

# **Changing Relationships between Asia and Latin America: Redefining the Pacific Rim**

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# **Changing Relationships between Asia and Latin America: Redefining the Pacific Rim**

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## **Abstract**

This study aims to respond to the growing necessity for case studies with regard to the relationships between Asia and Latin America. It contains three broad dimensions, one on Asian perspective toward Latin America by examining the experience of South Korea, another on Latin American standpoint in the era of Pacific Rim by taking example from Chilean experience. Lastly, a discussion over multilateral interactions between Asia and Latin America within the frame of existing APEC is followed. In the light of the changing environment, it is suggested that future prospectus for inter-Pacific co-operation be constructed in two folds: broadening the agenda and adopting open bilateralism.

## **INTRODUCTION**

### **Korean Step towards Latin America**

In September 1996, South Korean President Kim, Young Sam made state visits to the five Latin American countries, Guatemala, Chile, Argentina, Brazil and Peru, which was the first of its kind 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 institutional framework for the expansion of exchanges and co-operation 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 shared the necessity of reinforcing Korean-Latin American co-operation. 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 'Korea-Central America Dialogue and Co-operation Forum'.

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Since the state visit of President Kim, trade and investment with Latin American region have increased remarkably and immediately. In 1996, that is to say, the Korean export to Latin America has increased more than 18 percent. In the same year, the total amount of trade between South Korea and Latin America exceeded US\$13 billion and it is expected to exceed US\$20 billion in 2000. More importantly, Korea attained trade surplus with Latin America of 3.4 billion dollars in 1995 and 4.6 billion dollars in 1996. Latin America has become one of the most beneficial trade partners to Korea, in time of Korea's serious overall deficit in the balance of payments in 1990s.

With regard to the foreign direct investment in Latin America, the Asian countries, headed by Japan and South Korea, have assumed an important role. The globalization of Asian companies have contributed to the opening of new markets and production centres in Latin America. Small and medium-sized companies as well as those conglomerates have increased their investments not only in mining and forestry projects but also in manufacturing sector, although it is very difficult to exactly quantify.<sup>2</sup> Korean presence in Latin America is still small, but it has received a strong impetus in recent years. By 1996, Korea had initiated 317 investment projects in Latin America worth US\$700 million. Although the central motivation behind Korean investment in Latin America has been gaining access to the US market<sup>3</sup>, dramatic increase of projects are under consideration in Southern Cone countries lead by Korean conglomerates.<sup>4</sup>

However, the real significance of the visit should be explored in terms of the shift of the level of mutual understanding between Korea and the countries visited, rather than the confirm of the traditional ties of friendship and co-operation, or to discuss ways to enhance the mutually beneficial economic relations, ...etc. Although such words as friendship, co-operation and beneficial economic relations should not be underestimated, the relations between Korea and Latin America, which have so far been rather short of dynamism due to the geographical distance as well as linguistic and cultural differences, were awakened by President Kim's visit to start a new future-oriented partnership bridging across the Pacific. Korea and Latin American countries have been good partners, but not necessary or indispensable partners in terms of trade exchange, investment or diplomatic and strategic significance. Mutual trade and investment had somehow existed, but at the same time, remained in a limited level.

Traditionally, Latin American countries have supported the position of South Korea in the international arena with regard to inter-Korean issues. However, it must be pointed out that that was not because of close and attached relations between South Korea and Latin America, but because of the defensive foreign policies of those countries of our concern with similar ideological stance of right-wing authoritarianism and troubles in domestic politics. During the Pinochet regime, if we take Chile as an example, the ambition towards the Asian-Pacific

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<sup>2</sup> It is generally known that total Korean FDI in Latin America will be at least US\$1.15 including small investments.

<sup>3</sup> Mexico is the principal destination of South Korean investment. In contrast, Japan invests more in Brazil than any other Latin American economy. The size of Brazilian market, the degree of industrialization, and the presence of the largest Japanese community outside Japan are main factors.

