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Economic Commission for Latin America and the Caribbean

**ECONOMIC RELATIONS AMONG DEVELOPING REGIONS: AN AGENDA FOR
LATIN AMERICA AND ASIA-PACIFIC TRADE COOPERATION */**

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I. INTRODUCTION

During the 1980s the world economy changed drastically. Two new concepts made deep inroads in the organization of the international economic system: interdependence and globalization. At the same time, two seemingly opposing trends seem to dominate the evolution of the international economy: one refers to the increasing process of internationalization and the other to the process of regional bloc building. These new characteristics are changing the international division of labour, particularly the way in which developing countries insert themselves in the world economy. There is a new international economic order, distinct from the New International Economic Order (NIEO) advocated during the 1960s and 1970s.

This new order is more pragmatically defined and less politically sensitive. It obeys the whims of the market and of the new production paradigm, based on efficiency, flexibility and productivity, which embodies a distinct organization of production across different national boundaries.

As a result, the confrontation that characterized North-South relations in the earlier periods has slowly begun to give place to a more pragmatic dialogue and to a relative realignment among the members of both regions. Part of this "realignment" stems from the birth of a fourth pole of growth in the world economy, comprised by most countries of Southeast and East Asia and the People's Republic of China. In other words, the traditional division of the world between developed and developing economies has become less functional, due to the arrival of the newly industrializing economies (Hong Kong, Republic of Korea, Singapore and Taiwan, Province of China --ANIES4) or the four members of the Association of South East Asian Nations (Indonesia, Malaysia, the Philippines and Thailand --ASEAN4), and the People's Republic of China.^{1/} These countries in Southeast and East Asia have managed in the time span of a little more than two decades to achieve the levels of development that took other nations a century or at least many decades.

This is why, in many respects, the term, developing countries, has stopped to signify a cohesive group of countries, in line of North-South confrontations. Today, developing countries comprise diverse interests and objectives in their international strategy. For instance, among the developing countries some are fast growing economies of relatively high per capita incomes, accompanied by sound macroeconomic policies and dynamic manufacturing exports, while others are slow growers of low income levels, still characterized by high indebtedness and inflation, with the predominant primary export sector. Some are net food importers and exporters, while others are net fuel importers and exporters. Each developing country may share one or more of these features and its foreign policy will be organized along the domestic priorities and the convenience of its international alliances. Furthermore, many developed countries have realigned aid and trade structures to help developing countries according to specific needs and characteristics, which might range from colonial ties to geographical proximity. The differentiated access to aid programs and trade preference schemes constitutes, therefore, an additional division among developing countries.

The aim of this paper is to explore trade and cooperation possibilities among developing countries. Cooperation is an elusive concept that has been studied from different angles, using distinct theories. Yet, perhaps the two expressions that better describe this idea are: complementarity and coordination. In this sense, the theory of games, and particularly the prisoner's dilemma, is an

^{1/} In this document, such interchangeable terms as Southeast Asia, Asia-Pacific and East Asia refer to ANIES4, ASEAN4 and People's Republic of China.

adequate instrument to visualize the complexity of cooperation. Besides, according to the theories of games, the definition for the opposite of cooperation could easily be a zero-sum game (Axelrod, 1984).^{2/}

The document calls attention to the increasing opportunities in the trade relations between Latin America and the developing countries of the Asia-Pacific region. This region seems to present promising prospects for cooperation. Asia-Pacific is on a fast growth path, which requires expanding external markets for its products in addition to their traditional developed countries' markets. Latin America, on the other hand, is on a different path of the transformation of its production patterns. It requires the dissemination to its large populace of the new ideas on technological innovation, the more constructive participation of the government, labour and business in the process of industrial transformation and the distribution of their benefits. To attain the necessary transformations, Latin America will have to learn from experiences of others and at the same time intensify their cooperative efforts. The experiences and cooperation among developing countries that are best suited for adaptation by Latin America may be the ones from Asia-Pacific.

The study is organized in three parts. The first is a bird-eye view of the evolution of Latin American trade during the 1980s. The second deals with Latin American trade with Africa and Asia. Finally, the third part refers to the agenda for cooperation between Latin America and Asia-Pacific.

^{2/} The prisoner's dilemma refers to a situation where two prisoners are coerced to confess. There are four possibilities: (i) prisoner A confesses first and is freed and prisoner B is sentenced, (ii) prisoner B confesses first and is freed and prisoner A is sentenced, (iii) both prisoners confess at the same time and are sentenced and finally, (iv) both prisoners keep quiet and are freed. The latter option reflects a superior rationality, and is the best option. However, it requires mutual understanding, trust and cooperation, which is achieved only after several rounds of playing. The zero-sum game refers to the situations where the gains of one player are the losses of the other, there are no possibilities of cooperation, each player follows his own rationality.

II. THE RECENT EVOLUTION OF LATIN AMERICAN FOREIGN TRADE

1. Globalization and regionalization

The evolution of the international economy in the past decade and during the present one has been characterized by two concepts. The first is the process of interdependence that has blurred the lines of national frontiers, specially in terms of sovereignty. Keohane and Nye (1988) explain the interdependence beyond the simple terms of mutual dependence, by emphasizing the existence of reciprocal costs in the interchanges. The absence of costs implies there is no interdependence but only interconnection.

Recently, the member of ASEAN4, the ANIES4, together with Japan and China, has experienced an extraordinary process of interdependence deepening. In a very short period, the creation of interdependence has transformed the Asia-Pacific region into a potential regional bloc, that would be surpassed only by the European Economic Community (EEC), in terms of value of intra-bloc trade. Though, compared to the EEC, the share of intra-regional trade is smaller, in relation to other regions, including the NAFTA, it is remarkably high, accounting in 1990 for 45% of total exports. It is also worth mentioning that intra-industry trade in manufactures is increasing inside the Asia-Pacific region. Already more than 70% of Hong Kong and Singapore's trade in manufactures are of intra-industrial exchanges, while the share for Malaysia is over 50% (Fukasaku 1992).

On the side of Latin America also, there have been impressive achievements. The adjustment and stabilization of the majority of the economies have been translated into substantially lower rates of inflation, a significant improvement on the public finance and on the level of domestic investments and savings, as well as into a more stable exchange rate exchange regime, together with trade and financial liberalization and deregulation. These macroeconomic achievements have revitalized integration efforts, at bilateral, subregional, regional and hemispheric levels, which in recent years has given an important impetus to the already growing intra-regional trade and reciprocal investment flows (ECLAC 1993 c).

Also, Latin America is entering a new phase of its integration process, and the perspective of an open hemispherical trade bloc should be an enticing one for Asia-Pacific countries, either in terms of trade or as a recipient for Foreign Direct Investment (FDI). In fact, two "deep integration" initiatives are about to begin in Latin America. First, on January 1st, 1994 the North American Free Trade Area (NAFTA) will start to operate, and in the period of 15 years will create a free trade area among the United States, Canada and Mexico, which will comprise 360 million people and a joint production of 7 trillion dollars. Then, on January 1st, 1995, the Mercosur (or Common Market of the South) that joins Argentina, Brazil, Paraguay and Uruguay, will be operative, creating first a free trade zone of 200 million people, and later developing into a common market that consists of half the Latinamerican Gross Domestic Product (GDP). These initiatives are not alone, the Andean Group has also expressed its intention of creating a common market, and throughout the region there is the widespread notion that NAFTA will eventually be expanded to included all or most of the countries of the region.

However, these "separate" regional processes of integration have not yet given rise to the strengthening of mutual interdependence between the two groups of developing countries. In this context, the ability of the countries of Latin America to insert themselves more actively in and benefit

more effectively from these Asian regional complementarities might decide whether or not economic relations between Latin America and developing Asian countries remain at the present state of only "interconnection" or be raised to a level of "interdependence" in the future.

The other concept that has symbolized the evolution of the international economy in the past and present decade is globalization. The process of globalization explains the remarkable increase in international flows of capital and production factors, through better technological, communication and transportation resources. One clear consequence is the increase in horizontal and vertical trade between production units across different frontiers. This process is generally called internationalization and was particularly significant between developed countries in the last decade. However, the concept of globalization also comprises another element, seemingly contradictory to internationalization: the process of regionalization. This refers to the current trend among countries that enjoy geographical proximity and share some international goals, as well as mutually enhancing comparative advantages, to join in regional (and subregional) groups, that facilitate trade and intra-group links.

Furthermore, the new production paradigm that emerged during the 1980s is more oriented toward productivity, technological innovation, flexibility --made possible by higher technical training of workers-- and intensive use of automatization. As a result, regional production centers have become an answer to the new requirements of these production units, to exploit better incentives at the local and regional level, complementarities in natural resources and production, the augmented size of local markets, enhanced efficiency in terms of access to inputs delivered just-in-time, etc.

Thus, today's regionalization concept is distinct from its earlier connotation, as it tends to increase the presence of the region in international flows. Moreover, the regional interdependence thus created intermingles with the ever increasing national interdependence, for some or most of the capital and technology that give form to the regionalization of production will come from outside the proper region. The increased capability of developing countries to integrate with not only their neighbour countries but also with the countries outside their proper region, which share the same objectives and/or suffer from similar obstacles in their search for increased international exposure, tend to support the idea that internationalization and regionalization are not necessarily contradictory.

Nonetheless, the process of regionalization threatens the evolution of the multilateral trade system. Once there are problems inside the region, outsiders may be excluded, based on the need to maintain intra-regional balances. Therefore, the risks of rising protectionism towards third country markets need be addressed through a more liberal approach to regionalization, i.e., "open regionalism."

As described by ECLAC's Executive Secretary in his remarks to the Rio Group Summit in Santiago, Chile in October, 1993, "open regionalism" refers to the increasing economic interdependence, driven by investments and market forces in a context of openness, deregulation and globalization, as well as by the preference accords". This means a radical change to the present situation of Latin America, as it implies increased possibilities for FDI in the region, and a higher level of intra-industry trade among its members. Once the complementarity of the regional production increases, production and trade specialization will follow. As these processes become compatible, and

mutually enhancing, regional integration not only will bring international competitiveness, but also will decrease the external vulnerability of the region to world economic cycles.^{3/}

Given the symbiotic relation between FDI and trade, FDI will increase the capacity of production of exportable goods. Latin America recently has presented to the world a new image that may attract various kinds of capital flows and FDI.^{4/} These investments tend to be oriented toward productive activities and services that require more skilled workers and the use of modern technologies. In spite of the recent increase in FDI to Latin America, however, the number of investor countries of FDI is still limited. According to recent data, in the period 1979-90 the United States represented 47% of total FDI flows coming from the U.S., Europe and Japan to Latin America and the Caribbean. Europe in the same period accounted for 42% and Japan only for 11% of the three regions' total. For the period 1987-90 these numbers are even more extreme: the U.S. recorded 52%, the EEC 39% and Japan just 9%.^{5/} Against this background, some newly industrializing countries in Asia, which are already net exporters of capital, can transform themselves into active FDI agents in Latin America.

The first years of the 1990s have seen radical changes in the developing world. About half of the developing countries have shown a remarkable economic performance in the first years of the present decade. While industrial countries have slowed their economic growth, developing countries are expected to account for "one third of the growth in world GDP over the next five years" (IMF, 1993, p. 296). Over the last five years, developing countries had accounted for more than a quarter of the increase in global imports (p. 296). According to the International Monetary Fund (IMF), "U.S. exports to China, the Middle East and Latin America grew in 1991 and 1992 ten times faster than the rate of increase of U.S. exports to Western Europe. Japanese exports to the same markets grew ten times faster than Japanese exports to the United States. The European Community's exports to the same group of developing countries grew by 13%" (p.292). Similarly, the share of developing countries as recipients of FDI has increased markedly, when the counterparts directed towards developed countries have suffered an important slowdown.

This rising absorption capacity of developing countries in trade and capital, and the increasing economic complementarities in each of the two regions will open possibilities of cooperation in a given region and those on both sides of the Pacific. Though the process of regionalization finds itself at a still infant stage and the concept of "open regionalism" needs yet to be well developed, it is possible to visualize increased cooperation among developing countries in a context of multiple "open" regional blocs.

Before we go on to study the possibilities of cooperation, we must review briefly the evolution of Latin American trade in the 1980s.

