



Asia-Pacific and Latin America: STRENGTHENING BI-REGIONAL TRADE AND COOPERATION



Dr. Mia Mikic
Chief, Trade Policy and Analysis
Section,
Trade and Investment Division,
ESCAP
mikic@un.org

Outline

- Current state of bi-regional trade
- What are the key obstacles of current forms of bi-regional cooperation
- Exploring cooperation opportunities
- Role of ESCAP and its initiatives

Why promote South-South trade and cooperation?

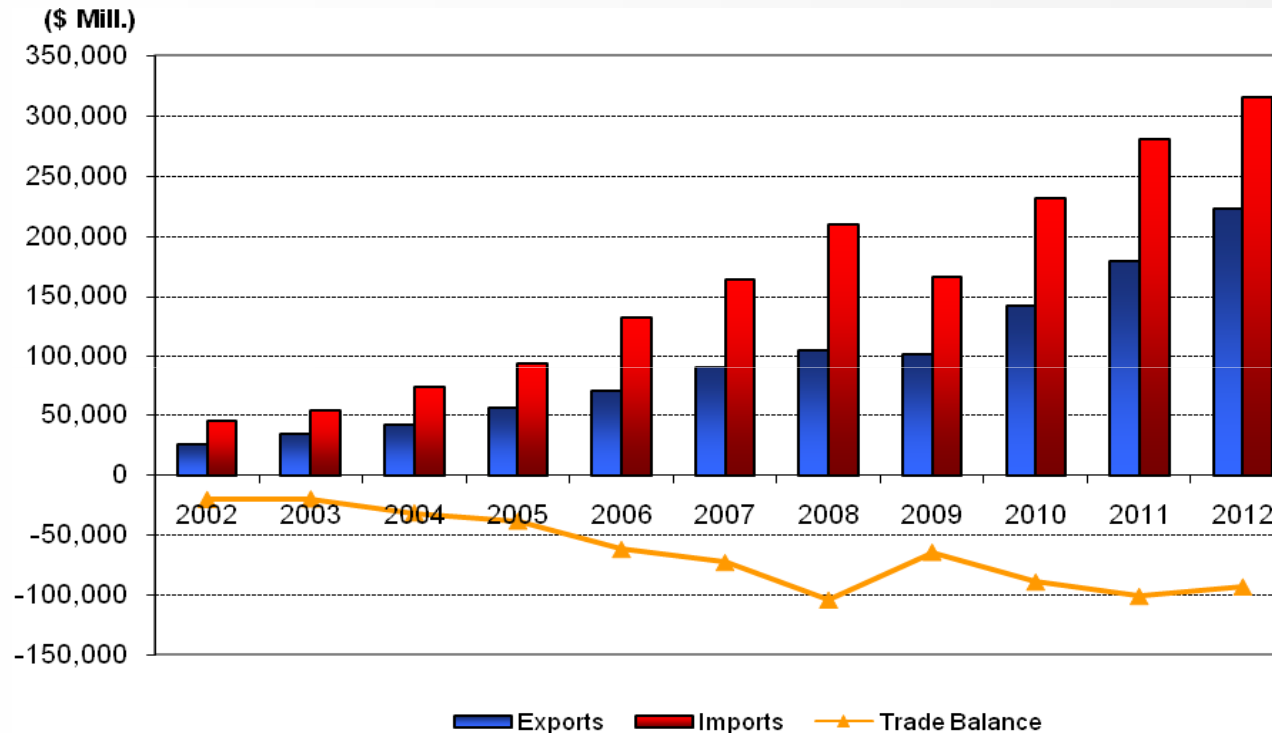
- Since 1990 South-South trade has grown at almost twice the rate of world trade.
- Larger export potential for developing countries are found in the other developing country markets than in the traditional export markets
- More than 70% of global South-South trade is attributed to intra-Asian trade.

Benefits of South-South trade

- South-South trade provides economic diversification as seen by their resilience to the GFC
- Pro-poor growth where the poor are the engines of growth is important to both regions
- Often, the challenges faced by trading partners are similar - potential for mutually beneficial cooperation and development

