

## **Galvanizing Inter-Pacific Relations: Korea's Role in Asia-Latin America Cooperation**

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### **INTRODUCTION**

This study aims to respond to the growing necessity for case studies regarding relations between Asia and Latin America. The paper is developed on the basis of two broad dimensions: First, the bilateral perspective between Asia and Latin America based on the experience of Korea, and second, a discussion of multilateral interactions between Asia and Latin America.

Asia and Latin America have both experienced numerous incidents that marked 20th century international politics: from East-West conflict, North-South confrontation, currency fluctuation and debt crisis, to the wave of neoliberalism and globalization. However, no active political, economic or cultural relations have been promoted between the two regions, because they do not share historical or cultural similarities.

From an economic perspective, despite the lost decade of the 1980s and the financial crisis of the 1990s, both East Asia and Latin America are still commonly seen as regions of growth potential for further development. The two regions represent two-fifths of the

world population and contribute a third of the world's GDP. At the same time both regions face strong challenges posed by globalization: increasing social disparities; environmental degradation; balancing the influence of the market and developing the third sector of society.

Although intra-regional trade both in East Asia and Latin America have increased in the 1990s, inter-regional trade between the two regions remains at a relatively low level of 4 percent, naturally leading the argument that there is a room for improvement in the trade and investment arena. It is certain that present economic relations do not reflect the potential for trade and investment that exists in the trans-Pacific region.

Economic integration within the Asian region is proceeding steadily with the conclusions and ongoing negotiations of various bilateral FTAs, and subregional FTAs. The ASEAN Free Trade Area (AFTA) is now operational. Also in place are the Australia-New Zealand Closer Economic Relations agreement, Japan-Singapore Economic Partnership Agreement (JSEPA) and the Singapore-New Zealand Free Trade Agreement. Possible long-term goals will be the institutionalization of the so-called "ASEAN plus 3" that joins ASEAN and the three Northeast Asian countries—China, Japan and South Korea.

In Latin America, LAFTA (Latin American Free Trade Association or ALALC in Spanish) was founded by Argentina, Brazil, Mexico, Uruguay, Paraguay and Peru in 1960. In 1961, Columbia and Equador were added; in 1966, Venezuela; and in 1967, Bolivia. This integration in 1980 was transformed into LAIA (Latin American Integration Association or ALADI in Spanish) in which are members and monitors (Caribbean countries—Cuba, Costa Rica, Dominican Republic, Ecuador, Guatemala, Honduras, Nicaragua, Panama, Italy, Portugal and Spain). The southern area of Latin America founded Mercosur (*Mercado Común del Sur*) in 1990, which includes Brazil, Argentina, Paraguay and Uruguay. In 1992, NAFTA (North American Free Trade Agreement) was founded by the U.S.,

Mexico and Canada for economic collaboration. Now there is ongoing discussion about the formation of an FTAA (Free Trade Association of America) in which all the countries in the Western Hemisphere would participate.

As seen above there have been active movements for intra-regional integration both in Asia and Latin America, yet, no inter-regional integration efforts could be seen until recently. In this regard, the Korea-Chile FTA, which took into effect in April 2004, is not only the very first FTA for Korea, but also the first trans-Pacific integration movement. As this fact implies, the level of cooperation between the two regions is still in the primitive stage. Throughout this study, both bilateral and multilateral dimension of the Asian and Latin American relations will be surveyed.

#### KOREAN STEPS TOWARD LATIN AMERICA

Japan had long been Latin America's main, and possibly only, Asian economic partner thanks to its remarkable economic growth, until Korea emerged as a prominent associate in consolidating economic relations with the region. It was in the 1990s that Korea's economic relations with Latin America rapidly increased, in terms of trade volume. However, the development of Korea-Latin American relations began to rise only after the visit of the President Kim Young-sam in 1996.

