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# **East Asian – Latin American Economic Relations: A Korean Perspective**

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# CONTENTS

- I. Korea-Latin America Economic Relations
  - II. Interregional Trade and Typology of Export Structure
  - III. “What kinds of interregional relations for Latin America?”: Issues on Interaction Patterns and Policy Challenges
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# I. Korea-Latin America Economic Relations

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# K-LAC Economic Relations in 1990s

## ■ Context

- ❑ Trade reactivated by liberalization in Latin America
- ❑ Globalization of Korean firms and deregulation of FDIs in Latin America

## ■ Results

- ❑ Rapid increase of trade
  - ❑ But limited
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# Korea's New Paradigm after 1997

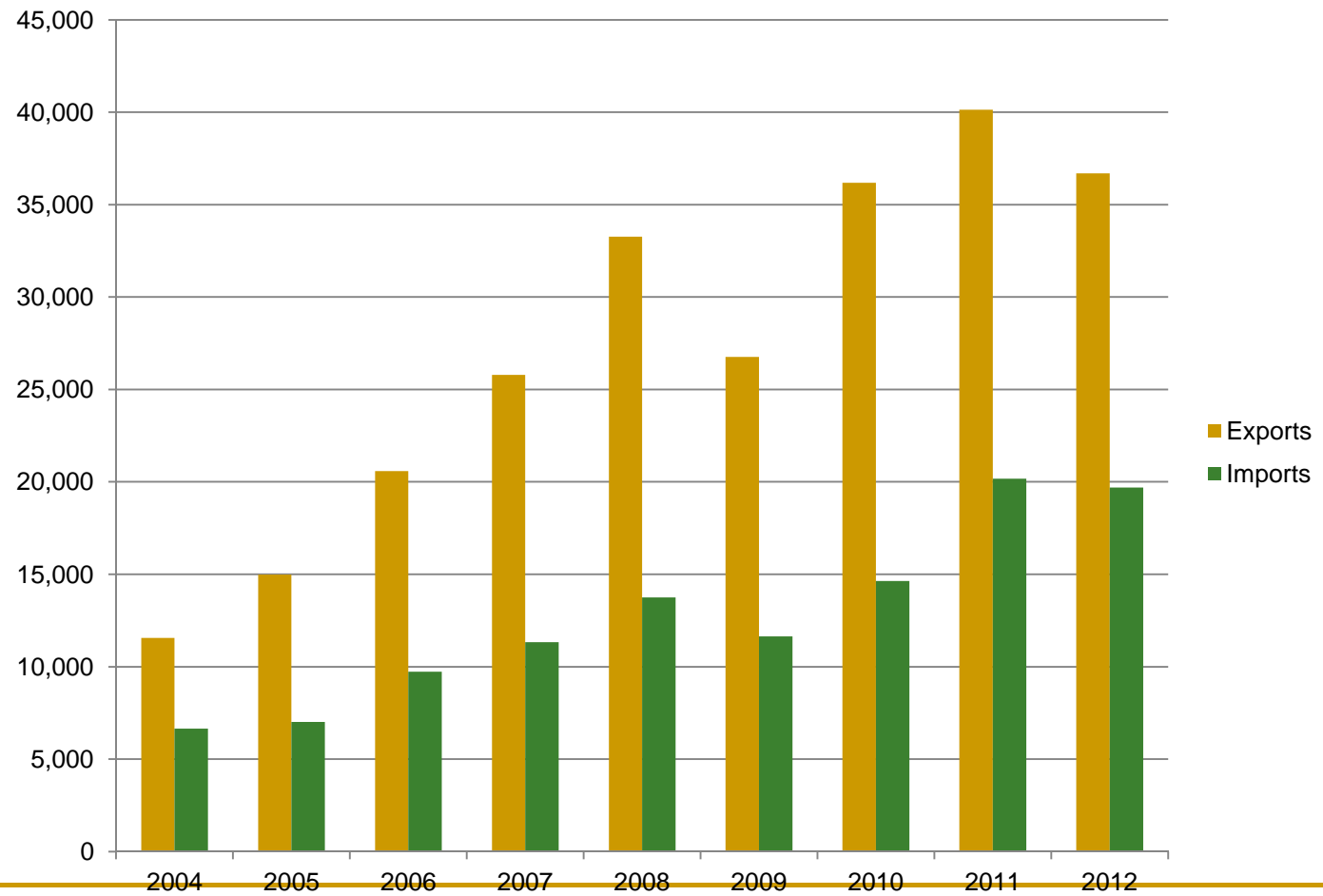
## ◆ Context

- ❑ Korea's regaining of competitiveness after financial crisis, 1997-1998
- ❑ Rise of Latin America economies in 21st century

## ◆ New Paradigm

- ❑ Aggressive **FTA** policy since 1999 (Chile as the first negotiation partner)
  - ❑ **Natural resource** exploration since 2004
    - New infrastructure market
  - ❑ More active **ODA**
    - After joining IDB in 2004
    - After joining DAC in 2009
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# Korea's Trade with Latin America (US\$million)



# Latin American Trade Partners (2012, US\$ thousand)

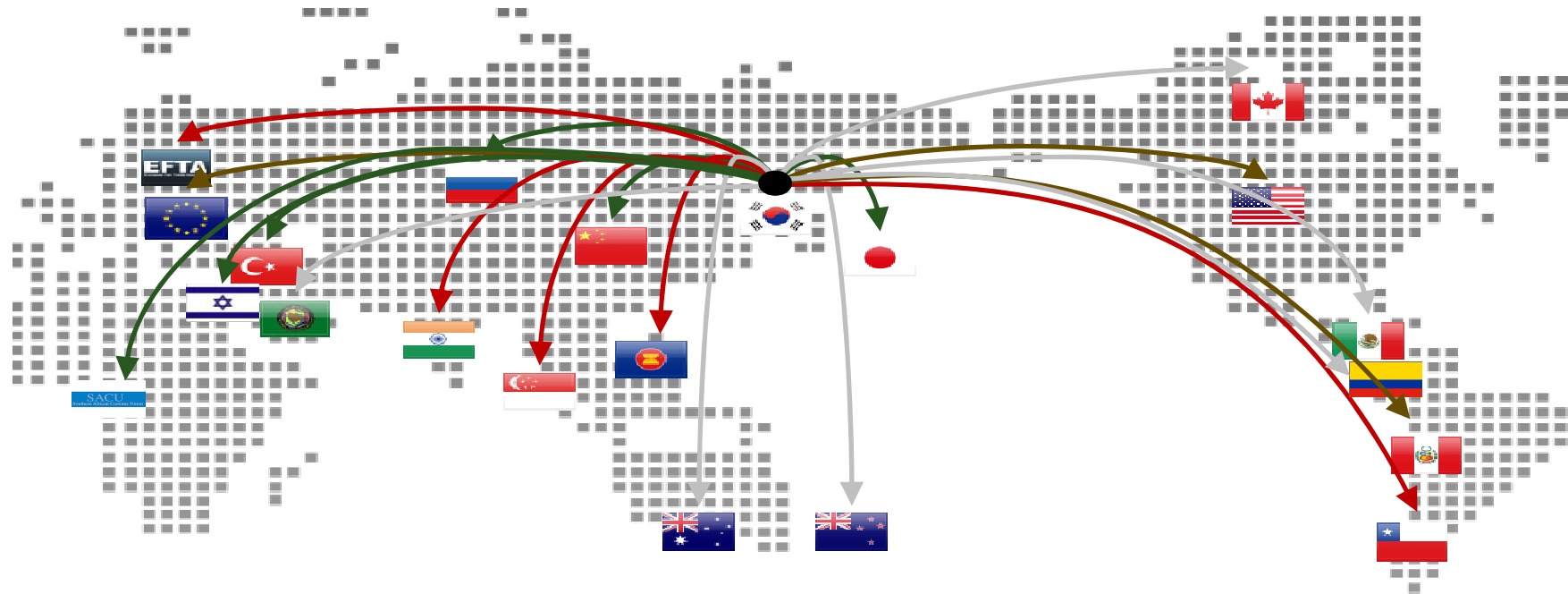
## EXPORTS

<u>BRAZIL</u>	10,286,065
<u>MEXICO</u>	9,042,360
<u>PANAMA</u>	3,977,303
<u>CHILE</u>	2,469,337
<u>PERU</u>	1,472,617
<u>COLOMBIA</u>	1,467,701
<u>BERMUDA</u>	1,372,329
<u>VIRGIN IS. (UK)</u>	1,072,245
<u>ARGENTINA</u>	972,906
<u>ECUADOR</u>	856,768
<b><u>TOTAL</u></b>	<b>36,746,742</b>

## IMPORTS

<u>BRAZIL</u>	6,085,364
<u>CHILE</u>	4,676,463
<u>MEXICO</u>	2,591,566
<u>PERU</u>	1,639,407
<u>ARGENTINA</u>	1,427,857
<u>PANAMA</u>	594,848
<u>T&amp;T</u>	585,675
<u>COLOMBIA</u>	414,770
<u>PUERTO RICO</u>	306,357
<u>COSTA RICA</u>	293,039
<b><u>TOTAL</u></b>	<b>19,722,605</b>

# Korea's FTA Network (3<sup>rd</sup> largest in the world)



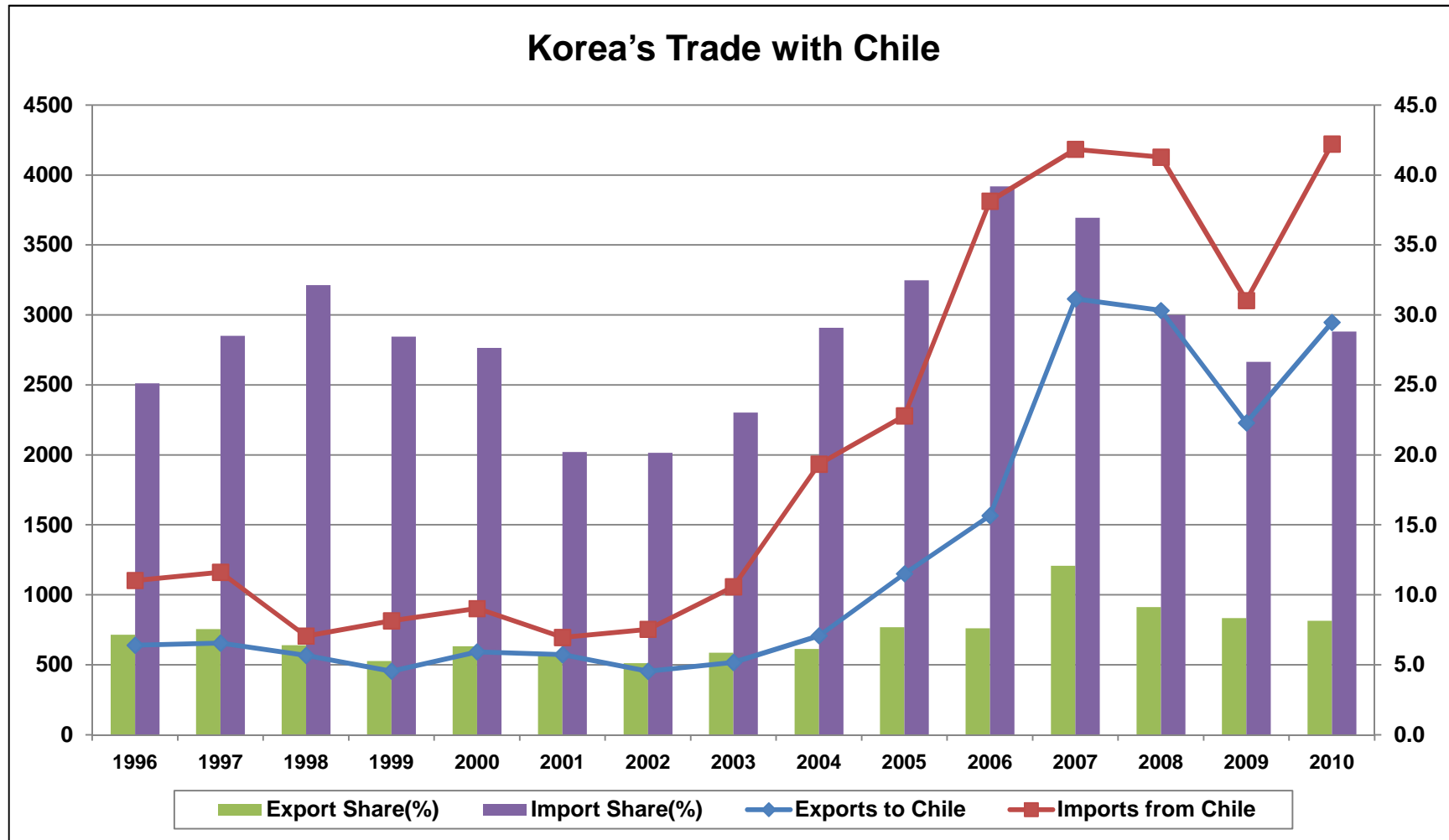
In effect	Concluded	Underway	On the agenda
U.S., EU, ASEAN, Chile, Peru, Singapore, EFTA, India, Turkey	Colombia	Canada, Mexico, GCC, Australia, New Zealand	Japan, China, Korea-China-Japan, MERCOSUR, Russia, Israel, Vietnam, Mongolia, SACU, Central America, Indonesia, Malaysia

Source: [www.fta.go.kr](http://www.fta.go.kr), Ministry of Foreign Affairs and Trade