Current State of Bi-regional Trade

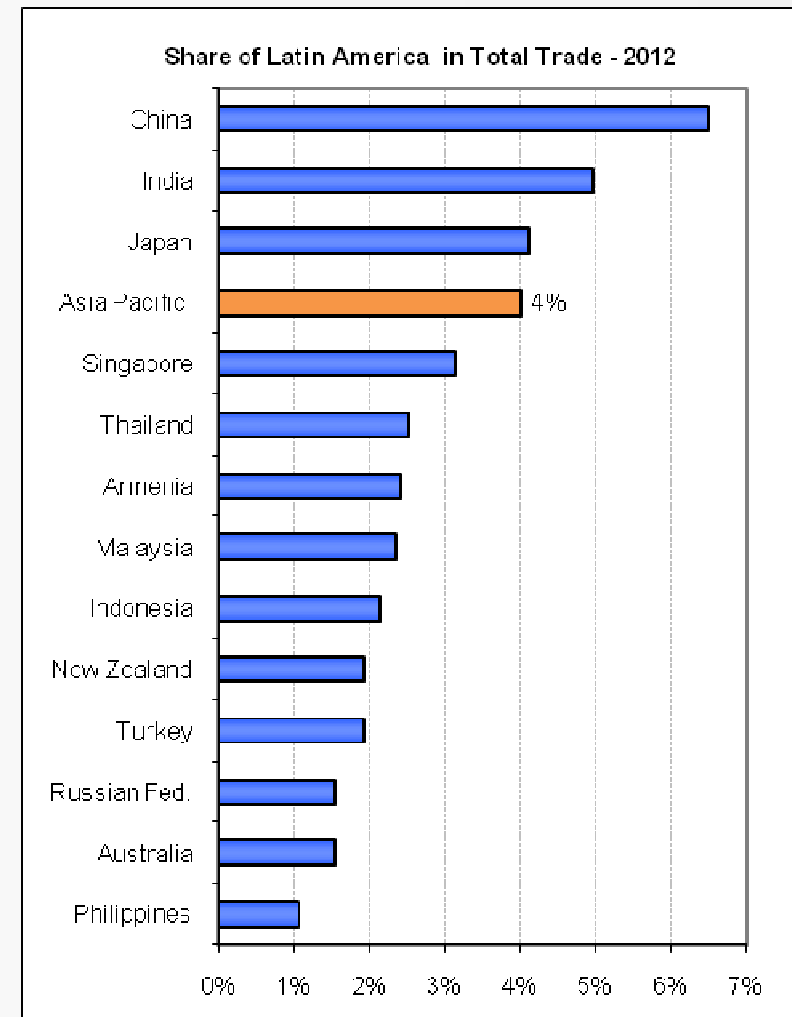
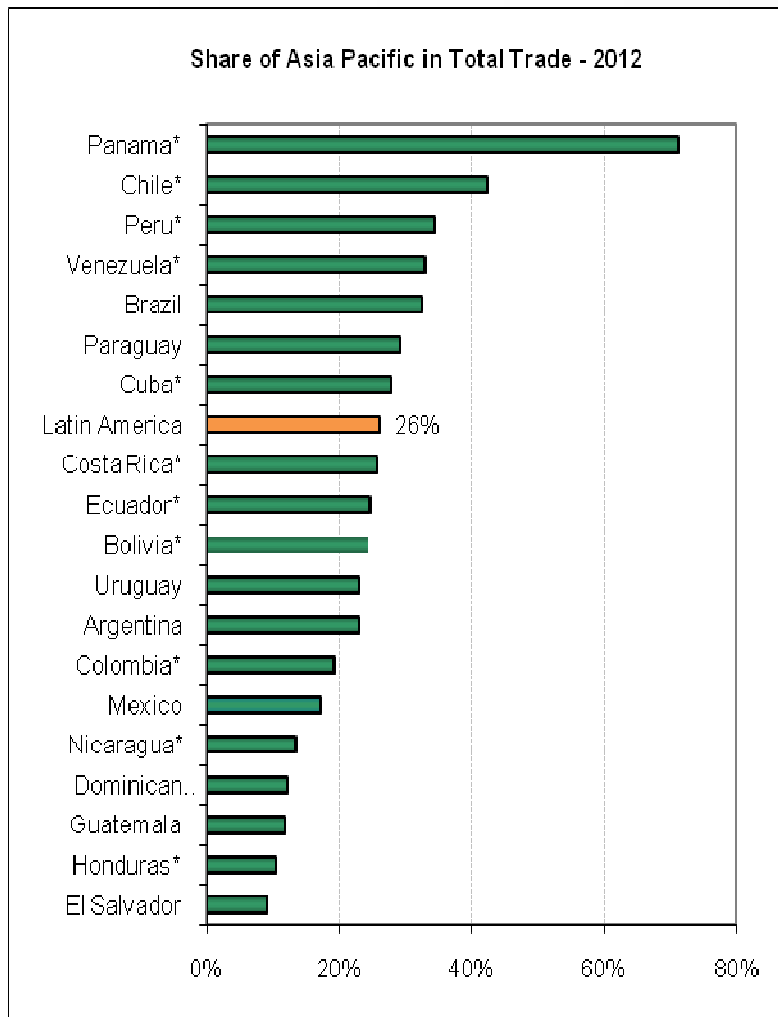
Trade surge



Source: Comtrade

Trade between Asia-Pacific and Latin America has followed a positive trend and registered accelerated growth from 2002 to 2012 with expected bump during 2008/09.

