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Prospects for Regional Cooperation between
Latin America and Caribbean and Asia Pacific:
Perspective from East Asia

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Study Center Network*

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Prospects for Regional Cooperation between Latin America and Caribbean and Asia Pacific:

Perspective from East Asia

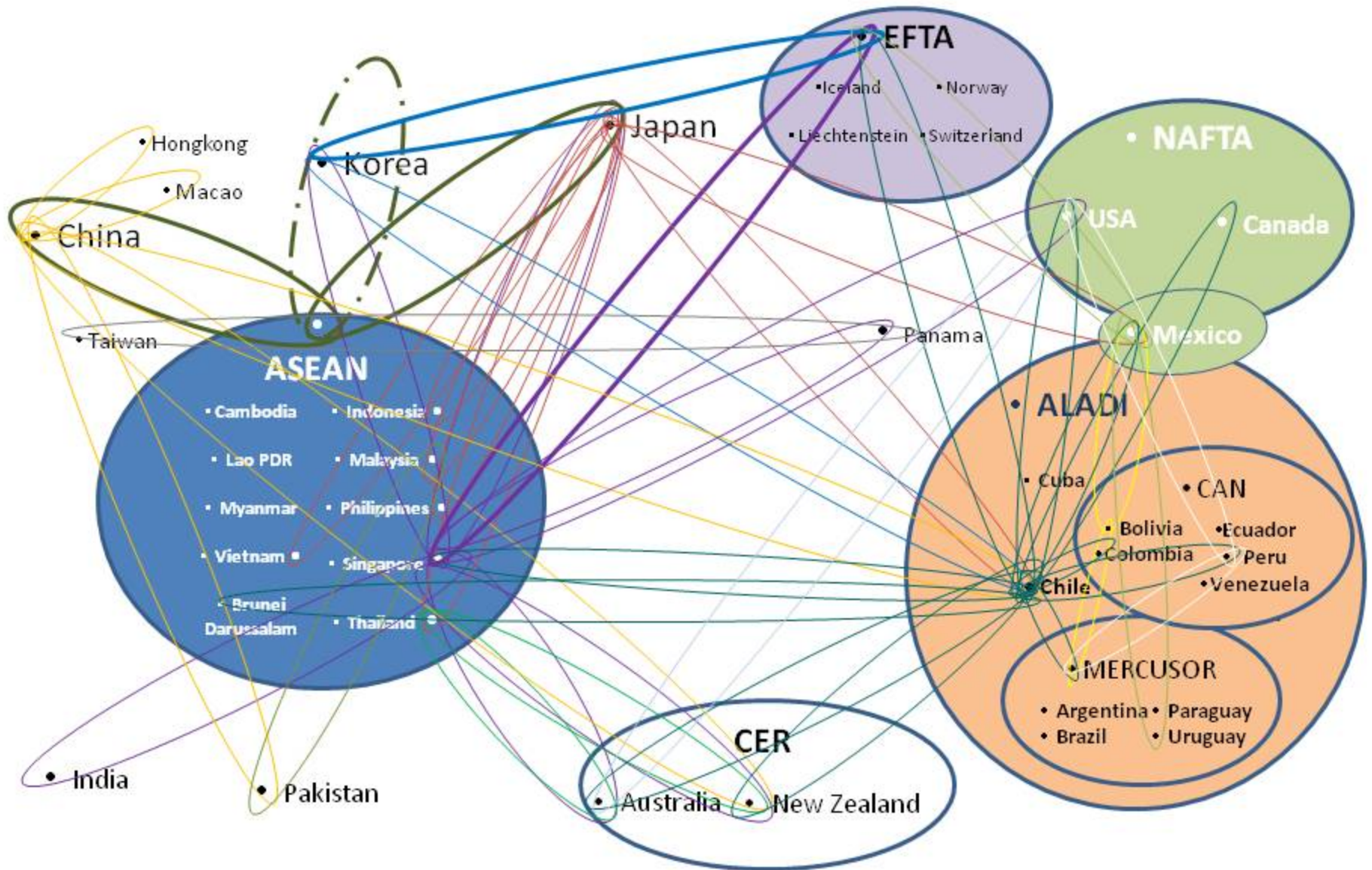
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Outline

- I. Overview of the Evolving Global Economic Architecture
- II. Background on Asian Regionalism and Factors for Success
- III. Prospects for Interregional Cooperation Between Asia Pacific and Latin America and the Caribbean
- IV. Conclusion and Recommendation to Enhance Partnership Between the two Regions

