

Silhouettes of various landmarks: the N Seoul Tower, a traditional Korean pavilion, a pagoda, and a Buddha statue.

Korea and Latin America and the Caribbean:

Advancing Together in an Evolving World

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The report was coordinated and written by Mauricio Mesquita Moreira and Marcelo Dolabella from INT. The sections were authored by Mauricio Mesquita Moreira, Senior Consultant from INT (Section I, Introduction), Marcelo Dolabella and Mario Saeteros, Consultants from INT (Section II on LAC-Korea trade and investment trends); Pedro da Mota Veiga and Sandra Rios Polonio from CINDES – Center for Studies on Integration and Development (Section III on the Brazil-Korea relationship); and Sanggon Na, Younghoon Kim from the IDB Office of Outreach and Partnerships (Section IV on cooperation).

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Foreword

The post-pandemic years have given new impetus to the commercial links between Latin America and the Caribbean (LAC) and Korea. During this recent period, trade and investment have reached record values, reflecting the strengthened ties between the regions. The emergence of a more volatile global economy shaped by geopolitical tensions, rising trade barriers and subsidies, and concerns over food security and climate change, poses new challenges and opportunities. By reaffirming their partnership and commitment to free trade and investment, Korea and LAC can leverage their unique strengths to construct more resilient and interconnected value chains, while navigating this evolving world.

This report reviews the latest trends in trade and investment and highlights the potential for Korea and LAC to unlock new opportunities in food and energy security, as well as climate resilience, through strengthened multilateral trade systems and enhanced norms in competition, labor, and environmental standards. Korea's advanced innovation system can significantly boost LAC's productivity through the adoption of new digital technologies. Conversely, LAC, as the world's largest net exporter of food and agricultural products, can help stabilize and reduce global food prices, benefiting Korea and other nations.

Korea's commitment to innovation has been pivotal in its economic transformation. With substantial investments in research and development (R&D), Korea has become a leader in advanced technologies. This progress is rooted in forward-thinking education policies, robust public-private partnerships, and a steadfast dedication to enhancing global economic competitiveness. These elements are critical for LAC as it seeks to bridge its own development gaps and achieve sustainable prosperity.

Since Korea's entry into the Inter-American Development Bank (IDB) in 2005, the IDB has played a crucial role in fostering Korea-LAC collaboration. As Korea approaches its twentieth anniversary as an IDB member country, its contributions have been instrumental in advancing LAC's development. Korea has three main funding sources at the IDB: the Knowledge Sharing Program (KSP), Korea Trust

Funds (KTFs), and the Korea Infrastructure Development Co-Financing Facility (KIF), which together have approved projects totaling over US\$1.06 billion.

The Korea-LAC partnership is founded on a shared vision of strong, enduring relationships that have laid the groundwork for deeper, more robust ties between the two regions. We hope this report will contribute to the success of the 2024 Korea-LAC Trade and Innovation Forum and stimulate a fruitful exchange of ideas on policy options to sustain and enhance this strategic partnership.

Fabrizio Operti

Manager

Integration and Trade Sector

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Executive Summary

- **The relationship between Latin America and the Caribbean (LAC) and Korea has flourished during a period of unprecedented international economic cooperation. Not anymore.** The proliferation of trade barriers and subsidies leaves no doubt about the emergence of a more volatile global economy.
 - **What does this all mean for LAC-Korea relations? The goal of a close partnership is even more important.** By bringing their economies together, LAC and Korea are much better positioned to address these geopolitical, environmental, and social concerns while preserving trade and foreign investment as engines of growth.
 - **By translating these concerns into opportunities, the partnership can give new impetus to bilateral trade and investments.** Despite losing their momentum since 2010, trade and investments have rebounded recently. In the last three years, goods have been trading close to the US\$ 60 billion mark—an all-time high—with more balanced flows than ever before. Bilateral trade in services, valued at US\$ 11 billion in 2021 (latest data available), shows a similar pattern of loss of dynamism followed by recovery.
 - **Similar dynamics are seen on bilateral investment. A significant slowdown followed recently by recovery, with Korea’s investment in the region reaching a record US\$ 3 billion in 2023.** This increase has happened at a time when Korean investment in China has fallen drastically, suggesting that LAC might benefit from the reallocation of Korea’s value chains. However, there is still room for growth in LAC investment in Korea.
 - **It takes more than the rear-view mirror to see why this recovery can be sustainable.** Opportunities are likely to be particularly important in increasing the resilience of value chains, improving food security, promoting a smooth and speedy energy transition, and spreading the benefits of the digital transformation—all in line with the new demands of the world economy.
 - **The LAC-Korea partnership is particularly well-suited to enhance the resilience of its members’ value chains.** Members, for the most part, share a commitment to democratic values and market-oriented economies.
 - **With 17% of global exports, LAC is particularly well-positioned to strengthen the resilience of agri-food value chains.** Despite facing an average tariff of
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55%, LAC agri-food exports to Korea, led by Brazil, have grown at an annual rate of 20% over the last four years. They now account for 16% of all Korea's imports of these goods. Eliminating high tariffs and harmonizing sanitary and phytosanitary measures should be one of the partnership's top priorities.

- **Combating climate change should be an urgent priority for any international partnership, particularly for LAC-Korea.** LAC's clean energy matrix and large endowment of critical minerals is a perfect match to Korea's reliance on fossil fuels and its competitiveness on environmental goods (EG). Here too high tariffs stand on the way, this time on LAC's side. MERCOSUR's EG tariffs, for instance, can be as high as 8%. Opportunities extend way beyond goods. Given that Korea's emissions of CO₂ per unit of output are three times higher than LAC's average, the potential for trading in environmental services, particularly in carbon credits, is boundless.
 - **As with the other trends reshaping the global economy, digital transformation also offers opportunities.** To tap into digitalization's productivity and quality gains, as well as the trade opportunities of the new digital trade modalities, LAC needs to improve its information and communication technologies (ICT) infrastructure. Korea, as major provider of ICT goods and services, can help. It is already happening. Exports of ICT services have been growing at a 13% annual rate since 2007 but goods have yet to take off. Lowering tariffs on LAC's side (6.1% on average) and barriers to digitally traded services on both sides (well above the world's average) would be the way to go.
 - **Korea's partnership with Brazil—LAC's largest economy and home to 50 thousand Koreans—offers some of the biggest gains.** It has also seen a slowdown in trade and investment, followed recently by some signs of recovery. Trade in goods, at US\$ 10 billion in 2023, has yet to surpass the 2010 peak. The good news is a more balanced trade since 2021, with Brazil's significant bilateral deficit turning into a modest surplus. Trade in services has also seen a loss of dynamism, but proved to be more resilient, averaging US\$ 1.12 billion a year between 2010 and 2021 (latest data available).
 - **Along the spectrum of complementarity between Korea and LAC economies, Brazil is arguably at the top end.** It checks all the boxes of a promising partner to address the geopolitical, environmental and resilience challenges: a large democratic market economy, with abundant natural resources that are critical for food security and a clean energy transition. It also needs to improve
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its ICT infrastructure to boost manufacturing productivity and explore new export niches in digitally traded services. High bilateral trade costs, however, still stand on the way. The MERCOSUR-Korea free trade agreement, whose negotiations have stalled, would be the most effective answer to this challenge.

- **The success of the LAC-Korea relationship has always relied on more than just market forces. However, in today's world, intergovernmental cooperation has become more critical than ever.** The complex challenges facing the global economy require effective government intervention. This calls for a LAC-Korea cooperation agenda that prioritizes policy and regulatory convergence.
 - **There are reasons for optimism. LAC and Korea have a long history of successful intergovernmental relations,** backed by strong bilateral, preferential, and multilateral frameworks. This has translated into a steady stream of Korean development assistance for LAC, primarily in the form of grants. This assistance, after a brief slowdown, reached a historic high of US\$321 million in 2022. Multilateral partners play a crucial role; a sizable portion (US\$1.06 billion as of 2023) has been channeled through the IDB.
 - **In sum, LAC-Korea partnership holds significant potential to navigate the complexities of the new world economy.** By prioritizing collaboration in areas like food security, clean energy, and digital transformation, LAC and Korea can build more resilient and sustainable economies. Renewed intergovernmental cooperation and a focus on policy convergence are crucial to unlock these opportunities. A stronger LAC-Korea partnership can be a powerful force for growth and prosperity in both regions.
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1. Introduction

The relationship between Latin America and the Caribbean (LAC) and Korea has flourished during a period of unprecedented international economic cooperation, spurred by a far-reaching trade and capital liberalization. In this golden era of globalization, geopolitical tensions were hardly heard of. The search for greater efficiency and prosperity trumped resilience, national security, environmental and social concerns.

Not anymore. Although the death of globalization has been greatly exaggerated—trade as share of the global GDP remains at an all-time high—the proliferation of trade barriers and subsidies, challenges a rules-based multilateral trading system. An economy where the search for efficiency is tempered by geopolitical, environmental, technological, and social concerns—legitimate for the most part, but which also serve as cover to less noble protectionist interests.

What does this all mean for LAC-Korea relations? Should governments go back to the drawing board and rethink their goals of greater economic integration and cooperation?

The short answer is no. These new concerns are neither a solid justification for the world economy to go back to the autarkic policies of the interwar period, nor a good reason for LAC and Korea to rethink their goal of a close partnership. On a bilateral level, by bringing their economies together, LAC and Korea are much better positioned to address geopolitical, environmental and social concerns while preserving trade and foreign investment as engines of growth.

This report reviews the recent trade, investment, and cooperation trends of the bilateral relationship through the lens of this new, evolving world economy. In addition to a regional overview, it offers an in-depth look at the bonds between Korea and its largest LAC partner—Brazil—which can offer valuable lessons for the rest of the region. Its core argument is that calls for resilient value chains, clean energy, food security and an opportunity-enhancing digital transformation strengthens rather than weakens an already compelling case for a closer

integration. However, it also makes it clear that further progress in this goal will require governments to work harder than in the previous, boom years of the relationship, when markets, driven by the powerful centripetal forces of complementarity, led the way.

The boom is over: Now comes the hard but promising part

The double-digit growth years for LAC-Korea trade are a thing of the past. Since 2011, it has been showing signs of stagnation. The end of the commodity boom, coupled with a series of external shocks like the 2008 financial crisis, the COVID-19 pandemic, and the Ukraine war, has taken a toll on both economies and their trade. Bilateral trade has also been losing its relative importance, particularly on the Korean side. After reaching a peak of 5.6% in 2010, LAC's share of Korea's trade has since dropped to around 4.2% in 2023. Korea's share of LAC trade had proven to be more resilient but also lost ground. At 2%, it remains closer to its peak of 2.5% in 2010. Bilateral trade in services shows a similar pattern of loss of dynamism, practically maintaining its limited, 11% share of overall trade constant since the early 2000s.

Fortunately, it is not all doom and gloom. Bilateral trade in goods has rebounded strongly since the COVID shock, reaching an all-time high of US\$ 65 billion in 2022. It is too early to speak of a new trend, but the signs are encouraging. Another good reason for optimism is a clearer trend towards a more balanced trade. Driven by a stronger LAC export performance, particularly by Brazil, Korea's bilateral trade surplus, which reached as high as 50% of all trade in 2008, has gone down to 15% in 2023. This translates into a more balanced relationship, less exposed to domestic political pressures to raise trade barriers.

On the foreign investment front, the scenario also shows a similar pattern of slowdown, but that has also been tempered by signs of a strong post-COVID rebound. In 2023, Korea's investment in the region is estimated to reach the all-time high of US\$ 3 billion, led by Brazil, Mexico, and Peru. This increase has happened at a time when Korean investment in China has fallen drastically, suggesting that LAC might benefit from the reallocation of Korea's value chains.

The recent figures also suggest a trend towards a greater diversification of these investments away from mining and towards manufacturing. However, investment flows remain largely one-sided, with LAC investment in Korea still modest, suggesting the region has yet to fully capitalize on opportunities in its Asian partner's market.

These more recent datapoints are already a good reason to be hopeful. However, one needs to look beyond the rear-view mirror to see that true potential of the LAC-Korea partnership lies in navigating the challenges of the new world economy. Benefits are likely to be particularly large in increasing the resilience of value chains, improving food security, promoting a smooth and speedy energy transition, and spreading the benefits the digital transformation.

Short geopolitical distances make reliable value chains

The concept of resilience has become multifaceted, encompassing extreme weather events, food security, and now, geopolitical considerations. No matter which angle governments prioritize, there is a strong case for keeping the borders open for a basic reason: it allows country, firms, and consumers to diversify their demand and supply risks against unforeseen contingencies, be that at home and abroad. This diversification would be even more effective if it involves partners that are less exposed to these contingencies.

The LAC-Korea partnership fits this description, particularly on the geopolitical dimension, which seems to be an important concern these days. The economies in the partnership share, for the most part, a commitment to democratic values and market-oriented economies. As research has shown elsewhere, democracy and geopolitical proximity boosts trade, most likely due to reducing uncertainty along the supply chain.¹ Voting patterns in the UN General Assembly—a proxy for geopolitical proximity—show that Korea is significantly “closer” to LAC's largest economies, such as Brazil and Mexico, than its to China or even the U.S.²

¹ Cevik (2024).

² Voeten et al. (2009), [UN General Assembly Voting Data, Harvard Dataverse, V32](#).

Reaping the fruits of greater food security

LAC is particularly well-positioned to play a key role in strengthening the resilience of the global food supply chain, which has faced recent disruptions from extreme weather events and the Ukraine War. As the world's largest net exporter of food and agricultural products, accounting for 17% of global exports, LAC boasts some of the world's most productive agricultural regions. Additionally, it possesses significant resources of underutilized agricultural land and fresh water. This immense potential can contribute to stabilizing and lowering international food prices, benefiting consumers in Korea and beyond.

Some of this potential can already be seen in the trade flows. LAC exports of agri-food products to Korea, led by Brazil, have grown at annual growth rate of 20% in the last four years. They now account for 16% of all Korea's imports of these goods. This achievement is even more impressive considering the unduly high trade barriers that LAC faces. Korea's average tariff on LAC agri-food exports is as high as 55%. Overcoming barriers like high tariffs and stringent sanitary and phytosanitary (SPS) measures should be a top priority for the governments.

Trading to address climate change

Combating climate change and accelerating the clean energy transition are urgent priorities for any international partnership. The LAC-Korea partnership presents particularly compelling opportunities in this regard. LAC has one of the cleanest energy matrices in the world, with nearly 30% of renewable sources—a share significantly higher than the global average of 14%. The region is also well-positioned in the supply of minerals for clean energy technologies. It holds some of the highest global reserves of copper (Chile, Peru), lithium (Chile, Argentina, Bolivia), nickel (Brazil, Colombia, and Guatemala), silicon and rare earth metals (Brazil). These characteristics give the region a better chance of minimizing greenhouse gas emissions in energy-intensive industries such as steel. Additionally, LAC's clean energy advantage makes it more cost-effective to produce zero-emission fuels like hydrogen, which require significant amounts of clean electricity.

Korea, on the other hand, has just 4% of its energy needs supplied by renewable sources and a limited endowment of critical minerals. However, the country boasts a strong presence in the segments of the clean energy value chain that could significantly boost renewable energy development. These include the production of solar panels, lithium batteries, and electric vehicles. A clear synergy emerges when considering the strengths of both partners. This creates boundless opportunities for mutually beneficial trade and investment in clean energy technologies and minerals.

Similar to challenges in agri-food trade, environmental goods tariffs pose an obstacle to realizing the full potential of the LAC-Korea clean energy partnership. In Brazil and its MERCOSUR partners, for instance, tariffs on these goods can be as high as 8%. Reducing these barriers could significantly boost bilateral trade in environmental goods and critical minerals, a sector that reached US\$6.8 billion in 2022 but has room for substantial growth.

The opportunities extend beyond trade in goods. Given that Korea has emissions of CO₂ per unit of output three times higher than the LAC's average, the potential for trading in environmental services, particularly in carbon credits, is even more promising.³ Korea's purchase of carbon credits from LAC could significantly reduce its mitigation costs, while providing LAC countries with a new source of revenue to invest in sustainable development projects. Brazil alone is thought to have the potential to restore 50 million hectares of forest, representing about 5.5% of the world's total forest area.⁴ This restoration effort can generate significant carbon offsets for trading. Recognizing this opportunity, the Korean government has already been negotiating several cooperation agreements in this area with Peru, Chile and Costa Rica.⁵

Sharing the benefits of digital transformation

As with the other trends reshaping the global economy, the digital transformation—encompassing technologies like digital platforms, advanced robotics,

³ IEA data.

⁴ Bastin et al. (2019).

⁵ Quantum Commodity Intelligence (2024).

artificial intelligence (AI), the internet of things, and 3D printing—has caused significant anxieties among policymakers in developing countries. They fear these technologies disruptive effects on comparative advantages in low-skilled, labor-intensive goods and tasks.⁶

However, the digital transformation presents a more nuanced picture for developing countries. While it may disrupt advantages in low-skilled labor, it also offers opportunities for improvement. For instance, technologies like AI-powered quality control systems can enhance product quality and consistency, potentially offsetting diminishing labor cost advantages. Additionally, digitalization facilitates significant reductions in trade costs – logistic, regulatory, or information-related. The emergence of new trade modalities like e-commerce and digitally transmitted services further contributes to these reductions.⁷

This situation has significant implications for the LAC-Korea relationship. LAC's infrastructure in information and communication technologies (ICT)—a prerequisite to take advantage of trade and investment opportunities of the digital transformation—lags well behind Korea and other high-income countries. Similar to the situation with climate change, a close relationship with Korea can provide a major boost for LAC's digital prospect. Trade, though, remains subdued with LAC imports of Korea's ICT goods falling at an annual average of 1.2% in the last four years. The good news is that LAC imports of Korean ICT services have grown at an annual average of 13% since 2007, driven particularly by a strong demand for Korean expertise.

Further boosting ICT trade requires lower tariffs for goods—currently at an average of 6% faced by Korea and 2% faced by LAC—and a legal and regulatory policy agenda to reduce costs and facilitate digital trade, particularly in services. Both Korea and a considerable number of LAC countries stand above the world's average on barriers to digitally traded services, which range from restrictions to cross-border data flows, access to online content, trading, technology, and market access barriers.

⁶ Mesquita Moreira et al. (2022a).

⁷ Mesquita Moreira and Stein (2019).

Beyond markets: The power of cooperation

The success of the LAC-Korea relationship has always relied on more than just market forces. However, in today's world, intergovernmental cooperation has become more critical than ever. The complex challenges facing the global economy—geopolitical tensions, food security issues, health crises, and climate change—cannot be tackled by markets alone.