<sup>4</sup> In Brazil, the Korean giants like Samsung, Daewoo, and LG have started or are planning to build manufacturing factories for home electronic goods in several sites, while Hyundai is considering various projects including automobile assembly in this area.

countries was strongly influenced by the process of domestic politics and subsequent international isolation of the regime. The Pinochet administration, faced with international condemnation and criticism of its human rights policy, was desperate to find some less politically sensitive supporters on the stage of international politics. Increased friendship with South Korea is a good example. The ideological coincidence - anti-Communism - between Chile and many Asian countries such as South Korea, Taiwan and Singapore enabled Chile to build up cordial relations, while these Asian authoritarian regimes were also keen to create amicable relationships with the same reason as the means of defensive foreign policies.<sup>5</sup> Partly because of this reason, diplomatic exchange has been extensive. Currently, South Korea maintains diplomatic relations with 32 out of 33 Latin American countries, with the exception of Cuba. It has 18 Embassies and one Consulate General in these countries. Meanwhile, 18 Latin American countries maintain Embassies in Seoul, amounting to 20 percent of all foreign embassies in Seoul.

One dimension of the evolution of relationship between Korea and Latin America in the 1990s, and in time of democratization and globalization of world economy can be explored by looking at the shift of South Korea's policy. According to the Ministry of Foreign Affairs of the Kim administration, South Korea pursues the followings as main objectives in its relations with Latin American and Caribbean countries:

- To maintain and enhance the ties of friendship and co-operation between Korea, and Latin American and Caribbean countries ;
- To secure understanding and support of Latin American and Caribbean countries in favour of Korea's policy to maintain peace and stability on the Korean peninsula and attain national unification through peaceful means ;
- To develop economic and trade relations and promote the business activities of Korean enterprises in Latin America ;
- To develop complementary and mutually beneficial co-operation between Korea and Latin America ;
- To promote exchanges and contacts on the private level to deepen the mutual understanding between the peoples of the two sides. (*Korea and Latin America*, 1997)

These objectives of Korean foreign policy towards Latin America are fairly abstract and are not very different from routine diplomatic principles. Nevertheless, what is more significant is the fact that the establishment of those principles induced practical changes inside Korea *vis-à-vis* Latin America. The two most remarkable institutional changes can be exemplified: the creation of *Latin American and Caribbean Affairs Bureau* in the Ministry of Foreign Affairs, and the foundation of the *Korean Council on Latin America and the Caribbean*, both of them happened around the time of the Latin American tour of Kim, Young Sam. Now, with the establishment of the new *Bureau* which exclusively in charge of Latin American affairs, better refined policy towards the region are expected in substantial scale.

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<sup>5</sup> When Foreign Minister Jaime Del Valle visited South Korea in 1985, he proclaimed, "South Korea is a fortress against Communism in the north of the Pacific, as we are here in the Southern Hemisphere". *El Mercurio*, 3 June, 1985.

*Latin American and Caribbean Affairs Bureau* at the Ministry of Foreign Affairs was established in 1996 in order to meet the growing and diversified demands on the issues on Latin America. Beforehand, both *South American Section* and *Central American and Caribbean section of American Bureau* had been in charge of the Korean foreign policy to Latin America. Since the *American Bureau* mainly concentrated on the issues with the US, matters on Latin America had dealt with much less attention and priority.

*The Korean Council on Latin America and the Caribbean* is a non-profit, non-government, independently incorporated organization founded in 1996 to promote economic, social, cultural and academic exchanges between Korea and Latin America in private sector, and to enhance mutual understanding among Korean and Latin American people. As seen in the Table 1, the Council plans various activities such as promotion of seminars on Latin American and the Caribbean (LAC) for the enhancement of understanding toward the region. The Council also provides up-to-date information and publishes newsletters about contemporary issues of the region in co-operation with related research institution, universities and companies. It regularly holds seminars and international conferences on Korea and Latin America.

**Table 1: Main Functions of the Korean Council on Latin America and the Caribbean**

1.	Promote political, economic, cultural and academic exchanges and enhance understanding among Korean and the Latin American and Caribbean(LAC) peoples.
2.	Enhance the exchange of information on LAC with international institutions involved in Latin American affairs.
3.	Extended co-operation between domestic institutions, groups, and firms involved in LAC.
4.	Make available up-to-date information on LAC to its members.
5.	Assist LAC related cultural exhibition and seminars.
6.	Advise and recommend policy decisions to the Korean government on LAC

Source: *Korean Council on Latin America & the Caribbean*, *Korean Council on Latin America and the Caribbean*, Seoul, 1997

