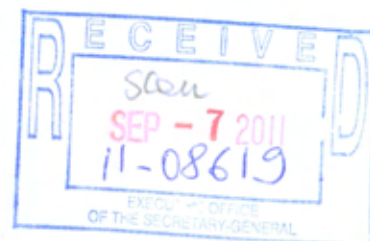




ECLAC

For Info  
DSG/VN/NH



Economic Commission for Latin America and the Caribbean

TC / MO - info

5 September 2011

Dear Secretary-General,

I have the pleasure to inform you that I signed earlier today with Ambassador Eui Seung Hwang a cooperation agreement between the Republic of Korea and ECLAC. The purpose of the agreement is to organize a seminar in Seoul, this 3 and 4 November, jointly with the Ministry of Foreign Affairs and Trade and the Korean Institute for Economic Policy (KIEP). The seminar will provide an excellent opportunity to discuss ways to strengthen cooperation between the Republic of Korea and the countries of Latin America and the Caribbean, especially in the areas of trade and investment as well as infrastructure and technological innovations for green growth, among others. We hope to provide an opportunity for representatives from the Governments and private sector as well as researchers from many countries of this region to meet in Seoul.

I am sure this information is of interest to you and I attach the cooperation agreement for further reference.

Accept, Sir, the renewed assurances of my highest consideration.

Alicia Bárcena  
Executive Secretary

His Excellency  
Mr. BAN Ki-moon  
Secretary-General  
United Nations

JUN - 4 2013

COSS / CENTRAL





### CONTRACT AGREEMENT

H.E. Mr. Eui Seung Hwang, Ambassador Extraordinary and Plenipotentiary, representing the Embassy of the Republic of Korea in Chile, Av. Alcántara 74, Las Condes, Santiago, Chile (hereinafter referred to as the "Embassy") and Ms. Alicia Bárcena, Executive Secretary, representing the United Nations Economic Commission for Latin America and the Caribbean, Av. Dag Hammarskjöld 3477, Vitacura Santiago, Chile, (hereinafter referred to as "ECLAC") have agreed as follows:

1. ECLAC agrees to carry out the project "Seminar on Economic Cooperation between Korea and Latin America and the Caribbean, Seoul, November 3<sup>rd</sup> and 4<sup>th</sup> 2011" as attached hereto as Annex 1.
2. The Embassy agrees to fund the above-mentioned ECLAC project with US\$300,000 (Three hundred thousand United States Dollars) upon signature of this agreement.
3. The funds received by ECLAC shall be administered in accordance with the United Nations Administrative and Financial Regulations and Rules relating to Technical Cooperation Trust Fund.
4. ECLAC shall provide the Embassy with a final project report and a financial statement duly certified by Chief of Financial Services Section of ECLAC within 2 months after the completion of the project.
5. Both parties shall settle amicably any dispute arising out of this agreement and in any case, nothing in this agreement shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including ECLAC.

In witness of the above agreement, H.E. Mr. Eui Seung Hwang, Ambassador Extraordinary and Plenipotentiary, representing the Embassy

A handwritten signature in black ink, appearing to be "Hui Seung Hwang", written in a cursive style.

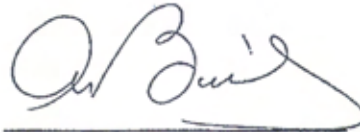


of Republic of Korea in Chile, and Ms. Alicia Bárcena, representing ECLAC, have signed in Santiago, Chile hereunder.



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Eui Seung Hwang  
Ambassador Extraordinary  
and Plenipotentiary  
Embassy of the Republic of  
Korea in Chile



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Alicia Bárcena  
Executive Secretary  
Economic Commission for  
Latin America and the Caribbean

Date: 5 September 2011





## Annex 1

### Korea-ECLAC Cooperation Concept Paper

Seminar on Economic Cooperation between the Republic of Korea and Latin America  
and the Caribbean  
(Seoul, November 3<sup>rd</sup> and 4<sup>th</sup> 2011)

#### Context

Midterm perspectives look promising for Developing Asia and Latin America and the Caribbean. Both explain to a significant degree the world's new geography of growth. Economies in Developing Asia, led by China are growing at a rate three times greater than that for industrialized countries. In the coming years, the industrialized economies will continue facing complex challenges such as the control and gradual reduction of the fiscal deficit and public debt in a context of slower growth and high employment, and implementation of regulatory controls on banks and financial institutions so as to prevent the recurrence of crises as deep as this most recent one. At the same time, the international financial crisis has resulted in a substantial increase of emerging economies in world economy governance. In earlier crises, the management of international financial system was an exclusive responsibility of the G7 countries. However, in the aftermath of the previous crisis, decision making is rapidly shifting to the so-called G20, which includes industrialized countries and emerging economies in both Asia and Latin America. Therefore, emerging economies are changing the world trade and finance order in which they are acquiring a veto power.