^{3/} The consequences for Latin America of the application of this concept are studied in Kuwayama (1993).

^{4/} Latest estimates put the inflow of foreign capital in Latin America in 1993 at over US\$ 50 billion (ECLAC, 1993 a).

^{5/} See ECLAC (1993 b). These figures exclude FDI flows to "tax havens".

2. The Recent Evolution of Latin American Foreign Trade

Latin America's share of world trade, in exports as well as imports, remained between 2 and 4% during the 1980s, not showing significant overall changes (See Table 1). However, a recent ECLAC document (Izam, 1993) underscores one of the main aspects of the Latin American trade in the 1980s, i.e., the change from a deficit to a surplus trade area. In the wake of the sudden stop on the flow of voluntary credits to the region due to the debt crisis of 1982, combined with the rise in international interest rates, as an important facet of the adjustment process, most of the countries in the region increased their exports while drastically reducing its imports.

As a consequence of the debt crisis of the 1980s and the adjustment process in the middle of a severe and prolonged recession, Latin American intra-regional trade also decreased. Intra-LAIA exports that had reached 13% of total exports in 1980-1981, only attained 8% in 1985, to recover a 19% level, roughly \$ 20 billion, in 1992. The developing countries as a whole, including intra-regional trade, represented less than 30% of total LAIA exports. Despite a slight decline in recent years, the export drive of the region was and is mainly concentrated in the United States and the EEC markets, which were responsible for over 60% of total LAIA exports in 1992, while they provided over 65% of LAIA's total imports (Table 1).

Despite the overall dependence on the U.S. market, this was not an evenly shared trend among LAIA's members. As expected, the dependence on the U.S. on exports and imports varies widely among countries, and the regional overall figure is influenced heavily by Mexico and Venezuela^{6/} (See Figures 1 and 2). It can be said, however, that although this relatively high concentration per-se is not harmful, and even not unique, it is a shared concern in the international trade position of the region, since it puts too high dependence on a market that presents possibilities of moderate or slow growth in the future. Latin America's search for new markets derives partially from this concern on the economic dependence and its possible intensification under the schemes proposed to the region by the United States (e.g., NAFTA and its extension to other countries as well as Bush Initiative for the Americas). Interests in exploiting other markets are, therefore, motivated by the domestic problems in the U.S. and EEC and the uncertainty surrounding the international economy may resurrect protectionist feelings that could be potentially dangerous to Latin American trade interests, given the importance of U.S. and EEC import markets to the region's exports.^{7/}

As far as LAIA's exports to Japan are concerned, in spite of the remarkable growth in the late 1970s and early 1980s, the trade record of recent years have not witnessed substantial changes and can be characterized by stagnation (Table 1). The relative weight of this Asian country in total regional exports reached in 1992 only 5.6%, whereas the participation of the same country in total imports stood close to 7%. Except for some countries and some sectors, the features of Japan-Latin American trade will not likely change substantially in the near future.

^{6/} The share of the U.S. market in Venezuelan exports in Figure I is low, due to the exclusion of petroleum and its products from total exports.

^{7/} A point could be made here about the structure of Latin American trade with the United States. Latin American exports to the U.S. have a higher percentage of manufactures than trade with EEC and Japan (Kuwayama, 1993)

TABLE 1					
LALA FOREIGN TRADE IN THE END OF THE EIGHTIES AND BEGINNING OF THE NINETIES					
1980, 1989-1992					
(millions of US\$, FOB)					
LALA'S EXPORTS					
DESTINATION	1980	1989	1990	1991	1992
WORLD EXPORTS (a)	2000947	3024780	3396510	3438565	3461816
WORLD (b)	79610	102185	112494	116698	118578
DEVELOPING COUNTRIES	23593	25412	24918	29378	33239
DEVELOPED COUNTRIES	51871	73185	71239	83560	82114
EEC	19222	23110	24378	30674	30524
U.S.A.	23389	38681	36211	41557	40710
JAPAN	4154	6247	6782	7137	6687
AFRICA	1753	1520	1605	1363	1468
ASIA	1783	5903	5554	6218	6493
LAT.AM. & CARIBBEAN	18408	15879	15470	19503	22769
SHARE OVER TOTAL LALA'S EXPORTS					
DESTINATION	1980	1989	1990	1991	1992
LALA/WORLD EXPORTS (b/a)	3.98	3.38	3.31	3.39	3.43
DEVELOPING COUNTRIES	29.64	24.87	22.15	25.17	28.03
DEVELOPED COUNTRIES	65.16	71.62	63.33	71.60	69.25
EEC	24.15	22.62	21.67	26.28	25.74
U.S.A.	29.38	37.85	32.19	35.61	34.33
JAPAN	5.22	6.11	6.03	6.12	5.64
AFRICA	2.20	1.49	1.43	1.17	1.24
ASIA	2.24	5.78	4.94	5.33	5.48
LAT.AM. & CARIBBEAN	23.12	15.54	13.75	16.71	19.20
LALA'S IMPORTS *					
ORIGIN	1980	1989	1990	1991	1992
WORLD	83358	81609	87640	106166	126797
DEVELOPING COUNTRIES	22367	18593	16871	22924	28106
DEVELOPED COUNTRIES	60160	62111	70099	82719	98218
EEC	16875	14572	16942	19414	21387
U.S.A.	31668	37611	41969	50671	61378
JAPAN	5923	5098	5354	6791	8798
AFRICA	1476	516	458	915	903
ASIA	1747	2874	3679	5608	7403
LAT.AM. & CARIBBEAN	11936	11507	12374	15923	19291
SHARE OVER TOTAL LALA'S IMPORTS					
ORIGIN	1980	1989	1990	1991	1992
LALA IMPORTS/WORLD EXPORTS	4.17	2.70	2.58	3.09	3.66
DEVELOPING COUNTRIES	26.83	22.78	19.25	21.59	22.17
DEVELOPED COUNTRIES	72.17	76.11	79.99	77.91	77.46
EEC	20.24	17.86	19.33	18.29	16.87
U.S.A.	37.99	46.09	47.89	47.73	48.41
JAPAN	7.11	6.25	6.11	6.40	6.94
AFRICA	1.77	0.63	0.52	0.86	0.71
ASIA	2.10	3.52	4.20	5.28	5.84
LAT.AM. & CARIBBEAN	14.32	14.10	14.12	15.00	15.21
SOURCE: U.N., MONTHLY BULLETIN OF STATISTICS, JUNE 1993, SPECIAL TABLE E					
* / As the original information refers to exports (f.o.b.), LALA import values are lower.					

Figure 1

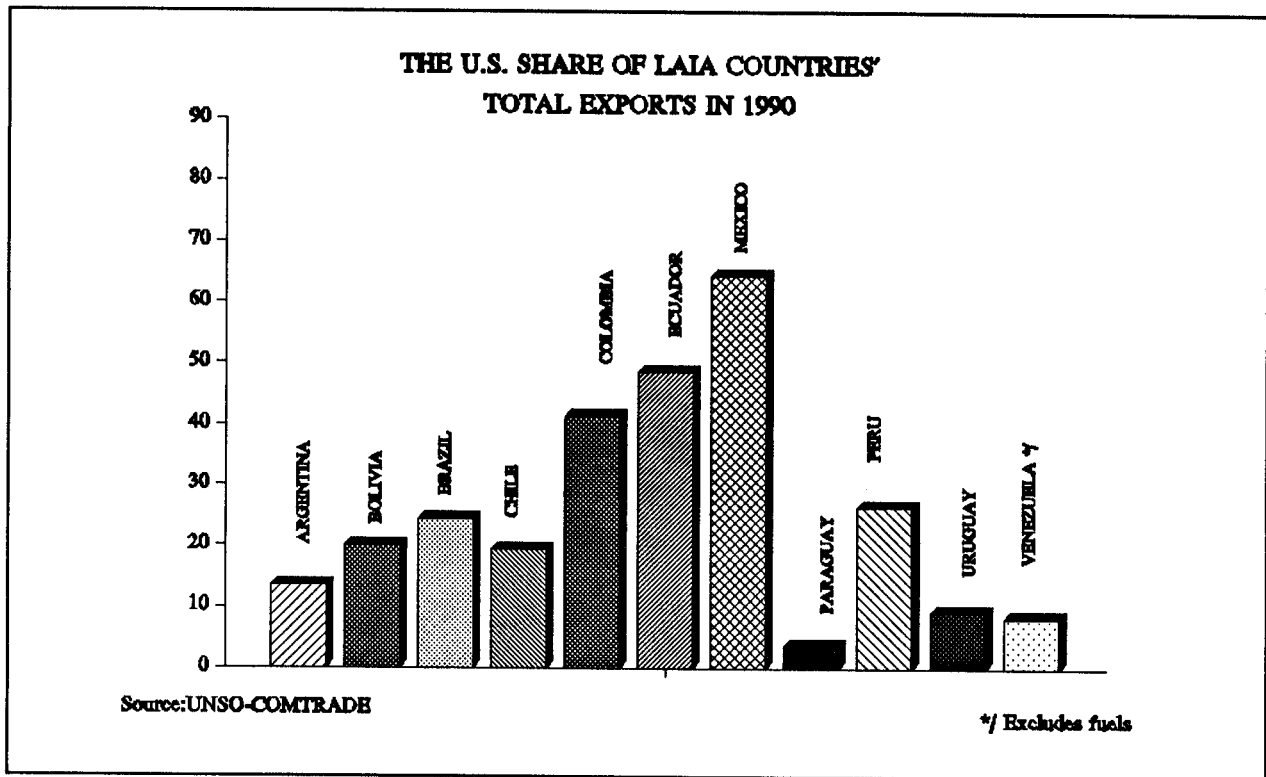
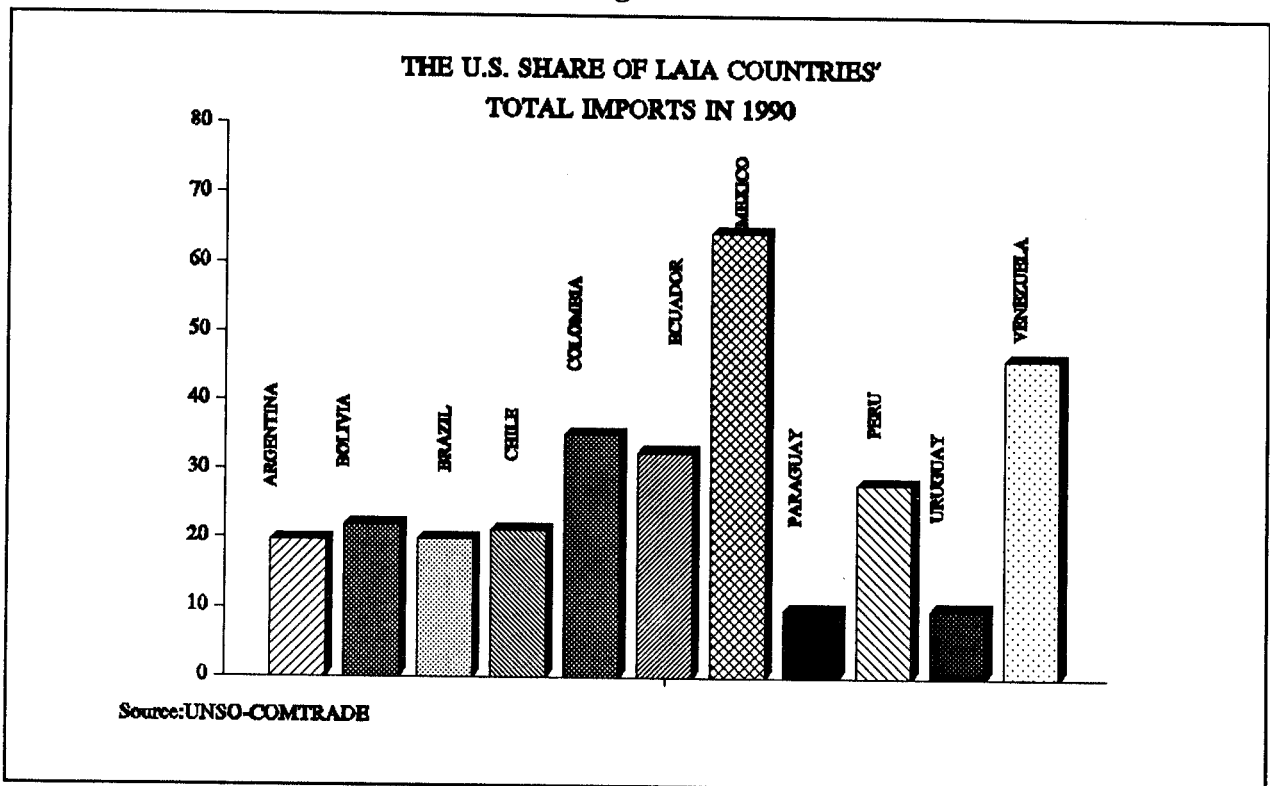


Figure 2



3. The product composition of LAIA's foreign trade

Another noticeable trend is that the export drive of Latin American countries during the 1980s concentrated on manufactures.^{8/} In the time span of twenty years the composition of LAIA's exports changed markedly, but it was during the 1980s that these transformations were more intense. Particularly, exports of manufactures increased during the 1980s. In the beginning of the 1970s manufactures represented less than 10% of total LAIA's exports. Ten years later, its share rose to 17%, and at the beginning of the 1990s stood at over 37% of total LAIA's exports (See Table 2). In addition, the share of the United States in total Latin American manufactures' exports increased from 32% in 1970 to 38% in 1989 (Izam, 1993, Table 8). If we consider "maquiladora" exports from Mexico, this share would have approached 50% in 1989.