Even before the level of interaction between Korea and Latin America becomes heightened with the globalization effort of Kim, Young Sam administration, various sectors in Korean society have contributed to the popular image of Latin America in Korea. The universities are the oldest sector in terms of the contribution to the dissemination of the issues on Latin America in Korea, albeit at a limited scope. The first department of Hispanic Language and Literature was established more than four decades ago, and now the number reaches 12 in nation-wide universities. Meanwhile, although the area study on Latin America, in its narrowest definition, has very short history in Korea, it is currently one of the most promising and fast growing academic field. Thanks to the massive governmental support to area studies programs from 1997, numerous universities have started or are now planning to develop courses and subjects in Latin American studies as well as studies of other regions. *The Latin American Studies Association of Korea* (LASAK), the academic society for Latin American studies in South Korea, was founded in 1986. The number of its members reached nearly 200 in 1998, whose interests vary from Colombian drug issues to Peruvian novels. LASAK aims to disseminate the scholarly agendas on Latin America through biannual national conferences, journal publication, publication of newsletters and encouraging inter-university study groups among the members.

LASAK encourages globalized programs such as joint international conference with leading international institutions in Latin American Studies. Most of LASAK's members are university lecturers and research staff at governmental or private research institutes, teaching and researching various subjects in social science, language and literature, or cultural studies on Latin America.

In conclusion, it would be meaningful to question once again why Koreans are rushing in 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 would be first explained by economic factors: market and corporate strategic factors driven by the paradigm of 1990s, 'globalization'. Latin America with improved image, economic conditions and the growing domestic market potential boosted by regional integration movements, has naturally become a new object for this collective interest for Koreans. However, the 'globalization' not only affected Korean economic sector, but also transform the whole society towards outward looking. *SeGyeHwa*, a rather controversial slogan of the Kim administration meaning globalization or internationalization has somewhat contributed to drawing popular attention to outside world and foreign culture which have not been properly introduced in Korea. In this regard, contemporary Korean step is more deeply rooted than previously temporary or transitory interest towards Latin America, not exclusively based on statistics but on more broad perspectives. Backed by more education and research activities, refined attempts by governmental and private sector will enable us to be more optimistic about the future relationships between Korea and Latin America.

## Chilean Vision to the Pacific Rim

The unique geographical feature, blocked by the Andes and the Atacama from the rest of the continent, and the privileged status achieved from economic prosperity and political stability since independence, allowed Chile to have vast amount of interests to the Pacific region. According to Valdivieso and Galvez(1989), Chilean vision has a strong historical and natural background.

En el siglo pasado, de acuerdo a nuestras posibilidades de pais nuevo y de escasas dimensiones, esta proyeccion al Pacifico fue concretada, existiendo pioneros vinculos comerciales con empresas navieras nacionales que desarrollarían un activo intercambio con la region.(p.XVI)

However, despite its more than 4,000km Pacific coast and the possession of *Isla de Pascua*, Chilean link to the Pacific region was limited to oceanic matters for the purpose of defence, conservation and exploitation of marine resources. The proclamation of 200 miles of Maritime Zone was initiated by President Gonzalez Videla in 1947. Again, with Ecuador and Peru, Chile ratified the *Declaracion de Santiago* regarding the 200 mile zone in 1952, and established the CPP (*la Comision Permanente del Pacifico Sur*). In 1962, as a result, Chile was ranked as world's largest exporter and the fourth producer of these resources.(Salazar, 1985:12) However,

Chile had been still largely remote from the reality of the Pacific Rim, until the decision makers began to provide their policy priority to the region from the mid-70s.

After President Allende was overthrown by the military coup of 1973, the beginning of the Chilean approach to the region is closely related to two factors which functioned simultaneously: the international isolation of military regime and the new economic policy. Pinochet government firstly devoted its efforts to increasing diplomatic contacts with the Asian-Pacific region, whose political sensitivity over the issues of human rights and democratization was much less than that of the rest of the world. What made the region more attractive for Chile was the emergence of the NICs with whom Chile, armed with redesigned outward oriented policy, could expect more economic links. Chile considerably extended diplomatic relations with Asian-Pacific countries by 50 per cent from 1973 to the late 1980s, maintaining relations with 29 out of a total of 36 countries and keeping 20 resident Ambassadors and 8 concurrent Ambassadors. (Garcia in Valdivieso and Galvez, 1989:4) When the international political environment changes in the early 1990s as the collapse of the Communism, the core of Chilean vision to the Pacific became evidently concentrated on economic area. It was only the last decade when Chile has begun to exploit, with remarkable success, the dual advantage of its location at the junction of the Southern Cone and the Pacific Ocean which offers additional opportunities for investment and market expansion. (Fifer, 1994:129) In other words, Chile began to achieve major breakthrough in their vision to the Pacific Rim.

