America in the International Financial Crisis," *Capitulos* (Latin American Economic System, Caracas) No. 56 (May-August 1999), pp. 30-65.

suddenly found themselves piled with debts accumulated under their "global management" schemes and surrounded by rather hostile international and domestic creditors. The IMF program and the parallel corporate reform initiatives by the new government altogether worsened *chaebols'* stance on overseas investments. While the government forces *chaebols* to reduce their debt-to-equity ratio to 200 percent or lower in two years, the formerly powerful business groups could no longer expect political support for their expansionary projects. Many promises to invest in Latin America were cancelled, reduced in size or indefinitely postponed. Statistics show that Korea's total investments in Latin America in 1998 decreased by almost half, compared to the previous year (See Figure 9). Among others, the delay of Asia Motors' Bahia project has been controversial. Due to its financial problems, the project has been dormant since the official groundbreaking ceremony of August 1997. Yet Asia Motors could take advantage of the Bahia project to bypass the high tariff barrier to export their vehicles in Brazil. Asia Motors and its major affiliate Kia Motors were later merged with Hyundai Motors, another Korean carmaker. No immediate decision regarding the Bahia project was issued from the new owners, and it soon became an uncomfortable bilateral issue between the two countries.

Second, the Korean currency *won's* devaluation rapidly recuperated Korean products' price competitiveness, and implied a rush on Korean products imported into Latin American markets. In the meantime, as Korea needed liquidity to service foreign debt, the crisis-managing government sought to enforce the trade surplus while encouraging new foreign direct investments. Although the *won's* devaluation of late-November 1997 did not directly result in a sharp increase of Korea's total exports to Latin America, there were apparent sharp increases to several countries and by sectors with some existent penetration tendencies. Such Korean product influx caused sporadic, potential trade frictions though no official dispute has so far erupted. Mexican and Colombian textile industries, for instance, moved to enforce anti-dumping measures, and Colombian automobile makers pushed the Colombian government to make a safeguard decision against alleged damage by Korean car imports.⁹

Third, the Korean recession meant a sharp reduction in imports. Traditionally, Korea had imported from Latin America primary products such as iron ore, copper,

⁹ A Korean trade delegation was sent to Mexico and Colombia to moderate possible import restriction measures in April 1998.

steel, aluminium, pulp, and agricultural products, etc. As many factories were brought to a halt, or operated far under capacity in credit crunch, the demand for raw materials and intermediate goods experienced a drastic contraction. In 1998, imports from the region decreased 46.1 percent (See Table 13). The sharp decrease in imports and the moderate 2.3 percent increase of exports combined to widen trade imbalance in Korea's favor, which amounted to US\$6,670 million in 1998 as compared with US\$4,592 million in 1997.