The surge of emerging economies in the world economy reflects not only the larger presence of emerging economies in the main variables of the world economy but also the stronger links among emerging and developing economies themselves through increased South-South trade and investment and cooperation. Developing countries in both regions must act proactively to anticipate this new scenario, adjusting their policies and strategies so as to take advantage of the growing potential of South-South economic links and cooperation (in trade, FDI, finance, cooperation etc.). Authorities in both regions should redouble their efforts to identify and capitalize upon the potential complementarities, by creating biregional business alliances, enhancing cooperation in innovation and human capital in order to diversify trade, add greater value and knowledge to exports, and help create more stable conditions for growth. In sum, events surrounding the global economies in recent years require developing countries in both regions to rethink strategic alliances both globally and regionally. The Republic of Korea should and can play a protagonist role in deepening these South-South linkages between Developing Asia and Latin America and the Caribbean.

In its publication submitted to the 33<sup>rd</sup> Session of ECLAC, In Brasilia, April 30-May 1, 2010, *Time for Equality: Closing Gaps and Opening Trails*, ECLAC postulates that that social equality and the kind of economic dynamism that transform production patterns are not at odds with each other and that the challenge is to find synergies between the two; the economy must grow to equalize and equalize to grow. At no point, therefore, dynamic economic and productive growth should be sacrificed for equality. In strategic terms and in the long term, equality, economic growth and environmental sustainability must go hand in hand, mutually supporting and reinforcing one another in a virtuous dialectic.

ECLAC proposes that growth with less structural heterogeneity and more productive development, and the pursuit of equality through the enhancement of human capacities and the mobilization of State energies. This approach would reverse the huge disparities in the region by building more cohesive societies around productive dynamics, constructing positive social and territorial synergies, and strengthening the protection of individuals through improvements in labor markets, stronger financial





capacities and better public administration. Just as the idea of equality entails addressing social vulnerabilities, ELAC believes that a macroeconomic framework that protects people against external volatility will play a key role. Also in considering the value of equality and how it combines with growth, the issue of green growth and climate change should not be ignored, which will have an enormous impact on the future of humankind. In sum, ECLAC's proposal means rethinking the development paradigm on the basis of more compassionate and benevolent relationships among all peoples and of a more environmentally friendly relationship with nature.

During that favorable external cycle of 2003-2008, Latin America grew faster than any time in the last four decades, but it could neither reduce its productivity gap with industrialized economies nor that between modern and backward sectors within the region's national economies. The countries of the region also urgently need to: (i) develop new linkages to strengthen innovation and competitiveness (a weak link in the Latin American region); (ii) strengthen links between trade and investment; and (iii) consolidate productive and technological linkages. The success of any strategy aimed at convergence with industrialized economies will necessarily be measured against indicators such as innovation, productivity, diversification of the productive and export base, a more qualified workforce, a strengthening of the link between exports and the rest of the economy, and a less unequal income distribution. In that direction, deepening closer economic ties, trade and investment relationships, and cooperation initiatives between the Republic of Korea and Latin America and the Caribbean may be very useful.

In its report, *"Opportunities for Convergence and Regional Cooperation"*, submitted to the High-Level Summit of Latin America and the Caribbean, Cancun, Mexico, 21-23 February, 2010, ECLAC proposed focusing regional cooperation efforts on eight areas: four of them refer to intraregional issues (fostering trade within the region, investment in infrastructure, social cohesion and reducing asymmetries) and the other four to cooperation for addressing global challenges: innovation, forging closer ties as a region with Asia-Pacific, reforming the international financial system and climate change. Specific proposals for action were presented for each of these areas. Now it is the time to create synergies in cooperation efforts between the regional and international levels. Advances in the selected areas on both regional and international fronts would benefit from a unified and more effective institutional framework within the region.

