



Two Decades, One Partnership: Korea and the IDB Group Delivering at Scale

Building Momentum
for the Next Twenty Years



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This document is the product of a collaborative effort within the Inter-American Development Bank (IDB) Group led by the Productivity, Trade, and Innovation (PTI) Sector under the overall supervision of Fabrizio Opertti, Sector Manager.

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Foreword

Since the Republic of Korea's entry into the Inter-American Development Bank (IDB) in 2005, this partnership has played a crucial role in fostering collaboration between Korea and Latin America and the Caribbean (LAC).

The Korea-LAC partnership continues to evolve and deepen in response to a rapidly changing global context. This collaboration stands as a model of how strategic partnerships can adapt, innovate, and thrive. By deepening collaboration in trade and investment, Korea and LAC can build resilience and unlock new opportunities for sustainable growth.

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 global 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.

Korea has three main funding sources at the IDB Group: 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\$1.22 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 7th Korea-LAC Business Summit and stimulate a fruitful exchange of ideas on policy options to sustain and enhance this strategic partnership for the next twenty years.

Fabrizio Opertti

Manager

Productivity, Trade, and Innovation Sector

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Executive Summary

- **Sixty-six years after their first diplomatic relations were established, the Korea-Latin America and the Caribbean (LAC) partnership has significant achievements to celebrate.** Today, Korea has become the LAC's second-largest trade partner in Asia, with bilateral trade in goods and services expected to reach the **US\$70 billion mark in 2025**. Investments have also reached a critical mass, with Korean companies investing **US\$13.6 billion in LAC between 2018 and the first quarter of 2025**. LAC is also home to **103 thousand** Koreans living abroad, enriching and bringing cultures together.
- **Furthermore, Korea and LAC have developed a long history of successful intergovernmental cooperation.** Cooperation allowed for mutually beneficial policy dialogues, as well as a steady stream of Korean development assistance for LAC's poorest countries. Between 2013 and 2023, this assistance reached **US \$2.1 billion**. A sizable portion has been channeled through **the Inter-American Development Bank (IDB)**, where it has leveraged **US\$1.2 billion** in transformative projects until 2024.
- **However, this is no time for the partnership to rest still. It is no exaggeration to argue that the two economies are far from exhausting their potential for trade and investment in goods and services, or for cooperating on policy and development issues**—a potential that has only grown with the rise of digital transformation, energy transition and a complex geopolitical world.
- **It is also fair to argue that the policy recommendations to fulfill these promises have not fundamentally changed. Their rewards, though, have only gained even more significance.** It is still mainly about addressing high bilateral trade and investment costs in goods and services. There is ample room to reduce tariffs, streamline customs, and lower logistics costs by expanding the network of trade agreements to include LAC's largest economies and by closing information gaps through initiatives like the Korea-LAC business summits.
- **Such an agenda would help address LAC's long-sought aspirations for higher value-added exports and a more balanced trade relationship with Korea.** Even though there is positive news on some of these fronts—Korea's **US\$16 billion trade surplus** in 2024 (estimated to be close to this number in 2025)—it is significantly smaller relative to total trade than it was in the past (47% in 2007

to 26% in 2024)—there is substantial heterogeneity across the region. Lower trade and investment costs would add more momentum to this trend.

- **Deepening this integration is more important than ever.** By strengthening their markets together, Korea and LAC can mitigate global disruptions and increase the resilience of their value chains. This cooperation is also vital for tackling pressing global challenges and unlocking new frontiers of complementarity. LAC, as the **world's largest net food exporter**, is ideally positioned to enhance Korea's food security. Likewise, **Korea's leadership in ICT** can be pivotal for closing LAC's digital gap.
- **This synergy is perhaps most pronounced in the clean energy transition, where a powerful complementarity exists.** LAC possesses a renewable-rich energy matrix and vast reserves of critical minerals but lags in producing the clean-tech goods needed for the green transition. Korea, while resource-scarce, is a global leader in supplying these very goods, from solar panels to lithium batteries and electric vehicles.
- **Critical minerals represent the partnership's single greatest opportunity. Korea's need for mineral imports aligns perfectly with LAC's untapped potential as a major reserve holder.** The success of this partnership will ultimately hinge on balancing Korea's need for a resilient mineral supply chain with LAC's ambition to vertically integrate its own industries and secure a more sustainable development of its natural resources.
- **In a period of increasing global volatility and technological change, Korea and LAC have much to gain by going even further in their already strong intergovernmental cooperation.** Recent guidelines from Korea's Economic Development Cooperation Fund (EDCF) point in the right direction by planning to expand its concessional loans to developing countries—including those in LAC—to **US\$10.5 billion in 2025–2027**, in close coordination with multilateral development banks (MDBs) such as the **IDB**. The fund will focus on strategic areas such as the clean energy transition, digital transformation, and supply chain cooperation.

1. Introduction

Sixty-six years after their first diplomatic relations were established, the Korea-Latin America and the Caribbean (LAC) partnership has significant achievements to celebrate. Despite being separated by geography, culture, and decades of protectionist policies, the partnership survived strong headwinds and blossomed in the early 1990s. Once trade and investment barriers were removed, geographical and cultural differences were no match for the complementarity of the two economies, the vast opportunities to learn from each other's development experiences, and their shared democratic values.

Today, Korea has become LAC's second-largest trade partner in Asia, with bilateral trade in goods and services expected to reach the US\$70 billion mark in 2025. Investments have also reached a critical mass, with Korean companies investing US\$13.6 billion in LAC between 2018 and the first quarter of 2025. LAC is also home to 103 thousand Koreans living abroad, enriching and bringing cultures together.¹

To top it off, Korea and LAC have developed a long history of successful intergovernmental cooperation, backed by strong bilateral, preferential, and multilateral channels. Cooperation also allowed for mutually beneficial policy dialogues in a range of development issues, as well as a steady stream of Korean development assistance for LAC's poorest countries, consisting of grants and concessional loans. Between 2013 and 2023, this assistance reached US\$2.1 billion. A sizable portion has been channeled through multilateral partners, in particular the Inter-American Development Bank (IDB), where it has leveraged US\$1.2 billion in transformative projects until 2024.

¹ See Chapter 2 for trade data sources cited in the Introduction. Korea's diaspora data is from Overseas Korean Center <https://web.archive.org/web/20240927040111/https://oka.go.kr/oka/> accessed on August 8, 2025.

Not the Time to Rest Still

Impressive as these achievements are, this is not the time for the partnership to rest still. It is no exaggeration to argue that the two economies are far from exhausting their potential for trade and investment in goods and services, or for cooperating on policy and development issues—a potential that has only grown with the challenges of digital transformation.

It is also fair to argue that the policy recommendations to fulfill these promises have not fundamentally changed. Their rewards, though, have only gained even more significance. As argued many times in previous issues of this report, bilateral trade and investment costs in goods and services remain high, with plenty of room for countries to reduce tariffs, facilitate customs procedures, and bring down information and logistics costs. Expanding the network of trade agreements to include LAC's largest economies, such as Mexico, Brazil, and Argentina, would be a major step toward that goal. Promoting business networks, such as the Korea-LAC business summits, would be another.

Such an agenda would help address LAC's long-sought aspirations for higher value-added exports and a more balanced trade relationship with Korea. From an economic standpoint, these trade patterns reflect comparative advantages and policy choices rather than structural disadvantages for LAC. It mostly reflects factors such as the economies' prevailing comparative advantages, savings rates and the outcome of their respective public policies.

Lower trade and investment costs would add more momentum and breadth to the general regional trend towards a more balanced trade, the more so if it encourages greater Korean manufacturing investment in LAC.

A Stronger Partnership for a Fragmenting World

If the case for consolidating and expanding the partnership has always been strong, it just became stronger. The growing geopolitical tensions that have come to dominate the world economy are threatening to disrupt a key engine of growth for both economies: a free and rules-based international trading system.

It is no exaggeration to argue that Korea would hardly be the economic powerhouse it is today without access to international markets. LAC countries took longer to acknowledge the wealth-generating powers of international trade, but they also would be significantly poorer without joining the world market since the early 1990s.

Behind this reality lies an inescapable fact of life for relatively small economies: they need trade to grow. Or to ensure that their value chains are resilient and are not going to be broken by a trade partner of whatever size adopting trade-disrupting measures such as export restrictions for non-trade-related reasons, be that economic or geopolitical.

In this complex environment, Korea and LAC clearly have a lot to gain by integrating their markets further, which can help mitigate the market access disruptions elsewhere. They can also benefit from leveraging their cooperation to support the principles of non-discrimination and reciprocity in international trade. Some of LAC's largest economies, such as Brazil, Colombia, and Mexico, have already joined the mechanism. Korea's accession would be a welcomed boost to the initiative and would help to safeguard the partnership against occasional trade disputes.

Fundamental, if not Existential, Global Challenges Did Not Go Away

While the current global trade frictions are dominating the policy debate, LAC and Korea should not forget that pressing world challenges and their local ramifications remain highly relevant. There is still the need for a clean energy transition to ensure the long-term survival of the planet. Likewise, countries still face the challenge of catching up with the unbound productivity promises of the digital transformation. Avoiding the ravages of a precarious, costly and volatile food supply also remains a priority. As argued in previous editions of this report, there is a lot that the Korea-LAC partnership can do in all these three dimensions.²

² Moreira et al. 2022 and Moreira et al. 2024.

It is never too much to remember that LAC is the world's largest net exporter of food and agricultural products, accounting for 16% of global exports, and boasts some of the world's most productive agricultural regions.³ It also has some of the largest stocks of underutilized agricultural land and fresh water. As such, it is well positioned to strengthen the world's food security and particularly that of Korea, a country with one of the lowest arable land and water per capita ratios and which imports most of its food.⁴

This is already happening. LAC exports of agri-food products to Korea have grown at an annual growth rate of 12% since 2018, now accounting for 16.5% of all Korea's imports of these goods. Although impressive, this is just a small token of what could be happening given that Korea's import tariffs and non-tariff barriers (NTBs) can be nearly prohibitive.⁵ Its average tariff for those goods ranges from 21% for Peru to 59% for MERCOSUR countries and it can be significantly higher if NTBs are considered. For instance, soybean exports from Brazil are the subject of tariff-quotas, with out-of-quota imports paying ad-valorem equivalent tariffs as high as 478%.⁶ Such barriers limit the full realization of food security benefits and may create tensions in trade relations.

The digital transformation and clean energy transition gains face similar challenges. Korea's widely recognized leadership in information and communication technologies (ICT) can be critical for LAC to reduce its digital gap with the leading economies. Yet, bilateral trade in ICT goods still faces an average 4% tariff on both sides, while both economies have barriers to digitally traded services that are above the world's average, including restrictions on cross-border data flows, access to online content, trading technology, and market access. Removing these barriers could be a boost for the lackluster trade in ICT goods and services, where Korea supplies just 4.4% and 0.9%, respectively, of LAC's imports.

On the clean energy transition, potential benefits can be equally high, as the two economies are highly complementary. On one side, there is LAC with renewable

³ FAOSTAT, data for the exports of crops and livestock in 2023.

⁴ OECD 2019, WDI and FAOSTAT.

⁵ See Section II for tariff data sources.

⁶ 2025 Ad-valorem equivalent tariff for "Soya bean seed, whether or not broken" (HS 120110) <https://www.macmap.org/>.

sources accounting for 61% of its electricity generation and a considerable endowment of critical minerals, but it is still lagging in the supply of clean energy goods necessary for renewable energy expansion, electric vehicle infrastructure, energy efficiency improvements and electric grid modernization. On the other side is Korea, with just 4% of renewable energy, scarce in critical minerals, but with a solid presence in the supply of clean energy goods, ranging from solar panels, lithium batteries, and electric vehicles.

As with the other strategic dimensions of the partnership, the only thing standing in the way of a booming trade and a faster energy transition is trade barriers, particularly on the LAC side. The Caribbean and Mercosur countries, for instance, impose tariffs on these clean energy goods of 9% and 8%, respectively. As a result, Korea's share of LAC clean energy goods imports stands at just 2.1%.

A Critical Partnership for Critical Minerals

Among the challenges and opportunities for the Korea-LAC partnership, one area clearly stands out: critical minerals. These minerals are central to the global demand for resilient value chains, and they are an essential ingredient for both the digital transformation and the clean energy transition.

From the partnership's perspective, the stakes for getting the sector's policies right are even higher. This is due to the sector's importance to the growth prospects of both economies, the leading role it can play in bilateral trade and investment, and LAC's own checkered history in developing and adding value to its mining sector.

The potential complementarity between the two partners can hardly be exaggerated. Korea's reserves of critical minerals are extremely limited, with imports accounting for as much as 99% of the country's apparent consumption.⁷

LAC, by contrast, holds some of the world's largest reserves of the most in-demand critical minerals, such as copper, graphite, lithium, manganese, and rare earths. It is already a major supplier to the Korean market for only lithium

⁷ See Chapter 4.

carbonate (accounting for 99% of imports) and copper (24%), but has the potential to cover a much broader array of minerals. The significant gap between LAC's share of the world's mineral reserves and its actual production, particularly of processed goods, clearly highlights a major missed opportunity.

To capitalize on these opportunities, governments on both sides must avoid the trade-distorting measures that are proliferating globally. These policies—ranging from export bans and taxes to subsidies and local content requirements—risk impairing the sector's development and inflating costs, ultimately hindering the mutual benefits of cooperation.

Ultimately, the partnership's success will hinge on balancing two core objectives. On one side is Korea's need for a resilient mineral supply chain, which is key to maintaining its manufacturing leadership during the energy transition. On the other is the ambition of LAC governments to vertically integrate their own industries, securing a more profitable and sustainable development of their natural resources.

These and other topics mentioned in this introduction are analyzed in more detail in the following chapters of this report. It begins by examining recent trends in bilateral trade and investment, including a recommended policy agenda to maximize their gains. It then delves into the critical minerals sector and concludes with a chapter on the recent developments in the partnership's intergovernmental cooperation.