##### *1996 Visit by Kim Young-sam*

In September 1996, South Korean President Kim Young-sam made state visits to five Latin American countries: Guatemala, Chile, Argentina, Brazil and Peru, the first such visit by a Korean Head of State to Latin America. During President Kim's visit, various agreements were signed such as the investment protection and promotion agreement and fisheries agreement to provide an

institutional framework for the expansion of exchanges and cooperation between Korea and Latin America as well as for more active engagement of Korean companies in the economic development process in the region. President Kim and his Latin American hosts agreed on the necessity to reinforce Korean-Latin American cooperation. Latin American leaders also expressed their strong desire not only to expand economic and trade relations with Korea, but also to boost investment by Korean companies. More than 40 Korean businessmen joined the president's trip to explore with their Latin American counterparts ways of increasing economic and trade relations. In his visit to Guatemala, moreover, President Kim met jointly with the Presidents of Guatemala, Costa Rica, El Salvador, Honduras and Nicaragua. The leaders of Korea and Central America agreed to establish the "Korea-Central America Dialogue and Cooperation Forum."

The real significance of the visit can be explored in terms of the shift in the level of mutual understanding and how the establishment of those principles induced practical changes inside Korea *vis-à-vis* Latin America.<sup>1)</sup> The two most remarkable institutional changes are the following: the creation of the Latin American and Caribbean Affairs Bureau in Korea's Ministry of Foreign Affairs, and the foundation of the Korean Council on Latin America and the Caribbean. With the establishment of the new Bureau, a better refined policy towards the region has been pursued in earnest for the past eight years.

Since the state visit of President Kim, trade and investment with Latin American region have also increased with remarkable rapidity. In fact, by 1996, Korean exports to Latin America had increased more than 18 percent. In the same year, the total amount of Korea-Latin America exceeded US\$13 billion, and it exceeded US\$20 billion in

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1) Jae-Sung Kwak, "Changing Relations between South Korea and Latin America: Redefining the Pacific Rim" (in Korean), *Korean Journal of Latin American Studies*, Vol. 1 (November 1998).

**Table 1. Korean Trade with Latin America**

(Unit: US\$ millions, Percent)

		1991	1996	2000	2001	2002	2003	Rate* (91-00)	Rate* (01-03)
Export	World	71,870	129,715	172,268	150,439	162,470	193,817	10.2	4.9
	L.A.	2,879	8,961	9,369	9,730	8,864	8,802	14.1	-1.9
	L.A./World	<b>4.0</b>	<b>6.9</b>	<b>5.4</b>	<b>6.5</b>	<b>5.5</b>	<b>4.5</b>	-	-
Import	World	81,525	150,339	160,481	141,098	152,126	178,827	7.8	4.4
	L.A.	2,298	4,392	3,263	3,445	3,743	4,594	4.0	12.3
	L.A./World	<b>2.8</b>	<b>2.9</b>	<b>2.0</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	-	-
Balance of Trade	World	-9,655	-20,624	11,786	9,341	10,344	14,990	-	-
	L.A.	564	4,569	6,106	6,285	5,121	4,208	-	-

\*Annual average increase rate.

Source: KOTIS, Korea International Trade Association.

2000. More importantly, Korea attained a trade surplus with Latin America of 3.4 billion dollars in 1995 and 4.6 billion dollars in 1996. Latin America became one of the Korea's most beneficial trade partners in the 1990s, at a time when the country suffered from a serious overall deficit in its balance of payments. (see Table 1 and 2)

As Table 1 shows, Latin America's share in Korea's world trade reached its highest level in 1996. Its relative proportion in total export, however, started to decrease mainly due to economic crisis of Asia and Latin America, and the recession of the U.S. economy. Meanwhile, Korean imports from Latin America have shown constant stagnation, never exceeding 3 percent of Korea's total imports. Generally speaking, trade volume between Korea and Latin America has only recently recovered to the 1996 level.