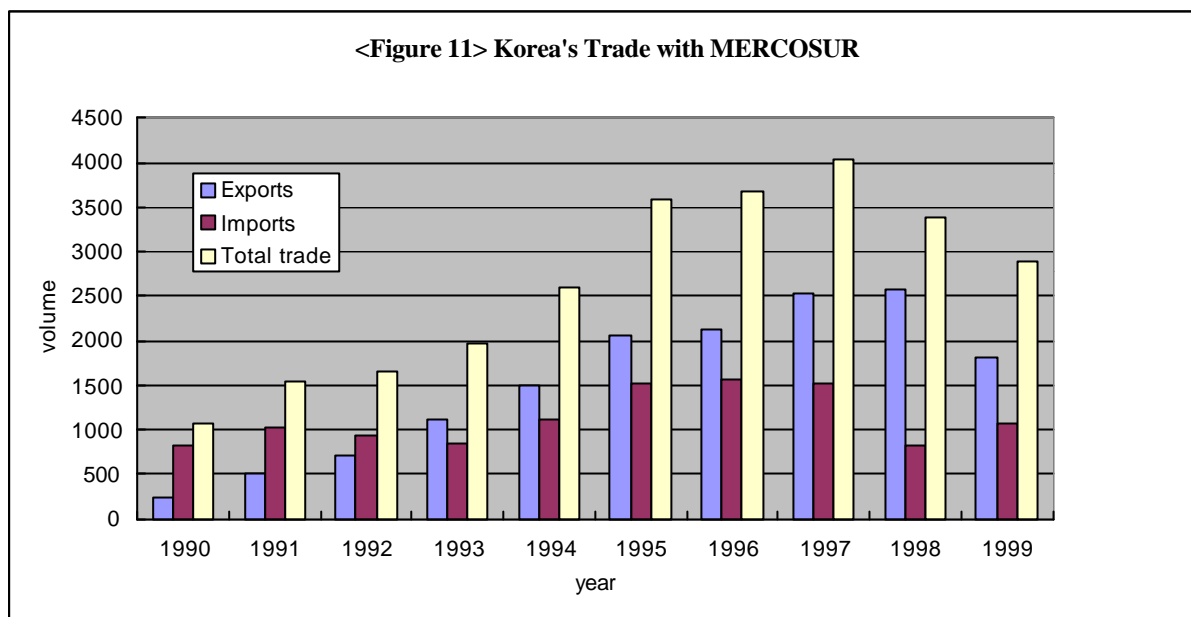
Finally but not the least, Korean-Latin American economic relations have had a hard time coping with the preventive adjustments and economic recession in Latin America, and the more recent spread of the international financial crisis to the region. The preventive austerity and recession in South America's major countries such as Brazil, Argentina, and Chile has meant a decrease in the demand for Korean capital and consumer goods. This is clearly shown in Figure 11. Although Korea's total trade with Latin America in 1999 registered slightly higher than that of the previous year, its trade with MERCOSUR suffered 15 percent decrease due to a 30 percent plunge of exports. This reduction in the imports, and the proportional increase in exports from MERCOSUR after Brazil's real devaluation is interestingly contrasted to what happened in the previous year after the Korean won devaluation.

<Table 13> Korea's Trade with Latin America
(Unit: \$million, %)