Figure 1. RTAs/FTAs in Effect in the East Asia and Latin America/Caribbean region



II. Asian Regionalism

- The core of Asian Regionalism is East Asia --- where economic cooperation started and first gained success
- Growth and deepening integration of East Asia is the result of 3 huge waves of trade and industrial transformation:
 1. Rise of Japan
 2. Rise of the NIEs
 3. Rise of China

ASIA-PACIFIC INTRAREGIONAL TRADE BY GEOGRAPHIC GROUPING^a							
(Percentage of the region's total trade)							
Geographic Grouping	1980	1985	1990	1995	2000	2003	2006
Within ASEAN (10) ^b	17.9	20.3	18.8	24.0	24.7	26.6	27.2
Within ASEAN+3 ^c	30.2	30.2	29.4	37.6	37.3	39.0	38.3
Within ASEAN+3+Hong Kong China +Chinese Taipei	34.1	37.1	43.1	51.9	52.1	55.4	54.5
Memo: European Union (27)	61.5	60.0	66.8	66.9	66.3	68.1	65.8
NAFTA	33.8	38.7	37.9	43.1	48.8	47.4	44.3
MERCOSUR	11.1	7.2	10.9	19.2	20.7	14.7	15.7
Andean Community (5) ^d		3.3	5.4	12.4	10.8	10.8	9.1
CACM ^e		...	12.1	15.6	17.5	17.6	10.1

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Database (COMTRADE).

^aThe share in intraregional trade is defined as the percentage of intraregional trade with respect to the total trade of the region in question, based on export data. It is calculated as follows: $X_{ii} / \{(X_{iw} + X_{wi})/2\}$, where X_{ii} refers to exports from region i to the same region, X_{iw} represents exports from region i to the world, and X_{wi} represents world exports to region i . A higher percentage indicates a higher level of dependency on intraregional trade.

^bASEAN (10) consists of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

^cASEAN +3 includes the 10 ASEAN countries plus China, Japan and the Republic of Korea.

^dAndean Community (5) includes the Bolivarian Republic of Venezuela.

^eDue to a different methodology used, the coefficient of CACM intra-subregional trade differs substantially from that shown in figure IV.10 in chapter IV.

Recap on Asian Regionalization

- I. Market-driven economic integration
- II. Negotiation Trade Liberalization initiatives
- III. Regional Finance Cooperation initiatives following the Asian Financial Crisis

characterized by open regionalism,
gradual and flexible systems responsive to the
region's varying economic, political and
cultural realities.

multi-track and multi-speed

FTAs Involving East Asian Countries, as of June 2009

East Asian Country (ASEAN + 3)	Signed/Implementation	Under negotiation	With other countries (ROW)
ASEAN	AFTA China (ACFTA)- TIG, TIS Korea (AKFTA)- TIG, TIS, Inv Japan (AJCEP) Australia and New Zealand		India (TIG, TIS and Investment)
• Singapore	Australia, New Zealand, Korea, Japan, China		US^, India^, Jordan^, Panama^, EFTA^, Peru, Canada, Mexico, Egypt, Qatar, GCC, Pakistan, Ukraine
• Thailand	New Zealand, Australia , Japan		India*, Peru, US, EFTA, Bahrain
• Malaysia	Japan	NZ, Australia	Pakistan^, US, India, Chile
• Indonesia	Japan		Pakistan
• Philippines	Japan		
• Vietnam	Japan		
• Brunei	Japan*		

FTAs Involving East Asian Countries, as of June 2009

East Asian Country (ASEAN + 3)	Signed/Implementation	Under negotiation	With other countries (ROW)
China	ASEAN, New Zealand, Thailand, Singapore	Australia	Hongkong [^] , Macao [^] , Chile [^] , Pakistan [^] , GCC, SACUFTA
Korea	ASEAN, Singapore	Japan	Chile [^] , EFTA [^] , US*, Canada, India, Mexico, EU,
Japan	ASEAN, Singapore, Thailand, Malaysia, Philippines, Brunei, Indonesia, Vietnam	Korea, Australia	India, Mexico [^] , Chile [^] , GCC,
Australia	New Zealand (CER), ASEAN and NZ, Singapore, Thailand	Malaysia, Japan, China, Indonesia	US [^] ,
New Zealand	Australia (CER), ASEAN and Australia*, Singapore, Thailand, China	Malaysia	