# Korea's Trade with Chile: Shares in LAC Trade

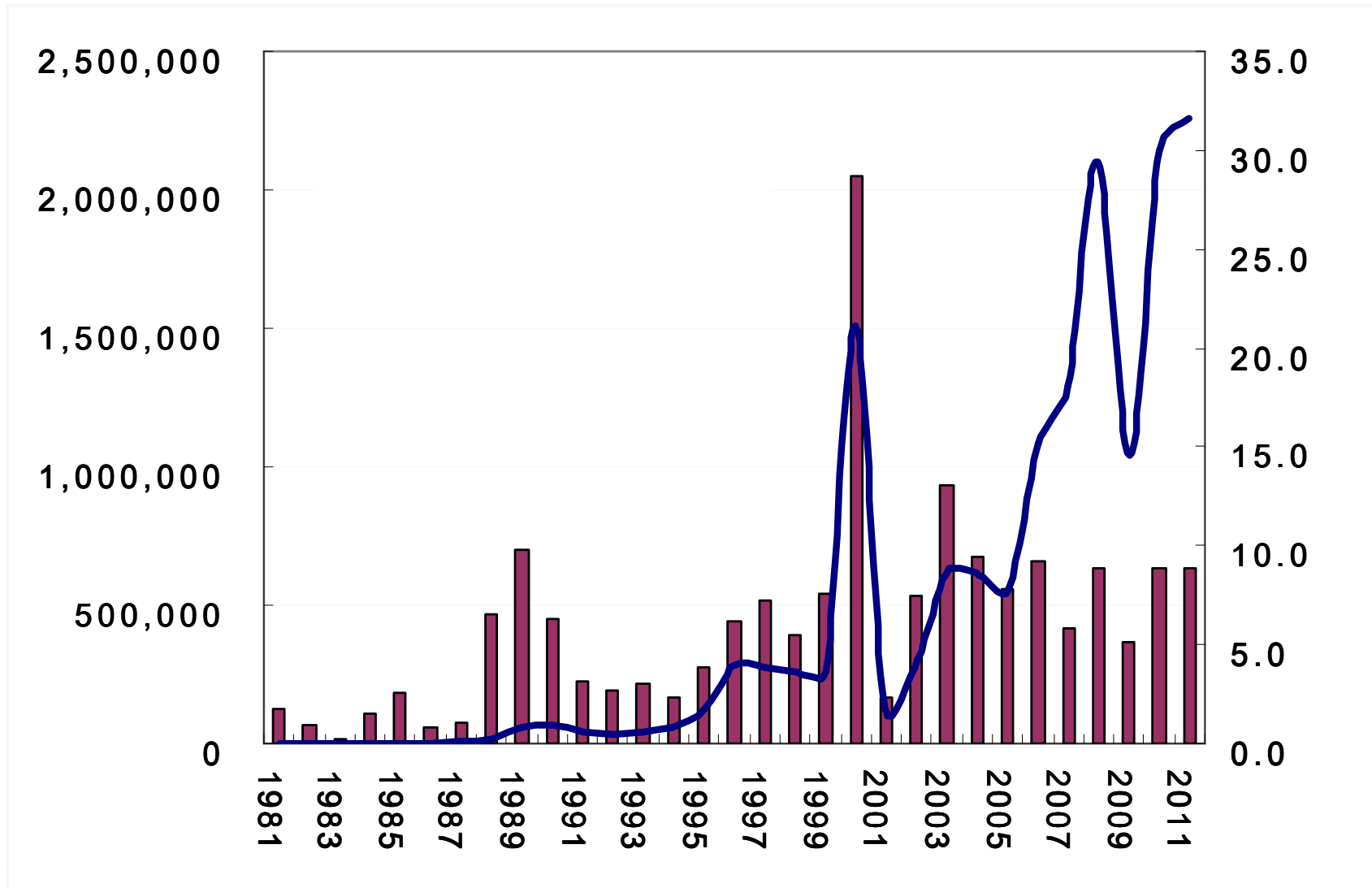
(1996~2010, \$ million, %)



Source: The Korea International Trade Association (KITA, <http://www.kita.net>)

# Korean FDIs in Latin America and Ratio

(US\$ thousand, %)



# Korea's ODA windows in Latin America

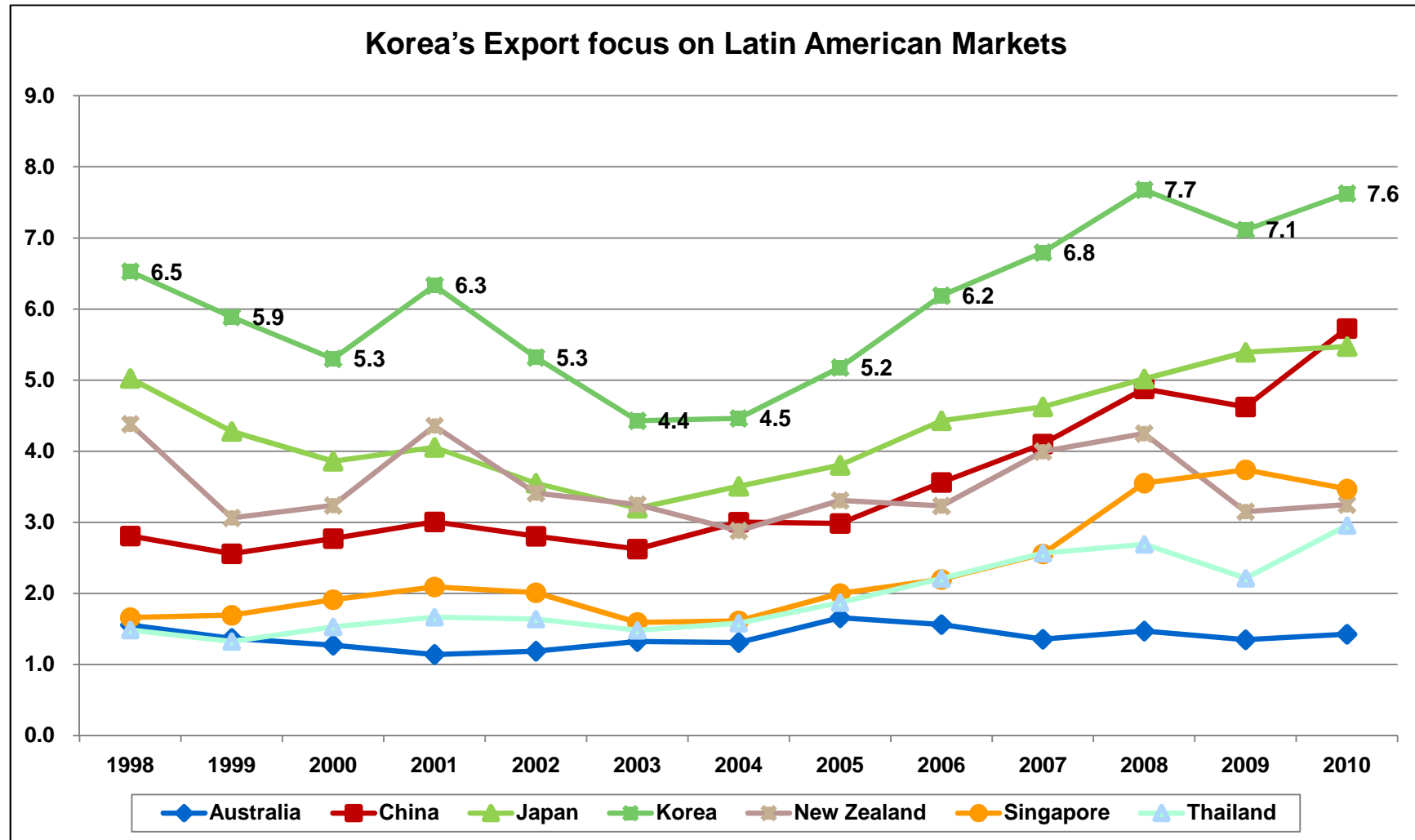
## Financial Cooperation

- Joining IDB in March 2005
- \*Korea Trust Fund

## ODA : Credit lines: Grants

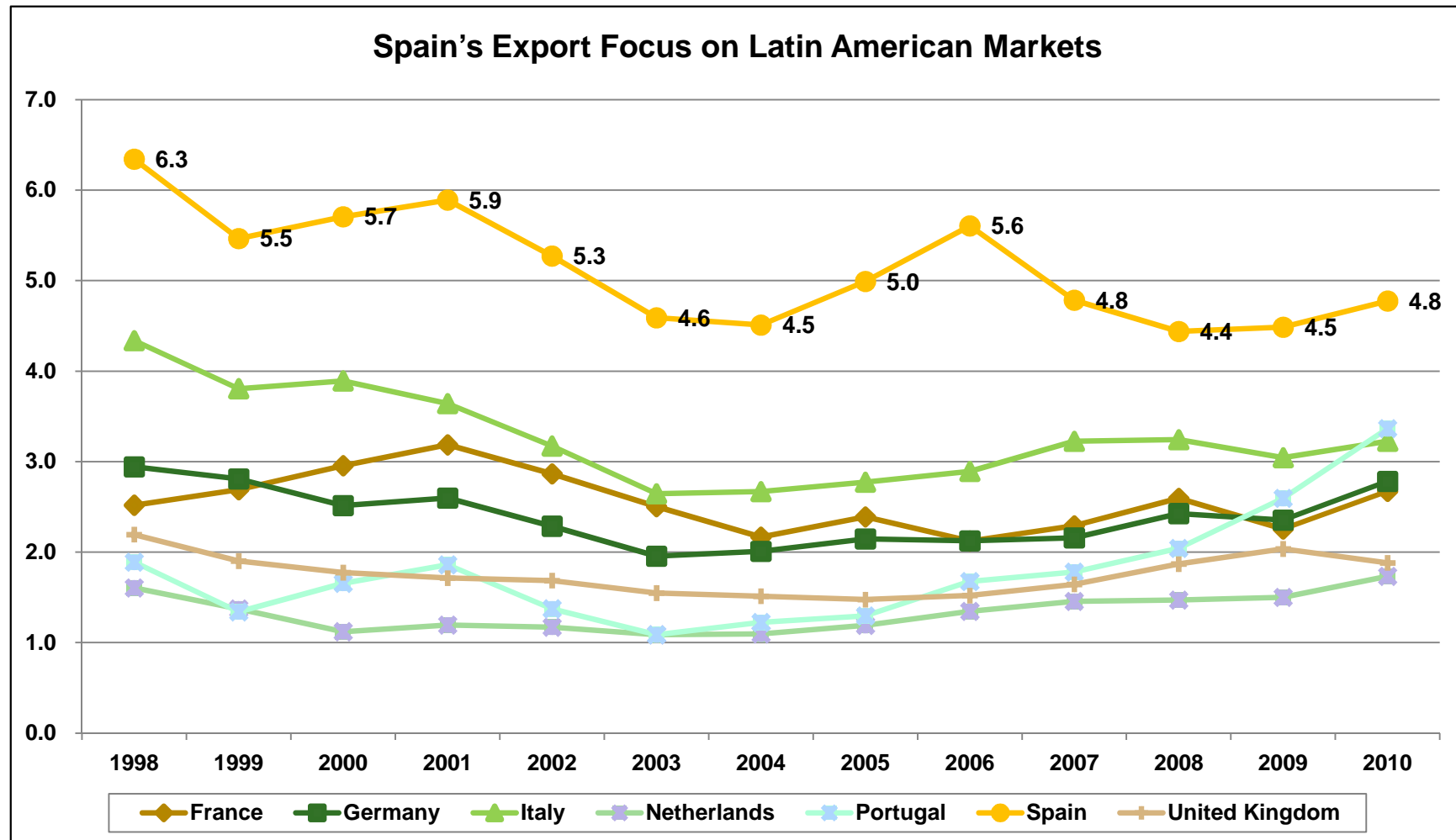
- Sharp increase of Korea's ODA resources since DAC admission 2009 (0.15%/GNI for 2015)
- ODA to Latin America amounts, 7.2% of total
  - \* EDCF : 7.1% of total
  - \* KSP : policy experience sharing

# Korea's Export Focus on Latin America(%)



Source: IMF DOT data

# Compare : Spain's Export Focus on Latin American (%)



Source: IMF DOT data

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## **II. Interregional Trade and Typology of Export Structure in Latin America**

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# Increase of Interregional Trade

