



# Shaping the Future

## Asia – Pacific and Latin America – Caribbean Cooperation

---

ADB and IDB Partnership for South–South Cooperation

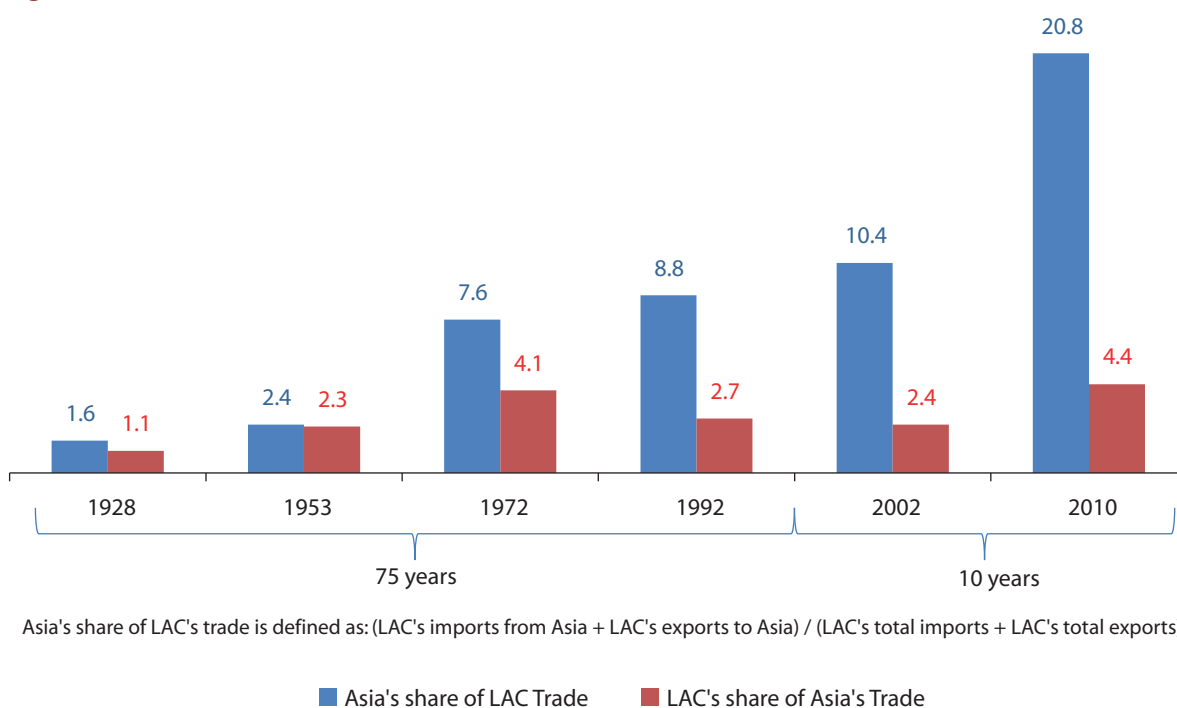
## 2

- Cooperation between Asia and Latin America and the Caribbean (LAC) is rapidly increasing in the spirit of South–South cooperation.
- The Asian Development Bank (ADB) and the Inter-American Development Bank (IDB) enter into a new chapter of cooperation in areas such as sustainable integration corridors (trade facilitation, transportation, energy, and telecommunications, including broadband investment and regulation); sustainable cities and climate change; institutional development; social policy and gender; trade and investment regimes; trade finance and private sector development; and cross-regional research and development effectiveness as well as management for development results.

Trade<sup>1</sup>

have increased ten-fold during the last decade, and Asian investment in the LAC region has grown and deepened dramatically. However, the bilateral relationship between LAC and Asia has been driven primarily by trade based on their relative comparative advantages. Investment flows between the two regions have reinforced this pattern. One consequence of this pattern for LAC is a high concentration of its exports in several

**Figure 1** Asia's and LAC's shares of each other's Trade, 1928–2010 (%)



Source: Inter-American Development Bank. 2012. Shaping the Future of the Asia-LAC Relationship. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=36743034>

<sup>1</sup> This section is based on the joint ADB–IDB report “Shaping the Future of the Asia–Latin America and the Caribbean Relationship” (2012).