Yes, these challenges create trade and investment opportunities, which are part of the solution, but they all involve externalities—situations where private and social costs diverge. This divergence can only be addressed by government intervention. However, without collaboration on common policies and regulations, these interventions can quickly become roadblocks to trade, investment, and overall wealth creation.

This calls for a LAC-Korea cooperation agenda that prioritize issues such as policy and regulatory convergence in key areas like environment, food safety, healthcare, and digital goods and services. Without progress in these areas, the economic complementarity of both regions in the new world economy risks going untapped.

Fortunately, there are reasons for optimism. LAC and Korea have a long history of successful intergovernmental relations, backed by strong bilateral, preferential, and multilateral frameworks. This has translated into a steady stream of Korean development assistance for LAC, primarily in the form of grants. This assistance, after a brief slowdown, reached a historic high of US\$321 million in 2022. Multilateral partners play a crucial role; for instance, a sizable portion (US\$ 1.06 billion as of 2023) has been channeled through the IDB.

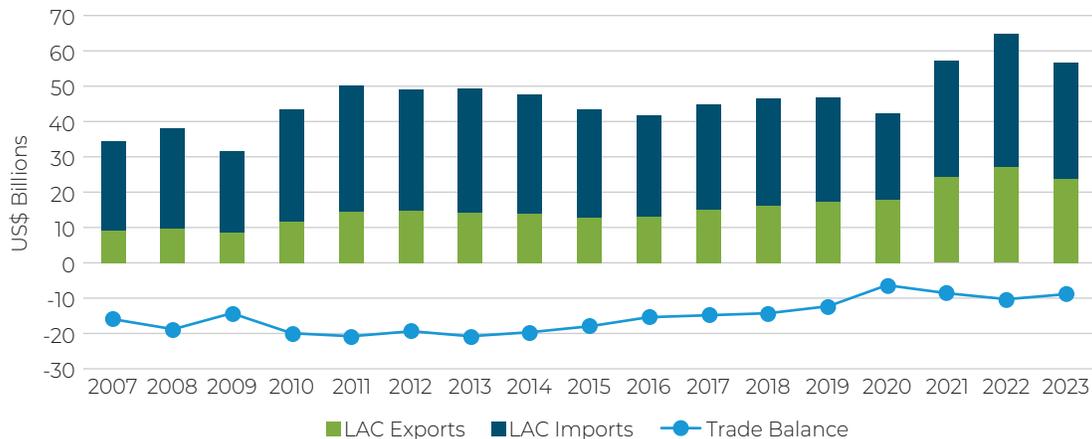
2. LAC-Korea Trade and Investment Landscape: Enhancing Bilateral Economic Ties

Trade in goods: New developments in a longstanding relationship

The LAC-Korea trade relationship can be seen as a story in four chapters. The first three are well known. The establishment of the Republic of Korea in 1948 was followed by period of little exchange between the two economies, stifled by the Korean war and subsequent protectionist policies. The next chapter saw remarkable (unbalanced) expansion of trade flows following 1990s trade liberalization. This momentum slowed in 2010s, accompanied by a more balanced bilateral trade. The fourth and current chapter, arguably beginning after the pandemic, has seen trade flows bouncing back. They reached a new peak, with approximately US\$ 65 billion being exchanged in 2022 (Figure 2.1). It still too early to say if this renewed momentum is sustainable, but there is no shortage of opportunities. The

■ Figure 2.1

Trade Relationship Between LAC and Korea



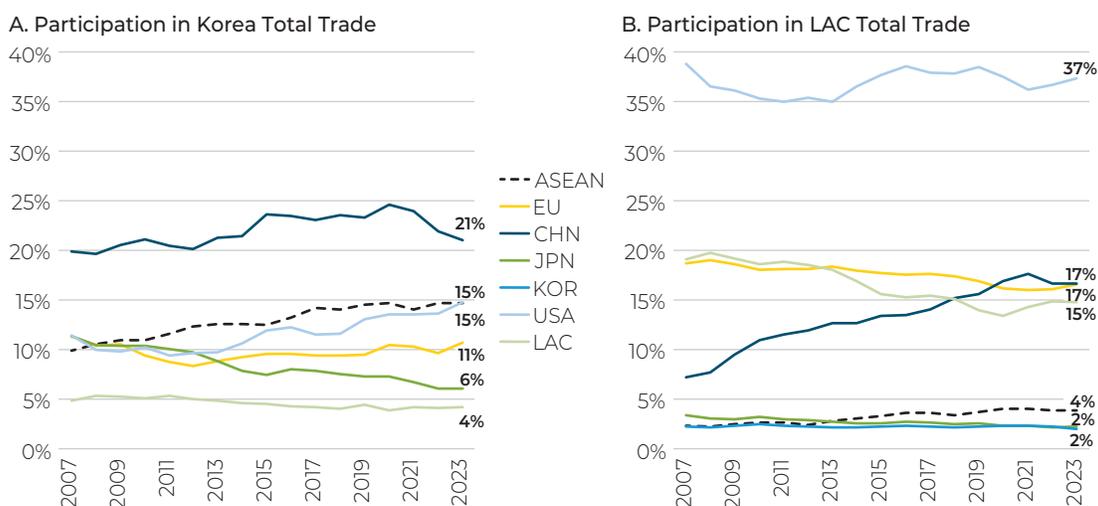
Source: IDB Integration and Trade Sector with data from IMF Direction of Trade Statistics (DOTS).

Note: Based on imports and exports reported by 26 LAC countries.

new demands of this evolving world economy provide robust fundamentals for a strong partnership. Governments, however, need to be proactive.

Despite its strength, the recent recovery has yet to bring the relationship's economic relevance to the levels seen in the boom years, which even then could be considered relatively modest. LAC's share of Korea's trade, at 4.2%, is still below the 2010 levels (Figure 2.2, Panel A). Other Asian economies and the USA have gained relevance, particularly at the expense of Japan and more recently, China.

■ **Figure 2.2**
Korea and LAC Main Trade Partners



Source: IDB Integration and Trade Sector with data from IMF Direction of Trade Statistics (DOTS).

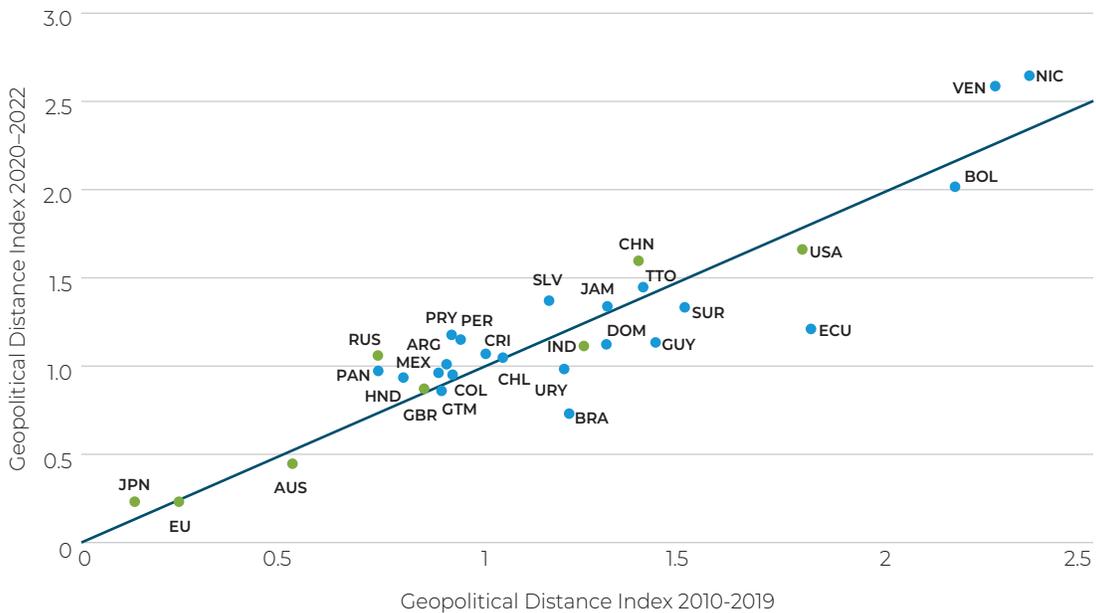
Note: Based on imports and exports reported by Korea (Panel A) and reported by 26 LAC countries (Panel B).

Similar dynamics is seen in Korea's share of LAC's trade, which at 2%, remains below the modest 2010 peak (Figure 2.2, Panel B). The U.S. remains as LAC's most important partner—37% in 2023—largely influenced by the sizable cross border flows with Mexico. The shares of intra-LAC and EU trade have been losing ground to other Asian partners, notably ASEAN and China.

There are, though, some hopeful signs in these figures. China's recent loss of market share in LAC and Korea might signal opportunities for bilateral trade

and investments as both partners look for more resilient and sustainable value chains. Their geopolitical proximity definitely helps. The voting patterns at the UN General Assembly from 2010 to 2022—a measure of geopolitical alignment—show how "close" Korea is from most LAC countries (Figure 2.3). Recently, Korea has also aligned more closely with countries like Brazil and Ecuador. This closer geopolitical relationship helps reduce uncertainty in the supply chain and lessens the potential negative impacts of global trade tensions.

■ **Figure 2.3**
 Geopolitical Distance to Korea: LAC and Selected Countries. 2010–2022

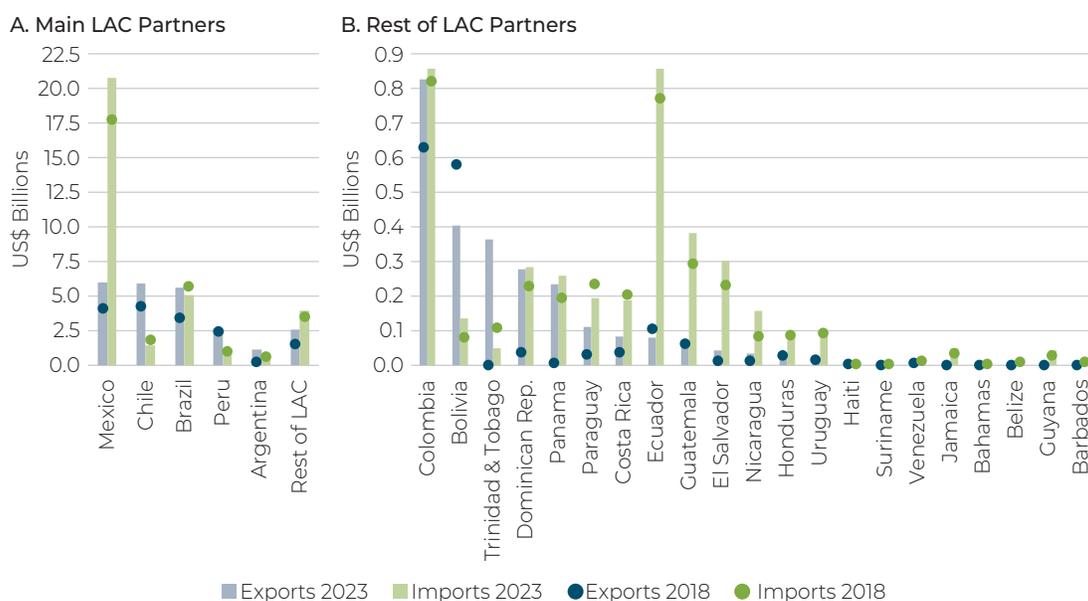


Source: IDB Integration and Trade Sector with data from Voeten et al. (2009), [UN General Assembly Voting Data](#), [Harvard Dataverse](#), V32.

Note: Smaller indexes represent greater geopolitical proximity. An average for each period was computed across the UN sessions for each country. The value for the EU represents the average across all EU27 members. Values below the diagonal represent countries that have recently moved closer to Korea. Selected LAC countries displayed in blue.

While the overall trade figures paint a broad picture, a closer look at Figure 2.4 reveals significant insights. Trade is heavily concentrated in a few major economies. Mexico, Chile, Brazil, Peru, and Argentina accounted for 88% of imports and 89% of exports to Korea in 2023. Mexico stands out, accounting for a whopping 63% of the region's imports from Korea and for most of its trade deficit. The other

■ **Figure 2.4**
LAC Bilateral Trade with Korea



Source: IDB Integration and Trade Sector with data from IMF Direction of Trade Statistics (DOTS).

Note: Based on imports and exports reported by 26 LAC countries.

major partners—Chile, Brazil, Peru, and Argentina—had trade surpluses in 2023. Bilateral trade performances also vary significantly. Mexico has seen its bilateral imports and exports increase by 17% and 45%, respectively, since 2018. By contrast, Chile, Brazil, and Peru saw increases in exports and decreases in imports during the same period. Lastly, for several smaller LAC countries, Korea's share of their trade is significantly higher than the region's average. For instance, Panama, Trinidad and Tobago, and Bolivia export 6.9%, 4.7%, and 3.7% of their goods to Korea, respectively. Additionally, 2.8% of Ecuador's imports come from the Asian country.

The composition of LAC-Korea bilateral trade has remained relatively stable in recent years, reflecting the well-known complementarities between the two economies. Drawing from its technological and manufacturing strengths, Korea has been an important provider of manufactured and processed goods, while the region, rich in natural resources, have historically supplied agricultural and energy commodities to its Asian partner. Table 2.1 and 2.2 summarize the main traded goods.

■ **Table 2.1**
Korean Exports to LAC, 2023

Rank 2023 (2018)	HS4	Item Description	Exports to LAC, US\$ Billions	Share of all Exports	CAGR 5yr Exports to LAC	CAGR 5yr Exports to WLD	Share of Korean Exports going to LAC	Top 3 LAC destinations
1 (▲2)	8708	Motor vehicle parts and accessories	2.25	9.5%	-1.4%	-0.1%	11.6%	MEX (63%), BRA (24%), CHL (2%)
2 (▲3)	8703	Motor cars and other motor vehicles	1.58	6.7%	-7.0%	12.3%	2.3%	MEX (29%), CHL (17%), DOM (8%)
3 (▲5)	7210	Products of iron, clad, plated or coated.	1.18	5.0%	2.0%	0.9%	17.4%	MEX (84%), BRA (7%), COL (2%)
4 (=4)	8542	Electronic integrated circuits	1.11	4.7%	-4.9%	-4.7%	1.3%	BRA (77%), MEX (23%), CRI (0.03%)
5 (▲7)	2710	Petroleum oils, not crude;	0.94	4.0%	5.9%	2.6%	1.8%	ECU (40%), CHL (21%), MEX (14%)
6 (▲9)	8517–8524	Cellphones, network devices, and flat panel displays with or without touch screens	0.72	3.0%	5.8%	11.2%	3.0%	MEX (83%), BRA (12%), COL (2%)
7 (▲18)	7208	Products of iron (hot-rolled).	0.54	2.3%	15.0%	4.6%	8.2%	MEX (64%), CHL (12%), BRA (10%)
8 (▼1)	8901	Cruise, cargo ships, ferryboats and vessels.	0.47	2.0%	-33.0%	1.1%	2.8%	PAN (71%), BHS (29%), JAM (0.0002%)
9 (▲15)	7209	Products of iron (cold-rolled).	0.43	1.8%	7.5%	1.0%	16.4%	MEX (90%), COL (5%), BRA (4%)
10 (▲23)	8414	Pumps, compressors, fans and related prod.	0.43	1.8%	15.5%	2.8%	12.6%	MEX (92%), BRA (6%), ARG (1%)
Total			9.65	40.8%				

Source: IDB Integration and Trade Sector with data from Korea Customs and Trade Development Institute (KCTDI).

Note: CAGR stands for Compound Annual Growth Rate. HS4 stands for Harmonized System 4 Digit.

A few key takeaways stand out. The top ten products make up a significant share of trade, accounting for 40.8% of Korean exports to LAC and 57.5% of LAC's exports to Korea. Korea's exports consist mainly of manufacturing goods, such as vehicles and vehicles parts, electronic integrated circuits and cellphones. One exception is refined oil, predominantly imported by Ecuador. Furthermore, some Korean products have found a major market in LAC. This is the case of exports

■ **Table 2.2**

LAC exports to Korea, 2023

Rank 2023 (2018)	HS4	Item Description	Imports from LAC, US\$ Billions	Share of all Exports	CAGR 5yr Imports from LAC	CAGR 5yr Imports from WLD	Share of Korean Imports coming from LAC	Top 3 LAC origins
1 (=1)	2709	Crude petroleum oils	4.10	13.8%	14.3%	1.4%	4.8%	MEX (59%), BRA (38%), ECU (3%)
2 (▲12)	2836	Carbonates (Lithium carbonate)	2.21	7.4%	41.7%	30.6%	79.7%	CHL (95%), ARG (5%), MEX (0.05%)
3 (▼3)	2603	Copper ores and concentrates	2.18	7.3%	0.9%	7.5%	37.3%	CHL (51%), PER (32%), PAN (12%)
4 (▲13)	1005	Maize (corn)	2.10	7.1%	40.5%	10.7%	59.4%	BRA (51%), ARG (43%), PRY (6%)
5 (▼4)	2601	Iron ores and concentrates	1.28	4.3%	3.7%	8.4%	15.8%	BRA (85%), CHL (15%)
6 (=6)	7403	Refined copper & copper alloys, unwrought	1.24	4.2%	7.0%	3.9%	54.2%	CHL (96%), PER (4%)
7 (▼3)	2608	Zinc ores and concentrates	1.13	3.8%	-0.4%	-3.8%	63.9%	MEX (42%), BOL (27%), PER (25%)
8 (▲36)	2825	Metal oxides, hydro-, peroxides (Lithium)	1.09	3.7%	60.1%	71.6%	10.3%	CHL (99%), BRA (0.7%)
9 (▼5)	2607	Lead ores and concentrates.	0.89	3.0%	-1.6%	0.1%	58.5%	PER (43%), MEX (39%), BOL (16%)
10 (▲11)	2613	Molybdenum ores and concentrates.	0.84	2.8%	10.4%	15.6%	65.7%	CHL (55%), MEX (37%), PER (8%)
Total			17.07	57.5%				

Source: IDB Integration and Trade Sector with data from Korea Customs and Trade Development Institute (KCTDI).

Note: CAGR stands for Compound Annual Growth Rate. HS4 stands for Harmonized System 4 Digit.

of iron products, particularly to Mexico, which have been growing at a faster rate than globally.

LAC exports to Korea have seen a recent surge in a new category of goods—critical minerals—reflecting its vast reserves and Korea's push to decarbonize its economy. Some minerals, such as lithium carbonates and hydroxide commonly

used in electric vehicles batteries, are experiencing double-digit growth. LAC has become a major supplier of some these minerals to Korea, including lithium carbonate (80%), molybdenum (66%), zinc (64%), lead (59%), refined copper (54%) and cooper (37%).