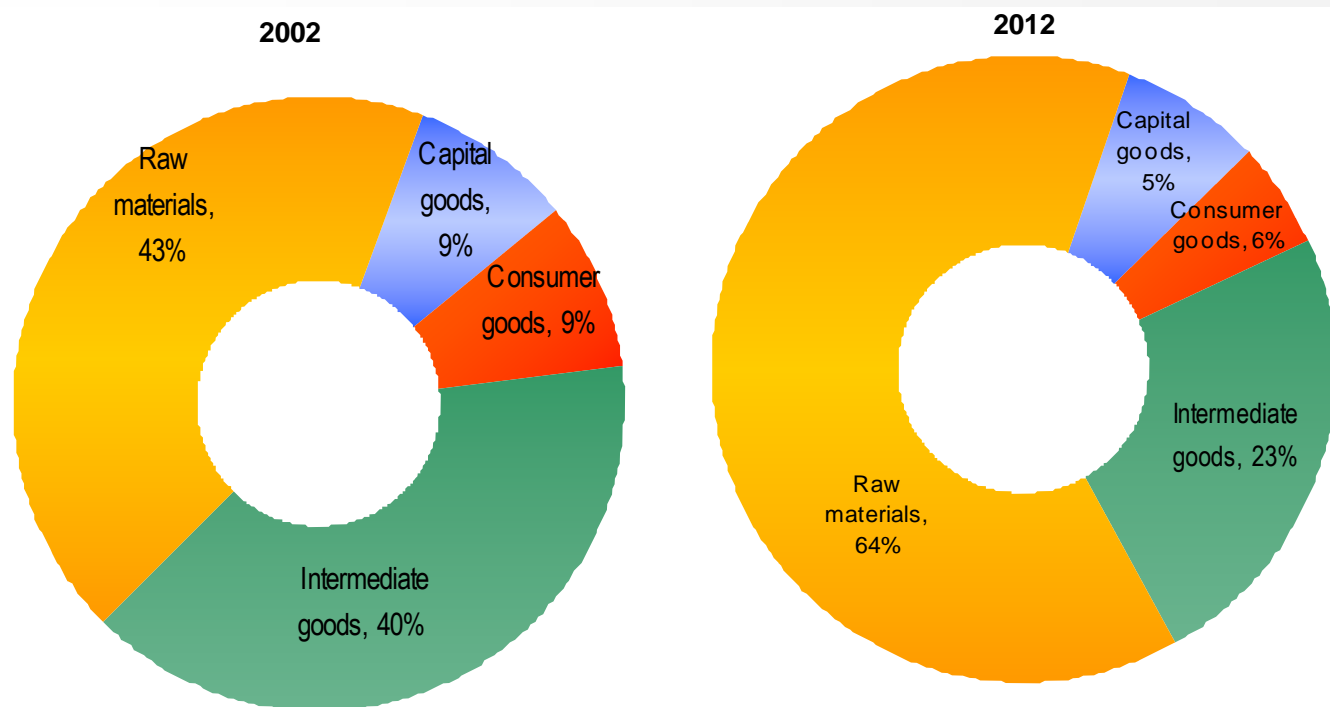
Trade shares: asymmetric



* Problems with some mirror data

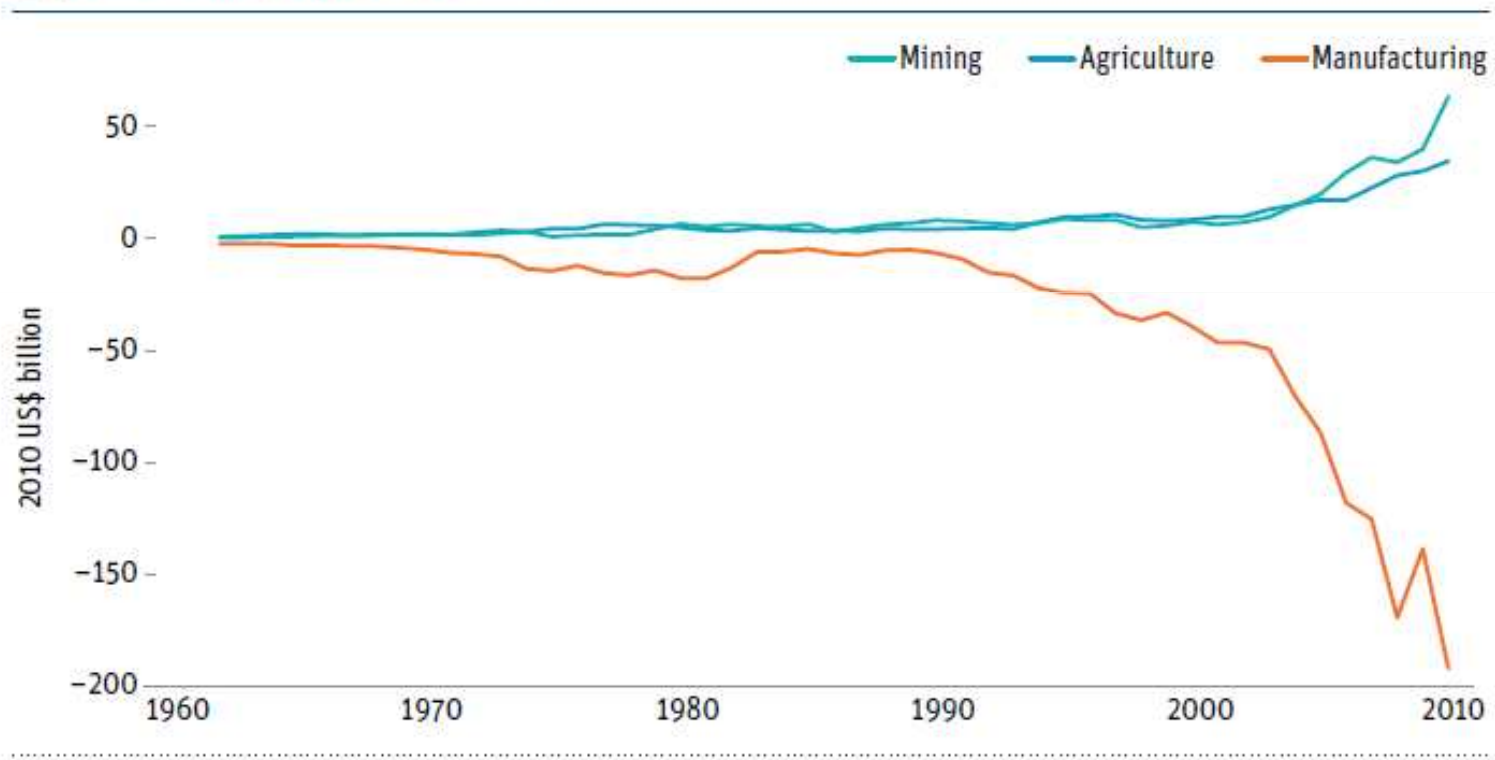
Latin-America: supplier of raw materials

- Exports from Latin America to Asia-Pacific concentrated in raw materials and intermediate goods