*“There is much Asia can learn from development experiences in Latin America and the Caribbean, and there is much that region can glean from Asia’s ongoing transformation. Our cooperation, particularly in the trade and investment arena, will be to our mutual benefit.”*

– Statement of ADB President Haruhiko Kuroda during the IDB Annual Meeting in March 2012



basic commodities. Asia, on the other hand, sells a wide range of manufactured products to LAC. Another salient feature of interregional trade and investment is its dominance by a small number of countries in each region. What does the future hold for this dynamic relationship? The underlying comparative advantages of the regions, which can only be expected to become more pronounced as Asia faces increasing natural resource constraints, strongly suggest that the current trade pattern will prevail for years to come. Within this overall picture, however, there is much that can be done to expand and diversify trade, and ensure its benefits are widely distributed. A natural place to start is addressing high trade costs, which undermine opportunities for diversification and technological upgrading. Eighteen free trade agreements (FTAs) between Asian and LAC countries have entered into force since 2004, with several more awaiting implementation. These agreements, however, vary significantly in speed and extent of tariff liberalization, coverage of service sectors, and inclusion of issues such as investment, trade facilitation, and competition. Countries should

therefore look to increase the depth and scope of existing agreements, as well as expanding the geographical coverage of FTAs to bring in more of the largest economies.

### Interregional Investment

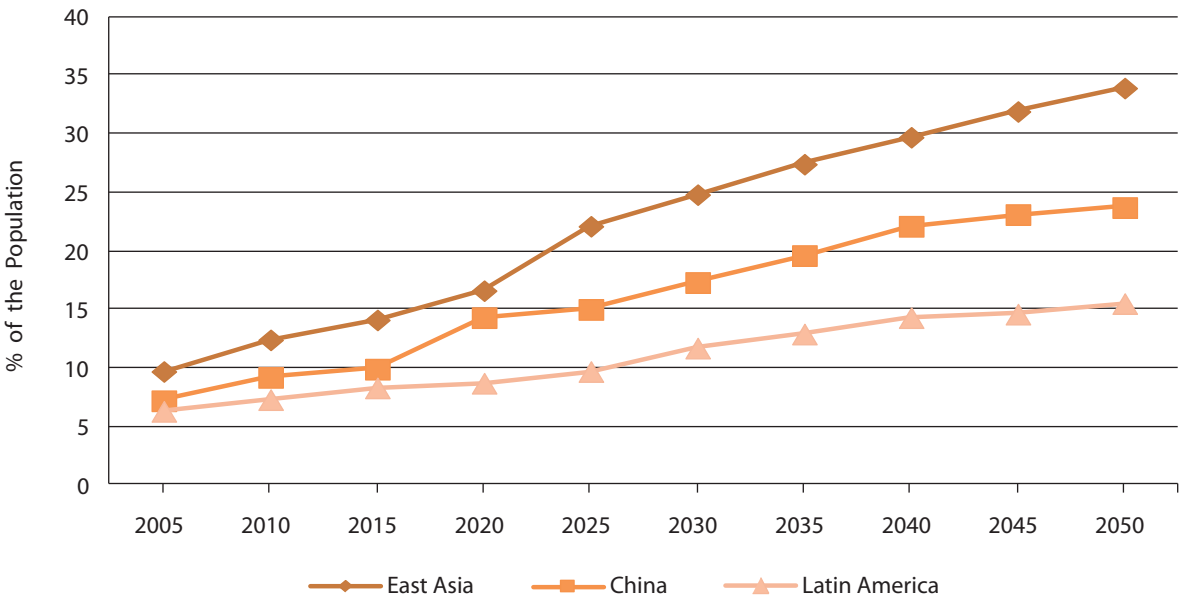
Investment offers another channel to deepen and diversify the interregional economic relationship. Foreign direct investment (FDI) allows firms direct access to new markets and facilitates the transfer of capital and knowledge to host countries. While investment between Asia and LAC is on the rise, it has failed to keep up with trade flows and, like trade, is concentrated in a few countries. Governments have a role in boosting investment. Bilateral investment treaties would reduce restrictions on FDI, which remain high in several LAC and Asian countries, and investment and export promotion agencies can provide firms with valuable information on foreign markets. Finally, the growing economic relationship between the regions has opened up opportunities to cooperate on policy issues beyond the trade and investment agenda. In recent years, governments in



*“It is very important that both Asia and Latin America and the Caribbean learn from each other. Latin America and the Caribbean have a wealth of experience in poverty reduction, social policy, and urban development. Asia, too, has a storehouse of experience with first-class education systems, the technology leap, and export policies to draw upon.”*

– Statement of IDB President Luis Alberto Moreno during the IDB Annual Meeting in March 2012.

**Figure 2 Asia and Latin America Age Waves Elderly (Age 65 & Over), as a Percentage of Population, 2005–2050**



Source: Latin America's Aging Challenge, Center for Strategic and International Studies, 2009



Asia and LAC have signed agreements in areas such as education, scientific research, renewable energy, and agriculture, among others. At the same time, LAC and Asia have a tradition of integration within their respective regions. These experiences provide a substantial and largely untapped potential for sharing knowledge and development experiences and engaging in dialogue on best practices. Cooperation can thus consolidate and deepen the significant gains from booming commerce between Asia and LAC, and help distribute them more widely.

