





BUILDING A STRATEGIC
PARTNERSHIP BETWEEN
MEXICO AND KOREA
FOR THE 21ST CENTURY



Vision and Agenda for Cooperation

Report of the Mexico-Korea 21st Century Commission



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SECRETARÍA DE RELACIONES EXTERIORES
MÉXICO

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Primera edición, 2005

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ISBN 968-810-699-2

Impreso en México *Printed in Mexico*

CONTENTS

Letter to the Ministers	9
Introduction	11

RECOMMENDATIONS. Vision and Agenda for Cooperation

I. Towards a Comprehensive Strategic Partnership	17
II. Common Challenges of the New Century	18
III. Vision of a Strategic Partnership	22
IV. Current Status of Mexico-Korea Relations	26
V. Agenda for Cooperation: Strategic Partnership Initiatives.	29

BACKGROUND STUDIES. Mexico-Korea Relations: Current Status and Opportunities for Cooperation

I. National Aspirations and Institutional Cooperation	37
1. Exploring Common Objectives of Political Cooperation	37
2. Challenges for Mexico and Korea	41

3. Visions for Mexico-Korea Cooperation	43
4. Disarmament and Non-Proliferation: North Korea	45
5. Strengthening the Institutional Framework for Bilateral Cooperation	46
II. Economic Relations: Trade and Investment	49
1. Introduction.	49
2. Trade.	50
3. Investment	56
4. Towards a Mexican-Korean Strategic Partnership.	61
III. Opportunities for Industrial Cooperation	65
1. The Need of an Advanced Industrial Structure.	65
2. The Opportunities in Complementarities	68
3. New Areas for Cooperation.	69
4. A New Institutional Framework	72
IV. Cultural Exchange as a Foundation for Partnership	77
1. New Ways for Cultural Cooperation.	77
2. Historical Overview of the Bilateral Cultural Exchange Program . .	78
3. Cultural Cooperation Program 2000-2002.	84
4. Cultural and Educational Cooperation Program for 2003-2006 . . .	89
5. Conclusions and recommendations.	91

LETTER TO THE MINISTERS

Mexico City, June 1st, 2005
Seoul, June 1st, 2005

Doctor Luis Ernesto Derbez Bautista
Secretary of Foreign Affairs of the
United Mexican States.

Amb. Ban Ki-moon
Minister of Foreign Affairs and Trade of the
Republic of Korea.

Dear Ministers,

Convinced of the need to fulfill the enormous potential of the relationship between Mexico and the Republic of Korea, Presidents Vicente Fox and Kim Dae-jung decided in 2001 to establish a Mexico-Korea 21st Century Commission mandated to study the medium and long-term outlook for bilateral relations, with a view to submitting specific strategies and actions for consideration by the two Governments.

As you are aware, the Commission was officially established in Seoul on June 4, 2001, during the State Visit by President Fox, through a Memorandum of Understanding signed by the Foreign Ministers of Mexico and the Republic of Korea. The Commission, with the participation of distinguished officials, parliamentarians, businesspeople and academics from both countries, held three formal meetings between September 2002 and May 2004, in addition to informal consultations held through May 2005.

The Commission worked arduously to produce the Final Report that we now submit to the two Governments in its English language version. The Final Report reflects our conviction of the enormous potential benefits to Mexicans and Koreans of a further strengthening of Mexico-Korea relations, from a strategic and long-term perspective. It is our belief that the conclusions and recommendations that we hereby submit represent a useful tool for the Governments of Mexico and Korea in this effort.

We respectfully underline the importance of raising public awareness of the contents of the Final Report, especially among the private and academic sectors. In this regard we hope that it can be published in its Spanish and Korean versions and that both Governments can act upon its major conclusions and recommendations at the earliest possible time.

2005 marks the 100th anniversary of the first Korean migration to Mexico which we understand will culminate in September with a State Visit by President Roh Moo-hyun, which will provide an excellent opportunity to bring our Final Report to the attention of the two leaders.

On behalf of all members of the Commission, we express our sincere gratitude to the Governments of Mexico and the Republic of Korea for the opportunity to work on behalf of the further development of a key bilateral relationship in the Asia-Pacific region.

Please accept, Excellencies, the assurances of our highest consideration.