Analytical Framework for Regional Cooperation

	Manage Regional Spillover and Externalities	Provide Regional Public Goods	Address Regional Coordination Problems
Trade and Investment	Establish Compatible Product Standards	Maintain an open, predictable and fair framework for trade and cross-border investment	Represent regional views in global trade and investment forums Facilitate investment in infrastructure (hard and soft) for connectivity
Financial markets	Establish rules to protect against financial contagion Establish compatible financial regulations	Establish institutions and reserves to avert and manage financial crises Improve the legal and informational environment for regional investment	Represent regional views in global financial forums Develop compatible trading platforms and institutions
Macroeconomic policy	Coordinate macroeconomic and exchange rate policies	Monitor macroeconomic activity, trends and risks	Facilitate solutions to global imbalances and other macroeconomic issues
Social and environmental policy	Control cross-border environmental externalities Ensure fair treatment of migrant workers	Prevent or manage spread of diseases and other public threats Pool know-how and experience on policy-making Share environmental technology	Generate concerted commitment to Millenium Development Goals Promote social progress through regional initiatives

Cooperation beyond the Region: East Asia and LAC

- Two regions divided not only by geographic distance, but a disparity in economics, politics, culture and history
- Mutual benefits exist from this cooperation
 - Potential, e. g. in infrastructure, energy, banking, tourism and logistics sectors.
 - Valuable to further improve the regional value chain, enhance innovation and competitiveness
 - Response to the current global financial crisis

Cooperation beyond the Region: East Asia and LAC

- Until more recently, economic relations between Asia Pacific and Latin American and Caribbean countries have been almost non-existent
- APEC provided opportunity, and also information exchange between the two regions.
 - However, no sustained cooperation efforts had really been achieved.
- China's entry into the global economy created a new dynamism to Asia Pacific and Latin America's relationship. (Table 13)
- China is seen to play an important role in increasing trade relations between the two regions

Tariff structure: Broad Comparison

Table 12. Tariff Trade Restrictiveness Index (TTRI)

Country	MFN applied tariff	MFN applied tariff	MFN applied tariff
	All Goods	Agricultural	Non-Agricultural
Year	2006-2008 Latest	2006-2008 Latest	2006-2008 Latest
China	5.33	11.40	5.05
Korea, Rep.	8.20	65.30	4.40
Japan	4.75	29.36	1.37
ASEAN Average	4.60	6.51	4.57
East Asia- Pacific Average	4.89	8.23	4.69
Latin America and Caribbean Average	7.84	13.34	6.97
World	7.19	13.54	6.48

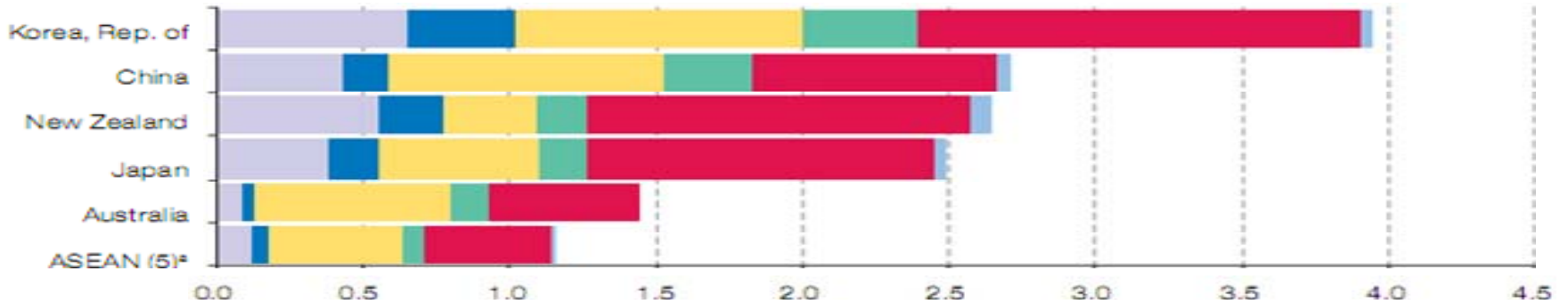
Source: World Trade Indicators, 2008, World Bank
 (<http://info.worldbank.org/etools/wti2008/3a.asp?>)