	Exports			Imports			Total Trade			Balance
	Total (A)	To Latin America (B)	(B/A)	Total (C)	From Latin America (D)	(D/C)	(A+C)	(B+D)	(B+D)/(A+C)	(B-D)
1964	119	0.3 (-)	0.3	404	1.5 (-)	0.4	523	2.3 (-)	0.4	-1.2
1965	175	0.4 (33.3)	0.2	463	2.2 (46.7)	0.5	638	2.4 (4.3)	0.4	-1.8
1966	250	0.9(125.0)	0.4	716	4.2 (90.9)	0.6	966	4.9(104.2)	0.5	-3.3
1967	320	0.8(-11.1)	0.3	996	4.2 (0)	0.4	1,316	4.8 (-2.0)	0.4	-3.4
1968	445	1.5 (87.5)	0.3	1,463	3.5(-16.7)	0.2	1,908	5.0 (4.2)	0.3	-2.0
1969	623	5.3(253.3)	0.9	1,824	7.5(114.3)	0.4	2,447	13(160.0)	0.5	-2.2
1970	835	4.2(-20.8)	0.5	1,984	6.6(-12.0)	0.3	2,819	11(-15.4)	0.4	-2.4
1971	1,068	9.2(119.0)	0.9	2,394	13 (97.0)	0.5	3,462	22(100.0)	0.6	-3.8
1972	1,624	13 (41.3)	0.8	2,522	7(-46.2)	0.3	4,146	20 (-9.1)	0.5	6
1973	3,225	54(315.4)	1.7	4,240	14(100.0)	0.3	7,465	68(240.0)	0.9	40
1974	4,460	85 (57.4)	1.9	6,852	144(928.6)	2.1	11,312	229(236.8)	2.0	-59
1975	5,081	49(-42.4)	1.0	7,274	51(-64.6)	0.7	12,355	100(-56.3)	0.8	-2
1976	7,715	62 (26.5)	0.8	8,774	164(221.6)	1.9	16,489	226(126.0)	1.4	-102
1977	10,046	177(185.5)	1.8	10,811	89(-45.7)	0.8	20,857	266 (17.7)	1.3	88
1978	12,711	243 (37.3)	1.9	14,972	172 (93.3)	1.1	27,683	415 (56.0)	1.5	71
1979	15,055	355 (46.1)	2.4	20,339	296 (72.1)	1.5	25,394	651 (56.9)	2.6	59
1980	17,505	492 (38.6)	2.8	22,292	369 (24.7)	1.7	39,797	861 (32.3)	2.2	123
1981	21,254	808 (64.2)	3.8	26,131	724 (96.2)	2.8	47,385	1,532 (77.9)	3.2	84
1982	21,853	740 (-8.4)	3.4	24,251	1,001 (38.3)	4.1	46,104	1,741 (13.6)	3.8	-261
1983	24,445	509(-31.2)	2.1	26,192	984 (-1.7)	3.8	50,637	1,493(-14.2)	2.9	-475
1984	29,245	1,079(112.0)	3.7	30,631	1,419 (44.2)	4.6	59,876	2,498 (67.3)	4.2	-340
1985	30,283	1,078 (-0.1)	3.6	31,136	1,859 (31.0)	6.0	61,419	2,937 (17.6)	4.8	-781
1986	34,714	906(-16.0)	2.6	31,584	1,258(-32.3)	4.0	66,298	2,164(-26.3)	3.3	-352
1987	47,281	1,224 (35.1)	2.6	41,020	1,184 (-5.9)	2.9	88,301	2,408 (11.3)	2.7	40
1988	60,696	1,597 (30.5)	2.6	51,811	1,444 (22.0)	2.8	112,507	3,041 (26.3)	2.7	153
1989	62,377	1,738 (8.8)	2.8	61,465	1,544 (6.9)	2.5	123,842	3,282 (7.9)	2.7	194
1990	65,016	2,102 (21.0)	3.2	69,844	1,726 (11.8)	2.5	134,860	3,828 (16.6)	2.8	376
1991	71,870	2,860 (36.1)	4.0	81,525	2,296 (33.0)	2.8	153,395	5,156 (34.7)	3.4	564
1992	76,632	4,962 (73.5)	6.5	81,775	2,521 (9.8)	3.1	158,407	7,483 (45.1)	4.7	2,441
1993	82,236	4,922 (-0.8)	6.0	83,800	2,384 (-5.4)	2.8	166,036	7,306 (-2.4)	4.4	2,538
1994	96,013	6,430 (30.6)	6.7	102,348	3,280 (37.6)	3.2	198,361	9,710 (32.9)	4.9	3,150
1995	125,058	7,370 (14.6)	5.9	135,119	3,964 (20.9)	2.9	260,177	11,334 (16.7)	4.4	3,406
1996	129,715	8,961 (21.6)	6.0	150,339	4,392 (10.8)	2.9	280,054	13,353 (17.8)	4.8	4,569
1997	136,164	8,668 (-3.3)	6.4	144,616	4,076 (-7.2)	2.8	280,780	12,744 (-4.6)	4.5	4,592
1998	132,313	8,867(2.3)	6.7	93,282	2,197(-46.1)	2.4	225,595	11,064(-13.2)	4.9	6,670
1999	143,685	8,645(-2.5)	6.0	119,752	2,865(30.4)	2.4	263,437	11,510(4.0)	4.4	5,780

* Variations in parentheses.

Source: Korea Trade Information Service (KOTIS), 2000.



Source: Korea Trade Information Service (KOTIS), 2000.

CHALLENGES AHEAD

What is reviewed here implies that Asian-Latin American relations are at a crossroads. The early 1990s partnership was enough to promise a cooperative future, but the recent international financial turmoil smacks of a return to the past. The question now is where do Asian-Latin American relations go from here. Do the recent troubles mean an end to the short honeymoon? Or, is the recent setback a mere bump in the road to a deepening relationship? Formerly, Asian investments in Latin America were "pulled" by the economic boom and regional integration in Latin America and "pushed" by high Asian production costs, market-seeking, and a corporate strategy that emphasized globalization. However, the international financial crisis and contagion cast a doubt about the perpetuation of those push and pull factors. Further, the low development of non-economic contacts between the two regions contributes to the fragile relationship. The lack of a widespread mutual cultural understanding and the end of the Cold War lessened the propensity for political cohesion. The immature institutionalization of Asian-Latin American relations is also responsible for the vulnerability of the boom and bust economic relations. All of this implies a negative fallout for Asian-Latin American economic relations even in the shorter and medium-term perspective.