In the 1990s, Chilean participation within the Pacific Rim has already gone far beyond mere symbolism in terms of economic and commercial evolution. The term 'Asian Pacific' has been frequently heard from their messages. For instance, the Chilean President Patricio Aylwin stated in 1991 as follows.

Nuestros contactos con los países de Asia y el Pacífico se han fortalecido e incrementado, hemos intensificado los esfuerzos encaminados a profundizar la proyección de Chile hacia el Pacífico, tanto en lo que se refiere al incremento de nuestro intercambio con los países de la Cuenca, como en lo que dice relación con la profundización de nuestra participación en los organismos de cooperación transpacíficos. (*Mensaje Presidencial*, 1991:37)

On taking up power, Aylwin administration also set up a series of long term strategies to increase Chilean link to the Pacific Rim: first, expansion of diplomatic presence in the area; second, expansion of participation in various corporative forums in the Pacific Rim; third, encouragement and support of private and academic sectors in the mechanism of transpacific co-operation; fourth, persistent, imaginative and renovative promotion of Chilean products and services in the market of the region; and fifth, development of high level interchange program with the most active countries in the region. (*ibid.*:40)

The Chilean penetration into Asian Pacific can be most visibly explored in economic arena. In November 1994, President Frei and a hundred business leaders launched an unprecedented diplomatic and economic foray into Asia by visiting major Asian Pacific countries, Australia, Indonesia, Japan and South Korea. The tour marked an important step for mutual co-operation

between the two sides. As a result of all those attempts, 62 percent of Chile's exports are currently bound to APEC countries (49.4 percent to Asian nations and 26.4 percent to North America) and 85 percent of foreign investment in Chile is from APEC countries. Important Chilean exports include copper, forest products and fruit. Presently, about one third of Chilean exports reach Asia, and 90 percent of it is concentrated in four countries. Japan purchases roughly half of Chile's export to Asia, and the rest is imported by South Korea, Taiwan and China.(Chip News, 20 Nov, 1995) For example, Chile exports most of its forestry products to Asia, with Japan and South Korea comprising 30 percent of the total. The principal export markets for Chile's forest products continue to be Asian countries, with Japan receiving 19 percent and South Korea 12 percent. Korean passenger car sales have captured 26.8 percent of Chilean market in 1995, followed by Europe, Japan and Mexico. The vital importance of Korea to the Chilean economy becomes more evident when we look at the export figures of Chilean copper: South Korea bought 136,000 tons in 1995 comparing to Taiwan's import of 86,400 tons and Japan's 57,000 tons.(Chip News, 10 Oct, 1996)

Lastly, Chilean vision to the Pacific Rim is particularly of interest in that it can be viewed as a major policy shift from one of their traditional foreign policy principles: *Americanism*.<sup>6</sup> Until the nineteenth century, Chilean foreign policy promoted "territorial expansion, regional internationalism and extra-continental internationalism" (Cope, 1975:310) by aiming to restructure the international system so as to create a favourable environment to assist her own economic development. After the victory of the Pacific War, however, foreign policy during the first half of the twentieth century replaced "the territorial expansionism" with "conservative defense of the *status quo* in the Inter-American system."(Wilhelmy, 1976:35-6) At the same time, Chile began to be incorporated into the international economy "from the beginning of its life as a state," which was initiated by commercial and financial ties with Britain.(Fernandois, 1990:77-8) During the period of post-World War II democracy, the conduct of Chilean foreign policy contained "an element of pragmatic appraisal of the relevant international power realities"(Fortín, 1975:219) with special emphasis on international law, the realistic understanding of the world power structure, and the professionalization of diplomacy. In the course of the "conservative defence of *status-quo*", relationships with the American countries form an important part of Chilean external behaviour in that the international relations of Chile have been traditionally viewed as basically those with her neighbours and with the United States. Chile also devoted her efforts to the multilateral (international) aspect which can be dated to the forming of the Organization of American States in 1889. Since then, Chileans have been among the leaders in the creation of such influential regional organizations as CEPAL. Before the adoption of monetarism during the Pinochet regime, Chile had also been an active participant in the Andean Pact.