Korea's export to LAC also plays an important role in the region's fight against climate change. In 2022, these included US\$ 3 billion worth of "environmental goods". This included final goods, such as bicycles and electric vehicles, but also intermediate inputs, such as boards for electric control and static converters for electrical power.⁸ Exports of these goods have experienced a modest annual average growth of 1.2% from 2018 to 2022. However, growth has been significantly higher for a few items such as electric vehicles (68.1%), photosensitive semiconductor devices (15.7%) and static converters for electrical power (13.6%). This exchange is crucial to help LAC meet its nationally determined contributions (NDCs) targets.

This win-win situation is also evident in the trade of goods in other critical supply chains such as agri-food (Figure 2.5 and Table 2.3).⁹ LAC is the world's largest net exporter of these goods, with 17% of the world's exports. This fact is mirrored in its relationship with Korea, where it run a US\$ 6 billion surplus in 2022. Imports from LAC represented 16.1% of Korea's agri-food imports, growing at an average rate of 20% per year since 2018.

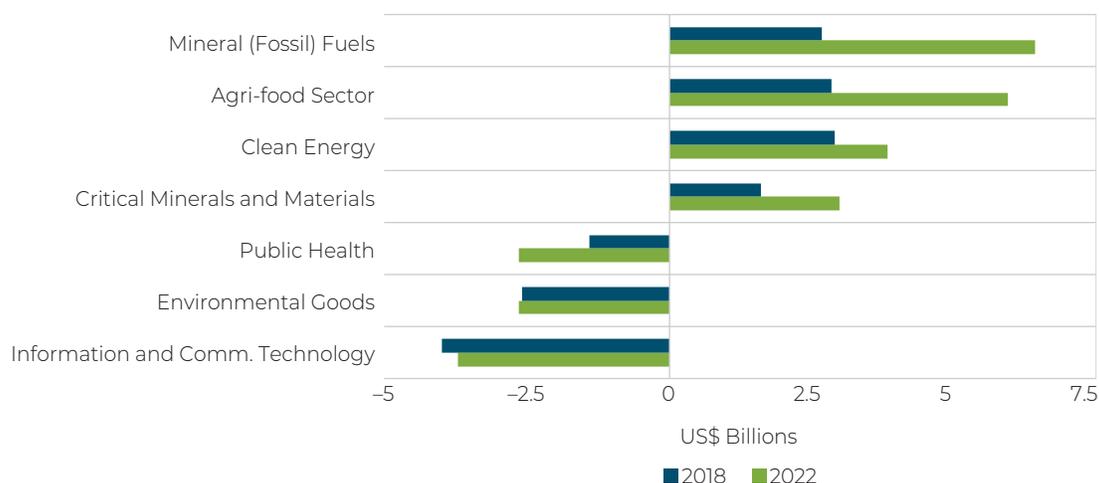
In the critical sectors of ICT and public health, it is Korea that is an important supplier to LAC, running a trade surplus exceeding US\$ 2.5 billion in each category. Exports of public health goods, including medical devices and supplies, and testing and diagnosis equipment, have proven to be particularly dynamic, with an average annual growth of 14.7% between 2018 and 2022, driven by the new

⁸ The "Environmental Goods" list correspond to the CLEG (Combined List of Environmental Goods), see [Garsous \(2019\)](#).

⁹ Product lists "Clean Energy", "Critical Minerals and Materials", "Public Health" and "ICT" were retrieved from [US International Trade Administration \(2021\)](#) draft list on critical supply chains. "Environmental Goods" list correspond to the CLEG (Combined List of Environmental Goods), see [Garsous \(2019\)](#). "Agri-food Sector" refers to the WTO definition of agricultural products and includes chapters 1–24 of the Harmonized System (excluding fish and fish products and 330210; an odoriferous substances). "Mineral (Fossil) Fuels" corresponds to all products in chapter 27 excluding Electrical Energy, 271600. One product might be in more than a group of products, for instance Zinc ores is in "Clean Energy" and "Critical Minerals and Materials" lists.

■ **Figure 2.5**

LAC Trade Balance with Korea by Selected Group of Products



Source: IDB Integration and Trade Sector with data from BACI

Note: Trade Balance defined as LAC exports minus LAC imports from Korea. See footnote 9 for details on the product composition of lists.

partnerships established during the pandemic. By contrast, exports of ICT goods have been experiencing a slowdown, dropping at an average annual rate of 1.2% over the last four years. Still, Korea remains as a significant supplier of these goods to LAC, accounting for 2.4% of its imports.

Removing barriers

Reducing persistently high trade costs presents a significant opportunity to strengthen the LAC-Korea trade relationship. Korea's high tariffs on agricultural goods are particularly costly, leading to higher domestic food prices. These tariffs hurt exports of all LAC countries, including those that have signed preferential trade agreements (PTAs) with Korea, such as Chile, Peru, Colombia, and some Central American countries (see Figure 2.6, panel A).

On the LAC side, some of largest LAC economies, particularly in MERCOSUR and the Caribbean, impose high tariffs on environmental, ICT, and public health goods. Lower tariffs for these goods could reduce the region's health, mitigation and abatement costs, while increasing the resilience of these supply chains.

■ **Table 2.3**
LAC-Korea Trade Dynamics by Selected Group of Products

Sector	LAC exports 2022 US\$ Billions	LAC imports 2022 US\$ Billions	Trade Balance 2022 US\$ Billions	LAC exports change, US\$ Billions, from 2018 (CAGR 4yrs)	LAC imports change, US\$ Billions, from 2018 (CAGR 4yrs)	Share of Korean imports sourced from LAC	Share of LAC imports sourced from Korea	Share of Korean exports sent to LAC	Share of LAC exports sent to Korea
Mineral (Fossil) Fuels	6.6	0.2	6.4	3.90 (24.7%)	0.16 (43.3%)	3.8%	0.2%	5.2%	4.1%
Agro-food Sector	6.1	0.1	6.0	3.16 (20%)	0.05 (9.9%)	16.1%	0.1%	1.6%	1.8%
Clean Energy	7.0	3.2	3.8	1.44 (5.9%)	0.49 (4.3%)	7.6%	1.9%	3.9%	3.4%
Critical Minerals and Materials	3.2	0.2	3.0	1.44 (16.2%)	0.06 (8.7%)	10.0%	0.9%	1.2%	8.1%
Environmental Goods	0.4	3.0	-2.6	0.09 (6.1%)	0.15 (1.2%)	1.0%	2.6%	5.7%	0.6%
Public Health	1.1	3.7	-2.6	0.35 (10.4%)	1.57 (14.7%)	1.7%	2.4%	3.8%	1.6%
ICT	0.7	4.4	-3.7	0.08 (3.1%)	-0.21 (-1.2%)	0.4%	2.4%	1.9%	0.6%

Source: IDB Integration and Trade Sector with data from BACI.

Note: CAGR stands for Compound Annual Growth Rate. See footnote 9 for details on the product composition of lists.

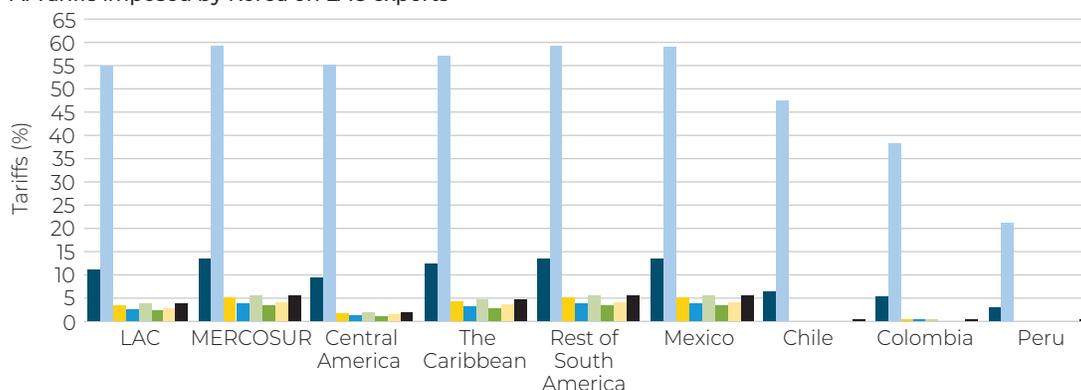
The benefits of Korea-LAC PTAs are evident in the lower bilateral tariffs for Chile, Peru, Colombia, and Central America. This LAC-Korea PTA network has been expanding recently with Guatemala and Ecuador joining the group. Guatemala joined the Central America–Korea PTA, while the Ecuador-Korea PTA is in the process of ratification. Korea has also ongoing negotiations with Mercosur and Mexico. These agreements are not only a means to reduce tariffs, but also an effective tool to promote investment and cooperation on environmental and labor issues.

There are also opportunities to reduce trade costs with improvements in trade facilitation. While Korea has fully implemented the WTO Trade Facilitation Agreement, LAC has so far only implemented 79.8% of its requirements.¹⁰ Within LAC, the Caribbean is the most behind, with just 67.8% of completion, whereas Central America is leading the way with 98.1%.

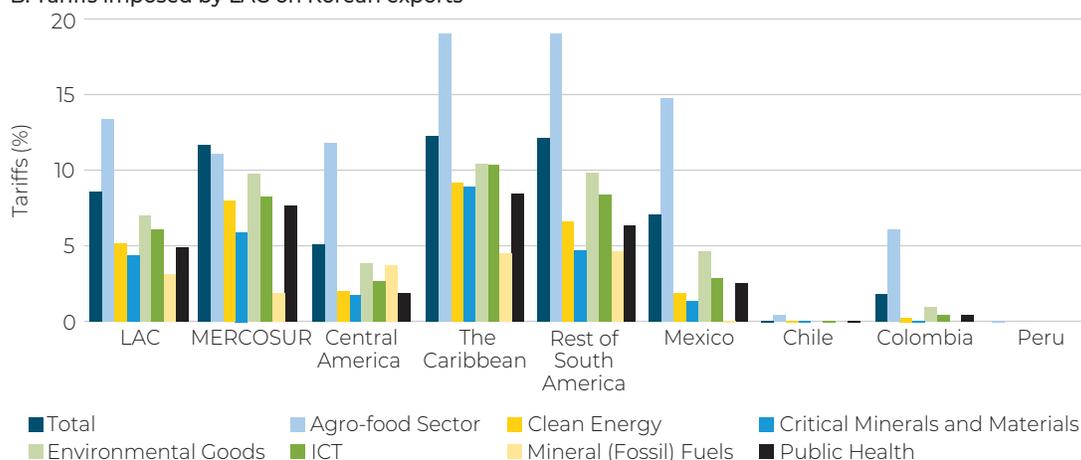
¹⁰ WTO Trade Facilitation Agreement Database (2024).

■ **Figure 2.6**
LAC-Korea Applied Tariffs. 2022 (%)

A. Tariffs imposed by Korea on LAC exports



B. Tariffs imposed by LAC on Korean exports



Source: IDB Integration and Trade Sector with data from ITC MacMap.

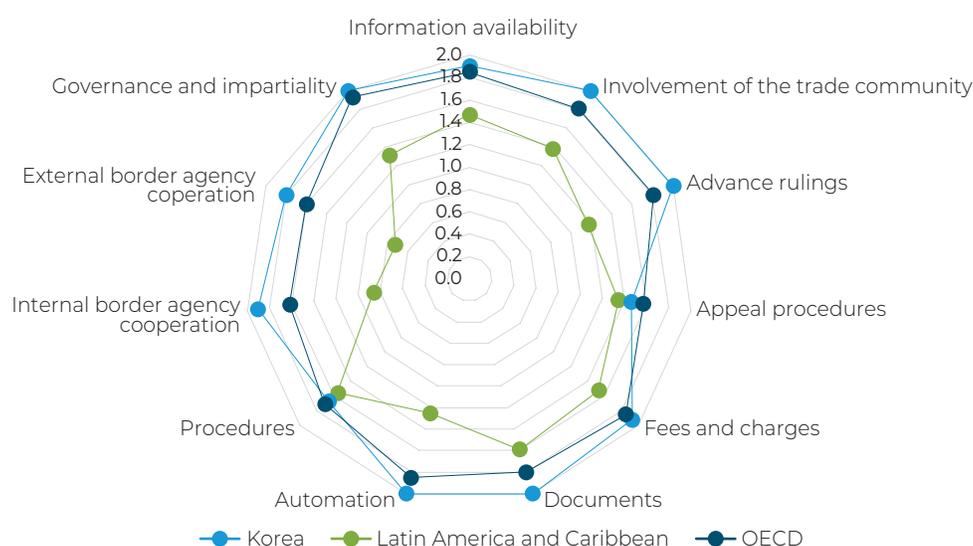
Note: Country-group tariffs are a simple average of the member's bilateral tariffs. Most tariffs are from 2022. Exceptions include tariffs imposed by PAN (2013), BHS (2018), HTI (2020), and BLZ, BOL, BRA, CHL, COL, JAM, PAR, PER, SUR, and URY (2021). See footnote 9 for details on the product composition of lists.

One promising approach to improve trade facilitation in LAC is the Central American Trade Digital Platform, developed under the Central American Trade Facilitation and Competitiveness Strategy and funded by the IDB.¹¹ This platform, managed by SIECA, simplifies trade procedures by enabling the electronic transmission of documents, such as sanitary and phytosanitary certificates, eliminating the need for physical copies at borders.

¹¹ Central American Trade Facilitation and Competitiveness Strategy.

This success story is encouraging. However, substantial work remains to bridge the gap between LAC and developed economies in terms of trade facilitation, particularly in the cooperation of internal and external border agencies, as evidenced by the 2022 OECD Trade Facilitation Index (Figure 2.7).

■ **Figure 2.7**
Trade Facilitation Index, 2022



Source: IDB Integration and Trade Sector with data from the OECD's Trade Facilitation Index.
Note: The Trade Facilitation Index (TFI) is a measure that takes values from 0 to 2, where 2 designates the best performance that can be achieved. These seek to reflect not only the regulatory framework in the countries concerned but also delve into the state of implementation of various trade facilitation measures, as far as is possible.

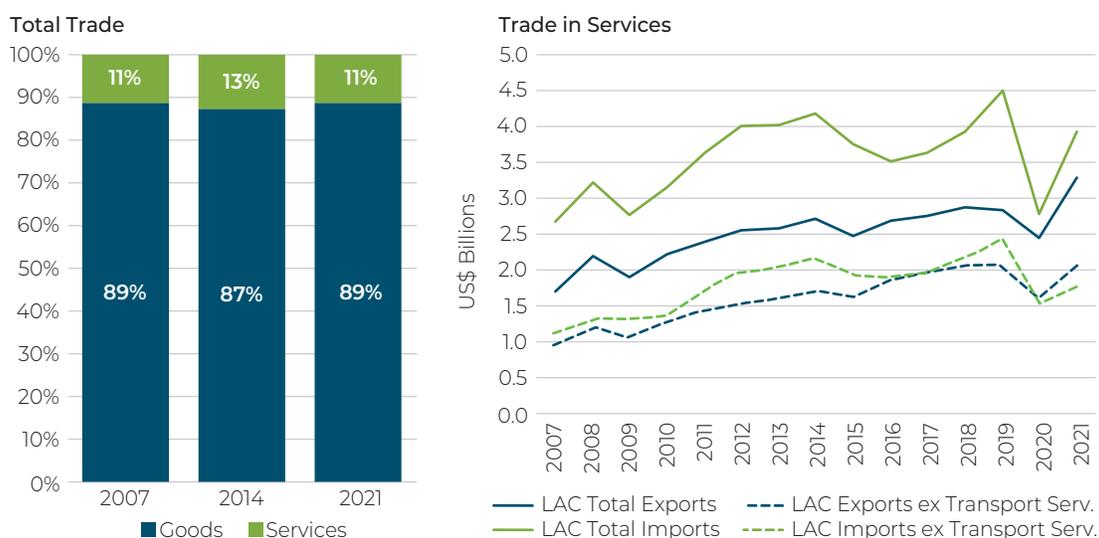
Trade in services: Untapping its full potential

LAC-Korea trade in service accounts for 11% of bilateral trade. This share has maintained relatively constant throughout the last 14 years, with Korea recording successive surpluses. When excluding trade in transportation (sea and air freight)—which accounted for 43% of the total—bilateral service trade is much more balanced (Figure 2.8).

Taking a closer look at non-transport service trade, a few highlights stand out. First, LAC exports to Korea are concentrated in two main sectors: travel and financial and

■ **Figure 2.8**

Bilateral Trade between Korea and LAC in Goods and Services



Source: IDB Integration and Trade Sector with data from BaTIS (Balanced Trade in Services Dataset) and IMF Direction of Trade Statistics (DOTS).

Note: Data on trade in goods based on imports and exports reported by 26 LAC countries.

business services, with Mexico and the Caribbean accounting for a large share of tourism and travel related exports. On the country dimension, exports are relatively well distributed across LAC countries (Figure 2.9, Panel A). Korean exports to LAC, on the other hand, show some different patterns. First, exports are mainly going to Brazil and Mexico, with both concentrating 63% of these flows. Financial and other business services are the main exports followed by intellectual property rights (IPRs).

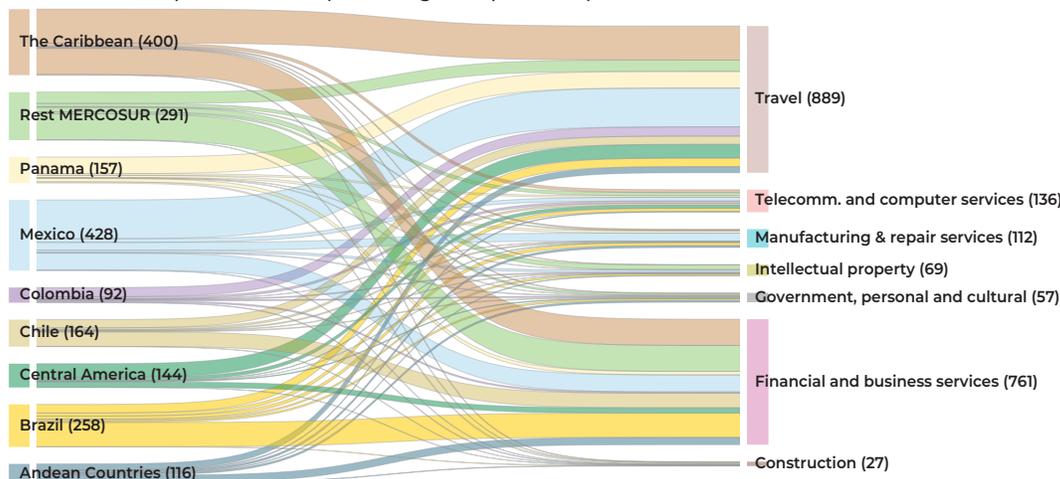
These large IPRs payments reflect Korea's position as a global innovation hub. Its patent applications accounted for 6.8% of the global total between 2000 and 2019. In LAC, Korea has filed as much as 10.4 thousand patents over the same period, with Brazil (54%) and Mexico (34%) being the top destinations. Chile, Argentina, and Colombia collectively account for the remaining 8% (Figure 2.10 illustrates the sectors for these patents). By contrast, all LAC countries applied for 1.6 thousand patents in Korea over the same period.