Net exports from LA to Asia

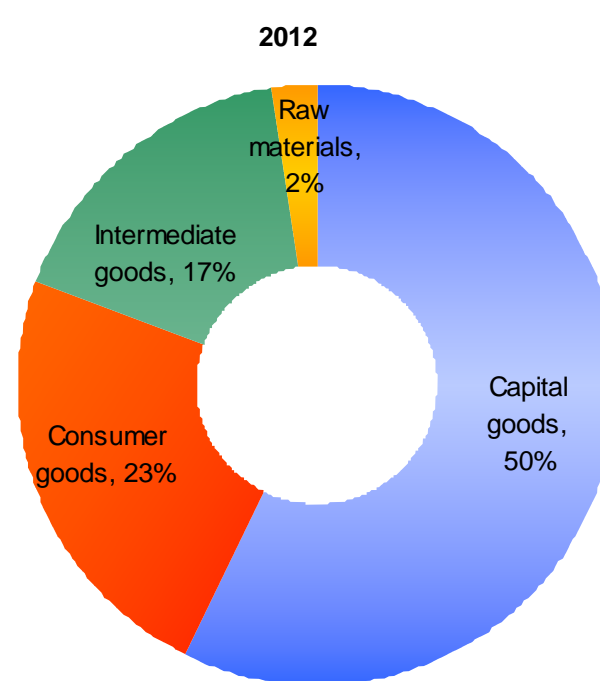
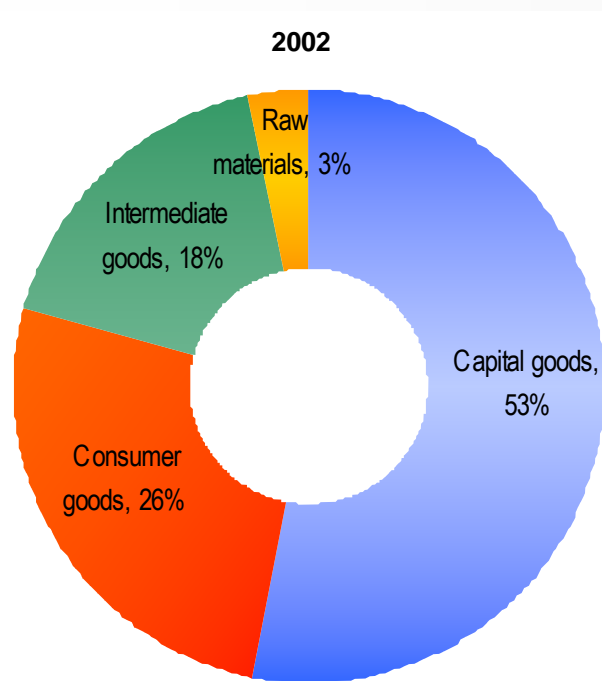
By product category, 1962-2010



Source: ADBI & IDB, 2012

Asia: supplier of industrial goods

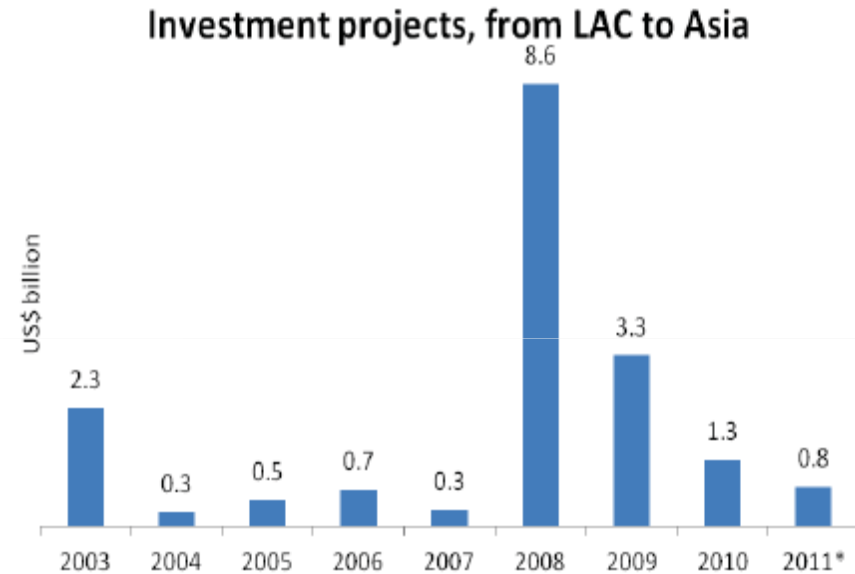
- Imports of Latin America from Asia-Pacific mostly consist of capital and consumer goods



Foreign Direct Investment

- United States and European Union remain the main investors in LAC but Asia-Pacific's share is growing - led by Chinese FDI
- Latin American countries have invested close to \$11 billion in the East Asian and ASEAN countries between 2003 and 2012

FDI flows: also asymmetric

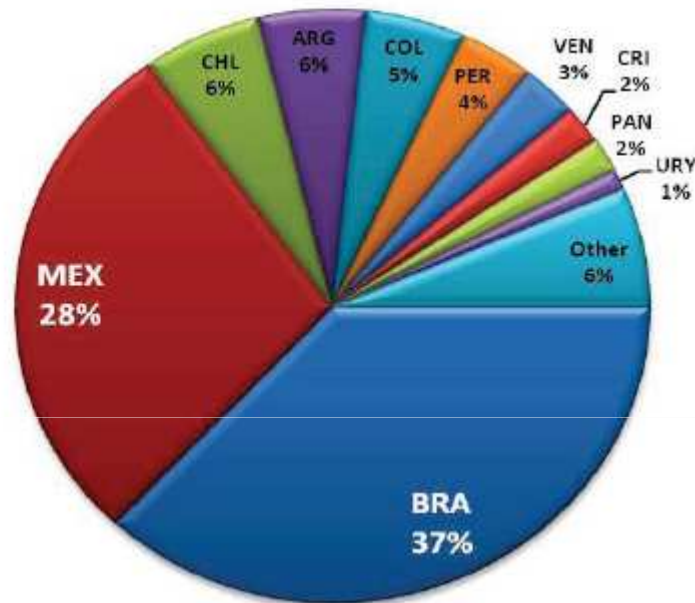


* 2011 data is only up to August.