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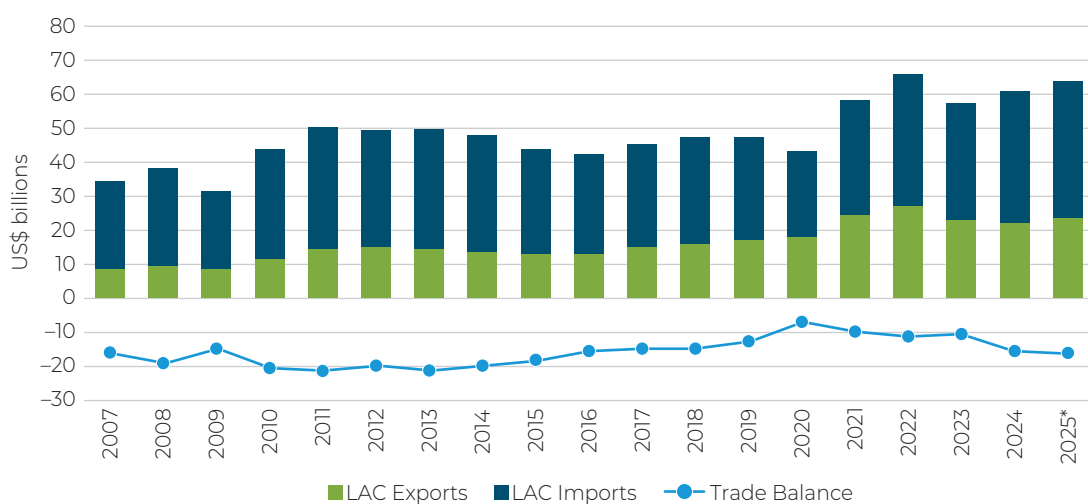
2. Trade and Investment: Navigating Global Challenges Together

News from the trade front is, overall, encouraging—especially given the challenging global environment—but some past concerns remain. LAC exports are still heavily concentrated on commodities, and bilateral trade is well below the potential offered by the complementarity of the two economies. Consequently, the core policy agenda remains unchanged: the reduction of trade barriers for goods and services. On the investment front, the scenario is more nuanced, with signs of a downturn in Korean investment to LAC. The region appears not to have fully capitalized on the trend of Korean companies relocating from China. Efforts to actively promote bilateral investment and reduce the information gap would therefore be highly beneficial.

Trade in Goods: Growth Resumes

The trade figures for 2024 and the first quarter of 2025 show that bilateral flows have resumed growth and are in the US\$60 billion range, heading toward the US\$65 billion peak of 2022 (Figure 2.1). Given all the turbulence that has been disrupting the world economy recently—particularly its trade flows—these numbers are encouraging. To be sure, most of the dynamism of 2024 was driven by Korea's exports of semiconductors, vehicles, and electronics to LAC, which led LAC's bilateral trade deficit to grow again to US\$15.5 billion. Yet, it is still well below the relative levels it reached in the early 2000s, when it was equivalent to nearly 50% of the overall trade. It is now close to 25%.

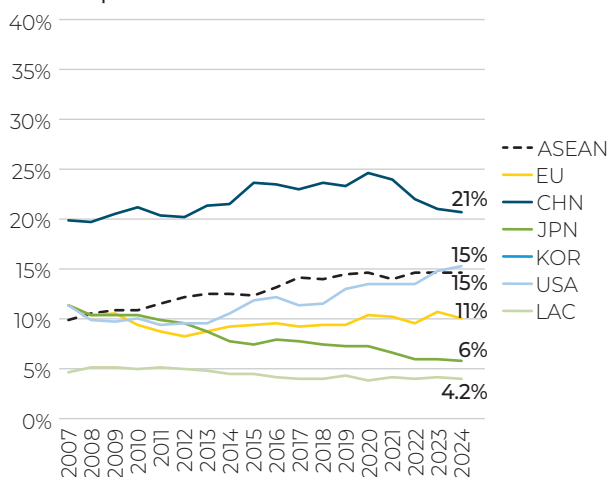
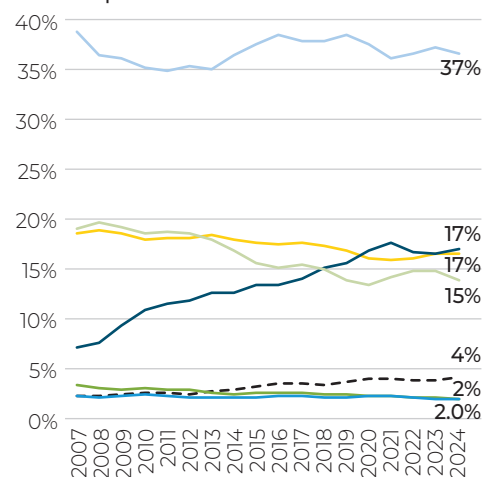
Despite the good numbers—and as has been argued in previous editions of this report—there is still no room for complacency. The bilateral shares of Korea-LAC trade continue to show that the relationship is still far from its full potential. LAC's share of Korea's trade, at 4.1%, is still below its modest 2010 levels (Figure 2.2, Panel A), with no evidence yet that the region has gained market share amid recent global trade reallocations. ASEAN economies and the U.S. continue to be the main beneficiaries.

■ **Figure 2.1****Trade Relationship between LAC and Korea**

Source: IDB staff with data from IMF Direction of Trade Statistics (DOTS).

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

* The 2025 goods trade figure is an estimate derived by annualizing the change observed in the first quarter of 2025 (the latest data available at the time this document was finalized). This annualization does not adjust for seasonality and may therefore differ from the final full-year value.

■ **Figure 2.2****Korea and LAC Main Trade Partners****A. Participation in Korea Total Trade****B. Participation in LAC Total Trade**

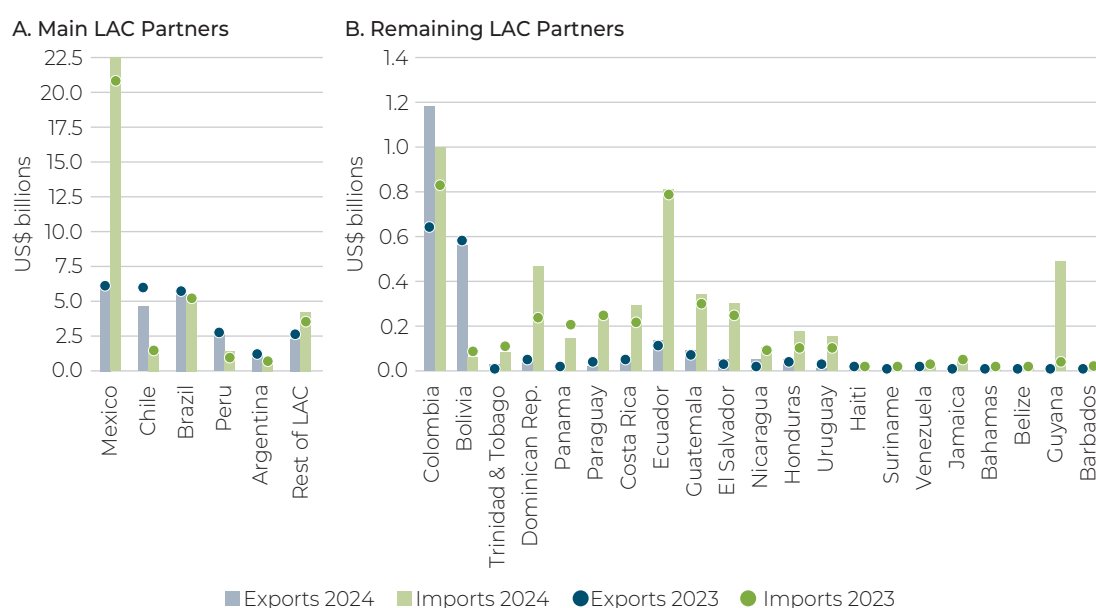
Source: IDB staff with data from IMF Direction of Trade Statistics (DOTS).

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

A similar story can be told about Korea's share of LAC's trade, which has remained at the 2% level since the early 2000s (Figure 2.2, Panel B), half of what ASEAN economies currently hold.

These recent changes in the aggregate figures have not significantly altered the main stylized facts of the country or goods composition of Korea-LAC trade (Figure 2.3). On the country dimension, trade, as expected, remains concentrated in some of the region's largest economies. Mexico, Chile, Brazil, Peru, and Argentina accounted for 89% of imports and 90% of exports to Korea in 2024—slightly higher than in 2023.

■ **Figure 2.3**
LAC Bilateral trade with Korea



Source: IDB staff's own calculation with data from IMF Direction of Trade Statistics (DOTS).

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

Mexico has seen its traditional role as LAC's dominant importer strengthened on the back of a 17% increase in imports from Korea, which took its share of LAC imports from 63% to 65%. The rest of the region has seen its trade surplus with Korea nearly halved to US\$3.1 billion as bilateral exports fell in most

countries—Colombia is a notable exception—and imports increased significantly, except for countries such as Argentina, Bolivia, and Panama.

On the goods dimension, there is also a remarkable stability in the well-known manufacture-for-commodities pattern of trade, reflecting the two economies' comparative advantages and most LAC countries' difficulties in diversifying their exports away from the bottom of the natural resource-intensive value chain (Tables 2.1 and 2.2).

Trade also remains concentrated on a few products on both sides of the relationship, particularly on the LAC side. The top ten products account for 42.5% of Korean exports (up from 40.8% in 2023) and for 56.3% of LAC's exports (down from 57.5% in 2023). The makeup of Korea's exports continues to display the usual mix of automobiles and auto parts, electronic integrated circuits, and cellphones, except for refined oil, predominantly imported by Ecuador.

On LAC's side the list has the customary array of commodities that are scarce in Korea such as oil, copper, maize and iron ore, apart from the welcomed addition of combustion piston engines exported mostly by Mexico.

While this steadiness in the makeup of Korea-LAC trade remains a priority for LAC countries seeking to add value to their natural resources, it cannot be emphasized enough that this type of trade is crucial for both sides to meet today's pressing challenges. Whether the goal is to boost value chain resilience—be that for food, sanitary, energy or national security reasons—to speed the clean energy transition, or to make the most of the digital transformation, Korea-LAC trade, even at its current composition, can make a significant contribution.

This point can be better illustrated by using more granular trade data and a taxonomy that groups goods according to their strategic role in addressing these challenges. That is, trade in information and telecommunication technology (ICT), environmental goods, public health, critical minerals and materials, clean energy, agri-food, and fossil fuels.⁸ Due to data limitations, the analysis covers a five-year period up to 2023, but that is long and updated enough to reveal main trends.

⁸ Product lists for "Clean Energy," "Critical Minerals and Materials," "Public Health," and "ICT" were retrieved from a US International Trade Administration (2021) draft list on critical supply chains. The "Environmental Goods" list corresponds to the CLEG (Combined List of Environmental Goods), as referenced in Garsous (2019). The "Agri-food

■ **Table 2.1**
Korean Exports to LAC, 2024

Rank 2024 (2018)	HS4	Item Description	Exports to LAC (US\$ B)	Share of all Exports	CAGR 5yr Exports to LAC	CAGR 5yr Exports to WLD	Share of Korean Exports going to LAC	Top LAC destinations
1 (2)	8708	Motor vehicle parts and accessories	2.6	10.0%	1.5%	−0.6%	14.0%	MEX (67%), BRA (22%), CHL (2%)
2 (3)	8703	Motor cars and other motor vehicles	1.6	6.2%	−5.4%	10.2%	2.4%	MEX (27%), COL (16%), CHL (15%)
3 (4)	8542	Electronic integrated circuits	1.6	6.0%	1.8%	1.5%	1.3%	BRA (80%), MEX (20%)
4 (5)	7210	Products of iron, clad, plated or coated.	1.1	4.2%	0.4%	0.4%	16.5%	MEX (82%), BRA (11%), COL (2%)
5 (9)	8517–8524	Cellphones, network devices, and flat panel displays	1.0	4.0%	11.7%	9.5%	4.3%	MEX (87%), BRA (11%), PAN (0.4%),
6 (1)	8901	Cruise, cargo ships, ferryboats and vessels.	1.0	3.8%	−19.0%	5.9%	4.4%	PAN (87%), BHS (11%)
7 (7)	2710	Petroleum oils, not crude;	0.8	3.1%	2.4%	1.7%	1.6%	CHL (52%), ECU (22%), PAN (12%)
8 (24)	7225	Products of iron (hot-rolled).	0.5	1.9%	16.3%	4.4%	19.3%	MEX (62%), SLV (19%), BRA (17%)
9 (21)	8479	Machines and appliances	0.4	1.7%	12.2%	0.6%	6.5%	CHL (52%), ECU (22%), PAN (12%)
10 (16)	8409	Parts for engines	0.4	1.7%	7.1%	2.7%	13.6%	MEX (62%), SLV (19%), BRA (17%)
Total			11.2	42.5%				

Source: IDB staff's own calculation 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.

Sector" refers to the WTO definition of agricultural products and includes chapters 1–24 of the Harmonized System (excluding fish and fish products and 3302.10, odoriferous substances). "Mineral (Fossil) Fuels" corresponds to all products in chapter 27, excluding Electrical Energy (2716.00). It is important to note that a single product might be in more than one category; for instance, zinc ores are included in both the "Clean Energy" and "Critical Minerals and Materials" lists.

■ Table 2.2

LAC exports to Korea, 2024

Rank 2024 (2018)	HS4	Item Description	Imports from LAC (US\$ B)	Share of all Imports	CAGR 5yr Imports from LAC	CAGR 5yr Imports from WLD	Share of Korean Imports coming from LAC	Top LAC origins
1 (1)	2709	Crude petroleum oils	4.2	15.4%	12.3%	1.0%	4.9%	MEX (48%), BRA (47%), ECU (4%)
2 (2)	2603	Copper ores and concentrates	2.1	7.9%	0.6%	4.1%	41.8%	CHL (68%), PER (29%), MEX (3%)
3 (13)	1005	Maize (corn)	1.7	6.0%	27.6%	5.2%	57.1%	BRA (50%), ARG (44.5%), PAR (4.8%)
4 (4)	2601	Iron ores and concentrates	1.5	5.4%	5.4%	7.3%	17.8%	BRA (90.6%), CHL (9.4%)
5 (5)	2607	Lead ores and concentrates.	1.2	4.5%	4.2%	3.5%	66.4%	MEX (59%), PER (18%), BOL (20.5%)
6 (10)	2701	Coal, briquettes	1.2	4.3%	13.1%	-0.2%	7.2%	COL (92.5%), PER (7.5%)
7 (6)	7403	Refined copper & copper alloys, unwrought	1.1	4.1%	3.9%	4.9%	44.6%	CHL (99%), PER (1%)
8 (3)	2608	Zinc ores and concentrates	0.9	3.4%	-3.5%	-4.2%	56.1%	MEX (48%), BOL (33%), PER (19%)
9 (8)	2304	Oil-cake and other solid residues	0.7	2.7%	1.0%	1.9%	86.6%	BRA (89%), ARG (11%)
10 (136)	8407	Combustion piston engines.	0.7	2.6%	123.2%	17.7%	58.5%	MEX (99%), BRA (0.1%)
Total			15.4	56.3%				

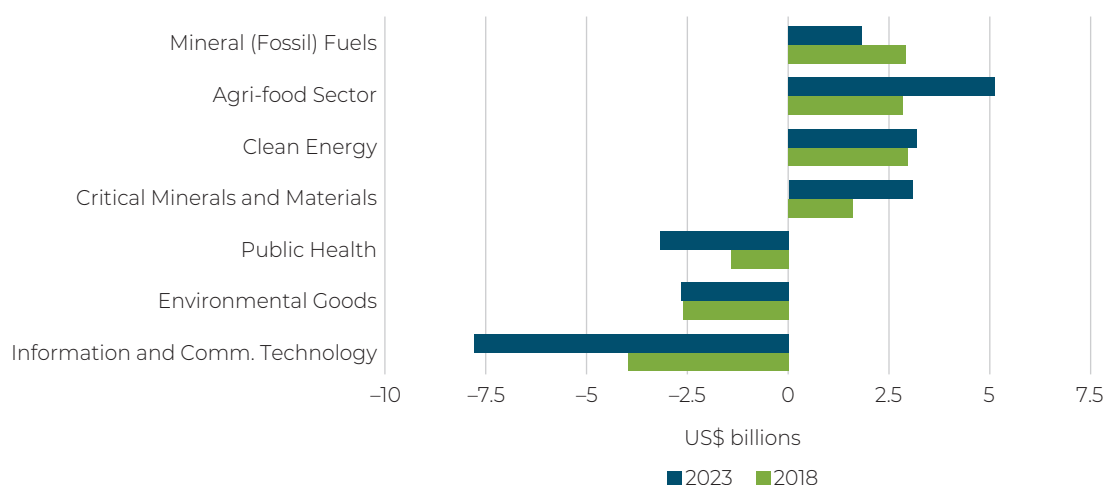
Source: IDB staff's own calculation with data from Korea Customs and Trade Development Institute (KCTDI).