#### *The 2004 visit by Roh Moo-hyun*

As noted, President Kim's visit to Latin America in 1996 was an important step in the development of relations between Korea and Latin America, although the effect was later dampened by the financial crisis. Specifically, Korea's financial crisis of 1997 and the

**Table 2. Evolution of Korean Export Items to Latin America**

	1997		2003	
	US\$Mil.	Percent	US\$Mil.	Percent
Agricultural products	42	0.48	18	0.20
Chemical goods	297	3.43	785	8.92
Plastic, Rubber, Leather	327	3.77	267	3.03
Minerals	17	0.20	106	1.20
Textiles, Clothing	1,524	17.58	950	10.79
General Goods	110	0.98	66	0.75
Metals	155	1.27	247	2.81
Electronics	2,175	25.09	2,758	31.33
Machinery	4,003	46.18	3,586	40.74
Other goods	17	0.20	21	0.24
Total	8,668	100.00	8,802	100.00

Source: *KOTIS*, Korea International Trade Association.

subsequent recession caused negative effects in the relations. Investment plans by Korean companies were cancelled, and the trade imbalance further deepened due to the devaluation of the Korean won.

In November 2004, there was another breakthrough in trans-Pacific relations with the visit of Korean President Roh Moo-hyun. His trip to three South American nations—Argentina, Brazil and Chile—can be evaluated very positively, in that leaders of Korea and Latin America agreed on several strategic agenda in the fields of natural resources, information technology, government procurement, culture and science. At the same time, President Roh's diplomacy at the Asia-Pacific Economic Cooperation (APEC) session drew special attention as he engaged in a series of summit talks with leaders of nations including the United States, China and Canada.

President Roh's meeting with U.S. President George W. Bush was a highlight of his visit, since it was their first meeting since Bush's re-election on November 2. Defusing anxieties about a possible misunderstanding between the two allies over how to deal with the impasse over North Korea's nuclear weapons programs, the two

leaders agreed to unite efforts to resolve the crisis peacefully through diplomatic means. The Roh-Bush summit also raised hopes for the resumption of the Six-Party Talks aimed at finding a solution to the nuclear issue, which has been deadlocked for more than three months.

Hence it is worth emphasizing that this visit can be differentiated from the former President Kim Young-sam's visits in that it had three distinct purposes: to participate in the APEC summit, to ease tensions on the Korean peninsula and to strengthen relations with the three South American countries. It is true that the 2004 APEC meeting holds special meaning for Korea, who will be the host nation of the 2005 meeting. It is also true that tension surrounding North Korea's nuclear issue relaxed somewhat after the Roh-Bush talk in Santiago. Nevertheless, the most fruitful and substantial results of the trip were in building a strategic partnership with Korea's South American counterparts. Therefore, it is worth taking a close look at the results of the Roh visit.

In Argentina (as well as in Brazil), President Roh agreed with his counterparts to conduct a joint feasibility study on a trade agreement between Korea and Mercosur. Taking this opportunity as well, the two governments signed a set of agreements for cooperation on the economy, and in culture and energy and information technology. But the most important step was that the Korea Export-Import Bank and the Central Bank of Argentina signed a memorandum of understanding for an extension of US\$30 million in export credits to Argentina to facilitate South Korean companies' export activities. It was the first foreign credit since the Argentine crisis of 2001. The volume of trade between South Korea and Argentina reached about \$590 million last year, with Korea exporting \$160 million in manufactured goods and importing \$430 million, mostly in natural resources and produce. Roh's three-day visit to Argentina drew favorable attention from local media which have shown keen interest in South Korea's prospering information technology industry.

In Brazil, President Roh Moo-hyun and Brazilian President Luiz

Inacio Lula da Silva adopted a 14-point joint statement, laying out a series of measures for substantial cooperation between the two countries. Among the steps, the two sides will establish a consultative mechanism to discuss cooperation projects in the area of energy and natural resources. Brazil also supported South Korea's participation in the Inter-American Development Bank as a full extra-regional member, backing down from its earlier opposition, which had been based on fear that Korea would compete too aggressively in the regional government procurement market currently dominated by the U.S., Europe and Brazil. The market is known to be worth around US\$10 billion a year.

