

**INSTITUTE OF INTERNATIONAL ECONOMIC RELATIONS  
ΙΝΣΤΙΤΟΥΤΟ ΔΙΕΘΝΩΝ ΟΙΚΟΝΟΜΙΚΩΝ ΣΧΕΣΕΩΝ**

**INTERREGIONALISM:  
THE CASE OF FEALAC**

**MELITSAS SPYROS**

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## *Executive Summary*

- The purpose of this paper is to analyze the leading factors that are behind the new engagement of Latin America and East – Asia, formalized through the Forum for East Asia Latin America Cooperation (F.E.A.L.A.C.).
- The significance of the evolving relations in the framework of interregional cooperation is mentioned, as well as, the importance of the Triad (North America, Western Europe and East Asia). FEALAC which is a case of interregionalism outside of the Triad, was launched in 1998 not long after the A.S.E.M. process took off.
- A historical overview of the formation of FEALAC reveals the presence of East Asian countries in Latin America, but at the same time the lack of tangible results relating to the asymmetries between the two regions.
- Singapore’s and ASEAN’s role in creating new interregional links between the two regions, is presented in this paper, before analyzing the purpose, important features, key objectives and the function of FEALAC.
- The organizational structure of this Forum, mainly consists of regular meetings of the Foreign Ministers and Senior Officials of the participating countries as well as, of the Working Groups on Politics, Culture and Education, Economy and Society and Science and Technology.
- There are positive effects of the regional integration on international trade and investments, by creating a similar structure of “comparative advantage”. Can FEALAC accomplish purposes and prospects that its members pursue from its birth? This recently created Forum really promotes integration initiatives and contributes to the strengthening of regional identities. If FEALAC can achieve real outcomes in issues of greater significance in the short and medium term, depends mostly on the will of the leaders of both regions.

## ***Introduction***

Since the end of Cold War the European integration process gained momentum and the rise of East Asia seemed to initiate a pacific century. The bell tolled for Latin American elites whose economies started to collapse that period.

Many Latin American decision makers began to perceive East Asia as an area that could enhance a diversified integration of Latin America into a globalizing world economy. At the same time one of the reasons behind Latin America's shift towards openness in the late 80's and 90's was in fact the Asian miracle, although Japan's stagnation during the last decade and the Asian financial crisis in 1997 conspired against the increase in trade and financial flows between the two regions.

In the global scenarios, the nonexistence of a link between two regions would be translated into a loss of competitiveness for them, as well as into being in a worse position regarding globalization dynamics.

Europe was far ahead in the game of creating inter-regional linkages and group to group dialogue beginning in the late 70's and early 80's with initiatives such as the EU – ASEAN partnership, the Euro – Mercosur Framework Agreement and the EU – GCC dialogue.

Although East Asia is the least institutionalized region, occasionally tried to made the jump on the bandwagon of regionalism and inter - regionalism. APEC (Asia – Pacific Economic Cooperation) links East Asia to the pacific coast of Americas (US, Canada, Mexico, Chile, Peru) and ASEM (Asia Europe Meeting) links East Asia to Europe.

All these moves towards a network form of regional, inter – regional and transcontinental linkages stitched together may appear somehow untidy and tenacious but they must be seen in the context of building pillars towards a more inter – connected world, in order to bring about greater stability and prosperity for the people in an increasingly interdependent reality<sup>1</sup>.

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<sup>1</sup> Yeo Lay Hwee, *ASEAN Integration and Inter-Regionalism-Playing Catch-up in FEALAC*. Paper presented at the workshop “ Inter- regional Relations Between East Asia and Latin America”, Department of East Asian Studies, University of Leeds, 9 November 2006 , p. 1.

## *Interregionalism*

The impact of globalization generated the appearance of the phenomenon of the “New Regionalism”. Two are the main factors that are connected with its emergence: firstly, the spread of neo-liberal economic policy due to the globalization of the world economy; secondly, the appearance and proliferation of regional organizations which operated primarily within the limits of the so-called “Triad” (USA, EU and East Asia).

The increasing interdependence among different regions brought about processes of regional integration, which have developed at multiple levels, through bilateral relations, regionalism, interregionalism and relations at a global level. Furthermore, the factors that have taken part in the formation of regional processes are not only states, but also multinational corporations and civil society movements (transregionalism).

Concerning the phenomenon of interregionalism, which is the case that interests us most, it is important to stress that it can act either as a counter-process to globalization, in other words, as a mechanism to reduce dependence on the international economy, or, on the contrary, as a way to help the regions involved attain a better position in the global market.

Since the majority of the studies concerning interregionalism mainly refer to interregional relations within the Triad, it is crucial to make a reference to interregional relations outside the Triad.