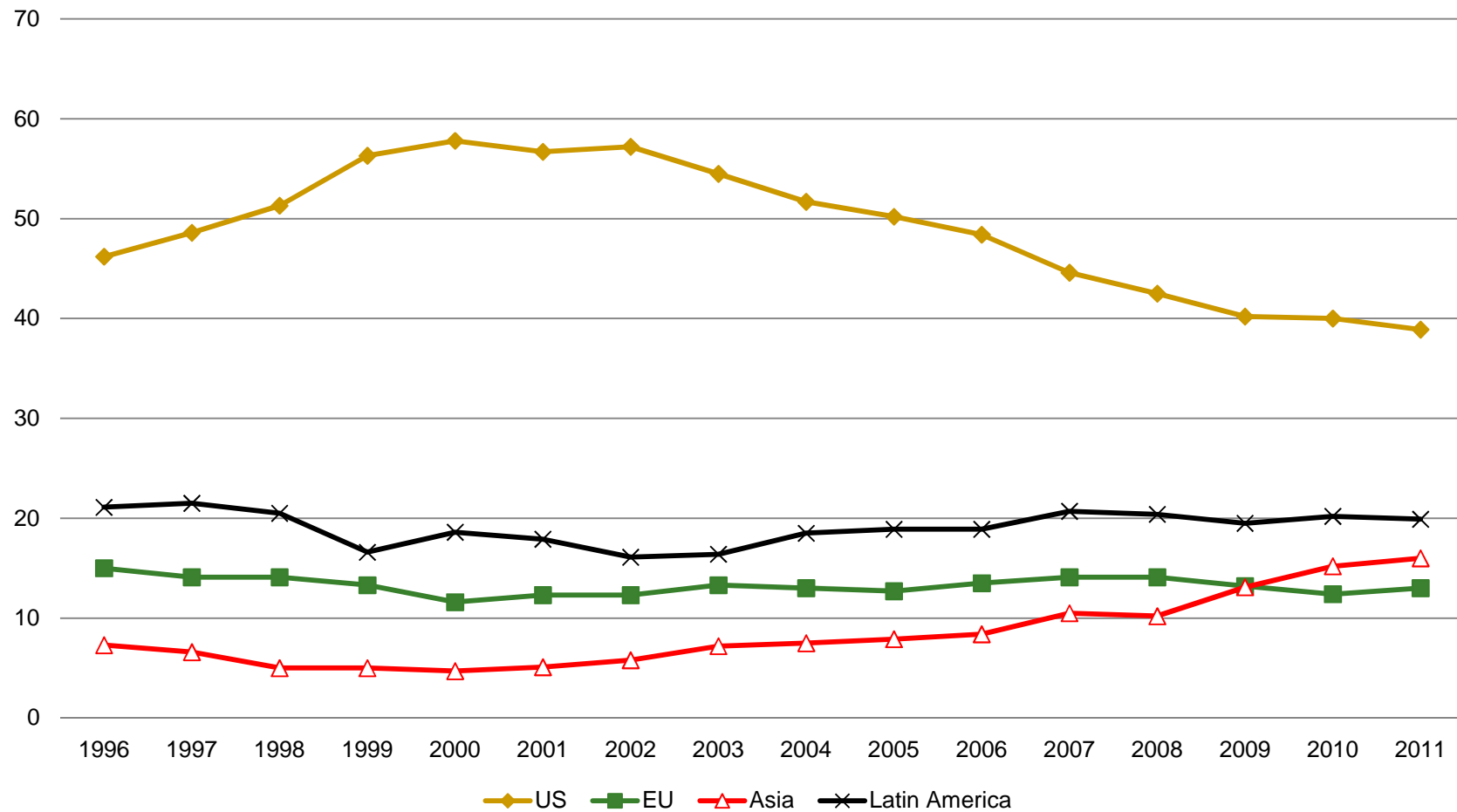
## ◆ Context

- ◆ Trade between East Asia and Latin America accelerated when Latin American economies unilaterally liberalized trade regimes in 1990s.
- ◆ Uruguay Round of the GATT and the launch of WTO facilitated further opening of developing countries to trade.
- ◆ Increased imports of commodities by Asia determined trade dynamics between the two regions.

## ◆ Trend

- ◆ Latin America's Export Destinations
  - Industrialized markets (US, EU) lost importance as Latin America's export destination while Asia rose in weight.
- ◆ Latin America's Import Sources
  - Latin America's imports from non-Latin America developing world drastically increased from 28% to 40% in only 10 years.

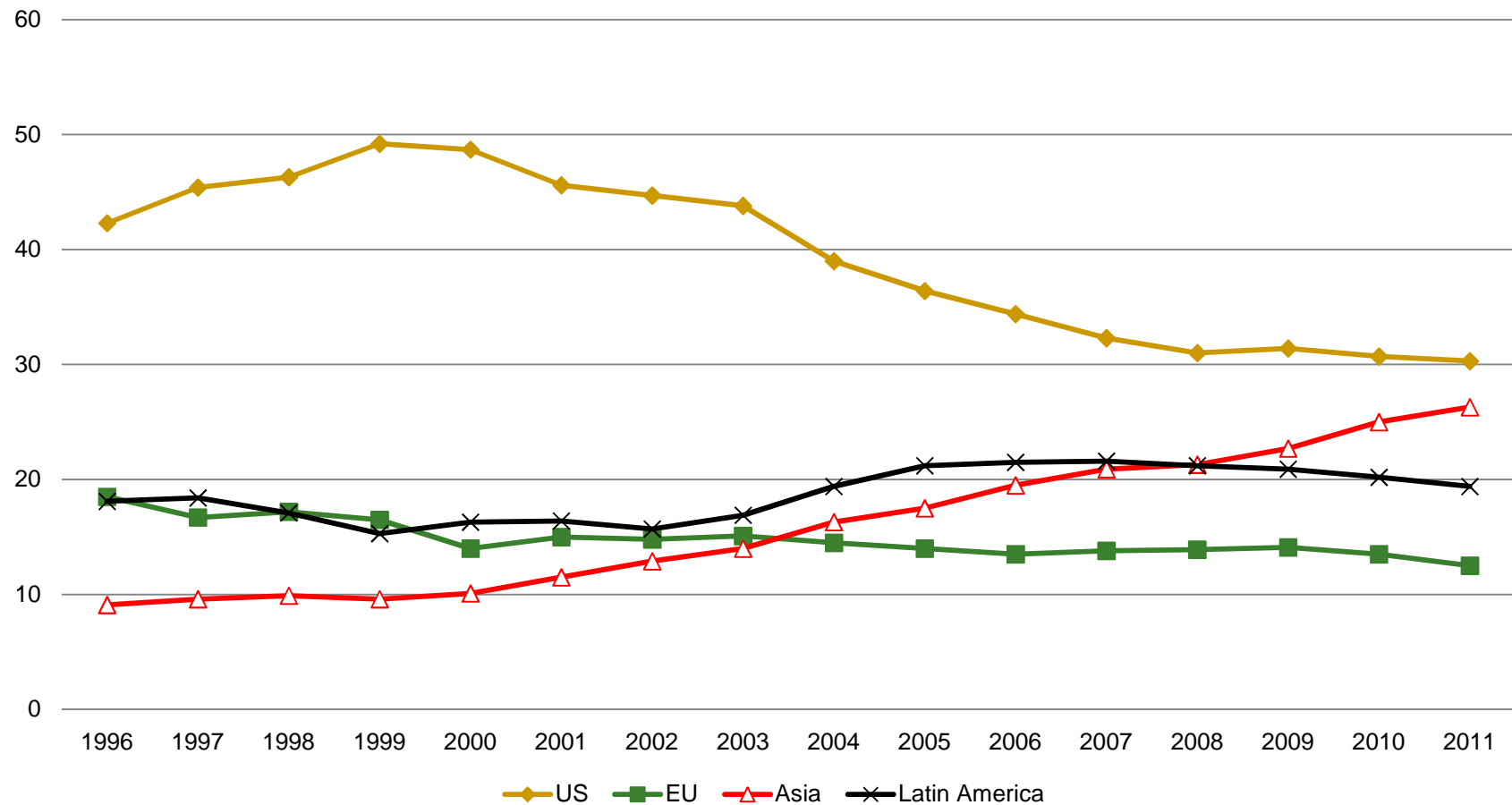
# Latin America's Export Markets (%)



Source: IMF, DOT data



# Latin America's Import Sources (%)



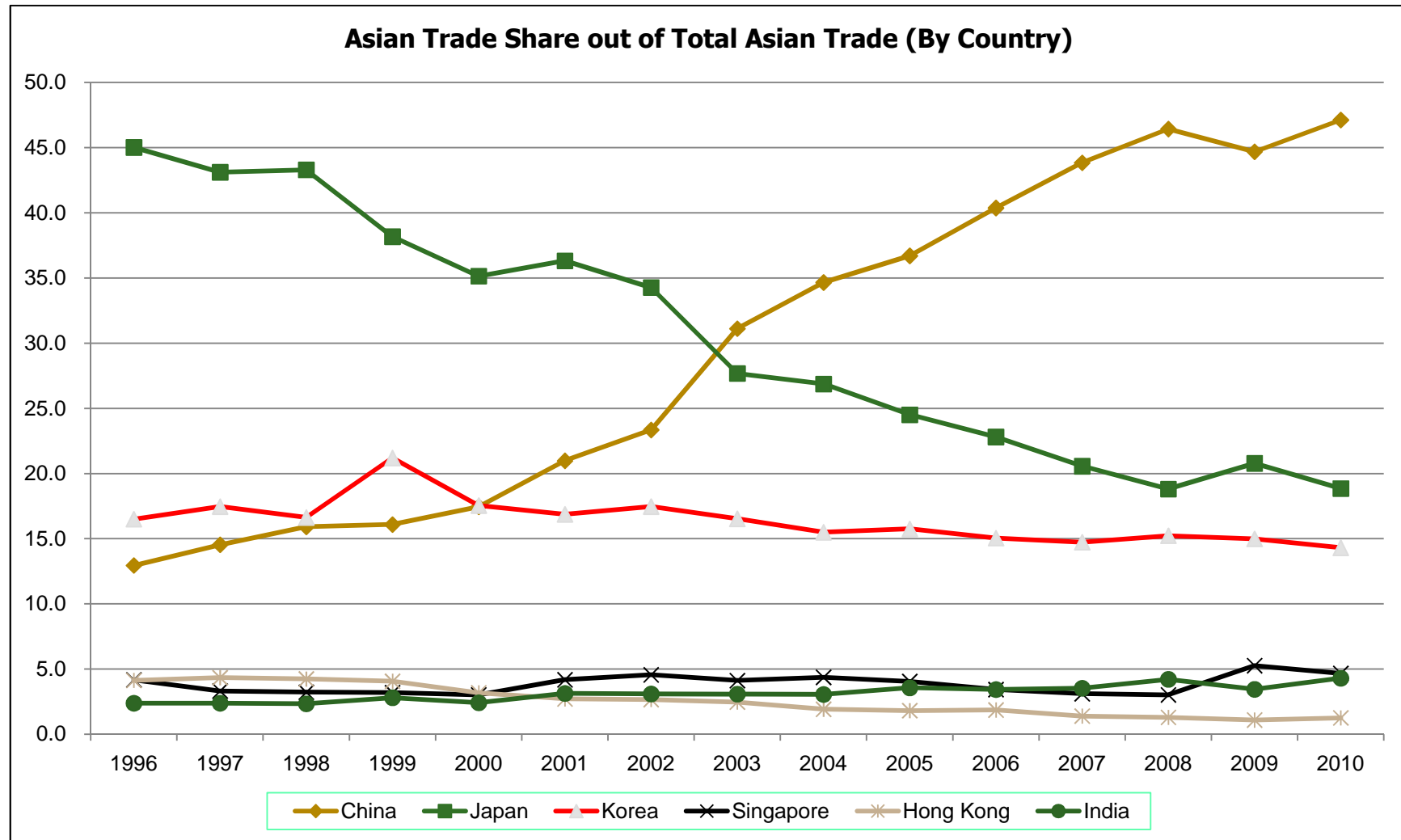
Source: IMF, DOT data

# Exports by Asian Destination (%)



Source: IMF, DOT data

# Imports by Asian Source (%)



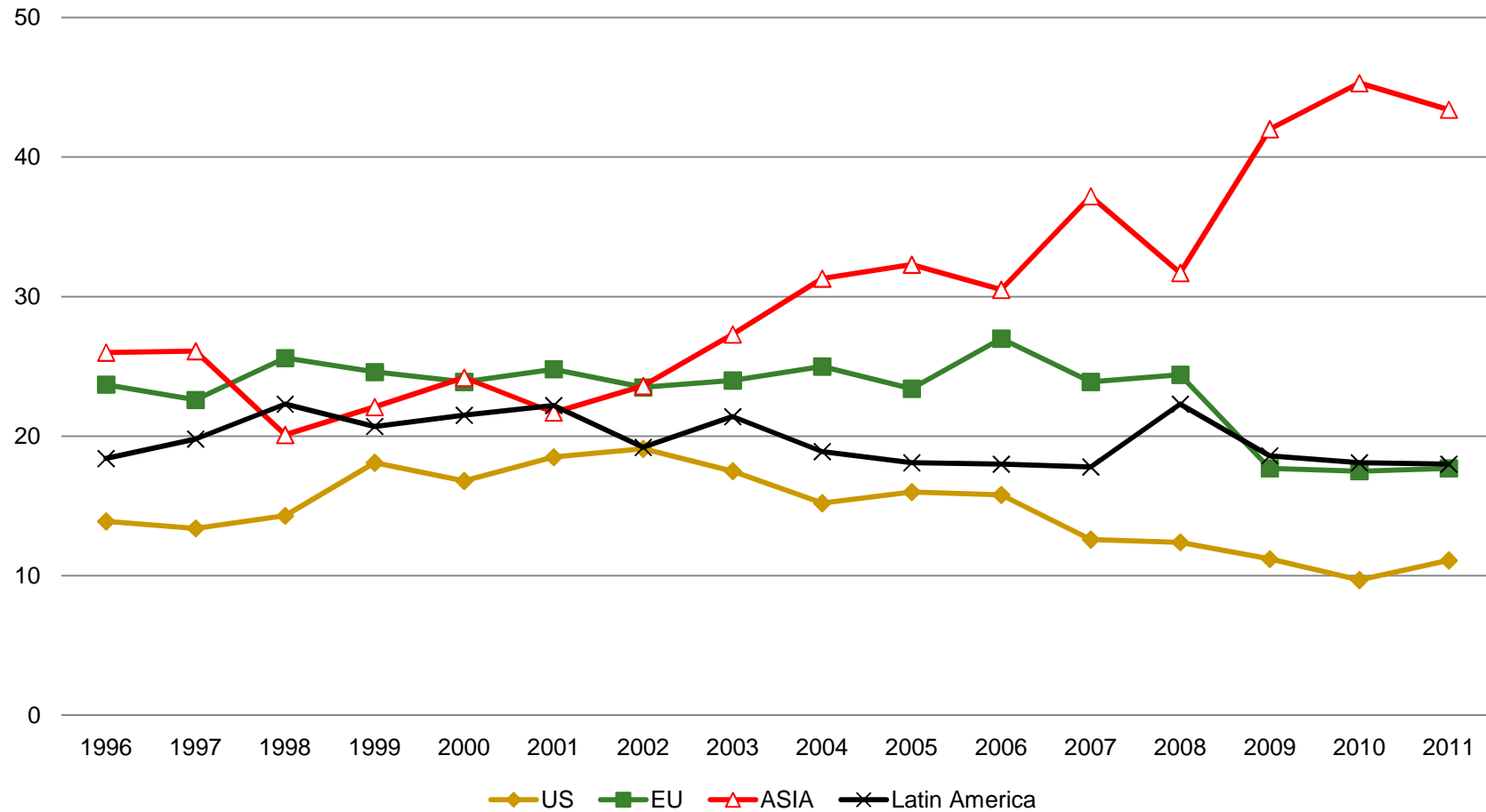
Source: IMF, DOT data

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# Typology of Trade Structure and Macroeconomic Performances