Some Salient characteristics of current Interregional trade

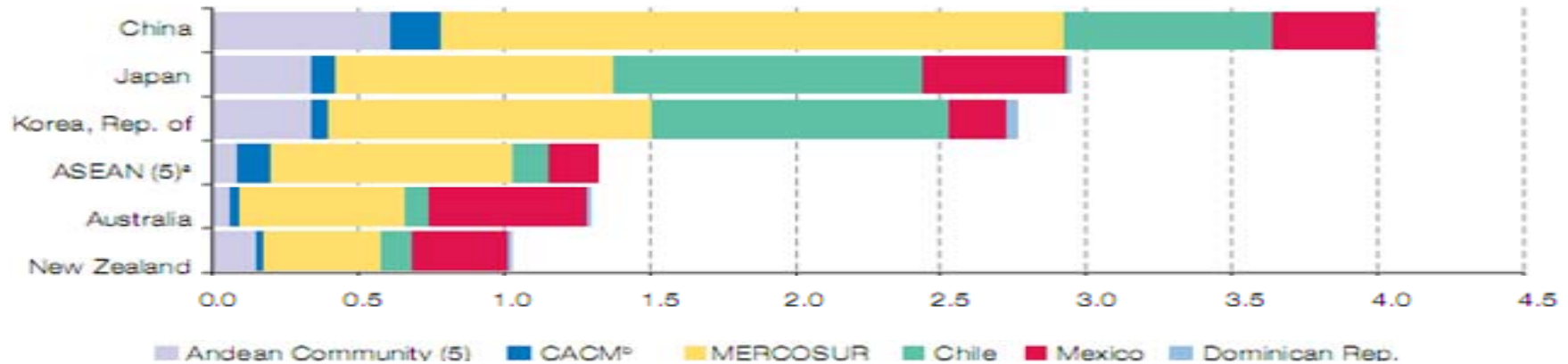
- Low, with trade volume of Latin America in major Asia Pacific economies barely reaching 4% levels.
- Mainly trade in finished goods; low intra-industry trade (Table 16)
- Exports of Latin America and Caribbean from East Asia are mostly primary products, while Asia Pacific exports high tech manufactures to the region. (Table 15)

Selected Countries and Grouping of the Asia-Pacific Region: Share of Latin American and Caribbean Countries and Groupings in Total Exports and Imports, Average 2004-2006

A. Exports



B. Imports



Source: p. 54 in *Opportunities for Trade and Investment Between Latin America and Asia-Pacific The Link With APEC*, ECLAC (November 2008)

Low Intra- industry trade

Intra-Industry Trade Relations of Some Latin American and Caribbean
Countries with Asia-Pacific, 2006
(Grubel Lloyd Indices)

Partners	Australia	China	Indonesia	Japan	Malaysia	New Zealand	Philippines	Rep. of Korea	Singapore	Thailand	Vietnam
Countries											
Argentina	0.08	0.03	0.02	0.02	0.01	0.17	0.00	0.03	0.13	0.02	0.01
Bolivia	0.01	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.02	0.00	0.00
Brazil	0.07	0.08	0.05	0.06	0.02	0.14	0.02	0.05	0.18	0.05	0.06
Chile	0.08	0.01	0.00	0.00	0.01	0.02	0.03	0.01	0.02	0.01	0.00
Colombia	0.18	0.02	0.02	0.01	0.00	0.03	0.01	0.00	0.13	0.07	0.06
Costa Rica	0.05	0.10	0.02	0.55	0.19	0.01	0.38	0.09	0.36	0.10	0.01
Dominican Rep.	0.12	0.03	0.00	0.04	0.08	0.01	0.01	0.03	0.27	0.03	...
Ecuador	0.05	0.01	0.01	0.00	0.08	0.02	0.03	0.01	0.19	0.01	0.00
El Salvador	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Guatemala	0.02	0.03	0.03	0.01	0.01	0.00	0.02	0.02	0.03	0.04	0.00
Honduras	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.02	0.00
Mexico	0.15	0.27	0.09	0.16	0.24	0.03	0.11	0.09	0.56	0.37	0.02
Nicaragua	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10
Panama	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.17	0.00	0.00	0.00
Paraguay	0.00	0.00	0.00	0.00	0.00	0.01	0.04	0.00	0.00	0.00	0.00
Peru	0.10	0.01	0.01	0.01	0.00	0.02	0.34	0.02	0.02	0.02	0.00
Uruguay	0.04	0.03	0.11	0.00	0.01	0.05	0.00	0.06	0.03	0.00	0.00
Venezuela (Bol. Ref. of	0.07	0.01	0.01	0.00	0.03	0.00	0.00	0.00	0.00	0.02	0.00
		IGL > 0, 33			IGL > 0, 10 < 0, 33			IGL < 0, 10			

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Database (COMTRADE)