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

As shown in Figure 2.4 and Table 2.3, the partnership's levels of “strategic” complementarity are nothing short of remarkable, with LAC running sizeable and, in most cases, growing surpluses in critical minerals and materials, clean energy, agri-food, and fossil fuels. In contrast, Korea's growing surpluses are in the other three categories related to health, environmental, and digital challenges.

■ Figure 2.4

LAC's Trade Balance with Korea by Strategic Products. 2023



Source: IDB staff's own calculation with data from BACI.

Note: See footnote 10 for details on the product composition of lists.

LAC exports of critical minerals to Korea deserve special attention both because of their recent surge and their strategic role in almost all of the world economy's challenges today. This will be discussed in more detail in Section 3, but for now it is worth noting that LAC's exports of critical minerals and materials have the highest annual average growth since 2018 (12.4%) and have the second-highest LAC share of Korea's sectoral imports (11.4%), only behind the agri-food sector.

By contrast, Korea's exports of bicycles and electric vehicles to static converters for electrical power have been growing only modestly and still have a limited share of LAC imports of these goods. Another good reason for the region to reexamine its relatively high tariff for these goods, as discussed below.

■ **Table 2.3**

LAC-Korea Trade Dynamics by Strategic Products. 2018–2023

Sector	LAC Exports 2023, US\$ billions	LAC imports 2023, US\$ billions	Trade Balance 2023, US\$ billions	LAC exports change from 2018 (CAGR 5yrs)	LAC imports change from 2018 (CAGR 5yrs)	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
<i>Mineral (Fossil) Fuels</i>	1.9	0.1	1.8	–8.4%	0.9%	3.4%	0.1%	2.3%	1.3%
<i>Agri-food Sector</i>	5.2	0.1	5.1	11.9%	–3.1%	16.5%	0.1%	1.0%	1.5%
<i>Clean Energy</i>	6.7	3.6	3.2	3.7%	6.1%	7.9%	2.1%	4.3%	3.0%
<i>Critical Minerals and Materials</i>	3.2	0.1	3.1	12.4%	–9.0%	11.4%	0.5%	0.5%	8.8%
<i>Environmental Goods</i>	0.1	2.8	–2.6	–19.8%	–0.9%	0.3%	2.3%	5.1%	0.1%
<i>Public Health</i>	0.6	3.8	–3.1	–3.4%	12.2%	1.3%	2.6%	3.7%	0.9%
<i>ICT</i>	0.3	8.0	–7.7	–13.7%	12.0%	0.2%	4.4%	3.7%	0.3%

Source: IDB staff's own calculation with data from BACI.

Note: CAGR stands for Compound Annual Growth Rate. See footnote 10 for details on the product composition lists.

The picture looks more promising for ICT and public health goods, where both Korea's surplus and exports have been growing at a significantly faster pace (an annual average rate of close to 12%) and have an above-the-average share of LAC imports. This is good news for LAC sanitary security and digital transformation.

Addressing Remaining Trade Barriers and Supply Constraints

Removing trade barriers has been a constant theme of this report since its first edition, published fourteen years ago.⁹ While progress has been made with the signing of various PTAs, these barriers are still relatively high and a significant constraint on the expansion of the Korea-LAC relationship.

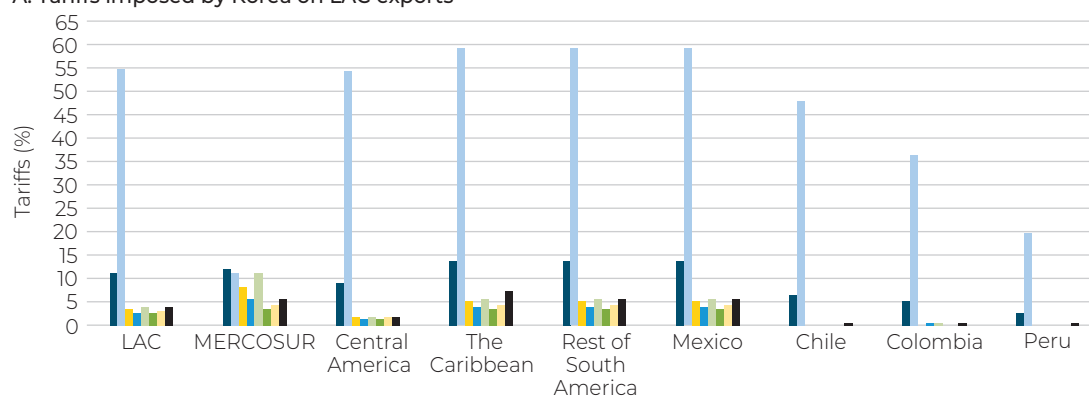
⁹ Moreira (2011).

A concerted effort to remove these barriers would not only be economically significant but would be a strong sign of commitment to the future of the relationship. Some of the tariff peaks have survived even the PTAs (Chile 2004, Peru 2011, Colombia 2016, and Central America 2018) and may limit progress toward enhancing value chain resilience, particularly in terms of food security. This is the case with Korea's high tariffs on agricultural goods (see Figure 2.5, panel A). LAC tariffs on environmental, ICT, and public health goods are equally damaging to the partnership's objectives on climate mitigation and abatement, digital transformation, and sanitary objectives.

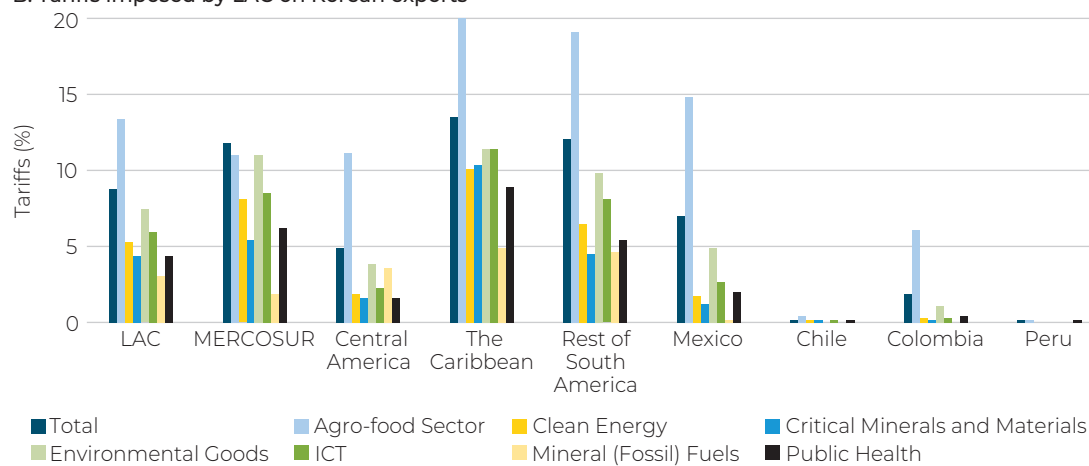
■ Figure 2.5

LAC–Korea Applied Tariffs (%)

A. Tariffs imposed by Korea on LAC exports



B. Tariffs imposed by LAC on Korean exports



Source: IDB staff's own calculation with data from ITC MacMap.

Note: Data for 2023 or the latest available data. Country-group tariffs are a simple average of the member's bilateral tariffs.

Increasing the ambition of current PTAs and expanding their network is the most promising way to address these trade costs. While the agreement with Ecuador (2025) and the accession of Guatemala to the Central America PTA (2024) are encouraging, the network still misses 70% of LAC's GDP. The ongoing negotiations with Mexico and MERCOSUR will close this gap, but they need some sense of urgency. The negotiation with Mexico was formally launched more than two decades ago (2006) and that with MERCOSUR in 2018. At least in the case of Mexico, there are signs that this urgency has finally arrived. The Korean government announced in April 2025 plans to accelerate the resumption of a PTA negotiation.¹⁰

As is well known, the opportunities are not just about tariffs. Within or beyond PTAs, improving trade facilitation and logistics can be a significant source of trade and investment gains.¹¹ While Korea has fully implemented the WTO Trade Facilitation Agreement, LAC still has some way to go, particularly in the Caribbean (Figure 2.6). A similar argument can be made about logistics although the gap seems arguably larger. The World Bank Logistics Index, which ranks countries according to the efficiency of various dimensions of their logistics, puts Korea at the 17th position worldwide, whereas LAC occupies the 106th position. Figure 2.7 shows that there is a significant gap in every logistics dimension.

Though important, trade policy and barriers are not the only constraints for the partnership to fulfil all its trade potential. One extra factor, in particular, which plays a key role in the lack of diversification of the region's exports to Korea, is worth mentioning: LAC's weaknesses in science and technology (S&T). Even if free trade prevailed in the relationship, the region still faces challenges in exporting knowledge-intensive goods to a country such as Korea when its investments in human capital and S&T remain at earlier stages of development compared to its Asian partner.

A detailed analysis of LAC's S&T or innovation system is well beyond the scope of this report; however, a few numbers are enough to illustrate the scope of this challenge. Korea's annual investment in research and development (R&D) is on average **4.9% of GDP (the world's second highest)**, whereas LAC's is **0.6% or**

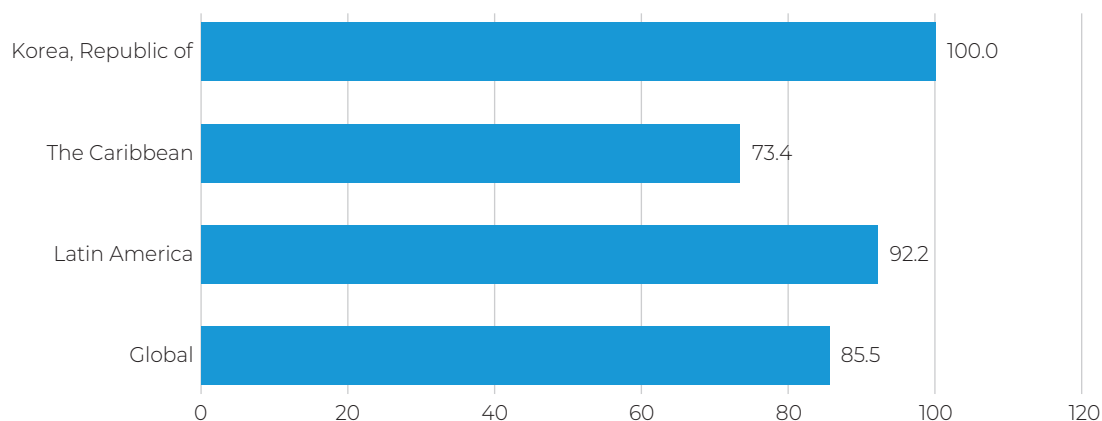
¹⁰ <https://tinyurl.com/4kkvpjfh>.

¹¹ Volpe Martincus (2016), Moreira et al. (2013).

lower. Seventy-five percent of Korea's R&D is done by the private sector, with a strong focus on commercial applications, whereas in LAC, the public sector and academia are the dominant forces (**74% of the total spending**), with scientific

■ Figure 2.6

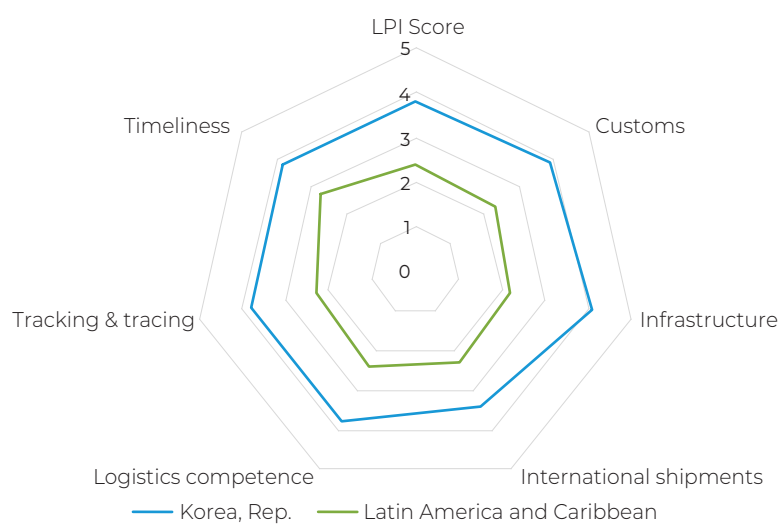
2025 Progress on the Implementation of the WTO 2017 Trade Facilitation Agreement



Source: IDB staff with data from the WTO Trade Facilitation Agreement Database.

■ Figure 2.7

Logistics Performance Index (LPI) for Korea and LAC. 2023



Source: IDB staff with data from <https://lpi.worldbank.org/international/scorecard>.

Note: LPI varies from 0 to 5 (max. performance). The LPI Score is the weighted average of the country scores on the six dimensions.

rather than commercial priorities. There is also—not surprisingly—an enormous gap in terms of S&T outcomes, with Korea, for instance, filing the most patents per GDP and per capita around the world in 2023, while none of the LAC countries are among the top 20.¹²

It seems clear that if LAC wants to add knowledge to its trade with Korea, it must catch up **with** Korea, which has a lot of lessons to offer on how to build a successful S&T and innovation system (see Box 2.1). The partnership, through cooperation channels—think of knowledge sharing and concessional finance—can be a powerful tool to support this catch-up, and the good news is that **it** is already happening, as discussed in more detail in Chapter 4.

■ Box 2.1

Korea Innovation System: Lessons for LAC

Korea's national innovation system (**NIS**) is widely recognized as one of the main drivers of its hugely successful growth model, helping the country to quickly catch up with the world's technology frontier. The initial focus was on manufacturing and large firms (the **Chaebols**) and on rapidly acquiring, adapting, and improving upon existing foreign technologies rather than on long-term, fundamental scientific breakthroughs.