Cross-border patents usually reflect technological innovations, which are crucial for enhancing digital competitiveness. Korea's leadership as an innovation

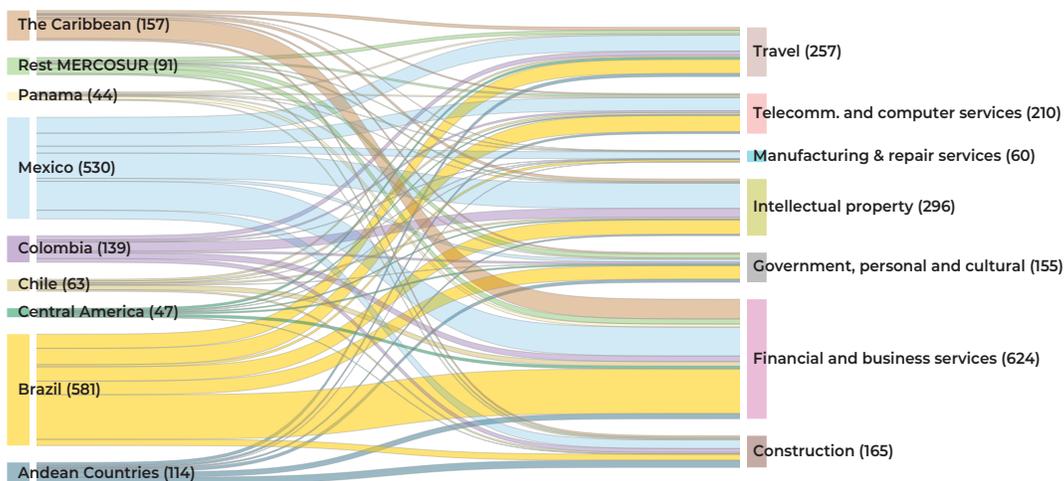
■ **Figure 2.9**

Composition Bilateral Service Trade between Korea and LAC, 2021

A. LAC service exports to Korea (excluding transportation)



B. Korea service exports to LAC (excluding transportation)



Source: IDB Integration and Trade Sector with data from BaTIS (Balanced Trade in Services Dataset).

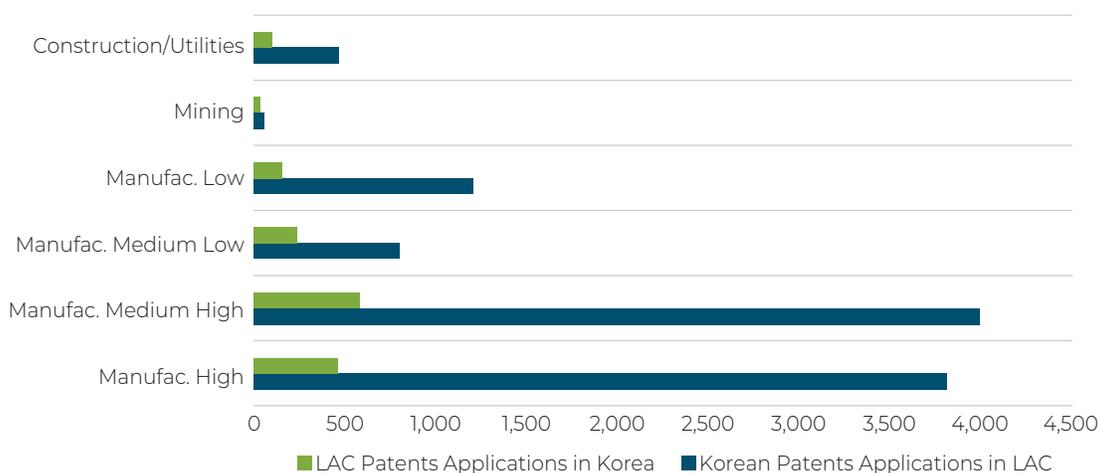
Note: Values in parenthesis in US\$ millions.

hub, reflects the stark difference in digital competitiveness between the two economies. In the IMD Digital Competitiveness Ranking, Korea is ranked in sixth place, while Chile, the highest-ranked LAC country, holds the 42nd position.¹² This disparity extends to digital services, where barriers to trade remains a significant

¹² World Digital Competitiveness Ranking 2023.

■ Figure 2.10

Korea-LAC Bilateral Cross-Border Patents Applications by Sector, 2000–2019



Source: IDB Integration and Trade Sector with data from the INPACT-S database (LaBelle et al., 2023).

Note: Manufacturing sectors were classified according to its R&D technology intensity, defined using the OECD technology classification. The INPACT-S database covers 31 ISIC Rev 3 2-digit codes and do not include Agriculture and most Service sectors.

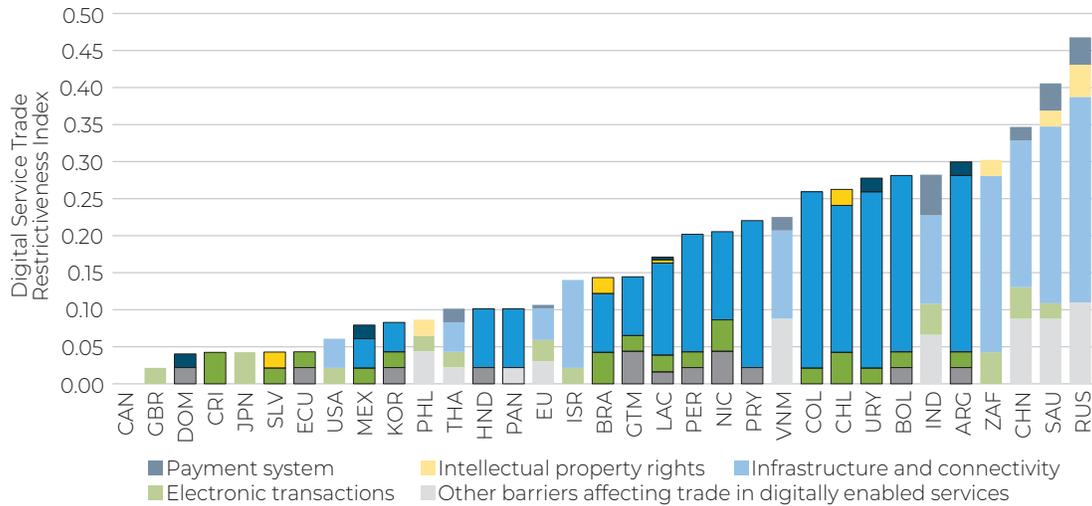
challenge for LAC (Figure 2.11). Most LAC firms face a challenging environment, especially considering infrastructure and connectivity issues. By removing barriers to trade in digital services, LAC countries can create an environment that fosters innovation, boosts trade, and ultimately improves their digital competitiveness.

Foreign direct investment in a changing global order

Foreign direct investments (FDI) are another pillar of the strong economic ties between LAC and Korea. In 2022, Korea's outward FDI reached an unprecedented peak of US\$ 63 billion. This robust investment trend slowed down in 2023, with a noticeable outflow of US\$ 51 billion (Figure 2.12, Panel A). Historically, Korea has been a major investor in LAC, with investments in the region far exceeding those from LAC into Korea.

Fueled by the commodity boom, Korean FDI into LAC surged in the early 2010s, reaching its peak in 2011. However, mirroring trade flows, these investments

■ **Figure 2.11**
 Digital Service Trade Restrictiveness Index, 2023



Source: IDB Integration and Trade Sector with data from OECD – Digital Services Trade Restrictiveness Index.
 Note: The indices take values between 0 and 1, where 0 indicates an open regulatory environment for digitally enabled trade and 1 indicates a completely closed regime. Values for LAC and the EU are simple average across countries.

declined throughout the rest of the decade.¹³ The COVID-19 pandemic marked a turning point, as Korean FDI surged once again, culminating in a record value of US\$ 3.1 billion in 2023. This resurgence suggests a renewed Korea interest and confidence in LAC's economic potential.

In 2023, there was a significant shift in the destinations of Korean FDI. While China has traditionally been a major recipient of Korean investments, its share decreased notably. In a world marked by increasing geopolitical rivalries, this shift seems to be in line with a reorganization of Korea's value chains, opening opportunities for LAC. Destinations such as Brazil and Mexico, alongside Canada, Indonesia and Vietnam have emerged important markets for Korean investments in 2023 (Figure 2.12, Panel B).

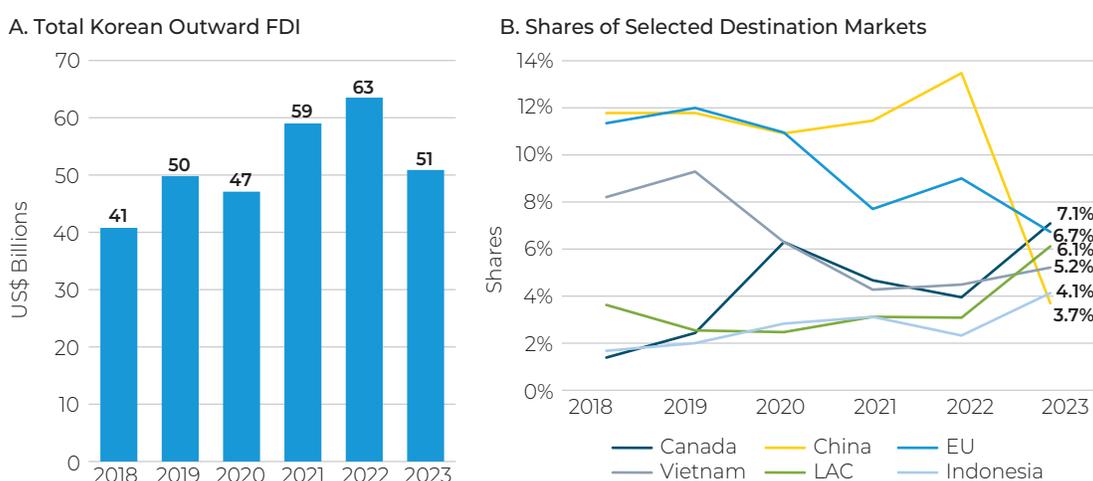
Figure 2.13 breaks down these flows by LAC country and sector for the 2018–2023 period. During this period, five LAC countries attracted an overwhelming 94% of

¹³ See Mesquita Moreira et al. (2022b).

Korean FDI to the region. Brazil received the largest share (26%), followed closely by Mexico (25%), Peru (22%), Panama (12%), and Argentina (10%). However, the sectoral composition of these investments varies significantly across these countries.

Figure 2.12

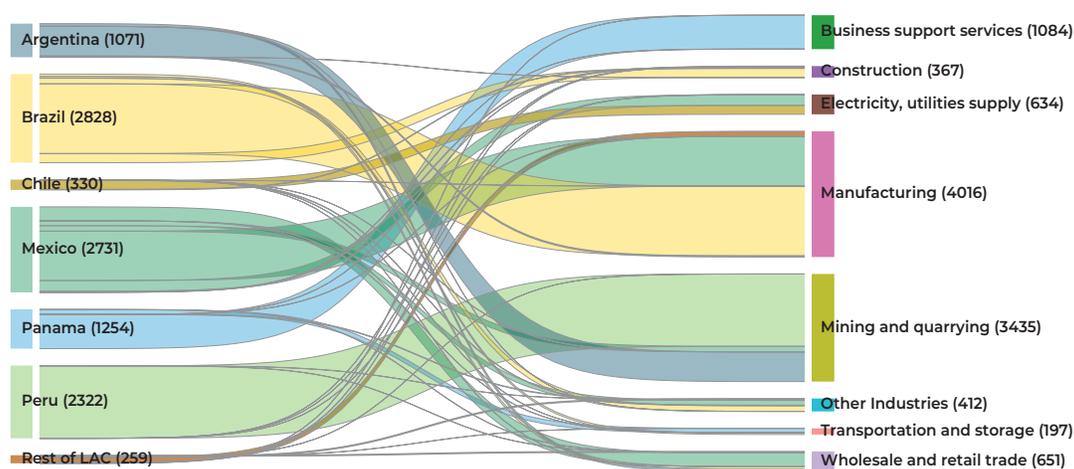
Total Korea Outward FDI and Destination Shares, 2023



Source: IDB Integration and Trade Sector with data from Export-Import Bank of Korea (KEXIM).
 Note: The following destinations, usually labelled as tax havens, were not considered Bermuda, British Virgin Islands, Cayman Islands, Guan, Guernsey, Isle of Man, Jersey, Luxembourg and Marshall Islands. The USA is the largest destination of Korean FDI— average share of 40% from 2018–23—and it is not displayed in Panel B.

Figure 2.13

Korea Outward FDI to LAC, by Country and Sector, 2018–2023



Source: IDB Integration and Trade Sector with data from Export-Import Bank of Korea (KEXIM).
 Note: Values in parenthesis in US\$ millions.

Mining is a key destination for Korean FDI in Peru and Argentina. Lithium, a key mineral used in batteries for electric vehicles and electronics, is a particular focus of these investments in Argentina. POSCO, a Korean multinational, has been investing in the extraction and processing of lithium from the provinces of Salta and Catamarca. This is US\$4 billion investment that will eventually lead to a manufacturing capacity of 100,000 tons of lithium products per year, generating around 1,900 direct and indirect jobs.¹⁴ These mining investments align with Korea's strategic interests in securing essential raw materials for its industries.

Manufacturing is the main target sector for Korean FDI in Brazil and Mexico. Mexico's vibrant automotive sector, well-positioned due to its participation in the USMCA and proximity to the US, has attracted many Korean firms. Recent examples include Seco Seojin Automotive's US\$300 million investment in an electric vehicle engine plant, and Kyungshin Holdings' US\$45 million plan for three plants producing electric car battery modules, electronic cards, and harnesses.¹⁵ POSCO further strengthens its presence in the region by not only investing in upstream lithium exploration in Argentina but also opening a US\$100 million factory in Mexico to produce electric motor parts, with plans for a second EV auto parts plant.¹⁶ Similar patterns are also observed in Brazil, where Hyundai announced a \$1.1 billion investment by 2032, focusing on technology for hybrid, electric, and green hydrogen cars.¹⁷

Overall, manufacturing and mining attract 69% of all Korean FDI flows to LAC, with a significant portion directed towards green value chains. These investments are instrumental in supporting decarbonization efforts not only across the region but also in third countries. Korean firms are actively contributing to the development of sustainable industries in LAC, promoting clean technologies, and enhancing energy efficiency in these key sectors.

Despite the progress, there is still substantial potential for growth in other areas. LAC holds a large potential for generating clean energy, which can be harnessed to produce green hydrogen—a crucial element for the global transition to

¹⁴ See Reuters (2022) and Mesquita Moreira et al. (2022b).

¹⁵ El Economista (2024) and Investment Monitor (2023).

¹⁶ SteelOrbis (2024).

¹⁷ Agência Brasil (2024).

renewable energy. Additionally, the region's large forest areas present immense opportunities for the carbon offsets market and reforestation projects.¹⁸ These initiatives can play a vital role in combating climate change while creating new economic opportunities for local communities. By leveraging these natural advantages, LAC can become a major player in the clean energy transition and attract even more Korean investment in these promising areas. This collaboration would benefit both regions: LAC through economic development and job creation, and Korea through access to clean energy sources and carbon offsetting opportunities.

¹⁸ Bastin et al. (2019).

3. Brazil-Korea: Leveraging a Long-Term Relationship

Brazil and Korea will celebrate their 65th anniversary of diplomatic relations in 2024. Brazil was the first Latin American country to establish diplomatic relations with Korea and is home to more than 50,000 Korean people. Since 1969, multiple bilateral links have been developed, including trade and investment flows and cooperation in science and technology, education, and culture.¹⁹

Although trade and investment relations have been losing impetus in recent years, and the negotiations for setting a free trade agreement between MERCOSUR and Korea could not overcome main divergences, the two countries continue to have significant opportunities to trade and invest, particularly in the areas that are top priorities for policymakers on both sides of the relationship: the resilience of value chains, clean energy transition and digital transformation. These opportunities also extend to cooperation, where governments, despite the slowdown in trade and investment, have continued to develop several initiatives in areas such as sanitary and phytosanitary measures, sciences and technology, and education.

Bilateral trade in goods: The boom is over, recovery ahead?

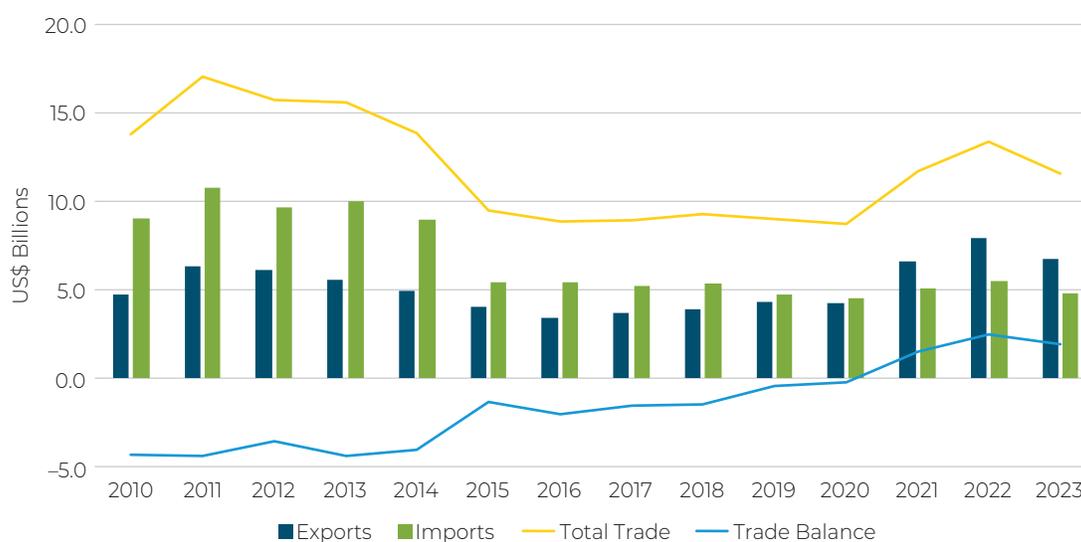
Since 2010, bilateral trade in goods has been losing relevance for the two countries, especially for Korea. After reaching a peak in 2011, it slowed down significantly. Between 2015 and 2020, it was reduced to an annual average of US\$ 9.1 billion, a level almost 30% lower than the annual average of the previous period (2010–2014). The good news is an important post-COVID rebound, with bilateral trade touching the US\$10.6 billion mark (Figure 3.1)

Behind these aggregate figures, there are important differences in performance between the partners. Brazilian exports performed mediocly in 2012–20, but

¹⁹ See [Ministério das Relações Exteriores \(2024\)](#).