The two leaders also agreed to encourage South Korean companies to participate in public and private projects in Brazil, which cover areas of oil exploration, energy, and various construction projects such as highways, railways and ports. Furthermore, they promised to establish an IT cooperation center in Brazil. During the president's visit to Brazil, South Korean companies were actively engaged in business with Brazilian counterparts. For instance, POSCO, the world's fifth-largest steelmaker, secured a long-term supply agreement to source iron ore from the largest Brazilian mining group, CVRD (*Companhia Vale do Rio Doce*). The agreement ensures a supply of 100 million tons until March 2015, a contract valued at US\$2.1 billion.<sup>2)</sup>

In Chile, President Roh Moo-hyun and Chilean President Ricardo Lagos agreed to seek ways to promote bilateral trade, which has soared since their free trade agreement went into effect in April. They decided to launch a joint study on establishment of a fund for industrial and technological cooperation and to collect US\$2-3 million for the fund, which can be used for four or five years. Coinciding with Roh's visit, a Korea-Chile information and technology center was officially opened in Chile. The two leaders

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2) "POSCO, SK Sign Major Energy, Natural Resources Deals in Brazil," *Korea Times*, November 17, 2004.

also agreed to encourage South Korean companies to participate in Chile's development of natural resources, including copper. On the whole, thanks to the visits, Korea and South American nations have entered into a new phase of partnership.

Another notable feature of President Roh's visit is the inevitable overlapping with Chinese President Hu Jintao's trip to three countries. As the Chinese leader wanted to take APEC opportunity for visiting neighboring countries, diplomatic competition between Korea and China over South America naturally attracted public attention.

#### *Chinese March to Latin America*

As noted, it is frequently argued that in November 2004, both Korean President Roh Moo-hyun and Chinese President Hu Jintao were engaged in a diplomatic battle over South American nations—Argentina, Brazil and Chile—in bids to gain the upper hand in emerging lucrative markets. As a matter of fact, the Korean government was most concerned because Hu's visit was interpreted as initiation of a massive Chinese engagement in Latin America.

Roh began his state visit to Brazil on November 17, where Hu had been since the previous Thursday, in a five-day state visit. Hu was on a return visit, since Brazilian President Lula had visited China earlier in the year, leading a large number of business people in bids to expand trade and investment relations between the world's two largest developing nations. Argentine President Nestor Kirchner had also visited China for a similar purpose. As in Roh's visit, local media and the public was hopeful about Hu's visit, as "China fever" had been spreading in the three Latin American countries, mainly due to the huge nation's growing purchasing power and investment potential in the regional market. China has emerged as one of the largest buyers of grains produced in the region and is becoming a major customer of mineral resources such as iron ore and copper. Thanks to rapidly increasing Chinese consumption,

the prices of important grains and minerals have continued to rise.

According to Chinese statistics, trade volume with Brazil, Argentina and Chile reached US\$14.6 billion in 2003, while China imported 10.7 billion dollars worth of goods from the countries.<sup>3)</sup> Chinese trade with Brazil, the largest Latin American trading partner, amounted to US\$7.98 billion in 2003 and a series of cooperation issues are on the table regarding petroleum, gas, construction, electricity and nuclear power. Notably, cooperation has reached several high-tech areas including satellites, aviation and military. It is known that China has also been engaged in high level military talks with the three countries for Chinese weapons sales.

Politically, Brazil has been seeking China's support in a bid to become a member of the United Nations Security Council, while China has asked Brazil's backing at the Doha Development Round on trading of agricultural products. It can be observed that the stalemate in the negotiation process of the Free Trade Area of the Americas (FTAA) had tempted Latin American states to see China as an alternative trading partner.