The return of a crisis mood in Latin America, moreover, has reminded many Asian entrepreneurs and policymakers, who had recently had high expectations for a regional boom, of the notorious 1980s' debt crisis. Such a haunting chronic image of the region dissuaded them from their previously aggressive activity and investment in Latin America. In this context, a weakening of both regions' interdependence is anticipated although both regions desperately aspire to realize diversification of their international trade and investment structures. Trade restrictions on the part of Latin America, combined with Asia's contracted demand for Latin American goods and lack of investment resources, will see a deterioration in both regions' dependence on industrial markets. Furthermore, conflict between Asian and Latin American interests would lead to a further weakening of both regions' international political stance vis-à-vis the G-7.

However, on the backdrop of a crisis should there be an opportunity. Strategists may be aware that dependence and loss of economic sovereignty caused by the IMF conditionalities are the two evils that Asia and Latin America want to evade for their utmost goal: development. Hence, there is every reason to find each other as real partners at this critical juncture of history. For mutual prosperity both regions would need to act more positively rather than passively. As a matter of fact, there have been various occasions in recent years where the institutionalization of the interregional cooperation between Asia and Latin America was pronounced. The recent tendency towards strengthening the interregional relations was genuine, as can be seen in the slogan "Trans-Pacific Cooperation" at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC) in Santiago, Chile, September 1997; and in the subsequent Meeting of Latin American and Asian Ministers of Economy and/or Trade and Industry in Santiago, October 1997. The Latin American Economic System (SELA), a regional think tank organization, convened an interregional forum in Santiago, September 1997, and in Tokyo, January 1999. In October 1998, Singaporean Premier Go Chok Tong proposed, to Chilean President Eduardo Frei, that an interregional summit be held, the East Asian-Latin American Forum (EALAF). Consequently, a Meeting of Officials to prepare the EALAF summit was held in early September 1999 in Singapore to "Bridge the Missing Link" between the two regions. A seminar on interregional cooperation in trade and investments between Asia and Latin America was held) in Bangkok, in February 2000, by the initiative of the United Nations Economic and Social

Commission for Asia and the Pacific (UN-ESCAP), and in cooperation with Economic Commission for Latin America and the Caribbean (UN-ECLAC).

This trend confirms the awareness of the importance of the interregional cooperation between the Asia-Pacific and Latin America. Particularly, the EALAF initiative has attracted considerable attention. Yet whether it will ultimately bear fruit or not is still unclear. Most of the earlier attempts never reached beyond the rhetorical level. For example, in the 1997 Santiago Ministers' meeting, only the Korean minister of trade participated from Asia as a minister, and the promised second meeting to be held in Cartagena, Colombia in 1998 never materialized. The author believes that is because many of such initiatives are based on rosy understanding of the interregional relations.

First, one cannot rely on such romanticism as the old “south-south cooperation” ideals in promoting the interregional relations. Contemporary trade regimes in the two regions do not fit the original intentions of the south-south cooperation. Due to trade liberalization, open regionalism, and multilateral moves, the two regions can be prosperous only when their economies are globalized. In this sense, the need of cooperation between the two regions comes from the trend of interregionalism as bridge between regionalism and multilateralism, rather than from nostalgia for south-south cooperation. Asia and Latin America just happen to be regions, traditionally considered as ‘south’; but they deserve joining the interregional cooperation trend worldwide: North America and East Asia (within the framework of APEC), East Asia and Europe (Asia-Europe Meeting: ASEM), Europe and North America, and North America and Latin America (Free Trade Area of the Americas: FTAA).