Whereas Chilean vision to Pacific Rim can be viewed as a dramatic policy shift on the one hand, it can be argued that the tradition of the strong devotion to the multilateral movements has been maintained considering current active policy towards Pacific Rim organization such as APEC, PECC and PBEC. This perspective is not only proclaimed by Chile itself, but also internationally recognized as the following statements of the two Asian leaders.

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<sup>6</sup>Three main characteristics of Chilean traditional foreign policy can be pointed out: *Americanism*, *Nationalism* and *Legalism*.



It is my conviction that our closer bilateral ties of friendship and co-operation will not only enhance the shared prosperity of our two nations but will serve as an important bridge between Asia and Latin America.<sup>7</sup>

We are expecting Chile to play an increasingly important role in the APEC bloc given that it is the only South American member participating in the bloc. The Japanese government considers that the integration of Chile into APEC is evidence of Chile's strong economic interest in the Pacific Rim. Chile's participation has been very welcome.<sup>8</sup>

In summary, current Chilean penetration into Asian-Pacific is not only a result of her devotion to neo-liberal policy pursued by successive governments, but is historically rooted. At the same time Chile has transformed its economy more internally and externally open than any other country in the World, which has significantly enhanced her adaptability in rapidly changing environments in time of interdependence and globalization.

By briefly investigating the experience of South Korea and Chile, it can be argued, firstly, that the respective shift of two countries' attitudes towards each other's region is relatively a recent phenomenon mainly promoted by economic needs. Secondly, the pattern of mutual interactions between Latin America and Asia is increasingly being diversified, from political to cultural and educational aspects. This changing environment has become an important basis for the reconceptualizing of the existing multilateral integration movements around the Pacific Rim.

## **APEC: Agendas for restructuring**

As the 1990s move forward, there are new security challenges emerging around the globe: for example, concerns about the disposition of the nuclear arsenal of the former Soviet Union; and the intensification or re-emergence of ethno-nationalist conflict in Eastern Europe, in the former Soviet Union, and in Africa. Nevertheless, strategic concerns on the part of the great powers are now being matched by economic concerns. That is to say, a country's trade indicator is now regarded as important as military power.

The three economic blocs are forming or have already formed as for the contemporary global economic structure: The European Union is aiming for the strongest monetary and political union of all, while the North American Free Trade Area (NAFTA) is seeking the possibility of expanding member countries across the Western Hemisphere. Finally, there is the Pacific bloc of the Asia Pacific Economic Co-operation (APEC), the least formalized, but the most potential of all, whose economies account for 46 percent of global trade, with exports totalling US\$2.3 trillion and imports US\$2.5 trillion in 1996. Although the impetus for the formation of the APEC was the approaching European integration, Pacific Rim phenomenon was directly boosted by

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<sup>7</sup> South Korean President Kim, Young Sam, Remarks at a Dinner for President and Mrs. Eduardo Frei Ruiz-Tagle of Chile, November 21, 1994, in [Korea's Quest for Reform & Globalization](#)

<sup>8</sup> Japanese Prime Minister Ryutaro Hashimoto, in Chip News  
[<http://www.chip.cl/chips/1996/08/23/4.f.html>]

the rise of Japan and the East Asian economy well before the dramatic changes in Europe. APEC forum has made considerable progress since it was formed at a ministerial meeting in Canberra, Australia, in 1989. It has achieved more successes in its first few years than even its founders and proponents had anticipated. For instance, APEC combines in one organization a diverse group of economies including the biggest, and some of the most dynamic, in the world. APEC's 18 member economies, which span from North and Latin America all the way to East Asia, are implementing a plan to lift all barriers to investment and trade by 2010 for developed countries and 2020 for developing countries.

Nevertheless, APEC has been equally criticized with its diplomatic nature lacking more practical vision for co-operation, frequently called as 'A Perfect Excuse for Chatting'. Differentiated position among member countries all across Asia, Oceania and America with little or no coherence in terms of political, socio-economic and cultural background needs to be dealt with. It is now increasingly apparent that the competing conceptions of the region and how regional relations should evolve are to be found within the APEC. The strengthening of smaller, but tighter, sub-regional organizations such as ASEAN also represents the complex nature of inter-APEC relations. Furthermore, long-neglected Latin American economies have shown a strong desire to be incorporated into the Pacific community. Those complex norms and conceptions need to be revealed and outlined, so that the traditional definition of APEC or Pacific Rim is to be reassessed.

