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Economic Relationships between Latin America and Asia: A new Research Frontier*

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Relaciones económicas entre Latinoamérica y Asia: Una nueva frontera de análisis
Relações econômicas entre América Latina e Ásia: Uma nova fronteira de investigação

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The recent and rapid increase in economic relationships between Latin America and Asia has created an interest in understanding them better. I review a few of the key transformations of the business relationships and discuss how they form the basis for a new research frontier that authors can explore in the future.

El reciente y rápido aumento de las relaciones económicas entre Latinoamérica y Asia ha suscitado cierto interés en cuanto a la mejor comprensión de las mismas. Examino algunas de las principales transformaciones en las relaciones comerciales y analizo el modo en el que forman la base de una nueva frontera de análisis que los autores podrán explorar en el futuro.

O rápido aumento recente das relações econômicas entre a América Latina e a Ásia criou o interesse em compreendê-las melhor. Realizei um estudo sobre algumas das transformações chave nas relações comerciais e analisei de que forma estas criam a base para uma nova fronteira de investigação que os autores podem explorar no futuro.

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1. Introduction

The recent and rapid increase in economic relationships between Latin America and Asia has created an interest in understanding them better. For example, the Inter-American Development Bank has created a series of monographs analyzing the impact of the growth and foreign expansion of particular Asian countries on Latin America; many focus on the importance of China for Latin America (Cesa-Bianchi et al., 2011; Devlin, Estevadeordal and Rodríguez-Clare, 2005; Lora, 2005; Moreira, 2010a), but recent ones have studied the impact of other countries, such as India (Moreira, 2010b) and South Korea (Moreira, 2011). The United Nations' Economic Commission for Latin America and the Caribbean has also contributed to a better understanding of the impact of China on Latin America (Rosales, 2010, 2011); of foreign direct investment in Latin America by China (ECLAC, 2011) and by South Korea (ECLAC, 2007); and of the trading relationships between these two regions (Rosales and Kuwayama, 2010; Rosales and Mulder, 2011). These reports discuss in detail not only how the relationships between the two regions are increasing and deepening, but also how they are modifying long-standing historic relationships that Latin America has maintained with the United States and Europe.

The relationships between Latin America and Asia are not completely new. Historical relationships included the ships that operated the silk route linking China to Mexico via the Philippines at the time of the Spanish Empire, and the large migration flows from China to Peru or from Japan to Brazil later on, among others. However, the two regions maintained limited economic relationships in the 19th century, with Latin America focused on serving the US and European markets after independence, and much of Asia, under the influence of the United States and European countries, focused its own economic relationships with them. The 20th century did not lead to large cross-border economic linkages. In contrast, most of the countries in Latin America and many in Asia engaged in import substitution regimes, or followed communist economic systems, which limited economic relationships with the rest of the world (Yergin and Stanislav, 1998).

The pro-market reforms of the late 20th century changed the paucity of relationships. Both Latin American and Asian countries liberalized their economies and became more integrated with the world, although some Asian countries had started earlier by adopting an export led model of development. The pro-market reforms resulted in an overall increase in the levels of exports and foreign direct investment (Cuervo-Cazurra, 2007; Cuervo-Cazurra and Dau, 2009). In the 2000s, Latin America saw a significant increase in the level and importance of economic flows with Asia. The active promulgation of trade by the Chinese government, with government officials visiting Latin American countries to promote trade relationships, strengthened them.

The increase in economic relationships between Latin America and Asia reflects not only an increase in the importance of Asia as an economic center that requires natural resources from Latin America, but also the rise of Latin America as a consumer center that demands new products from Asia as part of the emergence of a middle class (Economist, 2007). The economic relationships have also resulted in competition in the world arena, especially in manufacturing from China, and emerging recently in services from India (ECLAC, 2011; Moreira, 2010a, 2010b).

KEY WORDS

**Multinationals,
firms, trade,
foreign direct
investment, Asia,
Latin America**
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PALABRAS CLAVE

**Multinacionales,
empresas, comercio,
inversión extranjera
directa, Asia,
Latinoamérica**
.....

PALAVRAS-CHAVE

**Multinacionais,
empresas, comércio,
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Thus, these relationships are modifying older patterns of relationships that Latin America had maintained with other parts of the world, notably the United States and Europe. [Table 1](#) summarizes the evolution of bilateral merchandise exports between Latin America and Asia between 1995 and 2010. The 2000s saw a significant rise in trade between the two regions. Total exports from Latin America to Asia increased sixfold in the period, from US\$30.0bn in 1995 to US\$186.7bn in 2010, while total imports into Latin America from Asia increase eightfold, from US\$28.7bn in 1995 to US\$186.7. More significantly, these increases reflect a heightened importance of the relationship, as trade with Asia grew from being about 10% of total exports or imports in the late 1990s to reaching 21.5% of exports from Latin America and 26.8% of imports into Latin America in 2010.