■ **Figure 3.1**

Brazil-Korea Total Trade, Exports and Imports and Trade Balance



Source: IDB Integration and Trade Sector with data from [ITC TRADE MAP](#).

Note: Data reported from Brazil. Trade in goods.

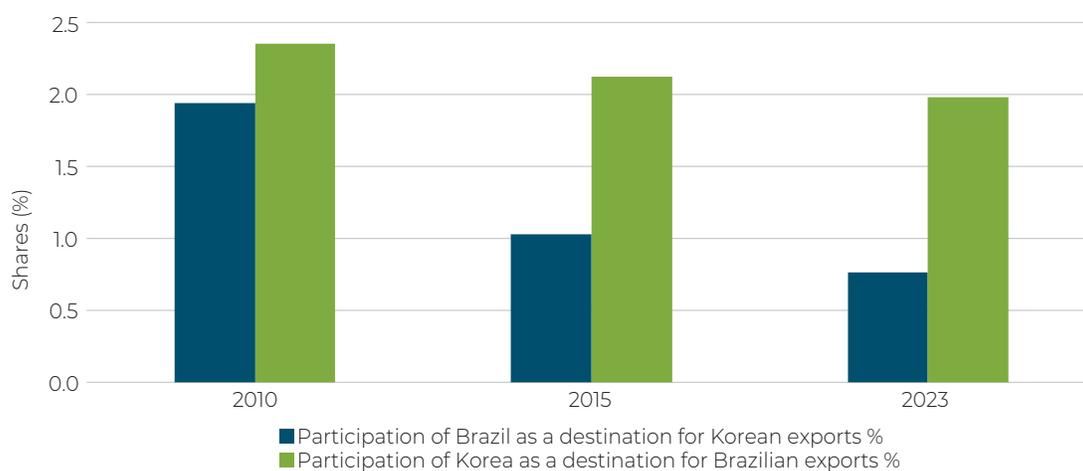
since 2021 have experienced a substantial recovery. Korean exports also experienced a slowdown but, unlike Brazil's, they have yet to recover significantly. In 2023, they were 46.5% lower than those recorded in 2010. The silver lining of this divergence in trends is a more balanced bilateral trade. Since 2015, Korea's large surpluses have been significantly reduced, turning into a deficit from 2021 onwards.

The loss of dynamism of Korea's exports contributed to Brazil losing relevance as a destination market, as well as to the Korea's diminishing importance as a supplier of goods to Brazil. The former decreased significantly, from almost 2% in 2010 to 0.7% in 2023 (Figure 3.2). The latter dropped from close to 5% in 2010 to 2.0% in 2023 (Figure 3.3).

Similar trends can be observed, although less accentuated, for Brazil's exports: Korea lost participation as a destination market for Brazilian products (from 2.35% in 2010 to 1.98% in 2023), while the share of Brazilian products in Korean imports showed reasonable stability over the period (around 1%) with minor annual variations.

■ **Figure 3.2**

Brazil and Korea's Participation in the Partner's Total Exports

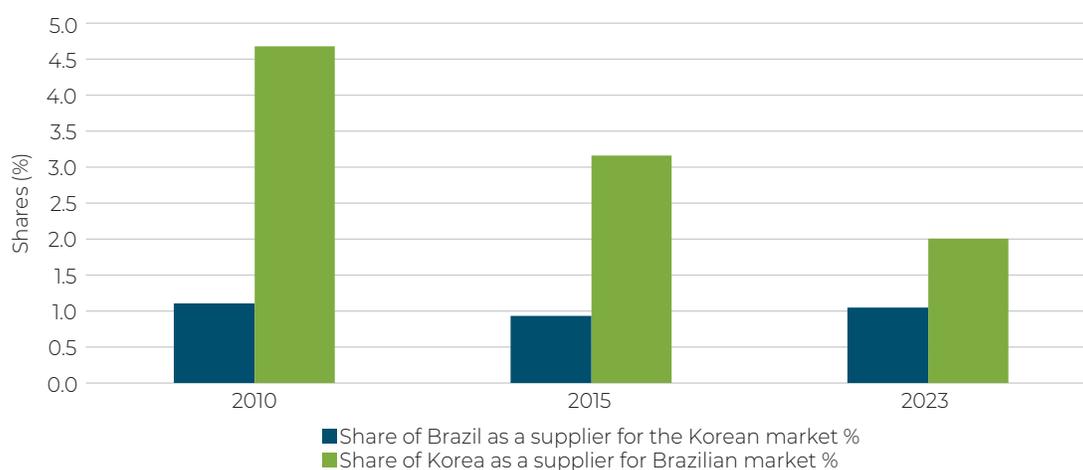


Source: IDB Integration and Trade Sector with data from [ITC TRADE MAP](#).

Note: Trade in goods.

■ **Figure 3.3**

Brazil and Korea's Participation in the Partner's Total Imports



Source: IDB Integration and Trade Sector with data from [ITC TRADE MAP](#).

Note: Trade in goods.

Complementarity

Brazil-Korea bilateral trade reflects the marked complementarity between their economies. Brazilian exports to Korea mainly consist of primary goods (minerals

and agricultural products), while capital goods and intermediates dominate the trade flow in the opposite direction.

Brazilian exports to Korea are concentrated in a small group of broadly defined goods: in 2023, the top ten accounted for 90.8% of Brazilian exports. This concentration has been increasing in the last decade. In 2015 and 2010, this indicator reached

■ **Table 3.1**

Brazilian Exports to Korea: Top Ten Group of Products. 2010, 2015, 2023

Top 10 Group of Products		2010		2015		2023	
		Value (US\$ millions)	%	Value (US\$ millions)	%	Value (US\$ millions)	%
27	Mineral (fossil) fuels, oils and products of their distillation	8	0.2	9	0.2	1578	23.5
26	Ores, slag and ash	1904	40.4	1173	28.9	1120	16.7
10	Cereals	90	1.9	658	16.2	1074	16.0
23	Residues and waste from the food industries; prepared animal fodder	320	6.8	396	9.7	623	9.3
2	Meat and edible meat offal	83	1.8	185	4.6	461	6.8
12	Oil seeds and oleaginous fruits; grains, seeds, medicinal plants and fodder	190	4.0	329	8.1	365	5.4
72	Iron and steel	972	20.6	313	7.7	283	4.2
47	Pulp of wood or other material; Recovered paper or paperboard	315	6.7	172	4.2	270	4.0
9	Coffee, tea, mate and spices	62	1.3	88	2.2	205	3.1
22	Beverages, spirits and vinegar	71	1.5	74	1.8	130	1.9
	Other	767	16.3	738	18.2	746	11.1
	Total	4712	100	4059	100	6724	100

Source: IDB Integration and Trade Sector with data from [ITC TRADE MAP](#).

83.7% and 85.2% (Table 3.1). In 2023, no single manufactured good was among the ten exports. Two were semi-manufactured goods (iron and unmanufactured steel and cellulose); the others were primary, agricultural, or mineral goods.

Throughout the period considered, three goods gained prominence: oil, cereals, and meat. Together, these three products accounted for only 3.9% of exports in 2010, reaching 46.3% in 2023. While cereals and meat have been increasing their share since 2015, oil is a more recent phenomenon, reaching with 23.5% of the total in 2023. Other less prominent agricultural products, such as beverages and waste from the food industry, also saw their weight grow in the period, but without significantly impacting the aggregate export performance. In contrast, mineral products (ores, iron, and steel) lost significance. Their share dropped from 61% in 2010 to 21% of overall exports in 2023.

Despite these shifts, the composition of Brazilian exports shows remarkable stability. Eight of the ten products in the top ten ranking in 2023 are also part of the same ranking in 2010. The exceptions are organic chemicals and cotton, which are present in the 2010 ranking but not in 2023. On the other hand, oil and cereals, two of the three first products in the 2023 ranking, were not even present in 2010.

Korean exports to Brazil (Table 3.2) are also limited to a few broadly defined goods: the top ten accounted for 90% of the value exported in 2023, a percentage slightly different from that observed in 2010 and 2015. However, contrary to what occurs with Brazilian exports, manufactured products largely dominate, with a high share of capital goods (mechanical and electronic), intermediates (chemical-pharmaceutical chain, with four representatives among the ten largest in 2023, plus iron and steel) and, to a lesser extent, consumption (automobiles).

The significant drop of Korea's exports to Brazil mainly reflects the performance electrical and electronic appliances and equipment, machinery and mechanical equipment and motor vehicles. The most significant drop was observed in motor vehicles, with a reduction of around 75% between 2010 and 2023, which seems to reflect the growing localization of car manufacturing in Brazil by Korean firms.²⁰ For the other goods, the exports declined around 40% in the

²⁰ MercoPress (2012).

■ **Table 3.2**

Korean Exports to Brazil: Top Ten Group of Products. 2010, 2015, 2023

Top 10 Group of Products		2010		2015		2023	
		Value (US\$ millions)	%	Value (US\$ millions)	%	Value (US\$ millions)	%
85	Electrical machinery and equipment and parts thereof; sound and television equipments and parts thereof	2622	29.0	2098	38.7	1499	31.0
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1133	12.5	707	13.0	695	14.4
87	Vehicles other than railway or tramway rolling-stock, and parts thereof	2264	25.1	956	17.6	532	11.0
39	Plastics and articles thereof	353	3.9	413	7.6	438	9.1
72	Iron and steel	504	5.6	149	2.7	296	6.1
30	Pharmaceutical products	52	0.6	90	1.7	238	4.9
90	Optical, photographic, measuring, medical or surgical instruments and apparatus; parts and accessories thereof	358	4.0	134	2.5	213	4.4
29	Organic chemicals	92	1.0	128	2.4	178	3.7
38	Miscellaneous chemical products	9	0.1	42	0.8	129	2.7
27	Mineral (fossil) fuels, oils and products of their distillation	800	8.9	32	0.6	126	2.6
	Other	852	9.4	671	12.4	483	10.0
	Total	9039	100.0	5421	100.0	4827	100.0

Source: IDB Integration and Trade Sector with data from [ITC TRADE MAP](#).

period. Together, these three products saw their share of overall exports drop from 66.6% to 56.5%.

By contrast, chemical and pharmaceutical goods saw their exports and shares of overall exports grow. Plastics, pharmaceuticals, organic chemicals and miscellaneous chemicals, which accounted for only 5.6% of Korea's bilateral exports in 2010, saw their shares increase to 20.4% in 2023. In absolute values, exports from these four product groups increased from US\$ 506 million to US\$ 983 million (a growth of 94% in the period).

Exports of iron, steel, and optical devices maintained their shares in the period, but experienced sharp declines in value. Oil, on the other hand, registered a sharp drop in absolute and relative terms.

Despite these changes, the composition of Korea's exports remained as stable as in the case of Brazilian exports. Eight products appear in the ranking of the top ten in 2010 and 2023, except rubber and railway products—present in 2010 but not in 2023—and various pharmaceutical and chemical products—in the opposite situation.

Some additional features of the bilateral trade are worth noticing:

- Although the Korean market absorbs only 2% of Brazil's exports, its relevance is relatively higher for some of the top ten products. This is the case for cereals, beverages (mainly ethyl alcohol), and waste for the food industry.
 - While the Brazilian market accounted for 0.8% of Korea's exports in 2023, the highlight is pharmaceuticals, with almost 4% of total exports of the product—and, to a lesser extent, miscellaneous chemicals.
 - For both countries, bilateral imports reveal a distinct specialization from that observed in their imports from the world. In Brazil, four products—electrical and electronic products, motor vehicles, iron and steel, and plastics—accounted for 57.3% of Brazil's bilateral imports in 2023, while representing only 25.3% of overall imports.
 - In Korea, the top ten group of products that accounted 90.8% of the bilateral imports, represented only 35.7% of total Korean imports. The disparities are particularly relevant in the case of minerals and agricultural products. The exception is oil.
 - Consistent with the above characteristic, Brazil's market share of some of the top ten chapters bilaterally imported by Korea is relatively high. Five of the ten products had, in 2023, an import market share of more than 15%: coffee, cereals, soybeans, food industry waste, and cellulose.
 - Korea lost market share in Brazilian imports in most of the top ten group of products. The losses were particularly intense in the electrical-electronic, motor vehicle, and optical equipment sectors. Together, these three products represented, in 2010, 29.5% of the bilateral imports, a share that, in 2023, was reduced to 10.9%.
-

Third-country competition

In at least two of the three years considered (2010, 2015, and 2023), Brazil appears among the four leading suppliers to the Korean market in eight of Brazil's ten most relevant 2023 bilateral exports. The exceptions are oil, and iron and steel.

Among the five plant-origin products, Brazil is one of the four leading suppliers in all years for all products, with one exception (cereals, in 2010). In these five products, Brazil holds a market share in Korean imports that varies between 8% and 23% in 2023. In four of them, Brazil gained market share between 2015 and 2023, and in three of them (coffee, cereals, and waste), the country occupied the first position in 2023, rising in the ranking and displacing competitors such as Vietnam and Colombia (coffee), USA and Australia (oil seeds) and USA and China (waste). Of these main competitors, all have bilateral free trade agreements with Korea, a country that is also a party, along with China, Australia, and Vietnam, to the plurilateral agreement RCEP.

In two of the considered years, Brazil occupied the fourth position among the leading suppliers of meat and cellulose. In minerals, Brazil was not among the four most significant in 2023, losing position to its competitors (Mexico and Chile, among others).

In 2023, Korea was one of Brazil's top four suppliers in only two of Korea's top ten bilaterally exported products: iron and steel and electrical and electronic machinery and equipment, occupying the second and fourth positions, respectively.

These products also appear in the 2010 and 2015 rankings, with Korea maintaining the second position among iron and steel suppliers in those two years. As for electrical and electronic machinery and equipment, Korea ranked second among suppliers in those two years, falling two positions in 2023, displaced by the US and Vietnam. In the case of these two products, the Korean share of Brazilian imports was around 10% in 2010, falling to just over 5% in 2023. In both cases, China gained increasing shares of Brazilian imports.

This was also the case for motor vehicles. After occupying the second position among suppliers in 2010, with 12.2% of Brazilian imports, Korea dropped out the top four in 2015 and 2023, ceding the position to China and Mexico. As argued

earlier, Korea's auto "transplants" might be behind these trends. It is also worth noting that Argentina and Mexico, which are among the leading suppliers to the Brazilian market, benefit from tariff preferences due to bilateral agreements signed within the scope of the ALADI.

For the set of the top ten most imported Korean products by Brazil in 2023, Korea's main competitors in the three years considered were the USA, China, and Germany. These three countries occupy 24 of the 30 positions generated by the rankings of the four largest suppliers of ten products.

China occupies one of the first two positions in the ranking of Brazilian suppliers for eight of Korea's ten most exported products. In all of these, China increased its market share in Brazilian imports between 2010 and 2023, with especially significant gains in electrical and electronic equipment, motor vehicles, iron and steel, plastics, organic chemicals, and various chemicals.

Bilateral trade in services: Resilience amid signs of recovery ahead

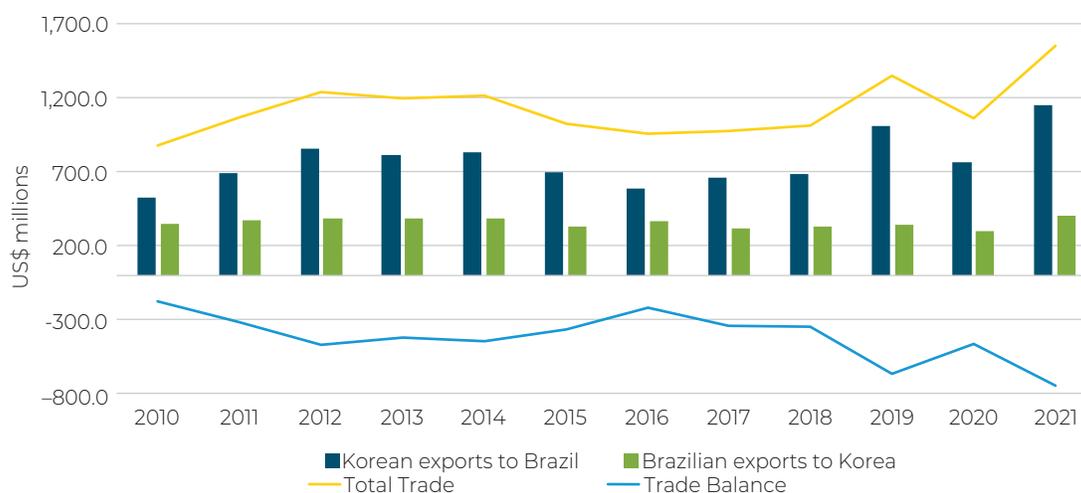
As with goods, bilateral trade in services also seen a loss of dynamism early in the last decade, but proved to be more resilient, averaging US\$ 1.12 billion a year between 2010 and 2021 (the latest year for which data is available) (Figure 3.4). There has been also reason for optimism in post-COVID era, with trade bouncing back and reaching a peak of US\$ 1.6 billion in 2021. The sustainability of this recovery, though, has yet to be confirmed by the release of more recent data.

Throughout this period, the bilateral trade balance was favorable to Korea, whose exports accounted for about two thirds of the flows in several years. While Brazilian bilateral exports showed remarkable stability around an annual average of US\$ 350 million, Korean exports registered greater volatility. Their growth between 2019 and 2021 explains the increase observed in bilateral flows. In those three years, Korean exports accounted for nearly 75% of bilateral trade.

Five sectors accounted for 86% of Korean bilateral exports in 2021. They also led the country's services exports to the world. Almost half of Korean exports to Brazil

■ Figure 3.4

Brazil-Korea Bilateral Trade in Services, Exports and Imports and Trade Balance. 2010–2021



Source: IDB Integration and Trade Sector with WTO data from BaTIS (Balanced Trade in Services Dataset).