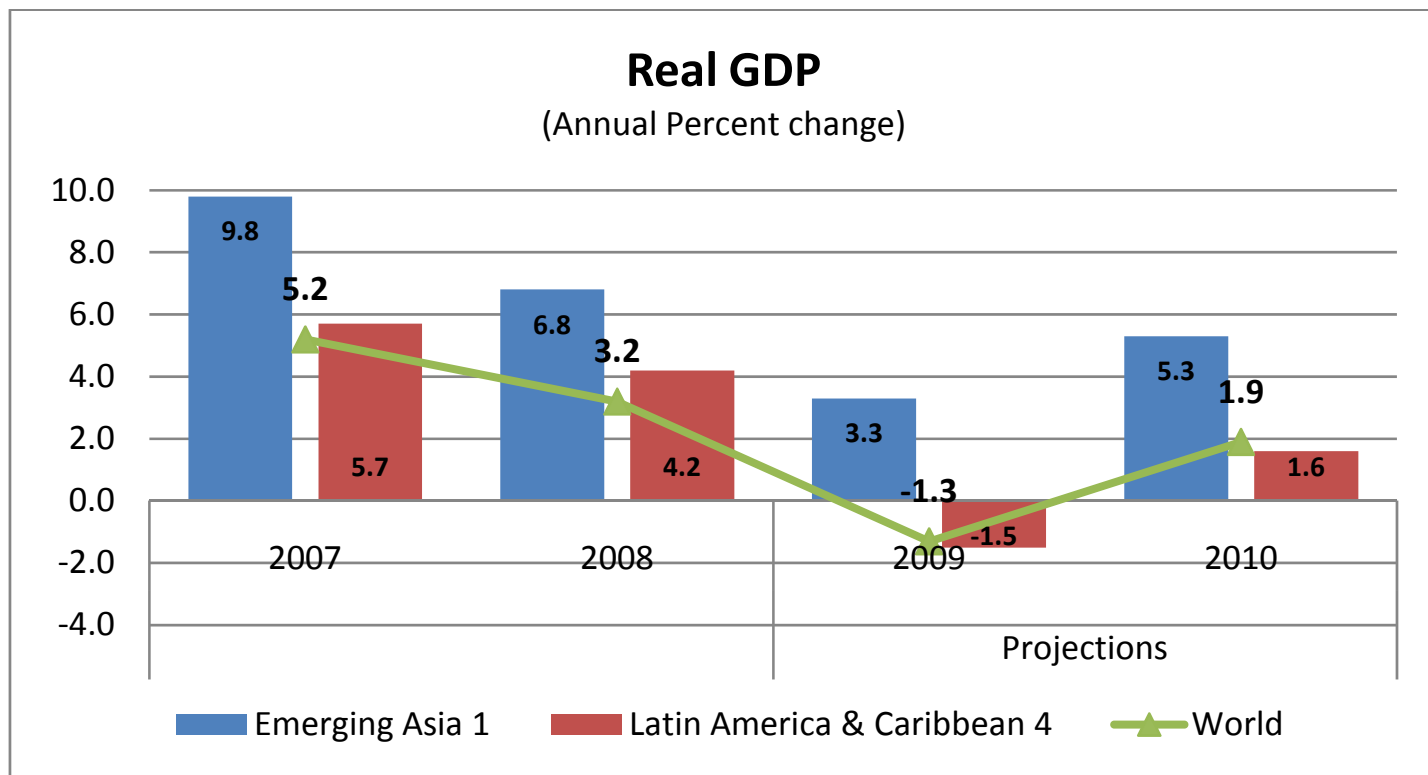
TRANS-PACIFIC NETWORK OF FTAs THAT ARE ALREADY IN FORCE OR IN NEGOTIATION



Source: p. 85 in *Opportunities for Trade and Investment Between Latin America and Asia-Pacific*
The Link With APEC, ECLAC (November 2008)

With the Global Financial Crisis

Impact of the Global Financial Crisis to Emerging Asia and Latin America and Caribbean's GDP



Implications of the global financial crisis on interregional cooperation

- Lesson from the Asian Financial Crisis experience: regional cooperation as an important factor
- Cooperation necessary in setting regional standards on regulatory measures and in providing a complementary framework for financial reforms
- Models for best practice could be shared by the two regions in pushing domestic reforms and supporting policies that would mitigate the impact of the Crisis
 - Major economies of Latin America have been lauded for their conservative and well regulated banks and good fiscal management.