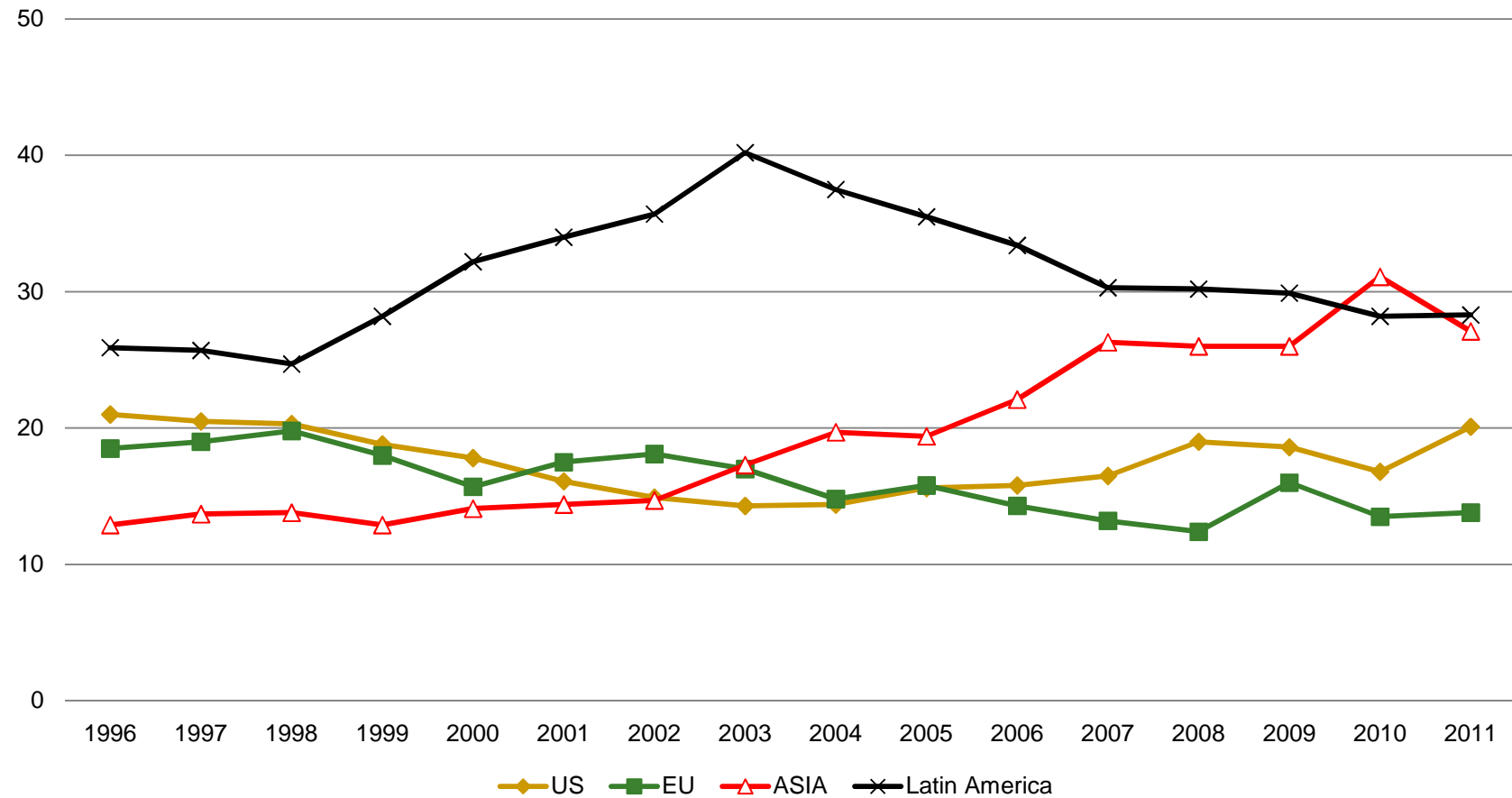
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# Chile's Export Destinations (%)