On the import side, the share of manufactures in LAIA's imports of 75% at the beginning of the 1970s declined to less than 64% in 1985, and reached almost the same level of the 1970s in 1991 (See Table 3). The United States has kept its position as a major supplier of manufactured products to the Latin American market, though its share of LAIA's total imports of manufactures went from 44% in 1970 to 41% by 1989. Moreover, during this period the composition of Latin American imports from the United States has shown a decrease of the importance of manufactures, from 79% to 70% (Izam 1993, Table 7).

Traditionally, the advance in manufactures exports is advocated on the grounds to compensate for the stagnant performance of the primary commodity sector, which has been accompanied by a series of negative structural elements, most notably among them being the deterioration of the terms of trade, their price, and the substitution of synthetics for many of these items. Today, the importance of manufactures exports is focused more on their capacity to transform the industry. These dynamic and more complex products allow for employment creation and sustained salary increments, through intensive use of skilled labour and a higher value added (ECLAC, 1992, Chapter V.). Furthermore, the forward and backward linkage effects of exports of manufactures are known to be substantial. In fact, manufacturing is a sector that, by itself, "has strong externalities for the entire economy" (Agosin, 1993, p. 96). Statistical evidence for the 1980s tends to confirm that "growth in manufactured exports appears to be correlated with growth in overall exports, GDP and value added in manufacturing. Although investment rates fell in most countries in the 1980s, countries recording rapid manufactured export growth were, on average, better able to prevent their investment rates from declining" (p. 111).

In summarizing the foregoing we may conclude that: on the positive side, Latin America has expanded its exports, and has managed to boost the share of manufactures in them. On the other hand, intra-regional trade has suffered during the 1980s, despite a substantial renewal in the 1990s. In general terms, the high dependence of regional trade on the United States and the EEC markets

^{8/} In this study manufactures are defined as those products belonging to Section 5 through 8, minus Subsection 68 of the Standard International Trade Classification (SITC).

TABLE 2

LALA'S EXPORTS TO THE WORLD								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	54.10	24.25	1.87	1.40	11.61	2.55	9.76	100.00
1975	44.53	33.47	2.40	0.92	6.06	5.50	15.34	100.00
1980	36.55	39.90	2.70	1.56	5.77	6.25	17.35	100.00
1985	31.96	37.18	3.94	4.05	4.95	9.51	25.49	100.00
1989	33.61	21.93	5.27	6.68	7.40	13.18	36.59	100.00
1990	32.16	27.03	5.01	5.30	7.23	12.08	33.08	100.00
1991 *	32.98	23.28	5.44	5.83	5.80	14.32	37.40	100.00

Source: UNSO, COMTRADE DATABASE. Own calculations.

* 1991, Excludes Peru.

TABLE 3

LALA'S IMPORTS FROM THE WORLD								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(Sto8-68)	Over world total
1970	15.86	5.76	13.86	6.74	2.72	40.34	75.31	100.00
1975	14.19	14.15	13.47	9.55	2.07	36.24	69.49	100.00
1980	15.96	17.60	12.42	5.27	2.11	34.48	64.04	100.00
1985	16.25	17.86	15.02	3.39	1.65	33.42	63.84	100.00
1989	17.23	11.46	16.22	3.89	1.95	33.08	67.65	100.00
1990	15.84	11.94	14.66	3.59	1.54	37.15	70.26	100.00
1991 *	14.30	9.57	14.53	3.84	1.50	39.14	74.28	100.00

Source: Own calculation on the basis of UNSO, COMTRADE

* Note: 1991 excludes Peru.

still persists. The European and Japanese economies face serious macroeconomic and structural problems.^{9/} Meanwhile, the relative weight of developing countries as a whole as importers of LAIA products still remain at a low level. In view of the current scenario of slow economic growth in developed countries and their deficient absorption capacity at present and probably in the foreseeable future, LAIA's export promotion calls for additional efforts of market diversification towards developing countries.

Trade possibilities now being created in Latin America for Asia-Pacific countries are vast and unique: they offer ample opportunities to increase Asian exports both to Latin America and to the North American market, taking advantage of market potentials of the amplified and unified local markets. They also present opportunities to Southeast and East Asian enterprises to multiply their presence in Latin America through FDI and also by resorting to the use of new forms of investment (NFI).^{10/} These initiatives will allow the Asian enterprise to exploit better the geographical proximity to the North American market and the promising growth prospects for the region.

Therefore, in the eve of the XXI century a new approach in trade is desired for the developing countries of both Latin America and Asia. In view of the new world economic order, that emphasizes flexibility and competitiveness, it is possible that the ongoing process of globalization will serve both regions to achieve these goals through production systems that inevitably integrate the regional market into the world market. This implies that in order to take active part in this process, the outside countries should build and strengthen their presence in each region, thereby becoming an "insider" of each bloc. While its immense growth potential makes Asia an essential element for Latin America efforts in this field, the huge potential which presents Latin America not only in natural resource-based but also in industrial areas also makes the region an increasingly appealing partner for Asia.

^{9/} Current IMF projections for industrial countries' output growth are 1.1% for 1993 and 2.2% for 1994. Corresponding rates for developing countries are 6.1% and 5.5%. Annual growth of production in Developing Asia for these years are 8.7% and 7.1%. (IMF, World Economic Outlook, October, 1993)

^{10/} The latter includes subcontracting, licensing, production sharing, franchising, management contracts, turnkey projects.

III. LATIN AMERICAN FOREIGN TRADE WITH DEVELOPING COUNTRIES

The previous chapter underlined, among other features of Latin American trade in the 1980s, the increasing concentration of the region's foreign trade in the United States and EEC markets. Besides, alternative markets in the developed world are either facing recession, or are probably incapable of replacing the U.S. market. At least so far this has been the case with the rest of Europe and Japan. By contrast, given the new trade and economic profile of Latin America and the sustained economic growth and extraordinary trade performance of Asia-Pacific, there are opening enticing trade possibilities between the two groups of countries. The present chapter looks at foreign trade relations between LAIA countries and other developing regions, with a view to identifying principal aspects of these relations that may be built upon for increased cooperation.

1. The recent evolution of Latin American foreign trade with developing countries

In comparison to the preceding decade, in the 1980s Latin America's exports to developing countries lost vigour. In the period 1970-75 average annual growth rates of LAIA's exports to the world and to developing regions, including intra-regional trade, expanded on two-digits percentage terms. In that period, West Africa ^{11/} was the main developing growth area for LAIA's exports. The first five years of the 1980s, however, experienced the slowdown of LAIA's export growth to developing countries, while in the second half of the decade only exports to East Asia managed to achieve two-digits average annual growth rates, in rates higher than those for intra-LAIA trade (Table 4). As can be remembered from the earlier discussions (see in Table 1), during the course of the 1980s the relative importance of developing countries as Latin American trade partners declined: in 1980, about 30% of LAIA's exports went to developing markets, by 1989 these countries absorbed only 25% of the regions exports and in 1990 their share declined to 22%. Since then it has been increasing, and in 1992 attained 28%, approaching the level of twelve years before.

Annual average growth rates of LAIA's imports from developing countries as a whole had a similar behaviour as its exports. However, the debt crisis of the 1980s, as mentioned earlier, had a devastating effect on the region's imports. In the period 1980-85, average annual growth for imports from all the developing regions but West Africa were negative. The latter region concentrated its exports to LAIA in fuels, which may explain the positive trend during those hard years. After 1985, the region picked up the pace of imports, but only since the past decade and beginning of the 1990s it has accelerated (See Table 4).

As can be easily imagined, the relative shares of Africa, Asia, and Latin America and the Caribbean in total LAIA's exports have not been evenly distributed. In fact, while East and Southeast Asia recently increased their share in LAIA's total exports, the share of Africa has declined to almost half. Meanwhile, as said earlier, Latin America and the Caribbean, after loosing 10 percentage points to the 13% level from 1980 to 1990, has started to surge again, reaching about 19% of total LAIA's exports in 1992. It is important to stress that the Asian counterpart has consistently increased its share of LAIA's exports, reaching over 6% in 1992 from just 2% in 1980 (See Figure 3). Notably, a similar

^{11/} The information available for West Africa refers to the following countries: Benin, Burkina Faso, Cameroon, Cape Verde, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Sao Tome & Prince, Senegal, Sierra Leone, Togo.

behaviour has marked the evolution of LAIA's imports from Asia. Therefore, though the shares on Southeast and East Asia are still small, in comparison with the intra-LAIA trade, the steadily rising trends during the 1980s give support to brighter prospects for the future.

In addition, it should be pointed out that there is a promising trend in market diversification regarding Asia-Pacific. As Figures 5 and 6 show, while in 1980 Japan accounted for over 80% of Asia-Pacific imports from LAIA, in 1990 that share was reduced to 53%. On the other hand, in 1980 almost 77% of Asia-Pacific exports to LAIA originated in Japan, ten years later this country accounted for only 59% of total regional exports. This indicates, on the one hand, there is an ongoing process of market diversification for Latin America, and on the other, that Asia-Pacific is a rather heterogeneous market in which Japan constitutes only a part.

As a note of caution, some important restrictions remain in LAIA's trade with Southeast and East Asian countries. The most relevant is the asymmetry in relative importance to each other. While these developing Asian countries represents over 5% of LAIA's exports and imports, LAIA's participation in their external trade borders on only 1% or 2%. As an example, for some countries such as Chile and Peru, Asia-Pacific, including Japan, has become one of the most important export markets, absorbing close to one-third of their total exports. In contrast, market dependence at this high level is not observed for none of the Asian developing countries. This means that Latin American interests in intensifying trade relations with Asia are more obvious and of immediate nature, whereas those of Asia countries are in the medium-term.

As another cautionary remark, as Figure 4 clearly states, Latin America cannot rest on its past success as evidence of future outcomes. Recent evidence indicates that, with the exception of China, exports to the Asia-Pacific countries are losing steam. The evolution of the period 1991-1992, indicates that, for instance, while Indonesia increased its imports from the world by 5%, the nominal value of its imports from LAIA decreased by almost 20%. This same behaviour, that is to say, increasing global imports and decreasing imports from LAIA, was repeated in other five Asia-Pacific countries in the period. The case of Chile, for instance, is an exception to the rule (See Table 5). This observation seems to reveal the lack of solid trade relationships between both regions, being influenced heavily by short-term factors and external competition. This, in turn, calls for active, new Latin American policies toward Asia. These initiatives involve the concertation of efforts of both public and private sectors with the objective to increase contacts and raise in both regions the awareness of each other.