It is with this purpose in mind, and after examining the main characteristics of the post-crisis scenario and identifying the ensuing demand for greater regional and international cooperation, the Korean authorities and ECLAC jointly propose a seminar to analyze: (i) the recent development policy shifts and new development paradigm in Latin America and the Caribbean; (ii) trade and investment promotion between the two regions and integration of economies of both regions in regional and global value chains; (iii) opportunities for strengthening cooperation between the Republic of Korea and Latin America and the Caribbean, in the areas of development cooperation, technology and innovation, natural resources, infrastructure, and green growth; and (iv) opportunities and challenges of Korea in LAC ODA.

### **1. New Development Paradigm for Latin America and the Caribbean in the Aftermath of the International Financial Crisis**

Economic development means growth with structural change; macroeconomic stability is a necessity condition for economic development but is not sufficient for inducing structural change with equity. The current global economy sets a new historic context, in which national governments and multilateral agencies are increasingly aware of the need to coordinate macroeconomic stability and broader development goals. In addition, the international financial crisis and its post-economic international conditions have heightened the urgency with which Latin America and the Caribbean and Developing Asia should tackle some of the basic issues that need to be addressed to improve both regions' integration in the world economy: the intensity of technological change in the global





economy and the importance of innovation, the growing weight of emerging economies in the global economy and, last but not least, climate change. And this complex agenda will have to be tackled during a period of slower economic growth and comparatively high unemployment in the industrialized economies, which will necessarily be making major adjustments to their budgets.

In order to promote bi-regional trade and investment, trade liberalization by way of trade agreements is not sufficient. Instead, trade liberalization, when embedded in an appropriate overall policy framework, will foster growth and improve employment outcomes. The phenomenal growth performance of East Asian countries in recent decades, including the Republic of Korea, for example, took place at the same time that these countries were becoming more open. This process was driven by trade and investment liberalization as well as pro-growth macroeconomic policies and forward-looking measures to promote human-capital formation including innovation and international competitiveness, gender-neutral education and investment in infrastructure.

There is a great need for countries in Latin America and the Caribbean to come up with a new macroeconomic policy in favor of productive transformation with equity. From this perspective, an area of mutual cooperation between the region and the Republic of Korea would be to study in depth: (i) new development paradigms for developing economies for the future, analyzing policy shifts in national economic and social development strategies; (ii) conception of a new world economic, trade and finance order, and the role(s) of international cooperation in the new architecture; and (iii) conception of a new macroeconomic policy framework en pro of productive transformation with equity, including countercyclical fiscal policy management.

## 2. Fostering trade and investment

Trade and investment promotion constitutes an important pillar of any international cooperation scheme. In recent years, some developing countries in Asia have transformed into key trade partners for several Latin American countries, especially for those in South America, but, Asia continues to be an unexploited market for a large number of Latin American and Caribbean countries. In addition, dynamic trade flows in recent years have not been accompanied by similar investment flows between the two regions.

To promote trade and investment flows between Latin America and the Asia-Pacific region in such a way as to improve competitiveness, the following constraints need to be addressed: (i) the fact that trade flows by country and the composition of traded products are highly concentrated; (ii) the nature of these flows is almost exclusively inter-industry, and Asia-Pacific exports mainly manufactured goods while Latin America and the Caribbean mainly exports raw materials; and (iii) this characteristic makes it harder for the region's countries to engage more effectively in the productive chains of the Asia-Pacific region, which are increasingly intra-industry. The Latin American region should therefore adopt a two-pronged approach: first, more efficient and coordinated exploitation of natural-resource-based comparative advantages; and, secondly, greater efforts to promote industrial development by improving the corresponding international competitiveness in manufacturing sectors.

The issue of how to integrate the region into the world economy has been one of the most pressing points within this transformation agenda. This issue has many faces. First, it involves questions related to foreign trade flows, that is, the geographical and sectoral patterns of regional exports and imports. Second, investment-related questions, both regarding foreign direct investment (FDI) inflows -i.e. the objectives, strategies and impacts of the activities of foreign Transnational Corporations (TNCs) investing in Latin America- as well as FDI outflows, i.e., the role of the so-called "translatinas". Third, both trade and investment issues suggest an urgent need to analyze the abovementioned trends in search of greater Global Value Chains (GVCs), which are deployed not only in manufactures but also in services. As seen below, many analysts share the argument that so far Latin America and the Caribbean as a whole has not been successful in satisfactorily addressing the challenges associated with these new trends.