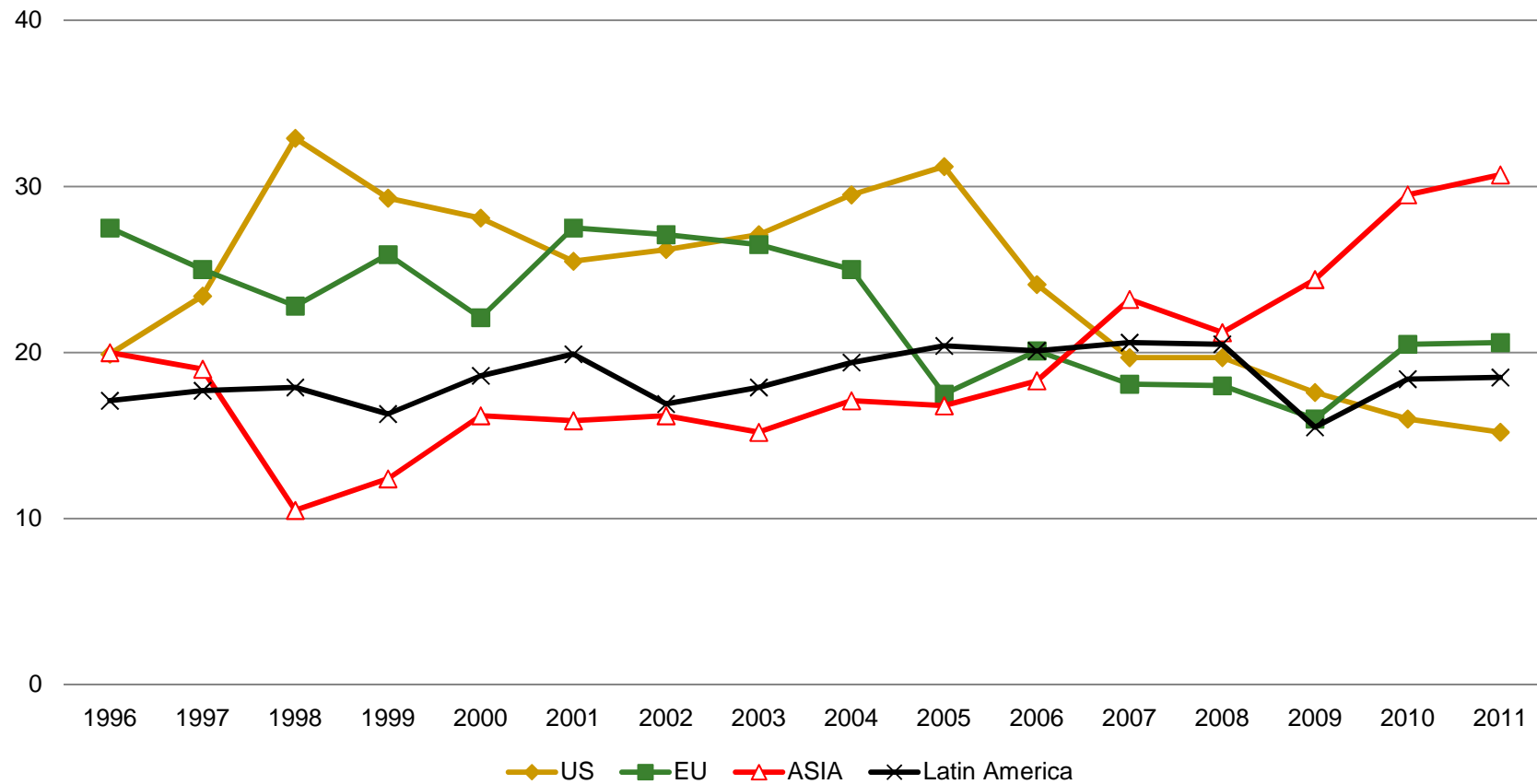
Source: IMF, DOT data

# Chile's Import Sources (%)



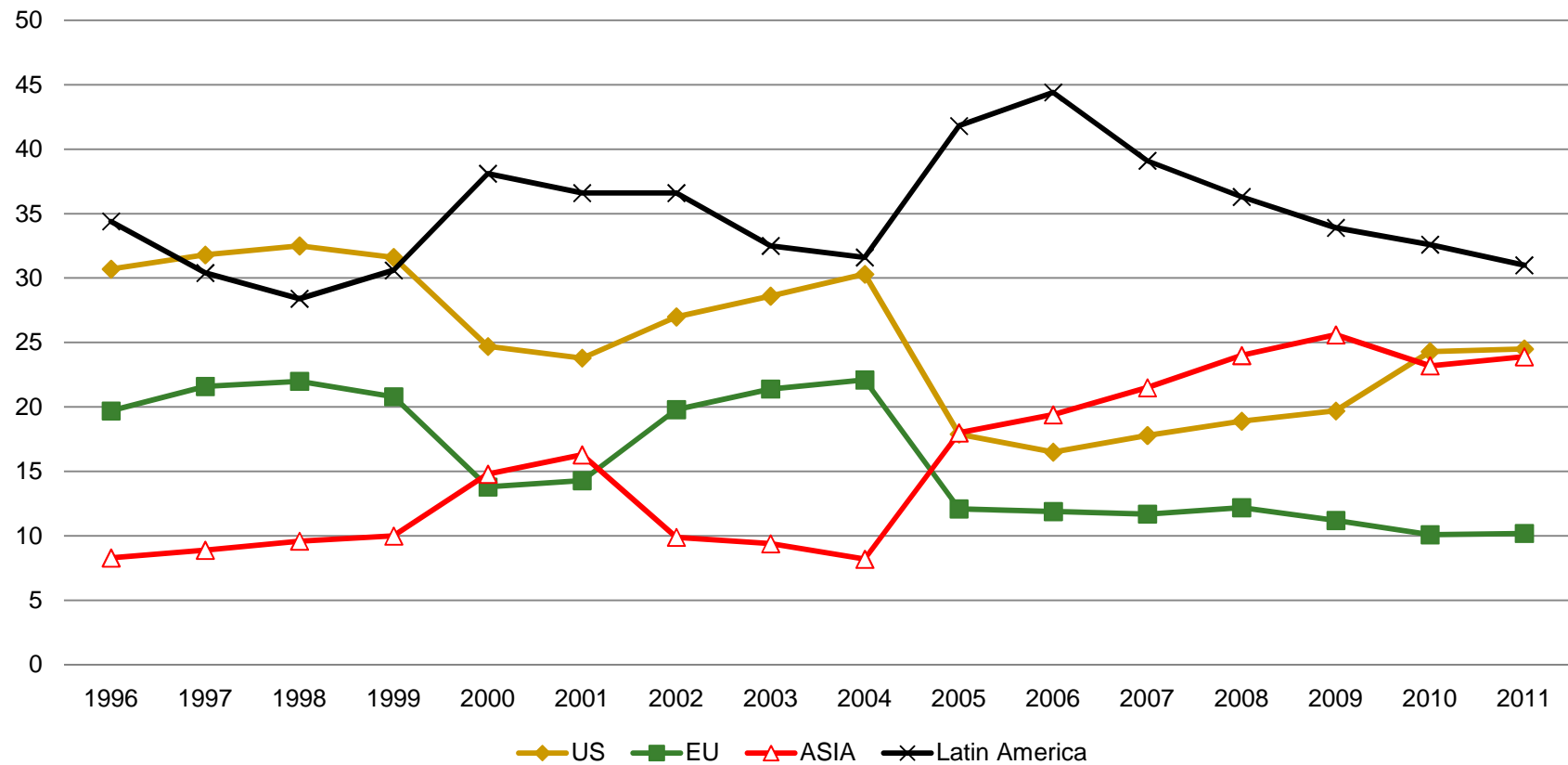
Source: IMF, DOT data

# Peru's Export Destinations(%)



Source: IMF, DOT data

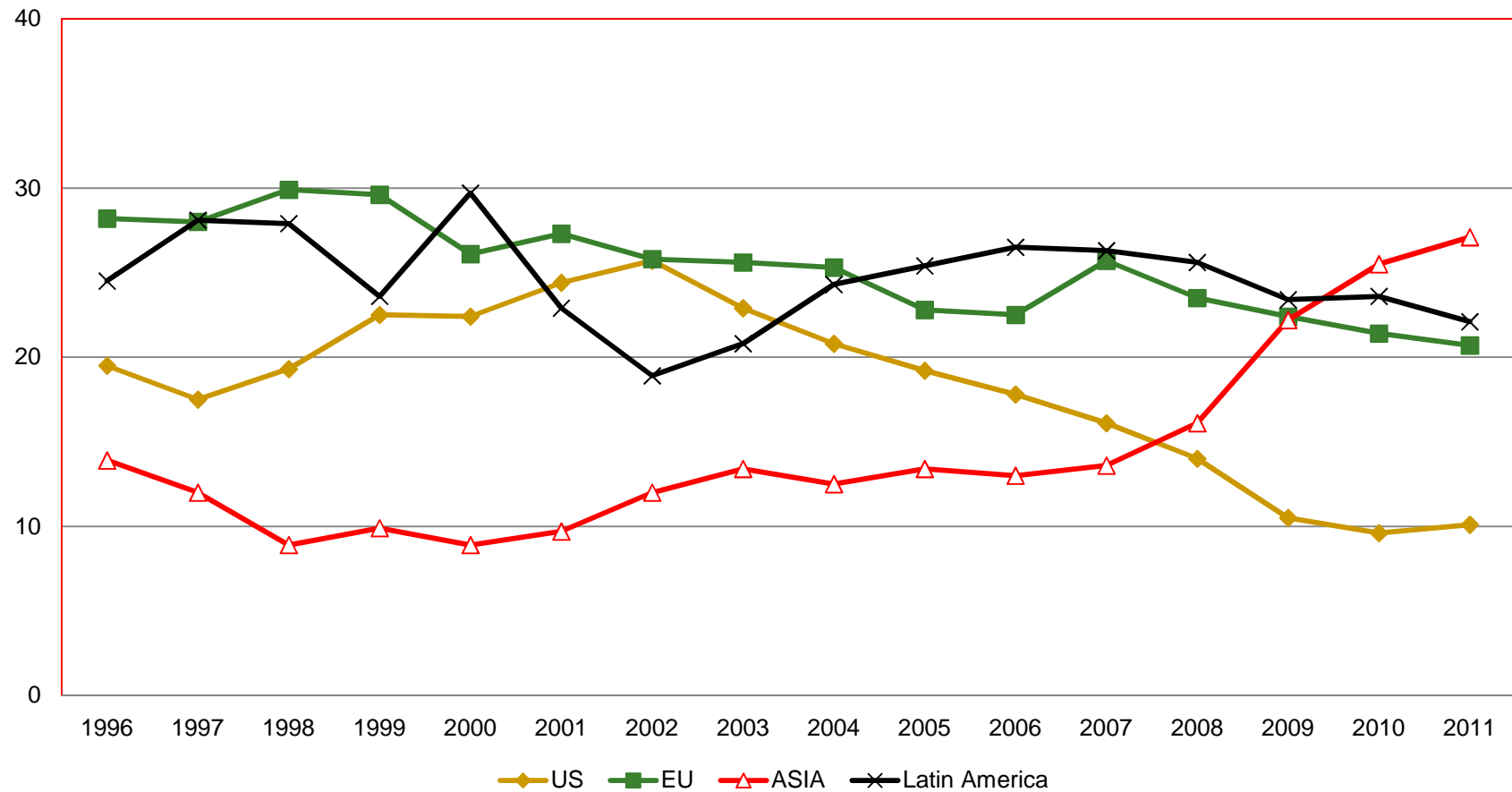
# Peru's Import Sources (%)



Source: IMF, DOT data

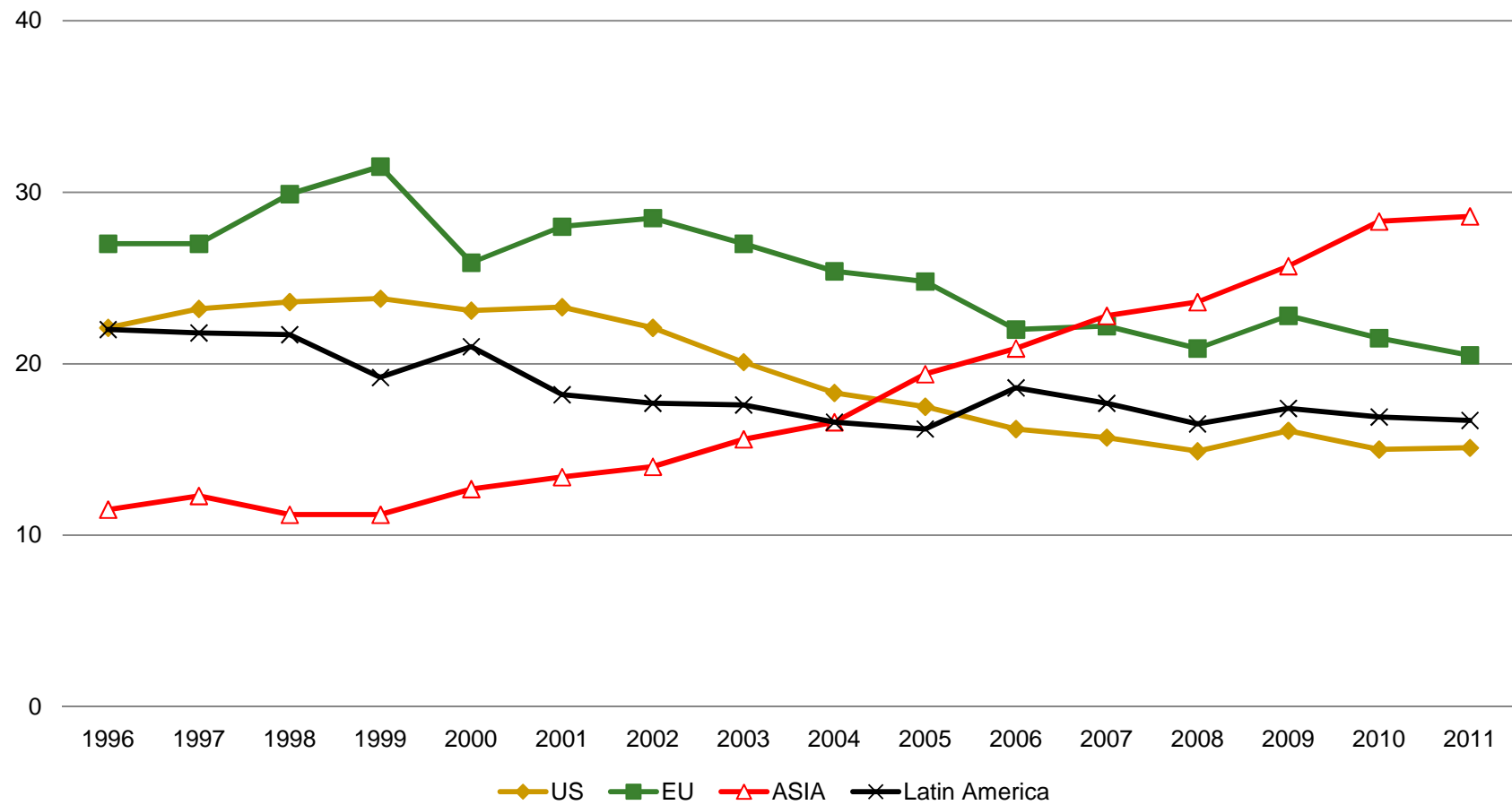


# Brazil's Export Destinations(%)



Source: IMF, DOT data

# Brazil's Import Sources (%)

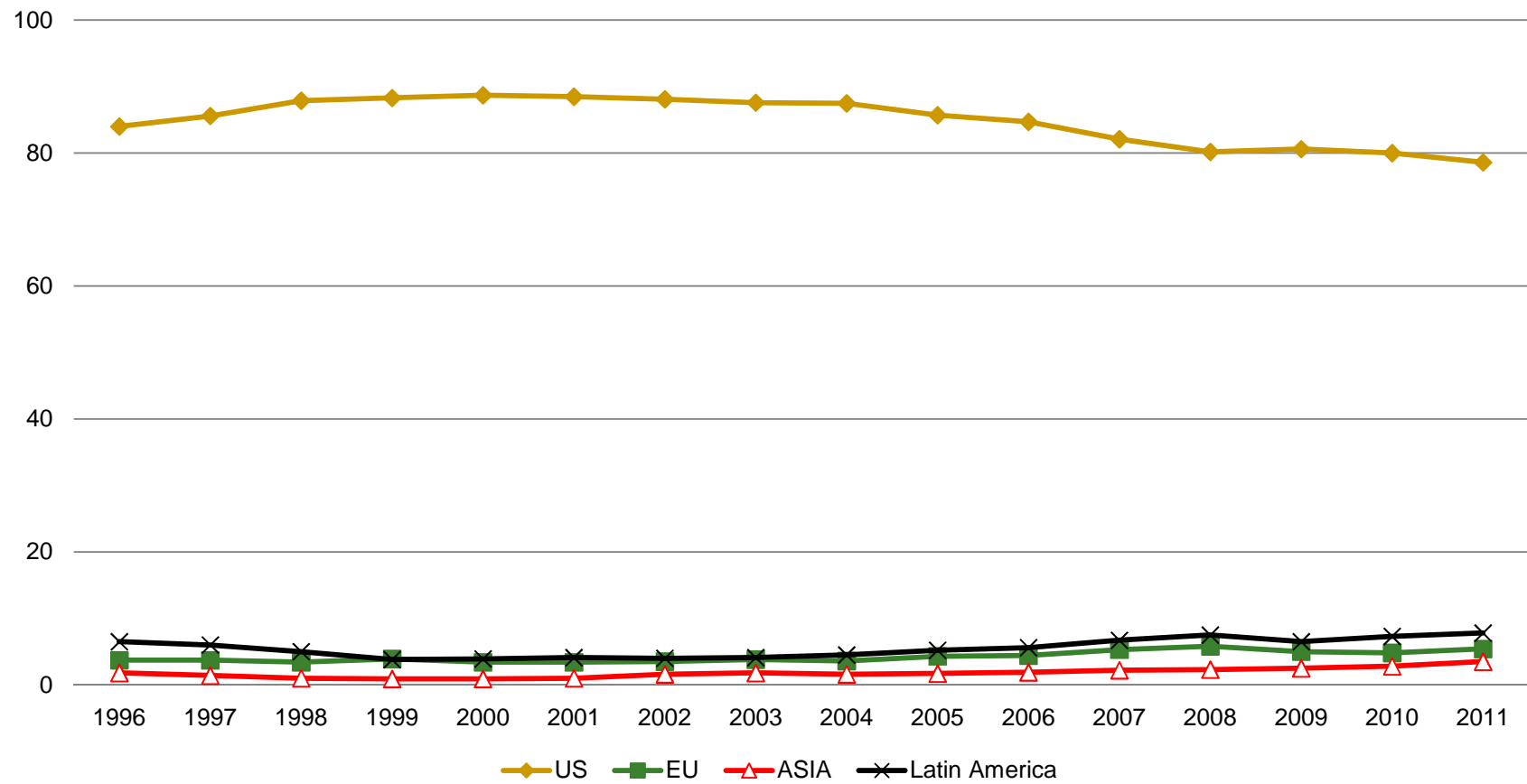


Source: IMF, DOT data

# Asia-strong Diversified(AD) Type

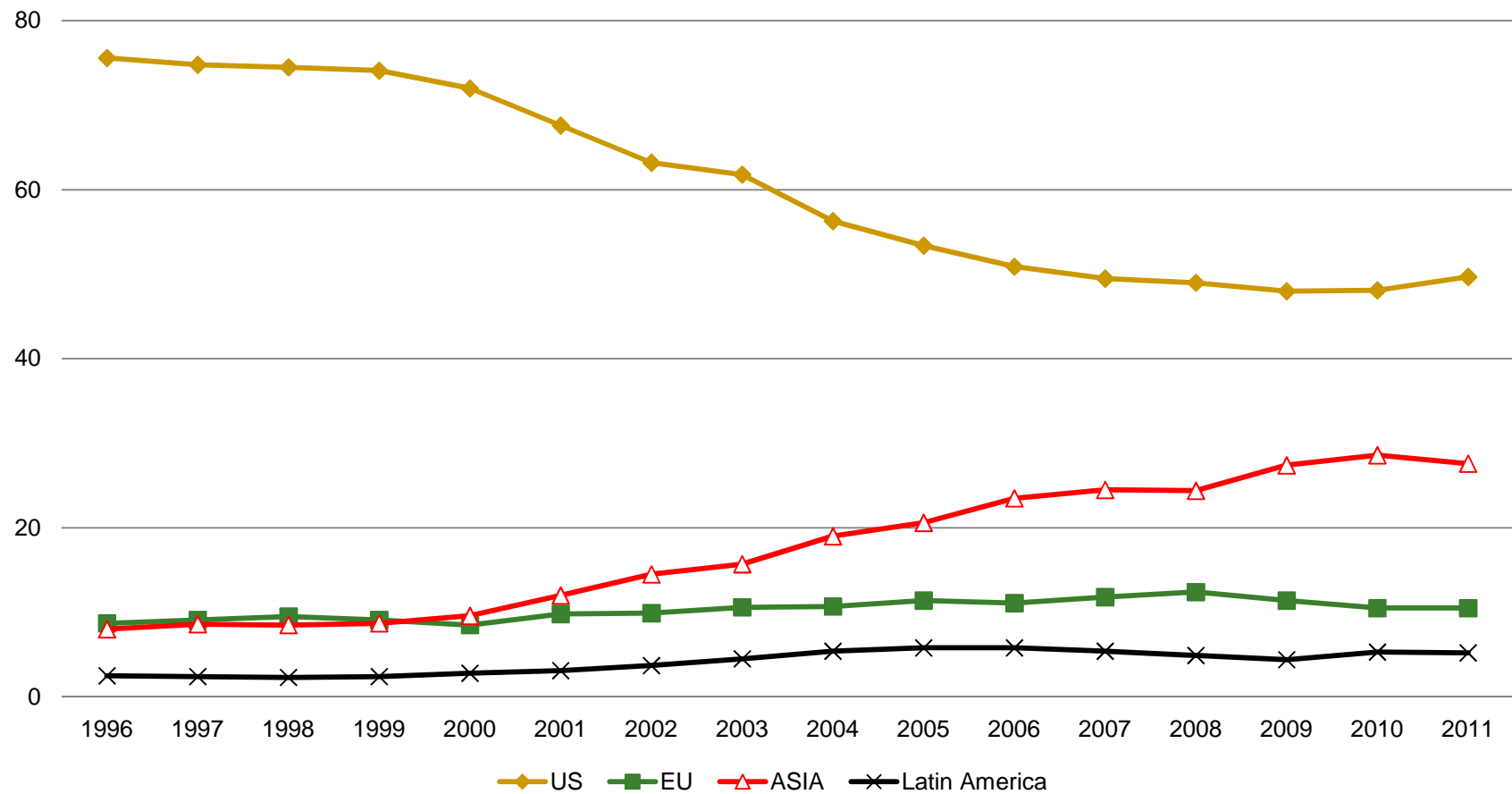
- Chile, Peru, Brazil
- Inter-industrial trade deepens and prospers due to Asian and Latin American economies' dynamism
  - Copper, iron ore, soybean, etc.
- US market's share in their exports became the lowest
- As export market, Asia remarkably rose top
- As import source, Asia rose top for Chile, Brazil
- Asia rose from bottom to top for Brazil's exports and imports
- Unique: Chile= High concentration in Asia