The NIS was built on three main pillars:

- **Strong government guidance**, setting clear technological targets, and managing the delicate balance between importing foreign technology and fostering indigenous R&D capabilities.
- **Heavy investment in R&D**, initially by the public sector and eventually fully led by the private sector.
- **Massive public investment in education**, particularly in Science, Technology, Engineering, and Mathematics (**STEM**) disciplines, which has created one of the world's most highly educated and digitally adept workforces, capable of rapidly absorbing and adapting complex foreign technologies. Korea has today **the** highest share of tertiary graduates among OECD countries (OECD, 2023).

(continued on next page)

¹² <https://www.wipo.int/web-publications/world-intellectual-property-indicators-2024-highlights/en/patents-highlights.html>. Accessed in 10/16/2025.

■ Box 2.1

Korea Innovation System: Lessons for LAC *(continued)*

The system was immensely successful in turning Korea into a leader in **ICT and electrification technologies** (among the global top 5 for patent applications filed worldwide), critical for the **digital transformation and the clean energy transition**.

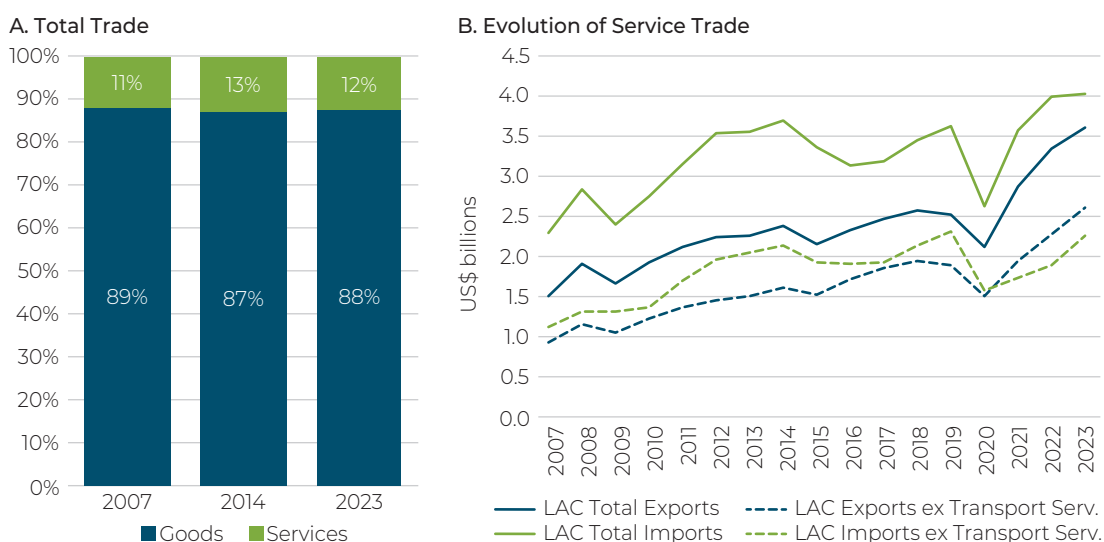
Since the early 2000s, the NIS has been shifting its focus from applied research (catch-up) to strengthening basic science and university-industry linkages to secure its future as a leader in creating entirely new, fundamental knowledge. It has also sought to strengthen **inter-ministerial coordination**, better develop the **links between government research institutes, academia, and the private sector**, and **diversify R&D investments towards services and small and medium enterprises** (Jones, 2024).

Both **LAC's public and private sectors—particularly the region's multinationals** (IDB 2020)—have a lot to learn from this successful experiment, a lesson that can not only enrich Korea-LAC trade, but also the region's growth and place in the world economy.

Trade in Services: An Upward Trend

An important yet sometimes underexplored dimension of the partnership is the trade in services. Data for services usually has a greater lag than that for goods so the last information available is for 2023. As can be seen in Figure 2.8, the share of trade in services in total trade remained relatively stable between 2007 and 2023, reaching 12% in that last year, which is far from negligible. This stability reflects an upward trend similar to that of goods, with a brief interruption during the COVID-19 pandemic in 2020. Overall, Korea has maintained a surplus, which narrowed in the last years of the period due to a recent LAC surplus in non-transport services.

A deep dive into the non-transport service trade shows that LAC exports to Korea are concentrated in two main sectors: travel, and financial and business services. Mexico and the Caribbean account for a large share of tourism and travel-related exports. On the country dimension, exports are relatively well distributed across LAC (Figure 2.9, Panel A).

■ **Figure 2.8****Bilateral Trade between Korea and LAC in Goods and Services**

Source: IDB staff 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.

Korean exports to LAC show different patterns (Figure 2.9, Panel B). 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 (IPR). These large IPR payments reflect Korea's position as a global innovation hub, with its patent applications accounting for 6.8% of the global total between 2000 and 2019. In LAC, Korea has filed as many as 10.4 thousand patents over the same period.¹³

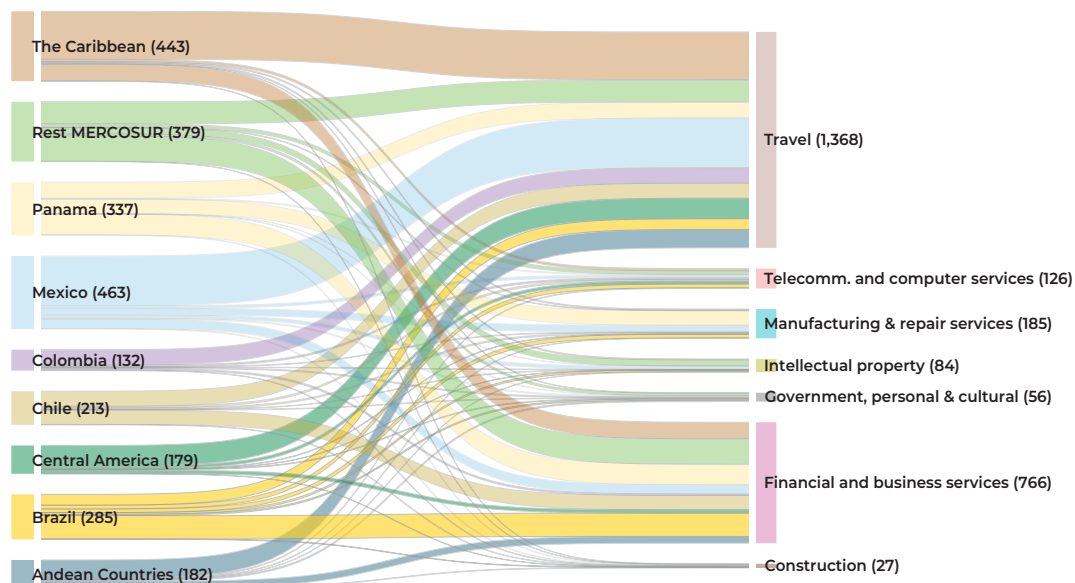
These considerable gains in the bilateral trade in services could be extended by focusing on untapped opportunities such as those related to tourism and creative industries. **In tourism**, the challenges are to expand LAC tourism to Korea, which has yet to take off, and to promote greater knowledge cooperation in the management of tourist services. Korea's experiences in data-driven and sustainable tourism can be very useful for adding more value and sustainability to LAC tourism exports, which are a major source of income in subregions such

¹³ Moreira et al. (2024).

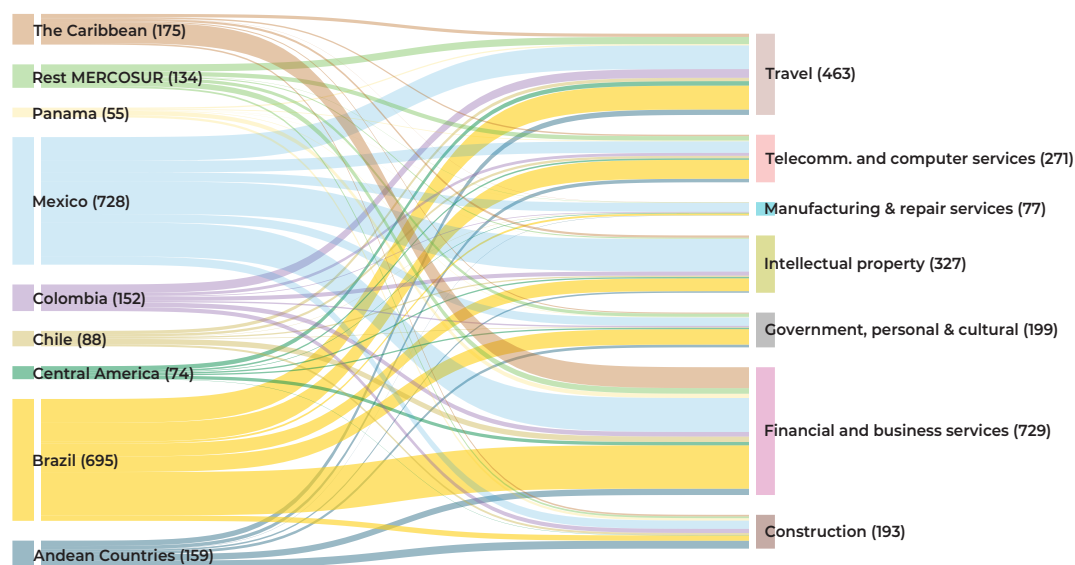
Figure 2.9

Composition Bilateral Service Trade between Korea and LAC, 2023

A. LAC service exports to Korea (excluding transportation)



B. Korea service exports to LAC (excluding transportation)



Source: IDB staff with data from BaTIS (Balanced Trade in Services Dataset).

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

as the Caribbean and Central America. The case of Jeju Island—a volcanic island off the southern coast of Korea, famous for its unique landscapes and status as a UNESCO World Heritage Site)—illustrates this point (see Box 2.2).

■ Box 2.2

Jeju's Big Data Center: Smart Tourism Governance

Under the “*Jeju-style Digital New Deal*,” the Jeju Provincial Government and the Jeju Tourism Organization (JTO) launched a **Tourism Big Data** Center to integrate tourism, transport, and environmental data as a foundation for smart public decision-making and planning.

The initiative forms part of Jeju’s **Smart City Strategy**, which builds a digital ecosystem with free Internet access, shared public-private data resources, and open big-data analytics. It is linked to the national **Korea Tourism Data Lab**, led by MCST and KTO, promoting standardized and interoperable data systems across provinces.

Implementation combined technical and financial support to strengthen data-analysis and evidence-based policy capacities. JTO complemented these efforts with training in data analytics, smart-tourism applications, and sectoral hackathons encouraging the practical use of open data.

Verified KPIs

- **Monitoring:** monthly dashboards tracking visitation and congestion patterns, coupled with training for officials and entrepreneurs (JTO, 2023).
- **Congestion reduction:** a real-time tourist population map developed during the pandemic to mitigate crowding (Korea Bizwire, 2020).
- **Product diversification:** the “Slow Road” campaign, featuring 50 scenic routes connecting major and secondary attractions, designed using 65 000 points of interest and data from social media, searches, demographics, and weather.

Lessons for LAC

Regional tourism data platforms can enable evidence-based decisions on investment, mobility, and diversification—provided that clear data-privacy frameworks, sustainable funding (~US\$2.4 million), public-private coordination, and ongoing capacity-building are in place.

In the creative industries, there are also great opportunities to boost the inter-change of cultural services and tourism, taking advantage of the vibrant cultural environment on both sides of the relationship. Here too, Korea has lessons to offer to LAC on how to mix culture and technology to export content. The **Hallyu** phenomenon, which allows Korea to export its culture around the world, is a case in point (see Box 2.3).

■ Box 2.3

Hayllu: The Opportunity of the “Korean Wave” in LAC

In 2009, South Korea established the **Korea Creative Content Agency (KOCCA)** under the Ministry of Culture, Sports, and Tourism, with the goal of strengthening the ecosystem of cultural and creative industries. KOCCA operates with an annual budget of approximately **US\$414 million (2024)** and employs around **500 staff members**, allocating resources to the promotion, training, and international expansion of K-content. Since its creation, KOCCA has become the institutional engine behind the rise of South Korea’s creative economy, acting as a bridge between public policy, innovation, and creative talent.

Thanks to this structure, over the past two decades, South Korea has shown that creativity can become a key tool for economic development. The global expansion of **Hallyu — the “Korean Wave”** — has turned its culture into a worldwide asset, positioning its content industry at **US\$67.9 billion in 2022**, the **eighth largest in the world** and equivalent to **2.5% of the global content market**. Driven by **K-pop, film, video games, and gastronomy**, Korea has successfully combined public policy, technological innovation, and global branding strategies that energize its productive base while generating employment, tourism, and foreign investment.

Lessons for LAC

- **Intellectual property and comprehensive support:** To ensure the sustainability of K-content, KOCCA emphasizes intellectual property as a key factor for the industry’s continued success, supported by a strong system that assists creators from idea identification through development and commercialization.
- **Long-term financing:** To address the financing challenges still faced by creative SMEs in South Korea, KOCCA collaborates with national financial institutions to

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■ **Box 2.3**

Hayllu: The Opportunity of the “Korean Wave” in LAC *(continued)*

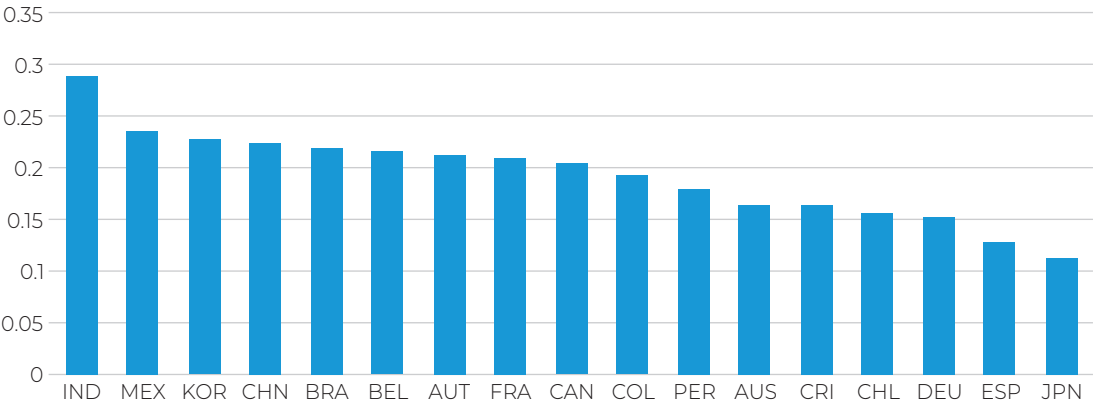
- establish a system that ensures the necessary financial backing, helping to avoid what is known as the “valley of death,” where many startups fail within their first three years.
- **Investment in emerging technologies and training:** KOCCA has implemented research and development programs to promote the convergence of content with new technologies. These initiatives cover areas such as artificial intelligence and the metaverse, fostering an environment where innovation can thrive.