This point should a bottom line under the current international political economy. The United States did not want to let either of the two regions form their own economic bloc, for instance, the East Asian Economic Caucus (EAEC) as pronounced by Malaysian Premier Mahatir Mohamad, or the activation of any Latin America-wide regional economic cooperation without U.S. presence. Thus, the U.S. promoted APEC and FTAA initiatives simultaneously. Neither did the U.S. want to integrate itself with any region of Asia and Latin America at the expense of the other. It also supported Latin American countries to become members of APEC, and one saw the successive accession of Latin American economies into APEC: Mexico (1993), Chile (1994), and Peru (1997). Although APEC develops with the limited

participation of Latin American economies, there is no denying the ever-growing sense of partnership between the Asian and Latin American economies within APEC. The question now is how to deal with the U.S. transpacific strategy in developing the institutionalization of Asia-Latin America cooperation. Following the interregional cooperation trend worldwide described as above should the answer to this international political economic problem vis-à-vis the U.S. as well as multilateralism.

Second, in such meetings the Latin American side has been more excited than its Asian counterparts. The reason why is very clear: asymmetries between Asia and Latin America. The population, economic output, and trade volume of Asia is much bigger than those of Latin America. The interregional trade has never surpassed three percent in Asia's total, as compared with up to twelve percent in Latin America's total (See Figure 1 and 2). Latin America's investments in the Asian region are almost negligible while Asian investors have been more and more aggressive in Latin America. Latin America is more homogeneous while Asia is highly heterogeneous in terms of culture, history, and political economy. This enables Latin American policymakers at different levels to often meet to discuss their extra-regional relations through the Rio Group or other regional mechanisms, and handily agree to the need to promote an international program such as cooperation with Asian countries. However, an Asian identity is hardly defined and there cannot exist such a level of coordination, especially among the Northeast Asian countries.

CONCLUSION

The international financial crisis and its contagion, together with the resulting trade policy responses, set back a promising expansion of trade and intensifying investment relations between Asia and Latin America in the short term. They substantially reduced investment financing, overseas investments, and demand for production inputs, and lowered security for existing business relationships. In the longer and medium term, however, the crisis opened and widened the opportunity and space for better mutual *understanding, strategic cooperation or alliance, and institutionalization* by resembling the economic model, political and socioeconomic challenges at both domestic and international fronts.

First, Asia's first serious financial crisis since the late 1970s/early 1980s served as the momentum for the enhanced awareness of the interdependence on each

other. One region has come to *understand* the dynamics of the liberalized trade regime that has brought about the sharp increase of trade with the other, and that has been vulnerable to the financial situation and policy responses by the other. At the same time, the Asian crisis can find parallels in most Latin American economies that have accumulated more than ten years of experience with financial crisis. Both of them may want to share development experiences while facing the common challenge of globalization. This improves the mutual understanding of economic situation and sociopolitical problems, and opens the way to remodeling interregional relations.

Second, such awareness of interdependence promotes *strategic alliance* between the two regions. One of the immediate outcomes was the free trade initiatives between South Korea and Chile, and between Japan and Mexico. "Free trade" is a brand-new item on the Korean and Japanese policy agenda, and is the product of the latest wave of liberalization and interregional trade. Regardless of whether the Korean and Japanese negotiators take into account their relations with Latin America as a whole, and of whether other Latin American countries positively view the bilateral free trade initiatives, the ultimate Korea-Chile and Japan-Mexico free trade arrangements, unusual between countries remote from each other, will represent a new momentum for Asia's presence in Latin America and for redefining strategy in its relationship with the region. Additionally, the Korean and Japanese bilateral free-trade initiatives toward Latin America may ultimately intensify the intra-industrial trade and cooperation.

Third, the contemporary contagion of the international crisis has been a shared challenge to most emerging markets. Especially, a "new international financial architecture" calls for more strategic thinking on the part of emerging market policymakers. They may want to act jointly in the global financial restructuring. A premise for all this is the institutionalization of interregional cooperation. The implication of the EALAF proposal is the *institutionalization* of Asian-Latin American relations. Given the traditionally low profile of Latin America in the Asian policymaking framework of international relations and *vice versa*, momentum for strengthened economic relations might have been maintained if they had been well institutionalized. Unfortunately, the crisis occurred before all these institutionalizing efforts could mature. Thus, the international discussion on Asia-Latin America inter-regional talks may wander around several different themes, sometimes rhetorically based. The success of such institutionalization, however, will depend on realization,

identification and harmonization of mutual interests, problems to solve, realistic methods in the globalized context.

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