Non - Triadic interregionalism, or in other words, “peripheral interregionalism”, is characterized by the fact that the factors involved are not military or economic powers, but low to medium factors; the volume of economic transactions between them is insignificant compared with the great powers, and, lastly, their levels of institutionalization, are even lower than in the cases of interregionalism within the triad. What comes as a conclusion is that the peripheral interregional organizations cannot significantly affect the international system or contribute to the structure of global governance.

## *The Formation of FEALAC*

It was not until the 1990s that Latin America and East Asia started to pay some attention to each other. The economies of both regions were getting more internationalized and diversified while Latin America began to see Asia as a possible economic model to be followed and also as an alternative for diversifying its foreign policy. Simultaneously, Latin America started to be seen as an attractive unexplored new market for East Asian countries' trade and investment.

All these changes that occurred during the last few years and contributed to the emergence of interregionalism, have led to the formation of several interregional organisations since the second half of the 1990s towards the direction of a gradual rapprochement among different peripheries. FEALAC (Forum for East Asia-Latin America Cooperation) is a representational example of such an interregional organisation, and, more specifically, is characterised by trans-regional relations among its members.

It is a fact that Asia is connected to North America through APEC (Asia-Pacific Economic Cooperation) and to Europe through ASEM (Asia-Europe Meeting). However, since there was not any official mechanism bridging East Asia and Latin America, regions which both share a history of dependency on great powers and have concentrated mainly on their relationship with the USA and Europe, and since the new globalised system demanded increasing mutual cooperation, the establishment of a forum that would fill the gap between the two regions, reinstate the missing link and strengthen their relations, was therefore considered an imperative necessity.

The proposal for a forum to link East Asia and Latin America was conceived in 1998.<sup>2</sup> The formation of FEALAC was proposed by Singapore's former Prime Minister Goh Chok Tong to Eduardo Frei, former Prime Minister of Chile, when he visited Chile in October 1998. He proposed the formation of a summit with the purpose to bring together the leaders of Asian and Latin American countries and it was called the East Asian – Latin America Forum (EALAF in Spanish FALAE).

While most of the Latin American governments initially did not react in a very enthusiastic way, the idea became a reality only one year later, in September 1999, with the emergence of a forum comprising twenty seven countries from both regions.

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<sup>2</sup> Gracia Abad, "Non-triadic Interregionalism: The Case of FEALAC" in Jorn Dosch - Olaf Jacob, *Asia and Latin America*, New York: Routledge Taylor, 2010, p.210.

This was the first meeting of EALAF; the Inaugural Meeting and Senior Official's Meeting, held in Singapore in September 1999.

The purpose of the forum was to build on pre-existent bilateral as well as bi-regional contacts, to foster mutual exchanges and interactions so as to increase mutual knowledge, to promote political dialogue and cooperation, to strengthen political, economic and cultural ties between both regions as well as to create avenues for joint action in different areas.<sup>3</sup>

This was formally stated during the first Foreign Ministers Meeting of EALAF, which took place in Santiago, Chile, in March of 2001. After the proposal by Malaysia, it was officially renamed FEALAC (Forum for East Asia – Latin America Cooperation, in Spanish FOCALAE, Foro de Cooperacion America Latina y Asia del Este). This meeting constituted the official launch of the forum and the first of the three ministerial meetings which have been held so far; the forum finalized its Framework Document (that the members had started to draft two years before in Singapore), which outlines the principles, objectives and modalities of cooperation. It also decided on the main organizational aspects that would characterize the process, as well as the level and frequency of the meetings. Once the forum was technically settled, meeting after meeting the agenda reflected more and more clearly the interregional as well as developmental nature of the process.

During the second ministerial meeting which took place in the capital of the Philippines in January of 2004, the members states tried to achieve a more equal distribution, as well as to prevent the marginalization of any sector of human society, by the cooperation process.<sup>4</sup>

Apart from the geographical distance, the cultural differences or the lack of mutual understanding, the existence of different patterns of integration, the lack of resources, the priority they had accorded to their relations with developed countries or regions, and the similarities between their comparative advantages are some of the factors which may explain the traditionally low level of the relationship between both regions.

The third of these meetings took place at the Itamaraty Palace of Brasilia on 22-23 August 2007 and it was no exception to the rule. During the course of the

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<sup>3</sup> Hosono Akio, *Towards Closer Cooperation Between East Asia and Latin America: FEALAC and Other Initiatives*, Barcelona : Casa Asia, 2002, p. 2.

<sup>4</sup> *Manila Plan Of Action to Further Enhance Cooperation Between East Asia And Latin America*, Manila: Philippines, 30-31 January 2004.

meeting, a small review made the participants realize the limited achievements made by the forum so far and expressed the will to design a new cooperation agenda. However the lack of political will seems to be the issue in this process. Most of the foreign ministers of the participant countries were not directly involved in the forum which frequently left in the hands of high officials, working group coordinators and project managers. Foreign Ministers limited themselves to participating in ministerial meetings every three years.