### ***Diversified position between Asia and America***

The differentiated position between American and Asian members in terms of top priority may represent the loose nature of the Pacific Rim organization, when the former sees the liberalization of trade as top priority while the latter tends to prioritize the free circulation of investment. For instance, the Santiago meeting of Pacific Economic Co-operation Conference (PECC) in 1997 uncovered the issues and problems of the idea of one Pacific community under the 'open regionalism':<sup>9</sup> strong desire of non-pacific Latin American countries' interest to the Pacific; unstable nature of many member countries' capital market; differentiated policy priorities which may undermine the fast, prompt and just negotiation. Theoretically, APEC is supposed to deal with issues beyond the trade spectrum. However, as Mexican Undersecretary of Multilateral Affairs once described APEC more as a forum for 'agreed unilateralism', APEC has dealt more with trade issues than with investment or overall co-operation strongly reflecting Asian position. Having more externally open economies, Latin American member countries have been persistently calling for the liberalization of foreign direct investment.

A major venue for conventional Pan-Pacific co-operation has been the above mentioned PECC which grew out of the 1980 Canberra conference on Pacific economic co-operation. The name and structure were formalized at the second conference held in Bangkok in June 1982 and later in Vancouver in 1986. The PECC brings together representatives from government, academia,

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<sup>9</sup> Open regionalism, APEC's backbone ideology, can be defined as "a policy furthering removal of trade, investment and technology barriers, with an eye on GATT, expanding subregional agreements and working toward mutual, nondiscriminatory access to economies elsewhere", see Gibney, Frank B.(1993), "Creating a Pacific Community: A Time to Bolster Economic Institutions", *Foreign Affairs*, 72:5, p.23.

and business. Task forces on trade policy, investment, minerals and energy, fisheries, livestock and grains, and a study group are active. It is likely that PECC will continue to institutionalize its activities and develop itself into a strong regional organization. Chilean host of 1997 annual meeting, which was the first meeting ever in a Latin American country, reinforced possibilities for institutional links between the Asian-Pacific region and the Southern Cone Common Market (MERCOSUR) where Chile has a semi-membership status. For example, Brazilian President Fernando Henrique Cardoso, whose timely official visit to Chile was widely believed to be on purpose for the gathering, participated in the last day of the meeting, as did Argentine Foreign Minister Guido Di Tella. Given the fact that Brazil and Argentina are not members of PECC, this case shows the strong desire of the two most powerful countries in Latin America to be incorporated into the Pacific Rim mechanism.

Amongst many positive factors and ideas to forecast the successful forming of inter-Pacific community through APEC mechanism, CEPAL's recommendation, way back in 1992, further emphasized conventional and enhanced co-operation of Latin America with Asian-Pacific. CEPAL has explicitly suggested that Latin America should tighten relations with the Asia-Pacific, not only in terms of trade but also in integrating production. CEPAL argued that Latin America could learn a lot from the industrial development strategies with added technological value, while promoting small and medium sized business, and also by studying the Asian Tigers, both present and prospective.(Gonzalez, 1996)

Although CEPAL oriented strategy is unlikely abandoned, however, new factor in 1998 may seriously skew the idea. The recent currency crises that have shocked Asian economies are now taken as an alert regarding financial speculation and its negative impact on plans for the liberalization of investment. The reason of Chilean failure to refer to the liberalization of investment can be partly explained by this.(Gonzalez, 1997) The Latin American members - Chile, Colombia, Mexico, Peru - of PECC passed on to Asian partners the tough lessons learned in 1994 and 1995 when the flight of speculative capital unleashed a depression in Mexico and other countries in the region. Since the 1997 meeting of APEC, full scale financial crisis have unfold in countries like South Korea, Thailand and Indonesia that had to go to the International Monetary Fund (IMF) for emergency financial assistance. Countries like Malaysia and the Philippines have also been affected by currency and economic turmoil, though to a lesser extent. Asia's economic crisis has prompted stricken economies to try varied measures to attract foreign funds and strengthen exports to get recovery going. Furthermore, recent devaluation of ever-mighty Japanese Yen began to question the validity of the argument that Asian countries would lead the World economy in the twenty first century. Therefore, the pace of the liberalization process under APEC is likely to be substantially weakened and there is even a warning against reacting to Asia's difficulties by resorting to protectionism.<sup>10</sup> Returning to protectionism may not happen, but the necessity for a new paradigm is growing strongly. Newly created environment in 1998 shows both challenging and prospering signals for the Asian-Latin