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The liberalization efforts should be accompanied by an integrated approach to trade facilitation. This means not just reducing the amount of bureaucratic formalities involved in foreign trade or the time needed to complete them but also speeding up trade transactions, notably by ensuring the availability of transport infrastructure and information and communications technologies (ICT) at internationally competitive prices. Increasing efficiency can be achieved through, for example; (i) customs modernization including the Electronic Single Window (ESW); and (ii) the deepening of bi-regional trade between the two regions also requires a coordinated approach to the management of a wide set of regulations that are emerging as growing obstacles to regional and global trade integration. In this respect, non-tariff barriers (NTBs), or trade regulations such as Sanitary and Phytosanitary measures (SPS), Technical Barriers to Trade (TBT), and private standards, which prevent products from entering the primary retail distribution channels, even if governments do not restrict entry at customs for lack of compliance with FTAs rules or other national requirements. Emphasis should be placed on public policies that facilitate access by small and medium-sized enterprises (SMEs) to these improvements. Governments of Latin America and the Caribbean can receive assistance from the Republic of Korea, a world leader in this area, in updating their technical know-how and in building capacities in trade facilitation and other related areas; the Asian country ranks one of the best performers in the area of logistics, especially in the efficiency of customs clearance process and trade-related infrastructure.

There are several issues of mutual interest and great importance relating to trade and investment promotion, enhancement of international competitiveness and innovation capabilities, market access, free trade agreements and regional integration. Those issues of mutual interest include, among others: (i) policy dialogue on promotion of bi-regional trade and investment, aimed at identifying the bottlenecks in such promotion and needs for capacity- and institution-building and the opportunities for Asian and Latin American enterprises to increasingly engage in regional and global value chains (GVCs); (ii) policy dialogue on trade and investment promotion, to review best practices in both regions and analyze public policies to enhance international competitiveness, innovation and regional integration; (iii) policy dialogue on trade-related capacity-building, including several emerging issues such as trade facilitation and the Aid for Trade Initiative; (iv) cooperation in the areas of green economy and green technology, non-conventional, renewable energies, and linkages between trade and climate change; (v) dialogue on free trade agreements, including bilateral, sub-regional or bi-regional FTAs and the related negotiation, implementation and administration processes; (vi) promotion of small- and medium-sized enterprises (SMEs), with an emphasis on establishing institutional linkages among SMEs through respective associations in the two regions, promoting venture capital for technological upgrading, including information communications technology (ICT), and developing E-commerce, which would increase interregional trade and investment; and (vii) transport infrastructure, including the assessment of existing pre-feasibility studies and efforts to secure financing to implement infrastructure projects. In each area, the Korean authorities have undisputable expertise and can contribute to achieving it.

### 3. Innovation and technological change: two key challenges

The knowledge economy presents new challenges to the region's countries. Science, technology and innovation play increasingly important roles not only for their integration into the global economy but ultimately in their prospects for economic and social development. However, with few exceptions, Latin American and Caribbean countries allocate limited amounts of resources to these issues. Therefore, it is essential that national efforts be combined, giving preference to associative approaches, an example of which would be to engage technology centers in integrated, multinational research and business activities, creating synergies and generating a critical mass of human and financial resources. At the national level, this approach also requires the following: (i) greater coordination among the various public agencies involved in competitiveness issues; and (ii) the creation of public-private alliances that allow information to be shared and objectives to be defined by common agreement.

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In recent years and until the outbreak of the recent crisis, the Latin American and Caribbean region achieved considerable export growth and improved its access to major destination markets. Nevertheless, its competitiveness gains are still limited. One of the obstacles to greater competitiveness and higher growth rates has been the region's weakness in areas such as the development of new products and processes, the formulation of business strategies that enable companies to engage more productively in international value chains, and the incorporation of new technologies, including ICT.

In this regard, the context of the knowledge economy poses new challenges for the countries of the region, where increasingly, science, technology and innovation play a significant role in the pattern of international integration and economic and social development and where, increasingly, synergies, complementarities and networks are needed for the generation, dissemination and application of knowledge and technologies.

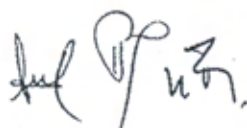
According to the measures of World Economic Forum, which rank 139 economies of the world taking into account 12 pillars of economic performance for competitiveness, including institutions, infrastructure, macroeconomic environment, health, and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, sophistication of business environment and others, and innovation, the Republic of the Korea ranks one of the top performers. In the area of innovation, the country ranks third after Japan and Singapore. The Republic of Korea has become a world performer, even at a relatively low GDP capita level.