Source: *Antoni Estevadeordal* (2012)

Cross-regional FDI is still heavily concentrated in the large countries

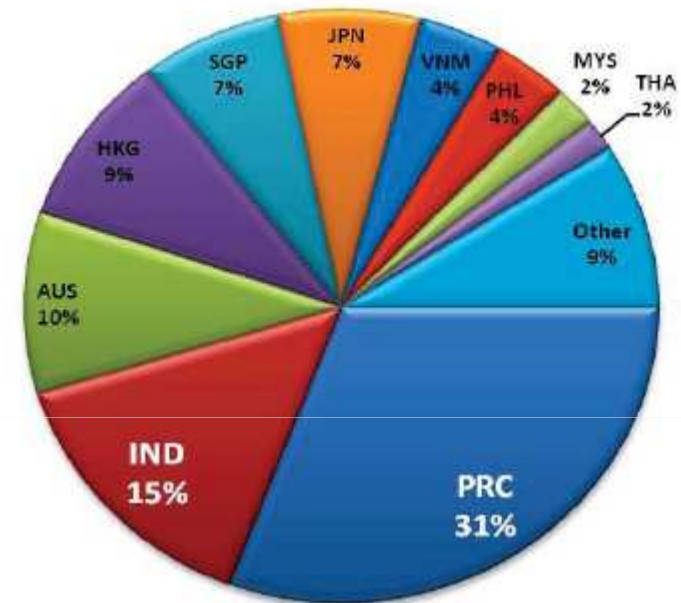
Destination of investment projects



Asia to LAC

of which:

Japan	39%
PRC	14%
India	14%
Republic of Korea	11%
Australia	8%
Others	13%

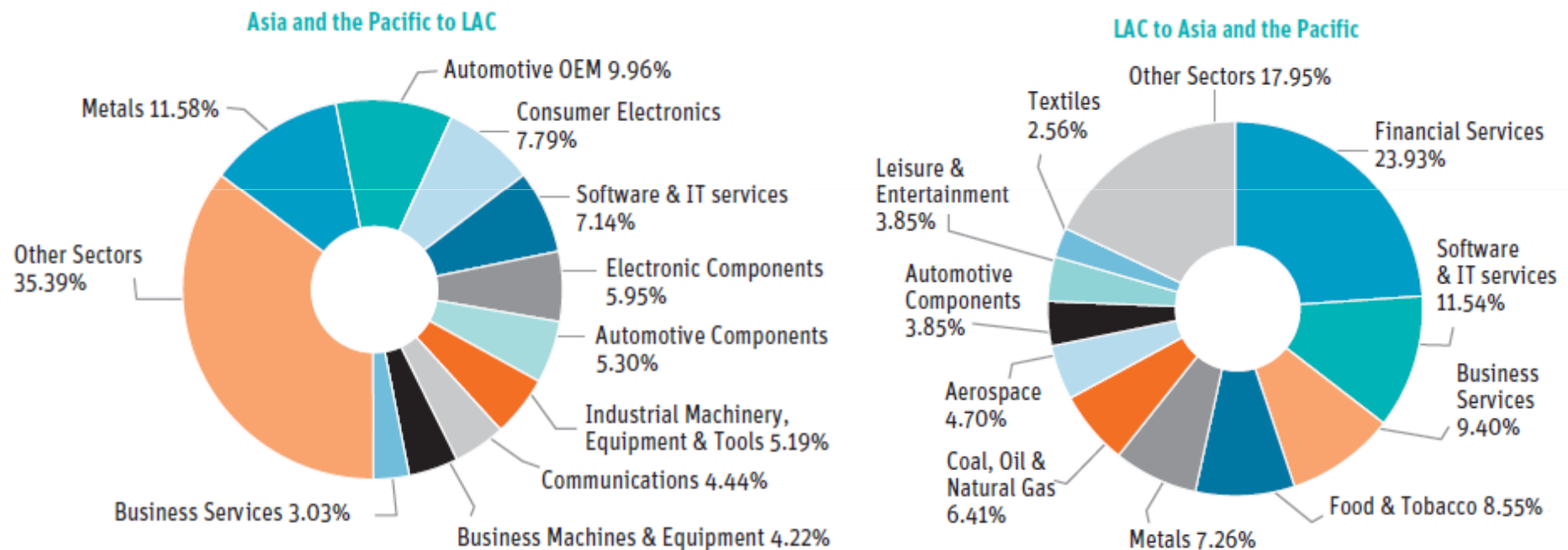


LAC to Asia

of which:

Brazil	50%
Mexico	19%
Chile	12%
Panama	4%
Venezuela	4%
Others	11%

Concentration by sector



Source: ADBI & IDB, 2012

Key Obstacles



Tariffs and trade barriers

Asia's tariffs on LAC's exports (%)

Sector	ASEAN			East Asia			South Asia		
	Caribbean	C. America	S. America	Caribbean	C. America	S. America	Caribbean	C. America	S. America
Mining	0	2	1	0	2	1	8	4	4
Agriculture	17	13	7	16	10	9	38	55	21
Manufactures	5	8	7	5	6	5	11	17	13

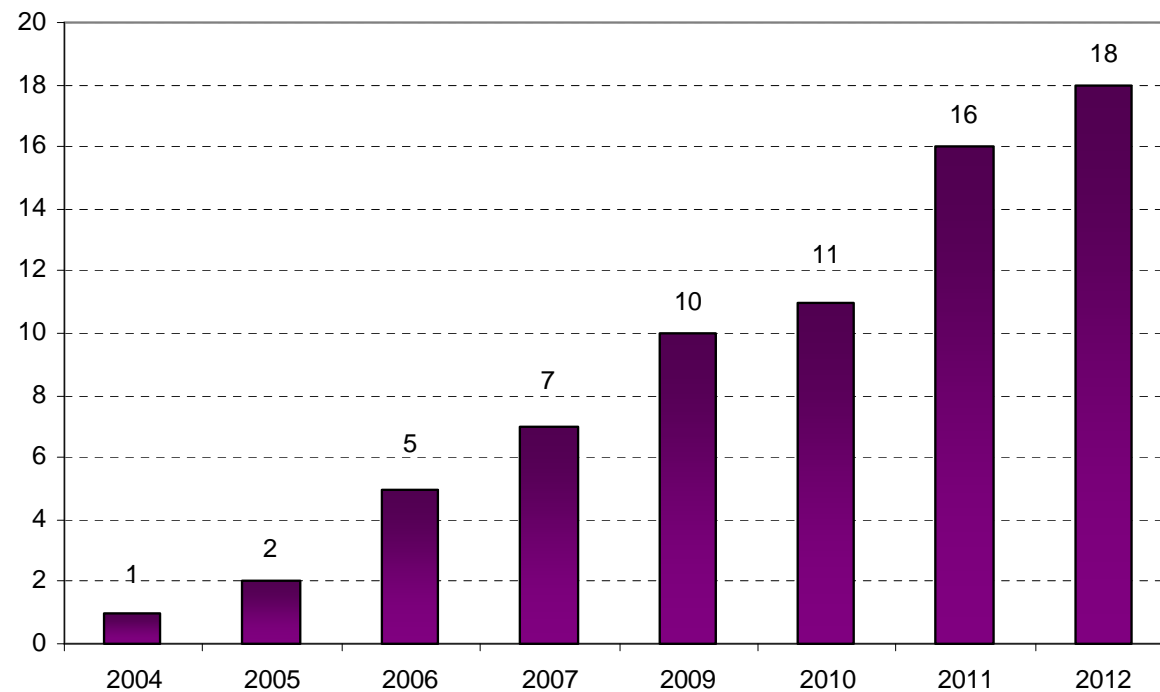
LAC's tariffs on Asia's exports (%)