As for the topics of the meeting, the participants stressed mostly social aspects like poverty, hunger, social exclusion, emphasized on the gap between developed and developing countries, but also energy scarcity and environmental degradation, all of which make it difficult for many states to provide their populations with the most basic services and basically endanger their development.

In order to face these challenges, the participant countries agreed to give special priority to the strengthening of trade and investment between both regions. With a combination of the agenda-setting functions of the process and the development strategies followed by its members, the representatives insisted on the convenience of an early and successful end of the Doha Round, in a sense favorable to poor and emerging countries, a goal consistent with the aims of the United Nations Millennium Development Goals, though still far from being achieved.

Today thirty three countries are members of FEALAC's process, eighteen Latin American and fifteen East Asian- Oceanian countries. The initiators were Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela, Australia, China, New Zealand, Republic of Korea, Brunei, Japan and ASEAN countries (Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam).

Costa Rica, El Salvador and Cuba joined the forum in the first Foreign Ministers conference in March 2001, Guatemala and Nicaragua in January 2004 and Dominican Republic is the most recent member in the FEALAC, since August of 2007. Further expansion of the process is almost certain, as in Senior Officials Meeting held in April 2009, Honduras and Mongolia granted observer status. In the 4<sup>th</sup> Ministerial Meeting which took place on 16- 17 January 2010 in Tokyo, Mongolia became a full member. Likewise, Haiti, Surinam and Guyana attended the third ministerial meeting as guests and also expect to be given full member status, while Brazil has called for the admission of the rest of the Caribbean nations since 2007.

It seems that United States and Canada will remain excluded from this membership by definition; the participation of Australia and New Zealand might seem contradictory in this sense, but the insistence of Singapore overcame the Malaysian opposition. Malaysia always considered those countries of non-Asian character and was opposed to their inclusion in ASEM on the same basis.

It is interesting to note that according to the rules of the forum, its members do not take part as “countries” but as “governments of sovereign states”. It appears obvious that we can find the explanation for this wording in Chinese interests to prevent any attempt to include Taiwan or Hong Kong in the forum; and it is actually the opposite of what happened in the case of APEC, where the participants do not take part as “states” or “governments” but as “economies”, in order to make it possible for Taiwan to participate.

FEALAC is characterized by three important features: First it mainly comprises developing countries, which, second, are at different levels of industrialization (hence, there are decisive industrialization gaps) and third, the Asian members have a trade surplus vis-à-vis Latin America.

According to the Framework Document, the main purpose of FEALAC is to constitute a springboard for a political and economic dialogue in all areas with a view to achieve closer cooperation and more fruitful relations between the two regions. It is also mentioned that both public and private sectors will be involved in the approach procedure and it is stressed that the accomplishment of the aims of FEALAC will be based on multidisciplinary.<sup>5</sup>

The key objectives of the Forum are, to promote mutual understanding, trust, political dialogue and friendly cooperation among member states with a view to enriching and sharing experiences, developing new partnerships and strengthening the ties among them; to encourage a multidisciplinary cooperation, in all areas of common interest: in economics, trade, investment, finance, science and technology, environment protection, culture, sport, and people-to-people exchanges, to expand common ground and to defend common interests on important international political and economic issues with a view to working together in different international fora.

Furthermore, FEALAC’s function is based on a set of principles of international law; In particular: respect for each other's sovereignty and territorial

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<sup>5</sup> Dr. Jose Antonio Ocampo, “A new economic partnership between Asia-Pacific and Latin America in age of globalization”, First Asia-Latin America Ministerial Meeting, Santiago, Chile, 29 March 2001.

integrity, non-interference in each other's internal affairs; equality, mutual benefit and the common goal of development, respect for each other's unique cultures and social values; and finally decision-making by consensus, which means that the Forum's activities and projects are limited to its members. Other sovereign states as well as international and regional organizations may participate in specific projects and activities on the basis of consensus among members in order to promote better relations and linkages between East Asia and Latin America.

### ***Organizational Structure***

FEALAC mainly consists of regular meetings held at three levels: the Foreign Ministers, the Senior Officials, and the Working-Level Officials. In addition, the Core Group Meetings and the Coordinator's Meetings are also held among FEALAC coordinators and other interested countries in order to facilitate the FEALAC process.

As for the Foreign Ministerial Meeting (FMM), it is the highest decision – making body of FEALAC, which takes place every two years. It sets goals, approves important projects and adopts major documents and FEALAC co-projects, while the acceptance of new members is discussed during its meetings.