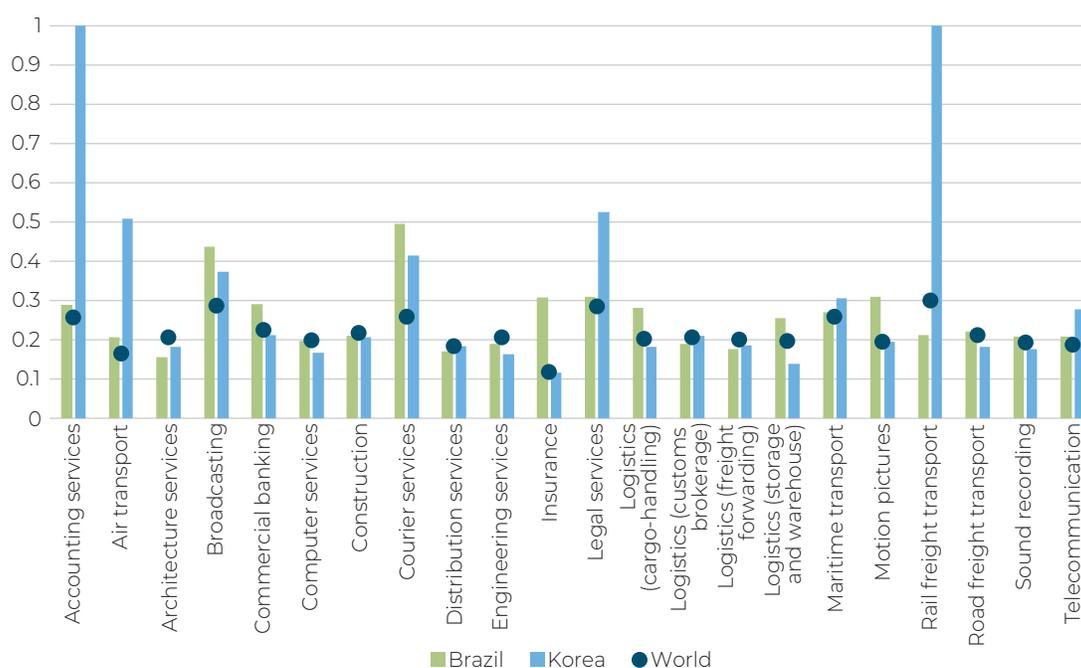
(49.4%) were attributable, to Transportation, followed by Other Business Services (17.4%), ICT (7.4%), Travel (6.4%), and Intellectual Property Rights (IPR) (6.5%). Transportation and Other Business Services maintained high levels of participation along 2010–2021, while the weight of Travel was considerably reduced. IPR, on the other hand, grew significantly, practically doubling its share in the period. ICT is another sector that has been registering dynamism. In fact, the sector went from an almost marginal share in 2010 (1.4%) to the third position, accounting for 7.4% of total bilateral service exports in 2021.

Brazil's bilateral exports, in turn, is dominated by four sectors, which accounted for 87.5% of the total in 2021: Transportation, Other Business Services, Travel and ICT. These sectors, alongside Financial Services, also led Brazil's export of services to the world. Transport is the leading main sector, with 36% of bilateral exports in 2021, closely followed by Other Business Services (34%), Travel (13%) and ICT (close to 5%). Transportation and Other Business Services maintain a stable share in the period, while travel loses weight– as occurs with Korean exports. ICT, on the other hand, registered significant growth in its participation, which was also observed in Korea's exports.

As suggested by the OECD's Services Trade Restrictiveness Indicator (STRI), bilateral trade in services is hold back by relatively high levels of trade restrictions in both countries. Both countries recorded levels of restrictiveness close to the world average in 2023 for a set of ten sectors, including Computing, Construction, Engineering, Distribution, and Logistics (Figure 3.5).

■ **Figure 3.5**

OECD's Services Trade Restrictiveness Indicator – STRI 2023



Source: IDB Integration and Trade Sector with OECD data.

The two countries' STRI are clearly above the world average in three sectors: Courier Services, Broadcasting, and Maritime Transport (the latter to a lesser extent). Brazil's STRI is higher than Korea's and the world average in four sectors: Commercial Banking, Insurance, Logistics, and Motion Pictures.

In five other sectors, Korea's STRI is above Brazil's and the world's average: Accounting, Legal Services, Telecommunications, and Air and Rail Transport. Therefore, in more than half of the 22 sectors, one or both countries have very high levels of restriction on trade in services compared to the world's average.

Bilateral direct investments: Losing traction?

Recent bilateral foreign direct investment (FDI) trends reported by Brazil's Central Bank suggest that the boom of the second decade of the 2000s is over. Korea's FDI, which accounts for virtually all the bilateral flows—there is no official record of Brazilian FDI in Korea—has been following a downward trend.

In 2010–2012, it averaged US\$ 1 billion a year, or 1.64% of all Brazil's FDI inflows. In the following 2013–2021 period, investments fell by half, as did Korea's share of Brazil's FDI inflows. This downward trend is accentuated in 2022–2023, with inflows falling to US\$ 57 million—only 0.13% of Brazil's total in the period.

Manufacturing stands out in the sectoral composition of the Korean FDI in Brazil, receiving most of the investments in almost all years except for 2010—when the primary sector was the highlight—and for 2018—when the bulk of the flows went to services. Even though data availability is limited by confidentiality constraints, it is possible to identify the three most targeted manufacturing sectors: Motor Vehicles, Machinery and Equipment, and Computer, Electronics, and Optical products.

If this trend seems disappointing, recent Korea's Eximbank data on outward FDI gives some reason for optimism. According to these data, Korea's bilateral FDI reached an annual average of US\$ 632.5 million in 2022/2023 (98.3% of the bilateral flows in these years), more than ten times the Brazilian Central Bank's figures for the period.

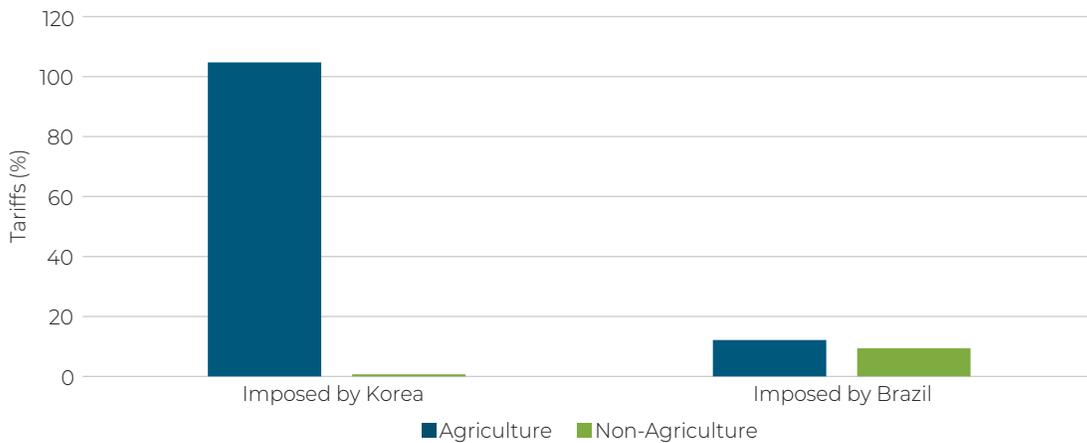
MERCOSUR-Korea free trade negotiations: A tool to seize opportunities

Brazil and Korea adopt trade policies that hamper bilateral trade by concentrating the highest levels of applied tariffs on the products in which the partner has the strongest comparative advantages. The average most favored nation (MFN) tariff in the two countries are similar: 11.1% in Brazil and 9.8% in Korea. However, tariffs applied by Brazil on manufactured goods, where Korea has a high degree of competitiveness, are much higher than the average. The

same is true for tariffs applied by Korea on agricultural goods exported by Brazil (Figure 3.6).

■ **Figure 3.6**

Brazil and Korea Bilaterally Weighted MFN Tariffs, Average 2021



Source: IDB Integration and Trade Sector with WTO data.

The tariff divergence is even larger when the weighted MFN tariffs are considered. Brazilian exports of agricultural products to Korea face average weighted tariffs of 104.5%, while the same figure for Korean exports of manufactured goods to Brazil is 9.3%.

Since 2004, Korea has shown interest in negotiating a preferential trade agreement (PTA) with MERCOSUR. Korea and Brazil have been historically on opposite sides as far as PTAs are concerned. Korea has a wide network of PTAs. As of 2010, twelve new PTAs entered into force, with trading partners of primary relevance to Korea: the USA, the European Union, India, China, and the ASEAN countries, and other minor trade partners (Peru, Chile). In addition, Korea participates in the plurilateral agreement RCEP – Regional Comprehensive Economic Partnership, which includes the four major Asian economies (China, Japan, Korea, and India), the ten member countries of ASEAN, and the two countries of Oceania.

By contrast, Brazil is among the least active countries in the arena of PTA negotiations. Its trade policy has been based almost exclusively on multilateral

negotiations, leaving the country on the sidelines of the PTA boom 1990s and 2000s. In addition to MERCOSUR and other agreements with South American countries, Brazil has some PTAs with economically small partners and some that are very limited (based on fixed preferences) with other emerging economies (SACU, India).

MERCOSUR's PTA track record and political economy factors help to explain why the South American bloc has responded with some reluctance to Korean proposals. This stance echoed the concerns of Argentinian and Brazilian industrial sectors with Korea's competitiveness, apparently disregarding the potential export opportunities of agricultural and food products, currently hampered by Korea's high levels of protection.

In 2009, MERCOSUR and Korea established the Consultative Group for Trade and Investment Promotion. At its second meeting in June 2016, the parties decided to launch an Exploratory Dialogue, in which relevant information on each party's trade policy is exchanged and negotiating guidelines for a possible trade agreement are established. In early 2017, a Joint Declaration announced the conclusion of the exploratory dialogue and the readiness to start trade negotiations.²¹

Despite the resistance of Argentina's and Brazil's industrial sectors, trade negotiations between MERCOSUR and Korea were launched in May 2018, inaugurating the so-called "Asian agenda" of MERCOSUR.²² On this occasion, the terms of reference for the progress of the negotiations were adopted, which included the typical chapters of any modern PTA deal. Nevertheless, progress has been slow.

At the time of this publication, seven negotiating rounds had been held, the last of which was held by videoconference in September 2021. Offers to liberalize trade in goods were exchanged. However, the main products of MERCOSUR's export interest in the agricultural sector have not yet been offered. The same is true regarding MERCOSUR's offers for industrial goods of the Korean's interest. In addition to agricultural products, sanitary and phytosanitary measures are

²¹ See Rozenberg et al, (2019).

²² See MERCOSUR (2019).

a sensitive issue in the negotiations. Korea is known to have a highly complex regime of sanitary and phytosanitary measures.

Korea has proposed negotiating the liberalization of trade in services through negative lists and the inclusion of specific chapters for some types of services such as telecommunications, financial services, and temporary entry of company personnel. Korean negotiators also called for the inclusion of a separate chapter for e-commerce. Another point of contention, in this case specifically with Brazil, is Korea's insistence on including a chapter on investments, with instruments typical of Investment Promotion and Protection Agreements (APPs), including an investor-state dispute settlement clause.

While the original ambition was to conclude the negotiations by the end of 2019, there is no immediate prospect of closing the deal. Despite the difficulties of interchanging offers and the divergent market access interests, a bilateral agreement between MERCOSUR and Korea could contribute to the seizing of opportunities in the context of the reconfiguration of global value chains, food security concerns, and climate change.²³ The negotiated reduction or elimination of trade barriers and the setting of a regulatory framework that provides predictability for investors would contribute to fostering bilateral cooperation and the development of joint business initiatives.

Opportunities to expand and deepen economic relations

Brazil and Korea show evident economic complementarity while facing common challenges concerning decarbonization and development strategies. Korea is a land-scarce country with a high population density and a net food importer. Concerns about food safety orient a wide range of domestic policies that impact bilateral trade with Brazil. On the other hand, the country has shown an amazing capacity to implement the necessary policies to develop a competitive industrial sector, with large multinational companies and important achievements in science, technology, and innovation.

²³ See *Valor Econômico* (2022).

Brazil is a large country with an abundance of land and natural resources. It has undergone an impressive transformation of agricultural production practices, which led to fast productivity and competitiveness gains. Brazil is now the largest world exporter of seven food products: soybeans, maize, coffee, sugar, orange juice, bovine meat, and poultry. Brazilian food production can now feed 900 million people. On the other hand, the country has been lagging in industry productivity and global competitiveness.

The global economy and industry are under the impact of two transformative forces: digitalization and the transition to a low-carbon economy. Both movements are anchored in the development and use of general-purpose technologies, with a strong impact on the productivity of the economy. Brazil has the conditions to seize opportunities in these transformative driving forces.

The complementarity between Brazilian and Korean economic structures should stimulate efforts to strengthen bilateral cooperation in lowering barriers to trade in goods and services, negotiating regulatory convergence in areas of mutual interest (technical standards and sanitary and phytosanitary norms), promoting bilateral direct investment, and joining forces to transform the cooperation in S&T into a more effective and permanent platform.

There are several areas where cooperation could be enhanced for mutual benefit. One of the most evident relates to trade policy. Efforts to reduce trade barriers could improve bilateral relations and, more importantly, the well-being of both countries' populations by providing food security and facilitating decarbonization.

Trade in food products

Among Brazil's top ten exports to Korea, five are food products: cereals, beverages, coffee, meat, and oil seeds. For most of these products, Brazil is the world's largest exporter. Concerns regarding food security and safety have been orienting Korea's policies related to import tariffs and sanitary and phytosanitary measures, affecting Brazil's bilateral exports of these products (Table 3.3).

Eliminating or lowering Korea's tariffs on Brazil's food exports would have a significant impact, benefiting not only Brazilian exports but mainly Korean consumers.

■ **Table 3.3**

Tariffs Applied by Korea on Brazil's Bilateral Top Food Exports in 2023. Average and Maximum (%)

Top HS Chapters		2023	
		Average	Maximum
10	Cereals	329.1	800.3
22	Beverages, spirits and vinegar	19.4	270
9	Coffee, tea, mate and spices	38.8	513.6
2	Meat and edible meat offal	22.7	40
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	31.9	754.3

Source: World Integrated Trade Solution – WITS.

This should be complemented by expanding and deepening the existing cooperation on food safety as discussed later.

Energy transition

Korea has been an early adopter of national strategies for the green transition of the country's economy. The Korean government announced in 2009 the “national strategy for green growth,” with the year 2050 as its horizon, contemplating climate change mitigation, promoting energy independence, creating new engines for economic growth, and improving the quality of life. The Five-Year Plan for Green Growth, also launched in 2009, set out a series of objectives linked to the “greening” of existing industries and support for the development of new industries: tax incentives for financial instruments that invest in green technologies and sectors; expansion of public financing for green firms and projects; increased public guarantees for green firms.

These financing measures aim to support firms, projects, and technologies that receive “green certificates” conferred by public institutes based on criteria related to technological and environmental impacts, economic feasibility, and the degree of greening. Green firms are those whose certified green technologies account for more than 30% of sales.

Korea's Emissions Trading System (ETS) was Asia's first mandatory national emissions system. The country's long-term goal regarding emissions reduction, defined in its NDC, is a 37% reduction in 2030 compared to the base scenario, the business-as-usual scenario. The system has a broad sectoral scope, including a wide range of major sectors of the economy, except for agriculture.

In 2020, the Korean government announced a "green new deal" with resources in the order of US\$ 60 billion to support the development of the domestic hydrogen market, green infrastructure, and technological research related to the decarbonization agenda.

Brazil is now facing the challenge of implementing regulations in several areas related to the green transition, including the definition of a domestic ETS, green hydrogen, etc. Furthermore, the country has been adopting industrial policies with green transition elements. Cooperation in decarbonization strategies could benefit Brazilian progress in this area and learn from Korean experiences and best practices.

On trade policy, Brazil's decarbonization efforts could benefit from lower import tariffs for environmental goods as defined by the OECD.²⁴ Brazil is underrepresented as a destination for Korean exports, which account for only 1.8% of the country's imports of these goods. This contrast with the Korea's 2.7% share of the world's imports in 2022 (Table 3.4). This underrepresentation is more evident in some of the list's sub-categories. Brazil adopts high tariffs for most of the products on the list, and the country's decarbonization efforts could benefit from a deeper bilateral trade relationship in these products.

Trade in ICT goods and services: a road for digitalization

The way Brazil inserts itself in the frontiers of digitalization is affected by its international integration policies. The tariff, non-tariff, tax, and migration policies create obstacles to Brazil's participation in international trade and to the country's consolidation as an investment hub.

²⁴ See [OECD data](#) based on Garsous (2019).

■ **Table 3.4**

Korea's Share of World's and Brazilian Imports of Environmental Goods and Brazil's MFN average tariffs (%), 2018 and 2022

Code and Description		2018		2022		Brazil's Tariffs (2022 average)
		% Exp Korea/Imp World	% Exp Korea/Imp Brazil	% Exp Korea/Imp World	% Exp Korea/Imp Brazil	
TOTAL		3.1	3.0	2.7	1.8	—
CLEG	Comprehensive List of Environmental Goods	4.0	2.6	2.7	1.6	10.74
APC	Air pollution control	3.7	2.8	3.7	1.9	10.4
CRE	Cleaner or more resource efficient technologies and products	0.6	0.6	1.4	2.3	12.1
EPP	Environmentally preferable products based on end use or disposal characteristics	0.5	0.0	0.9	0.0	11.7
HEM	Heat and energy management	1.6	1.5	1.9	2.0	8.5
MON	Environmental monitoring, analysis and assessment equipment	3.0	2.5	3.1	2.0	10.1
NRP	Natural resources protection	7.1	6.8	4.5	7.2	14.9
NVA	Noise and vibration abatement	4.1	1.4	4.4	1.8	12.1
REP	Renewable energy plant	5.5	2.5	2.0	1.2	11.0
SWM	Management of solid and hazardous waste and recycling systems	6.6	5.7	4.9	3.6	9.3
SWR	Clean up or remediation of soil and water	1.1	0.1	0.8	0.3	11.6
WAT	Waste water management and potable water treatment	2.7	2.4	2.6	1.1	11.1

Source: World Integrated Trade Solution – WITS.

One of the relevant mechanisms to move on the road to digitalization is access to advanced technologies. Computer and telecommunications equipment are essential, and the elimination of tariffs on this category of goods has been a priority for 82 countries since the signing of the WTO's Information Technology Agreement (ITA) in 1996—a plurilateral agreement that seeks to eliminate and consolidate tariffs for computers, telecommunications equipment, semiconductors, software, scientific equipment and most parts and pieces of such equipment.

The Agreement was signed in 1996 with twenty-nine members. Nowadays, there are eighty-two participating countries, which account for 97% of trade in information technology goods. In 2015, the agreement was further expanded with the incorporation of 201 new products, such as the new generation of circuits, touch screens, GPS, and some medical equipment (ITA-II). There is an ongoing move towards ITA-III. For this phase, robots, 3D printers, selected medical equipment, drones, a new generation of semiconductors, and battery storage technologies, among others, are candidates for inclusion.²⁵

The evolution of the list of products over time reveals the speed of technological transformations and the extent of technologies' impacts on other sectors of the economy. The new list under negotiation reinforces the previous trend of digitizing medical equipment and including new products, such as drones. Given the ubiquity of digital technologies, ITA's product frontier will be under constant pressure to expand.