# Mexico's Export Destinations(%)



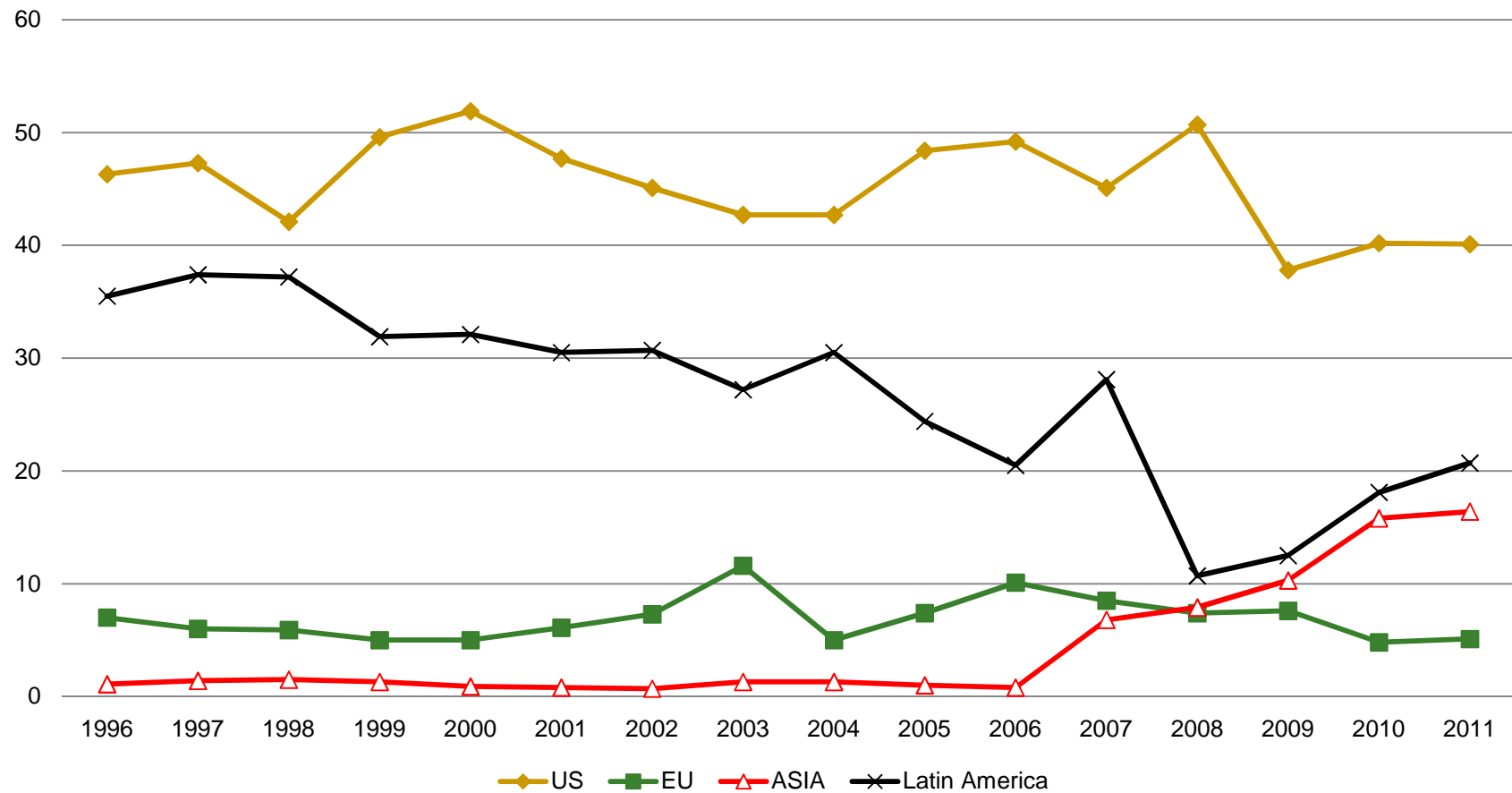
Source: IMF, DOT data

# Mexico's Import Sources (%)



Source: IMF, DOT data

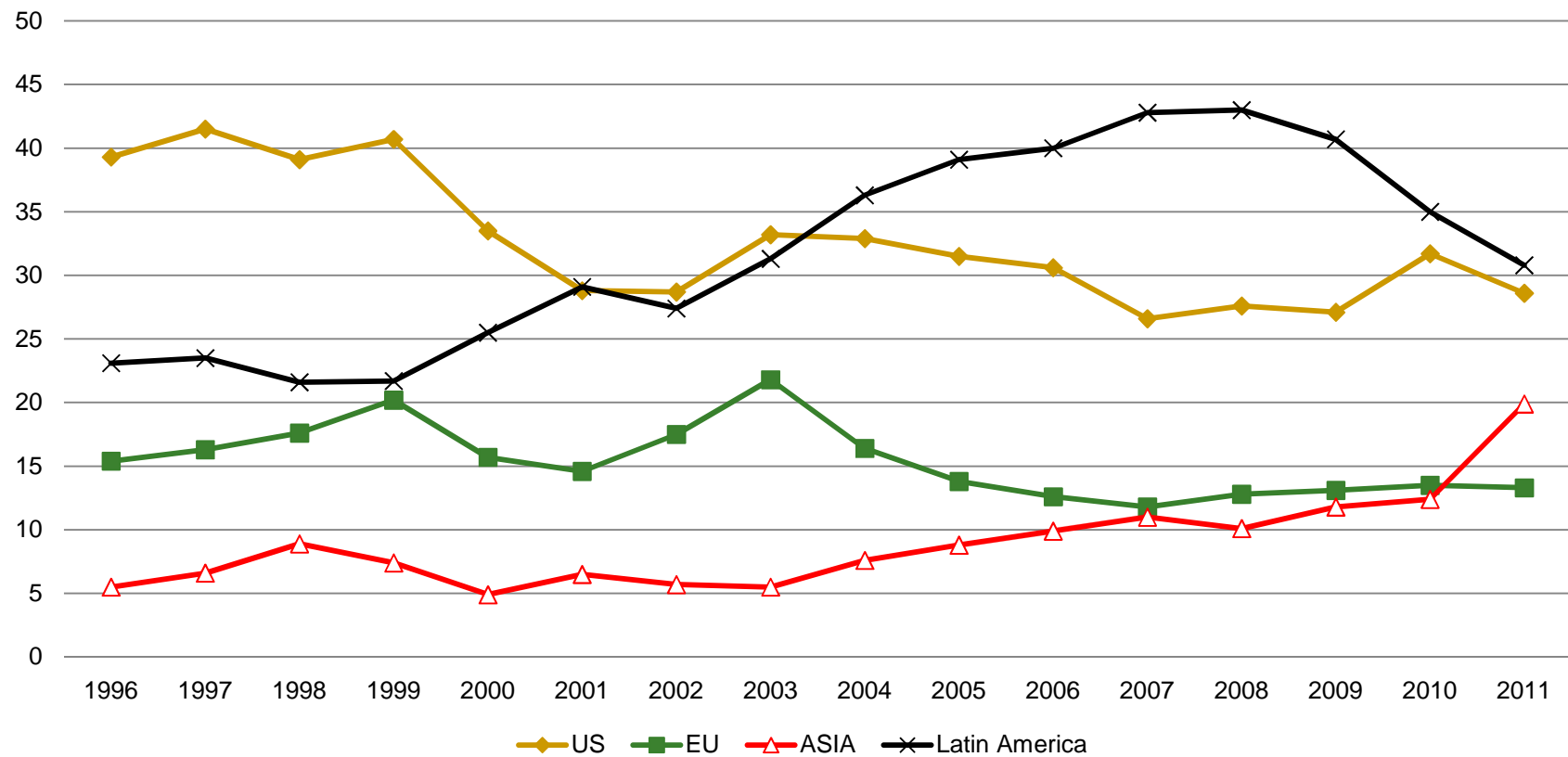
# Venezuela's Export Destinations(%)



Source: IMF, DOT data

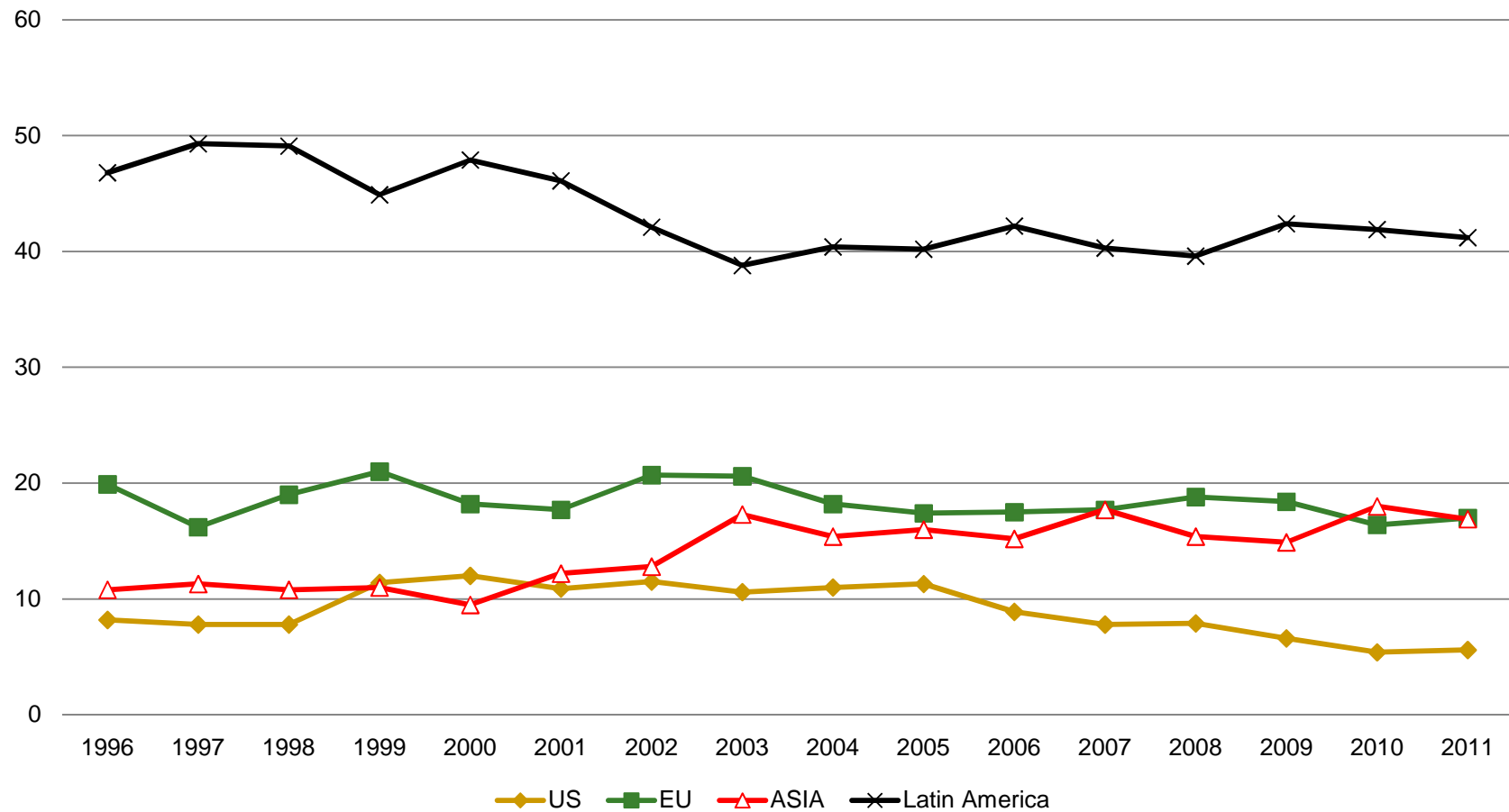
# Venezuela's Import Sources (%)

<Graph 12> Venezuela's Import Sources (%)