The Senior Officials Meeting (SOM) is the *de facto* decision – making body of FEALAC and it is held every year, back-to-back with Foreign Ministerial Meetings. Senior Officials from FEALAC member countries participate to discuss and approve the reports from the Working Groups and submit topics that contribute to the development of FEALAC to the Foreign Ministerial Meeting.

The member countries select by consensus one regional coordinator and one deputy coordinator from each region respectively, with a view to make FEALAC's work more efficient and cohesive. The deputy regional coordinators succeed the regional coordinators after a Foreign Ministerial Meeting. The regional coordinators are responsible for providing consistency in the discussion, hosting FMMs and SOMs, acting as the temporary Secretariat and coordinating member countries' opinions.

The Core Group Meeting consists of the two regional coordinators and the two deputy regional coordinators, the co-chairs of the Working Groups and all the interested member countries. It is normally held after the Working Group Meetings and it used to discuss matters of priority.

In order to maintain continuity in FEALAC activities and concretize FEALAC's project, there are three Working Groups: the Working Group on Politics, Culture and Education (PCE), the Working Group on Economy and Society (ES) and the Working Group on Science and Technology (ST). They meet once a year in average and they discuss national projects as well as concrete ways to further FEALAC's objectives in each relevant area and then report back to SOM.

### *Politics, Culture, Education*

Because of the vast differences existing among the FEALAC members, in fields like the industrial structures, the government – business relationships, the legal and financial systems and the models of management, it is very difficult for one policy model to work for all of them. However it is possible to set out some general principles, around which individual economies can develop policies tailored to their structures, particularly these which are lacking in national innovative capacity. An OECD study on a wide range of economies has identified the factors which lead to successful innovation in the current economic world climate and these, can provide a framework in which to set out policy options for FEALAC governments. Technology and innovation policy should complement broader structural reforms in areas such as competition, education and training, financial and labor markets:

- *Building an innovative culture*

One of the problems that a lot of firms are facing is the lack of technical progress, due to inappropriate work organization, poor management practices and poorly developed strategies for using new knowledge and technology. Management education is essential in many FEALAC economies, not necessarily based on European or American economic models. It is also vital to encourage the creation of technology-based small to medium-sized firms, which are leaders in the development and diffusion of new technologies.

- *Enhancing the skills base*

It is obvious that a talented and skilled workforce is crucial to national economic success, since future changes about what skills can be needed for the global knowledge economy are difficult to foresee. The expansion of high quality education

and research activities must be a central feature of national policy, while the important role of researchers is nowadays clearly emphasized. In addition the general skills level needs to be raised by a judicious mix of strong general basic educational activities and closely targeted training programs, especially needed in the catching-up economies in East Asia and in many Latin American countries.

- *Enhancing technology diffusion*

East Asian economies during the last years have a tendency to focus on a limited number of strategic industries which have received high levels of government support. Although there are differences in the degree of specification of industrial sectors, there are many similarities and almost all are technology based and to a large extent, dependent on imported technology. Government support in the electronics industry has been particularly important and current policies still continue to favor this option, like the Malaysian Multimedia Super Corridor. Similar thrusts have been made by Latin American governments in Brazil and in Costa Rica.

However it is clear that governments need to look carefully at the balance between support to the high technology part of the manufacturing sector and support aimed at fostering innovation and technology diffusion throughout the economy. There is an obvious need to diversify from a narrow technology base and to direct technology diffusion efforts across a wide range of firms, from those in emerging industries to those in the traditional industries where application of technology can yield substantial advantages, particularly in the strongly agricultural-based economies in East Asia and Latin America.

- *Promoting Networking and Clustering*

Technology and innovation policy in FEALAC economies needs to recognize that the innovative capacity of firms depends increasingly on their ability to interact with other firms and organizations. It is clear that the activities related to the creation, production and distribution of goods are still at the heart of advanced economies and integrated goods, integrating the vast range of services now required to develop, produce, market and distribute goods on a global basis, by firms that are the most dynamic in many economies. The key focus of policy needs to be on clusters of production and service activities that are jointly competitive on a world scale e.g. in

agro-food or construction. Experience shows that, even in small economies, localized clusters of firms are able to compete with multinational firms. Sharing of such experience among FEALAC members would be a useful exercise.

It is vital to ensure that public research infrastructure works in close collaboration with business. More positive steps need to be taken to promote partnerships in areas like research programs, science parks and cooperative research centers involving industry, universities and government research institutes. Exchange of experience in this area between successful East Asian innovative economies and less successful Latin American countries could be a useful initiative for FEALAC.

- *Responding to Globalization*

While direct foreign investment and past technology policies, particularly those directed at electronics have been highly effective in building internationally successful industries in a number of Asian countries, there is little evidence of resulting development of technological capabilities even amongst the more industrially and technologically developed economies.