While Korea is an early member of the ITA, Brazil is not yet a part of the agreement. According to a study conducted by the Information Technology and Innovation Foundation – ITIF (2015), Korea recorded a 10 percent average annual growth in its exports of ICT products from 1996 to 2010. Moreover, the ICT industry accounted for an increasingly significant percentage of the Korean economy during that period, with the ICT sector contributing 11.2 percent of the Korean GDP as of 2011. The ITA has played a catalytic role in expanding global two-way trade in ICT products²⁶.

²⁵ For details, see [WTO](#).

²⁶ See [ITIF \(2015\)](#).

Another study by the ITIF (2021) evaluates the effects of ITA-III for a selected set of countries. Estimates for Brazil points to a cumulative effect of 1.62% on GDP for a period of ten years, the third best result for the countries that make up the study.²⁷

The assessment of Brazil's average tariffs applied to ITA products reveals that the country imposes high tariff protection compared to other LAC economies such as Argentina, Chile, and Mexico. For the products covered by the first ITA, the average MFN tariff in Brazil is 11.9%; for those under ITA-II, the average is 11.6%; and for those being considered for ITA-III, it is 13.1%.

The assessment of the convenience of Brazil's access to the ITA, should be guided by the agreement's ability to contribute to reducing the costs of information technology and telecommunications goods, to generate incentives for the equipment and services industry to integrate into value chains, and to facilitate the development of the advanced digital services industry.²⁸

Brazil's accession to the ITA would contribute to the strengthening of Brazil's economic relations with Korea, since the country is one of the world leaders in the production of many of the products covered by this agreement. Moreover, this movement could contribute to the development of related services in the IT sectors.

Nevertheless, negotiating a MERCOSUR-Korea free trade agreement would be the best way to improve bilateral cooperation. It would reduce or eliminate tariffs and other trade barriers that hamper deeper bilateral economic integration. The two countries' national priorities—such as food security in Korea and decarbonization and digitalization in Brazil—are examples of benefits that both countries could accrue from a trade liberalization initiative.

Brazil-Korea bilateral cooperation

Brazil and Korea established diplomatic relations in 1959. In the following three decades, an important number of Koreans migrated to Brazil in search of better

²⁷ See [ITIF \(2021\)](#).

²⁸ See [Fernandes \(2021\)](#).

living conditions. Most settled in Sao Paulo and started small businesses, particularly in the garments segment.²⁹ However, bilateral economic relations only began to intensify from the 1990s, with several bilateral agreements being signed, joint committees created, and mutual presidential visits.

Bilateral dialogues

According to the Brazilian Ministry of Foreign Relations, Brazil and Korea maintain several instances of bilateral dialogue: the Political Consultation Mechanism, the Brazil-Korea Forum, the Agricultural Advisory Committee, the Joint Committee on Science, Technology, and Innovation, the Joint Committee on Trade and Investment Promotion and Industrial Cooperation, and the Consultation Mechanism on Energy and Mineral Resources. The Political Consultation Mechanism, the main forum for broad discussion of the bilateral agenda and international policy issues, was established in 1996 and held its eleventh and last meeting in Seoul in October 2021.³⁰

Between 2008 and 2018, Brazil and Korea held a Joint Committee on Trade and Investment Promotion and Industrial Cooperation. Despite its contribution in several cooperation areas, it was discontinued in 2018. Now, there is a new opportunity to strengthen bilateral cooperation.

In November 2023, the Brazilian Ministry of Development, Industry, Trade and Services (MDIC) and the Korean Ministry of Trade, Industry, and Energy (MoTIE) signed an MoU setting up the Cooperative Council on Trade and Investment. The MoU foresees cooperation in areas such as trade facilitation, investment, technology, energy and mineral resources, digital economy, green transition, bioeconomy, and quality infrastructure. On the occasion, cooperation in green transition, with emphasis on green hydrogen, was highlighted.³¹ The global decarbonization emergency brings opportunities to Brazil. Cooperation with Korea in the areas of best practices for regulations, technology, and innovation for the green transition can contribute to seizing these opportunities.

²⁹ See Guimaraes, L. (2006).

³⁰ See [Ministério das Relações Exteriores \(2024\)](#).

³¹ See [Ministério do Desenvolvimento, Indústria, Comércio e Serviços \(2023\)](#).

In 2023, a delegation of Brazilian public officials from federal and state governments visited Korea to gather insights and learn best practices from Korean government agencies and private entities about their approaches, challenges, and solutions for sustainable data infrastructure, public service delivery systems, and robust cybersecurity measures.³²

Cooperation in Science and Technology (S&T):

Although S&T-related talks have been present in the bilateral agenda since the beginning of diplomatic relations between the two countries, concrete initiatives to develop partnerships and bilateral projects in these areas have only been undertaken in the last twenty years. Nevertheless, S&T is considered by Brazilian Foreign Policy a central element in Brazil-Korea bilateral relations.³³

In 1991, the Science and Technology Cooperation Agreement was signed to strengthen cooperation and enhance national competitiveness. In this agreement, both countries agreed to establish a joint committee to define priority areas for collaboration, decide on joint programs and activities, and coordinate and evaluate these programs. However, the first joint committee was not held until 20 years later, in August 2011. Meanwhile, S&T was the topic of several high-level meetings and institution-level agreements, but a few ongoing projects.³⁴

In 2015, the bilateral S&T agenda became more concrete and specific. Some of the main events that exemplify this progress were:³⁵

- The Ministry of Science, ICT and Future Planning (MSIT) of Korea and the Ministry of Science, Technology and Innovation (MCTI) of Brazil signed an MoU on a Creative Economy and Knowledge-based Society.
- The National Association of Entities Promoting Innovative Enterprises (Anprotec), Samsung Electronics, and the Daegu Center for Creative Economy and Innovation (CCEI) signed a MoU.

³² See [World Bank \(2023\)](#).

³³ See [Moreira, T. \(2022\)](#).

³⁴ See [Fink, D. et al. \(2012\)](#).

³⁵ See [Ministério da Ciência, Tecnologia e Inovações \(2024\)](#).

- The Ministry of Communications of Brazil and the MSIT of Korea signed a Letter of Intent to Establish the Cooperation Framework for Joint Projects.
- The National Institute of Telecommunications (INATEL) and the National Information Society Agency of the Republic of Korea (NIA) signed a Collaboration Agreement for the Establishment and Operation of the Information Technology Cooperation Program, which was inaugurated at the beginning of 2017 in Santa Rita do Sapucaí, Minas Gerais.

By then, the Brazilian government's priority areas for bilateral cooperation were ICT technology, especially 5G and the Internet of Things (IoT), semiconductors, biotechnology, nanotechnology, and metrology.

Korea was the first Asian country to receive Brazilian students under the Program Sciences without Borders, launched by the Brazilian government in 2011. About 500 Brazilian students benefited from the program in Korea; some had the opportunity to work as trainees in large Korean companies.

Although erratic, bilateral cooperation in S&T persists in some areas. For instance, in 2023, the Ministry of Science and ICT of Korea and the National Council for Scientific and Technological Development (CNPq) in Brazil launched a call for proposals for a Korea-Brazil Joint Research Project.³⁶ The initiative aims to strengthen the competitiveness of science and technology between the two countries through joint research and expand the foundation for cooperation. Priority themes are biotechnology applied to healthcare and bioenergy, neurosciences, space, and astronomy. Research projects will be funded for two years.

Cooperation in food safety

In another important area for Brazil-Korea economic relations, at the end of 2023, both countries launched the second Phase of the Food Safety Management Cooperation Program with LAC countries. The first phase of this program had its first stage in Korea, and Brazil was the first country in LAC to host the program.

³⁶ See [Ministério da Ciência, Tecnologia e Inovações \(2023\)](#).

This initiative aims to improve safety policies related to food trade between the two countries. The topics covered by the Program include understanding the Korean Food Safety Control System, an overview of HACCP (Hazard Analysis and Critical Control Point) for imported food and an on-site inspection checklist, Korean Imported Food Safety Control Systems and Policies, and Korean Food Standards and Specifications.

This is a relevant area where cooperation can enable and expand market opportunities with positive consequences for bilateral trade. In April 2024, Korean authorities opened the country's market to Brazilian exports of two categories of products: by-products of animal origin (poultry meal and fat) intended for animal feed and ten shrimp-based products.

4. The Power of Cooperation

LAC and Korea can build on a long history of intergovernmental relations, supported by solid bilateral and multilateral frameworks. Joint initiatives involve a range of agencies, led by the Korea International Cooperation Agency (KOICA),—which provides grants for development projects, technical assistance, and capacity-building—and by Korea's Eximbank which provides concessional loans and consultancy services, often in collaboration with international financial institutions.

Overall, Korea's official development assistance (ODA) to LAC increased steadily and peaked in 2022, reaching a high of US\$321 million. The pandemic years have shown signs of reversing the previous upward trend, but with the increasing development needs of LAC following the pandemic, Korea's ODA to LAC has surged.

The Economic Development Cooperation Fund (EDCF) has announced plans to significantly expand its support, approving projects that will amount to KRW 13.8 trillion (US\$ 10 billion) over the next three years (2024–2026). Additionally, in response to the increased size of the fund and changes in the global environment, the EDCF aims to restructure its support strategy. Specifically, the fund plans to actively identify major high-value projects worth over \$500 million to enhance Korea's visibility and to have a substantial impact on the development of recipient countries. Furthermore, it intends to strengthen the integration of its efforts with Korea's broader foreign strategy, including supply chain stabilization, and to respond proactively to the private sector development needs of developing countries through participation in PPP projects and direct financial support to the private sector.³⁷

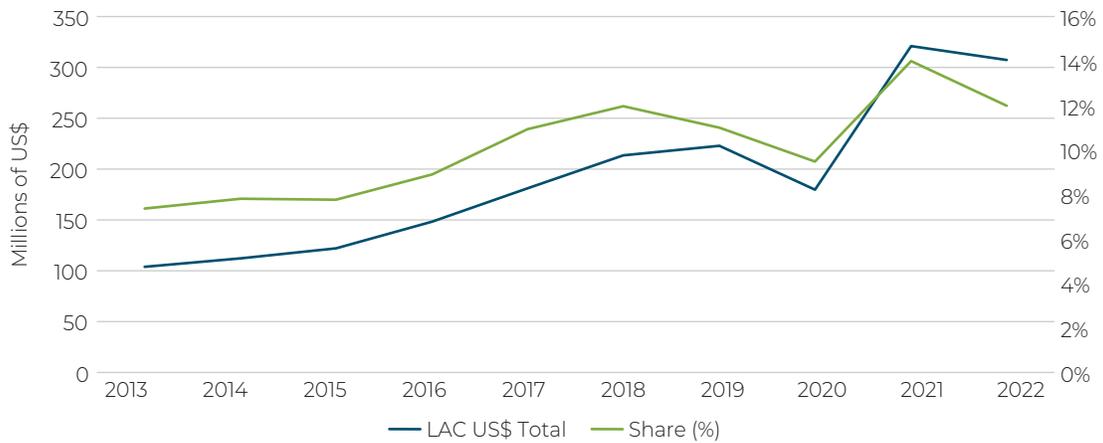
An impactful partnership with the Inter-American Development Bank

Beyond being trade and investment partners for LAC, stakeholders across the Government of Korea have also been critical development partners for the

³⁷ Ministry of Economy and Finance (2024).

■ **Figure 4.1**

Korea's Net Official Development Assistance Disbursements to LAC 2013–2022



Source: IDB Integration and Trade Sector with data from the [OECD](#).

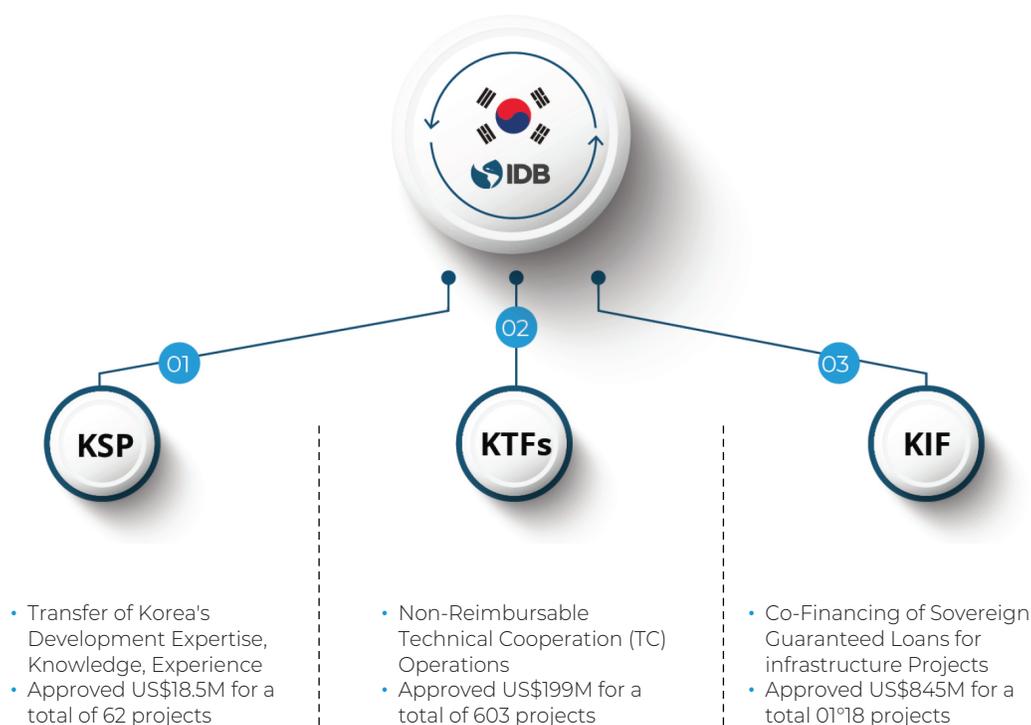
region. Since Korea joined the IDB in 2005 as its 47th member country, the IDB has served as a bridge in connecting Korea to governments, businesses, and key players in LAC and in channeling Korean expertise, financing, and innovation to where it is needed most.

The Korea–IDB partnership is constantly evolving. Initially, the collaboration aligned with the priorities emerging from each Annual Meeting of the IDB Group’s Board of Governors and focused on laying the groundwork for broad collaboration. The objectives were to facilitate partnerships with diverse Korean public entities, create financing mechanisms to support emerging development issues, and host high-level events to promote economic and diplomatic ties. In recent years, the IDB Group’s new Institutional Strategy IDBStrategy+: Transforming for Scale and Impact agenda—for addressing the region’s vulnerabilities and unlocking the potential to foster transformative social and economic progress, while actively combating climate change—has taken the partnership to new heights, thereby allowing for mid- to long-term planning focused on generating greater impact based on a narrow, highly strategic set of priorities. Acting as a cooperative, the IDB acknowledges its role in contributing to the provision of regional and global public goods and embraces its mission with renewed transparency, accountability, and partnership with all development stakeholders.

Trusted Sources of Development Finance for LAC

Since attaining membership, Korea has played an instrumental role in financing a variety of critical development initiatives at the IDB, contributing to the Bank’s mission of improving lives and accelerating economic and social development in LAC. Today, Korea has three main funding sources and financing tools at the IDB: (1) Knowledge Sharing Program (KSP), (2) Korea Trust Funds (KTFs), and (3) Korea Infrastructure Development Co-Financing Facility (KIF). The total volume of projects that Korea has approved through these three channels amounts to US\$1.06 billion (US\$18.5 million through the KSP, US\$198.8 million through the KTFs, and US\$845 million through the KIF) as of December 31, 2023.

■ **Figure 4.2**
Korea’s Three Major Funding Sources at the IDB



Source: Korea Funds Guidance Note, IDB.
Note: All reported figures are as of December 31, 2023.

The Korea Knowledge Sharing Program (KSP)

The generation and transfer of knowledge constitute critical aspects of the IDB's development work, contributing to evidence-based and data-driven policy advice, as highlighted by the IDB's commitment to develop into the 'knowledge bank' of the region in its new Institutional Strategy. A key channel for achieving this is the KSP, which draws on the development experience, knowledge, and expertise that Korea has cultivated over several decades from its remarkable transition from an impoverished country to an advanced, knowledge-based economy. Through the KSP, Korea offers support through practical policy alternatives and an integrated approach that combines research, consultation, and institutional capacity-building.

Since the inception of the IDB-KSP Joint Consultation Program in 2011, a total of sixty-two joint consultancy projects have been carried out for US\$18.5 million.

■ Box 4.1 Knowledge Sharing Program

The Knowledge Sharing Program (KSP) is a development cooperation framework launched by Korea's Ministry of Economy and Finance (MoEF) in 2004, alongside three coordinating and executing agencies: the Korea Development Institute (KDI), the Export-Import Bank of Korea (KEXIM), and the Korea Trade-Investment Promotion Agency (KOTRA).

The program consists of three types of cooperation:

1. **Bilateral Cooperation**, which includes policy consultations, practitioner-focused capacity-building workshops, and the deployment of policy advisors for in-depth, practical policy consultations.
2. **Multilateral Cooperation**, which was established in 2011, draws on partnerships with international organizations to carry out joint consulting activities. These efforts combine Korea's development experience with the expertise of regional/international organizations.
3. **Case Studies of Korea's Development Experience**, which capture the unique policies, institution-building processes, and projects that contributed to the economic development in Korea.

This marks the largest number of projects supported among international organizations and multilateral development banks that have adopted the program, making the IDB the most active partner in this regard. Major sectors of focus have been science and technology (22.9%), transportation (13.7%), public-sector modernization (13.5%), and energy (13.2%).

Overall, LAC countries have benefited from 194 KSP projects, accounting for 27% of the 708 projects implemented by the KSP, making the region second only to Asia. The number of KSP projects in LAC grew substantially after 2011, following the launch of joint consultancy projects with international organizations. Over the last three years, the partnership has remained very strong, with the IDB playing an important role as a KSP partner. In this time, the partners have jointly implemented twelve projects worth US\$4.8 million.