In this context, there are ample areas of cooperation between Latin America and the Caribbean and the Republic of Korea, including, among others, (i) preparation of reports and studies on innovation initiatives in Korea, which would serve as a guide for national and regional efforts on this issue and as a compendium of experiences to be shared; (ii) policy dialogue on innovation that will facilitate cooperation and joint actions by countries in addressing the challenges of innovation and technological development; (ii) policy dialogue on instructional and capacity building in the area of enhancement of innovation and international competitiveness; (iii) comparative analyses of national strategies relating to the information society and support for the White Book of e-Government Interoperability in Latin America and the Caribbean as a common framework for regional action and discussion on ICT; and (iv) develop the region's capacity to use ICT effectively in sectors such as e-government, ICT-related industries, high-speed networks, health and education.

#### **4. Boosting investment in infrastructure**

Infrastructure is critical for economic growth, productivity and balanced territorial development, and expanding it helps to reduce regional and local inequalities. The endowment of trade-related infrastructure is key to export development. To a great extent, infrastructure advances or lags determine transport costs, whose effects on trade equal —and sometimes exceed— the cost of tariffs or exchange-rate fluctuations. Furthermore, investment in infrastructure can play a decisive role in improving the living conditions of the poorest families, particularly in rural areas. Indeed, in rural areas, infrastructure is a crucial factor not only for increasing and diversifying production, and strengthening competitiveness but also for raising employment and income for poor households and reducing several of their systematic risks.

Latin America and Caribbean countries continue to show that (i) quality and access to infrastructure remains a top concern for most of the region's businesses; and (ii) the perception of infrastructure quality throughout the region is poor. Transport infrastructure receives particularly low rankings in both areas, and quantitative analysis supports these perceptions: LAC's highway densities, port capacities, and railway penetration levels are all lower than benchmark regions, and logistics costs as a share of GDP are multiples higher than OECD comparators.







As the region emerges from the crisis, it is vital that infrastructure investment is not allowed to fall, as occurred during the external-debt crisis. That was the cause of much of the lost productivity and the competitiveness lags that the region still suffers in comparison with other developing regions. For example, while the emerging Asian economies have expended considerable resources on infrastructure investments since the 1980s, in Latin America that spending has fallen from 6% of GDP in the early 1980s to a little over 2% in the early 2000s. If infrastructure spending is once again allowed to suffer, this will weaken the region's ability to bounce back when the world economy recovers, and its lag in competitiveness will worsen.

While countries and subregions in Latin America and the Caribbean show differing levels of development in terms of transport infrastructure, they also share a number of common challenges. Road and rail infrastructure is old and not properly maintained. The main road corridors lack capacity and there is a shortage of competitive rail services for freight transport. International transport networks suffer from operational restrictions, deficient interconnections and technical asymmetries between modalities, countries or both. Compliance with Government regulations is not properly enforced and standards differ between countries and between jurisdictions within countries. There are also failings in planning, public policy design and the allocation of roles to the public, private and international sectors. Regulatory frameworks are insufficient, and contracts are weak and insecure.

Cross-border development axes, including bioceanic corridors, not only help to increase competitiveness and improve transport times and costs for extraregional trade; they also open up new production and urban planning opportunities, improving the balance at the geographical (between coastal areas and uplands) and social levels, and raising living standards for poor and backward communities, which tend to be located in the interior of the subregions. To this end, investments in these axes must address not only physical infrastructure requirements but also the traditional problems of border-crossing and transport regulation and facilitation.

The Republic of Korea offers multiple opportunities to Latin America and the Caribbean in areas not only such as mining, energy, and agriculture, but also infrastructure and science and technology. The country can help the region to narrow its "infrastructure gap" by: (i) organizing workshops to share experiences on public-private partnerships for infrastructure projects in order to draw lessons from successful outcomes or from failures both within and outside the region including the Republic of Korea; (ii) participating more actively in national and subregional infrastructure projects; (iii) strengthening capital markets and their regulation for infrastructure; (iv) complementing national or regional efforts by mobilizing greater volumes of resources from private capital, sovereign funds and transnational corporations (TNCs); and (v) working together with the Tripartite Committee (IDB, OAS and ECLAC) with the Andean Development Cooperation (CAF) in providing capital and advice to Governments for selecting and implementing infrastructure projects.