Source: IMF, DOT data

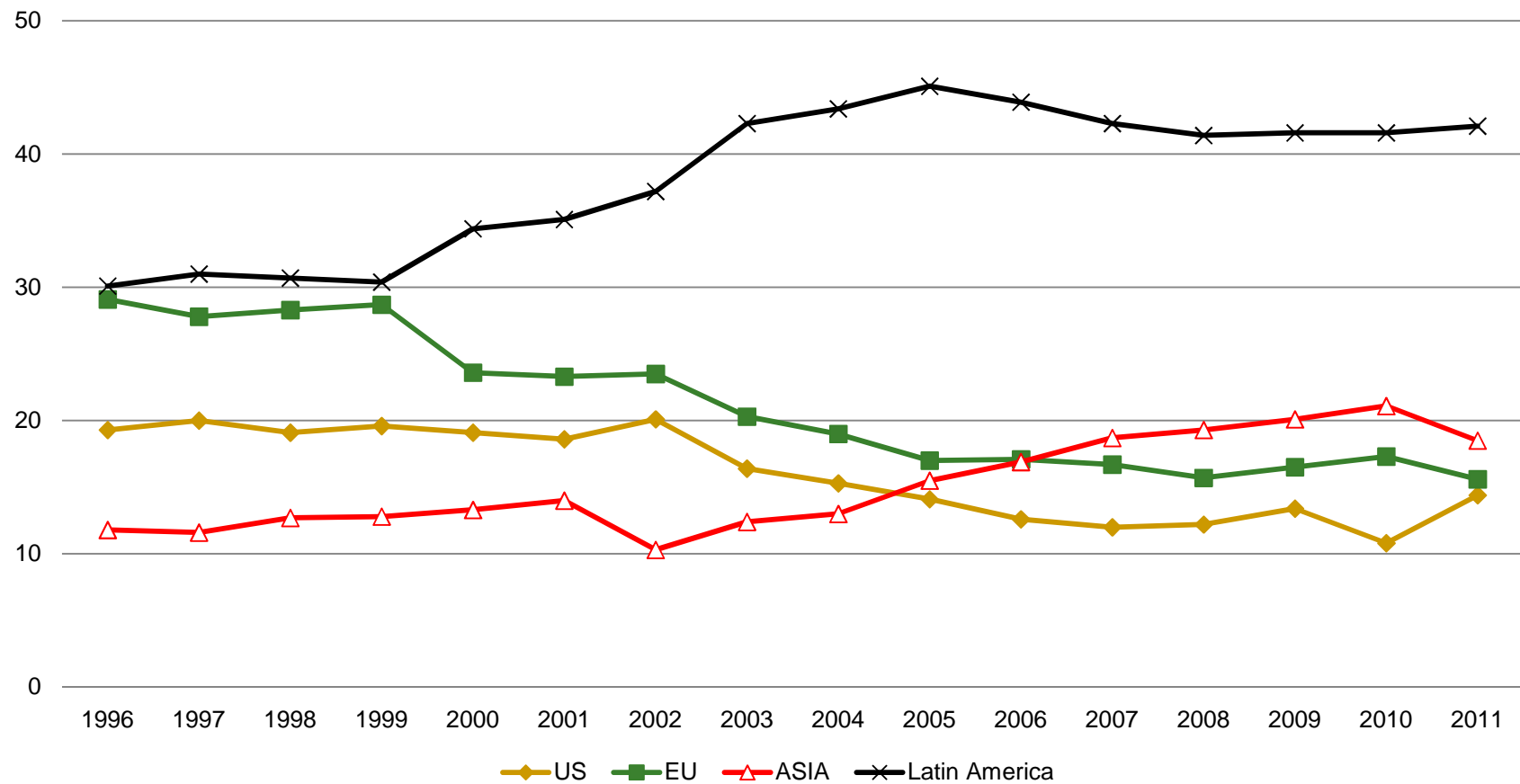
# Argentina's Export Destinations(%)



Source: IMF, DOT data

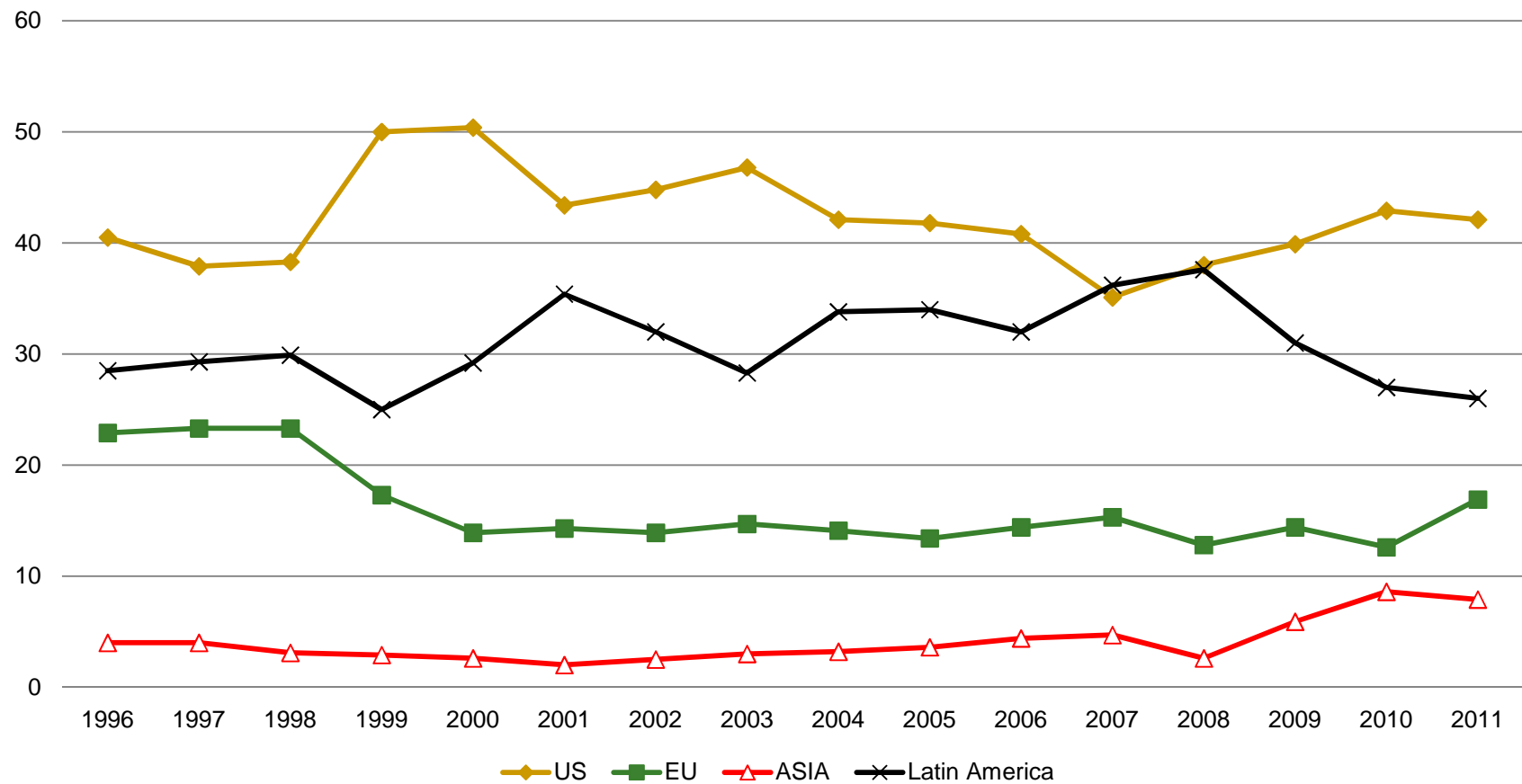


# Argentina's Import Sources (%)



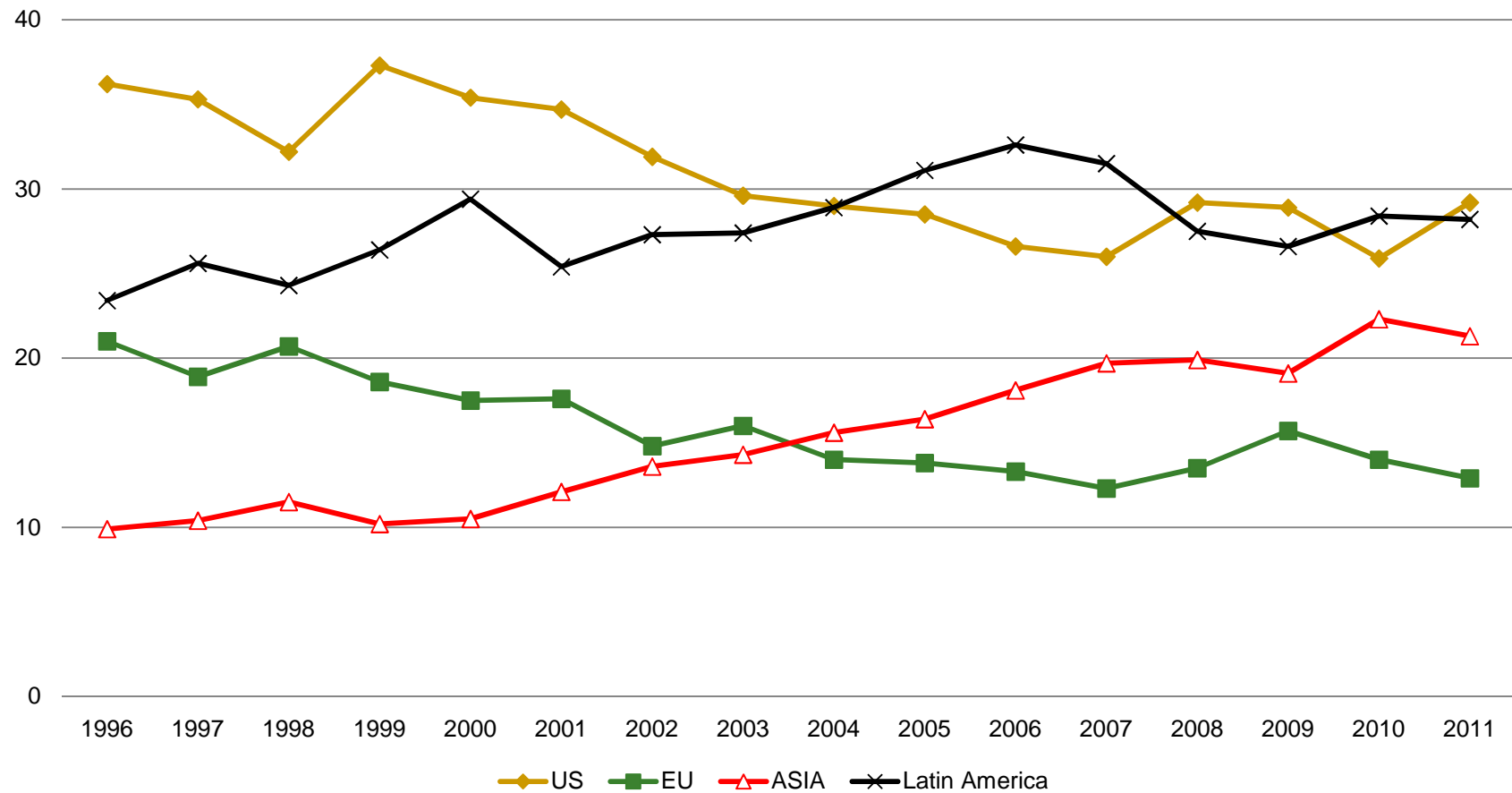
Source: IMF, DOT data

# Colombia's Export Destinations(%)



Source: IMF, DOT data

# Colombia's Import Sources (%)



Source: IMF, DOT data

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## Conventionally Dominant(CD) Type

- Mexico, Venezuela, Argentina and Colombia in this category
  - US (for Mexico, Venezuela, Colombia) / LAC (for Argentina, Colombia) market dominates export destination status
  - As import source, Asia surpassed EU while US keeps losing share
  - Chronic trade deficit problems with Asia
    - Mexico, Colombia
    - Asian markets underexplored
  - Unique: Colombia= No single dominant partner
-

# Typology of Export Structures

	<b>WS (With a single dominant destination)</b>	<b>NS (No single dominant destination)</b>
<b>AD (Asia-strong Diversified Type)</b>	Chile	Peru Brazil
<b>CD (Conventionally Dominant Type)</b>	Mexico (US) Venezuela (US) Argentina (LAC)	Colombia (US, LAC)

# Export Growth Rates (2001~2010)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
CD	-5.7	-0.7	4.9	19.2	17.8	12.3	8.6	17.6	-20.3	16.2	7.0
AD	-1.3	3.7	18.4	41.7	27.2	33.0	16.3	12.4	-19.4	23.4	15.5

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Ave
WS	-6.7	-1.1	9.2	32.1	23.2	23.6	13.0	17.2	-25.1	22.2	10.8
NS	-2.2	3.6	15.4	33.8	28.7	23.1	18.0	21.4	-17.2	19.2	14.4

# GDP Growth Rate

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Ave (2001-2011)
<b>AD</b>	1.7	3.3	3.1	5.6	5.2	5.4	6.5	6.2	-0.5	7.2	5.2	4.45
<b>CD</b>	-0.5	-4.9	0.6	7.8	5.7	5.9	5.0	3.3	-2.1	3.2	5.8	2.71
<b>WS</b>	0.4	-4.4	1.6	9.3	7.1	7.0	6.2	4.2	-2.6	4.5	5.8	3.52
<b>NS</b>	1.1	3.4	3.0	5.3	4.9	6.1	7.3	6.2	0.6	6.9	5.2	4.55

	Average (2001-2011)
AD>CD	1.74 % Point
NS>WS	1.03 % Point
AD-NS>CD-WS	1.23 % Point (4.69-3.46)

Source: IMF, World Economic Outlook Database, April 2011, 2012.