"China fever" seemed to be too overwhelming, and it was thought that there might not be room for a Korean approach. However, this fever began to be cool down soon after the visits from and high-level meetings with South Korea. Argentina was particularly moved by the commitment from South Korea's Export Import Bank to extend 30 million dollars in credit to the Argentine government to buy South Korean products and contract services from Korean companies. This, practically the first credit for Argentina since its 2001 default, was accepted in Argentina as a sign that the country was moving toward winning back investors. Similarly, the summit talks between President Roh and Brazilian President Lula went on for 50 minutes more than originally planned as the two leaders talked amicably about their political careers. Roh,

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3) "China looking to Latin America for resources during Hu trip," *Agence France-Press*, November 10, 2004.

a former human rights lawyer, and Lula, a former union leader, share family and political backgrounds as both were born to poor families and are self-educated. Their talks even extended to domestic policy agenda on national reform and the battle against poverty and corruption.

Therefore, despite strong challenges from China, President Roh Moo-hyun's visit to South America can be evaluated as having laid a firm foundation for South Korean cooperation with the Latin American continent: it pioneered the new market for Korean export and investment, it showed a possibility for diversifying energy sources; and Korea's new IDB membership will open new market of government procurement—approximately US\$10 billion worth annually—to Korean companies.

#### MULTILATERAL FRAMEWORK FOR INTER-PACIFIC RELATIONS

##### *APEC at the Crossroads*

The Pacific Rim has emerged as a new stage for bilateral economic relations, cooperation, technological transfers and peaceful coexistence between North-North, North-South, and South-South. Apart from already developed countries such as the U.S., Canada, Japan, Australia and New Zealand, this dynamic region consists of four Asian newly industrialized countries (NICs, i.e., South Korea, Taiwan, Hong Kong, Singapore) who share miraculous economic success, and the fast-growing group of Malaysia, Indonesia, Thailand, and above all, China.

Bilateral economic cooperation has been especially emphasized in terms of establishing a market for Latin American exports and finding a new source of capital. At the same time, multilateral movements such as APEC for the creation of a new economic community in the Pacific Rim, which Pacific Latin American

countries now want to join, have further enhanced the importance of the region. The Pacific Rim common market, provided the result is successful, is expected to be the biggest economic community in the world, exceeding the capacity of the European Union.

At a meeting of leaders in Bogor, Indonesia in 1994, APEC committed itself to establishing a free trade and investment area in the Asia-Pacific region through voluntary liberalization, with a target date of 2010 for developed-country members and of 2020 for developing-country members. However, it is often recognized that APEC has not made much progress with the Bogor Declaration. Instead, APEC members are expected to seek an acceleration of global trade liberalization talks involving the World Trade Organization's (WTO) Doha Round that will lead to the establishment of a new binding trade and investment treaty among the 148 WTO countries. The WTO member countries reached a framework agreement on cutting tariffs and farm subsidies in July 2004. As the WTO advances, the APEC scheme for free trade will inevitably lose ground for take-off.

On the other hand, given the strong wave of growing bilateral FTAs there could be some 300 regional free trade agreements in place by 2007, creating a "complex and bewildering" web of regulations on issues such as rules of origin. There is a view that local agreements can "distract attention" from multilateral talks.<sup>4</sup> Therefore, APEC is facing a crisis on two fronts: one from the strong free trade promotion of WTO and another from persistent bilateral FTAs. In this regard, there is a strong argument that rather than wasting time trying to pursue the Bogor declaration, it may be desirable to transform APEC into a transnational forum for regional cooperation according to a new rationale, emphasizing sustainable development, labor issues and human rights.

APEC has so far failed to respond to the strong demand for

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4) David Roberts, "APEC Special: Leaders Told to Launch APFTA," *Business News Americas*, November 19, 2004, [<http://www.bnamericas.com>].

multilateral framework for trans-regional, particularly trans-Pacific convergence. Basically it includes only a few Latin American economies: Mexico, Chile and Peru. As widely known, the APEC 2004 meeting in Santiago was welcomed only by massive anti-globalization demonstrations.<sup>5)</sup> Currently, the Latin American public believes that APEC is nothing more than another organization promoting globalization and free market ideology sponsored by the U.S.