Figure 3

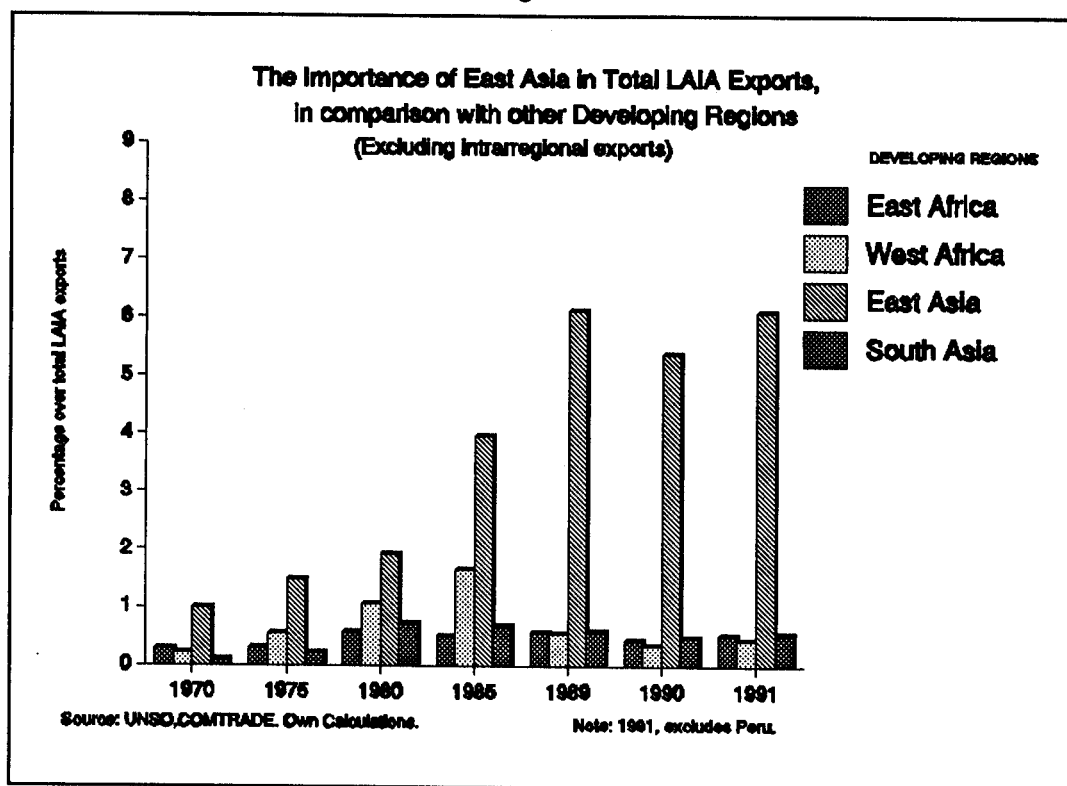


Figure 4

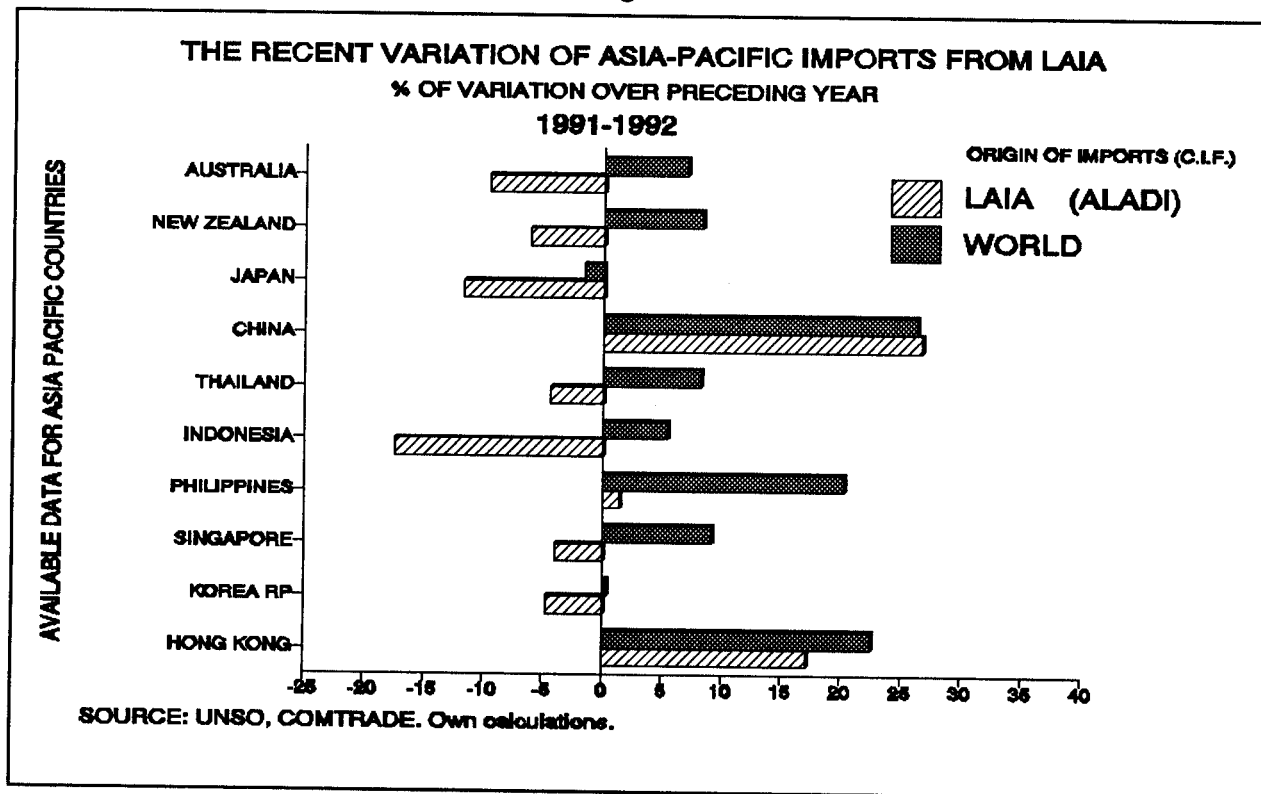


Figure 5

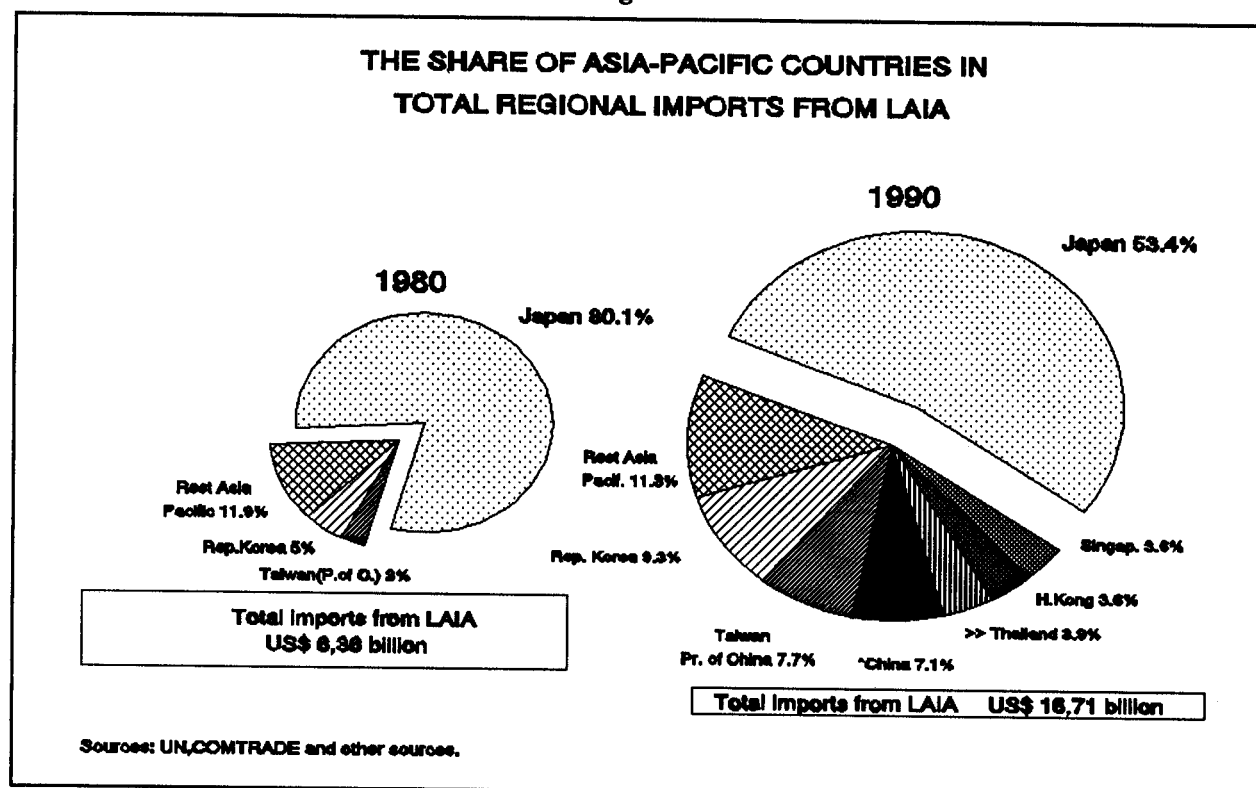
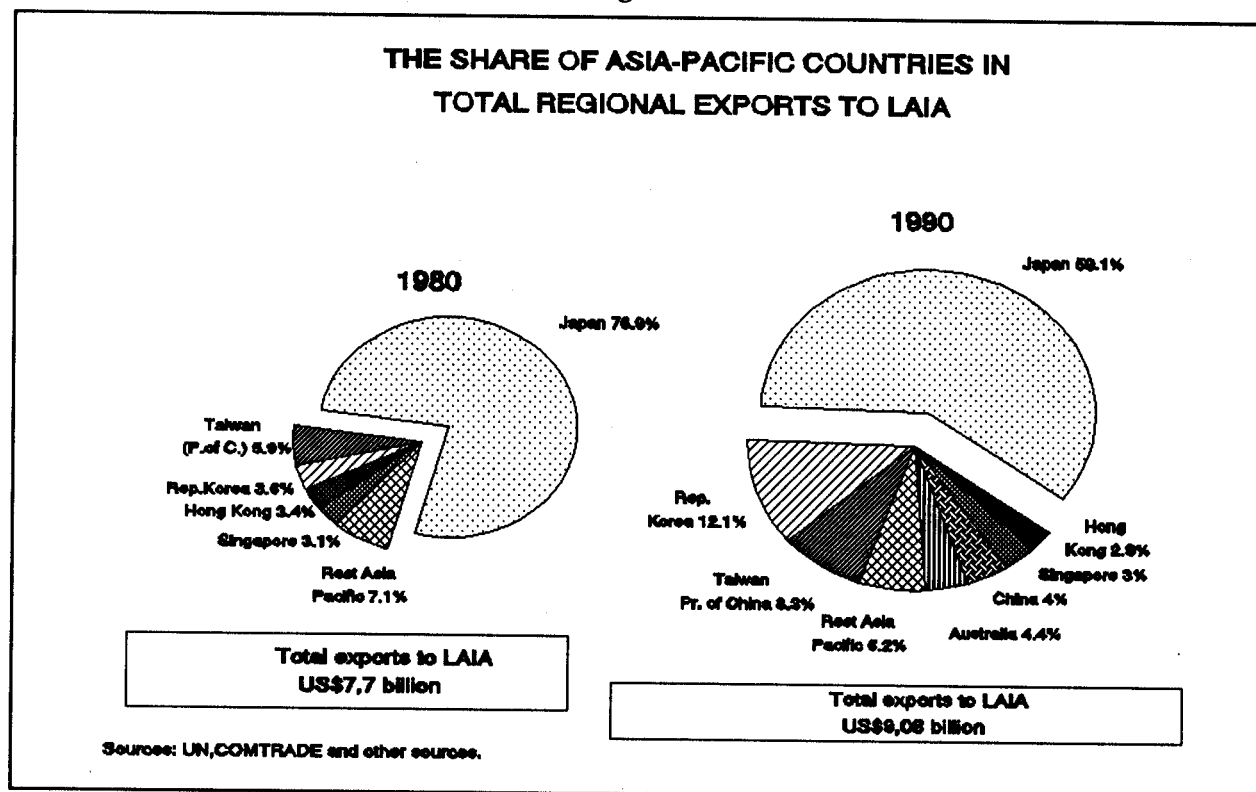