Lessons for Cooperation

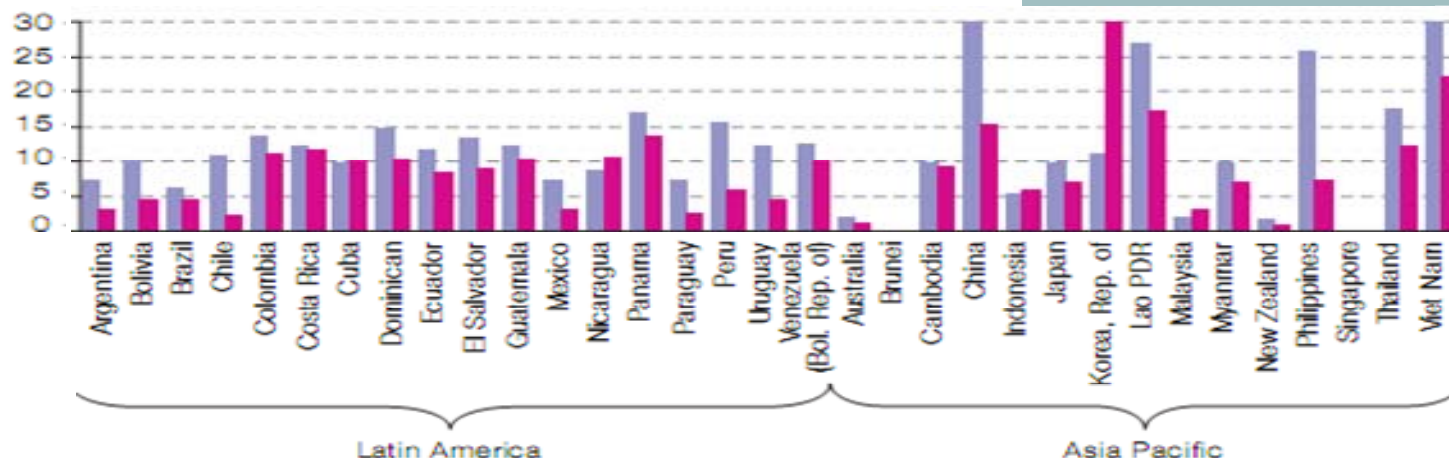
- Adopting policies that would stimulate domestic demands by reducing barriers to trade and investment and reducing costs of doing interregional business, a good stimulus
- Wide-ranging stimulus to both intra and inter regional demand - leading to more sustained rebound after the crisis

Some Impediments to Cooperation

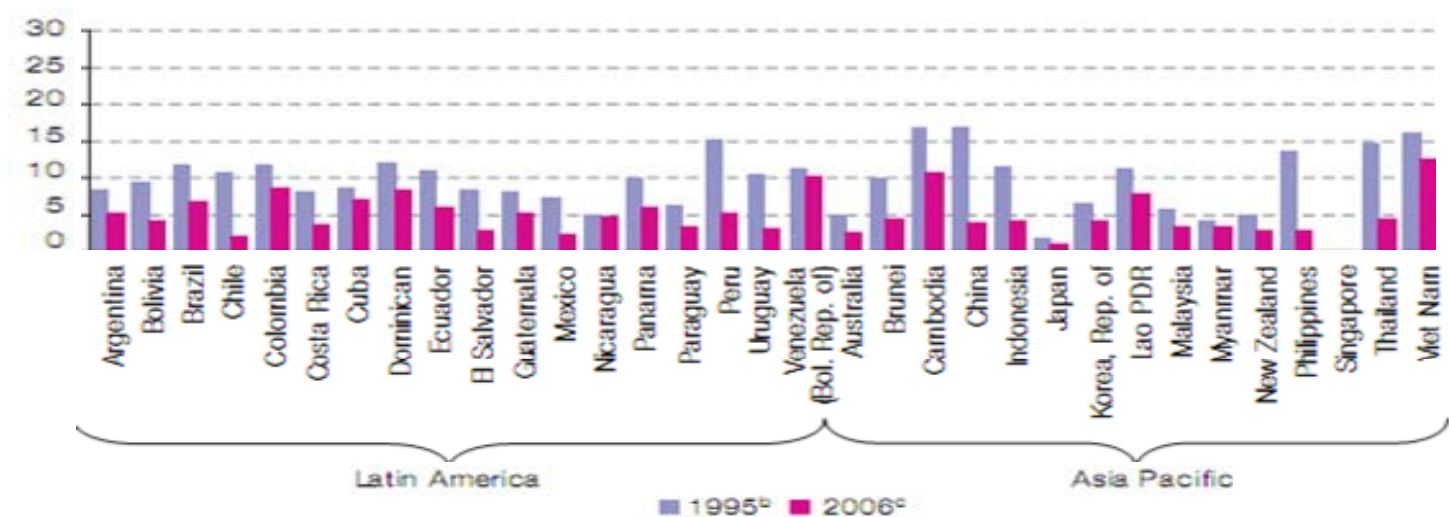
(based on ECLAC 2008 Report)

