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Working Paper

Prospects for regional cooperation between Latin America and the Caribbean Region and the Asia and Pacific Region: Perspective from East Asia

ADB Working Paper, No. 217

Provided in Cooperation with:

Asian Development Bank Institute (ADBI), Tokyo

Suggested Citation: Medalla, Erlinda; Balboa, Jenny (2010) : Prospects for regional cooperation between Latin America and the Caribbean Region and the Asia and Pacific Region: Perspective from East Asia, ADB Working Paper, No. 217, Asian Development Bank Institute (ADBI), Tokyo

This Version is available at:

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ADB Working Paper Series

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

Erlinda M. Medalla and
Jenny D. Balboa

No. 217
May 2010

Asian Development Bank Institute

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Suggested citation:

Medalla, E. M., and J. D. Balboa. 2010. Prospects for Regional Cooperation between Latin America and the Caribbean Region and the Asia and Pacific Region: Perspective from East Asia. ADBI Working Paper 217. Tokyo: Asian Development Bank Institute. Available: <http://www.adbi.org/working-paper/2010/05/25/3840.regional.cooperation.america.caribbean.asia.pacific/>

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Abstract

The Asia and Pacific region and Latin American and Caribbean region are two regions divided not only by vast geographic distance, but also by disparities in economics, politics, culture, and history. Most recently, a number of forums explored the possibility of closing such gaps and linking the two regions through various trade and investment initiatives. The opportunities for cooperation abound and could touch on areas that will improve the regional value chain and enhance the innovation and competitiveness of both regions. Interregional cooperation could also help the two regions seek ways to deal with the current global economic crisis through a range of opportunities to stimulate the economy. This paper explores the potential for regional cooperation between the Asia and Pacific region and Latin America and the Caribbean. It also provides some recommendations to enhance the economic partnership of the two regions.

JEL Classification: F15, F13, F59

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1. INTRODUCTION

The economic success of the East Asian region during the past four decades and its proven resilience during times of crisis demonstrate that regional integration, supported by both open trade and regional cooperation, is a key factor for sustained growth and development. However, the current financial crisis is threatening the East Asian region's phenomenal success, ushering in an economic slowdown, if not recession, across the globe. In general, regional governments are conscious that closing national borders in response to the crisis would only lead to inefficiencies and lower the chances of riding out and bouncing back from the crisis. As such, the economies in the region have remained committed to free and open trade, and the regional governments have a renewed interest in deeper regional cooperation to help manage shared risks and common interests. Even areas most governments have been disinclined to consider in a regional context, such as investment and services, are now being openly discussed.

The 1997 Asian financial crisis prompted rounds of bilateral and multilateral agreements in the East Asian region, and created mechanisms for regional cooperation, particularly the Association of Southeast Asian Nations (ASEAN) +1, ASEAN +3 (APT), and the East Asian Summit (EAS). These regional cooperation initiatives helped spur trade, investment, and financial reforms that deepened Asia's growing and wide-ranging links. At the national level, regional cooperation helped lock-in reforms within domestic economies that led to the creation of a coherent and efficient environment for doing business within that economy. At the global level, regional cooperation helped Asia, especially its developing economies, secure a role in decision making for various issues relating to the region's economy and politics. Asia's outstanding economic performance can be attributed to its pursuit of open and flexible regionalism.

Latin American countries and the Caribbean, on the other hand, have not displayed the same success as the Asia and Pacific region in integrating their economies and securing a stronger role in the global economy. Unlike the Asia and Pacific region, and in particular East Asia, the Latin American and Caribbean region has not embraced open regionalism and has not been aggressive enough in looking for third markets (United Nations Economic Commission for Latin America and the Caribbean [UNECLAC] 2008). Latin American markets remain fragmented and the business environment needs to be restructured to make it more attractive for foreign direct investment (FDI).

The idea of linking the dynamic Asia and Pacific region with Latin America and the Caribbean has been explored in various fora. The main challenge for establishing this connection is how to strengthen trade and investment links between the two regions. A lack of coherent and sustained policies, poor infrastructure support, and high transportation costs have dampened previous attempts to integrate the two regions.

There are many opportunities for growth and development between the two regions once appropriate policies and support systems are in place. The potential is especially vast in the infrastructure, energy, banking, tourism, and logistics sectors. Efforts to expand trans-regional cooperation would not only be valuable for improving the regional value chain, but could also help enhance innovation and competitiveness, especially for Latin America and the Caribbean. Moreover, the current global financial crisis has increased the array of cooperative opportunities as governments and industries in both regions seek ways to deal with the crisis.

Interregional cooperation between the two regions would be very challenging since they are divided by substantial geographic distance and are characterized by profound disparities in economics, politics, culture, and history. Nonetheless, it is certainly worth considering, given the mutual benefits that can be derived from this cooperation.

This paper explores the potential for regional cooperation between the Asia and Pacific region and Latin America and the Caribbean. The first section provides an overview of regionalism and how it has evolved as a strategy to manage regional externalities. The second section provides a background on Asian regionalism and the factors for its success. The third section deals with prospects for interregional cooperation between the Asia and Pacific region and Latin America and the Caribbean. The fourth section provides the conclusion and some recommendations on how to build a partnership between the two regions.

2. AN OVERVIEW OF THE EVOLVING GLOBAL ECONOMIC ARCHITECTURE

The aftermath of World War II hastened global economic integration, as the subsequent period of peace and reconstruction made it possible to increase economic activities. Foreign trade steadily climbed, and by 1960 the total ratio of foreign trade to gross domestic product (GDP) stood at 25%. Multilateral trade negotiations under the General Agreement on Tariffs and Trade (GATT) further quickened globalization, followed by the liberalization of trade and investments, improvements in infrastructure, and technological developments, which created a more conducive climate for foreign trade (Urata 2008b). Alongside this development was an increasing interest in regionalism, as countries that were considered to be natural trading partners coalesced and formed economic blocs. As of May 2009, 247 regional trading agreements (RTAs) from different parts of the globe were in force under the GATT/World Trade Organization (WTO) regime (Table 1).

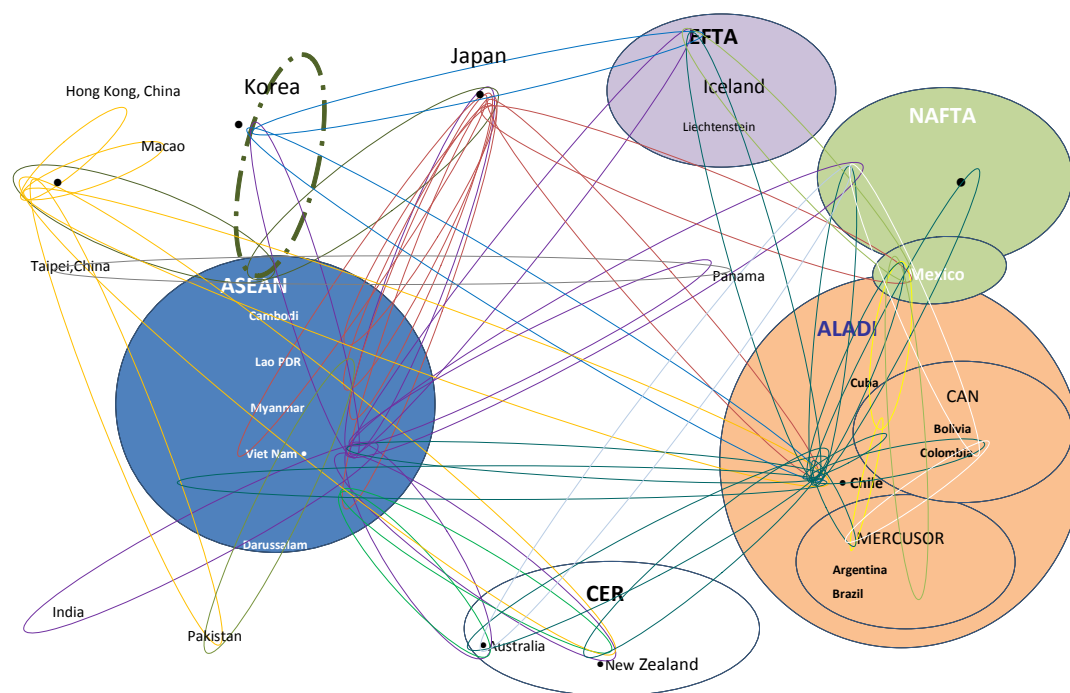
Table 1: RTAs in Force, Sorted by Type of Agreement (May 2009)

	Enabling Clause	GATS Art. V	GATT Art. XXIV	Grand Total
Customs Union	6		7	13
Customs Union-Accession	0		6	6
Economic Integration Agreement		61		61
Economic Integration Agreement-Accession		6		6
Free Trade Agreement	9		137	146
Free Trade Agreement-Accession	0		2	2
Preferential Trade Agreement	12			12
Preferential Trade Agreement-Accession	1			1
Grand Total	28	67	152	247

Source: compiled by author from the World Trade Organization (<http://rtais.wto.org>; accessed 15 May 2009).

Much has been said about the risks of RTAs. The sheer number of RTAs alone result in an intricate web of overlapping arrangements and varying Rules of Origin (ROOs) that can complicate the global trading order (See Figure 1). Moreover, RTAs foster preferential treatment and could become stumbling blocs to multilateralism.

Figure 1: RTAs and FTAs in Effect in the East Asia and Latin America and Caribbean Region



Source: Kim 2007.

It is significant to note that, at first, the architects of the global economic system did not find regionalism acceptable. Having experienced the collapse of the global financial system and trade under the protectionist regime of the Great Depression in the 1930s, regional blocs were viewed to be potentially harmful to multilateral trade, financial systems, and GATT’s principle of non-discrimination. The major economies—the United States (US) and Japan, particularly—were skeptical about regionalism and wary of its impact on global trade. Having suffered from trade discrimination, Japan was not enthused by the growing popularity of regionalism.

Despite these risks, the trend in RTAs and regionalism has continued. From a political economy perspective, the explanation is that there are natural economic groups and strategic partners that gravitate toward each other because of geography, economic agenda, or political events.