### Social Protection and Inclusive Growth

Many countries in Asia and LAC have surpassed middle-income status and share rich knowledge and experience on this socio-economic progression. Most notably, the majority of countries in both regions are on target to achieve the Millennium Development Goals (MDGs) by 2015.

Both regions also share similar demographic patterns as their populations are expected to age dramatically over the next 50 years. For Asia as a whole, the population of those aged 65 and above will increase by 309% by 2050 from 207 million in 2000. The United Nations projects that the share of LAC's population aged 65 or over will also triple by 2050, from 6.3 percent in 2005 to 18.5 percent in 2050. The coming age wave poses fundamental challenges for both Asia and Latin America.

### The Rising Importance of South-South Cooperation

The rapid economic growth and poverty reduction witnessed in many countries of the South have enabled them to emerge as international cooperation partners in their own right and assume increasing responsibility in terms of aid flows, policy dialogue and international negotiations. This greater role has often taken place through the





ADB Building.

sharing of successful development experiences with developing countries facing similar challenges.

The development community reinforced its commitment to South–South Cooperation (SSC) in 2011 at the Fourth High Level Forum (HLF-4) on Aid Effectiveness in Busan, Korea, with the active participation of ADB and IDB. SSC allows for very effective institutional cooperation and the dissemination of best practices with powerful demonstration effects in many areas of development practice to address similar challenges. The countries of the two regions are increasingly expressing the need to engage with one another to learn from each other's experiences in developing innovative solutions to their common challenges, and adapting them to local contexts.

### **The Role of the ADB and the IDB**

The ADB and the IDB, as major sources of development finance in their respective regions, are particularly well placed to promote

such development exchanges with the active participation of their respective clients. Both banks constantly create new knowledge with their client countries and also often act as knowledge brokers through their operations that include the adaptation of development experiences from one client to another. Combining the development experiences of both regions through both banks can be a powerful tool for realizing innovations in development policy and investments in both regions.

Aware of the potential of Asia–LAC South–South Cooperation, President Kuroda of ADB and President Moreno of IDB decided to launch this joint SSC Initiative during the 2012 ADB Annual Meeting in Manila and will be coordinated by the both institutions' SSC focal points: ADB's Strategy and Policy Department and IDB's Integration and Trade Sector under the supervision of Kazu Sakai, Director and Antoni Estevadeordal, Manager, respectively. These focal points will channel the inter-institutional communication.



IDB Building.

## Strengthening Institutional and Operational Ties between ADB and IDB

ADB and IDB have deepened their relationship, with the presidents of the two institutions participating in one another's 2012 annual meetings for the first time and collaborating together on a joint institutional report that highlights the major integration issues between the two regions. Furthermore, the two regional development banks have decided to undertake this joint initiative to expand their catalyzing role in the exchange of knowledge and best practices between the countries and subregions of LAC and those of developing Asia.

This South-South Cooperation will be undertaken through joint capacity-building initiatives and training programs, interregional policy dialogue, expert forums and communities of practice, sharing

of best practices, and professional and operational exchanges between countries of the two regions.

This partnership will seek to add value to the strategic operations of both banks in the context of their respective general capital increases with a particular emphasis on project identification and design, further catalyzing the transmission of knowledge to client countries.

Among others, priority topics for inter-institutional cooperation will include areas such as sustainable integration corridors (trade facilitation, transportation, energy, and telecommunications, including broadband investment and regulation); sustainable cities and climate change; institutional development; social policy and gender; trade and investment regimes; trade finance and private sector development; and cross-regional research and development effectiveness as well as management for development results. ■

## About the Inter-American Development Bank

IDB supports efforts by Latin America and the Caribbean countries to reduce poverty and inequality. It aims to bring about development in a sustainable, climate-friendly way.

IDB is the largest source of development financing for Latin America and the Caribbean, with a strong commitment to achieve measurable results, increased integrity, transparency and accountability. It has an evolving reform agenda that seeks to increase its development impact in the region.

It provides loans, grants, technical assistance and develops research. Its shareholders are 48 member countries, including 26 Latin American and Caribbean borrowing members, who have a majority ownership of the IDB.

## About the Asian Development Bank Institute

ADB, located in Tokyo, is a subsidiary of ADB. It was established in December 1997 to respond to two needs of developing member countries: identification of effective development strategies and improvement of the capacity for sound management of agencies and organizations in developing member countries. As a provider of knowledge for development and a training center, the Institute serves a region stretching from the Caucasus to the Pacific Islands.

## About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

PHOTOS: ADB, IDB

## For more information, please contact

---

Kazu Sakai  
Director General  
Strategy and Policy Department  
Asian Development Bank

Antoni Estevadeordal  
Manager  
Integration and Trade Sector  
Inter-American Development Bank

Masahiro Kawai  
Dean  
Asian Development Bank Institute