The Korean experience demonstrates that the value of the creative economy is not only symbolic but also strategic. This model offers a key reference for **Latin America and the Caribbean**, a region rich in talent and cultural diversity, that can strengthen its connection with Korea beyond traditional trade. In this context, the region has the opportunity to project its own “creative wave”, deepening its ties with Korea through creative economy, talent, and innovation.

Source: Banco Interamericano de Desarrollo (2024). *Políticas públicas para las industrias culturales y creativas: de la teoría a la práctica*. <https://publications.iadb.org/es/politicas-publicas-para-las-industrias-culturales-y-creativas-de-la-teoria-la-practica>.

■ **Figure 2.10**

OECD Service Trade Restrictiveness Index. Selected Countries, 2024



Source: IDB staff 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 trade and 1 indicates a completely closed regime. Values for LAC and the EU are simple average across countries.

Overall, as with goods, there is also an important bilateral agenda to reduce trade barriers—be that tariffs, regulations, or information costs—on both sides of the relationship. The OECD Services Trade Restrictiveness Index shows that barriers are significantly high in both Korea and some of the largest LAC economies, with the smaller countries such as Chile, Peru, and Costa Rica faring much better (Figure 2.10).

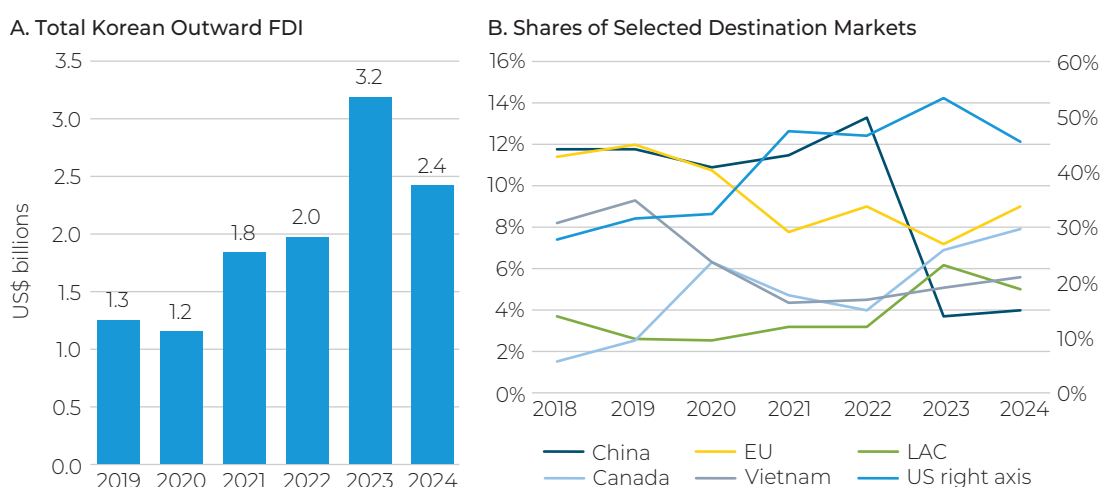
Foreign Direct Investment: a Downturn?

Korea's foreign direct investments (FDI) in LAC in 2024 fell 24% to US\$2.4 billion, reversing an upward trend initiated in 2021, which led to a record high US\$3.2 billion in 2023 (Figure 2.11, Panel A). This fall was also observed in Korea's total outward FDI, but at a lower magnitude (6.7%), which reduced LAC's share in these investments by one percentage point to 5%.

There were also significant changes in the country and sector composition of Korea's FDI in LAC. The most notable was a sharp increase in Mexico's overall

■ **Figure 2.11**

Korea FDI in LAC and Selected Destination Shares, 2024



Source: IDB staff with data from Export-Import Bank of Korea (KEXIM).

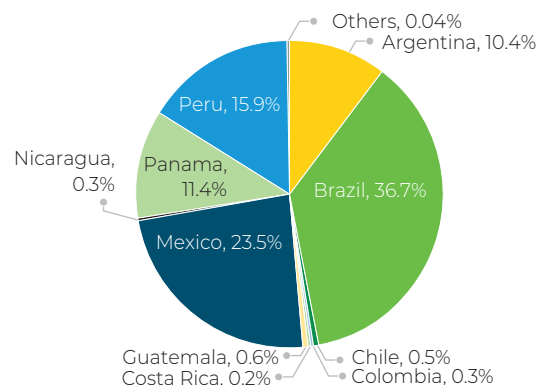
Note: The following destinations, usually labelled as tax havens, were not considered: Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Luxembourg and Marshall Islands.

share, which jumped from 23% to 60% between 2023 and 2024, driven by significant gains in mining and manufacturing. These gains came mostly at the expense of Brazil (manufacturing) and Peru (mining). Another change worth noting is Guatemala more than tripling its participation since 2023, as it gained participation in manufacturing investments (Figure 2.12 and Table 2.4).

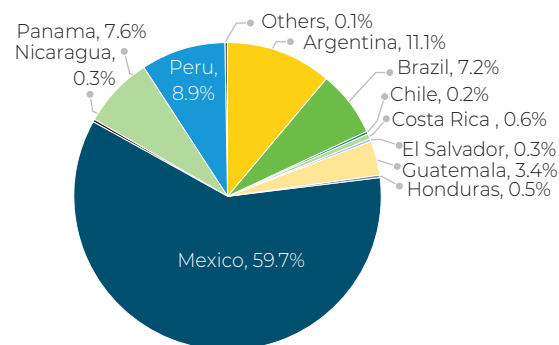
■ **Figure 2.12**

Country Composition of Korea FDI in LAC. 2023–2024

A. 2023



B. 2024



Source: IDB Integration and Trade Sector with data from Export-Import Bank of Korea (KEXIM).

Underlying these country changes, there was a significant shift in the two sectors that traditionally dominate Korea's FDI in LAC: manufacturing and mining. The former's share dropped from 59% to 38%, while the latter's rose from 28% to 48%.

■ **Table 2.4**

Sectoral and Country Composition of Korea FDI in LAC. 2024

Sector	Country	Sectoral Share	
		2023	2024
Business services	Panama	99.6%	100.0%
	Others	0.4%	0.0%
Manufacturing	Mexico	35.9%	70.4%
	Brazil	62.4%	18.0%
	Guatemala	1.0%	8.1%
	Costa Rica	0.3%	1.7%
	Honduras	0.0%	1.3%
	Nicaragua	0.4%	0.4%
	Colombia	0.0%	0.1%
Mining & quarrying	Mexico	6.2%	58.4%
	Argentina	37.2%	23.0%
	Peru	56.6%	18.5%
Logistics	Panama	88.2%	94.7%
	Brazil	2.0%	4.3%
	Argentina	0.0%	0.9%
	Others	9.8%	0.0%
Wholesale & retail trade	Mexico	19.0%	92.3%
	Guatemala	1.3%	6.1%
	Chile	0.5%	1.1%
	Others	66.0%	0.2%
	Bolivia	1.7%	0.2%
	Peru	11.4%	0.1%
Others	Mexico	37.9%	37.0%
	Brazil	7.2%	31.0%
	Nicaragua	7.6%	13.5%
	Chile	39.7%	10.1%
	Panama	1.8%	7.1%
	Colombia	0.0%	0.7%
	Paraguay	1.0%	0.6%
	Others	4.8%	0.0%

Source: IDB staff with data from Export-Import Bank of Korea (KEXIM).

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3. A Critical Partnership for Critical Minerals

Among the challenges and opportunities facing the Korea-LAC partnership in the years ahead, one that clearly stands out and deserves a deeper dive is critical minerals. There are several compelling reasons for this.

From a global perspective, these minerals are central to the increasing demand for resilient value chains, a priority fueled by public health crises, extreme weather disasters, and heightened geopolitical tensions. They are also an essential ingredient for the success of both digital transformation and the clean energy transition. No country can fully reap the benefits of these transitions without access to these minerals. The convergence of all these demands points to significant economic opportunities, with the International Energy Agency (IEA) projecting a market increase of 50% by 2040, reaching a combined value of US\$500 billion.¹⁴

From the partnership's perspective, the stakes for getting the sector's policies right can be even higher. This is due to the sector's importance to the growth prospects of the two economies, the leading role it can play in bilateral trade and investments, and LAC's checkered history in developing and adding value to its mining sector.

What are Critical Minerals?

Before getting into the policy discussion, it is important to understand what is behind this concept. As the adjective suggests, this is not a well-defined concept. It tends to vary according to a country's comparative advantages and methodology, which usually considers import reliance (and export opportunities), supplier concentration and risk, and economic (and military) relevance.

¹⁴ IEA (2025). Baseline, business as usual, scenario. Includes copper, lithium, nickel, cobalt, graphite, and rare earth elements.

However, most definitions tend to produce lists with significant overlaps, as they focus on key inputs for digital transformation and the clean energy transition. These include minerals such as cobalt, graphite, lithium, manganese, nickel, and rare earth elements, which, among other things, are important components for the emerging electric industry, ranging from electric vehicle batteries and motors to wind turbines. Other examples include key inputs for semiconductors such as silicon, copper, gallium, germanium, indium, tantalum, and platinum.

These overlaps and differences can be seen in the critical mineral lists of the U.S., EU, Korea, and Brazil (Table 3.1). Korea places particular emphasis on cobalt, graphite, lithium, manganese, and nickel (termed “strategic core”), which reflects, on one hand, the country’s dominance in the batteries and EV industries and, on the other, its high import dependency on these minerals, as will be discussed in more detail below.

From the partnership’s point of view, it is worth noting that these minerals are also on Brazil’s “strategic” list— LAC’s largest economy—but mostly due to export opportunities. This again raises the issue of complementarity, which in this case is even more apparent. But how far does this complementary go exactly?

■ **Table 3.1**

Critical Minerals according to Selected Economies

	US	EU	Korea	Brazil
Aluminum				
Antimony				
Arsenic				
Barite				
Beryllium				
Bismuth				
Borate				
Cesium				
Chromium				

(continued on next page)

■ **Table 3.1**Critical Minerals according to Selected Economies *(continued)*

	US	EU	Korea	Brazil
Cobalt			X	
Copper				
Fluorspar				
Gallium				
Germanium				
Graphite			X	
Gold				
Hafnium				
Helium				
Indium				
Iridium				
Iron				
Lead				
Lithium			X	
Magnesium				
Manganese			X	
Molybdenum				
Nickel			X	
Niobium				
Palladium				
Platinum				
Phosphate Rock				
Potassium				
Phosphorus				
Rare Earth				
Rhenium				
Rhodium				
Rubidium				
Ruthenium				

(continued on next page)

■ **Table 3.1**Critical Minerals according to Selected Economies *(continued)*

	US	EU	Korea	Brazil
Silver				
Silicon Metal				
Selenium				
Strontium				
Sulphur				
Tantalum				
Tellurium				
Thallium				
Tin				
Titanium				
Tungsten				
Uranium				
Vanadium				
Zinc				
Zirconium				

Source: IDB Staff with data from USGS (2025) for the US; EU (2024) for the EU, MTIE (2023) for Korea and EPE (2025) for Brazil.

Note: cells marked by "x" are considered "strategic core" minerals by Korea. Rare earth elements include five minerals (neodymium, dysprosium, terbium, cerium and lanthanum).

Critical Complementarity

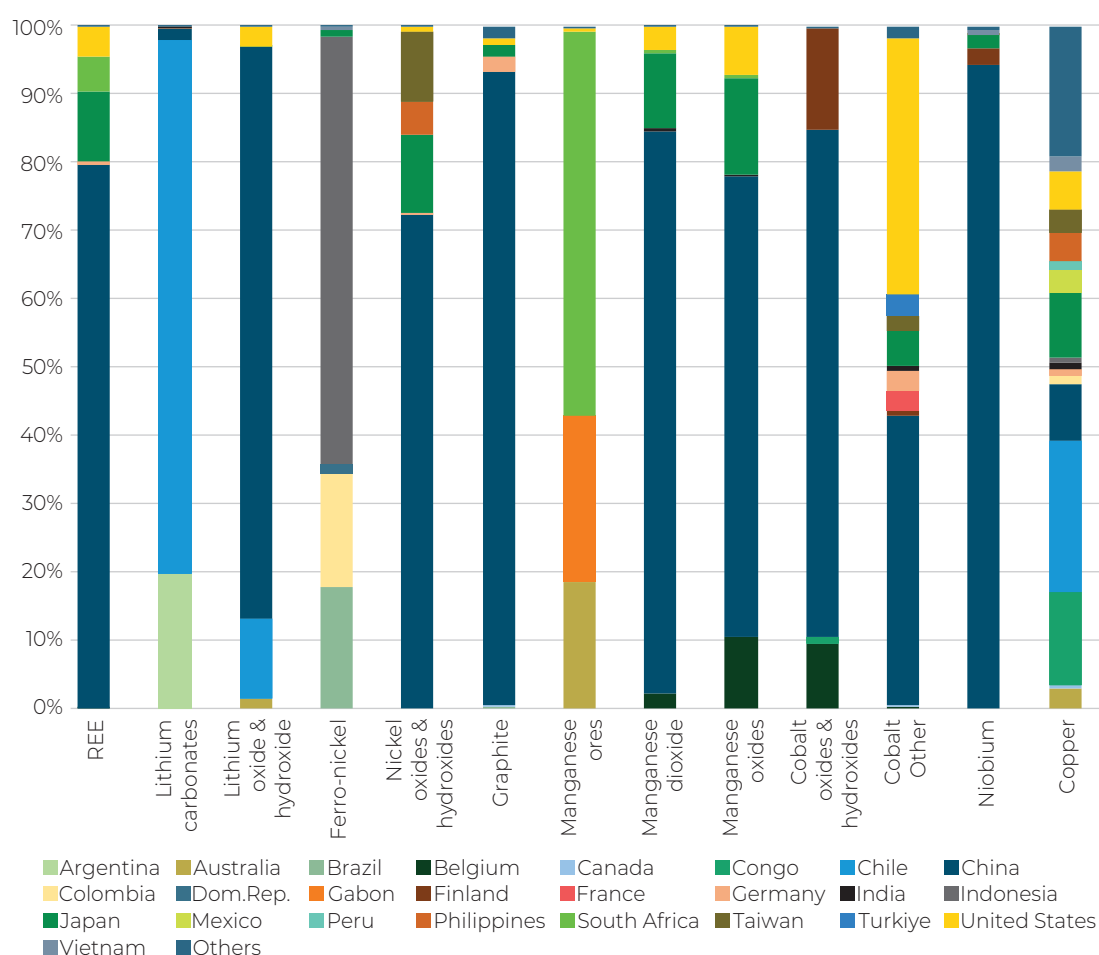
To better grasp the partnership's complementarity in critical minerals, it is worth looking at some of these economies' data on their trade, production, and reserves. Most estimates suggest that Korea's reserves are extremely limited, leaving it with little choice but to import. For instance, the Korea Institute of Geoscience and Mineral Resources estimates that the country's net import reliance for all critical minerals is approximately 99.7%.¹⁵ This vulnerability is aggravated by the fact that these imports are concentrated among very few suppliers.