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### **III. “What kinds of interregional relations for Latin America?”: Issues on Interaction Patterns and Policy Challenges**

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# Korean Experience

- Endogenous growth model
    - Through education, human capital, and R&D
  - State/business-led development
  - Creative exports (industrialization)
  - Export drive and international competitiveness
  - Diversified trade structure and macroeconomic stability
  - Capital formation and globalization of Korean firms
-

# Political Issues

- ◆ Geoeconomics of the interregional relations
  - Ideology v. Commerce
  - 20<sup>th</sup> century: Europe v. US
  - 21<sup>st</sup> century: Asia (China) v. US/EU
- ◆ Soft power (idea/experience sharing) formation
  - State v. Market
  - 20<sup>th</sup> century: Asian miracle v. Washington Consensus
  - 21<sup>st</sup> century: MERCOSUR v. Pacific Alliance

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# Functional Issues

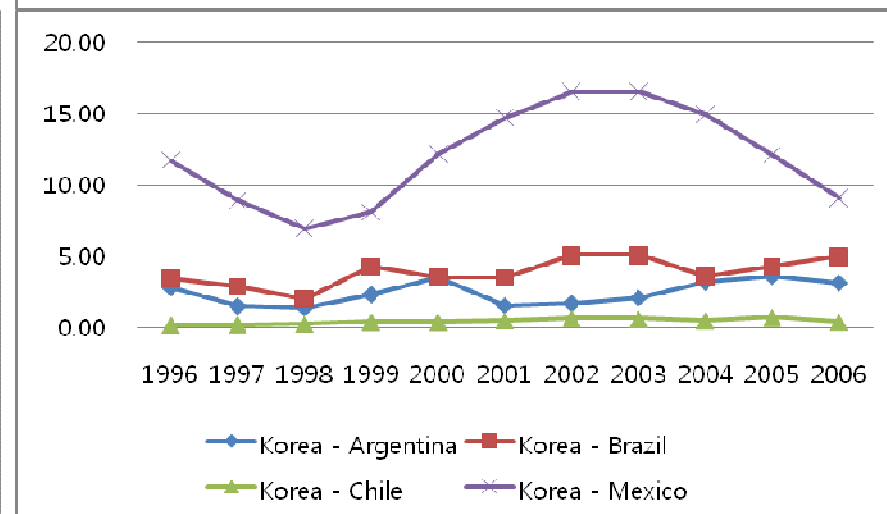
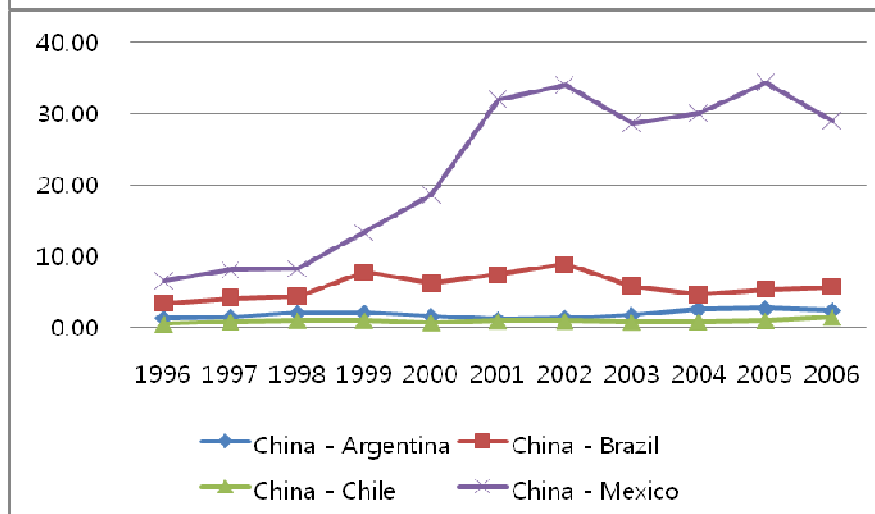
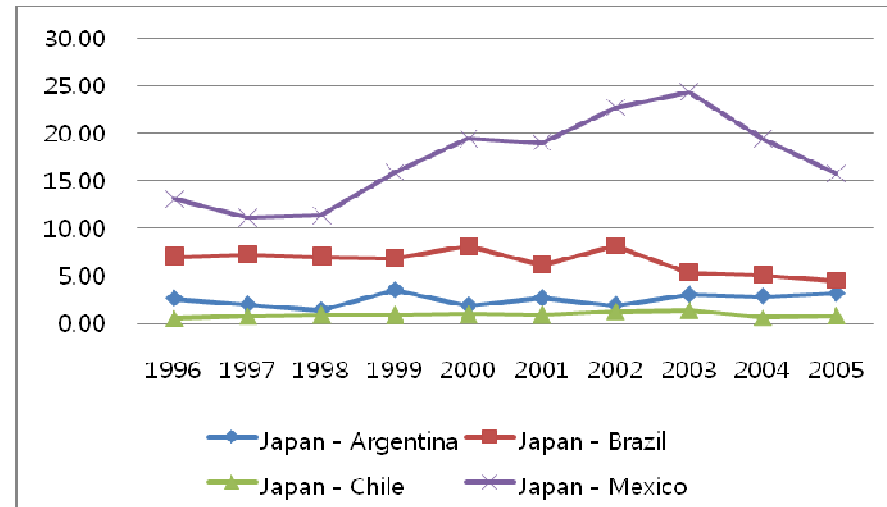
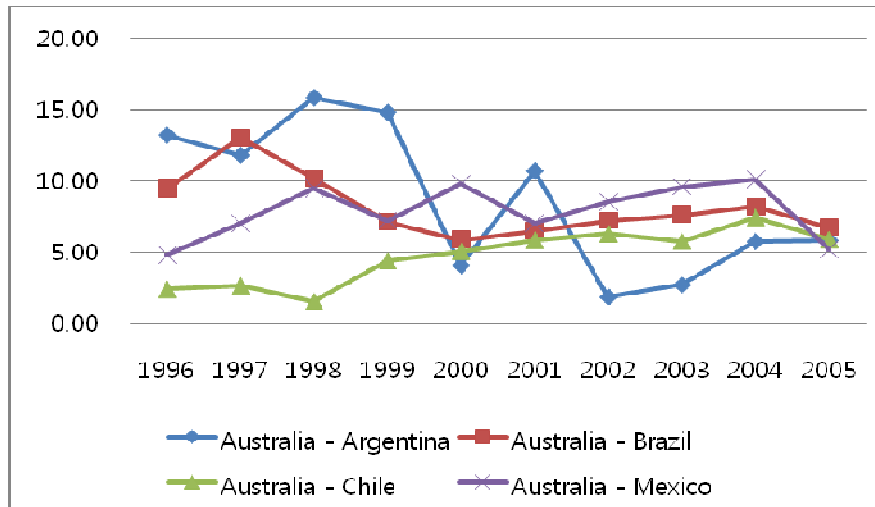
## ◆ Trade

- Dependence vs. Interdependence
- Commodity exports v. Deindustrialization
- Interindustrial vs. Intraindustrial
- FTA negotiations v. Protectionism

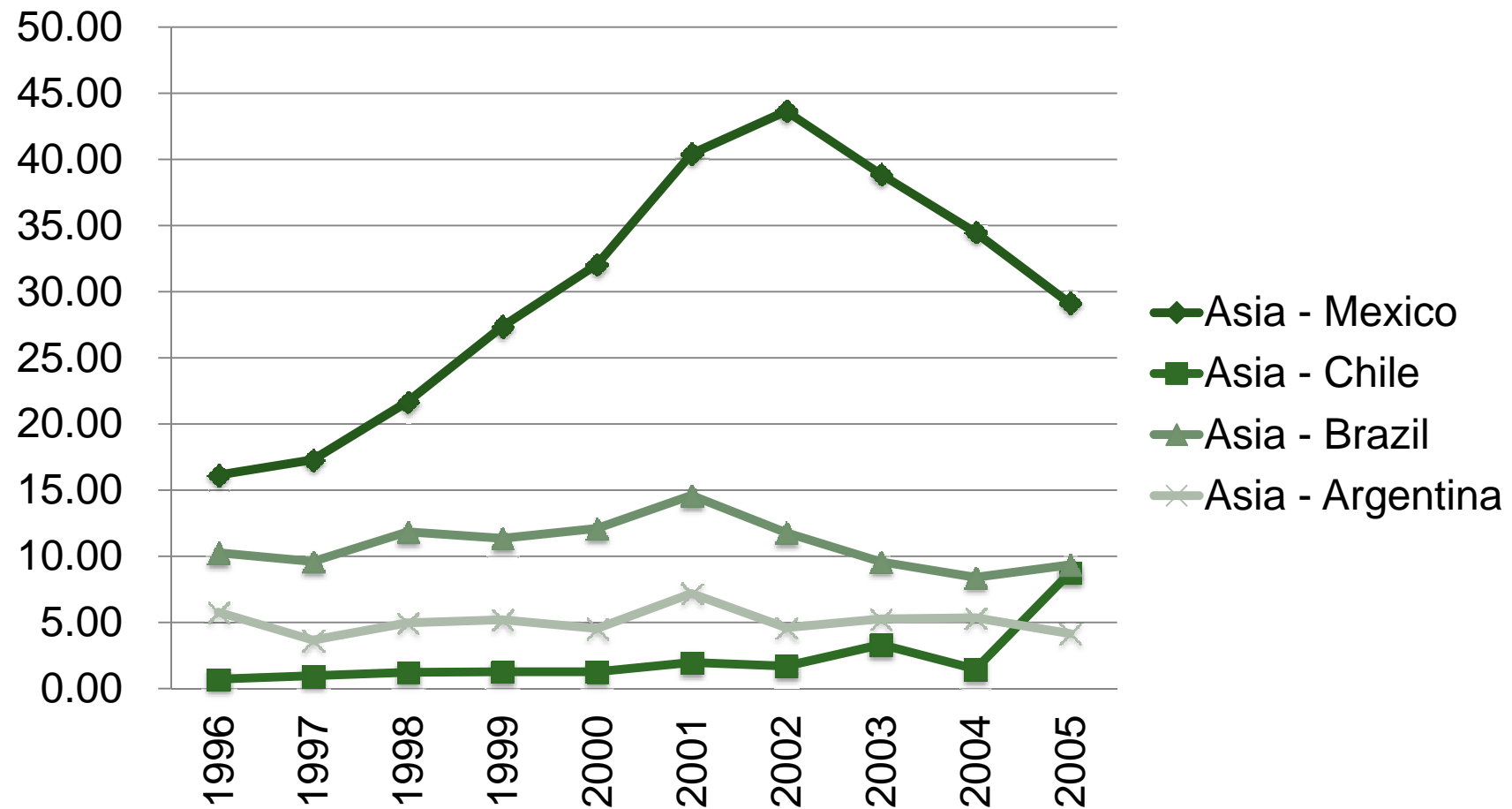
## ◆ FDIs

- Motivation: Resource/Market/Efficiency seeking
  - Contribution: Production capacity? Jobs?  
Technology transfer?
-

# Australia , China, Japan and Korea's Intra-Industrial Trade with Latin America



## East Asia's Intra – Industrial Trade with Argentina, Brazil, Chile and Mexico



# Top 20 Intra-Industrial Trade Items

Twenty Main Intra - Industry Flows Between Asia And Latin America

(value in thousands of US dollars based on the average trade flows for the period 1990 - 1998)

Commodity Group (SITC, Rev. 3)	Asian and Pacific Exports to Latin America Average 1999 - 2006	Asian and Pacific Imports to Latin America Average 1999 - 2006	Intra - Industrial Trade Percentage
583 Polymerization Etc Prods	142,617	134,042	96.90%
882 Photo, Cinema Supplies	110,998	118,525	96.70%
514 Nitrogen - Fncn Compounds	72,139	63,531	93.70%
612 Leather etc Manufactures	12,786	10,886	92.00%
725 Paper etc Mill Machinery	11,963	9,428	88.10%
516 Other Organic Chemicals	24,103	30,743	87.90%
696 Cutlery	27,387	21,030	86.90%
659 Floor Coverings, etc	2,555	1,949	86.50%
592 Starch, Inulin, Gluten, etc	24,050	17,675	84.70%
791 Railway Vehicles	5,269	3,679	82.20%
654 Oth Woven Textile Fabric	20,760	14,489	82.20%
554 Soap, Cleansing Etc Preps	4,601	2,828	76.10%
662 Clay, Refractory Bldg Prd	7,412	12,099	76.00%
651 Textile Yarn	109,966	179,794	75.90%
541 Medicinal, Pharm Products	72,234	40,900	72.30%
598 Miscel Chem Products nes	35,156	19,704	71.80%
883 Developed Cinema Film	54	100	70.20%
897 Gold, Silver Ware, Jewelry	16,638	8,678	68.60%
635 Wood Manufactures nes	10,464	5,262	66.90%
585 Plastic Material nes	1,280	2,575	66.40%

Twenty Main Intra - Industry Flows Between Asia And Latin America

(value in thousands of US dollars based on the average trade flows for the period 1999 - 2006)

Commodity Group (SITC, Rev. 3)	Asian and Pacific Exports to Latin America Average 1999 - 2006	Asian and Pacific Imports to Latin America Average 1999 - 2006	Intra - Industrial Trade Percentage
554 Soap, Cleaners, Polish, etc	5,482	5,611	98.83%
522 Inorganic Chem. Elements	58,682	56,515	98.12%
891 Arms and Ammunition	450	429	97.64%
532 Dyeing, Tanning Materials	14,651	15,541	97.05%
573 Polymers, Vinyl Chloride	15,674	17,442	94.66%
661 Lime, Cement, Constr. Matrl	6,014	6,907	93.08%
525 Radio - Active Materials	1,610	1,850	93.07%
542 Medicaments	34,734	40,650	92.15%
793 Ship, Boat, Float. Structrs	19,061	16,015	91.32%
513 Carboxylic Acids, Derivts	76,665	64,201	91.15%
523 Metal. Salts, Inorgan. Acid	50,558	66,318	86.52%
872 Medical Instruments nes	24,387	18,310	85.77%
597 Preprd Additives, Liquids	4,272	5,699	85.69%
593 Explosives, Pyrotechnics	6,184	3,827	76.45%
551 Essntl. Oil, Perfume,F lavr	6,486	10,668	75.62%
641 Paper and Paperboard	23,786	39,833	74.78%
742 Pumps For Liquids, Parts	52,174	29,641	72.46%
659 Floor Coverings, etc.	2,916	1,653	72.36%
533 Pigments, Paints, etc.	36,958	20,778	71.98%
571 Polymers Of Ethylene	74,937	41,478	71.26%

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*¡Muchas gracias!*

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