Policies are needed which capture the benefits associated with both inward (and outward) investments and other global technological alliances, provided that opportunities and incentives for mutual gain, depend on sound and predictable rules of the game. FEALAC economies can increase their ability to absorb from around the world by upgrading the indigenous technology base, stimulating the growth of localized innovative capacity and enhancing international cooperation. While a number of links in education can be identified between East Asia and Latin America, the links in Science and Technology (S&T) are much weaker and need to be strengthened to mutual benefit.

- *Increasing effective interaction in National Innovation Systems*

There is clearly a need in many FEALAC economies to improve the lack of effective interactions between players in the National Innovation System. Foresight offers a mechanism for fostering productive long-term partnership and correcting systemic failures. The focal points of foresight in the East Asian region, namely the APEC Centre for Technology Foresight in Bangkok, and in the Latin American region,

namely the UNIDO-OSTI group, should be encouraged under FEALAC to work together in exchanging experiences and possibly in organizing joint activities.

### *Economy, Society*

The trading area is an area in which these changes can be observed. In both goods and services trade it is the relative knowledge that intensive exports are growing most rapidly. World exports of high technology products grew by 15% per year between 1985 and 1995, compared to less than 10% for all other goods. The knowledge intensity of world manufactured exports remained largely unchanged between 1970 and 1977, but since 1977 it has increased steadily and persistently. For example, United States exports of database and other information services (26,7% per year), engineering, architectural, construction and mining services (16,7%), and computer and data processing services (12,6%), have all exhibited much higher growth than have exports of other services, manufacturers or commodities exports.<sup>6</sup>

The other main driver of the global knowledge economy is the rapid globalization of economic activities. While there have been other periods of relative openness in the world economy, the pace and extent of the current phase of globalization is without precedent. Thus the global communications revolution has been accompanied by a widespread movement to economic deregulation, including:

- the reduction of tariff and non-tariff barriers on trade in both goods and services
- the floating of currencies and deregulation of financial markets more generally
- the reduction of barriers of foreign direct investment and other international capital flows, and of barriers to technology transfers, and
- the deregulation of product markets in many countries, particularly in terms of the reduction in the power of national monopolies in areas such as telecommunications, air transport and the finance and insurance industries.

This recent phase of globalization is characterized by rapid increases in the flows of foreign direct investment (FDI), capital transfers other than direct

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<sup>6</sup> Greg Tegart, "Patterns of Innovation Across FEALAC Countries", Canberra, Australian National Centre for Latin American Strategies, Australian National University, ANCLAS Papers, Paper No 1, 4-5 June 2002, p.4.

investment, trade flows of goods and services, and technology transfers. But two things stand out. First, FDI and other capital flows have grown more rapidly in recent years than have trade flows – suggesting that the current phase of globalization is about capital movement rather than trade. Second, these flows of FDI, other capital, trade and technology are becoming increasingly inter-related.

Recent trade and capital flows reveal remarkably rapid globalization. The volume of world merchandised trade increased by nearly 60% as a proportion of the volume of world GDP between 1970 and 1993, with about two thirds of the increase occurring after 1983. More recently, financial flows, technology transfers, information flows and the interpretation of business activities more generally have become increasingly significant factors. These forces impact the firm level, as firms are increasingly required to adopt global strategies to deal with the new realities. Global competition in all major markets between competitors from all major countries, the increasing multinational origin of the intra-product nature of world trade and the interdependent role of the various elements of globalization are all contributing to a transformation of the global economy.

### *Science, Technology*

One main leader of the global knowledge economy is the explosion in the application of computing and communication technologies in all areas of business and community life. This explosion has been driven by sharp falls in the cost of computing and communications per unit of performance, and by the rapid development of applications relevant to the needs of users. Digitalization, open systems standards and the development software and supporting technologies for the application of new computing and communications systems – including scanning and imaging technologies, memory and storage technologies, display systems and copying technologies – are now helping users realize the potential of Information Technology (IT) revolution. It is in the internet that these technologies come together, and it is the internet phenomenon that exemplifies the IT revolution. Over the first decade of its development the internet remained a specialist research network. By 1989 there were 159,000 internet hosts worldwide. Within a decade there were more than 43 million.

In economic terms, the central feature of the IT revolution is the ability to manipulate, store and transmit large quantities of information at very low cost. An

equally important feature of these technologies is their pervasiveness. While earlier episodes of technical change have centered on particular products or industrial sectors, information technology is generic. It impacts on every element of the economy, on both goods and services; and on every element of the business chain, from research and development to production, marketing and distribution. Because the marginal cost of manipulating, storing and transmitting information is virtually zero, the application of knowledge to all aspects of the economy is being greatly facilitated and the knowledge intensity of economic activities greatly increased. This increasing knowledge intensity involves both the increasing knowledge intensity of individual goods and services, and the growing importance of those goods and services in the economy.