The skepticism started to die down during the global economic architecture restructuring in the second half of the 20th century. The bipolar economy created by the US and Europe began to loosen, and by the 1970s a third bloc emerged—the East Asian economic bloc. The 1980s saw the rise of other economic blocs, such as the South American bloc made up of Argentina, Paraguay, Uruguay, and Brazil. Similarly, African trade gained strength as South Africa and its near neighbors, Malawi and Zimbabwe, increased trade with each other. By the 1990s, with the break up of the Soviet Union, trade started to gravitate toward Europe. Trading patterns and economic relations between and among the different blocs intensified and diversified. During this period, an important development was the establishment of East Asia as a solid economic bloc, an event that permanently changed the global economic landscape (Evans et al. 2004).

Evidence suggests that East Asia has had, and will continue to have, a fundamental stake in both regional and global integration (Asian Development Bank [ADB] 2008). The East Asian economic bloc later expanded its membership to include Australia, New Zealand, and other countries in the Pacific, thereby creating the Asia and Pacific region economic bloc and further increasing its total world trade share.

Regional cooperation in East Asia further intensified when the Asian financial crisis hit the region in 1997. In the absence of official measures to respond to the crisis, East Asia created a forum to work together and discuss the issues and solutions to the market failures, providing an even larger role for regional cooperation (ADB 2008).

Over time, regional cooperation has become an important instrument for providing solutions, opportunities, and institutions to address pressing economic and social issues that cannot be solved at the national level or are not addressed in an international forum. The table below shows the role and function undertaken by East Asia regional cooperation in solving economic, social, and environmental issues in the region. In the presence of the global financial and economic meltdown, regional cooperation has become an important measure in managing the impact of the crisis (Table 2).

Table 2: Analytical Framework for Regional Cooperation

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

Source: ADB 2008.

3. OVERVIEW OF ASIAN REGIONALISM

The core of Asian regionalism is East Asia, where economic cooperation started and first gained success. Huge amounts of literature have been devoted to understanding and emulating the economic success of East Asia. While obstacles remain in terms of human resource development, infrastructure, and governance, East Asia has undoubtedly taken an important role in the global economy. East Asia's share of world output had risen substantially over the past two decades, overtaking the US and capturing a large size of world exports, matching that of North America (Drysdale 2005).

The growth and deepening integration of the East Asian region has been shaped by three huge waves of trade and industrial transformation. The first wave occurred with the rise of Japan and its emergence as a major industrial power. The second wave was led by the newly industrializing economies (NIEs) of Northeast and Southeast Asia in the late 1970s and 1980s. The third wave was characterized by the rise of the PRC. These three major time periods restructured the economic architecture of East Asia, making it an economic powerhouse and cornering almost a quarter of world output (Drysdale 2005).

East Asia had grown more rapidly and steadily than any other region in the world. Intra-regional trade in the Asia and Pacific region accounts for 54% of the region's total trade, surpassing intra-regional trade among the nations of the North American Free Trade Agreement (NAFTA) and approaching the level of European Union (EU) (Table 3).

Table 3: Asia and Pacific Region Intra-regional Trade by Geographic Grouping^a
(Percentage of the region's total trade)

Geographic Grouping	1980	1985	1990	1995	2000	2003	2006
Within ASEAN (10) ^b	17.9	20.3	18.8	24.0	24.7	26.6	27.2
Within ASEAN +3 ^c	30.2	30.2	29.4	37.6	37.3	39.0	38.3
Within ASEAN +3, Hong Kong, China, and Taipei, China	34.1	37.1	43.1	51.9	52.1	55.4	54.5
Memo: EU (27)	61.5	60.0	66.8	66.9	66.3	68.1	65.8
NAFTA	33.8	38.7	37.9	43.1	48.8	47.4	44.3
MERCOSUR ^d	11.1	7.2	10.9	19.2	20.7	14.7	15.7
Andean Community (5) ^e		3.3	5.4	12.4	10.8	10.8	9.1
CACM ^f		...	12.1	15.6	17.5	17.6	10.1

Source UNECLAC (2008).

Notes:

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

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

c ASEAN +3 includes the 10 ASEAN countries plus the People's Republic of China (PRC), Japan, and the Republic of Korea.

d. MERCOSUR stands for *Mercado Comun del Sur* or Southern Common Market, composed of Argentina, Brazil, Paraguay, Uruguay and Chile.

e Andean Community (5) includes the Bolivarian Republic of Venezuela.

f Central American Common Market (CACM) composed of Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica

Trade and investment has been East Asia's economic lifeblood for the past few decades and its source of growth. Investment inflows to the Asia and Pacific region have also surpassed NAFTA in recent years. Export and import in merchandise trade is among the highest in the world and has overtaken NAFTA in terms of trade volume and share in world total. The Asia and Pacific region had shown the highest growth rate in international trade for the period 2000–2006 and had consistently established itself as the second strongest economic bloc since 2000, next to the EU. The consolidation of the Asia and Pacific region's economies is a huge factor in further strengthening the region (Tables 4 and 5).

Table 4: Inward Foreign Direct Investment

	FDI Stock	FDI Stock				FDI Net Inflows	FDI Net Inflows			
	Million US Dollars	% of GDP				Million US Dollars	% of GDP			
	2007	1990–1995	1996–2000	2001–2005	2007	2007	1990–1995	1996–2000	2001–2005	2007
Asia and Pacific Region	3,362,327	7.5	11.8	15.9	22.3	372,367	0.8	1.5	1.6	2.5
ASEAN	550,786	20.4	36.7	42.9	42.9	60,513	3.5	4.5	3.8	4.7
ASEAN+3	1,130,353					169,211				
ASEAN+6	1,590,166					217,194				
ECO ^a	229,472	5.4	9.1	13.8	20.5	35,522	0.5	0.8	1.9	3.2
SAARC ^b	105,729	2.0	4.5	5.8	7.4	29,866	0.3	0.7	1.0	2.1
Latin America and Caribbean	1,140,007	10.5	18.1	32.0	32.4	126,266	1.2	3.9	3.3	3.5
Other World Regions										
Africa	393,429	14.4	21.3	28.1	30.3	52,982	0.9	1.7	2.8	4.1
Europe	7,362,272	10.7	16.7	31.9	41.1	870,478	1.0	3.3	2.8	4.9
North America	2,615,076	8.0	10.8	14.5	17.2	341,529	0.7	2.3	1.0	2.2
Other Countries/Areas	334,970	11.6	12.4	16.6	24.7	69,701	0.6	1.3	2.7	5.3
World	15,210,560	9.3	14.0	21.5	27.9	1,833,324	0.9	2.7	2.0	3.4

Source: UNESCAP 2008.

a. Economic Cooperation Organization (ECO) is an intergovernmental regional organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. Current membership includes Islamic State of Afghanistan, Azerbaijan Republic, Islamic Republic of Iran, Republic of Kazakhstan, Kyrgyz Republic, Islamic Republic of Pakistan, Republic of Tajikistan, Republic of Turkey, Turkmenistan and Republic of Uzbekistan.

b. The South Asian Association for Regional Cooperation (SAARC) provides a platform for the people of South Asia to work together and thereby accelerate the process of economic and social development. Established in 1985, member states include Bangladesh, Bhutan, India, Nepal, Pakistan and Sri Lanka.

Table 5: Growth in International Trade

	Average Annual Growth Rate of Imports of Merchandise			Average Annual Growth Rate of Exports of Merchandise		
	% Per Annum					
	1990–1995	1995–2000	2000–2006	1990–1995	1995–2000	2000–2006
Asia and the Pacific	9.8	2.9	13.3	9.9	4.7	12.9
ASEAN	15.6	0.6	10.1	16.2	5.5	10.1
ASEAN+3						
ASEAN+6						
ECO		5.1	18.4		7.2	18.0
SAARC	9.1	5.3	20.5	11.4	6.7	15.9
Latin America and Caribbean	12.8	8.4	8.3	11.6	9.2	11.1
Other World Regions						
Africa		1.0	13.3		6.5	10.2
Europe	4.4	3.1	11.6	6.1	2.1	11.4
North America	8.1	9.9	7.2	8.3	6.4	5.1
Other Countries/Areas		5.1	10.1		9.0	12.3
World	7.0	4.7	10.9	7.7	4.3	10.9

Source: UNESCAP 2008.

The industrial and trade transformation of East Asia over the last half-century has been driven by policy initiatives and market forces that opened up trade and investments in the East Asian countries. This created the opportunity to dynamically link the East Asian economies to the international production chain and also provided an environment conducive for sustained FDI flow.

The initial phase of liberalization took place in the 1980s and 1990s, as countries in East Asia began liberalizing trade and FDI policies and deregulating domestic economic activities. This liberalization was part of the commitment that had been made to the World Bank and International Monetary Fund (IMF) to create more comprehensive structural reform policies in exchange for economic assistance during the Asian financial crisis. Liberalization activities were also stimulated by the realization of the East Asian countries that liberalization and deregulation would promote economic growth.

Meanwhile, policies toward FDI liberalization started around the mid-1980s as countries began to realize that FDI inflows would promote economic growth. Some of the measures undertaken were the reduction of the number of sectors and industries on the negative list and relaxing the limits on foreign equity ownership. A number of economies also introduced tax holidays or tax breaks to encourage more FDI inflow (Urata 2008b).

As regionalization developed, liberalization of trade and FDI also further progressed in East Asia. In 1992, ASEAN member countries created the ASEAN Free Trade Area (AFTA), which was designed to enhance trade and FDI flow in the region. AFTA is considered to be the

centerpiece of the ASEAN economic integration policy and provided the impetus to explore sub-regional cooperation.

Another regional framework that facilitated trade and FDI liberalization in East Asia is the Asia Pacific Economic Cooperation (APEC) forum. APEC provided the venue for East Asian countries to engage North America, South America, and Oceania in economic dialogue and to create a venue to discuss issues vital to economic development in the region. Though participation is voluntary, the Bogor goals¹ outline full liberalization of trade and FDI by 2010 for members with developed economies and by 2020 for member with developing economies—these goals have been well integrated in member countries' economic agendas. To date, APEC's member countries have made significant strides in liberalizing trade and FDI.

Several studies have been devoted to understanding the shape of East Asia's economic architecture (Kawai 2007, Urata 2008b, Soesastro 2006, Nanto 2008). Analysts agree that the development of the East Asian regionalism is propelled by three factors: 1) market-driven economic integration, 2) negotiated trade liberalization initiatives, and 3) the regional financial cooperation initiatives following the Asian financial crisis. The East Asia integration process started as market-led integration and progressed into an institution-led process as East Asia pursued bilateral and plurilateral free trade agreements (FTAs) and financial cooperation initiatives.