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<sup>10</sup> There is a movement by some activists to block the liberalization of trade and investment in Asia. In March 1998, a group of Asian activists organized a meeting to prepare for an alternative forum alongside the APEC summit in November. The parallel meeting whose slogan seems to be like "industrialization to be national in character" will likely attract more supporters given the economic difficulties Asian countries are facing. "Asia Pacific: Crisis must slow free-trade push", *Inter Press Service English News Wire*, 17 March, 1998 in [<http://www.elibrary.com>]

American co-operation in terms of APEC/multilateral framework. In the light of the changing environment, future prospectus for APEC can be suggested in two folds.

### ***Broadening the agenda***

First of all, APEC forum has to respond to the economic problems of Asians members ensuring that its programs remain relevant and useful in helping members overcome their problems. APEC will simultaneously have to face the criticism with regard to it's overall concentration on macro economic matters, which will necessarily stimulate the idea over diversifying activities in various inter-regional issues. While APEC's work programs for 1998 would continue to focus on the implementation of various strategies and action plans, they must also take into account the higher expectations of such programs to assist member economies in achieving sustainable growth and equitable development. In order to implement this, member countries must work closely together in developing initiatives in human and technological resources, and in broadening the outreach to a wider segment of business. One example of such effort is so-called APEC Small and Medium Enterprises (SME) framework initiated by Rafidah Aziz, International Trade and Industry Minister of Malaysia. The APEC has about 40 million small and medium-scale firms, which account for 90 percent of total companies and provide nearly 80 percent of jobs in the region. Attendant programs of SME will be designed to help these firms progress by addressing the challenges of skills, knowledge and access to technologies.

To be more precise, attempts to shift the economic emphasis away from trade and investment liberalization towards economic and technical co-operation were introduced in Osaka meeting in 1995. Part of the argument of this so-called 'Third Pillar of APEC' is that non-governmental organizations (NGOs) should also be more directly involved in the APEC process. Although the co-operative role of private sector has not been defined or even formally discussed, there are several examples which is or will be tied to APEC forum: for instance, Advanced International Networking for Asia-Pacific (APAN) was inaugurated in June 1997 aiming for advanced networking environment for research community around the Asian Pacific, and Association of Pacific Rim Universities (APRU) with over 20 universities was launched in 1997.

### ***Open bilateralism***

While broadening the agenda may enhance interactions in various areas, the process for the strengthening of current sub-regional organizations will contribute to accelerate the integration among member countries as well as existing groups: particularly when no sub-regional integration movement between Asia and Latin America is scheduled in a foreseeable future. This argument is based on the assumption that existing regionalism offers governments a better opportunity to implement policy than does a completely multilateral approach. In APEC spectrum, this requires a new consensus about the way regionalism is to be reconciled with globalism in the long run. The reconciliation can be achieved by rationalizing internal integration of a group with 'open' character and enhancing bilateral contacts with each country outside the boundary.<sup>11</sup>

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<sup>11</sup> Similar idea was presented by Armanet, et.al (1996:17). named as "Prisoner's delight"

In this regard, possibility of including Latin American economies within the Pacific Rim spectrum must be taken place within the frame of 'open bilateralism'. That is to say, such a process is likely to happen only on a case-by-case basis. For instance, bilateral links between Asia and Latin American countries must be established, as is the case of on-going free-trade talks between South Korea and Chile. At the same time, bilateral ties with regional blocks such as MERCOSUR should be explored by each Asian country. From Latin American standpoint more interactions with Asian entities such as ASEAN must be sought. The loose nature of APEC, on the one hand, might be an undermining factor for immediate integration between Asia and Latin America. On the other hand, however, this may provide more room for flexible negotiation among the countries with different social and economic background. Whereas strengthening of financial market and industrial restructuring have to be undertaken with a priority in Asian economies, domestic savings, human capital formation and income distribution are major critical issues in contemporary Latin American society. Furthermore, Latin American integration in the 1960s was a failure but the current trend, e.g. MERCOSUR, is very different. With the exception of Chile, intra-regional trade in Latin America is growing faster than extra-regional trade.