### ***Purposes and prospects***

At the end of the '90s, as the economies of both regions were getting more internationalized and diversified, the establishment of a forum with the characteristics of FEALAC was seen as a vehicle with which to take advantage of their opportunities and to face the common challenges resulting from globalization. In fact, both regions have been facing similar internal and external challenges and may share experiences and develop a strategic partnership in order to handle successfully the dynamics associated with the globalization process.

As a result of the processes of globalization, both regions have made attempts to diversify their external relations and policy. As for Latin America, it has made efforts to engineer a state policy able to enhance economic relations with East Asia. These efforts have aimed at the reduction of transaction costs, which were fairly high because of the lack of knowledge about East Asian politics, economies and culture, as well as limited information on the tools needed to promote diversification. In addition, the erratic macro-economic development of most Latin American countries affected the foreign policy process. As a result, domestic economic crises reduced resources and reinforced the trend towards short-term policy-making.

However, although diplomatic relations between Latin America and East Asia have intensified during the last few years, their political links are still rather loose and focused mainly on economic issues. This is obvious bearing in mind the low-profile

activities in which the East Asia-Latin America Forum (EALAF) has been engaged since its beginnings, for instance, cultural interchange programs or trade studies. There is no doubt that this approach has jeopardized the necessary commitment of the member countries, Chile being the only exception, since it is the only country that has managed to build more sustainable political links with the countries of the other region<sup>7</sup>.

Concerning the economic relations between the two regions, it is worth-mentioning the fact that during the '90s, they followed a rather disappointing course, Chile being again a notable exception. Moreover, the commercial relations are still characterized by a rather traditional pattern of interaction and structural economic arguments, since the economies of the two regions are complementary rather than competitive.

In order to foresee and understand FEALAC's future prospects and needs it is important to analyze the driving forces that are behind the proliferation of intra-regional FTAs such as FEALAC. One of the basic reasons for the increase in intra-regional trade in Latin America can be attributed to the developments of institutional regional integration such as MERCOSUR and various bilateral FTAs, while in East Asia the increase of intra-regional trade has mainly been attributable to *de facto* expansion of trade led by market. There is an apparent asymmetry in the importance of an export market for a respective region and the reality of the case.

From the theory of international trade, both regions have a similar structure of "comparative advantage", which means that their trade is competing.<sup>8</sup> But industrial developments in both regions, particularly in the manufacturing sector, have a possibility to expand "intra-industrial trade" between the regions, though it will take a long time. At the same time, even though the structure of the comparative advantage may not change in the short run, economic liberalization can change in product varieties and qualities. This differentiation can provide a large chance to expand trade between Asia and Latin America. Taking this under consideration, some regional agreements are expected to be an effective measure to expand the inter-regional trade between Asia and Latin America.

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<sup>7</sup> Manfred Wilhelmy, "Chile, Latin America, and the Asia-Pacific Region", *Revista de Ciencia Politica*, Vol.25, No.2, 2005, p.2.

<sup>8</sup> Shoji Nishijima - Akio Hosono, "Modes of Economic Integration Between Asia and Latin America", p. 14. See [www.rieb.kobe-u.ac.jp/~nisijima/modeforintegration.PDF](http://www.rieb.kobe-u.ac.jp/~nisijima/modeforintegration.PDF)

Furthermore, there is a growing need to address this issue in a more flexible and constructive manner, since the positive effects of regional integration are evident and they could help to strengthen the multilateral trading system. There has been a net growth of trade and investment in similar cases. In addition to that, in the context of globalization, some rules of the international economy have been fixed by means of harmonization many national circumstances. It should therefore be easier to establish rules among countries with similar socio-economic conditions. Finally, in negotiating the multilateral system of international trade, a greater role is now played by groups of countries engaged in regional integration or cooperation. FEALAC can effectively contribute to build closer ties and stronger partnerships between these two regions, through an enhanced dialogue and more meaningful cooperation initiatives.

### ***Remarks on FEALAC Declarations***

In order to have a clear view of the aims and the objectives of FEALAC, and subsequently define its prospects within the international system, it is important to look thoroughly at the formal declarations of FEALAC's meetings, conducted either at a Foreign Ministerial level, at a Senior Officials' level or at a Working Group level, as for example is the Brasilia Ministerial Declaration of 2007.

The Third Foreign Ministerial Meeting, held on the 23<sup>rd</sup> of August 2007 in Brasilia, Brazil, had as a result the formation of basic lines of action, as presented in the official declaration of the meeting, the Brasilia Ministerial Declaration and Programme of Action.<sup>9</sup> During this meeting, the FEALAC members reaffirmed the necessity of strengthening their cooperation in various fields and, thus, enhance their political and economic links. As a result of their discussion, they reached consensus on several points with the aim to draw basic guidelines for future cooperative actions.