Sector	Caribbean			Central America			South America		
	ASEAN	East Asia	South Asia	ASEAN	East Asia	South Asia	ASEAN	East Asia	South Asia
Mining	7	5	6	4	5	4	6	6	4
Agriculture	16	13	17	10	13	14	11	11	14
Manufactures	10	11	17	6	7	10	8	11	15

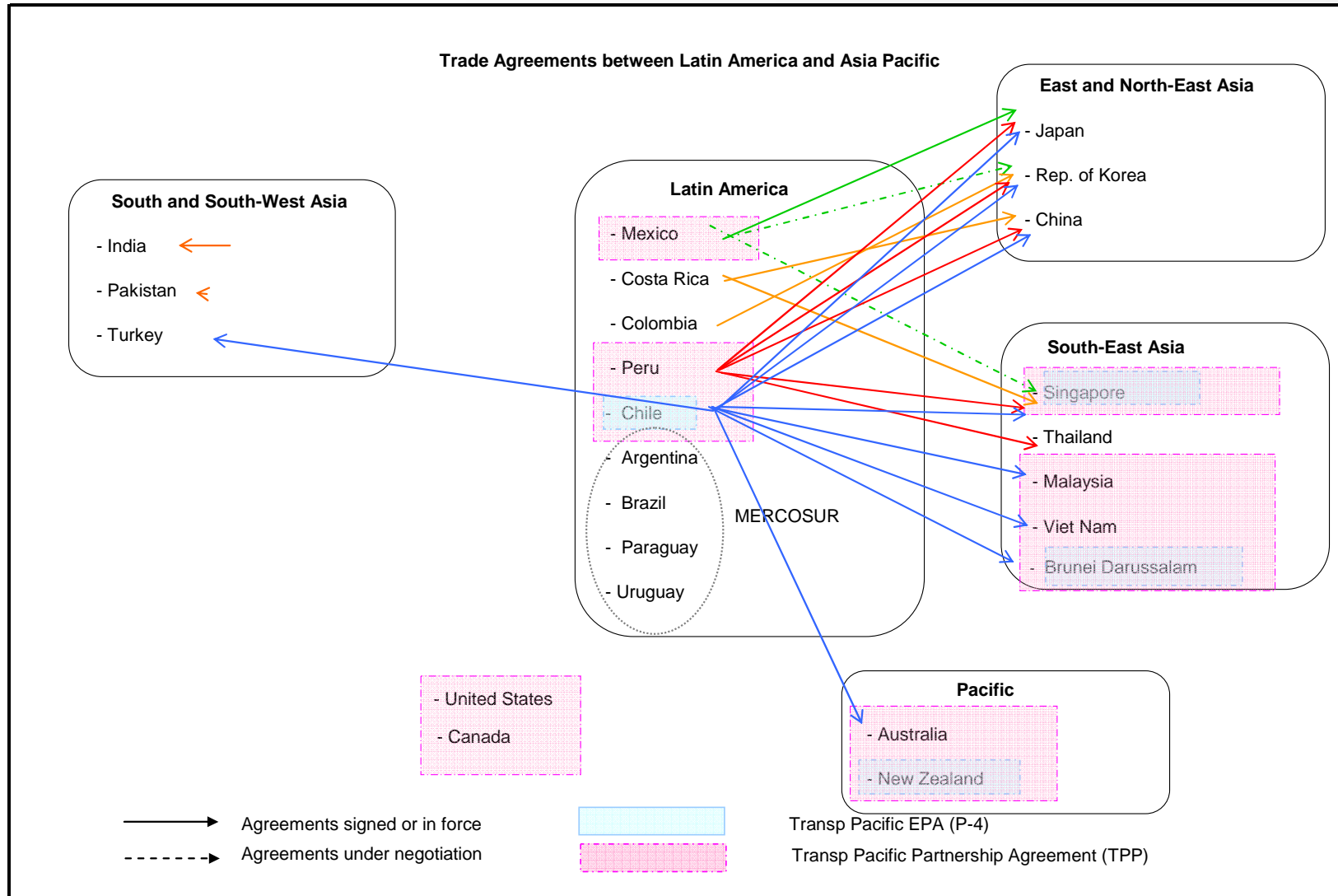
Source: *Antoni Estevadeordal* (2012)