Figure 6



LALA'S TRADE WITH THE WORLD AND OTHER DEVELOPING REGIONS						
ANNUAL AVERAGE GROWTH RATES						
EXPORTS						
	1970-75	1975-80	1980-85	1985-89	1989-90	
WORLD	15.57	17.59	1.93	2.67	5.23	
LATIN AMERICA & CARIBBEAN	21.63	16.44	-5.78	8.84	4.46	
EAST AFRICA	16.20	30.86	1.19	4.24	-8.06	
WEST AFRICA	34.25	31.51	11.09	-18.43	-15.90	
EAST ASIA	22.43	22.96	16.33	11.12	-1.22	
SOUTH ASIA	31.08	43.48	2.51	-1.52	-3.26	
IMPORTS						
	1970-75	1975-80	1980-85	1985-89	1989-90	
WORLD	21.36	14.16	-6.94	5.86	7.59	
LATIN AMERICA & CARIBBEAN	20.03	17.73	-5.05	7.62	5.21	
EAST AFRICA	31.12	19.23	-18.91	14.88	-4.71	
WEST AFRICA	24.50	36.55	8.90	-23.94	22.22	
EAST ASIA	21.30	34.88	-3.85	9.37	11.16	
SOUTH ASIA	8.86	9.15	-9.78	17.66	10.51	
TOTAL TRADE						
	1970-75	1975-80	1980-85	1985-89	1989-90	
WORLD	18.54	15.75	-2.11	3.92	6.21	
LATIN AMERICA & CARIBBEAN	20.90	17.02	-5.44	8.27	4.81	
EAST AFRICA	25.41	23.17	-7.88	7.58	-6.78	
WEST AFRICA	28.48	34.29	9.84	-21.28	3.63	
EAST ASIA	21.94	28.78	7.21	10.62	2.39	
SOUTH ASIA	15.81	30.50	0.75	1.03	-0.30	

Source: Own calculations, based on UNSO, COMTRADE.

Note: 1991, excludes Peru.

TABLE 5			
Increment in the share of Asia-Pacific countries			
in Chile's Foreign Trade			
(% over the total of designated commercial flow of merchandises)			
	1990	1991	1992
Exports (F.O.B.)	25.2	28.7	30.9
Imports (C.I.F.)	12.7	16.3	18.2
Over Total Trade	19.4	23.0	24.7
<u>Source:</u> Central Bank of Chile.			
Note: Asia-Pacific here comprises Japan, Taiwan (P.of China), Korea, China, Malaysia, Hong Kong, Singapore, Thailand, Philippines, Indonesia.			

2. The product composition of LAIA's foreign trade with developing countries

Reflecting the overall increased importance of manufactures in total exports, these products boosted their participation in intra-regional exports as well, from 33% in 1970 to 51% in 1990. However, the share of intra-LAIA exports of manufactures in total exports of these products to the world followed a descending path, declining from 35% in 1970 to only 17% in 1990. It should be stressed that the only developing region that has shown an increasing importance in Latin America's total exports of manufactures was Southeast and East Asia. This fast developing area absorbed over 6% of total LAIA's exports of manufactures to the world in 1990, while ten years before its share was only of 2% (See Table 6).

On the side of imports, a substantial portion of Latin American imports of manufactures from developing countries have come from intra-regional trade. In 1970, 31% of LAIA's imports of manufactures originated inside the proper region, and increased to 54% in 1991. As in the case of exports, a salient feature of LAIA's imports over the years has been the increasing share of manufactures over total imports from East Asia (83% in 1991), and the spiraling share of these imports over total imports from the world (between 4 and 5% in 1991) (See Table 7).

As can be gathered from above, the product composition of Latin American exports to Asia has been moving from primary products to manufactures. Furthermore, the remarkable export expansion in these products has led to the situation where the share of manufactures over total LAIA exports to the country of designation was over 50% in 5 of 10 cases (See Figure 7). In addition, a more detailed analysis shows that the increase is comparatively concentrated in iron and steel products. This, together with a high participation of primary products, implies that Latin America is now a significant supplier of natural resource-based manufactures (NRBMs) and commodities. It can be maintained that as per-capita income increases and changes in consumer habits take place in Asia, demand for these products will certainly increase, particularly if tariff escalations are eliminated through multilateral (or interregional) trade negotiations (Safadi and Yeats, 1993). Manufactures exports to South Asia,^{12/} despite the high relative weight, still remain at a negligible level.

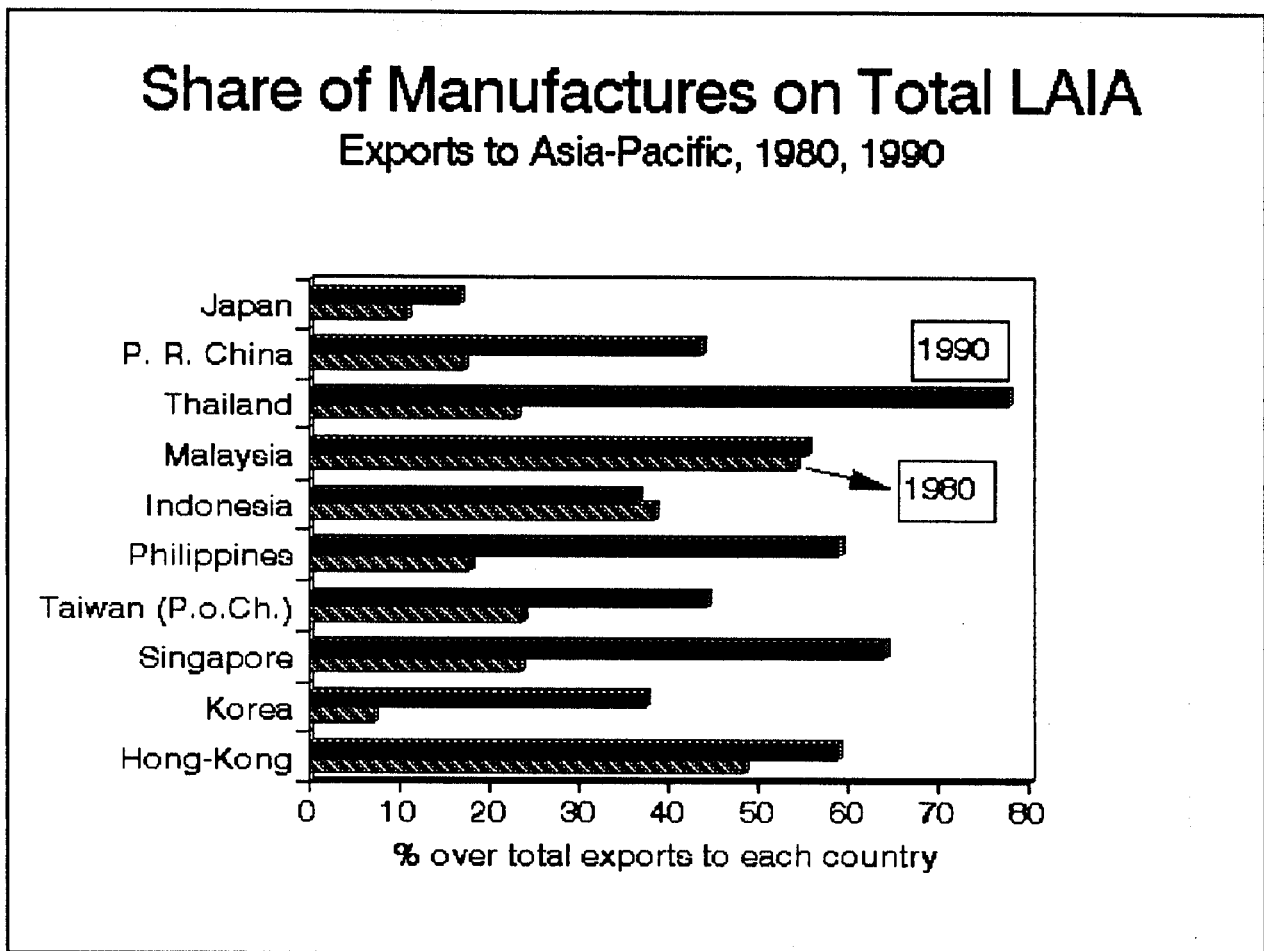
The case for Africa is somewhat different from East Asia. This region has increasingly bought manufactured products from Latin America and their principal items in this product group have been chemicals and machinery and transport equipments. Since the 1970s the relative weight of primary products in LAIA's exports has been halved. Apart from that, the importance of Africa in LAIA's total manufactures exports has been declining. Africa absorbed below 1.5% of total regional exports of manufactures in 1991, in comparison with 6% of the already mentioned East Asian figure.

LAIA's imports from East Africa ^{13/} showed a similar behaviour to LAIA's exports to East Asia: about 30% of LAIA's imports from the former region are composed of manufactures of iron and steel. However, the magnitude of these imports, and of manufactures imports from Africa in general remains at a still very low level, and the situation with West Africa is more marginal.

^{12/} In this study, South Asia consists of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

^{13/} Here East Africa refers to the following countries: Burundi, Comoros, Djibouti, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Africa, Sudan, Tanzania, Uganda, Zaire, Zambia, Zimbabwe.

Figure 7



Source: Mattos (1993).

In sum, during 1980s the bilateral trade between Latin America and East Asia has increased at a rapid pace, in spite of a slight slowdown in recent years. Intra-LAIA trade aside, Southeast and East Asia has become the most important market in developing regions to LAIA. In addition, contrary to what is generally assumed, Southeast and East Asian exports to and imports from LAIA have been characterized by the accelerated increase in manufactures. In their bilateral trade, there has been an increasing importance of machinery and transport equipments and of other miscellaneous manufactured products in LAIA's imports, while LAIA's exports have concentrated in manufactures, especially of iron and steel products.

As argued earlier, exports of manufactured products to competitive international markets is a requisite for an effective change in Latin America's production patterns. Moreover, developing countries are pressed to reduce their dependence on traditional primary product exports. In this context, an important pillar of the industrial transformation of Latin American countries may stem from the region's interchange of capital goods with Asia-Pacific. At the same time, given the comparatively advanced position in certain sectors of manufacturing and the accumulated experience as recipients of technology transfer, ANIES4 and some ASEAN countries can act as "technology recycling agents" for Latin America, facilitating the process of catching-up. Besides, even in the short

term, as the income levels of the ANIES4 countries increase, per capita consumption of raw materials should increase, which can translate into expansion in trade of primary commodities and NRBMs.