3.1 De Facto Economic Integration in East Asia

The market-driven forces of cross-border trade, FDI, and finance pushed the initial phase of economic integration in East Asia. The simultaneous expansion and reinforcement between trade and FDI, otherwise known as the trade-FDI nexus (Urata 2001, Kawai 2005), was largely determined by the establishment of regional production networks and supply chains by multinational corporations (MNCs). This phenomenon became known as “Factory Asia” (Soesastro 2006). By the end of 1990s, the intensity of regional trade in East Asia was already comparable to that of the EU and NAFTA. East Asia was also slowly veering away from its dependence on the US and European markets. This dependence is expected to further decline as demand for final products within East Asia continues to grow (Kawai 2007).

Meanwhile, rapid FDI inflows into East Asia are largely attributable to favorable economic environments and the abundant supply of high-quality, low-wage labor. FDI inflows to East Asia over the past decades have grown rapidly, even at a faster rate than the region's growth in trade.

Many of these FDI movements were intraregional, from Japan and the NIEs to ASEAN and the People's Republic of China (PRC), as well as from ASEAN and to the PRC. MNCs specializing in manufacturing played an important role in enhancing economic integration. The increasing number MNCs from Japan, and later on from the NIEs, were key factors in linking East Asia to the global production chain since they tend to divide their production process into several sub-processes and relocate them in different countries in accordance to their comparative advantages. Such business arrangements have promoted vertical intra-industry trade within East Asia for capital equipment, parts and components, intermediate inputs, semi-finished goods, and finished manufactured products (Kawai 2007).

The PRC plays a key role in the international product fragmentation and the regional production network in general. The PRC's dynamic role on intra-regional trade has changed the structure of East Asia, and to a large extent created a positive, competitive boost for ASEAN.

¹ The APEC Economic Leaders Declaration of Common Resolve signed in Bogor, Indonesia on 15 November 1994, or commonly known as Bogor Goals, commit to sustain free and open trade and investment in the Asia Pacific by reducing barriers to trade and investment and by promoting the free flow of goods, services and capital among economies. It sets the target of creating free and open trade and investment in the region no later than 2020, with industrialized countries achieving this goal in 2010, and developing economies no later than 2020.

The PRC will likely exert more influence in the region in the future, as it poses to capture a substantial portion of FDI inflows and outflows and increases its intra-industry and intraregional trade. About half of the increase in East Asia's share in world trade has been accounted for by the PRC. The rise of the PRC has further expanded "Factory Asia" and established what is referred to as the new pattern of "triangular trade" involving increased Chinese imports from East Asia and Chinese exports to third markets (Soesastro 2006).

In addition to trade and investment integration, financial markets are also rapidly integrating as a result of the deregulation of domestic financial systems, the opening of financial services, and the progressive relaxation of capital and exchange controls. Commercial banks in developed countries have begun operating abroad and consequently portfolio investments have strengthened linkages among the region's financial markets. At the same time, commercial banks in emerging economies have also expanded operations with their neighbors. However, compared to trade and FDI integration, financial integration in East Asia has been less pronounced because—apart from Japan, Hong Kong, China, and Singapore—most East Asian economies still impose capital and exchange restrictions and other barriers, which impede free flows of financial capital. Moreover, many of these emerging East Asian economies still have underdeveloped financial systems that are unable to attract investors (Kawai 2007).

3.2 De Jure Integration: Proliferation of Free Trade Agreement in East Asia

East Asia is a dynamic participant in FTAs. As of February 2010, 80 FTAs were in effect, with an additional 44 currently being negotiated within ASEAN +3. A total of 26 FTAs have been signed with other countries (Rest of the World), with 5 more FTAs awaiting ratification, and 64 under negotiation, proposed, or under consultation (Table 6). There are a number of reasons behind the surge in FTA in East Asia. While the growth of FTAs in East Asia typically is seen as a response to the sluggish progress of WTO negotiations (FTAs are often swifter and more convenient because of the bilateral or multilateral setting), there are other reasons for rapid FTA uptake, such as keeping up with the expansion of FTAs in other parts of the world, promoting domestic structural reforms, avoiding financial crises, and responding to rivalry among East Asian economies over regional market access (Urata 2008b).

Table 6: FTAs Involving East Asian Countries, as of February 2010

East Asian Country (ASEAN +3)	Signed/Implementation	Under negotiation	With Other Countries (ROW)
ASEAN	AFTA ASEAN-China FTA(ACFTA)-Trade in Goods (TIG), Trade in Services (TIS), Investments ASEAN-Korea (AKFTA) - TIG, TIS, and Investment ASEAN-Japan Economic Partnership Agreement(AJCEPA) Australia and New Zealand, Malaysia, Philippines, Indonesia, Viet Nam, Brunei, Cambodia, Myanmar, Lao PDR	e.g. Thailand**	India (TIG, TIS, and Investment)
<ul style="list-style-type: none"> Singapore 	Australia, New Zealand, Korea, Japan, PRC, ASEAN	Comprehensive Economic Partnership for East Asia (CEPEA) ****, East Asia Free Trade Area****	US^, India^, Jordan^, Panama^, Peru^, Canada***, Mexico***, Qatar***, Gulf Cooperation Council (GCC)***, Pakistan*** Ukraine***, Kuwait***, ASEAN - European Union (EU) ***, European FTA (EFTA) ^, EU FTA****, Egypt***, Sri Lanka****, Trans-Pacific Strategic Economic Partnership Agreement^, Costa Rica*** Bahrain** Egypt***
<ul style="list-style-type: none"> Thailand 	ASEAN, New Zealand,	Comprehensive	ASEAN-India

	Australia, Japan, PRC, Korea, Lao PDR,	Economic Partnership for East Asia (CEPEA) ^{****} , East Asia Free Trade Area (EAFTA) ^{****} Korea FTA ^{****}	Regional Trade and Investment Area (RTIA) [^] , Peru ^{***} , US ^{***} , Bahrain ^{***} , ASEAN - European FTA (EFTA) ^{***} Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area ^{***} , India FTA ^{***} , Pakistan ^{****} , Chile ^{***} MERCOSUR ^{****}
<ul style="list-style-type: none"> Malaysia 	Japan Economic Partnership Agreement (EPA), ASEAN-Japan Comprehensive Economic Partnership Agreement- (JCEPA), ASEAN, Australia, New Zealand, PRC, Korea Comprehensive Economic Cooperation Agreement (CECA),	Korea Free Trade Agreement (KFTA) ^{****} , CEPEA ^{****} , EAFTA ^{****} , Australia FTA,	Pakistan Closer Economic Partnership Agreement (CEPA) [^] , US ^{***} , Chile ^{***} , ASEAN-India Regional Trade Investment Area (RTIA) [^] , India Comprehensive Economic Cooperation Agreement (CECA) ^{***} , Preferential Tariff Arrangement- Group of Eight Developing Countries ^{**} , Trade Preferential System of the Organization of the Islamic ^{***}
<ul style="list-style-type: none"> Indonesia 	ASEAN, Japan (EPA), ASEAN-Japan (CEPA), PRC, Korea	CEPEA ^{****} EAFTA ^{****} Australia ^{****}	Pakistan ^{***} ASEAN-EU FTA ^{***} , European Free

			Trade Association (EFTA) FTA****, Preferential Tariff Arrangement-Group of Eight Developing Countries**, United States****, India**** Comprehensive Economic Cooperation Arrangement ****, ASEAN-India Regional Trade and Investment Area^
<ul style="list-style-type: none"> Philippines 	ASEAN, Japan, PRC, Australia, Korea New Zealand, Korea,	CEPEA**** EAFTA****	ASEAN-EU***, Pakistan****, US****, India^
<ul style="list-style-type: none"> Viet Nam 	ASEAN, PRC, Korea, Australia, New Zealand, ASEAN-Japan CEPA,	CEPEA**** EAFTA****	Chile***, India^ ASEAN-EU***
<ul style="list-style-type: none"> Brunei 	ASEAN, ASEAN-Japan CEPA, Australia, New Zealand, Korea, PRC, Japan Economic Partnership Agreement (EPA),	CEPEA**** EAFTA****	ASEAN-EU***, Pakistan ****, Trans-Pacific Strategic Economic Partnership Agreement ^, US****, India^
<ul style="list-style-type: none"> Cambodia 	ASEAN, New Zealand, Australia, PRC, India Japan, Korea	CEPEA**** EAFTA****	ASEAN- EU FTA***
<ul style="list-style-type: none"> Myanmar 	ASEAN, New Zealand, Australia, PRC, India Japan, Korea	CEPEA**** EAFTA****	ASEAN-EU FTA***, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) Free

<ul style="list-style-type: none"> Lao PDR 	<p>ASEAN, New Zealand, Australia, PRC, India Japan, Korea, Thailand</p>	<p>CEPEA**** EAFTA****</p>	<p>Trade Area*** ASEAN-EU FTA*** Asia-Pacific Trade Agreement (APTA)^</p>
<p>PRC</p>	<p>ASEAN, New Zealand, Thailand, Singapore,</p>	<p>Australia, CEPEA****, EAFTA****, Japan-Korea****, Korea****, Shanghai Cooperation Organization Free Trade Agreement (SCOFTA)****,</p>	<p>Hong Kong, China^, PRC^, Macao^, Chile^, Pakistan^, Asia-Pacific Trade Agreement (APTA)^, Chile^, Costa Rica***, Gulf Cooperation Council (GCC)***, Iceland***, India****, Peru** Norway***, South Africa****, South African Customs Union Free Trade Agreement (SACUFTA)***, Switzerland****</p>
<p>Korea</p>	<p>ASEAN, Singapore</p>	<p>Japan, Australia, CEPEA****, EAFTA****, Thailand****, New Zealand, Malaysia****, PRC-Japan****, PRC****</p>	<p>Chile^, European Free Trade Area (EFTA)^, US**, Canada***, India^, EU***, APTA^, Colombia***, Peru***, GCC***, MERCOSUR – (Mercado Comun del Cono Sur) or (Southern Cone Common Market)****, Mexico Strategic Economic Complementation Agreement***, South Africa Free Trade Agreement (SAFTA)****,</p>

Japan	ASEAN, Singapore, Thailand, Malaysia, Philippines, Brunei, Indonesia, Viet Nam	Australia CEPEA****, EAFTA****, Korea EPA, PRC-Korea FTA****	India***, Mexico^, Chile^, GCC***, Canada****, India***, Peru*** Switzerland^,
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Source: Updated from Urata 2008b; updates from <http://aric.adb.org/FTAbycountryAll.php> (accessed on 15 March 2010).