All governments attached great importance to the enhancement of international cooperation towards combating transnational organized crime in all its forms, while the imperative need to fight against production and trafficking of illicit drugs and related crimes was stressed.

The member countries recognized the importance of facing the issue of international migration in an integrated manner. They also noted that scientific

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<sup>9</sup> *Brasilia Ministerial Declaration And Programme Of Action*, FEALAC – III Foreign Ministers Meeting, Brasilia, Brazil, 23 August 2007.

progress in all fields should be shared worldwide, while, in addition, they expressed their commitment to taking measures in order to address global climate change and call for the widest possible cooperation by all countries. Furthermore, they determined to promote cooperation in the specific areas of priorities which were identified by the three Working Groups as core programs in FEALAC activities.

Moreover, they expressed their concern on the income gap between developed and developing countries and committed themselves to forge international cooperation, foster sustainable development and overcome poverty, with the development of innovative financial mechanisms and other projects and joint actions, while stressing the importance of the achievement of the United Nations Millennium Development Goals until 2015; they reaffirmed the objectives of upholding and safeguarding an open and non-discriminatory multilateral trading system and fully supported the conclusion of the Doha Round; they considered imperative the broad, deep and sustained multilateral cooperation as a means to tackle the threats facing the international community; lastly, they emphasized the need for a comprehensive reform of the United Nations in order to make its work more effective and transparent.

Both regions stressed the importance of a democratic international order with respect to the International Law and the Charter of the United Nations. They also made a commitment to foster mutual cooperation to the greatest extent so as to safeguard their common interests and work together in the international *fora*. Additionally, they decided on taking on joint projects to foster mutual knowledge.

They welcomed the Alliance of Civilizations Initiative launched by the UN-Secretary General with a view to promote dialogue and understanding and to forge the collective political will. Apart from this, they decided to confer high priority to trade and investment cooperation in FEALAC, together with promoting the development of micro, small and medium enterprises.

Both regions decided on raising awareness about FEALAC and also, on giving particular attention to the realization of the projects encompassing a large number of countries. According to their declaration, they made a commitment to work hard in order to ensure that the positive effects of globalization are enjoyed broadly.

As stressed before, the member countries reaffirmed the importance of the three Working Groups and considered vital the involvement of economic, educational, science and technology, social, cultural and other sectors of member countries into the

process at a deeper level. In addition, member states recognized the positive contribution made by international and regional financial institutions to promoting bi-regional exchanges.

As a conclusion, member states declared that, based on the above points, they would follow a course of initiatives for FEALAC in various sectors, with a view to forge the cooperation between the two regions at a more collective and integrated level. In a few words, these initiatives dealt with the following issues-actions: encouragement of the Working Groups in order to conceive and perform concrete actions; sharing experience in combating trans-national organized crimes; assisting trade promotion events; sharing information on common projects and activities on a regular basis; cooperation in the area of rural development; sharing expertise and promoting cooperative ventures relevant to water treatment, waste management and renewable sources of energy; encouragement of initiatives for the eradication of illiteracy; strengthening efforts in the promotion of projects on disaster prevention, reduction, mitigation, relief and rehabilitation.

With a view to emphasize on FEALAC's objectives in the more specific areas of economy and society, the Final Report of the second Economy and Society Working Group of FEALAC, held on March 17 and 18 of 2003 in Tokyo, will be examined in the next few paragraphs, since it contains specific policy-oriented proposals.<sup>10</sup> The Working Group Meeting comprised of five sessions, based on the following subjects: Institution and Governance, Socio-economic Development and Poverty Reduction, Trade and Investment, Small and Medium-sized Enterprises and Entrepreneurship, and Information Technology.

In brief, during the sessions, the following general proposals were discussed: in reference to Institution and Governance, it was stressed unanimously that the best strategy is to obtain information in order to adapt to social, cultural and historical peculiarities of individual countries. The participant countries also stressed the common challenge they face in improving corporate governance, public administration, financial regulations, judicial system, social - safety net and labor-training mechanisms.

As for Development and Poverty Reduction, the member states put emphasis on poverty eradication and set it as a high priority. More specifically, an agreement

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<sup>10</sup> *The Second Economy and Society Working Group of the FEALAC*, Tokyo, 18 March 2003.

was reached on the following three themes: reestablishing the vision of development, adopting effective approaches to poverty reduction, such as local and community development programs for social protection and information exchange, and, lastly, making efforts to consolidate macroeconomic stability.

In the third session, it was stressed that a study on business opportunities for Latin American enterprises in East Asia and their East Asian counterparts in Latin America is indispensable to identify concrete lines of action in order to strengthen mutual economic relations. It was agreed that new modalities of strategic partnership should be adopted and also intra-sectoral trade should be especially promoted.