TABLE 6								
SHARE OF EACH PRODUCT CATEGORY OF TOTAL EXPORTS TO THE DESIGNATED REGION								
LALA'S EXPORTS TO LALA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	45.57	12.58	5.71	6.15	7.41	11.71	33.45	34.55
1975	32.13	18.80	6.50	3.34	5.95	19.91	42.51	37.05
1980	26.07	20.70	7.56	2.84	6.93	20.48	46.13	36.70
1985	27.68	21.91	12.09	4.35	5.22	15.72	44.99	14.07
1989	30.41	10.42	14.15	8.30	4.62	17.17	54.41	16.31
1990	31.79	12.74	13.33	5.00	3.84	17.12	51.45	16.98
1991*	27.15	11.33	12.66	6.45	3.24	20.62	57.95	20.95
LALA'S EXPORTS TO EAST ASIA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	82.13	1.05	4.08	1.07	0.05	2.24	16.71	1.49
1975	65.23	1.00	3.42	0.34	20.66	6.58	13.05	1.05
1980	58.62	5.57	3.49	6.05	13.66	7.21	22.12	2.05
1985	30.19	6.91	9.05	36.78	9.55	3.53	53.34	7.43
1989	37.80	1.76	7.31	32.12	9.94	6.11	50.50	7.28
1990	38.19	6.37	6.40	28.82	9.95	4.20	45.47	6.39
1991 *	39.03	5.69	5.63	29.16	9.93	4.31	45.34	6.19
LALA'S EXPORTS TO SOUTH ASIA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	82.75	0.00	3.64	0.41	10.38	0.56	6.83	0.06
1975	63.09	6.30	23.51	0.47	0.19	2.08	30.42	0.36
1980	76.27	5.09	2.29	2.61	10.84	1.38	7.80	0.27
1985	56.09	0.03	9.68	14.84	5.72	5.97	35.44	0.86
1989	25.45	1.32	15.81	30.58	10.68	6.58	62.54	0.86
1990	29.73	1.63	11.10	30.83	11.80	6.28	56.83	0.73
1991 *	42.91	3.19	10.99	26.63	6.01	4.35	47.88	0.59

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TABLE 6

LAI A'S EXPORTS TO EAST AFRICA

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	M A N U F A C T U R E S	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	73.81	0.42	1.38	2.02	0.28	8.57	25.31	0.63
1975	27.21	7.13	4.50	3.35	0.23	35.67	65.22	1.06
1980	25.73	25.62	8.11	6.43	0.97	22.82	47.67	1.30
1985	38.18	41.25	7.96	0.47	0.20	7.84	20.27	0.36
1989	42.55	0.01	13.13	5.36	1.72	24.79	55.53	0.74
1990	46.99	0.00	13.91	4.80	0.39	19.55	52.56	0.59
1991 *	39.69	0.02	20.06	6.84	0.68	20.21	59.59	0.71

LAI A'S EXPORTS TO WEST AFRICA

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	M A N U F A C T U R E S	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	53.12	36.14	0.04	0.04	0.00	9.23	10.69	0.20
1975	26.70	19.10	0.44	4.34	0.00	41.60	53.87	1.59
1980	13.42	37.02	1.31	2.70	0.43	30.67	49.11	2.51
1985	11.35	55.78	2.08	2.07	1.02	20.34	31.85	1.86
1989	22.39	9.54	6.60	9.55	3.11	30.02	64.91	0.83
1990	20.65	5.56	7.29	10.04	1.92	22.06	71.81	0.65
1991 *	24.61	3.42	6.04	16.77	2.61	28.85	69.34	0.68

LAI A'S EXPORTS TO LATIN AMERICA & CARIBBEAN

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	M A N U F A C T U R E S	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	36.76	26.93	5.44	4.99	6.02	9.74	29.47	38.73
1975	25.91	32.02	6.21	2.64	4.73	16.31	36.87	41.89
1980	22.67	28.23	7.10	2.51	5.93	18.47	43.02	40.76
1985	23.01	31.27	10.92	4.08	4.41	13.67	41.11	16.54
1989	26.59	13.71	12.80	8.32	4.22	18.43	55.33	20.76
1990	27.49	18.46	12.09	5.19	3.43	16.28	50.47	20.65
1991 *	24.27	15.69	12.13	6.41	2.95	19.40	56.80	24.33

Source: UNSO, COMTRADE DATABASE. Own calculations.

* 1991, Excludes Peru.

TABLE 7								
SHARE OF EACH PRODUCT CATEGORY OF TOTAL IMPORTS FROM THE DESIGNATED REGION								
LAIA'S IMPORTS FROM LAIA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	50.25	10.40	6.31	5.12	7.51	11.06	31.37	4.75
1975	33.79	20.14	7.82	3.32	5.83	18.41	39.99	6.13
1980	29.01	20.56	7.83	3.18	7.70	18.36	42.18	8.20
1985	29.85	24.73	11.76	4.10	4.45	14.79	40.86	9.09
1989	30.23	12.64	14.29	6.24	5.27	17.14	51.58	11.82
1990	31.91	15.19	13.58	5.27	4.11	16.38	48.68	10.31
1991 *	27.78	13.62	13.43	6.43	4.40	18.52	54.10	11.12
LAIA'S IMPORTS FROM EAST ASIA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	47.35	1.60	1.50	3.91	3.54	7.52	47.38	0.47
1975	44.87	1.91	5.93	5.69	0.42	17.27	50.80	0.54
1980	21.04	20.02	1.86	3.08	0.19	19.08	58.70	1.85
1985	17.66	41.15	2.49	0.65	0.28	21.77	40.83	1.57
1989	16.42	7.42	3.85	1.10	0.27	34.12	75.52	3.24
1990	14.67	5.18	4.64	1.42	0.20	33.44	79.91	3.52
1991 *	13.73	3.44	3.66	0.48	0.17	36.20	82.64	4.45
LAIA'S IMPORTS FROM SOUTH ASIA								
	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	28.26	0.27	1.07	0.01	0.04	1.54	71.39	0.31
1975	49.26	0.07	1.67	1.29	0.00	7.00	48.37	0.12
1980	67.57	0.00	2.06	0.12	0.05	4.94	32.33	0.07
1985	71.55	0.00	2.26	0.10	0.00	7.42	28.45	0.05
1989	24.36	0.44	29.89	0.05	0.00	9.09	75.16	0.20
1990	38.14	0.00	14.98	0.11	0.03	9.81	61.82	0.17
1991 *	33.13	0.00	17.47	0.45	0.00	14.55	66.86	0.17

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TABLE 7

LALA'S IMPORTS FROM EAST AFRICA

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4.3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	33.91	0.16	7.52	14.77	39.03	1.64	26.86	0.11
1975	51.86	1.38	3.21	11.51	28.99	1.10	17.74	0.13
1980	23.82	0.10	33.76	13.91	17.61	2.78	58.43	0.59
1985	16.97	0.59	14.21	24.91	3.71	19.22	78.68	0.35
1989	19.79	10.66	15.28	21.04	10.12	4.59	56.33	0.35
1990	18.26	12.56	11.96	24.63	6.89	6.59	62.27	0.29
1991 *	13.63	5.36	11.30	30.13	0.64	8.18	79.19	0.49

LALA'S IMPORTS FROM WEST AFRICA

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	3.69	92.94	0.05	0.00	3.06	0.15	0.27	0.00
1975	4.89	84.22	2.34	0.03	8.33	0.14	2.56	0.01
1980	2.18	97.30	0.12	0.01	0.31	0.05	0.20	0.00
1985	1.76	96.86	0.03	0.00	0.02	1.31	1.35	0.06
1989	6.54	91.59	0.56	0.02	0.01	0.96	1.83	0.02
1990	3.98	94.27	0.78	0.04	0.00	0.53	1.74	0.02
1991 *	5.87	89.54	3.94	0.03	0.00	0.15	4.47	0.05

LALA'S IMPORTS FROM LATIN AMERICA & CARIBBEAN

	Primary Prods.	Fuels	Chemical Prods.	Iron & Steel	No-ferrous Metals	Mach.& Transp.Eq.	MANUFACTURES	
YEAR	(0to4-3)	SITC(3)	SITC(5)	SITC(67)	SITC(68)	SITC(7)	(5to8-68)	Over world total
1970	48.77	10.38	7.65	4.91	7.23	11.06	33.16	5.24
1975	33.10	19.82	8.42	3.17	5.64	18.37	41.01	6.57
1980	29.02	19.56	8.81	2.98	7.18	18.44	43.74	9.15
1985	29.18	23.40	11.94	4.02	4.21	15.22	43.09	10.20
1989	29.58	12.00	14.58	6.20	5.03	17.54	53.10	12.89
1990	31.26	14.41	13.86	5.49	3.90	16.81	50.32	11.24
1991 *	27.20	13.69	13.77	6.32	4.16	18.48	54.86	12.02

Source: Own calculation on the basis of UNSO, COMTRADE

* Note: 1991 excludes Peru.

IV. A TRANSPACIFIC COOPERATION AGENDA FOR THE 90's

1. The obstacles for cooperation between Latin America and Asia-Pacific

Until recently, three main types of limitations had restricted the advance of cooperation between Latin America and Asia-Pacific. The first is the lack of mutual knowledge, that embodies not only cultural and religious aspects, but the social and political environment of both regions. The problem of utter ignorance, that most of the times goes hand-in-hand with prejudice, is one of the obstacles for any project of cooperation, even if it is restricted to areas of government.

Limited knowledge derives in part from the huge number of the countries involved and their diversity. There are 53 Pacific Rim countries and territories, many of them small islands. How could one reduce this huge variety into categories that allow scientific analysis? Although arbitrary, such classification as adopted in this study (e.g., ANIES4 and ASEAN4) could be one way of dealing with it, since it tries to classify countries according to their level of development and geographical location.

Yet, the problem of grasping the complexity of the Pacific Rim countries is also one of knowing their mutual interdependencies and complementarities, and one of understanding the hidden lines of communication that give rise to the "regional" system of international relations. True cooperation can only arise through mutual knowledge, and this only comes after the meticulous observation of the idiosyncracies of each region. To profit from a closer relationship, the region needs to understand the rationality of Asia-Pacific countries and their inner feelings, whether they are passions or fears.

To magnify the problem, Asian countries equally suffer from the same lack of understanding on Latin American issues and needs. One relevant aspect with respect to cooperation emphasized by Keohane (1984, Part II, Chapter 4, pp. 51-52) is the process of economic policy coordination. He states that "intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination." For Latin America this is a major challenge, because there is more to it than the simple analysis of behavioral aspects.

The second hindrance relates to the different geopolitical role of both regions. It may be argued that the Asia-Pacific region was the most obvious showcase of East-West confrontation after WW II,^{14/} while Latin America rested in the backyard of American interests. This does not mean that the latter region lacked strategic importance, only that the closeness to North America, and the power that this proximity exerted over it, discouraged any attempts of defying the Monroe Doctrine. In this sense, it was difficult to initiate any process of convergence between both regions while the interests of one were to secure the presence of the hegemon in its area, while the other, although not repealing the influence of the main hemispherical power, struggled to establish its own self-identity in the international field.

^{14/} Since 1945, Americans have fought two wars in Asia.

The third barrier alludes to the competitive nature of most of both regions' production. While some Southeast and East Asian countries lack natural resources, others enjoy natural resource wealth, comparable to those of Latin American countries. Also, the process of industrialization that both regions followed at the initial stage was similar in style and in scope, bringing the national offer to be similar, at one point in time. The process of import substitution, specially of some of the ANIES4 and ASEAN4, was similar to the Latin American process, although this latter region took more time to complete it. Once import substitution revealed its weaknesses, Latin America followed the steps of Southeast Asian economies into export promotion.^{15/} Convergence in trade policies between the two regions oriented towards export promotion will undoubtedly facilitate cooperation.

Another factor contributing to the lack of cooperation is the own nature of the international system, which did not provide appropriate institutions to channel collaboration efforts, even if they were of a purely declaratory nature. The "old" fight for a New International Economic Order in the 1960s and 1970s was, perhaps, the only stance where Latin American and Asia-Pacific countries were united under the same banner, such as the Group of 77. Particularly, the posture of many governments was based on the conviction that the Third World should negotiate as a united front against the North in the international arena. Given this focus, the concern on bilateral cooperation between the two regions rested mostly unattended, and still is largely the result of separate efforts, not reflecting either the immense advance in economic development registered in some countries of Asia-Pacific, or the enormous changes that took place in the field of international relations.

2. The new international environment and possible scenarios of enhanced cooperation

(a) The process of catching-up by Latin America

In recent years, the economies of both regions have undergone, albeit slowly, several fundamental transformations. One is the internal processes of economic integration in East and Southeast Asia and LAIA, pointed out in the foregoing pages. Concerning Latin America, however, there are two other aspects that require further attention: the harmonization and simplification of the formalities related to the mechanisms of exchanging preferential treatment, facilitation of investment and merchandise flows among member-countries of regional and subregional associations, and the almost unanimous (although sometimes reluctant) acceptance of the neoliberal model throughout Latin America.^{16/} By putting "its house in order" in the macroeconomic sense, by implementing drastic economic reforms which are in conformity with the patterns of development of the Pacific Asian economies, and by offering incentives not only at the national level, but also as a region, Latin America has transformed itself in a much more enticing commercial partner for Asia.

At the same time, the increasing economic independence, driven by investment and trade of the private sector, in a framework of openness, deregulation and trade agreements, is giving force to "open regionalism" in Latin America. Various regional, subregional or hemispherical trade accords

^{15/} For a succinct analysis of the development process in both regions, see Gereffi (1989).