¹⁵ As quoted by Cho and Nakano (2025).

Figure 3.1 illustrates this point. China's share of Korea's imports is above 70% in most minerals it considers "critical" or "strategic core". In contrast, LAC, driven by Chile and Argentina, emerges as a dominant supplier only for lithium carbonate. The region also appears as an important player in ferro-nickel (Brazil and Colombia) and copper (Chile and Peru), although the latter does not figure in Korea's critical list.

■ **Figure 3.1**

Share of Korea's Imports of Selected Critical Minerals. 2024



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

Note: REE are rare earth elements. Data collected at the Harmonized System 6 digits.

Overall, it can be argued that LAC's shares fall well short of their potential contribution to Korea's mineral security. This point can be seen more clearly in Table 3.2, which shows the region's share of world reserves and production. The first

thing to notice is that the latter is well below the former—except for copper and niobium—which suggests significant potential to expand output and exports. Furthermore, this gap tends to be even larger in the processed stages of the mineral value chain. In refined copper, for instance, Chile’s share in world production drops from 23% to 7%, while China holds a 44% share.¹⁶ Second, LAC’s share of Korea’s imports—except for lithium carbonate, ferro-nickel, and copper—tends to lag even behind LAC’s modest shares of world production.

■ Table 3.2

LAC’s Share of World Reserves and Production of Selected Critical Minerals. 2024

	Country	Share of World Reserves	Share of World Production
Cobalt	Cuba	5%	1.2%
Copper	Chile	19%	23.0%
	Mexico	5%	3.0%
	Peru	10%	11.3%
Graphite	Brazil	26%	4.3%
	Mexico	1%	0.1%
Lithium	Argentina	13%	7.5%
	Brazil	1%	4.2%
	Chile	31%	20.4%
Manganese	Brazil	15.9%	3.0%
	Mexico	0.3%	1.1%
Nickel	Brazil	12.3%	2.1%
Niobium	Brazil	94.1%	90.9%
Rare Earths	Brazil	6.3%	0.01%

Source: IDB Staff with USGS data.

Korea’s Strategy

While the fundamentals for a strong partnership are there, what can be said about the governments’ policies for critical minerals? Are they helping or hindering a

¹⁶ USGS (2025). Not shown in the table. See also IEA (2025) for a general overview of the countries’ market share in refined production.

closer cooperation? Beginning with Korea, the country has been implementing measures targeting the sector's supply since at least 2009.

The Ministry of Trade Industry and Energy's (MTIE) 2023 [“Strategy for Securing Critical Minerals”](#) signaled this newfound urgency and effectively launched the building blocks of the country's current strategy. The overarching objective is to reduce the import dependency of the thirty-three “core minerals” (see Table 3.1), particularly of the “strategic core” whose imports are targeted to be less than 50% of apparent consumption by 2030. The strategy involves six components:

- Developing a global map for analyzing global mining projects.
- Creating an early warning system for supply risks and increasing reserve stockpiles to one hundred days.
- Strengthening resource cooperation with mineral-rich countries via bilateral, preferential, and multilateral agreements.
- Developing overseas mineral resources via tax and financial incentives through institutions such as the Export-Import Bank (KEXIM) and Korea Trade Insurance Corporation.
- Increasing the recycling rate of core minerals from the current 2% to 20%.

This strategy was consolidated, expanded and operationalized by what is known as the “Supply Chain Three Laws”: the [Act on Special Measures to Strengthen Competitiveness and Stabilize Supply Chain of Materials, Components, and Equipment Industry](#) (June, 2023); [Framework Act on Supply Chain Stabilization Support for Economic Security](#) (December 2023); and the [Special Act on National Resource Security](#) (January, 2024).

What these three laws did was, first, to set critical minerals within a much broader supply chain framework, which includes three hundred “economic security items,” ranging from semiconductors, artificial intelligence, aerospace, energy inputs, defense, “essential” consumer goods, and logistical services. Second, they provided a unified operational framework for the several pieces of existing supply chain legislation, facilitating inter-ministerial coordination under a “Supply Chain Stabilization Committee,” headed by the Ministry of Economy and Finance.

Finally, this greater coordination facilitated the implementation of fiscal and financial measures that have since gained more musculature.¹⁷ For instance, the Supply Chain Committee has recently announced, among other measures, a US\$35.7 billion package of financial support to “actively push for domestic production of critical items, diversify import sources and expand reserves.”¹⁸ This will include measures to expand funding for overseas resource development projects, which combine loans, investment, and guarantees from the Supply Chain Stabilization Fund, KEXIM, Korea Development Bank, Korea Credit Guarantee Fund, and Korea Technology Financial Corporation. This support can reach 50% of development costs and reduce repayment burden by 80% if the project fails.

On the face of it—and to return to the question raised at the beginning of this section—Korea’s critical minerals policy framework seems to set the stage for greater trade and investment flows and cooperation with LAC. The announced financial support, against the backdrop of a push toward greater cooperation with mineral-rich countries, can eventually help LAC overcome financial constraints to expand its production of critical minerals in a manner consistent with the size of its considerable reserves.

LAC’s Policy Challenges

On LAC’s side, this growing global interest in critical minerals brings renewed attention to longstanding policy challenges associated with natural resource development. It is fair to say that governments have typically struggled to balance short- and long-term benefits and to incorporate equity and environmental considerations. However, valuable lessons have been learned, which can be particularly helpful in this new dimension of the relationship with Korea.

These lessons are especially useful at a time when many of the policy instruments used by LAC in the past—such as nationalizations, export bans and controls, and various local content requirements (LCRs)—are making a global comeback. While aspiring to participate in the more technologically sophisticated and profitable

¹⁷ See Hwang et al. (2024) and Kim and Kim (2024).

¹⁸ Deputy Prime Minister and Finance Minister Koo Yun-cheol as quoted by [Korea JoongAng Daily](#) in August 20, 2025.

stages of the mineral value chain makes perfect economic sense, history calls for caution with this type of resource nationalism. Results in the region and elsewhere in the developing economies are at best mixed, particularly in the mining sector.¹⁹

Among the several reasons why these policies usually fail to deliver, these are worth noting:

- i. Scarce local skills and the resulting low capacity of local firms to absorb new technologies;
- ii. Small domestic markets inconsistent with the scale requirements of competitive, vertically integrated value chains;
- iii. The high costs of upstream LCRs to downstream sectors;
- iv. Lack of competition among local suppliers and costly, obscure knowledge-transfer requirements, which discourage foreign investments while promoting rent-seeking; and
- v. Lack of consultation with local communities to better distribute benefits and address environmental concerns.

These factors should give LAC governments enough pause when considering the resurgence of highly interventionist LCR policies to develop their critical mineral sectors. The drawbacks can be especially costly in the context of such a promising partnership as the one with Korea. The few critical mineral initiatives adopted in the region so far suggest that there are reasons to be optimistic.

Bolivia's country strategy toward critical minerals has been traditionally focused on lithium, reflecting its currently estimated 22% share of the world's "resources" (USGS 2025)—the largest alongside Argentina.²⁰

The initial guidelines of this strategy—the “National Strategy for the Industrialization of Evaporite Resources”—date from 2010, when it effectively placed the entire lithium-ion battery value chain under state control.²¹ Private

¹⁹ See Ing and Grossman (2024), Korinek and Sa (2024), Cimino-Isaacs, et al. (2016) et al. (2016) and Tordo et al. (2013).

²⁰ USGS differentiates between resources and reserves. The latter is a more restrictive concept, which includes only resources “that could be economically extracted or produced at the time of determination.” (USGS 2025, Appendix C). By this criterion, Bolivia does not figure among the top lithium reserves as show in Table 3.2.

²¹ See <https://www.cedib.org/wp-content/uploads/2021/08/memoria-gnre-2011.pdf> and Obaya (2021) for details.

firms were forbidden to extract and process lithium and were only allowed to participate as minority stakeholders in joint ventures with state companies in the production of battery components.

Faced with severe skill, technological, financial and infrastructure constraints, Bolivia struggled to scale up the production of the most basic lithium compounds and has yet to become a significant exporter. In 2024, the country exported only US\$15.6 million worth of lithium carbonate, compared to Chile's US\$840.7 million during the same period, despite Bolivia's significantly greater resources.

Chile's policies—the region's largest exporter of copper and lithium—do not go as far as ruling out private sector participation, particularly from foreign firms. In fact, it is striving to attract FDI and promote public and private sector partnerships (PPPs).

Chile has a long history with lithium—to stay with the mineral that is on all critical mineral lists—which goes as far back as 1979, when the government declared the mineral a strategic resource of national interest. A moratorium was imposed on all future concessions, but the contracts of the two existing private operators—Albemarle and SQM—was preserved.²² The fundamentals of this policy, later confirmed by the [1982 Mining Concessions Law and Mining Code](#), changed little until 2023, when the government launched a [National Lithium Strategy](#). This strategy sought to balance the social and environmental calls for greater state control with preserving the partnership with the private sector, the source of much-needed technology and capital.

The strategy divides the country's salt flats, home to its lithium reserves, into four areas: (i) strategic, including the deserts of Atacama and Maricunga, with 90% of the reserves, where development is subject to a majority stake by Chile's state mining companies, CODELCO and ENAMI; (ii) a second area where development requires state involvement but with more flexible ownership structures; (iii) a third area that will be tendered for private extraction; and a fourth, up to 30% of the flats, that will be turned into ecologically protected areas. The strategy also has among its objectives the development of downstream linkages of the value chain, particularly the production of lithium-ion battery cathodes.

²² See Johnson et al. (2024) for details.

The jury is still out on the impact of this more government-centered strategy.²³ However, by avoiding export bans or taxes and by preserving the private sector's role, either through public-private partnerships (PPPs) and stand-alone investments, it clearly leaves the door open for more trade and FDI, which is good news for the future of the industry in Chile and for the Korea-LAC partnership.

In fact, Chile's critical mineral relationship with Korea has been anything but stagnant. Chile's exports of lithium compounds to Korea have grown by a factor of seven between 2019–2023 on the back of long term supply agreements with large Korea's car and battery firms.²⁴ They faced a steep drop in 2024, but this has more to do with a fall in demand for EVs and an oversupply of lithium than Chile's loss of competitiveness.²⁵ Overall, the country's market share of Korea's imports remained stable in 2024 and in the first half of 2025, with approximately 80% of lithium carbonates and 20% of lithium oxides and hydroxides.²⁶

Results, though, are less impressive when it comes to the diversification into battery parts. A few contracts were signed, some even before the 2023 strategy, including with leading Korean companies such as POSCO and Samsung SDI, but the volatile price of lithium and technological and regulatory hurdles led to setbacks.²⁷ Despite these disappointments, Chile's upgrading strategy, with its use of preferential price incentives and research and development tax breaks for would-be investors, is significantly more promising than the outright export bans seen in other countries. As argued earlier, this might work in the short term, but the odds of developing a competitive industry are small, particularly given the risk of retaliation by trade partners. Chile's difficulties seem to have more to do with the country's size and logistical disadvantages—compounded recently by the 10% U.S. tariff on Chile's exports—price volatility, and the mineral's limited share of battery inputs (under 5%) than with the merits of its policies.²⁸

²³ See Jobet et al. (2024) for some concerns about the strategy.

²⁴ See <https://www.reuters.com/business/autos-transportation/chile-lithium-miner-sqm-reaches-supply-deal-with-hyundai-kia-2024-06-17/>, <http://bit.ly/4ItHNAA>.

²⁵ <https://www.argusmedia.com/es/news-and-insights/latest-market-news/2648899-south-korea-s-lithium-imports-fall-in-2024>.

²⁶ Staff calculations with Korea Customs data.

²⁷ See <https://www.reuters.com/article/business/south-koreas-posco-drops-plans-for-chilean-battery-material-plant-idUSKCNITM2LQ/> and <https://www.reuters.com/markets/commodities/chinas-byd-tsingshan-scrap-plans-chile-lithium-plants-newspaper-reports-2025-05-07/>.

²⁸ For the lithium share in the battery inputs see <http://bit.ly/4n4WW3B>.

Aside from offering incentives to the private sector, Chile has also been heavily engaged in developing critical mineral partnerships with other countries, particularly with Korea, taking advantage of the Chile-Korea FTA and their mutual participation in multilateral forums such as the Asia-Pacific Economic Cooperation (APEC). In 2022, the countries signed a memorandum of understanding (MOU) for bilateral cooperation in mining and mineral resources, calling for research and development cooperation between the state-owned Korea Mine Rehabilitation and Mineral Resources Corporation (KOMIR) and Chile's counterparts ENAMI and CODELCO. The cooperation involves regular meetings under a Resource Cooperation Committee and has been focused on the lithium supply chain.²⁹

Argentina, another lithium-rich country in the region, saw its mining truly take off in the early 1990s, following the approval of the [Mining Investment Law \(No. 24,196\) of 1993](#). This law capped royalties at 3% and offered 30 years of fiscal stability.

Argentina remains one of the most liberal regimes in the region for critical minerals, with no restrictions on domestic or foreign private ownership of lithium mineral rights or on its exploration and development.

This liberal approach was recently reinforced, first, by the approval in 2024 of the [Large Investment Incentive Regime \(RIGI\)](#), which offers mining project above US\$200 million tax and import tariff incentives, simplified custom procedures and hedges against exchange rate fluctuations. And second, by the reduction of the lithium export tax from 8% to 4.5% in August 2025, as part of a decree that eliminated export taxes for all the other mining products except silver.³⁰

Despite the country's recent macroeconomic volatility, the liberal approach seems to have been serving the country well. Argentina became the fourth-largest producer of lithium compounds in the world in 2024, with a 7.5% share (Table 3.2), and its output is expected to increase by 75% in 2025.³¹ Exports also

²⁹ See <https://www.koreatimes.co.kr/foreignaffairs/20221012/korea-chile-sign-mou-on-mineral-cooperation> and <https://www.motie.go.kr/kor/article/ATCL3f49a5a8c/169053/view>.

³⁰ See <http://bit.ly/4nbCyhl>.

³¹ <http://bit.ly/4goIFeN>.

took off, more than tripling since 2019. Korea's investment and trade made a significant contribution to these numbers, with projects such as POSCO's US\$4 billion investment in the Hombre Muerto salt flat.³² As of 2024, Argentina accounted for 20% of Korea's imports of lithium compounds.³³

Other countries in the region with relevant critical mineral resources, such as **Brazil, Peru** and to a lesser extent **Mexico**, are still in their early stages of defining a policy strategy for critical minerals and have yet to build a significant trade and relationship with Korea in this area. **The Brazilian government**, apart from establishing a list of "strategic minerals" in 2021 (see Table 3.1), is expected to launch a specific strategy this year—known as "Mining for Clean Energy" to clarify the policy regime. Judging by recent statements by policymakers and by representatives of the private sector, there are clear aspirations to go beyond the extraction of these minerals and have strong participation in all stages of the value.³⁴ Upstream and downstream LCRs are likely to be adopted as a prerequisite to access fiscal and financial incentives. Some of the financial incentives were already anticipated by the National Development Bank (BNDES) and the National Innovation Agency (FINEP), which launched a **US\$875 million fund** to support strategic mineral projects.