■ **Table 4.1**
IDB–KSP Joint Consultancy Projects
2020–2023 US\$

Year	Project title	Country	Amount
2020	Transforming the Education System Through Technology	El Salvador	400,000
2020	Designing a Smart City Strategy for La Ceiba	Honduras	420,000
2020	Designing 12 Mini-Grid Systems for Indigenous Territories	Panama	440,000
2020	Strengthening the Institutional Framework for Productive Development and Innovation	Costa Rica	420,000
2020	Developing a Framework for Establishing an Effective Cloud-Based Data System	Paraguay	440,000
2021	Strengthening Public Internet Access to Overcome Digital Divides	Guatemala	300,000
2021	Developing Measures to Effectively Deploy and Protect ICT Critical Infrastructure	El Salvador	300,000
2021	Conducting a Feasibility Study and Designing a Platform Based on Business Reengineering Processes and Information Strategic Planning	Costa Rica	500,000
2021	Establishment of a Smart City Master Plan for Lima	Peru	500,000
2022	Water Resource Management Investment Plan to Support Resilient, Sustainable Development in the Pilcomayo Basin	Argentina	500,000
2022	Supporting a Net Zero-Emission Strategy for the Uruguayan Energy Sector	Uruguay	500,000

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■ **Table 4.1**
IDB–KSP Joint Consultancy Projects
2020–2023 US\$ *(continued)*

Year	Project title	Country	Amount
2022	Designing an Urban Mobility Data Observatory and Improving Public Transport Management in São Paulo	Brazil	340,000
2022	Promoting Air Transport Policies for Investment and Management of Secondary Airports	Colombia	300,000
2023	Improving MSMEs' Productivity through Digitalization and Reducing Connectivity Gaps in Honduras	Honduras	400,000
2023	Reuse Water Management Plan to Support a Resilient Economic Development in the Greater San Juan City Area, Argentina	Argentina	400,000
2023	Smart City Management Strategies for Lima's Historic Downtown	Peru	400,000
2023	Promotion of R&D activities for the development of the GH2 industry in Uruguay	Uruguay	400,000

Korea Trust Funds (KTFs)

When Korea joined the IDB Group, its first course of action was to create three Korea Trust Funds (KTFs) to facilitate Korea's support for technological innovation (KPK), poverty reduction (KPR), and private-sector development (KPS) (see box 4.2). In 2012,

■ **Box 4.2**
Korea Trust Funds

The Korea Fund for Partnership of Knowledge Building on Technology and Innovation (KPK) introduces, shares, and transfers Korea's best practices, new ideas, and lessons learned in the area of technology and innovation. Since its inception in 2005, the KPK has served as a fundamental funding source for technical capacity, energy infrastructure, trade promotion, and innovation performance.

The Korea Fund for Poverty Reduction and Social Development (KPR) targets poverty reduction and social development with the aim of benefiting and empowering the most vulnerable and economically disadvantaged groups in the region. Since its

(continued on next page)

■ Box 4.2

Korea Trust Funds *(continued)*

inception in 2005, it has become a pivotal source of financing for improving income, living conditions, and access to social services.

The Korea Fund for Private Sector Development and Innovation Fund (KPS) promotes the development and innovation of the private sector with a particular focus on micro, small, and medium-sized enterprises (MSMEs). Since its inception in 2005, under the mission of the IDB Invest, it has been a key engine for delivering advisory services and technical assistance to the region's private sector.

The Korea Fund for Public Capacity Building and Economic Development (KPC) facilitates the efficient allocation and use of public sector resources at the national and sub-national levels in the region. Since its inception in 2012, it has focused on enabling governments to strengthen their institutional capacity in fiscal-related areas to become more efficient, effective, and transparent.

Fund	Fund Focus	Established Year	Lifetime Contribution from Korea (US\$ mil.)	Lifetime Approvals (US\$ mil.)	Total Number of Projects
KPK	Science & Technology, ICT, Energy, Trade, Transportation, IT Infrastructure	2005	82.8	72.4	160
KPR	Education, Health, Social Investment, Agriculture & Rural Development, Water & Sanitation	2005	65.5	56.8	155
KPS	Business Innovation, MSME Development, Financial Markets, Public-Private Partnership (PPPs)	2005	40.0	30.7	204
KPC	Public Sector Reform, Capacity-Building in Fiscal-Related Areas, e-Government, Regional Integration	2012	48.0	38.9	84

Source: Korea Trust Funds at the IDB Group, 2023.

Note: The table reports technical cooperation as of December 31, 2023.

the KTFs were complemented by a fourth fund that targets public-sector management (KPC). As of December 2023, Korea has contributed a total of US\$236.3 million to finance non-reimbursable technical cooperation (TC) operations at the IDB.

Through the KTFs, Korea has made substantial contributions to the IDB Group's programs, maximizing the impact of its resources and expanding the capacity to pursue innovative approaches to poverty reduction and socioeconomic development. The KTFs have funded projects in emerging areas like smart cities, civil registration, and migration, as well as in areas where Korea is uniquely positioned as a global leader, such as digital transformation, innovation performance, and technology-driven solutions to improve public and civic interests.

Critically, these funds have played an important role in positioning Korea as a critical knowledge partner and serving as a platform for exchanging, transferring, and disseminating knowledge across all 26 IDB borrowing member countries. This has been achieved partly by financing projects that generate new evidence and inform future programs and policies, and partly by facilitating the integration of Korean expertise into KTF-funded operations.

While the KTFs have been generating impact since their establishment, operations continue to evolve and improve year in and year out. For example, in 2023, the highest number of TC operations were approved over the last five years, with the approval volume nearly doubling from the previous year.

With regard to resource mobilization, important milestones were achieved. In 2022–2023, Korea made new contributions of US\$14 million to the KPK, KPR, and KPC, with a Letter of Intent signed in April 2023 to replenish US\$20 million for the KPR over the next five years. These mobilization efforts position the KTFs as an essential source of development financing and a channel for greater support from Korea to LAC in the coming years.

In line with the IDB's new Institutional Strategy and its renewed focus on sustainable digital physical infrastructure, climate change, and human capital development, Korea will continue to leverage the versatility of the KTFs in covering multifaceted areas of support to maintain a close alignment with its own interests in the digital economy, climate change, sustainable infrastructure, and support for SMEs.

Overall, the KTFs have played a significant role in laying the groundwork to strengthen collaboration, align institutional strategies, and enhance the visibility

of Korea's valued contribution at the IDB. They will remain a key platform through which the Korea-IDB partnership can evolve, innovate, and grow, channeling joint support to address the region's most pressing priorities and fostering lasting development impact.

■ **Table 4.2**
IDB Projects Approved by the KTFs in 2023

Project Number	Project Name	Sector	Amount Approved (US\$)
AR-T1304	Support for Increasing Resilience for Extreme Hydroclimatic Events in Argentina	Water & Sanitation	600,000
AR-T1321	Digital Connectivity Plan for the Development of Competitiveness in Argentina	Science & Technology	600,000
BA-T1089	Accelerating the Transition to Electromobility in Barbados	Energy	450,000
BH-T1100	Climate Resilience Diagnosis and Mitigation Plan for Public Infrastructure in The Bahamas	Transport	120,000
CO-T1729	Guidelines for Mitigation and Adaptation to Climate Change Articulated with Risk Management for Resilient Land Use Management Plans	Urban Dev. & Housing	350,000
CR-T1263	Innovation for the Development of XXI Century Skills in Costa Rica: Digital Skills with Gender Focus	Education	600,000
CR-T1271	Accelerating the Digital Transformation of Airports in Costa Rica	Trade	500,000
DR-T1272	Support to the Program to Improve Connectivity for the Digital Transformation in Dominican Republic	Science & Technology	500,000
EC-T1521	Development of Efficient Public Asset Management System in Ecuador	Reform/Mod. of State	390,000
NI-T1320	Differentiated Instruction to Close Learning Gaps across Gender and Diverse Backgrounds	Education	550,000
PE-T1510	Support to the Strengthening of the Public Institutions of Science, Technology and Innovation in Peru	Science & Technology	500,000
RG-T4143	Korea-LAC Tech Corps Program	Reform/Mod. of State	2,050,000

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■ **Table 4.2**

IDB Projects Approved by the KTFs in 2023 *(continued)*

Project Number	Project Name	Sector	Amount Approved (US\$)
RG-T4221	Policy Development for Integrated Solutions in the Solid Waste and Water Sectors in LAC based on Korean Case	Water & Sanitation	500,000
RG-T4234	Sustainability Performance Initiative	Private Firms & SME Dev.	700,000
RG-T4308	Strengthening Skills and Capacities for the Development and Manufacturing of Vaccine and Bioproducts in LAC	Health	550,000
RG-T4309	K-LAC Innovation & Trade Forum 2023	Other	1,000,000
RG-T4318	Promoting Sustainable Public Investment through the Modernization of Public Investment Systems in LAC	Reform/Mod. of State	500,000
RG-T4322	Accelerating the Adoption of Digital Technologies to Improve Government Services	Reform/Mod. of State	600,000
RG-T4340	Public Procurement Transformation to Strengthen Fiscal Sustainability and Efficiency: Korean Experience for El Salvador and Honduras	Reform/Mod. of State	550,000
TT-T1123	Fast Pass: Scaling-Up Smart Technologies to Reduce Congestion and Improve Social Responsibility of Public Transportation	Transport	500,000
TT-T1138	Driving Economic Dynamism through Tech Transfer in Trinidad and Tobago	Private Firms & SME Dev.	150,000
UR-T1294	Towards Education 4.0: Supporting Digital Transformation in Education in LAC	Education	470,000
Total (22 Projects)			12,730,000

Korea Infrastructure Development Co-Financing Facility (KIF)

Established on March 28, 2015, the KIF aims to support the Inter-American Development Bank's (IDB) mandate to promote economic growth and contribute to poverty alleviation in LAC through the co-financing of sovereign guaranteed

(SG) loans. The Fund has been set up through a MOEF contribution of up to US\$1,900 million: US\$100 million for the first phase, US\$300 million for the second phase, US\$500 million for the third phase, and an additional \$1 billion, its largest-ever replenishment since its inception, signed in December 2023. Notably, this large-scale replenishment in 2023 far surpasses the cumulative amounts of all previous phases combined, signaling a new era of elevated cooperation between Korea and the IDB Group. The KIF resources have been utilized to co-finance key infrastructure projects expected to achieve significant development outcomes. Since its inception, the KIF has approved 18 projects with a total value of US\$845 million, and accumulated disbursements amounted to US\$451.82 million as of December 31, 2023.

The energy sector has received the most significant resources, followed by science and technology, water and sanitation, transportation, and response to COVID-19. These funds encompasses both soft and hard infrastructure to provide basic human needs, such as water and sanitation, electricity, road connectivity, education, and health. It also includes a wide array of institutional systems and policies, such as financial systems; educational systems; healthcare systems; disaster risk management systems; trade and integration systems; digital economy and policies; and information and decision support systems for climate change and agribusiness-related projects. The countries that have received the most KIF resources between 2015 and 2023 are Colombia, Bolivia, Dominican Republic, and Ecuador.

The KIF is aligned with the IDB's New Institutional Strategy, provides a roadmap for guiding the IDB Group over the next seven years (2024–2030), as it tackles the triple and global challenge of social exclusion and inequality through operations that seek to improve income, living conditions, and access to social services. It also addresses the cross-cutting issues of productivity and innovation, as well as institutional capacity, through its support to activities related to the reform and modernization of the state.

In 2023, the KIF approved two projects worth US\$150 million. These projects include a US\$50 million policy-based loan in Ecuador for the Support for Energy Transition and Investment Promotion in Ecuador's Energy Sector (EC-L1287),

and a US\$100 million investment loan in Bolivia for Rural Electrification Program 3 (BO-L1222). These projects aim to support the efforts of the Government of Ecuador towards energy transition and to contribute to poverty reduction in Bolivia through the universalization of the electric energy service.

■ **Table 4.3**
IDB Projects Supported by the KIF Facility as of 2023

Project			Amount	
Year*	Number	Name	Total	KIF
2015	NI-L1090	Broadband Program in Nicaragua	50,000,000	25,000,000
2016				
	EC-L1160	Investment Plan to Support the Transition of the Energy Matrix in Ecuador	160,000,000	25,000,000
	NI-L1094	Geothermal Exploration and Transmission Improvement Program under the PINIC	103,000,000	25,000,000
2017	BO-L1191	Program to Expand and Improve Water Supply Sustainability and Resilience in Cities	75,000,000	25,000,000
2018	CO-L1233	Program for the Improvement of Connectivity and Digitalization of the Economy	350,000,000	50,000,000
2019				
	PR-L1164	Program to Rehabilitate and Maintain Agroindustrial Corridors	235,000,000	50,000,000
	HO-L1207	Central District Water and Sanitation Services Reform Program	60,000,000	30,000,000
2020				
	GU-L1171	Infrastructure for the Rural Electrification Program of Guatemala	120,000,000	60,000,000
	GU-L1175	Program for the Digital Transformation of Guatemala for Inclusive Access to Connectivity	70,000,000	25,000,000
	PR-L1175	Program for Strengthening Public Policy and Fiscal Management for the Response to the Sanitary and Economic Crisis Caused by COVID-19 in Paraguay	210,000,000	50,000,000
2021	ES-L1145	Social Digital Connectivity Program	85,000,000	35,000,000
	DR-L1146	Power Sector Sustainability and Efficiency Program III	250,000,000	50,000,000

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■ **Table 4.3**

IDB Projects Supported by the KIF Facility as of 2023 *(continued)*

Project			Amount	
Year*	Number	Name	Total	KIF
	CO-L1264	Sustainable Growth and Resilient Program	1,225,756,800	100,000,000
2022	EC-L1253	Program for the Improvement of Tax and Customs Administration	89,000,000	35,000,000
	CR-L1147	Towards a Green Economy: Support to Costa Rica's Decarbonization Plan II	407,000,000	50,000,000
	DR-L1158	Universal Sanitation Program in Coastal and Tourist Cities	190,000,000	60,000,000
2023	EC-L1287	Support for Energy Transition and Investment Promotion in Ecuador's Energy Sector	500,000,000	50,000,000
	BO-L1222	Rural Electrification Program III	202,000,000	100,000,000
Total (18 projects)			4,370,000,000	845,000,000

Note: The year approved by KIF.

Best practices and success stories from the KSP, KTFs, and KIF

Through the three-pronged funding sources at the IDB Group, Korea has successfully leveraged knowledge, technical cooperation, and concessional loans to finance numerous high-impact and transformative projects across diverse sectors and countries.

KSP: An example of a successful KSP-IDB project is Designing a Smart City Strategy for La Ceiba, Honduras (2020–2021). The project aimed to improve the administration of city affairs and revitalize the local economy by supporting La Ceiba's transition to becoming a smart city and promoting its sustainable growth. To this end, the project promoted ICT-powered smart city services with a focus on tourism, transportation, and safety, and identified the actions that needed to be taken. The project draws from the K-City Model, or Korea's experience in urban development, as well as the knowledge of Korean ICT experts. It also strengthened economic cooperation with Honduras by providing La Ceiba with smart city

policy consulting services tailored to the city's specific characteristics and needs. financed countless high-impact projects.

KTFs: Firstly, regarding digital transformation in the education sector, the KTFs financed an operation in Costa Rica to develop and field-test a new pedagogical program aimed at enhancing numeracy learning and mathematical logical thinking through digital technologies for pre-school children. In collaboration with the Ministry of Public Education in Costa Rica and SK Telecom of Korea, the project successfully supported a pilot project in more than 200 schools in Costa Rica to enhance early education in fundamental programming skills through interactions with a learning robot. Secondly, regarding productive transformation in the agri-food sector, the KTFs financed an operation in Uruguay to improve the country's agri-food value chain system as a means of closing the productivity gap and resuming pre-COVID economic growth levels. Through a strategic knowledge partnership with the Institute of Green-Bio Science and Technology at Seoul National University of Korea, the project successfully developed a sectoral roadmap to unlock the potential of the agri-food industry and to establish a world-class biotechnology center in Uruguay.

Furthermore, KTF resources have been instrumental in expanding and bolstering cooperation with the private sector, particularly through the financing of the Korea-LAC series of events. The initiative, which includes the 6th Korea-LAC Business Summit 2022 and K-LAC Innovation & Trade Forum 2023, was launched with the overarching goals of sharing Korea's experiences in promoting extra-regional trade and investments, strengthening business relations between Korea and LAC, and fostering collaborative opportunities in the private sector. Featuring high-level plenary sessions, topical seminars, Startup Pitch Days, and the flagship 1:1 business match-making meetings that generate tens to hundreds of millions of dollars in expected business transactions, the Korea-LAC series will continue to serve as a critical avenue for solidifying the strategic partnership between the two partners.

KIF: In El Salvador, the IDB and Korea are financing the Social Digital Connectivity Program. In doing so, we are advancing the digital-infrastructure development priority at the same time as the social development priority. This program has connected nearly 2,000 schools and 200,000 homes to the internet, while

benefiting 600,000 individuals with digital skills. In the Dominican Republic, we collaborated on the Power Sector Sustainability and Efficiency Program, which reduced energy-generation costs and enhanced operational efficiency, benefiting the economy. As an outcome of this partnership, Korea Electric Power Corporation was contracted to build a state-of-the-art power distribution substation.

Partnerships with Korean Institutions

The IDB collaborates with many Korean institutions through various mechanisms, which often involve the signing of partnership agreements and the development and negotiation of robust action plans. Key partners include Korean ministries, public institutions, universities, and private firms.

In 2023, collaboration with Korean institutions continued to strengthen through a variety of Memoranda of Understanding (MOUs), joint events, and bilateral meetings. These activities helped advance mutual interests across several sectors, emphasizing the deepening ties between our organization and Korean counterparts.

MOUs involving 35 Korean institutions have been settled, including 14 ministries, 18 public entities, 2 private entities, and 1 academic institution. In 2023, three MOUs were newly signed with Seoul Guarantee Insurance (SGI), Korea Exchange (KRX), and Public Procurement Service (PPS). In effect, these agreements will facilitate knowledge exchange, technical capacity-building, advisory services, and collaborative research studies by harnessing and leveraging the expertise of the key Korean partner institutions. The MoUs with SGI and KRX hold particular significance as they collectively establish an important cornerstone for expanding cooperation in the capital markets between Korea and LAC, an area that had not been actively explored before.

In 2023, a total of 11 significant events were held, covering a broad spectrum from public policy to technology and health. These included the Loan Project Online Seminar in February; the Public Procurement Policy Workshop in April; the Quality Management in Health Workshop in April; the Smart City Workshop in

October; the Korea Technology Immersion Program in May; the Energy Efficiency Training Program in September; and the Korea-LAC Tech Corps in November.

Notably, the Korea-LAC Innovation and Trade Forum took place in Mexico City, Mexico on October 18–19, 2023, bringing together 650 senior business executives and public sector officials from Korea and 19 nations in LAC, with the goal of promoting increased trade and investment opportunities and fostering cross-regional collaboration between the two regions, particularly in the field of information and communication technologies. This marked the first time the event had been hosted in a country within the LAC region.

The Korea-LAC event series was launched in 2007 by the IDB Group in collaboration with the Korean Ministry of Economy and Finance (MOEF), the Korea Trade-Investment Agency (KOTRA), and the Korea Eximbank (KEXIM), following Korea's entry as an IDB non-borrowing member country in 2005. The Korea-LAC series has consistently assembled high-level leaders from both the public and private sectors on both sides, facilitating improved trade and investment cooperation and opportunities.

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