

TC Document

I. Basic Information for TC

• Country/Region:	Regional
• TC Name:	Enhancing Korea-LAC Partnership in Trade and Investment
• TC Number:	RG-T3048
• Team Leader/Members:	Opertti, Fabrizio (INT/TIN), Team leader; Ahn, Sunghye (INT/TIN), alternate Team leader; Garrido Rodriguez, Esperanza Idalid (INT/TIN); Jimenez de Arechaga, Maria del Pilar (LEG/SGO); Bendersky, Matias(ORP/PTR); Paz Soldan, Ana Lucia (INT/TIN).
• Indicate if: Operational Support, Client Support, or Research & Dissemination:	Research and Dissemination
• Date of TC Abstract:	15 May 2017
• Beneficiary (countries or entities which are the recipient of the technical assistance):	Ministries of Trade and Investment, Entrepreneurs from the (IDB) Borrowing Member Countries
• Executing Agency and contact name (Organization or entity responsible for executing the TC Program) {if Bank: Contracting entity} {if the same as Beneficiary, please indicate}:	The Inter-American Development Bank (IDB) through the Trade and Investment Division (INT/TIN)
• Donors providing funding (amount and Fund's name):	Public Capacity Building Korea Fund for Economic Development (KPC)
• IDB Funding Requested:	950,000.00 \$
• Local counterpart funding, if any:	0.00 \$
• Disbursement period (which includes execution period):	24 months
• Required start date:	June 15, 2017
• Types of consultants (firm or individual consultants):	Individuals Firms
• Prepared by Unit:	Trade and Investment Division (INT/TIN)
• Unit of Disbursement Responsibility:	Integration and Trade Sector (INT/INT)
• Included in Country Strategy (y/n):	No
• TC included in CPD (y / n):	No
• Strategic Alignment:	Economic integration

II. Objectives and Justification of the TC

- 2.1 The main objective of this project is to increase trade and investment opportunities between Korea and Latin American and Caribbean (LAC) region. To achieve this goal, this TC will aim to: (i) share the Korean experience, in terms of trade and investment, that may serve as foundation for future cooperation between Korea-LAC countries; (ii) strengthen existing business opportunities and boost emerging opportunities in strategic sectors such as food and beverage, Information and Communication Technology (ICT), energy, transport and environment; and (iii) organize business forums where high-level Korea-LAC policy makers, government officials and entrepreneurs share their ideas and insights on how to maximize the potential of bilateral business relationship in diverse sectors.
- 2.2 **Korea-LAC Trade and Investment relationship.** The dynamic growth of trade, investment, and cooperation between Korea-LAC has laid the groundwork for a sustainable, diversified, and mutually beneficial relationship. The trade between Korea-LAC experienced a fast and sustained growth, increasing 17% per year on average since 1990, while Korean investment in the region has expanded ten-fold in the last decade alone. This investment provides a solid basis for diversifying the bilateral economic relationship, as over 80% of Korea's FDI in LAC goes to manufacturing sectors. Moreover, Korea was the first East Asian country to seek Free Trade Agreements (FTAs) with LAC partners in the early 2000s, signing its first bilateral FTA with Chile in 2004, and later with Peru (2011) and Colombia (2016). In 2016, negotiations for a multilateral FTA concluded with six countries from Central America (Nicaragua, El Salvador, Honduras, Costa Rica, Panama and Guatemala). Additionally, Korea is finalizing its negotiation on Strategic Economic Cooperation Agreement with Ecuador. Also, it is expected that Korea is preparing to start negotiation of Free Trade Agreement with Mercosur and Mexico.
- 2.3 **Partnerships of the future.** With the 4th industrial revolution¹, we are facing a world where more devices are getting connected, more data is being collected, stored and analyzed. This new phenomenon is affecting our lives and reshaping our economic, social environments and the speed of this change is unprecedented. There will be more business opportunities but also some of the conventional businesses may disappear forcing us to embrace the unexpected changes. Under these circumstances, this technical cooperation will support entrepreneurs and government officials from both regions to seek for new business partnerships for the future with its root in emerging technologies and to strengthen the traditional business partnerships.
- 2.4 The Bank has successfully organized numerous activities focused on promoting bilateral trade and investment between Korea-LAC, including training seminars, site visits, dissemination events and business matchmaking. These activities have proven to be successful initiatives in strengthening trade and investment flows. Especially, the 3rd Korea-LAC Business Summit, held in 2015 led to the following results:

¹ The 4th industrial revolution is a concept first mentioned by Klaus Schwab, the founder and executive chairman of the World Economic Forum. In this 4th revolution, the physical, digital and biological worlds would be fused by a range of new technologies such as artificial intelligence, robotics, the Internet of Things, autonomous vehicles, 3-D printing, biotechnology and quantum computing. It is expected that the 4th industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world.

(a) More than 140 government officials and enterprises from the region initiated business partnerships with 230 Korean counterparts throughout 730 pre-arranged business meetings, which led to an estimated worth of 40 billion dollars.