Notes: ^In effect

*Negotiation reached an agreement

**Treaty signed for ratification

*** Under negotiation

**** Proposed, under consultation and study

Currently, there are a number of RTAs under study in the region. Most notable are the East Asia Free Trade Agreement (EAFTA) and the Comprehensive Economic Partnership for East Asia (CEPEA). The former involves the ASEAN +3 countries (ASEAN plus PRC, Japan, and Republic of Korea [hereafter Korea]), with the latter involving the ASEAN +3 and Australia, New Zealand, and India. For either of the RTAs under study, there is some consensus that the more practical approach would be a consolidation of the existing ASEAN FTAs (ASEAN +1) rather than negotiating an entirely new agreement. Nonetheless, there would still be difficult problems that would need to be addressed when consolidating existing FTAs.

Lately, there is also an on-going trend to seek partnership outside of the Asian region, particularly with India, EU, US, and South America. Japan, Korea, and PRC had been actively engaged in bilateral agreements and had become dynamic FTA movers in the world.

A significant development in FTA undertakings in the region is the signing of the Trans-Pacific Economic Partnership Agreement or otherwise known as the P4. The P4 is a free trade agreement between the four Pacific governments of Brunei Darussalam, Chile, New Zealand, and Singapore which was signed on 3 June 2005 and came into force on 1 January 2006. The Trans-Pacific Agreement aims to create a free trade agreement that could serve as a model within the Asia-Pacific region. It is open to accession to any APEC economy or other state, subject to terms agreed among the parties. In September 2008, the US Trade Representative announced that the US will negotiate entry into the P4 agreement. Australia, Peru, and Viet Nam also announced that they want to be part of this FTA. There is also a strong support from Chile for Korea to join in this agreement. The P4 is seen as a possible pathway for the creation of a wider Free Trade Area in APEC (FTAAP), an issue which has been deliberated in APEC for some time.

Kawai (2007) characterizes these East Asian FTAs as either bilateral (between two countries) or plurilateral (agreement among three or more countries), outward-oriented (seeking partnership outside of the region), with WTO-Plus coverage of issues beyond trade and services liberalization, particularly trade facilitation, investment, government procurement, and competition, and consisting of multiple ROOs, as most FTAs in East Asia take on a combination of three types of ROO rather than applying a single rule.

Additionally, Kawai noted that East Asian FTAs have cooperation components that aim to address the asymmetry in economic size and development between partner countries. Japan's bilateral initiative, called the Economic Partnership Agreement (EPA), is referred to as a "new age FTA" and typically includes trade facilitation and cooperation. Likewise, the PRC's bilateral FTAs with individual ASEAN countries focus on economic and technical cooperation, with a more lenient schedule for tariff liberalization.

3.2.1 Recap on Asian Regionalism

There is ongoing debate about the merits of preferential trading arrangements. In East Asia, however, there seems to be a more cautious approach and a deliberate effort to stay within WTO principles and open regionalism. East Asian countries appear to be mindful of the need for RTAs as building blocs for regional multilateralism. RTA initiatives in East Asia tend to work within a regional cooperation framework in order to seek solutions, opportunities, and institutions to address issues beyond trade and investments, such as social and environmental issues in the region.

Asian regionalism is characterized by open, gradual, and flexible systems that are responsive to the region's varying economic, political, and cultural realities. It does not follow a single track or fixed deadline, but rather is multi-track and multi-speed in order to account for the economic and political diversity of the member economies. Asian regionalism also takes on a bottom up approach. This means encouraging the countries, bit by bit, to make the necessary conditions for economic cooperation, e.g. creating subgroups or working groups that will address common domestic issues that impede regional cooperation. While some analysts refer to this as shallow integration, these characteristics have been lauded as necessary and desirable features of the Asian regionalism model to provide the foundation for wider collaboration and deeper partnerships in the long run (ADB 2008).

Asian regionalism is the product of economic interaction and outward-oriented growth strategies, reinforced by the integration of both policy and technology. The Asian financial crisis in 1997 highlighted the deep connections among economies in the region. The crisis has been referred to as the watershed of regionalism in Asia and exemplified the interdependence of the countries in the region. It also showed the importance of creating sound institutions and good governance to sustain economic growth (ADB 2008).

3.3 Regional Financial Cooperation and Integration

Sustained regional growth and integration in trade and investment increase the need to strengthen the regional financial architecture. Indeed, several financial cooperation and integration initiatives have been undertaken in the region.

Even before the 1997 crisis, ASEAN finance ministers had already agreed to work together on three important issues: strengthening the supervisory and regulatory framework of the banking sector, liberalizing the financial services, and evaluating the utility of the ASEAN Swap Arrangement (ASA) (Soesastro 2006).

Following the crisis, interest in financial cooperation intensified. Efforts towards increased risk management made East Asia the first region to actively pursue measures to establish regional monetary and financial cooperation. The regional economies embarked on several initiatives to strengthen the regional financial architecture, consisting of regional economic surveillance, liquidity support facility, and the development of the Asian bond market (Kawai 2007).

Several regional surveillance measures were launched in East Asia following the financial crisis. The most prominent, to date, is the ASEAN +3 Economic Review and Policy Dialogue (ERPD) process, which was launched in May 2000. The ASEAN +3 ERPD aims to prevent another financial crisis by creating channels for information sharing, assessment of economic conditions and policies, and potential for collaboration on financial, monetary, and fiscal issues of common interest.

The Chiang Mai Initiative (CMI) is considered to be the centerpiece of the liquidity support facility in East Asia and aims to address short-term liquidity needs in the event of a financial crisis or contagion and to supplement the existing financial arrangements. The CMI has two elements: the ASA and the network of 16 bilateral swap arrangements (BSAs) among ASEAN +3 members. Programs to link the CMI with IMF programs are currently underway to

supplement the region's limited capacity to produce and enforce adjustment programs in the event of a crisis.

The idea of creating a regional bond fund crystallized after the 1997 financial crisis as East Asia saw the need to develop local currency bond markets as a means to lessen the region's heavy dependence on banks. The basic idea was to create a channel to mobilize the region's vast pool of savings directly toward investment in the region's long-term financial stability without going through financial centers outside of the region. Among the initiatives undertaken at the regional level are the Asian Bond Fund (ABF) initiative and the Asian Bond Markets Initiative (ABMI). Both were under the auspices of Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) and the finance ministers of ASEAN +3. Alongside these initiatives are the APEC finance ministers' process and the Asia-Cooperation Dialogue (ACD) process, both of which aim to support the Asian bond market development.

3.4 Cooperation Beyond the Region: Prospects for an East Asia-Latin America and Caribbean Economic Partnership

The Asia and Pacific region and Latin America are characterized by wide disparity economically, politically, and culturally. The Asia and Pacific region is densely populated, accounting for 61% of the global population. In stark contrast, Latin America's population is barely 9% of the total global population. Similarly, the Asia and Pacific region's share of world GDP is almost at 30%, surpassing NAFTA and almost as close to that of the EU. Latin America, however, constitutes a modest 5.7% of total world output. In terms of world merchandise trade the Asia and Pacific region is responsible for more than a quarter of the world's total at 28%, while Latin America's share is only 5%. In world services trade, Asia likewise commands almost a quarter of trade in services at 22%, while Latin America and the Caribbean's share remained small at 3% (Tables 7–11).

Table 7: Population by Region

	Total Population Thousands					Population Growth Rate % Per Annum				Share to World Population % Share				
	1990	1995	2000	2005	2007	1990– 1995	1995– 2000	2000– 2005	2007	1990	1995	2000	2005	2007
Asia and Pacific Region	3 276	3 535	3 775	3 992	4 077	1.5	1.3	1.1	1.1	61.9	61.8	61.6	61.3	61.1
	439	480	519	556	571									
ASEAN	834	438	178	602	345	1.8	1.6	1.4	1.3	8.3	8.4	8.5	8.5	8.6
ASEAN +3	1 755	1 864	1 962	2 045	2 076					33.2	32.6	32.1	31.4	31.1
ASEAN +6	2 635	2 840	3 032	3 204	3 270					49.8	49.7	49.5	49.2	49.0
ECO	297	332	362	392	405	2.2	1.8	1.6	1.7	5.6	5.8	5.9	6.0	6.1
SAARC	1 135	1 267	1 394	1 517	1 567	2.2	1.9	1.7	1.6	21.5	22.2	22.8	23.3	23.5
Latin America and Caribbean	444	483	523	557	572	1.7	1.6	1.3	1.3	8.4	8.5	8.5	8.6	8.6
	271	860	048	979	206									
Other World Regions														
	637	726	820	922	964									
Africa	421	334	959	011	973	2.6	2.5	2.3	2.3	12.0	12.7	13.4	14.2	14.5
	572	579	581	587	588									
Europe	707	389	078	134	785	0.2	0.1	0.2	0.1	10.8	10.1	9.5	9.0	8.8
	283	299	315	332	338									
North America	920	670	672	245	831	1.1	1.0	1.0	1.0	5.4	5.2	5.2	5.1	5.1
Other	80	93	108	123	129									
Countries/Areas	211	980	303	292	305	3.2	2.9	2.6	2.4	1.5	1.6	1.8	1.9	1.9
World	5 294	5 719	6 124	6 514	6 671	1.6	1.4	1.2	1.2	100.0	100.0	100.0	100.0	100.0
	879	045	123	751	226									

Source: UNESCAP 2008.