Peru is in a similar situation as Brazil, with the government yet to develop a specific regulatory framework for critical minerals, particularly for lithium—its most promising resource. In 2021, the congress passed a law (**Law 31.283**) that declared the exploration, exploitation, and industrialization of lithium and its derivatives in the national territory as activities of public necessity and national interest. However, this has yet to have any practical consequences, as the current two lithium projects—yet to reach the commercial phase—still follow the long-standing mining concession framework, which does not impose any restrictions on domestic or foreign private ownership.³⁵ Unlike Brazil, though, the country has already taken the first steps toward cooperating with Korea on this issue. In November 2024, both governments signed an MOU on critical minerals to facilitate technological cooperation.³⁶

³² <http://bit.ly/4lXCABl>.

³³ Staff calculations with Korea Customs data..

³⁴ See <http://bit.ly/4mfx9oJ> and IBRAM (2025).

³⁵ See Merino and Hernando (2024).

³⁶ See <http://bit.ly/45S5SCg>.

Finally, **Mexico**, in a 2022 reform of the Mining Law, nationalized the yet-to-be exploited lithium deposits and established a new state-owned mining company, LitoMx, which has a monopoly on lithium exploration, extraction, and commercialization.³⁷ This approach, as seen in Bolivia's case, will make it difficult to establish any sort of technological cooperation with Korea or any other potential partner. This is particularly concerning given the unprecedented technological challenges of exploiting Mexico's clay-based deposits.

Overall, this brief review of Korea's and LAC's policy approaches to critical minerals leaves no doubt about the challenges the partnership faces to exploit the full potential of this new critical complementarity. Governments will have to balance Korea's aspirations for a resilient mineral value chain—key to maintaining its manufacturing leadership in the energy transition—with the desire of most LAC governments to vertically integrate their value chain and secure a more profitable and sustainable exploitation of their natural resources.

³⁷ https://www.dof.gob.mx/nota_detalle.php?codigo=5662345&fecha=23/08/2022#gsc.tab=0 https://dof.gob.mx/nota_detalle.php?codigo=5649533&fecha=20/04/2022#gsc.tab=0.

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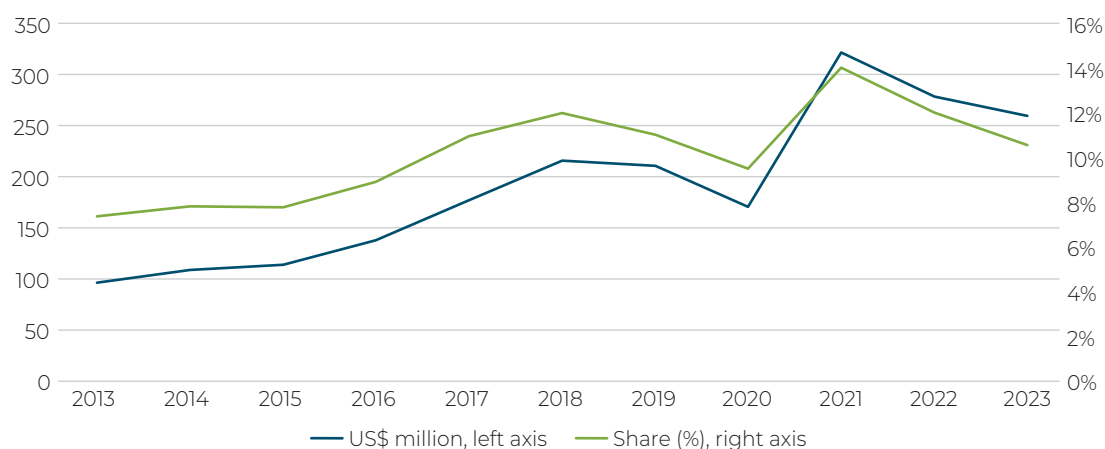
4. Cooperation

In a period of increasing global volatility, Korea and LAC are well-positioned to strengthen their partnership through sustained intergovernmental cooperation, thereby enhancing the resilience of their respective economies.

Korea's sustained increase in official development assistance (ODA) to LAC since the mid-2000s is particularly welcomed in these trying times, with the assistance reaching a high of US\$321 million in 2021 (14% of Korea's overall ODA). The pandemic years have shown signs of reversing the previous upward trend, but with the increasing development needs of LAC, Korea's ODA to LAC has rebounded.

■ **Figure 4.1**

Korea's Net Official Development Assistance Disbursements to LAC
2013–2023. Millions of US\$ and %



Source: IDB staff with OECD data explorer.

Note: Total net ODA, excluding debt relief.

The Economic Development Cooperation Fund (EDCF) is undergoing a structural reform to ensure visible and effective ODA implementation through the adoption of an output-based performance management system, in line with an establishment of its new medium-to-long-term strategy.

Joining Forces with the Inter-American Development Bank (IDB)

Beyond being trade and investment partners for LAC, stakeholders across the Government of Korea have also become critical development partners for the region. The Korea-IDB partnership has evolved significantly since Korea became the 47th member of the IDB in 2005, marking a firm commitment to advancing sustainable development and mutual prosperity between Korea and LAC.

In its formative years, the partnership laid its foundation through the establishment of the Korea Trust Funds (KTFs)—which support poverty reduction, social innovation, and technological advancement—and through the first Korea-LAC Business Forum in 2007. The following decade brought the launch of the Knowledge Sharing Program (KSP) in 2011—showcasing Korea’s transformation from aid recipient to donor by sharing its unique development experience—and the introduction of secondment programs that embedded experts from institutions such as KEXIM and Korea Trade-Investment Promotion Agency (KOTRA) into the IDB.

A major milestone came in 2015, when the Busan Annual Meeting launched the Korea Infrastructure Development Co-financing Facility (KIF), the first untied joint co-financing tool, ushering in a new era of deeper engagement. Since then, the partnership has scaled up through successive Korea-LAC Business Summits, increased trust fund contributions, and record KIF replenishments, reaching over US\$2.5 billion mobilized for transformative projects by 2023. Most recently, a US\$300 million co-financing agreement with the Economic Development Promotion Facility (EDPF) has further consolidated Korea’s role as one of the IDB’s most trusted partners, reflecting a trajectory from initial trust fund collaboration to a comprehensive strategic alliance. Today, the partnership is closely aligned with the IDB’s New Institutional Strategy, focusing on scaling impact, building resilience, and addressing climate change as shared priorities.

Trusted Sources of Development Finance for LAC

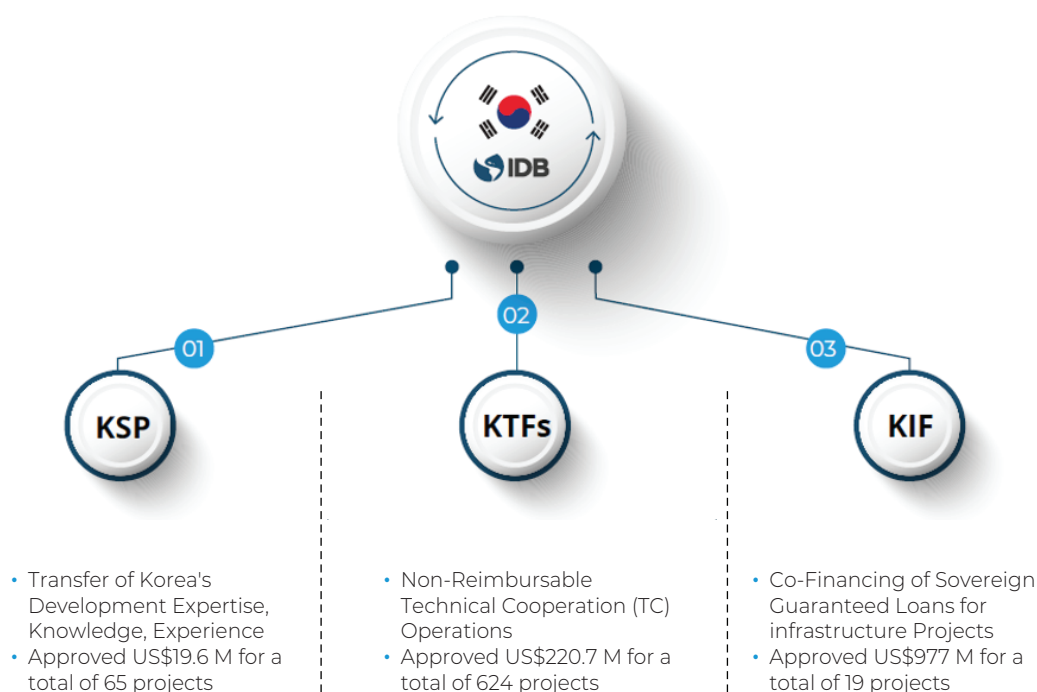
Since attaining membership, Korea has played an instrumental role in financing a variety of critical development initiatives at the IDB, contributing to the Bank’s

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\$1.22 billion (US\$19.6 million through the KSP, US\$220.7 million through the KTFs, and US\$977 million through the KIF) as of December 31, 2024.

Together, these mechanisms provide a unique blend of knowledge exchange, grant financing, and co-financing of loans, supporting a wide range of operations that strengthen institutions, foster innovation, and build resilient infrastructure, while offering forward-looking solutions to the region's most pressing challenges.

■ **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, 2024.

The Korea Knowledge Sharing Program (KSP)

The generation and transfer of knowledge constitute critical elements of the IDB's development work, contributing to evidence-based and data-driven policy advice, as emphasized in the IDB's New Institutional Strategy and its vision of becoming the "knowledge bank" of the region. 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 during 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.

■ 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:

Bilateral Cooperation, which includes policy consultations, practitioner-focused capacity-building workshops, and the deployment of policy advisors for in-depth, practical policy consultations.

Multilateral Cooperation, established in 2011, which draws on partnerships with international organizations to carry out joint consulting activities. These efforts combine Korea's development experience with the expertise of regional and international organizations.

Case Studies of Korea's Development Experience, which capture and document the unique policies, institution-building processes, and projects that contributed to Korea's economic development.

Since the inception of the IDB-KSP Joint Consultation Program in 2011, a total of 65 joint consultancy projects have been carried out for US\$19.6 million. 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 (20.0%), transportation (17.5%), water and sanitation (12.4%), public-sector modernization (11.7%), and energy (11.4%).

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. During this time, the partners have jointly implemented 11 projects worth US\$4.4 million.

■ **Table 4.1**
IDB–KSP Joint Consultancy Projects
2020–2024 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
2022	Designing an Urban Mobility Data Observatory and Improving Public Transport Management in São Paulo	Brazil	340,000

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■ **Table 4.1****IDB–KSP Joint Consultancy Projects**

2020–2024 US\$ (continued)

Year	Project Title	Country	Amount
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&i activities for the development of GH2 industry in Uruguay	Uruguay	400,000
2024	Fostering climate-resilient road infrastructure in Colombia	Colombia	400,000
2024	Modernization and Efficiency in the Toll Collection System for Paraguay's Sustainable Road Infrastructure	Paraguay	400,000
2024	Support for Increasing Flood Damage Mitigation in Buenos Aires city	Argentina	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). In 2012, the KTFs were complemented by a fourth fund that targets public sector management (KPC). As of December 2024, Korea has contributed a total of US\$246.6 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 Bank's capacity to pursue innovative approaches to poverty reduction and socioeconomic development. The KTFs have funded projects in emerging areas such as 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.

■ Box 4.2

Korea Trust Funds

The Korea Fund for Partnership of Knowledge Building on Technology and Innovation (KPK) aims to introduce, share, and transfer Korea's best practices, new ideas, and lessons learned in the fields of science, technology, innovation, and digital transformation. Since its inception, the KPK has served as a vital source of financing for supporting the development of ICT infrastructure and systems, digitalization, and benchmarking of R&D.

The Korea Fund for Poverty Reduction and Social Development (KPR) supports poverty reduction and social development aimed at improving living conditions, income, and access to basic social services and opportunities for the most vulnerable and economically disadvantaged groups in the region. Since its inception, the KPR has become a pivotal source of financing for addressing structural inequalities and delivering inclusive policies, programs, and services.

The Korea Fund for Private Sector Development and Innovation Fund (KPS) promotes the development and innovation of the private sector in the region. Since its inception, under the mission of the IDB Invest, the KPS has been a key engine for delivering advisory services and technical support for micro, small, and medium

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	83.1	82.8	169
KPR	Education, Health, Social Investment, Agriculture & Rural Development, Water & Sanitation	2005	71.5	62.4	160
KPS	Business Innovation, MSME Development, Financial Markets, Public-Private Partnership (PPPs)	2005	40.0	34.1	208
KPC	Public Sector Reform, Capacity-Building in Fiscal-Related Areas, e-Government, Regional Integration	2012	52.0	41.4	87

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■ Box 4.2

Korea Trust Funds *(continued)*

enterprises (MSMEs), financial markets, PPPs, and Environmental, Social, and Governance (ESG) initiatives for the private sector.

The Korea Fund for Public Capacity Building and Economic Development (KPC) aims to enhance the region's public sector capacity across all fiscal-related areas by facilitating the efficient allocation and use of public sector resources at both national and sub-national levels. Since its inception, the KPC has focused on improving the delivery of high-quality services and strengthening government institutions to be more efficient, effective, and accountable.

Source: Korea Trust Funds at the IDB Group, 2024.

Note: The table reports technical cooperation as of December 31, 2024.

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 generated impact since their establishment, operations continue to evolve and improve year after year. For example, in 2024, many operations supported laying the groundwork in emerging areas of digitalization and technological innovation (e.g., artificial intelligence, green hydrogen economy, interoperability of information systems), as well as tackled cross-cutting themes and broader social/environmental challenges to foster inclusive development (e.g., circular economy, climate resilience, gender and diversity, social inclusion).

With regard to resource mobilization, important milestones were achieved. In 2022–2024, Korea made new contributions of US\$24.3 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 and resource commitments position the KTFs as an essential source of development finance 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 infrastructure, climate change, and human capital development, Korea will continue to leverage the versatility of the KTFs to cover multifaceted areas of support, ensuring close alignment with its own interests in the digital economy, climate resilience, sustainable infrastructure, and support for SMEs.