Table 1. Merchandise International Trade of Latin America and the Caribbean, 1995-2010

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Imports of merchandise from world, US\$bn	243.0	272.8	327.7	343.0	329.2	383.6	372.4	346.9	361.7	438.5	516.8	615.0	730.7	896.4	670.3	865.2
Imports of merchandise from Asia, US\$bn	28.7	30.2	35.6	34.0	33.8	41.7	46.0	47.4	53.1	73.7	95.0	128.3	162.4	203.8	161.1	231.5
Imports of merchandise from Asia, % world	11.8	11.1	10.9	9.9	10.3	10.9	12.4	13.7	14.7	16.8	18.4	20.9	22.2	22.7	24.0	26.8
Exports of merchandise to world, US\$bn	230.3	257.5	286.1	281.4	300.8	362.2	350.0	351.6	386.2	478.6	575.9	684.9	769.8	898.5	688.8	868.5
Exports of merchandise to Asia, US\$bn	30.0	30.4	34.8	32.0	29.0	33.4	37.2	40.2	46.3	59.3	75.7	92.7	118.1	143.7	133.5	186.7
Exports of merchandise from Asia, % world	13.0	11.8	12.2	11.4	9.6	9.2	10.6	11.4	12.0	12.4	13.1	13.5	15.3	16.0	19.4	21.5

Source: UNCTAD (2012).

The increase in merchandise trade was accompanied by a growth in foreign direct investment (FDI) links. However, these are still relatively limited in comparison to other regions. According to the list of the largest net foreign direct investments between Latin American and Asian countries compiled by ECLAC, only Japan appears among the top net investors in Brazil, Chile, and Paraguay; Taiwan in Dominica; China in Ecuador; and India in Trinidad and Tobago (ECLAC, 2010). Despite the significant growth of Chinese FDI and its economy, not much of it goes to Latin America once tax havens are excluded, and the investments tend to be concentrated in natural resources, while little FDI from Latin America goes to China (ECLAC, 2011).

In addition to trade, there are other economic relationships like immigration and the accompanying remittance flows between the two regions. The analysis of 2010 data from the World Bank (2012) reveals that the estimated stock of immigrants from Latin America in Asia was 419,187, and they remitted an estimated US\$1247mn to Latin America, while the estimated stock of Asian immigrants in Latin America was 204,166, and they remitted an estimated US\$576mn. The migratory relationship between Brazil and Japan dominates these relationships, with 320,624 Brazilians in Japan and 71,367 Japanese in Brazil. Nevertheless, although important, these migratory flows pale in comparison with others; just the number of Mexican immigrants in the United States was 11,635,995, and they sent back an estimated US\$22,190mn in 2010.

2. Special Issue on Economic Relationships between Asia and Latin-America

The papers in the special issue provide a better understanding of these and other economic relationships between Latin America and Asia. They are the outcome of a conference that took place at the Monterrey Tec in Guadalajara on August 19-20, 2010, which was organized by the center for Asia-Pacific under the direction of Clemente Hernández and Mauricio Cervantes. The focus of the conference was to gain a better understanding on the relationships between Latin America and Asia. Of the 17 presentations given, the seven best were selected for inclusion in this special issue, and the rest were selected for inclusion in an edited volume (Hernández Rodríguez, 2012). The papers selected for this special issue went through a double-blind review process and appear in this issue after the inclusion of suggestions.

The papers reflect not only the importance of relationships and the need for a better understanding of them, but also the ability to use this novel and unusual relationship as the basis for a new research frontier that can be explored in detail.

Four of the papers focus on the relationship between Latin America and Asia from the Latin America side, with two of the papers analyzing direct relationships and another two providing comparisons. Montoya (2012) uses the case of the international joint venture between the Mexican conglomerate Grupo Salinas and the Chinese automobile firm FAW to analyze how international joint ventures between firms from developing countries challenge some of the assumptions discussed in the literature. He argues that while the danger of collaborating and creating a competitor is diminished, the challenge of selling products from developing countries is maintained and limits the success of the international joint venture. Falck Reyes (2012) analyzes in detail the evolution of Japanese foreign direct investment in Mexico. She documents how Japanese firms increased investments in the 1980s with the transformation of the economy as pro-market reforms were implemented and especially after the North American Free Trade Agreement was established in 1994, facilitating the expansion of export-led assembly plants (maquiladoras). Hernández Rodríguez and Montalvo Corzo (2012) review the characteristics that lead to the success of clusters of firms. They compare the

experiences of China and Mexico and make recommendations for the creation of more successful clusters in Mexico based on the Chinese experience. Gerber (2012) compares the long-term evolution of the determinants of growth of China and Mexico. Among the multiple explanations for the differences in growth, he concentrates on geographic and institutional determinants, providing detailed recommendations for policy makers.

Three of the papers discuss the relationship from the Asian side, with two analyzing direct relationships and another providing some lessons from the analysis of the Chinese experience. Liu (2012) discusses the relationship between China and Latin America and reviews the common challenges that they face. He reviews historical and current relationships and documents the change and deepening of relationships. Zhu (2012) provides a detailed historical account of the economic relationships between China and Latin America, the impact of the financial crisis, and the continued deepening of the relationships. He details both the benefits and the challenges that the imbalances are creating in the relationships and provides recommendations for policy makers. Wong (2012) reviews the process by which China has been moving up the value chain, providing a detailed framework for better understanding upgrading that can be useful for decision makers.

These papers open avenues for future research on the relationship between Latin America and Asia. Both regions have been changing quickly after the pro-market reforms of the late 20th century and these changes have helped the countries grow and prosper and become more internationally integrated. Future research needs to go deeper into these relationships and use them as a laboratory for providing better academic insights and policy-making recommendations.

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