Table 8: GDP by Region

	Gross Domestic Product (GDP)						Average Annual GDP (1990 US dollars) Growth Rate				Share to World GDP				
	Million 1990 US Dollars					Million US Dollars 2007	% Per Annum				% Share				
	1990	1995	2000	2005	2007		1990–1995	1995–2000	2000–2005	2007	1990	1995	2000	2005	2007
Asia and Pacific Region	5,822,428	6,658,283	7,711,420	9,493,577	10,610,208	15,053,430	2.7	3.0	4.2	5.8	26.3	27.0	26.5	28.5	29.5
ASEAN	355,373	513,689	582,419	742,005	836,502	1,285,240	7.6	2.5	5.0	6.3	1.6	2.1	2.0	2.2	2.3
ASEAN+3	4,041,912	4,873,940	5,566,127	6,702,122	7,432,609	10,022,003					18.2	19.7	19.1	20.1	20.6
ASEAN+6	4,731,772	5,720,083	6,635,125	8,086,855	9,006,294	12,239,472					21.4	23.2	22.8	24.2	25.0
ECO	359,760	396,144	473,955	617,956	698,664	1,119,536	1.9	3.7	5.4	6.1	1.6	1.6	1.6	1.9	1.9
SAARC	430,806	548,995	710,890	984,022	1,158,288	1,428,393	5.0	5.3	6.7	8.2	1.9	2.2	2.4	3.0	3.2
Latin America and Caribbean	1,196,941	1,405,877	1,635,481	1,861,230	2,061,522	3,611,444	3.3	3.1	2.6	5.2	5.4	5.7	5.6	5.6	5.7
Other World Regions															
Africa	495,198	523,199	627,279	808,217	906,043	1,300,531	1.1	3.7	5.2	6.1	2.2	2.1	2.2	2.4	2.5
Europe	7,925,781	8,352,485	9,605,595	10,464,264	11,083,499	17,916,649	1.1	2.8	1.7	2.8	35.8	33.8	33.0	31.4	30.8
North America	6,342,977	7,144,022	8,749,394	9,821,583	10,327,841	15,210,028	2.4	4.1	2.3	2.2	28.6	28.9	30.1	29.4	28.7
Other Countries/Areas	303,184	361,663	442,068	543,319	606,305	1,160,619	3.6	4.1	4.2	5.2	1.4	1.5	1.5	1.6	1.7
World	22,148,902	24,678,950	29,080,803	33,354,836	35,997,455	54,635,982	2.2	3.3	2.8	3.8	100.0	100.0	100.0	100.0	100.0

Source: UNESCAP 2008:

Table 9: GDP per Capita by Region

	GDP Per Capita					2005 PPP Dollars 2007	Average Annual GDP Per Capita (1990 US dollars) Growth Rate			
	1990 US Dollars						% Per Annum			
	1990	1995	2000	2005	2007		1990– 1995	1995– 2000	2000– 2005	2007
Asia and Pacific Region	1,777	1,883	2,043	2,378	2,603	5,797	1.2	1.6	3.1	4.7
ASEAN	808	1,069	1,122	1,333	1,464	4,570	5.8	1.0	3.5	4.9
ASEAN+3	31,745	36,140	39,056	43,574	46,452	64,586				
ASEAN+6	63,915	71,257	78,448	87,780	92,520	125,501				
ECO	1,210	1,193	1,306	1,575	1,723	6,089	-0.3	1.8	3.8	4.4
SAARC	379	433	510	648	739	2,418	2.7	3.3	4.9	6.5
Latin America and Caribbean	2,700	2,912	3,133	3,342	3,610	9,184	1.5	1.5	1.3	3.9
Other World Regions										
Africa	765	721	765	877	940	2,547	-1.2	1.2	2.8	3.7
Europe	13,687	14,419	16,535	17,827	18,829	25,434	1.0	2.8	1.5	2.7
North America	22,341	23,840	27,717	29,562	30,481	42,543	1.3	3.1	1.3	1.2
Other Countries/Areas	3,684	3,849	4,082	4,407	4,690	10,926	0.9	1.2	1.5	2.7
World	4,183	4,315	4,749	5,120	5,396	9,373	0.6	1.9	1.5	2.6

Source: UNESCAP 2008

Table 10: Share of Asian and LAC in World Merchandise Trade in 2007

	Value (Billions of US Dollars)	Share in Sum of Asia and LAC	World Share
Asia	3,798	83.2	28
Japan	713	15.6	5.3
PRC	1,218	26.7	9
Korea, Republic of	372	8.1	2.7
Taipei, China	246	5.4	1.8
Singapore (domestic exports)	156	3.4	1.1
India	145	3.2	1.1
Other Asia	1,194	26.1	8.8
Latin America and the Caribbean	768	16.8	5.7
Brazil	161	3.5	1.2
Mexico	272	6	2
Other LAC	335	7.3	2.5
Asia and Latin America and the Caribbean	4,566	100	33.6
World	13,570		100

LAC = Latin America and Caribbean.

Source: UNECLAC 2008.

Table 11: Share of Asian and LAC in World Services Trade

	Value (Billions of US Dollars)	Share in Sum of Asia and LAC	World Share
Asia	745	87.3	22.9
Japan	136	15.9	4.2
PRC	127	14.9	3.9
NIEs	243	28.5	7.5
India	86	10.1	2.6
Other Asia	153	17.9	4.7
Latin America and the Caribbean	108	12.7	3.3
Brazil	23	2.7	0.7
Mexico	17	2	0.5
Other LAC	68	8	2.1
Asia and Latin America and the Caribbean	853	100	26.2
World	3,260		100

LAC = Latin America and Caribbean.

Source: UNECLAC 2008.

Despite its high economic growth rate, the Asia and Pacific region is characterized by wide income gaps, as it is home to the richest and poorest sectors of the world if North and South Asia are to be included. The Asia and Pacific region's GDP per capita is at US\$2,600, which is much smaller than Latin America's US\$3,600.

Until recently, economic relations between the Asia and Pacific region and Latin American and Caribbean countries were almost non-existent and the two regions did not have much opportunity for dialogue and cooperation. APEC has become the forum for this opportunity, facilitating information exchange between the two regions. At present, however, this has not resulted in anything eventful in terms of economic relations between the two countries, and no sustained cooperative efforts have really been achieved. Tariff barriers remain as an impediment to increasing trade between the two regions. While average tariff rates have significantly fallen over the past years in the two regions, the Latin America and Caribbean average tariff is significantly higher than the East Asia and Pacific average, especially for agricultural products (Table 12).

Table 12: Tariff Trade Restrictiveness Index (TTRI)

Country	Most Favored Nation (MFN) Applied Tariff	MFN Applied Tariff	MFN Applied Tariff
	All Goods	Agricultural	Non-Agricultural
Year	2006–2008 Latest	2006–2008 Latest	2006–2008 Latest
PRC	5.33	11.40	5.05
Korea	8.20	65.30	4.40
Japan	4.75	29.36	1.37
ASEAN Average	4.60	6.51	4.57
East Asia and Pacific Average	4.89	8.23	4.69
Latin America and Caribbean Average	7.84	13.34	6.97
World	7.19	13.54	6.48

Source: World Bank 2008.

The PRC's entry into the global economy added a new dynamism to the Asia and Pacific region and Latin America's relationship. The PRC plays an important role in increasing trade relations between the two regions. As of 2007, the PRC gained market share in 21 economies and had become one of the top five exporters to Argentina, Brazil, Chile, and Mexico. The PRC also dominated the import share of a large group of Latin American and Caribbean countries, ranking among the top five importers in all 23 of them (Table 13).

Table 13: Latin America and the Caribbean: Ranking of PRC, Japan, and Korea in Each Country's Trade in 2000 and 2007

Reporter	Exports						Imports					
	PRC		Japan		Korea		PRC		Japan		Korea	
	2000	2007	2000	2007	2000	2007	2000	2007	2000	2007	2000	2007
South America												
Argentina	6	2	13	19	27	24	4	3	6	10	11	14
Bolivia	18	10	20	5	24	6	7	6	5	9	14	23
Brazil	12	2	5	6	18	18	11	2	4	7	8	8
Chile	5	1	2	3	8	5	4	2	5	6	8	72
Colombia	35	6	9	17	28	25	15	4	3	6	13	8
Ecuador	20	17	4	15	2	47	12	4	4	5	10	7
Paraguay	17	19	10	14	34	44	5	4	8	5	12	8
Peru	4	2	5	5	10	11	13	2	7	10	12	11
Uruguay	4	5	15	13	23	32	7	4	14	16	16	19
Venezuela (Bol. Rep. of)	37	3	16	18	35	35	18	4	7	7		
Central America												
Costa Rica	26	2	17	15	63	25	16	5	4	4	40	8
El Salvador	43	27	14	14	39	25	21	4	7	12	15	15
Guatemala	41	18	8	11	18	9	8	3	6	8	3	5
Honduras	59	22	3	16	15	15	8	6	6	10	4	8
Mexico	25	5	5	6	28	25	6	2	2	4	5	3
Nicaragua	22	28	17	14		44	18	6	7	9		8
Panama	27	31	12	23	30	41	22	2	4	1	8	15
Caribbean												
Bahamas		13	7	25	32	58	24	10	4	4	3	3
Barbados	40	23	36	34	50	69	9	6	4	5	21	19
Belize			5	15		28	17	5	8	19	19	23
Cuba	5	2	9	23		43	5	2	18	12		11

Dominican Republic	21	10	17	11	9	9	12	5	4	8	8	16
Dominica		1	23	11		30	23	2	4	6	31	4
Grenada		40		40			16	15	4	6	15	17
Guyana	17	13	15	18	28	30	9	3	7	7	30	20
Haiti	38	9	12	17	31	57	11	3	5	8	16	17
Jamaica	13	8	7	10	51	55	9	4	3	5	22	29
Saint Kitts and Nevis	8	42	9	18		32	28	20	5	5	30	38
Saint Lucia	19	19	12	30		44	8	14	4	7	30	28
Saint Vincent and the Grenadines			19	23		36	18	5	5	6	30	42
Suriname	24	22	9	20	51	48	8	4	4	5	20	20
Trinidad and Tobago	51	34	46	13	42	29	10	6	6	8	18	21

Note: Grey box indicates an improvement in the respective country's ranking between 2000 and 2007.

Source: UNECLAC 2008.

The US remains the Latin America and Caribbean region's top export destination, with 45% of the regions exports going to the United States. The EU and the Asia and Pacific region only captured 14% and 11% of the region's exports, respectively. Chile was the top exporter in 2007, with 39% of its exports headed to the Asia and Pacific region (Table 14).