Many students of Pacific Rim integration have long been pessimistic about the notion of free trade mainly because of business culture of Asian countries. According to Gallant and Stubbs (1997), it can be defined as 'Asian view,' that is to say, "the strong links between government and business and the role of government in shaping economic development." Asian approach in business revolves around informal flexible network-based economies rooted in social relations are fundamentally opposed to the firm-based economies rooted in law and binding contracts which are characteristic of the West. Along with the Malaysian scepticism about the US-led APEC, the Asian view had been an influential factor before the recent economic crisis. Although the Asian style would not be dramatically changed since it is culturally oriented, the policy shift towards neo-liberal restructuring, in other words, IMF driven privatization and liberalization of investment, is now forming a dialectical new pillar neutralizing neo-liberalism and Asian view within the APEC forum.

Such notion of open-bilateralism may also become a key to resolve the issue of membership to the future of APEC. The question of which countries were to be invited to the forum has always been a prime concern in every APEC meeting since any change in the membership will decide on the way APEC will evolve. As Gallant and Stubbs(1997) argued, the membership issue forces APEC to confront a clear dilemma.

On the one hand, from its inception APEC has emphasized its inclusive, trans-Pacific, nondiscriminatory character. ...This would strongly suggest that the more economies that can be made members and can thus be committed to the liberalizing goals of APEC the better. On the other hand, APEC operates by consensus. If APEC is to expand to include an even more diverse set of members than it has at present, then reaching consensus on the forum's goal and the best path to these goals will become increasingly difficult.(p.4)

If establishing criteria for its membership policy is a test of APEC's capacity to move forward under the given environment, APEC has to try to reconcile the above rather contradictory

norms. In turn, the concern once again enlightens the necessity of a new doctrine: Adopting open unilateral approach would get each member to final goal but would allow for flexibility so that various economies could move at its own pace.

Lastly, the dilemma for APEC under new approach would lie in first, how to cope with impatient US who may feel that the Asian countries are not opening their economies fast enough; second, how best to transform the economic goals, free and open trade by 2010 for developed economies and 2020 for developing ones. The US has long played as a critical partner for both Latin America and East Asia. Therefore, it may not be wrong to say that if the US does not play an active role, or if the US continues to be reluctant at least, the sizeable linkage between Latin America and Asia would not occur. In fact, the US has so far refused to agree with the idea of South Korean import of Argentine beef. However, it may not be a critical concern considering the likely shift of US position facing Asian crisis. If this happens in a near future, the APEC's existing 'final-destination' for free trade by 2010 and 2020 will be inevitably reassessed.

## **Conclusion**

The bilateral approach across the Pacific between Asia and Latin America in the 1990s has been intense so far. If open unilateralism were to be under consideration, it would be sufficient to change the traditional definition of the Pacific Rim. With the centre of world economy shifting to the Pacific region, Asian economies lay high policy priority on boosting up international co-operation and globalization not only with the traditional partners as regional countries or the US, but also with Latin American counterparts exploring the new partnership. In Latin American perspective, although only Mexico and Chile are members of APEC so far, twelve Latin American countries are the Pacific basin states. With the expiration of moratorium in APEC, Peru, Ecuador and Panama are expected to join the forum. However, it may be a naive idea for a Pacific country just to stick to the current mechanism of APEC - or whatever organizations around the Pacific - which is losing the character of the 'regionalism', while seeking to expand the 'open' character. The benefits as a member of APEC is no more than having a membership at a club where a customer must walk along the bar to buy a pint or play the juke box by oneself. The sensible client will soon realize that it is not a system which brands the atmosphere, but individuals. In this regard, as APEC talks evolve under changing environments, new mechanism for co-operation should be emerged and developed so as to broadening agendas and enhancing the interactions between Asia and Latin America.

There is no doubt saying that the conjunction of Pacific Asian countries, still one of the most prospective region in world economy, and Latin America which is solidifying its position in the world as emerging economies, shall contribute to produce synergistic outcome for both players. But the key factor deciding the quality of that co-operative relationship must be the existence of 'mutual understanding' and 'true partnership', which should not be confused with diplomatic discourses, trade and investment figures, or numbers of multilateral meetings.

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