- High Effective Tariffs in Agriculture and Natural Resource Based in Asia Pacific
- High Transport Costs in Latin America and the Caribbean
- Weak Trade Logistics in Latin America and the Caribbean
- Quality Control Measures (ISO) in Latin America and the Caribbean
- R&D Spending
- Education Gap Between the Two Regions

TARIFFS CHARGED TO THE WORLD FOR AGRICULTURAL PRODUCTS ^a



TARIFFS CHARGED TO THE WORLD FOR NON AGRICULTURAL PRODUCTS ^a

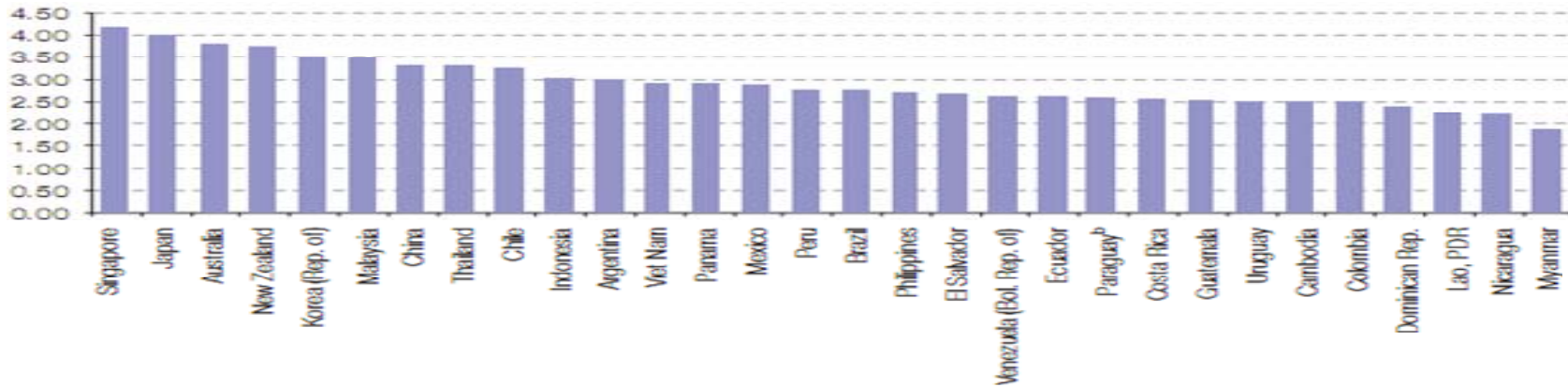


a Based on the WTO classification

b Twelve out of the 33 countries considered did not report tariffs for 1995. In those cases, the closest year reported is used

c Four out of 33 countries considered did not report tariffs for 2006. In those cases, the closest year reported is adopted

Figure 8.
LOGISTICS PERFORMANCE INDEX ^a
(Score in the range of 0-5)



^a The study does not provide numbers either for Bolivia, Brunei Darussalam or Cuba

^b As Paraguay is a landlocked country, its scores are disputed by studies by authors such as Martines Zarzoso and Hoffman, who rank Paraguay among the last

Source: p. 89 in *Opportunities for Trade and Investment Between Latin America and Asia-Pacific The Link With APEC*, ECLAC (November 2008)

Figure 9.
CUSTOMS PERFORMANCE INDEX ^a
(Score in the range of 0-5)