(b) 1,000 Korea-LAC participants participated on the Knowledge Sharing Forum, Business workshops and Korea-LAC Business Meetings. These summits offered an opportunity to all participants to enhance their knowledge of Korean, Latin American and Caribbean economies and markets that would later facilitate doing business.

- 2.5 The TC addresses two of the three major development challenges identified in the Bank's "Update to the Institutional Strategy 2010-2020": (i) limited trade and economic integration, both intra-regional and international, and (ii) low productivity and innovation. More generally, the series of Asia-LAC forums that have been executed by the Bank all pursue a coordinated strategy that is aligned with the goals of promoting international economic integration, the creation of trade capacity and the improvement of productivity and innovation, by promoting the exchange of best practices and transfer of knowledge with the Bank's member countries in Asia, all of which are significant export markets for LAC firms.

III. Description of components and budget

- 3.1 **Component I. Creating the conditions to foster sustainable cooperation:** This component will support LAC public sector officials in acquiring knowledge on up-to-date trends and Korea's experiences and innovations in trade and investment promotion activities, trade facilitation initiatives and policies to foster emerging industries. This will help LAC officials to identify the sectors or issues they should address to improve their business environments in order to support sustainable growth. To achieve this goal, this component will finance: (i) the design of regional workshops on relevant topics to LAC countries; (ii) the travel expenses of LAC government officials' visits to Korea and vice versa; and (iii) the logistics necessary to coordinate these workshops. The workshops can take place in LAC or Korea, as needed, to fully achieve their goals.
- 3.2 **Component II. The 4th Korea-LAC Business Summit:** The 4th Korea-LAC Business Summit: This component includes a two-day business summit to be held in Seoul, Korea, on October 23-24, 2017. The aim is to create an opportunity to increase trade and investment between both regions. The event will include high-level dialogue between policy makers, government officials and top executives, who will address topics such as: Strategic economic and trade relationships between Korea-LAC, the 4th industrial revolution, Public Private Partnerships, Smart Infrastructure & Sustainable production. As in previous editions of this Summit, Korea Eximbank will be key partner for the forum. During this summit, there will be following activities:
- a. **Panel discussion:** High level policy makers and executives will share their opinion on the topics mentioned above. The team will be actively communicating with Korean counterparts for panelists and moderators invitation process.²
 - b. **Business Opportunities Exhibition:** LAC Investment Promotion Agencies will have an opportunity to interact with Korean participants, presenting their

² To ensure successful design and implementations of these panels, INT/TIN will collaborate closely with other branches of the Bank that possess critical technical know-how and valuable contact of the region, including but not limited to INE (ENE, TSP, WSA), IFD(CMF), the IIC and ORP. ORP will be coordination this internal collaboration and also reach-outs to other external partners.

investment projects portfolio. It will be recommended to Korea and Asia based representatives to participate in the event to foster closer relationships with potential investors from Korea.

- c. **Business Networking Receptions:** This will provide opportunities to build wider networks among the participants, the government officials and supporting agencies. This network enhancing activities will promote business communities where participants can share their experiences and know-how of doing business with Korea.

3.3 **Component III. Promoting new trade and investment business ties between Korea-LAC:**

This component aims to promote new trade and investment by generating new business contacts and identifying concrete business opportunities. To achieve this objective, this component will: (i) support the organization of the Korea-LAC business meetings, an on-site, one-on-one business matchmaking event (which will be held on the second day of the Korea-LAC Business Summit); (ii) arrange virtual matchmaking sessions prior to the business-to-business(B2B) event, to ensure the optimum compatibility between business partners; (iii) provide support to participants in order to strengthen partnerships that have been initiated already and to solidify these partnerships through a series of follow-up activities; and (iv) track and disseminate success stories on ConnectAmericas to share best practices and generate interest in future events. As in previous events, Korea Trade and Investment Promotion Agency(KOTRA) will be technically supporting the selection of participants, meeting arrangements, logistics and follow ups.

- 3.4 This Korea-LAC B2B sessions will focus on creating qualitative and quantitative business partnerships. To this end, the participants will be selected based on certain criteria: previous business experience with Korean counterparts, market potential and authenticity of their interests in doing business with Korea. Korean counterparts will be selected bases on same criteria. The team will closely work with its Korean counterpart to guarantee that prearranged meetings meet the needs of both parties. As for investment projects, this edition of the summit will concentrate its resources to create investment partnerships in the following sectors: Information and Communication Technologies, Transport and Infrastructure, Energy, Water and Sanitation. Participation of both public and private sectors will be encouraged.