Table 14: Latin America and Caribbean Exports by Major Exports Region in 2007*

	US	EU	Asia and Pacific Region**	Latin America and the Caribbean	Rest of the World	World
Latin America and the Caribbean	45.4	14	11.2	18.4	11.1	100.0
Argentina	7.8	17.5	17.1	38.8	18.8	100.0
Bolivia	8.9	7.7	8.4	61.4	13.7	100.0
Brazil	15.8	25.2	16.1	25.4	17.6	100.0
Chile	12.3	22.9	39.5	16.3	9	100.0
Colombia	36.9	15.2	4.1	35.5	8.3	100.0
Costa Rica	37.2	14.4	20.7	24.6	3.1	100.0
Cuba	0	31.8	18.8	11.1	38.2	100.0
Ecuador	43.5	12.7	3.2	32.5	8.1	100.0
El Salvador	50.6	6.3	1.2	39.2	2.7	100.0
Guatemala	42.7	5.2	3.2	41.3	7.7	100.0
Honduras	58.9	16.3	0.9	20.6	3.4	100.0
Mexico	82.2	5.3	3	6	3.4	100.0
Nicaragua	62.7	7.2	1.5	22.4	6.2	100.0
Panama	39.8	33.5	1.8	18.7	6.1	100.0
Paraguay	2	6.9	3.5	72.1	15.5	100.0
Peru	19.1	17.1	19.2	18.4	26.2	100.0
Dominican Republic	65.6	12.6	2.1	4.9	14.8	100.0
Uruguay	11	18.5	8.6	37.1	24.9	100.0
Venezuela (Bolivarian Rep. of)***	52.9	10	5.1	15.1	17	100.0
CARICOM***^	47.9	13.1	3.2	22.4	13.5	100.0

Notes: Dark orange box indicates greater than 40%, light orange box indicates greater than 15% but less than 40%

*Preliminary figures

**Includes not only the 12 Asia-Pacific Economies but also other countries in developing Asia.

***Estimates by the UNECLAC

^Caribbean Community (CARICOM)

Source: UNECLAC 2008.

Even with the influences of the PRC and efficiency seeking firms coming from Japan and NIEs, economic partnerships still vary depending on which countries are interacting between the Latin America and the Caribbean and the Asia and Pacific region. For instance, the Southern Common Market (MERCOSUR), with the exception of Paraguay, has become an important export market for the Asia and Pacific region in the past years. The Andean Community's share increased in the mid-1990s but has since declined to an almost insignificant share, except for Peru. For Central American countries, Asia's share in the market is negligible at less than 4% of the total exports, except for Costa Rica, which sells 20% of its exports to the Asia and Pacific

region. On the other hand, Chile and Brazil stood out as the biggest trade partners for the Asia and Pacific region in the Latin America and Caribbean, with 40% and 16% respectively of their total exports in 2007 going to the Asia and Pacific region. In stark contrast, Mexico only has 3% of its exports going to the Asia and Pacific region, with the bulk of its trade being conducted with the United States (UNECLAC 2008).

In terms of trade composition, the Asia and Pacific region's export basket consists mainly of manufactures, especially in the intermediate and high technology product categories. Almost half of all Asia and Pacific regional exports were captured by the region itself in 2006, while non-Asia and Pacific region countries were secondary export destinations. On the other hand, intraregional trade characterizes the Latin America and Caribbean region, with intermediate and medium technology manufactures as the main products traded. In contrast, inter-industrial commodities dominate trade between the two regions. Exports from Latin America and Caribbean to East Asia are mostly primary products, while the Asia and Pacific region exports high tech manufactures to the Latin American and Caribbean region (Table 15). Unless trade diversification is achieved, this could present an impediment to future bi-regional trade and investment (UNECLAC 2008).

Table 15: Latin America and the Asia and Pacific Region: Trade by Regions and Products by Technology Intensity, 2006

		<u>Asia and Pacific Region</u>							<u>Asia and Pacific Region</u>							
		Export Matrix							Export Distribution by Region and Sector							
<i>Products by Technological Intensity</i>	Latin America and Caribbean	US	EU	Asia and Pacific Region	PRC	Japan	Others	Total	Latin America and Caribbean	US	EU	Asia and Pacific Region	PRC	Japan	Others	Total
Primary Products	0.1	0.5	0.6	4.5	0.8	1.7	1.3	7	3	2.6	4.3	9.3	9.2	21.1	8.2	7
Natural Resource-Based (NRB) Manufactures	0.3	1.4	1.4	7.6	1.4	1.3	2	12.6	7.1	7.8	9.5	15.5	15.8	16.7	13.2	12.6
Low Tech Manufactures	0.6	3.9	2.8	6.3	0.7	1.5	3.3	17	17	22	19.5	12.9	8	19.4	21.8	17
Medium Tech Manufactures	1.6	6.2	4.3	12.3	2.7	1.3	6.1	30.6	45.1	34.7	29.9	25.3	30.5	16.4	39.8	30.6
High Tech Manufactures	0.8	5.5	4.8	16.3	2.9	1.8	2.4	29.9	23.3	30.9	33.4	33.5	32.8	23.2	15.9	29.9
Other Transactions	0.1	0.3	0.4	1.3	0.2	0.1	0.7	2.9	4.1	1.8	2.9	2.6	2.5	1	4.8	2.9
Total	3.6	17.9	14.5	48.7	8.7	7.9	15.3	100	100	100	100	100	100	100	100	100
		<u>Latin America and the Caribbean</u>							<u>Latin America and the Caribbean</u>							
		Export Matrix							Export Distribution by Region and Sector							
<i>Products by Technological Intensity</i>	Latin America and Caribbean	US	EU	Asia and Pacific Region	PRC	Japan	Others	Total	Latin America and Caribbean	US	EU	Asia and Pacific Region	PRC	Japan	Others	Total
Primary	3.5	12	5.8	5.6	2.2	1.7	7.3	34.8	20.9	26.5	46.1	58.5	61.8	73	54.5	34.8

Products		.6														
NRB		5.														
Manufactures	4	7	3.6	2.3	0.8	0.4	2.5	18.1	23.7	12	28.9	23.8	22.8	17.8	18.7	18.1
Low Tech																
Manufactures	1.9	5.	0.7	0.3	0.1	0	0.4	8.4	11.5	10.7	5.2	3.5	3.7	1	2.7	8.4
Medium Tech																
Manufactures	5.5	14	1.9	0.9	0.2	0.1	1.3	23.8	33	29.7	15	8.9	6.9	6.3	10	23.8
High Tech																
Manufactures	1.6	9.	0.5	0.5	0.2	0	0.6	12.5	9.8	19.3	4.4	5.1	4.8	1.8	4.5	12.5
Other																
Transactions	0.2	0.	0	0	0	0	1.3	2.4	1.2	1.8	0.3	0.1	0	0.1	9.6	2.4
Total		47														
	16.7	.8	12.5	9.6	3.6	2.3	13.4	100	100	100	100	100	100	100	100	100

Source: UNECLAC 2008.

Overall, the level of bi-regional trade between Latin America and the Asia and Pacific region is still low, according to the 2006 Grubel Lloyd Index (GLI)² scores. However, some increase in bi-regional trade can be seen in Mexico, Costa Rica, Argentina, and Brazil (See Table 16). On the Asia and Pacific region's side, Singapore and Australia are moving into intra-industry trade with Latin America. The products traded range from high and medium technology goods to low technology products. High technology goods being traded involve electrical apparatuses, parts and accessories, microcircuits, automatic data processing machines, and quality control instruments. Medium technology goods being traded are products that are considered general machinery, while low technology products include textile, yarn, and iron and steel products (UNECLAC 2008).

² The Grubel-Lloyd Index is a widely used indicator to measure the extent of intra-industry trade as opposed to inter-industry trade. High intra-industry trade will bring the GL index equal to one. Lack of intra-industry trade will bring the GL index to zero. The index varies from zero (all inter-industry trade) to one (all intra-industry trade), and the sum over the shares of the two mutually exclusive forms of trade amounts to one in each country's aggregate trade (Lee 2004).

Table 16: GLI for Some Latin America and Caribbean Countries with the Asia and Pacific Region, 2006

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

IGL > 0, 33
 IGL > 0, 10 < 0, 33
 IGL < 0, 10

Notes: Grey box indicates IGL > 0, 33; green box indicates IGL > 0, 10 < 0, 33; white box indicates IGL < 0, 10.

Source: UNECLAC 2008.

On the whole, the data show that generally, trade and investment relations between East Asia and Latin America are still relatively underdeveloped, leaving room for more coordination and closer trade and investment linkages. There is a growing awareness in both regions of the need and importance to link up, as demonstrated by the growing number of FTAs that have been signed or are being negotiated between the two.

4. COOPERATION IN THE WAKE OF THE CURRENT GLOBAL FINANCIAL CRISIS

Both the Asia and Pacific region and Latin America and the Caribbean are projected to experience economic decline as a result of the global financial crisis. In the Asia and Pacific region, the impact of the crisis was already felt in 2008, with the region experiencing a drop in GDP and an economic slump in 2009. Japan and the NIEs (Singapore, Korea, Hong Kong, China, and Taipei,China) are projected to experience a GDP decline of -6.2% and -5.6% respectively. As a whole, however, emerging Asian economies are projected to survive the global crisis, albeit with a drop in the growth rate to 3.3% in 2009 from 6.2% in 2008. These economies are expected to regain their growth momentum in 2010 with a growth rate of 5.3%. On the other hand, Latin America and the Caribbean's GDP growth rate is projected to fall to -1.5% in 2009, much lower than the projected -1.3% decline in global GDP growth rate, and poised to return to positive growth in 2010 (Table 17 and Figure 3).

**Table 17: Impact of the Global Financial Crisis on Real GDP,
Annual Percent Change**

	2007	2008	Projections	
			2009	2010
Emerging Asia¹	9.8	6.8	3.3	5.3
Newly Industrialized Asian Economies ²	5.7	1.5	-5.6	0.8
Developing Asia ³	10.6	7.7	4.8	6.1
ASEAN 5 ⁴	6.3	4.9	0.0	2.3
Indonesia	6.3	6.1	2.5	3.5
Malaysia	6.3	4.6	-3.5	1.3
Philippines	7.2	4.6	0.0	1.0
Thailand	4.9	2.6	-3.0	1.0
Viet Nam	8.5	6.2	3.3	4.0
Northeast Asia				
PRC	13.0	9.0	6.5	7.5
Japan	2.4	-0.6	-6.2	0.5
Korea	5.1	2.2	-4.0	1.5
Other Advanced Economies in Asia				
Singapore	7.8	1.1	-10.0	-0.1
Australia	4.0	2.1	-1.4	0.6
New Zealand	3.2	0.3	-2.0	0.5
US	2.0	1.1	-2.8	0.0
Latin America and the Caribbean⁴	5.7	4.2	-1.5	1.6
Other Regional Groups				
Africa	6.2	5.2	2.0	3.9
Central and Eastern Europe	5.4	2.9	-3.7	0.8
EU	3.1	1.1	-4.0	-0.3
Middle East	6.3	5.9	2.5	3.5
World	5.2	3.2	-1.3	1.9

Notes:

1 Consists of developing Asia, the newly industrialized Asian economies, and Mongolia. Figures taken from Table 2.2 (IMF 2009).