## 5. Green Growth and Green Technology

The term "green economy" began to be broadly used within the United Nations system at the height of the economic and financial crisis in 2008-2009. The idea of a "Green New Deal" paved the way for an attempt to promote recovery by refocusing stimulus measures and investment on "green" —or environmentally friendly— industries, infrastructure and technological solutions. Currently, individual bodies within the United Nations system are addressing the issue of the green economy in line with their own mandates and, on a joint basis, through the efforts of the Department of Economic and Social Affairs, which serves as the secretariat for the Conference; the Green Economy Initiative (GEI); and the Issue Management Group on Green Economy. The latter two are being led by the United Nations Environment Programme (UNEP).

The Green Economy Initiative (GEI): GEI is one of the nine joint crisis initiatives of the United Nations system launched by the United Nations System Chief Executives Board for Coordination in 2009. It involves over 20 United Nations bodies under the leadership of UNEP. GEI has three components: to provide advisory services to countries interested in greening their economies; to

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engage partners in promoting and implementing green-economy strategies; and to conduct various research projects. The initiative seeks to "draw attention to the global economic benefits of biodiversity, to highlight the growing costs of biodiversity loss and ecosystem degradation, and to draw together expertise from the fields of science, economics and policy to advance practical action to address the biodiversity crisis".

Through its work programme over the years, ECLAC has addressed several issues related to what is now being referred to as the green economy, including economic instruments for the implementation of environmental policy; environment and fiscal policy; water and sanitation; low-carbon infrastructure; renewable energy and energy efficiency; and payments for environmental services. ECLAC has advocated a strong role for the State in guaranteeing the necessary conditions for equitable, sustainable development and poverty eradication.

The Republic of Korea is one of the pioneers in this field. In August 2008, the President of the Republic of Korea outlined the country's development plan for the following 60 years, which placed emphasis on a shift to low-carbon, green growth, greenhouse-gas reductions and the expansion of environmentally friendly technologies and clean energies for growth and employment. In order to begin implementing this strategy, the Republic of Korea has earmarked almost 80% of its US\$ 38.1 billion fiscal stimulus package for targeted green projects and initiatives as part of a "Green New Deal" policy (2009-2012) which it has been implementing since January 2009. Shortly thereafter, in July 2009, the Republic of Korea followed up this first step of focused stimulus funding for a new green era with its National Strategy for Green Growth, which is to be in effect up to 2050, with three main objectives or strategies: mitigate climate change, create new engines for economic growth (a shift away from industrial growth) and improve the quality of life for Koreans. In order to implement this vision, a five-year (2009-2013) green growth plan has been introduced to serve as a medium-term strategy for low-carbon green growth, and US\$ 83.6 billion, or 2% of GDP yearly, has been allocated for green initiatives. This plan incorporates the Green New Deal and aims to create between 1.6 and 1.8 million jobs (for a 10% increase in employment) by 2013.

In Latin America and the Caribbean, a few countries have started exploring green-economy strategies, while others have adopted specific measures. Among the former, in the Caribbean, Dominica has embarked on an effort to transform itself into an environmentally sound organic island; in Guyana, the emphasis is on implementing a low-carbon development strategy; and, in Barbados, the focus is on a transformation into a green economy.

As the instruments and policies associated with the green economy are employed to move forward along the path towards sustainable development, some measures will provide "win-win" solutions that permit simultaneous progress towards economic, social and environmental goals. Others will involve trade-offs between policy goals and, potentially, conflicts between country interests. While not disregarding the profound differences that exist among Latin American and Caribbean countries, some of the main characteristics of the region's overall development must be taken into account when considering the implications of measures aimed at achieving a green economy at the global, national and local levels.

Main considerations that are specific to the regions are: (i) region characterized by low growth rates, high volatility and a very unequal income distribution; (ii) past difficulties in establishing competitive intermediate- and high-technology industries and in leading through innovation; (iii) macroeconomic setting that has made the transition to a green economy difficult. The constraints includes, among others, cyclical fluctuations in the real exchange rate, high interest rates and other characteristics of the region's capital markets that have not favoured productive and infrastructure investments that would be profitable only in the long run; (iv) persistent deficits in the provision of basic services and infrastructure, aggravated by population growth, a high concentration of the population in urban areas and unsustainable land-use patterns; (v) institutional difficulties in meeting the goal of incorporating the principles of sustainable development into policies and programmes; (vi) the international setting in which: a) there exists a shortage of international assistance through financial transfers, technology





transfer and technical advisory services, and b) the effects on trade of measures taken by third countries, in pursuit of a green economy -- Countries in the region are already facing the challenges posed by unilateral measures related to climate change mitigation in developed countries.