Table I. Indicative Budget

Component	Activity	IDB/Fund Funding	Total Funding
Component I: Creating the conditions to foster sustainable cooperation	Component Total	103,800	103,800
Component II: The 4th Korea-LAC Business Summit	Component Total	497,200	497,200
Component III: Promoting new trade and investment business ties between Korea-LAC	Component Total	314,000	314,000
Execution, monitoring and dissemination	Component Total	35,000	35,000
Total		950,000	950,000

- 3.5 A total of US\$ 950,000 is requested from the Public Capacity Building Korea Fund for Economic Development for this project.
- 3.6 To evaluate the progress on the expected outcomes, the project team will conduct semiannual surveys to participants of each activity to measure and evaluate the impact achieved. By bringing together a network of global and local partners, KOTRA and the

Trade and Investment Promotion Agencies of the region, will endeavor to incubate a more sustainable eco-system for participants and will enhance the establishment of better tracking mechanisms post-summit.

- 3.7 In addition, a strong communication strategy will be implemented to disseminate the results of Korea-LAC Business Summit. The ConnectAmericas platform will also be used to create and disseminate the knowledge products and the success stories of business partnerships between LAC and Korean companies – in forms of articles, photos, videos or webinars, in order to promote that a massive audience from LAC has a better understanding on how to strengthen their trade and investment relationships with Korea. Furthermore, the report will be distributed to all registered participants and made available to all Bank staff.

IV. Executing agency and execution structure

- 4.1 This TC is part of the Bank's initiative to expand regional integration. The Ministry of Strategy and Finance of Korea and the Bank have agreed on organizing the Korea-LAC Business Summit to support the enhancement of bilateral business relationships.
- 4.2 This TC will be executed by the Bank for the following reasons:
- a. This is a regional project that involves coordination with several regional public and private sector stakeholders, and the Bank is positioned as an ideal actor to execute this project, given its presence in every country.
 - b. INT/TIN has gained invaluable know-how for the Bank in the execution of Asia-LAC initiatives, including three editions of the Korea-LAC Business Forum (2007, 2011 and 2015), which aimed to create more bilateral trade and investment opportunities between Korea and LAC countries.
- 4.3 The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with current Bank procurement policies and procedures. And the selection and contracting of consultants and procurement of services will follow guidelines and corporate procurement policies (GN-2303-20 and AM-650).
- 4.4 Since bank personnel holds a high level of experience and technical ability on the issues that will be disseminated during the workshop, and for the purposes of transferring such knowledge and experience to the beneficiaries of this TC, it is proposed that part of the resources be used to cover staff travel costs to participate in the event. The financing of these costs is consistent with the Technical Cooperation Policy of the Bank and is not intended to supplement the administrative budget.
- 4.5 The project team will closely collaborate with its local partners recommended by the Ministry of Strategy and Finance of Korea, which are Export-Import Bank of Korea and Korea Trade and Investment Promotion Agency. Part of the fund will be disbursed by these agencies to facilitate the local logistics.

V. Major issues

- 5.1 **Risk mitigation.** The success of the project depends on the active participation of LAC's officials and private sector representatives. The cost and logistics arrangements involved in traveling to Seoul pose the risk of reduced attendance from government officials and private sector leaders. The operation will mitigate this risk by (i) engaging LAC government officials and private sector associations such as TPOs, Chambers of

Commerce, Ministers of Trade, among others, to maximize the number of invited guests; (ii) extensive dissemination and promotion during all stages of project implementation through traditional communicational channels as well as innovative communication methods, and; (iii) early engagement with attendees to provide enough time for travel arrangements and resolving scheduling conflicts.

- 5.2 **Project sustainability.** Sustainability-related considerations will be prioritized throughout the design and operation phases of this project. It is important to highlight the fact that the partnership developed in this type of initiatives get lost due to physical distances, cultural misunderstandings and language barriers. The team will make a great effort to provide pinpointed matchmaking experience and follow-up mechanisms. To this end, the team will try to create a strong bond with partners from the region and Korea through: (a) Active communication for participants, to reflect their business needs as clear and effective as possible; (b) building aftercare systems to verify the needs for technical assistance, and (c) the collection of success stories to disseminate among relevant stakeholders.

VI. Exceptions to Bank policy

- 6.1 There are no exceptions to the Bank policy in this project.

VII. Environmental and Social Strategy

- 7.1 This project has been classified under the category "C" according to the Policy Environment and Safeguards Compliance Policy (OP-703). See [Safeguard Policy Filter](#) and [Safeguard Screening Form](#).

Required Annexes:

- [Results Matrix.](#)
- [Terms of Reference.](#)
- [Procurement Plan.](#)

ENHANCING KOREA-LAC PARTNERSHIP IN TRADE AND INVESTMENT

RG-T3048

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Public Capacity Building Korea Fund for Economic Development (KPC)** through a communication dated May 15, 2017 and signed by Chang You (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$950,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

Original firmado

Sonia M. Rivera

Chief

Grants and Co-Financing Management Unit

ORP/GCM

07/06/2017

Date

Approved:

Original firmado

Antoni Estevadeordal

Manager

Integration and Trade Sector

INT/INT

07/06/2017

Date