*FEALAC: A Rising Sun off the Beaten Track?*

In the 1990s, as the economies of Latin America and East Asia became remarkably internationalized and diversified, there was a growing need for the establishment of a forum to bring these two regions together directly. Specifically, when the Prime Minister of Singapore initially suggested the necessity of such a plan, the time was seen as ripe for East Asians and Latin Americans to build a bridge between the two regions so as to tap into growing economic opportunities and promote better understanding: The plan led to the birth of Forum for East Asia and Latin America Cooperation (FEALAC).

During the inaugural Ministerial meeting of FEALAC, held in Santiago, Chile in March 2001, members approved a framework document of the Forum which establishes the principles, aims, objectives and modalities to guide the future work of FEALAC. The main objective of FEALAC is to promote political and economic dialogue and cooperation in all areas to generate better understanding and fruitful a partnership between the two regions. (See box)

In order to facilitate this objective, three Working Groups—

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5) Kwak Jae-Sung, "Press Coverage of President Roh Moo-hyun's visit to South America in 2004," paper presented in 2004 Winter Conference of Latin American Studies Association of Korea, December 4, 2004.

**Objectives of FEALAC**

- To increase mutual understanding, trust, political dialogue and friendly cooperation among member states with a view to enriching and sharing experiences and developing new partnerships;
- To tap the potential of multidisciplinary cooperation, among other things, in economics, trade investment, finance, science and technology, environmental protection, culture, sports, tourism and people-to-people exchanges;
- To expand common ground on important international political and economic issues with a view to working together in different international bodies in order to safeguard our common interests.

Economy and Society Working Group; Political and Cultural Working Group; and the Education, Science and Technology Working Group—were founded in 2002. Many useful initiatives and proposals for cooperation have materialized during these meetings, such as Philippines' national project for a Consortium of Latin American Studies and Australia's offer to host a FEALAC Education, Science and Technology website.

However, FEALAC has achieved very little compared to the ambitious visions, broad objectives and many good ideas. Among the proposals of working groups, for instance, the only program persistently implemented seems to be Singapore's Latin America's Journalist Visit Program (JVP) while the Philippines' project seems to be non-existent and Australia's website displays no concrete activities in education and S&T cooperation.<sup>6)</sup> On the other hand, Senior Officials' Meetings (SOM) have been held six times so far, the first in Singapore 1999, to the sixth in Manila, 2004, but results have not

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6) The FEALAC Education and S&T web site made by the Australian government, [<http://www.dest.gov.au/fealac/Default.htm>]; the Singapore's Latin America's Journalist Visit Program, [<http://www.mfa.gov.sg/internet/foreignpolicy/JVP%202003.pdf>].

lived up to expectations. For instance, the result of SOM V in San Jose were publicized as follows: “It recommended to the Foreign Ministers the membership of Nicaragua and Guatemala to the Forum. It also laid a firm foundation for the meetings to be held in Manila in 2004.” Similarly, SOM VI had plans to “coordinate the efforts of the Working Groups on current security issues, and establish a mechanism that will strengthen FEALAC as a venue for inter-regional dialogue.”<sup>7)</sup> So far, no such documents or actions of FEALAC for “current security issues” have been undertaken.

Although FEALAC has sent an important political message on the need to explore the potential of partnerships between East Asia and Latin America since its inception in 1999, the organization has made little progress in launching concrete programs to achieve the objectives presented above. Indeed, all the gatherings of government officials have failed to advance beyond diplomatic rhetoric, and have not broken down the psychological and mental barriers that still divide the two sides of the Pacific.

One key characteristic of FEALAC, compared to forums such as APEC or the Asia-Europe Meeting (ASEM), is that most FEALAC members are developing countries, with a dearth of resources to put some of the programs or projects in place. Hence, the Japanese government’s suggestion, that the six co-chairs of the three Working Groups take responsibility on the implementations of at least one project each, seemed to be a practical approach to bring FEALAC forward and sustain its momentum. On the other hand, as history shows, it does not seem viable, since “everybody’s responsibility” turns out to be “nobody’s responsibility.” Then is there any possible way to put this newly inaugurated train back on track? Here are two suggestions:

First, one characteristic of international relationships among developing countries is being political and, more specifically, bureaucratic. The challenge for the bureaucrats managing FEALAC

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7) <http://fealac.mofat.go.kr/eng/fealac/review.php>

is how to build up a constituent of “FEALAC supporters” from different sectors of society: young people to academics and businessmen. FEALAC should also actively benchmark international organizations, such as the EU and more importantly ASEM, in pursuing their common agenda. Therefore, functional area cooperation will be a key to consolidating FEALAC.