Overall, the KTFs have played a significant role in strengthening collaboration, aligning institutional strategies, and enhancing 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 2024

Project Number	Project Name	Sector	Amount Approved (US\$)
CO-T1738	Support for the Integration of Migration Information in Colombia	Social Investment	700,000
CR-T1275	Promotion of Technology Guarantee and Technology Appraisals for SMEs with Innovative and Technological Potential	Private Firms & SME Development	325,000
EC-T1441	Improving Solid Waste Management for Climate Mitigation and Inclusive Circular Economy in Ecuador with Korea	Water & Sanitation	600,000
PE-T1570	Support for the Bus Operation System Initiative in Huancayo, through the PROMOVILIDAD Program	Transport	550,000
PE-T1571	Support for the Strengthening of Peru's Digital Infrastructure	Science & Technology	600,000
PN-T1356	Empowering Youth through Music and Culture	Education	145,000
PR-T1356	Support National Connectivity Plan for Paraguay	Science & Technology	600,000
PR-T1369	Developing an Investment Plan to Support Water Resources Management in the Pilcomayo River Basin in Paraguay	Water & Sanitation	500,000
RG-T4323	Developing Smart City Capabilities in LAC based on IDB Cities Lab Platforms and Korean Experiences	Urban Development & Housing	400,000
RG-T4417	Data Management to Accelerate Productivity and Sustainability of the Private Sector in LAC	Private Firms & SME Development	700,000
RG-T4438	Consolidating Advances on the Statistical Use of Administrative Records: Lessons Learned and Best Practices	Reform / Modernization of State	500,000
RG-T4439	Accelerating AI Adoption in LAC: Aligning Regulations, Deploying Pilots, and Conducting Training	Reform / Modernization of State	500,000

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■ Table 4.2

IDB Projects Approved by the KTFs in 2024 *(continued)*

Project Number	Project Name	Sector	Amount Approved (US\$)
RG-T4464	K-LAC Trade & Innovation Forum 2024	Trade	800,000
RG-T4479	Enhancing the Institutional Capability of State-Owned Enterprises (SOEs) to Attain Climate Change Objectives and Reduce Fiscal Risks in LAC	Reform / Modernization of State	500,000
RG-T4552	Empowering Sustainable Digital Transformation in LAC: Cybersecurity, Climate Solutions, and Innovative Financial Services	Private Firms & SME Development	700,000
RG-T4554	Promotion of Business Opportunities for Private Firms in the Health Sector	Health	500,000
RG-T4567	A Regional Solution for Accelerating the Deployment of Central Bank Digital Currencies (CBDCs) for Inclusion in LAC	Private Firms & SME Development	750,000
RG-T4578	From Korea to LAC: Promoting Sustainable Digital Transformation in Education	Education	600,000
TT-T1153	Accelerating Decarbonization Activities in Trinidad and Tobago	Energy	550,000
UR-T1309	Support for the Strengthening and Sustainability of the National Care System in Uruguay	Social Investment	250,000
Total (20 Projects)			10,770,000

Korea Infrastructure Development Co-Financing Facility (KIF)

Established on March 28, 2015, the KIF aims to support the IDB's mandate to promote economic growth and reduce poverty in LAC through the co-financing of sovereign-guaranteed (SG) loans. The facility was created through a contribution from Korea of up to US\$1.9 billion: US\$100 million for the first phase, US\$300 million for the second phase, US\$500 million for the third phase, and an additional US\$1 billion—its largest-ever replenishment since its inception—signed in December 2023. Notably, this large-scale replenishment in 2023 far surpassed the cumulative amounts of all previous phases combined, signaling a new era of elevated cooperation between Korea and the IDB Group. KIF resources have been utilized to co-finance key infrastructure projects expected to achieve significant development outcomes. Since its inception, the KIF has approved 21 projects with a total value of US\$1.05 billion, with accumulated disbursements reaching US\$570.66 million as of December 31, 2024.

The energy sector has received the largest share of resources, followed by science and technology, water and sanitation, transportation, and response to COVID-19. KIF expanded its sectoral coverage by approving its first operations in trade (US\$100 million) and health (US\$7 million) in 2024. Its financing 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 and health systems; disaster risk management systems; trade and integration systems; digital economy policies; and information and decision support systems for climate change and agribusiness-related projects. Between 2015 and 2024, the countries that received the most KIF resources are Colombia, Ecuador, Bolivia, and Dominican Republic.

The KIF is fully aligned with the IDB's New Institutional Strategy (Transforming for Scale and Impact), which provides a roadmap for guiding the IDB Group over the next seven years (2024–2030), as it aligns with its three core objectives of reducing poverty and inequality, addressing climate change, and bolstering sustainable regional growth. It also advances cross-cutting issues of climate action, social inclusion, and institutional capacity, through its support to activities related to the reform and modernization of the state.

In 2024, the KIF approved three projects totaling US\$207 million. They are composed of: (i) a Policy-Based Loan (PBL) of US\$100 million for the project, "Support for Energy Transition and Investment Promotion in Ecuador's Energy Sector II" (EC-L1293), to support the Ecuadorian government's efforts toward a just energy transition by fostering public and private investment, (ii) a PBL of US\$100 million for the project, "Support Program to Strengthen Colombia's Integration into Global Value Chains II" (CO-L1302), to promote Colombia's integration into global value chains to stimulate economic growth, and (iii) an investment loan of US\$7 million for the project, "Improving Efficiency, Quality, and Access in Belize's Health System" (BL-L1048), to improve the efficiency and quality of healthcare delivery and expand access to key health services.

■ Table 4.3

IDB Projects Supported by the KIF as of December 2024

Year*	Project		Country/Sector	Beneficiaries (Households)	Amount	
	Number	Name			Total	KIF
2015	NI-L1090	Broadband Program in Nicaragua	Nicaragua/ Technology	620,000	50,000,000	25,000,000
2016	EC-L1160	Investment Plan to Support the Transition of the Energy Matrix in Ecuador	Ecuador/Energy	382,000	160,000,000	25,000,000
	NI-L1094	Geothermal Exploration and Transmission Improvement Program under the PINIC	Nicaragua/Energy	86,000	103,000,000	25,000,000
2017	BO-L1191	Program to Expand and Improve Water Supply Sustainability and Resilience in Cities	Bolivia/Water & Sanitation	112,827	75,000,000	25,000,000
2018	CO-L1233	Program for the Improvement of Connectivity and Digitalization of the Economy	Colombia/ Technology	696,116	350,000,000	50,000,000
2019	PR-L1164	Program to Rehabilitate and Maintain Agroindustrial Corridors	Paraguay/ Transportation	35,000	235,000,000	50,000,000
	HO-L1207	Central District Water and Sanitation Services Reform Program	Honduras/Water & Sanitation	36,000	60,000,000	30,000,000
2020	GU-L1171	Infrastructure for the Rural Electrification Program of Guatemala	Guatemala/Energy	40,000	120,000,000	60,000,000
	GU-L1175	Program for the Digital Transformation of Guatemala for Inclusive Access to Connectivity	Guatemala/ Technology	—	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	Paraguay/ Health	330,000	210,000,000	50,000,000
2021	ES-L1145	Social Digital Connectivity Program	El Salvador/ Technology	200,000	85,000,000	35,000,000
	DR-L1146	Power Sector Sustainability and Efficiency Program III	Dominican Republic/ Energy	—	250,000,000	50,000,000
	CO-L1264	Sustainable Growth and Resilient Program	Colombia/Public Service	40,000	1,225,756,800	100,000,000

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■ Table 4.3

IDB Projects Supported by the KIF as of December 2024 *(continued)*

Year*	Project		Country/Sector	Beneficiaries (Households)	Amount	
	Number	Name			Total	KIF
2022	EC-L1253	Program for the Improvement of Tax and Customs Administration	Ecuador/Public Service	1,500,000	89,000,000	35,000,000
	CR-L1147	Towards a Green Economy: Support to Costa Rica's Decarbonization Plan II	Costa Rica/Energy	—	407,000,000	50,000,000
	DR-L1158	Universal Sanitation Program in Coastal and Tourist Cities	Dominican Republic/ Water & Sanitation	40,000	190,000,000	60,000,000
2023	EC-L1287	Support for Energy Transition and Investment Promotion in Ecuador's Energy Sector	Ecuador/Energy	95,000	500,000,000	50,000,000
	BO-L1222	Rural Electrification Program III	Bolivia/Energy	11,468	202,000,000	100,000,000
2024	BL-L1048	Improving Efficiency, Quality, and Access in Belize's Health System	Belize/Health	1,200	17,000,000	7,000,000
	EC-L1293	Support for Energy Transition and Investment Promotion in Ecuador's Energy Sector II	Ecuador/Energy	88,000	600,000,000	100,000,000
	CO-L1302	Support Program to Strengthen Colombia's Integration into Global Value Chains II	Colombia/Trade	—	600,000,000	100,000,000
Total (21 Projects)				4,313,611	5,598,756,800	1,052,000,000

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 city

administration and revitalize the local economy by supporting La Ceiba's transition into a smart city and promoting sustainable growth. To this end, the project promoted ICT-powered smart city services with a focus on tourism, transportation, and safety, as well as identified the concrete actions needed to advance implementation. Drawing from the K-City Model, Korea's experience in urban development, and the expertise of Korean ICT specialists, the project provided tailored smart city policy consulting services that reflected the La Ceiba's unique characteristics and needs, thereby strengthening economic cooperation with Honduras.

KTFs: On digital transformation in mobility, the KTFs financed 'Scaling Up the Current SINPE-TP into an Interoperable Payment System for the San Jose Greater Metropolitan Public Support' (2022–2025). The operation approved US\$400,000 to scale up an electronic payment pilot into an interoperable system for buses and trains in the San Jose metropolitan area, with Costa Rica's Ministry of Public Works and Transport as the main beneficiary. Based on technical support from the Korea Transport Institute (KOTI), the project established inter-institutional agreements and created a governance framework that improved coordination and transparency among transport authorities and private operators, including the Central Bank of Costa Rica, Public Transport Council, and Costa Rican Institute of Railroads. These efforts were key to clearly defining roles and responsibilities for each actor and laid the groundwork for Costa Rica's first nationwide interoperable transport payment system. By introducing contactless card payments, improving data for route planning, and enhancing passenger experience, the project marked a significant step toward modernizing public transport services and advancing sustainable urban mobility in Costa Rica. While the full implementation of SINPE-TP remains a work in progress, this operation represents the first national-scale initiative of its kind in the region.

On youth employment, the KTFs financed 'Support to Strengthen Services to Youth of the Public Labor Intermediation Service of Haiti' (2019–2024). The operation approved US\$650,000 to support Haiti's Ministry of Social Affairs and Labor (MAST) and Public Labor Intermediation Services (PLIS) in enhancing governance, expanding access to labor market information, and tailoring services for youth. In collaboration with the Korea Employment Information Service (KEIS), the project developed the national information network blueprint and piloted two innovative

digital platforms: “AYITI-Lance” for freelancing and “AY-Source” for microwork, each followed by rigorous impact evaluations. For example, the “AYITI-Lance” pilot received 3,329 applications, with 186 youth completing the training. Its impact evaluation demonstrated increases in online proposal submissions and client interactions, improved online employment outcomes with more contracts signed, and higher satisfaction, indicating positive effects on youth well-being. The “AY-Source” microwork pilot attracted 1,998 applicants and trained 50 selected youth through a comprehensive program combining theoretical and practical components. Its impact evaluation showed increases in participant engagement, completed tasks, hours worked, and microwork-related income. Overall, the initiative trained more than 1,200 Haitian youth with formal certification, supported inclusive pathways into the labor market, and informed the design and implementation of Haiti’s new online labor intermediation platform (Service Public de l’Emploi) as well as subsequent IDB loan operations in Haiti. In 2023, the operation received the IDB’s 2023 Superheroes of Development Award, recognizing its innovation and measurable impact on youth employability.

Additionally, KTF resources have been instrumental in expanding and bolstering cooperation with the private sector, particularly through the financing of the Korea-LAC event series. The series, which includes the Korea-LAC Business Summits and K-LAC Innovation & Trade Forums, 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 jointly financed the Social Digital Connectivity Program, advancing both digital infrastructure and social development priorities. This program has connected nearly 2,000 schools and 200,000 homes to the internet, while providing digital skills training to 600,000 individuals. In the Dominican Republic, the IDB and Korea jointly co-financed the Power Sector Sustainability and Efficiency Program, which reduced energy-generation

costs and enhanced operational efficiency. As a key result of this partnership, Korea Electric Power Corporation (KEPCO) was contracted to build a state-of-the-art power distribution substation.

Partnerships with Korean Institutions

The IDB collaborates with a wide range of Korean institutions through partnership agreements and robust action plans, engaging ministries, public entities, universities, and private firms. To date, MOUs have been signed with 37 Korean counterparts—including 14 ministries, 19 public institutions, 2 private entities, 1 academic institution, and 1 municipal government. These agreements have strengthened cooperation in knowledge exchange, technical capacity building, advisory services, and joint research. Particularly notable are partnerships in capital markets and public procurement, which have opened new avenues for Korea–LAC collaboration.

As of 2025, 42 Korean professionals are working at the IDB, including 12 staff, 22 consultants, 2 PECs, and 6 secondees. In addition, 2 Korean interns were selected from a pool of 2,400 global applicants to complete their program at the IDB Headquarters. Together, these figures exemplify Korea's growing professional footprint in the Bank and the region.

The Korea–LAC event series, launched in 2007, has now held a total of eight editions both in Korea and Latin America, bringing together more than 5,000 participants and facilitating over 4,500 business meetings, generating approximately US\$2.2 billion in expected business transactions. In 2025, the 7th Korea–LAC Business Summit will be held in Seoul as part of the 20th anniversary of Korea's IDB membership, with the participation of President Ilan Goldfajn, Deputy Prime Minister of Korea Yun Cheol Koo, senior officials, and business leaders.

As such, Korea's multifaceted cooperation framework leverages four distinct yet complementary levers. First, knowledge sharing and policy advice from the KSP in science & technology, transportation, and public sector modernization help establish regional standards and drive institutional reform. Second, grants from the KTFs provide the necessary technical support, expertise, and capacity to accelerate the adoption of innovative solutions and inclusive services, with a

focus on digital transformation, private sector development, and social investment. Third, large-scale financing from the KIF enables the development of resilient infrastructure in critical sectors such as energy, technology, and water & sanitation. Finally, the deployment of Korean experts forms a dedicated talent corps, embedding practical experience and technical know-how directly into development projects.

As Korea marks the 20th anniversary of its membership in the IDB—which has already delivered tangible results such as improved access to electricity, water, and digital services for over 4 million households—the upcoming 9th Korea–LAC Business Summit in Seoul will launch a new package of strategic initiatives designed to deepen cooperation and deliver greater development impact. This new initiative will focus on five priority areas: AI and digital transformation, energy, critical minerals, infrastructure, and talent mobility. The package includes a credit substitution guarantee to unlock new IDB lending; a new Korea AI-Hub to scale financing for AI and clean technologies; resource mobilization for the KTFs; a private sector co-financing facility with IDB Invest and KEXIM to mobilize private capital; and new career pathways for Korean professionals at the IDB Group.

Together, these initiatives represent a concrete action plan, translating a shared strategic vision into tangible commitments for the next era of partnership—one that remains forward-looking, innovative, and impactful.