During the fourth session, the member countries emphasized the significant role of Small and Medium Enterprises in the economy and set as a goal to improve their capability in the international economic system by taking measures to strengthen their competitiveness, by stimulating entrepreneurship and human resources and by promoting the institutionalization of the support programs.

In the fifth session, it was recognized that during the last twenty years, a rapid development in communication and computer technologies took place, which in turn promoted the globalization of business activities and accelerated the process of globalization in general. For these reasons, the member states proposed to set up a FEALAC joint system, to construct a FEALAC website, and establish enforcement systems in order to combat computer crimes.

As a result of the discussions on the above subjects, the following concrete proposals were adopted: establishing a network of research institutes and think-tanks which would offer the opportunity of sustained communication and information interchange; taking advantage of IT facilities and launching a FEALAC website; launching integrated poverty reduction programs; adopting new modalities of strategic partnership between Asian and Latin American firms; promoting micro, small and medium enterprises; realizing a FEALAC-wide study on the degree of IT development; conducting seminars, symposia and technical training programs as a part of information exchange; collaborating with several international organizations which can make a significant contribution to the support of the FEALAC process.

Undoubtedly, FEALAC's members have very broad differences in several sectors, such as industrial structures, government-business relationships, legal and financial systems and models of management, that is why no single policy model is likely to work for all economies. It is exactly this differentiation that requires the

adoption of general principles from the member countries. Additionally, technology and innovation policy should complement broader structural reforms in fields of competition, education and training, as well as financial and labor markets.

The key areas, on which the FEALAC members should focus in order to achieve their goals, are summarized in the following lines.

In the first place, member states should emphasize on building an innovative culture, that is to say promote better management education and the creation of technology-based small and medium enterprises. Innovation is a key concept, since it is the process that converts knowledge into economic growth and encompasses all activities encouraging the commercialization and utilization of new technologies.

Enhancing the skills base is also a crucial process, as skilled workforce is highly important to national economic success. Researcher activities, expansion of high quality education and training programs must be central features of national policies.

It is also clear that governments need to look carefully at the balance between supporting the high technology part of the manufacturing sector and supporting innovation and technology diffusion throughout the economy, in other words, they need to diversify and diffuse technology across a wide range of firms.

FEALAC members should promote Networking and Clustering. The key focus of policy needs to be on clusters of production and service activities that are jointly competitive on a world scale. Furthermore, it is vital to ensure that public research infrastructure works in close collaboration with business and positive steps are taken with the purpose of promoting several partnerships (e. g. joint research programs, cooperative research centers etc.).

Several measures need to be taken so that the countries are able to respond to globalization. These involve upgrading the indigenous technology base, stimulating the growth of localized innovative capacity and enhancing international cooperation in Research & Development.

Last but not least, there is a need in many FEALAC economies to improve the lack of effective interactions between players in the National Innovation System, by, for instance, fostering long-term partnerships and correcting systemic failures.

FEALAC, as other processes of non-triadic interregionalism, is instrumental to its constituent countries to adjust to the globalization dynamics and the changes in the balance of power within the triad itself. In the same sense, it is possible that these

processes may be used to gather support and gain legitimacy in order to combat external pressures.

The formation of a group with enhanced bargaining power is a way of fulfilling balancing functions as diversification strategy shows. As a consequence, non-triadic interregional processes such as FEALAC also fulfill balancing and bandwagoning functions.

It is clear that both regions could put forward certain common points of view in multilateral and global fora. For instance, the participant countries may try to include agenda issues related to the reform of the international financial architecture—a question of common concern. Likewise, they may also try to develop common postures regarding different issues of great significance to the international agenda, such as human rights, gender equality, environmental protection, the participation of civil society in development, the formation of a common context for the eradication of poverty, etc.

Additionally, in spite of the lukewarm results that FEALAC might have brought about, nonetheless, there is no reason for saying that it would not be able to contribute to the strengthening of regional identities, both in Latin America and in East Asia. On the contrary, it probably does contribute, as the existence of a multiplicity of interregional organizations may well force each of the participant regional groupings to adopt a consistent stance in them all.

In fact, the better they fulfill these other functions, the better they will fulfill the aforementioned ones of balancing and bandwagoning as well. In other words, in the case of non-triadic interregionalism, balancing and bandwagoning functions may be fulfilled although this will depend to a certain extent on the success of the rest of the functions.

While it is a fact that FEALAC has not yet achieved much, considering its original goals and objectives, we should not forget that this is a common shortcoming of all the interregional processes, regardless of whether or not they are triadic. This perception is mainly related to a lack of visibility and does not seem to correspond to the empirical fact that FEALAC's activities in all fields have increased over the last few years, with growth in trade as the most obvious example.