The expertise of the Korean authorities in this area can support national and regional efforts in Latin America and the Caribbean to make a real headway towards a green economy. More specifically, the Korean authorities can work with the Latin American counterparts towards: (i) "getting the prices right": internalizing externalities, encouraging sustainable consumption; and production choices through the use of economic instruments and reassessments of existing fiscal structures, and undertaking environmental tax reform; (ii) public procurement policies to create critical demand for green products and services; (iii) public investment in sustainable infrastructure; (iv) targeted public support for research and development (R&D) focusing on environmentally sound technologies; (v) strategic investment through public-sector development outlays, incentive programmes and partnerships in order to lay the foundation for a self-sustaining process of socially and environmentally sustainable economic growth; and (vi) social policies to reconcile social goals with existing or proposed economic policies.

## 6. Korea's Development Cooperation

Due to its increasing economic importance and rising international status, in the early 1990s, the Republic of Korea began to receive requests to fulfill its international responsibility to global development. The establishment of the Economic Development Cooperation Fund (EDCF) in 1987 marked a new phase in economic cooperation. Since then, the Republic of Korea has increased Official Development Aid (ODA) to contribute to the development and well-being of developing countries. As a result, Korean ODA reached 700 million dollars in 2007, up from 180 million dollars in 1998, and its ODA/GNI (Gross National Income) ratio rose from 0.5% in 2006 to 0.08% in 2007 and 0.09% in 2008. However, this figure is still short of the UN's recommendation of 0.7% and the average of the OECD Development Assistance (DAC) members of 0.3%.

The Republic of Korea became the 24<sup>th</sup> member of the OECD DAC in November 2009, an unprecedented case of leapfrogging from recipient to donor in 13 years since it joined the OECD. Joining DAC has great significance in enhancing the country's international status and bolstering the vision of "Global Korea" prior to holding the G20 Summit in Seoul in November 2010. Korea increased its ODA by 22.6%, to reach 0.13% of the GNI with 1.1 billion dollars in 2010. Korea has set a goal of raising the ratio of ODA/GNI to 0.15% by 2012 and 0.25% by 2015.

This increase would require annual ODA spending of roughly 3 billion dollars, calling for fundamental changes in national policy priorities and consensus. In addition, another important challenge is to strengthen the principles and priorities of ODA, improve the integration/coordination of ODA among individual government aid agencies, and measure its results by more qualitative criteria rather than quantitative ones.

The Republic of Korea, as a member of the DAC, is fully committed to improving the quality and quantitative improvement of ODA, with a focus on the consistency of development cooperation. As a forerunner as an ODA recipient, it is essential for Korea to tailor its development experiences to specific needs of recipient countries, in accordance with the Korean model of development cooperation. It is suggested that ODA projects should be governed by the proposed enactment of an ODA act, which would create guidelines and a performance-based evaluation system to ensure objectivity and transparency in its ODA programmes. Although Korea's ODA policy has earned broad public support and participation, it is still at an incipient stage of development. An effective implementation of its ODA projects will call for greater participation of the private sector.

Korean ODA towards Latin America and the Caribbean continued to expand to reach 37 million in 2010, ten times the amount of 3.8 million dollars in 2000. Latin America and the Caribbean received



roughly 15% of Korea's ODA disbursement in 2010 and the relative importance of the region is likely to increase. Its ODA towards the region is concentrated in two areas; one is the promotion of "Pro-Poor Growth" with a focus on the vulnerable segment of the populace, support on governance and public administration empowerment and transparency, and capacity building on sustainable development, and the other on the achieving the Millennium Development Goals (MDGs) with a strong emphasis on primary education, health and rural development.

Different from the ODA by industrialized countries, that from a country that recently "graduated" from a developing country category might be highly useful. For countries in Latin America and the Caribbean, a development strategy coming from Korea, which emerged from the devastation of the world war into an economic power in a very short period of time, can be more appealing and practical. The attractiveness of Korean ODA is more enhanced today when emerging economies grow three times as fast as industrialized economies.

Despite the increasing importance of Korean ODA in recent years, there is little information available to Latin American and Caribbean authorities regarding its priority areas, agencies involved and mode of operation. Information on Korean ODA operations in Asia and Africa, which received roughly 43% and 24% of its ODA, respectively in 2010, is scarce and when it exists, quite partial. On the other hand, information on ODA and other development assistance finance available to Latin America and the Caribbean might be of great importance for the Korean authorities in setting priority of ODA projects in the region. ECLAC is well placed to provide the Korean aid agencies with detailed information on development assistance provision of major extra-regional donors and possibilities of trilateral development cooperation in Latin America and the Caribbean between the Republic of Korea and the region's donors.