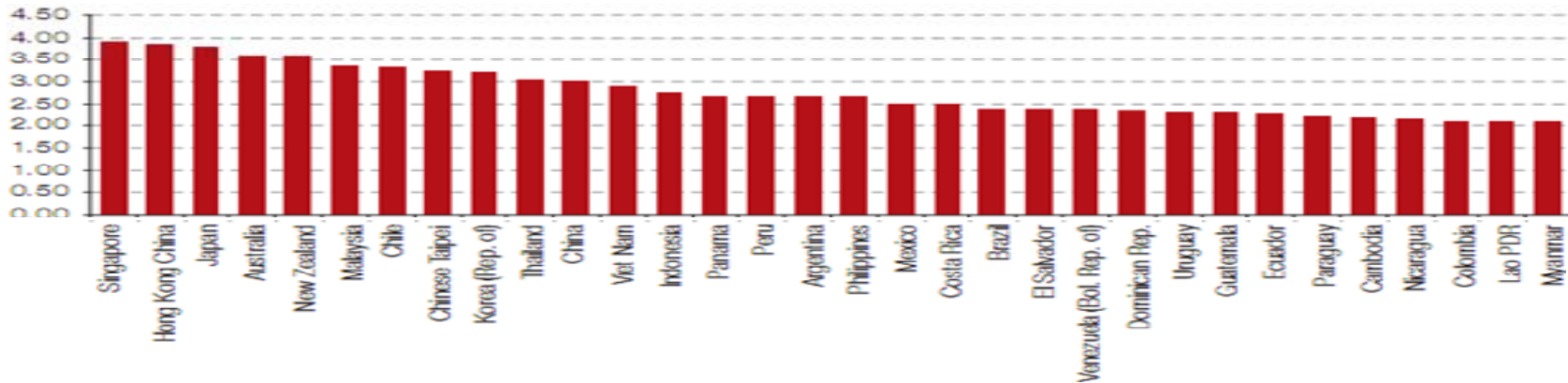


Figure 6.

IMPACT OF SHIPPING COSTS ON THE PRINCIPAL SECTORS OF LATIN AMERICAN EXPORTS TO JAPAN^a

(As a percent of the CIF cost of the product)

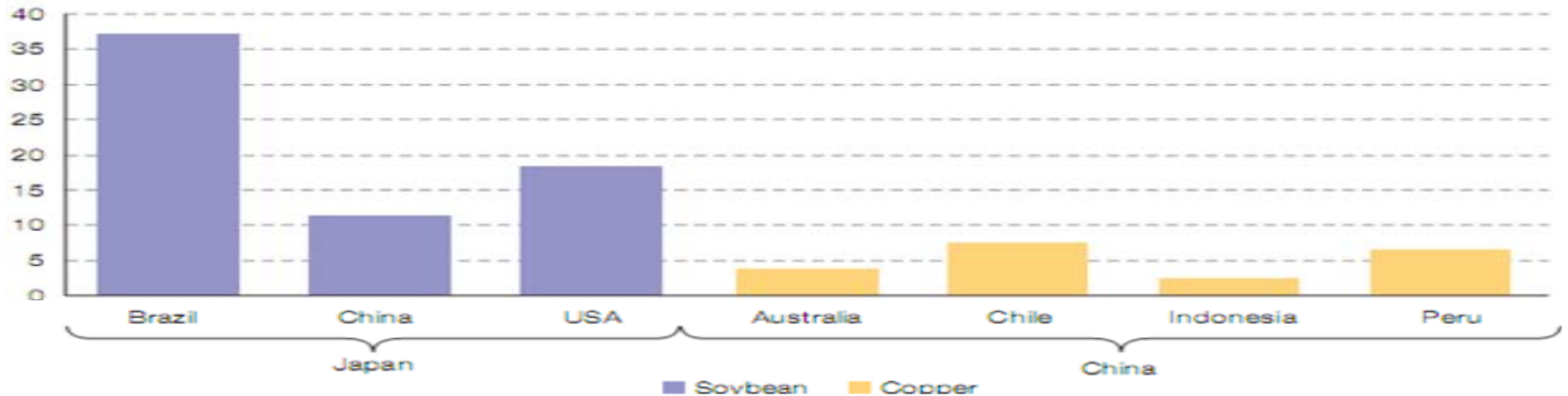


Source: p. 88 in *Opportunities for Trade and Investment Between Latin America and Asia-Pacific The Link With APEC*, ECLAC (November 2008)

Figure 7.

IMPACT OF SHIPPING SOYBEAN AND COPPER ORE TO JAPAN AND CHINA (2004-2006)

(As a percent of the CIF cost of the product)



Source: p. 88 in *Opportunities for Trade and Investment Between Latin America and Asia-Pacific The Link With APEC*, ECLAC (November 2008)

Conclusion

- Opportunities for cooperation between the two regions abound
- Gaps and bottlenecks exist that need to be addressed to create more meaningful economic partnership between the two regions
- Sharp structural and policy differences exist between the two regions that need to be addressed
- Market access, high transportation costs and weak SMEs are among the identified obstacles that should be given adequate attention

Recommendation

- Need for further Trade Facilitation initiatives between the two regions
- Work on a broad range of issues to enhance competitiveness and innovation such as infrastructure and logistics, movement of people and other macroeconomic issues
- Information exchange and policy dialogues should be enhanced
- Existing intraregional forum could be used as platform to advance cooperation between Latin America and the Pacific such as APEC and FEALAC (Forum for East Asian-Latin America Cooperation)

Thank You for your attention.

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