2 Newly industrialized Asian economies consist of Hong Kong, China, Korea, Singapore, and Taipei, China.

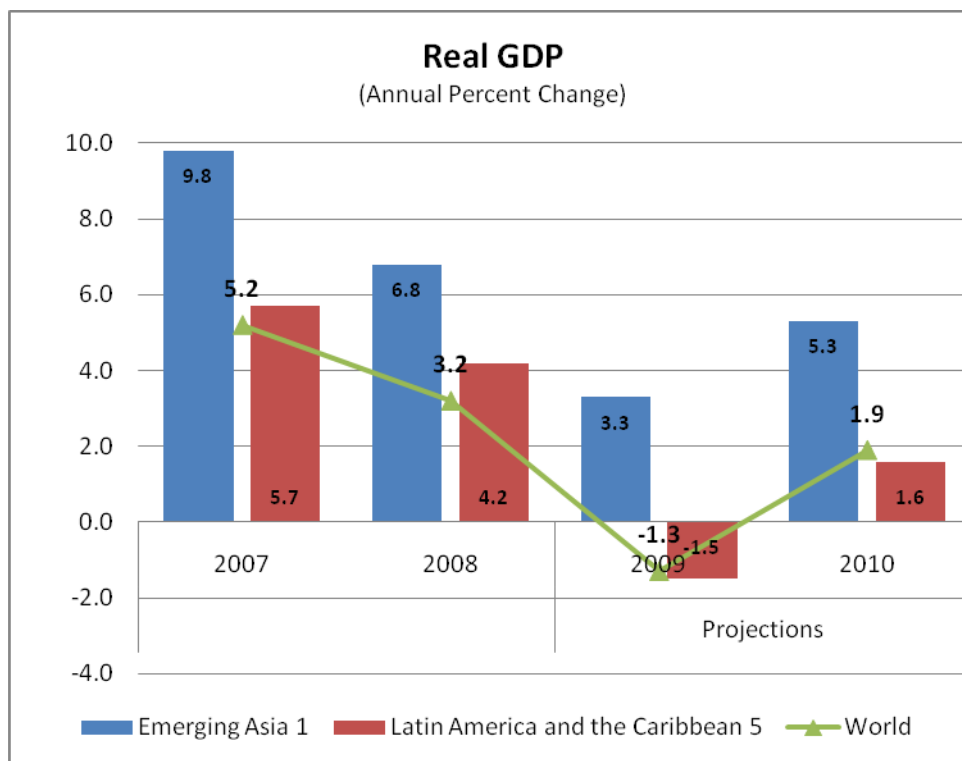
3 Developing Asia consists of 23 countries (Bangladesh, Bhutan, Cambodia, PRC, Fiji, India, Indonesia, Kiribati, Lao PDR, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Tonga, Vanuatu, and Viet Nam).

4 ASEAN 5 consists of 5 countries (Indonesia, Malaysia, Philippines, Thailand, and Viet Nam).

5 Excluding Cuba, also known as Western Hemisphere region

Source: IMF 2009.

Figure 3: Impact of the Global Financial Crisis on Emerging Asia and Latin America and Caribbean's GDP



Source: Graphical Presentation of Table 17.

The picture becomes more dismal for the Asia and Pacific region if trade figures are factored in. Trade in both goods and services are projected to decline sharply in 2009. Exports are projected to fall sharply for NIEs, developing Asia, and ASEAN 5 at -11.9%, -9.1%, and -10.1% respectively. Imports are also expected to decline sharply at -13.9% for NIEs, -11.1% for developing Asia, and -8.8% for ASEAN 5. The year 2009 is projected to be one of the worst years for the Asia and Pacific region's economy. On the other hand, trade in Latin America and the Caribbean is also expected to decline in 2009, since export volume is expected to drop to -3.5% and imports to -6.7% (Table 18).

Table 18: Impact of the Global Financial Crisis on Trade in Goods and Services

	Volume of Trade: Exports				Volume of Trade: Imports			
	2007	2008	Projections		2007	2008	Projections	
			2009	2010			2009	2010
Emerging Asia								
Newly Industrialized Asian Economies ¹	9.5	0.6	-11.9	0.3	8.7	0.4	-13.9	0.4
Developing Asia ²	15.0	10.4	-9.1	-0.9	11.5	10.3	-11.1	-1.9
ASEAN 5 ³	7.4	3.3	-10.1	3.9	7.7	10.9	-8.8	3.3
Latin America and the Caribbean⁴	4.1	-0.1	-3.5	2.1	13.0	8.3	-6.7	0.6
Other Regional Groups								
Africa	5.7	-0.5	-2.2	3.9	19.6	11.3	-2.0	5.0
Central and eastern Europe	9.3	6.8	-9.6	2.2	13.7	4.8	-12.9	0.0
Euro area ⁵	6.0	1.3	-12.9	-0.3	5.5	1.4	-11.2	-1.0
Middle East	3.8	7.8	1.3	2.7	13.6	19.9	5.4	3.6
World	7.2	3.2	-11.0	0.7	7.3	3.5	-11.0	0.5

Notes:

1 Newly industrialized Asian economies consist of Hong Kong, China, Korea, Singapore, and Taipei, China.

2 Developing Asia consists of 23 countries (Bangladesh, Bhutan, Cambodia, PRC, Fiji, India, Indonesia, Kiribati, Lao PDR, Malaysia, Maldives, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Solomon Islands, Sri Lanka, Thailand, Tonga, Vanuatu, and Viet Nam).

3 ASEAN 5 consists of 5 countries (Indonesia, Malaysia, Philippines, Thailand, and Viet Nam).

4 Excluding Cuba, also known as Western Hemisphere region.

5 Composed of 16 countries: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, and Spain.

Source: IMF 2009.

With the dismal economic projections ahead in 2009, greater cooperation would be needed in trade and finance, as well as in macroeconomic management, to deal with the global financial crisis. Domestic and regulatory reforms have to be introduced, as well as better financial standards, good governance, and better safety nets to the vulnerable sectors.

The Asia and Pacific region and Latin America have a lot to learn from each other in terms of managing the impact of the crisis. The Asian financial crisis experience instilled in Asia the lesson of regional cooperation as an important factor for overcoming the crisis. Cooperation is necessary in setting regional standards on regulatory measures and in providing a complementary framework for financial reforms. Regional cooperation is also important in further integrating financial markets, especially where market-based processes have failed. Institutionalizing dialogue among the key players in the domestic financial markets is important to strengthen supervision and surveillance, coordinate regulatory frameworks, and create minimum common standards (ADB 2008).

While Latin America's economic success may not match the Asia and Pacific region, it is significant to note that most of the bigger economies in the region have greatly improved their economic policies and strengthened their institutions over the past years. This could partly explain why the bigger economies of Latin America remain relatively unharmed by the global financial crisis. The major economies of the region have been lauded for their conservative and well-regulated banks and good fiscal management. Chile has currently gained recognition as one of the best-managed economies in the world, with Mexico and Brazil not far behind (*The Economist* 2009).

There are studies that showed that regulatory and institutional factors within economies create bigger constraints to doing business than border measures (international barriers). Internal factors such as national policies and institutions pose a bigger challenge in pushing for reforms to harmonize regulations and standards across economies (ADB 2008, Drysdale 2005). By addressing "behind the border" issues through individual initiatives to reform domestic policies and institutions, Latin America is slowly reviving its economy. This is one lesson that the Asia and Pacific region could learn from Latin America—how to push domestic reforms and strengthen institutions domestically to ease the constraints in doing business, while maintaining hard-won reputation in the international market.

The two regions can share models for best practices in pushing for domestic reforms and supporting policies that would mitigate the impacts of the crisis. It is also expedient that the regions create policies that help stimulate regional demands by reducing barriers to trade and investment and reducing costs of doing trans-regional business. The next section discusses some of the constraints to a better business environment between the Asia and Pacific region and Latin America and the Caribbean.

4.1 Impediments to Economic Cooperation

UNECLAC's 2008 report provided an excellent account of the state of economic cooperation between the Asia Pacific and Latin America and the Caribbean. The report identified tariffs, transport costs, logistics, quality control measures, and research and education gaps as leading impediments to closer economic cooperation between the two regions.

4.1.1 High Effective Tariffs in Agriculture and Natural Resource Based in the Asia and Pacific Region

Agriculture is a sensitive sector in the Asia and Pacific region. The Asia and Pacific region countries continue to impose high applied tariffs on its agricultural sector, making market access

to agriculture difficult for Latin America. The Asia and Pacific region's tariff on agriculture is higher than Latin America's and has even shown itself to be on an increasing trend. Natural resource products are also subject to high ad valorem and tariff quotas. The challenge for Latin America is to engage the Asia and Pacific region in negotiations that would allow Latin America to gain market access to heavily protected Asian sectors.

4.1.2 High Transport Costs in Latin America and the Caribbean

High freight costs put Latin America at a disadvantage for increasing its economic partnership with the Asia and Pacific region. Lack of maritime transport connections is one of the major trading barriers between the two regions and could limit potential growth. The maritime connections between the two regions are not yet adequately developed, unlike other maritime routes in several regions. Direct lines between Latin America and the Asia and Pacific region are available only to and from Chilean ports, while in the rest of the region several stops must be made in South Africa or other South American countries before setting course to Asia.

4.1.3 Weak Trade Logistics in Latin America and the Caribbean

Latin American countries performed weakly in the Logistics Performance Index developed by the World Bank, given the high logistics costs in the region and the weak port capacities. The two areas in which Latin America underperformed are customs and port infrastructure facilities. Nonetheless, Chile and Argentina, the top performers in Latin America in customs and port infrastructure facilities, ranked higher than some countries in Southeast Asia for trade logistics.

4.1.4 Quality Control Measures in Latin America and the Caribbean

The PRC and Japan account for 70% of all the quality control measures (ISO) issued in the two regions in 2006. Latin America, on the other hand, only issued a very small portion of ISO certifications between the two regions at 5.5%. Most ISO certification comes from Brazil and Argentina. While quality control measures are not necessarily obligatory, ISO certification is influential in determining competitiveness and influencing buying decisions of consumers (Table 19).