^{16/} A topic for further discussion refers to the role of the State in East Asian countries and its correspondence with the paradigms of neoliberalism. A recent World Bank study analyzes the matter and finds that although there was State intervention in East Asian countries, the experience may not be duplicated in other parts of the world (World Bank, 1993.)

already signed or contemplated in the region are not solely a defensive measure against the possibility that the developed countries become "fortresses"; it is a positive measure to facilitate the region's world insertion through multilateral mechanisms.^{17/} The challenge presented by the enlargement of the North American Free Trade Area (NAFTA), for instance, has required renewed commitments on the part of the countries "South of the border" to assess the benefits and costs of such alliance with the northern neighbours and to examine in depth the consistency and contradiction among the regional and subregional trade preference schemes.

The private sector-led integration in Southeast and East Asia has changed the regional economic configuration, facilitated by increasing intra-regional trade in general and intra-industrial trade in particular, which follows the pattern of ongoing horizontal intra-industrial trade among developed countries. While less evident, it is also possible to expect that in Latin America the efforts to strength economic integration will put the region on the same track. It should be noted that until recently the region faced the challenge of recovering the confidence of the international industrial and financial community, an essential element in the pursuit of funds for a transformation of its production patterns, in line with the demonstrated dynamism in the world trade system. Marked efforts on stabilization and deregulation of the domestic economy have brought about a substantial increase in investment flows from outside and inside Latin America. According to World Bank data, FDI in Latin America during 1993 reached US\$ 17.5 billion, while portfolio investments attained only US\$ 6 billion.^{18/} The increasing importance of productive investments is an excellent opportunity for the region to accelerate the restructuring of its production patterns. At the same time, sound management of recently expanding foreign capital inflows is called for, in order not to jeopardize the present stabilization and deregulation process.

This restructuring in production should obey some guidelines. First, it should follow a pattern similar to the Asian model of technological catching-up with industrial countries, either through acquisition of new technologies or through incentives for the location of technologically advanced industries in the region. Remember that after the Plaza and Louvre Accords, the restructuring of Japanese industry has changed the rhythm and the scope of Southeast Asian economic transformation. Today, Japan acts as distributor of technology and investment to ANIES4 countries and those countries in turn trickle down their old production lines to the less sophisticated economies of ASEAN4. Thus, the ANIES4 countries function as "double function players" since on the one hand they attract FDI with high technology content, and on the other, they invest in the ASEAN4 countries, directing toward them the less sophisticated production lines (Nohara and Kagami 1991). In the era of globalized production and of regionalization, industrial restructuring in Asia has not been restricted to national borders, but has been based on a regional process which reinforces intra-regional interdependencies through intraindustrial trade, both horizontally and vertically.

Given a slower growth prospect of developed countries' economies, the menace of diminishing or closing export markets, and being far from achieving self-sufficiency, Asia-Pacific countries would search for additional markets for their exports, all of which finish in detrimental head-to-head competition with Latin American countries in certain sectors. As a contrasting route, in view of the

^{17/} For an appraisal of the risks and benefits of regional trade blocs see, Lawrence (1990).

^{18/} David Haskel, " América Latina recibe inversiones en sector productivo", REUTERS, Washington, December 15, 1993.

opportunities raised by the regional and/or hemispheric integration process, Latin America could be incorporated in the "catching-up" system of economic growth, which originate principally from Asia-Pacific. Though the process of adaptation might be long, Asia could choose this road, instead of opting for the competitive approach. By means of increased trade, FDI and technological transfers, this very assimilation process, that has been spreading from Japan to ANIES4, from ANIES4 to ASEAN4 and from there to China and the new "converted" countries of Southeast Asia (Vietnam, Laos, Cambodia), could be extended to include Latin America.

Possible forms and mechanisms of the linkage of Latin America and Southeast and East Asia through the "catching-up" process need further study. However, in the era of globalization and regionalization, it is possible to envisage more cooperation between both regions through intraindustry trade. As Latin America increases the processing of natural resources-based products, the region will require to update its technological base. Meanwhile, as the process of regional integration expands, a wider spectrum of sectors and products of the region will be considered as potential markets for Asian exports and investments.

(b) Asian interests to access Latin America

The evolution of Latin American/Asia-Pacific economic relations is a result of the unfolding of the development process in the latter region and of the protectionist threat in its main export market, the U.S., and a possibly similar outcome in the EEC. The uncertainty on the likelihood of increased protection by the EEC and the NAFTA has been in fact a consideration behind the massive investments of Asian countries in Europe, the US, Canada and Mexico and, less conspicuously, in some Central American and Caribbean countries. Up to now their investments in the region tend to concentrate in sectors where there are incentives from the U.S. government, such as the labour-intensive products such as textiles, with special trade preferences under the GSP and in the Caribbean Basin Initiative (CBI). Given rising wages, the appreciated local currencies, and severe bottlenecks such as deficient infrastructure, on the one hand, and advantages of being close to a now united large-size market of NAFTA, the necessity to meet the rules of origin and "North American" content stipulated in the NAFTA agreement, on the other, Asian enterprises now have more incentives to move some of their production sites to the American Continent.^{19/} Some countries in Latin America can act as "export platforms" to other countries in the Continent, not only for labour-intensive goods but also for high-tech products. As the Mexican maquiladora industry shows, it is possible to change sectoral composition from the apparel industry to one more concentrated in electronics, electrical equipment and its components and vehicles and its parts. In these new maquiladora activities, there can be observed not only higher value-added, but also widespread use of modern managerial techniques, which call for more labour training, and efforts to reduce high turnover rates of workers.

^{19/} As in recent experience of the apparel industry indicates, in addition to some preferential trade benefits, low labour costs and proximity to the United States have led many manufacturers to leave Asia, including numerous firms from that region, and opt for Caribbean Basin production, in search for shorter design and production cycles, consumer driven retailing and better quality control. There is an increasing premium in locating production near final markets, which mitigates against the export of products with a high transport-to-value ratio in distant developing countries.

In recent years, a quite generalized phenomenon in Latin America has been the liberalization of trade regimes, which can be categorized as drastic or even abrupt. In the majority of the countries, the reduction of quantitative restrictions, the substantial lowering of tariff levels, and the radical decrease in the dispersion of the effective rate of protection have been implemented. With the introduction of these measures, unlike the earlier periods in which the producers of importables were heavily protected, they are now exposed to increasing foreign competition. This, in turn, leads them to improve their productivity, reducing inefficiency, introducing new technologies, and increasing specialization. Besides, exports will be encouraged due to the lowered prices of imported inputs and the currency devaluation. These liberalization measures therefore facilitate the operation of foreign firms, through imports and exports, or via distinct forms of investment.

Similarly, the countries in Latin America have implemented numerous bilateral and multilateral trade agreements to form free trade areas and trade unions. These various integration efforts bring with them "dynamic" effects which influence on the cost structure of production, the pattern of competition, and the creation and diffusion of new technologies. These agreements in general create ample opportunities to exploit scale economies, and offer opportunities to strengthen and rationalize R&D efforts at a regional level. Apart from the areas related to production, regional and subregional integration can contribute to higher efficiency by means of joint distribution and marketing towards third country markets. Integration will facilitate to eliminate administrative obstacles and to improve physical infrastructure of transport and telecommunications. For instance, a better articulation of transport systems, the provision of energy resources through interconnections across frontiers, the shared use of port and customs installations, etc., can give a more systemic approach to the outward orientation of the countries in Latin America. These incentives are available not only to the transnational firms of developed countries but also to those of developing country origin.

Latin American countries are also liberalizing the regimes which regulate the access of foreign capital, and are relaxing measures on the origin of capital, the reserved sectors solely for domestic capital, and the repatriation of capital and profits. Now foreign investments usually receive "national treatment", making it easier for the investors from outside to take investment decisions. The subregional trade agreements either in place or in negotiation are also promoting the harmonization of these measures among distinct member countries, making the operation of a foreign company on a regional scale more feasible.

Another relatively new phenomenon in Latin America has been the privatization of State enterprises. Between 1990 and 1992, the governments of the region received more than \$ 40 billion for the sales of almost one thousand State-owned companies, equivalent to roughly 10% of their external debt. Among the developing regions, Latin America has been by far the most important target of privatization efforts.^{20/} Despite several caveats usually made on privatization, such as the value of the sale, the price and quality of production and services in comparison with the pre-privatization periods, social concerns on displaced workers, etc, privatization tends to provide the companies access to modern technology, capital and new markets in order to compete more effectively. Though still limited in number and scope, as seen in the case of a company of the People's Republic of China buying a privatized Peruvian mineral firm, companies of Asia-Pacific, not

^{20/} According to the World Bank, 16.4% of the inflow of FDI in Latin America in 1993 was due to privatization operations (Haskel, 1993).

necessarily of Japanese or oceanic origin, can look for interesting investment opportunities through privatization.

The process of privatization in Latin America, which has involved mainly the non-tradable sectors, might also mean that future concessions of exploitation rights for infrastructural works, that include ports, roads and other projects, would enhance efficiency and productivity in trade-related infrastructure of the region. Apart from the rising wages and the appreciation of the local currencies, the deficiency of trade-related infrastructure is also changing the configuration of competitive advantages in Asia^{21/} In this instance, some part of ANIES4 and Japanese FDI in ASEAN4 countries could be rerouted to Latin America. In fact, the unprecedented height of Japan and ANIES investments in the ASEAN countries seems to be over and the pattern of regional investment flows is moving toward Indochina and China (The Nikkei Weekly, January 11, 1992, p.20).

3. Research challenges for increased Transpacific cooperation

The rapid economic development experienced by Japan, and the countries of East and Southeast Asia, has awakened globally the perception of this region as the next leader in terms of economic growth and development, attracting flows of trade and investment from within and outside the region. The question thus becomes what would be appropriate modalities and mechanisms to allow further penetration of Latin American countries in the Pacific? It is known that some countries of the region, more precisely Chile, Mexico, Colombia and Peru, have increasingly expressed keen interest in participating actively in the Asia-Pacific system of international relations. Despite some recent inroads and exceptions,^{22/} why they have not fulfilled their aspirations? There are probably some instances of action that have not been used, or some opposition that has not been tamed. The concealed path to cooperation among countries of both regions must be discovered through a joint effort.

(a) some pending research areas

Among the answers to the above question, the most important is the lack of understanding on the intricacy of economic development process and cooperation which takes place inside Asia itself. This lack constitutes one of the major missing elements in the offensive efforts of Latin America to enter the Pacific.

This effort must comprise an eclectic group of subjects, from international trade to socialization processes. The study on the "evolving" economic structure should be one of the highest priorities. A recent World Bank study (1993) sheds some light on the East Asian miracle. It analyzes how these countries attained high economic growth, improved human welfare and reached a more equitable income distribution, an aspect quite neglected by Latin American authorities. Some of the lessons include: high rates of investment through high levels of domestic savings, increase in the skilled labour force through generalized and improved primary and secondary education. Furthermore, these countries welcomed FDI as well as other types of investment including franchising, shared

^{21/} For instance, Taiwan Province of China has announced a US\$ 300 billion program to improve its infrastructure over the next six years. Moreover, due to the 38% plunge in the number of applications for investment the government of Thailand is planning to rise spending in infrastructure by 150%. (IMF Survey, May 25, 1992, p.174 and The Nikkei Weekly, February 22, 1992, p.20)

^{22/} Mexico has been accepted in APEC in 1993, and Chile will join it in 1994. See next section.

production, etc. and new technology, and offered a friendly business environment. Governments and private enterprises cooperated to achieve shared national objectives, but State intervention usually was selective and did not try to bend the power of the market in all areas, restricting intervention mostly to solve failures in the working of markets. It is sustained that in Asia there exists a complementarity that combines market-based competition with cooperation among firms and between government and the private sector. These factors, and some special characteristics of the economic culture in Asia, explain in some way the high performance of these countries.

In this respect, perhaps the major concern relates to the unique path followed by some Asian economies that combines economic growth, relative social equity and technological innovation. For Latin America this combination of policies is essential if, after securing the establishment of democratic governments, it wants to advance in a sustained and sustainable growth path.

A second line of research for Latin America involve the pattern of trade and investment among Asia-Pacific countries, because this area has been through profound transformations since the middle 1980's. Intra-industrial trade and intra-regional investments have changed the layout of the Asia-Pacific. Therefore, it is urgent to understand the dynamics of the catching-up process and to identify the elements that are relevant for Latin America.