FTAs could be the way out

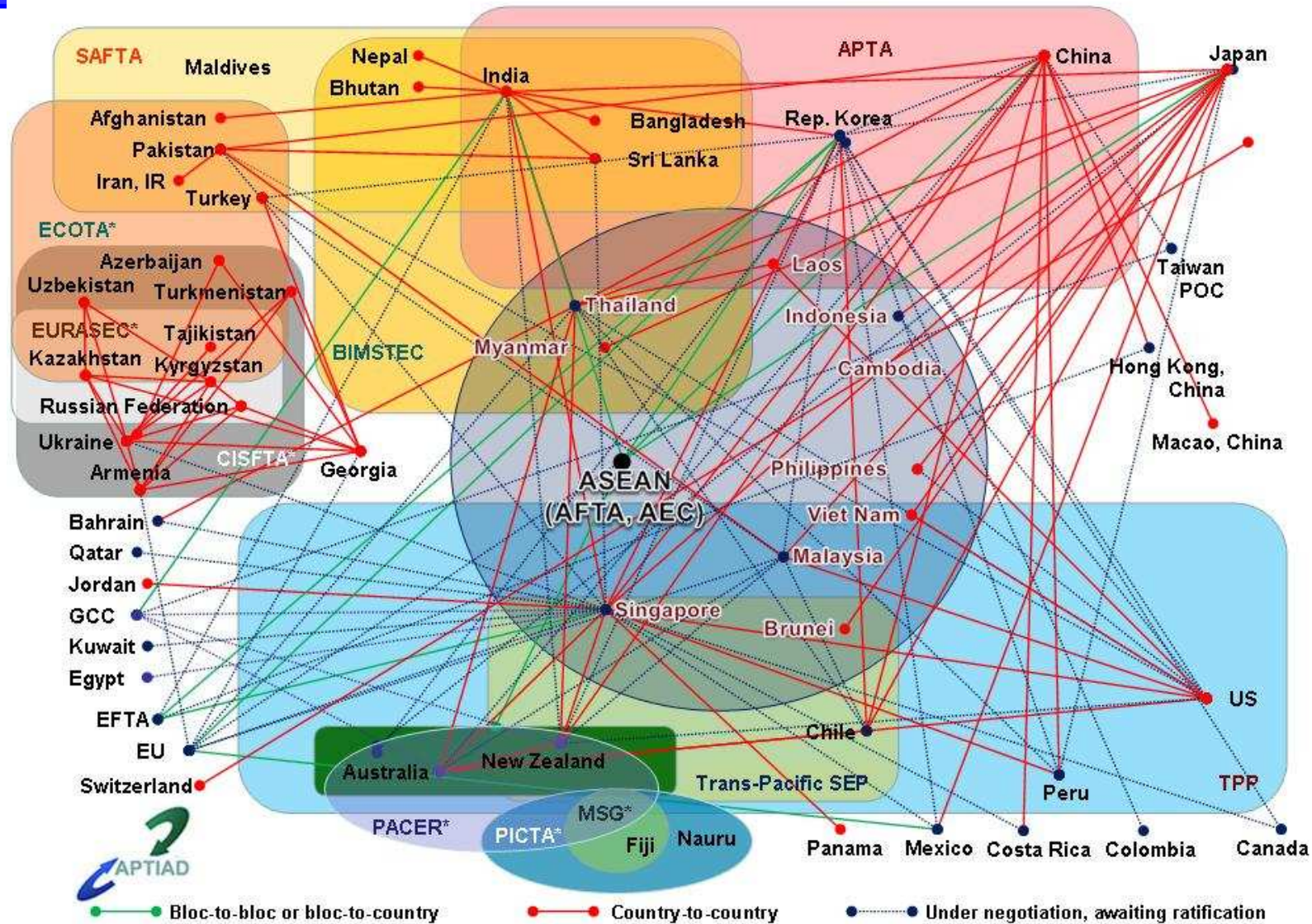
- FTAs between Latin America and Asia-Pacific have increased dramatically from 1 in 2004 to 18 in 2012