#### **Activities**

An interregional seminar to examine and discuss opportunities for strengthening cooperation between the country and Latin America and the Caribbean will be co-hosted by the Ministry of Foreign Affairs and Trade of Korea (MOFAT), Korea Institute for International Economic Policy (KIEP), Center for Latin American Resources and Energy of MOFAT and ECLAC in Seoul the 3<sup>rd</sup> and 4<sup>th</sup> of November.

#### **Objective**

The objective of this seminar is to contribute to design strategies aimed at fostering cooperation between the Republic of Korea and Latin America and the Caribbean.

On this basis, the seminar will analyze Latin America's changes in development paradigms and strategies, and the integration of Developing Asia and Latin America and the Caribbean into the global and regional value chains, and discuss opportunities for strengthening cooperation between the Republic of Korea and the region in these contexts, especially in the fields of development cooperation, technology and innovation, natural resources, infrastructure, and green growth.

#### **Content: Seminar on Economic Cooperation between Korea and Latin America and the Caribbean**

The seminar will be co-hosted by Ministry of Foreign Affairs and Trade of Korea (MOFAT), Korea Institute for International Economic Policy (KIEP), Center for Latin American Resources and Energy of MOFAT and ECLAC. It will take place the 3<sup>rd</sup> and 4<sup>th</sup> of November 2011 in Seoul (Korea).

The proposed participants from ECLAC are: Executive Secretary of ECLAC, Researchers of ECLAC in the fields of 1) Economic Development, 2) International Trade and Integration, 3) Production, Productivity and Management, 4) Natural Resources and Infrastructure, 5) Sustainable Development and Human Settlements, and 6) Development Studies Unit (Total of seven people).







From the Republic of Korea: Researchers and specialists in Latin American politics and economy, development cooperation, technology and innovation, natural resources, Infrastructure, and Green growth will participate in the seminar (Total of seven people).

Participants will submit research papers prepared for their presentation and discussion for the seminar, have bilateral meetings with relevant government organizations or academic institutions of Korea, and participate in industrial or cultural tours.

KIEP will publish the research papers as an outcome of this Seminar.

Korean academia, researchers, development actors, the private sector, etc will be invited to the seminar.

The representatives of the Embassies of Latin America and the Caribbean in Seoul will also be invited to the seminar.

The seminar will consist of four sessions, which are:

1. Changes development paradigms in Latin America and the Caribbean: analysis of policy changes and priorities in new national economic and social development strategies, as a consequence of regional integration in Latin America and the Caribbean (LAC)
2. Strengthening of LAC's cooperation with Asia and future direction of Korea-LAC cooperation, focused on (i) trade and investment promotion, (ii) innovation and technological change, and (iii) investment in infrastructure;
3. Cooperation in Green growth: analysis of LAC's policies in sustainable development and opportunities of Korea-LAC cooperation in sustainable development, green growth and green technology
4. Cooperation between Korea-LAC in development assistance: analysis of policies of development assistance of major extra-regional donors, and possibilities of trilateral development cooperation in LAC between Korea and donors of LAC. e.g.) analysis of successful experiences of development cooperation in the Caribbean as a result of Japan-Brazil development cooperation partnership

#### Deliverables

- A seminar is held the 3<sup>rd</sup> and 4<sup>th</sup> of November 2011 in Seoul (Korea) on Economic Cooperation between Korea and Latin America and the Caribbean
- A seminar report is published by KIEP containing the research papers presented in the seminar

#### Budget

Budget by line of activity		
Activity line	Details	Resources US\$
ECLAC Staff participation (travel)		
• Air tickets	(air ticket: 7*7,000)	49,000.00
• DSA and Terminal fees	(389 USD*4 days*7)+(38*2*7)	11,424.00

*Handwritten signature/initials*





Research papers	(6*12.500)	75,000.00
Grant to KIEP	Seminar's costs	120,000.00
Miscellaneous		10,063,00
Overhead		34.513,00
<b>Total</b>		<b>300.000,00</b>

#### Work plan

<i>Activities</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>
Work plan and TOR	x							
Draft papers by KIEP for the seminar	xx	xxxx	xx					
Final papers by KIEP for the seminar			xx	x				
Joint organization of the seminar at Seoul				x				
Publication of the seminar document				xxx	xxxx	xxxx	xxxx	
Final report of the activities under MOU								xx

Prof. B. W.