Next on the priority list of a research agenda is the use Asian countries have made of the flows of FDI and of the new forms of investment. Their increasing incidence in the modernization of the production process should be studied carefully. For Latin America, where financial and technological resources are still scarce, the most efficient and innovative uses of foreign capital and technology should be studied with utmost care. Latin America cannot afford to waste these resources by missing opportunities and new forms of utilization. Another related aspect that has been consistently overlooked by Latin America in its relations with Asia refers to the financial sector in the latter region. What are the regulations and how does capital flow inside the Pacific? How does the shifting patterns of trade and investment affect the financial structure of the region as well as what might be their consequences for Latin America?

In addition, without thorough studies of the transportation constraints in the Pacific, the effort toward strengthening the collaborative links with the other side of the ocean will be probably unfruitful. In the light of the cooperation efforts, new and old ideas should be examined, that could lessen the problems of scarcity of transportation means, or the high cost of it. Perhaps it is time to restudy the convenience of an Asian Port for Latin American exports with adequate infrastructure in some Pacific country.

Another area where both regions should profit immensely from multilateral efforts and closer ties is the research on the environment. Their coincidence over population growth, metropolisation, depletion of natural resources and many other areas related to the exploitation of nature and deterioration of the quality of life entice the search for common solutions. Also, the prospect of more stringent regulations in developed countries concerning the import of environment harming products could be a drag on the advance of both regions in terms of manufactures and commodities exports.

In this area, there are particular studies that should be undertaken jointly. For instance, there should be some understanding of the consequences for the environment of their exports and the long-term problem of both regions' depletion of natural resources and the cost of reestablishing an

equilibrium for a more sustainable development. In these areas, the possibilities for concerted actions are promising, and the gains should be ample.

(b) Institutional framework

Another sphere for increasing mutual understanding concerns the political and institutional layout of the Pacific Rim organizations. First among the priorities in this area should be the determination of power linkages and dependencies, and also the detailed study of relevant actors in the region.

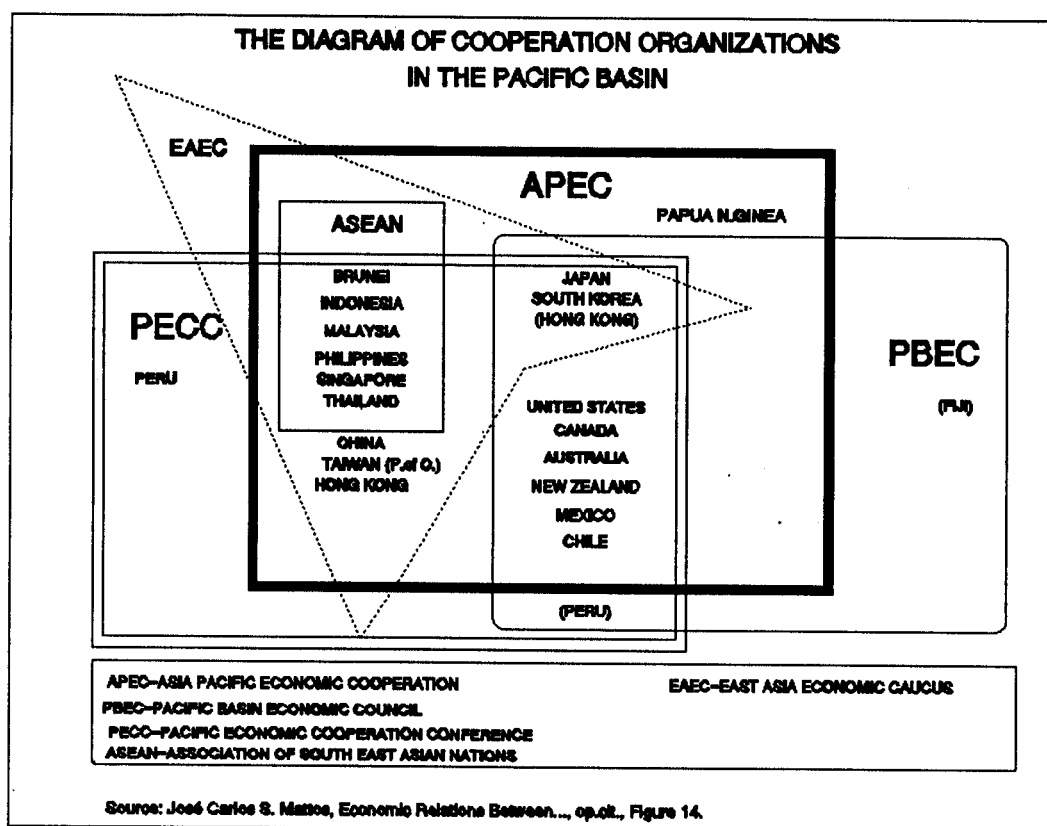
In this domain, it is useful to examine the major, existing Asia-Pacific cooperation organizations. The main cooperation institutions inside the Asian Pacific Basin are: the Asia Pacific Economic Cooperation (APEC), the Pacific Economic Cooperation Conference (PECC) and the Pacific Basin Economic Council (PBEC). Further to these institutions, there are subregional institutions of cooperation such as the Association of South East Asian Nations (ASEAN) and the East Asian Economic Caucus (EAEC), recently informally incorporated inside the APEC structure. Figure 8 gives an updated view of the composition of these organizations. It is important to notice that the only purely intergovernmental fora are the APEC, the ASEAN and the EAEC, all the others include, besides governments, the participation of members of the business and academic circles.

In terms of age, the oldest organization is the ASEAN: its creation dates from 1967. After ASEAN, the oldest institution is the PBEC, established in 1969. It is a businessmen organization that cooperates with the governments and international organizations for the general development of the Pacific region's countries. There are about 600 member-corporations of PBEC in 9 countries (Low 1991). The PECC, founded in 1980 in Canberra, is an institution conformed by triple representation: from governments, the business sector and academic circles, all of them taking part in a personal capacity. PECC has 18 member-countries. In January of 1989, the then Australian prime-minister, Mr. Bob Hawke, introduced the idea of the creation of APEC. Its main original purpose was to provide the region with a formal forum at a ministerial level for consultation and cooperation in economic matters. In 1992 its Secretariat was established in Singapore, and the institution acquired a more permanent status as an international organization. The importance of its recent ministerial meeting in Seattle, the United States, was reinforced by its subsequent culmination with the first Asian-Pacific quasi-Summit that included Heads of State of most APEC member-countries.^{23/} As mentioned before, one development of particular interest to Latin America is the inclusion of Mexico as a member-country approved by the 15-member group during the 1993 meeting and also of Chile (from 1994). They are the first Latin American countries to join the institution and may act as promoters of Latin American interests inside this group.

Finally, the concept of EAEC, introduced by the Malaysian prime-minister at the end of 1990, has as its primary goal the establishment of a regional trade block that would comprise all the Southeast and East Asian countries, serving as a counter measure to the increasing efforts in other parts of the world toward the formation of free regional trade areas. Although the idea has not yet been completely assimilated by the other countries that would make up the EAEC, it is a tempting option against the possibility that protectionism in Europe and/or North America intensifies. Its final

^{23/} Malaysia's Prime Minister did not attend, and China exerted influence against a full-fledged participation of Taiwan (Province of China) and Hong Kong.

Figure 8



acceptance probably will depend fundamentally on the evolution of the free trade areas of these two regions. At the same time, for the initiative to be effective, it is indispensable that Japan support the proposal, which has not materialized up to now. The Japanese stance is not clear. It worries that a regional block that excludes the United States could generate further trade conflicts between the two countries. But, on the other hand, the creation of trade blocks in other areas of the world threatens Japan's world trade position, specially if these blocks choose to have a restrictive posture toward outsider countries.

Therefore, the second instance of research should relate to the decision making process in Pacific Rim organizations. What institutions are determinant for a successful insertion in the Asia-Pacific? What are the procedures and approaches that most probably would influence favorably the major Asia-Pacific institutions toward cooperation with Latin America? What sort of inter-institutional approaches between Latin America regional organizations and Asia-Pacific ones have not been tried (if ever there was one)? Thirdly, but not less important, is the survey of perceptions of Latin America in the Asia-Pacific. What areas of convergence and divergence in political interests exist? Particularly relevant should be the comparative analysis of the democratic values, social participation and social equity aspects in the development process of both areas.

It is common nowadays to hear affirmations about the end of the security threat in the Pacific, due to the end of the Cold War. Nonetheless, a new set of issues related to the problem of security in the region has been rising. One such new factor refers to the possibility of creation of a vacuum of power, once both the Republic of Russia and the United States reduce their military commitments in the Pacific. Although the risk of confrontation has diminished between the two superpowers, Asia has other countries whose warfare capabilities include atomic and hydrogen bombs, and even some who have the intention of obtaining this technology. Therefore, the concern on security in the Pacific by any means does not seem to have disappeared, and there has been a clear shift away from the field of confrontation in a bipolar world to insert itself in the much less stable realm of multipolar politics and regional geopolitics. The absence of bipolar equilibrium and the resulting gap are preoccupations that should be targets of future analysis. What countries probably will fill the gap also will have important impact on the economic configuration between Latin American and Pacific Asia.

V. CONCLUDING REMARKS

In the past, Latin America faced the enormous challenge to insert itself effectively in the world economy. The main actors in this realm were often described as the "Triad", the United States, the EEC and Japan. Today, there is an increasing tendency to talk about a fourth pole of world growth. Besides the Triad, it is also possible to include the industrializing countries of Southeast and East Asia and China among the dynamic forces that will push world output growth in the end of this and beginning of the next century. The absence of clear and strong linkages of Latin America with each one of these centers of growth can be viewed as precarious, in the event of a globalized revival or escalation of protectionist pressures.

Nonetheless, at this moment, the possibility of a protectionist revival is not a serious consideration. Present trends seem to indicate increasing integration inside regional blocs, but this will not necessarily imply sacrifices to the international flow of merchandise. For Latin America, this trend is an important challenge and also a remarkable opportunity. Because it requires renewed efforts to drive the process of economic integration under the new conception of changing production patterns, complementarity and trade liberalization, it is an important probe into the sincerity of Latin American commitment to enhance their international competitiveness. This may be achieved more easily through a process of intra-regional trade specialization, indispensable in today's world of globalization and interdependence (Oman, 1993).

The possibility of strengthening cooperation with Asia-Pacific countries should be analyzed under the wider concept of "open regionalism", which does not preclude linkages with other regions. In fact, the commitment with Asia should be part of the global regional strategy toward increasing the international exposure of the region. Referring to the relevance of Asia-Pacific to the United States Mr. Lord, Assistant Secretary for East Asia and Pacific Affairs states (U.S. Department of State Dispatch, September 6, 1993, vol. 4, no. 36, p. 612) that it is a region where "you can look toward the future", because it has "the most dynamic and fastest-growing economies" and "there are some promising regional structures both on the economic and security side, and then there is the emerging integration of this vast region through trade, investment and technology". Second, "this region is the most lucrative terrain for American jobs and exports because of its rapid growth". Among other things, he mentions that the U.S. trades almost 50% more with Asia-Pacific than with Western Europe, and that the region absorbs US\$ 120 billion of U.S. exports that generate 2.3 million jobs.

This same reasoning applies to Latin America for its approach to Asia, although the region seems, as yet, unaware of the relevance of the Asia-Pacific to its future. The radical transformation of the world in recent years both politically and economically requires Latin America to search for new approaches to its international relations. One such move would certainly be closer cooperation with developing Asia-Pacific countries. The new world order that will originate from today's changing international system will certainly rank Asia-Pacific as one of the Latin American top priorities. It is Latin America's task to strengthen ties with that region with the aim to achieve a more consolidated position in this new world order. At the same time, more intensified cooperation with a developing region such as Latin America should be rewarding also for Asia-Pacific, in order to insure their future economic growth and to penetrate expanding, yet relatively untapped, export markets. It is also a remarkable opportunity for both, because the absence of previous commitments allows for more

adequate planning of future engagements that suit the needs of both regions, in accordance with the evolution of the international political and economic system.

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