But there is a problem: Noodle bowl



Reference: Asian noodle bowl



* Not all members shown

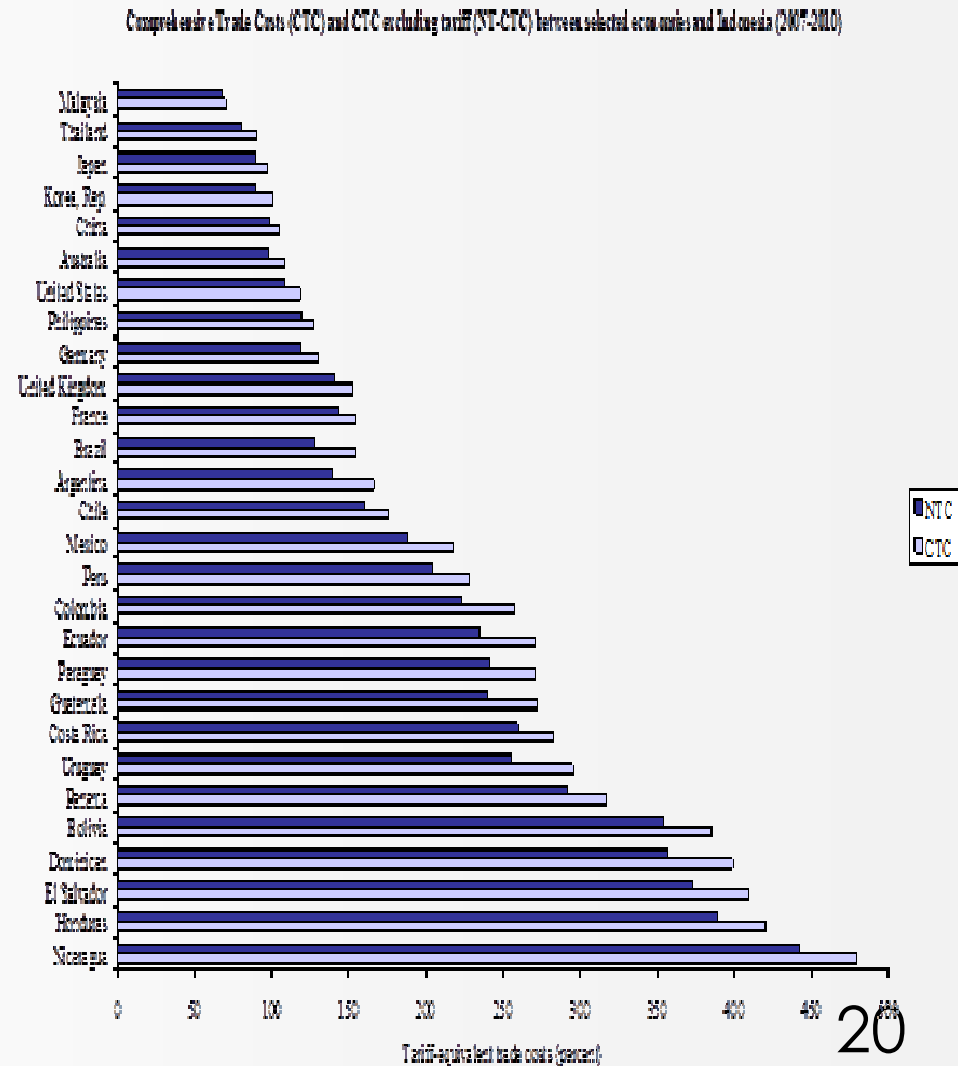
Depth of FTAs

Agreement	Intellectual Property	Singapore Issues			
		Gov. Procurement	Competition Pol.	Investment	Trade Facilitation
Australia -Chile FTA	X	X	X	X	X
China - Chile FTA	X				
China - Costa Rica FTA	X				X
China - Peru FTA	X			X	X
India - Chile PTA					X
India - MERCOSUR PTA				X	X
Japan - Chile EPA	X	X	X	X	X
Japan - Mexico EPA	X	X	X	X	X
Japan - Peru FTA	X	X	X		X
Rep. of Korea - Chile FTA	X	X	X	X	X
Rep. of Korea - Peru FTA	X	X	X	X	X
Malaysia - Chile FTA					X
Panama - Singapore FTA		X	X	X	X
Peru - Thailand PTA					X
Singapore - Peru FTA	X	X	X	X	X
Trans Pacific EPA (P-4)	X	X	X	X	X
Turkey - Chile FTA	X				
Viet Nam - Chile FTA					
Number of Agreements	12	9	9	10	15

Source: APTIAD (May 2013)

Other obstacles

- High Trade Costs
 - Distance
 - Language
 - Culture
 - Legal frameworks
 - ETC
- Lack of business networks
- Weak private sector capacity
- Large number of marginalized countries in both regions



Exploring cooperation opportunities

Should we focus on trade in goods?

Trade in goods will always be affected by natural obstacles such as the distance, plus other cautions:

- Carbon emissions from transporting goods
- Monocultures and loss of biodiversity
- Trade quality – fair, safe, job enhancing

What other areas of trade and cooperation?

- Services
- Technology
- People
- Ideas, institutional mechanisms and methods

The way forward- start from the obvious

- Developing architecture for interregional trade and business
 - Increasing the FTA coverage
 - Complementing the multilateral liberalization of trade and investment by FTAs
 - Building deeper bloc-bloc linkages
 - Simplifying the ROOs
 - Complimentary policies increasing the effective use of FTAs by business sectors, in particular SMEs
 - Carefully utilizing the prospects for deeper integration through e.g. TPP
- Individual and joint trade facilitation measures
 - Paperless trade as an effective instrument for South-South cooperation – Single windows
 - Accessibility and transparency of trade and customs rules
 - Addressing key infrastructure issues
 - Supporting business sector connectivity

Moving on to new opportunities 1

- Knowledge sharing and technical assistance
 - Sharing government and private sector experiences and best practices through workshops, trainings
 - Focus on areas of mutual concern in spirit of South-South cooperation (development stage aligned cooperation)
 - Increasing use of IT and internet in knowledge sharing and assistance to overcome distance
- Building institutions and supporting initiatives
 - Sharing and spreading effective business and finance models
 - *OVOP/OTOP* originated from Japan, currently strongly promoted in Latin America including Peru, Columbia and Chile
 - *Bolsa familia* – conditional cash transfers originated from Brazil, inspired similar initiatives in Cambodia, Bangladesh and Indonesia
 - Sharing best practices concerning regulatory and institutional frameworks, e.g. supporting establishment of specialized ministry departments for managing intra- and inter-regional integrations

2

- Cooperating in business sector development
 - Supporting greenfield and brownfield FDI aiming to integrate countries to global value chains
 - Building capacity to target export markets with products which meet regulatory standards and consumer demands
- Managing Aid for Trade
 - Devising joint strategic frameworks and project proposals to support attracting donor funds towards building intra-regional trade capacity
 - Sharing best practices and experiences
 - E.g. ESCAP/ECLAC supporting monitoring and evaluation of project impacts

3

- Promoting people-to-people connectivity
 - Linking academic networks such as ARTNeT and LATN
 - Linking private sectors through e.g. joint chambers of commerce (FECAMCO and ASEAN CC)
 - Enhancing cultural exchange through e.g. student and business visitor programmes
 - Removing barriers for movements of people and workers
- Establishing shared forums to build a bi-regional voice
 - Supporting forums like Observatory, FELAC and APEC
 - Linking existing blocs such as MERCOSUR and ASEAN more deeply
 - Carefully utilizing the prospects for deeper integration through e.g. TPP and RCEP

3

- Supporting transfer of *the appropriate* technology
 - Supporting South-South technology transfer to address current technology needs – sometimes coconut oil extractors are needed instead of microprocessors
 - Connecting innovators and end-users through e.g. discussion forums, fairs and online platforms
 - Creating standardized technology transfer standards and processes

Role of ESCAP and collaboration with ECLAC and other IOs

Leading “non-market” cooperation

- Research networks and communities of knowledge
- Platform for marginalized countries to get heard and seek alliances
- Facilitate movements of professionals involved in public policy
- Provide assistance and promote initiatives for removal of obstacles requiring regional action/mechanisms,
- Facilitate cooperation in multilateral forums and negotiations (eg climate change negotiations)

Thank you for your attention

Dr. Mia Mikic

Chief, Trade Policy and Analysis Section,

Trade and Investment Division

mikic@un.org

