

TC ABSTRACT

I. Basic project data

▪ Country/Region:	Regional
▪ TC Name:	LAC-Korea: Trade, Investment and Technology Facilitation Initiative
▪ TC Number:	RG-T2533
▪ Team Leader/Members:	Ady Beitler (Team leader, INT/TIU); Joonseob Kwon (INT/TIU); José Cabrera-Macchi (INT/TIU); Gaston Tchicourel (INT/TIU); and Yasmin Esteves (INT/TIU)
▪ TC Taxonomy:	Research & Dissemination
▪ Reference to Request: (IDB docs #)	N/A
▪ Date of TC Abstract:	July 21, 2014
▪ Beneficiary:	All borrowing member countries
▪ Executing Agency and contact name:	Inter-American Development Bank through the Integration and Trade Sector (INT/INT)
▪ IDB Funding Requested:	US\$1,000,000
▪ Local counterpart funding, if any:	US\$50,000 (in kind)
▪ Disbursement period	24 months
▪ Required start date:	October 1, 2014
▪ Types of consultants	Firms and individuals
▪ Prepared by Unit:	Trade and Investment Unit (INT/TIU)
▪ Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ GCI-9 Sector Priority:	Competitive Regional and Global Integration

II. Objective and Justification

- 2.1 The main objective of this TC is to promote trade and investment opportunities and knowledge sharing between the Republic of Korea (Korea) and Latin America and the Caribbean (LAC) through technological and innovative business platforms. To achieve this goal, this operation will attempt to: (i) create and boost emerging business opportunities, with special emphasis on technology-driven sectors; (ii) strengthen and enhance core competencies for trade and investment promotion; and (iii) share and upgrade innovative business platforms for balanced and diversified economic engagement.
- 2.2 In terms of economic integration and development successfully propelled by trade and investment, Korea has become one of the LAC's most important partners in Asia. The country is currently a manufacturing and innovation powerhouse that was able to transition out of poverty thanks to 50 years of sustained growth that led to its admission into the Organization for Economic Cooperation and Development (OECD) in 1996. In 2004, Korea joined the trillion dollars club of world economies, and is

currently the world's 11th largest economy.¹ In 2015, Korea will host the 56th IDB-IIC Annual Meeting in Busan.² This occasion represents a unique opportunity for LAC and Korea to strengthen their business ties and address their potential opportunities and challenges.

- 2.3 Bilateral trade and investment between LAC and Korea have steadily increased over the past two decades, even at a higher rate than East Asia, USA, the EU and Japan.³ More business opportunities are expected, since Korea has signed 3 Free Trade Agreements (FTAs) with LAC countries in the past decade –Chile in 2004, Peru in 2011, Colombia in 2013– and it is actively seeking partnerships with Mexico, MERCOSUR, and Central America.⁴ On the other hand, Korea can be an ideal source of partnerships for the region's trade and investment promotion agencies and Small and Medium-sized Enterprises (SMEs) from LAC.
- 2.4 The objective and activities of this operation correspond to the Bank's Sector Strategy to Support Competitive Global and Regional Integration, since it will enhance trade, investment and innovative knowledge partnerships in the global context through activities for both public and private sectors.

III. Description of activities and outputs

- 3.1 Overall, this operation seeks to strengthen a comprehensive facilitation mechanism of trade, investment and knowledge sharing between the two regions. To achieve this goal, this TC will take a two-prong approach: (i) it will enhance the institutional capacity of LAC countries in trade and investment promotion; and (ii) it will strengthen the existing business facilitation mechanisms.
- 3.2 **Component 1: Institutional Capacity Building (US\$300,000).** This component will strengthen the region's institutional capacity in planning, evaluating and upgrading trade and investment promotion initiatives by sharing and applying key considerations and lessons learned. To this effect, this activity aims to provide opportunities to share the best practices of the Korea's trade and investment promotion model that has shown remarkable effectiveness in a short period of time. The Bank will develop a wide range of tailor-made operations for Trade Promotion Organizations (TPO) and Investment Promotion Agencies (IPA) from LAC, focusing on: (i) functional framework and governance; (ii) promotion activities; and (iii) adapting knowledge platforms to the local context. This component will help public stakeholders to appreciate, customize and upgrade the role, value and future development of the Trade and Investment arenas from local perspectives.
- 3.3 **Component 2: Korea-LAC Trade, Investment and Knowledge Partnership Initiatives (US\$700,000):** This component will strengthen the business facilitation mechanisms for both public and private stakeholders from LAC and Korea. To this

¹ Forbes. 2013. Best countries for business (www.forbes.com)

² <http://events.iadb.org/calendar/eventDetail.aspx?lang=En&id=4420>

³ Data from IDB (INT), Comtrade, ECLAC, OECD, MOFAT

⁴ Ministry of Industry, Trade and Energy, Republic of Korea

end, a cross-sector business forum, which will be attended by Ministers of trade and industry sectors in LAC, as well as CEOs of global leading companies from the both regions, will be organized together with the Korean government. Specifically, this activity will provide: (i) interactive panel discussions, featuring economic exchange, challenges and opportunities of trade and investment, and future development of strategic industrial sectors; (ii) business networking, serving as an opportunity for one-on-one matchmaking, strategic alliances and local linkages between LAC and Korea; and (iii) electronic platform setup, building on the Bank’s regional business platform-ConnectAmericas through enhanced linkages with public and private stakeholders in Korea. This activity will set up a comprehensive business gateway, creating a new wave of opportunities across the board.

IV. Budget

Indicative Budget (US\$)

Activity/ Component	Description	IDB/Fund Funding	Counterpart Funding ⁵ (in kind)	Total Funding
Component 1	Capacity Building	300,000	-	300,000
Component 2	Business Forum	700,000	50,000	750,000
Total		1,000,000	50,000	1,050,000

V. Executing agency and execution structure

- 5.1 This operation will be executed by the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB) in accordance with the Bank’s Technical Cooperation Policy (Document GN-2470-2). Two main reasons justify the execution of the project by the Bank. First, as a regional project that involves coordination with a wide range of public and private stakeholders in the region, the IDB is in a unique position to manage and coordinate the activities given its presence in the countries. Since 2007, the Bank has been implementing LAC-Asia Business Forums with Korea, Japan and China, gaining invaluable know-how and experience in the execution of international trade and investment promotion activities.
- 5.2 The selection and contracting of consulting firms shall be carried out in accordance with the provisions of the document GN-2350-9 (“Policies for selection and contracting of consultants financed by the Inter-American Development Bank”), for hiring individual consultants will apply the norms of IDB Human Resources and, for logistical expenses will apply Corporate Policies (GN-2303-20).

VI. Project Risks and issues

- 6.3 The success of this TC will depend on a significant level of engagement and participation of the relevant stakeholders. The operation will mitigate the risk by engaging government officials and private sector representatives in all activities and through an intensive promotion strategy.

⁵ Budget details and local contribution may be subject to change depending on its work scope and local circumstances.

VII. Environmental and Social Classification

- 7.1 This TC does not present any environmental and social risks. It is classified as category “C” in the Environmental and Screening Classification.