Table 19: ISO Certifications in 2006, By Standard (in absolute numbers, percentages, and certifications per million inhabitants)

ISO Standards	9001	14001	16949	13485	TOTAL	Share	Certifications Per Million Inhabitants
	Quality Management Systems	Environmental Management Systems	Quality for Automotive Production	Sanitary Management Systems			
PRC	162 259	18 842	4 758	228	186 087	45.33%	142
Japan	80 518	22 593	939	438	104 488	25.45%	820
Korea	15 739	5 833	2 621	229	24 422	5.95%	506
Australia	17 440	1 964	127	69	19 600	4.77%	967
Malaysia	6 786	593	275	101	7 755	1.89%	291
Singapore	5 830	716	90	46	6 682	1.63%	1490
Thailand	3 913	1 369	471	32	5 785	1.41%	89
Indonesia	4 783	369	110	6	5 268	1.28%	24
Viet Nam	3 167	189	16	5	3 377	0.82%	40
Philippines	2 007	458	67	21	2 553	0.62%	29
New Zealand	2 150	182	2	7	2 341	0.57%	556
Brunei Darussalam	52	4	0	0	56	0.01%	0
Myanmar	19	0	0	0	19	0.00%	0
Cambodia	10	2	0	0	12	0.00%	1
Lao PDR	1	0	0	0	1	0.00%	0
Brazil	9 014	2 447	846	40	12 347	3.01%	65
Argentina	9 364	862	307	21	10 554	2.57%	271
Colombia	6 271	296	51	0	6 618	1.61%	142
Mexico	4 636	409	758	25	5 828	1.42%	54
Chile	2 565	375	9	0	2 949	0.72%	179

Uruguay	648	45	9	2	704	0.17%	202
Peru	576	83	2	9	670	0.16%	24
Venezuela (Bol. Rep. of)	535	51	26	0	612	0.15%	23
Ecuador	486	50	6	0	542	0.13%	40
Cuba	363	6	0	0	369	0.09%	33
Costa Rica	186	55	2	4	247	0.06%	56
Bolivia	198	30	0	0	228	0.06%	24
Paraguay	103	4	0	0	107	0.03%	17
Panama	99	5	0	0	104	0.03%	32
El Salvador	96	4	0	0	100	0.02%	14
Guatemala	61	7	0	0	68	0.02%	5
Dominican Rep.	29	2	1	2	34	0.01%	4
Nicaragua	28	3	0	0	31	0.01%	6
Total	339 932	57 848	11 493	1 285	410 558	100.00%	137

Source: UNECLAC 2008.

4.1.5 Research and Development Spending

Compared to research and development (R&D) spending in Japan and the NIEs, Latin America falls far behind. East Asia and the Pacific, as a whole has more than 722 researchers engaged in R&D per million people, when including Australia and New Zealand, while Latin America only has 256. However, for some aspects of R&D, Latin America fares better than ASEAN countries. For instance, Argentina fared better than ASEAN in terms of patents granted to residents, and Argentina, Chile, Uruguay, Mexico, and Brazil have more researchers engaged in R&D compared to ASEAN-member countries (Table 20).

Table 20: Some Research and Development Indicators

HDI Rank	Country/Region	Patents Granted to Residents (Per Million People) 2000–2005 ^a	Receipts of Royalties and License Fees (US Dollars per Person) 2005	R&D Expenditure (% of GDP) 2000–2005 ^a	Researchers in R&D (Per Million People) 1990–2005 ^a
3	Australia	31	25.0	1.7	3,759
8	Japan	857	138.0	3.1	5,287
19	New Zealand	31	627.9	1.8	4,301
21	Hong Kong, China	5	31.2	0.6	1,564
25	New Zealand	96	125.8	2.3	4,999
26	Korea	1,113	38.2	2.6	3,187
30	Brunei Darussalem	0.0	274
63	Malaysia	..	1.1	0.7	299
78	Thailand	1	0.3	0.3	287
81	PRC	16	0.1	1.4	708
90	Philippines	(.)	0.1	0.1	48
105	Viet Nam	(.)	..	0.2	115
107	Indonesia	..	1.2	0.1	207
128	India	1	(.)	0.8	119
132	Myanmar	..	0	0.1	17
	East Asia and the Pacific	..	1.7	1.6	722
38	Argentina	4	1.4	0.4	720
40	Chile	1	3.3	0.6	444
46	Uruguay	1	(.)	0.3	366
48	Costa Rica	..	0	0.4	..
51	Cuba	3	..	0.6	..
52	Mexico	1	0.7	0.4	268

62	Panama	..	0	0.3	97
70	Brazil	1	0.5	1	344
74	Venezuela (Bolivarian Republic of)	1	0	0.3	..
75	Colombia	(.)	0.2	0.2	109
79	Dominican Republic	..	0
87	Peru	(.)	0.1	0.1	226
89	Ecuador	0	0	0.1	50
95	Paraguay	..	33.2	0.1	79
101	Jamaica	1	4.7	0.1	..
103	El Salvador	..	0.4	0.1	47
110	Nicaragua	1	0	0	73
115	Honduras	1	0	0	..
117	Bolivia	..	0.2	0.3	120
118	Guatemala	(.)	(.)
Latin America and the Carrebean		..	1.1	0.6	256
OECD		239	104.2	2.4	3,096
WORLD		..	21.6	2.3	..

OECD = Organization for Economic Cooperation and Development .

Source: UNECLAC 2008.

^a Data refer to the most recent year available during the period specified.

4.1.6 Education Gap Between the Two Regions

Asian countries, with the exception of Thailand and Indonesia, consistently rank high in the Programme for International Student Assessment (PISA) Survey of student skills in science, mathematics, and reading. PISA survey covers almost 90% of the world economy in assessing the knowledge and skills of students in three areas. In contrast, Latin America falls far behind, ranking along with Middle East and Eastern Europe (Table 21).

Table 21: PISA Rankings and Scores, 2006

A. Science			B. Mathematics			C. Reading		
Rank	Economy	Science	Rank	Economy	Mathematics	Rank	Economy	Reading
2	Hong Kong, China	542	1	Taipei, China	549	1	Korea	556
4	Taipei, China	532	3	Hong Kong, China	547	3	Hong Kong, China	536
6	Japan	531	4	Korea	547	5	New Zealand	521
7	New Zealand	530	8	Macao	525	7	Australia	513
8	Australia	527	10	Japan	523	15	Japan	498
11	Korea, Republic of	522	11	New Zealand	522	16	Taipei, China	496
17	Macao	511	13	Australia	520	21	Macao	492
OECD AVERAGE		500	OECD AVERAGE		498	OECD AVERAGE		492
40	Chile	438	42	Uruguay	427	38	Chile	442
43	Uruguay	428	44	Thailand	417	41	Thailand	417
46	Thailand	421	47	Chile	411	42	Uruguay	413
49	Mexico	410	48	Mexico	406	43	Mexico	410
50	Indonesia	393	50	Indonesia	391	48	Indonesia	393
51	Argentina	391	52	Argentina	381	49	Brazil	393
52	Brazil	390	53	Colombia	370	51	Colombia	385
53	Colombia	388	54	Brazil	370	53	Argentina	374

Source: UNECLAC 2008.

5. CONCLUSION

While geographic proximity is important in establishing economic relations, in a globalized world it no longer stands as the primary factor for countries or regions to engage in cooperative initiatives. A government commitment to create an environment conducive for economic growth and development is just as essential, if not more essential, than physical proximity when engaging in regional cooperation. It is in this light that an interregional economic partnership between Latin America and the Caribbean and the Asia and Pacific region has been made possible.

Clearly, there are still a lot that must be done before the Asia and Pacific region and Latin America and the Caribbean can engage in a meaningful economic partnership. Gaps and bottlenecks exist that must be addressed. The two regions are characterized by stark structural and policy differences. Production structures and export capacities are very different. Bi-regional economic links have remained weak and have shown little diversification as inter-industry trade still accounts for most of the trade flows, with the Asia and Pacific region exporting manufactures and Latin America and the Caribbean exporting primary commodities to the Asia and Pacific region. As such, there is a need for Latin American countries and the Caribbean to strengthen their trade capacities to make their economies more complementary with the Asia and Pacific region and establish trade and investment partnerships. Latin America and the Caribbean, as a whole, should work on product diversification to integrate itself in the supply chain networks of the Asia and Pacific region. It should also capitalize on complementary trade opportunities between the two regions and create partnership for innovation and competitiveness.

Market access, high transportation costs, and weak small and medium enterprises have been identified as major obstacles that should be given adequate attention in order to strengthen the partnership between the two regions. One of the biggest challenges for Latin American countries is gaining market access to the Asia and Pacific region. As already shown, the Asia and Pacific region has a highly protected agriculture sector. Latin America should engage the Asia and Pacific region to develop trade agreements that would bring down tariff levels in Asia's agricultural sector. Trade facilitation initiatives should also be undertaken. It is also important to study the maritime and air transportation systems of the regions, focusing specifically on how to bring down freight costs. Finally, it is important to strengthen small and medium enterprises and trade associations to achieve scale economies for small and medium exporters. Also, the two regions should explore possible cooperation in technological upgrading and bringing down the risks associated with new ventures (UNECLAC 2008).

Building partnerships to enhance the competitiveness and innovation of Latin America is also important. There are a broad range of issues that the two regions can work on, such as financing to improve infrastructure and logistics and other macroeconomic issues that would eventually strengthen trade and investment links.

As an initial step, information exchange and policy dialogue between the two regions should be enhanced, particularly on areas leading to more market opportunities, market access, and investments. FTAs should also be explored, whether on a bilateral, sub-regional, or regional level with simplified and harmonized ROOs to ease trade between the two regions.

Existing interregional forums could be used as a platform to advance cooperation between Latin America and the Pacific. APEC, for instance, could leverage its Economic and Technical Cooperation (ECOTECH) and Trade and Investment Liberalization and Facilitation (TILF) agenda. Likewise, the Forum for East Asia-Latin America Cooperation (FEALAC), established in 2001 to serve as a venue for dialogue between the two regions, could potentially have an important role in enhancing partnerships in economic, social and cultural sectors. FEALAC currently has 33 country members in both regions.

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