In this regard, the ASEM-Duo scholarship program may offer useful insights and important implications for FEALAC in many respects. (1) ASEM-Duo is operated under a bilateral working mechanism, but still within a multilateral frame. (2) It is an inter-regional program, not intra-regional one. (3) Donating members and non-donating members are equal beneficiaries. Therefore, its character is basically “inclusive,” not “exclusive.” (4) While the program can be easily initiated with a small number of participants, the membership can be extended at any time. (5) As a long-term project, FEALAC must invest in the young generation to propagate the message of engagement, influence opinions and generate interest on FEALAC.

Second, one of the important goals of FEALAC may be to achieve economic development by promoting inter-regional trade and investments. In this regard, Asian members headed by Korea are focusing on establishing the FEALAC Business Council (FBC) to act as a flagship project which was mandated in the “Manila Plan of Action,” adopted at the 2nd Foreign Ministers’ Meeting in January 2004.<sup>8)</sup> It is true that FEALAC can learn from the experiences of APEC and ASEM—to see how business people and corporations can be convinced to help with the business agenda. However, it should be noted that there is a feeling of uneasiness about this action as it is frequently interpreted as a mercantilistic initiative, particularly from the Latin American viewpoint. Therefore, Asian governments must

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8) Ji-Eun Yoo, “Proposal Document for the FEALAC Business Council (FBC),” paper presented for *The 8th International Forum for Korea and Latin America*, November 2-3, 2004.

take into account the unique characteristics of FEALAC as, (1) it is mostly composed of developing countries; (2) there is a gap in the level of industrialization among member countries; (3) Asia currently enjoys a trade surplus with Latin America. On the one hand, there is no question about the paradigm that increased trade and investments would help to generate more interest and more knowledge, and that would in turn bring the two regions closer together. On the other hand, it is equally important to maintain mutually beneficial and balanced relations

FEALAC is a new type of inter-Pacific cooperation forum and the idea of creating such an organization is significant. As the two regions, lacking deep cultural or historical links, have been separated psychologically, FEALAC must be seen as a modest tool that interlinks the countries, economies, peoples and cultures of the two regions. However, as seen above, a more careful and functional approach is needed to firmly consolidate this newly launched mechanism.

## CONCLUSION

Both East Asia and Latin America are regions with huge diversities. It is therefore even more crucial for states in these two regions to help shape an international system that enables different actors to pursue their own purposes and at the same time, be capable of brokering diversity.

In conclusion, it would be meaningful to question once again why Koreans are rushing into Latin America. In contrast to Asia, North America or Europe, Latin America is relatively unknown and has been rather ignored for many reasons mentioned already. The answer is first explained by economic factors: market and corporate strategic factors driven by the paradigm of globalization. Latin America, with an improved image, abundant natural resources and a growing domestic market potential boosted by regional integration

movements, has naturally become a new target for this collective Korean interest.

In this regard, the recent Korean step towards Latin America is more strategically oriented than before, not exclusively based on trade, but on broader perspectives such as investment and procurement participation. Backed by more education and research activities, careful attempts by the governmental and private sectors will enable us to be more optimistic about future relationships between Korea and Latin America.

There is no doubt that the partnerships between Asian countries, still one of the most promising regions in the world economy, and Latin America which is solidifying its position in the world as emerging economies, can contribute to produce synergistic outcome for both players. But the key factor deciding the quality of that cooperative relationship must be the existence of “mutual understanding and true partnership,” which should not be confused with diplomatic discourse, trade and investment figures, or numbers of multilateral meetings.