Sincerely,



Dr. Cassio Luiselli Fernández
Co-Chairman



Dr. Soogil Young
Co-Chairman

INTRODUCTION

1. Convinced of the need to fulfill the enormous potential of the relationship between Mexico and the Republic of Korea, President Vicente Fox Quesada and President Kim Dae-jung in 2001 decided to establish the Mexico-Korea 21st Century Commission as a multi-disciplinary body in charge of studying the medium and long-term outlook for bilateral relations as well as strategies and actions towards the 21st Century in light of many international challenges facing the two countries in the Pacific Basin region.

2. The Commission was officially established in Seoul on June 4, 2001, during the State Visit by President Vicente Fox Quesada, through a Memorandum of Understanding signed by the Ministry of Foreign Affairs of Mexico and the Ministry of Foreign Affairs and Trade of the Republic of Korea.

3. In accordance with the terms of the Memorandum of Understanding, each Foreign Ministry designated its respective Chairman and members of the Commission. The Mexican side of the Commission was headed by Dr. Cassio Luiselli, former Ambassador of Mexico to the Republic of Korea and, currently, Director of the International Studies Department and of the Center for Mexican Studies of the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). The Korean side was headed by Dr. Soogil Young, former Ambassador of Korea to the OECD and, currently, President for the NSI Forum of the National Strategy Institute (NSI), Korea.

4. In determining the composition of the Commission and taking into account the complexity and diversity of the bilateral relationship, both Governments sought to bring together a high-level group of academics, legislators, businesspeople and government officials. Accordingly, the membership of the Commission was integrated as follows:

Mexico (in alphabetical order):

Prof. Eugenio Anguiano Roch
Coordinator of the APEC Studies Center
El Colegio de México.

Lic. Juan Manuel de Nigris
Director of the Executive Committee Office
VITRO.

Ing. Ramiro R. García González
President of the Mexico-Korea Business Committee
Consejo Mexicano de Comercio Exterior,
Inversión y Tecnología (COMCE).

Dr. Cassio Luiselli Fernández
Co-Chair
Director of the International Studies Department and of the Center
for Mexican Studies
Instituto Tecnológico y de Estudios Superiores de Monterrey,
Campus Ciudad de México.

Prof. Alfredo Romero Castilla
Center for International Relations
School of Social and Political Sciences
Universidad Nacional Autónoma de México.

Senator Dulce María Sauri Riancho
President of the External Relations Commission (Asia-Pacific)
Senado de la República.

Lic. Javier Treviño Cantú
Vicepresident for Communications and Image
CEMEX.

Korea (in alphabetical order):

Amb. Jin-yup Chu
Former Ambassador of Korea to Mexico.
Dr. Unna Huh
Member of the National Assembly.

Dr. Chung-soo Kim
Director
Joongang Economic Research Institute.

Dr. Do-hoon Kim
Director of the Economic Survey & Forecasting Division,
Korean Institute for Industrial Economics and Trade.

Prof. Sung-han Kim
Director-General for American Studies
Institute of Foreign Affairs and National Security (IFANS).

Dr. Won-Ho Kim
Director of the Center for Regional Economic Studies
Korean Institute for International Economic Policy.

Prof. Hye-sun Ko
Director of the Institute of Asian and American Studies
Dankook University.

Prof. Jae-sung Kwak
Graduate School of Pan-Pacific International Studies
Kyung Hee University.

Mr. Beyong-gyu Rhee
Editorial Writer
The Hankook Ilbo Daily.

Mr. In-mo Yang
Vice President of Samsung Engineering Co., Ltd.

Dr. Chang-bun Yoon
President of the Korean Information Society Development Institute.

Dr. Soogil Young
Co-Chair
President of the NSI Forum of the National Strategy Institute.

5. The Director-Generals for Asia-Pacific Affairs, Julian Ventura, and for Bilateral Economic Relations, Aldo Flores, participated in the deliberations as part of the Mexican Technical Secretariat. The Director-General for Latin American and Caribbean Affairs, Eui-seung Hwang, as well as his predecessors, Ambassadors Chun-seun Lee and Soong-chull Shin, participated as part of the Korean Technical Secretariat.

6. The Commission held three full meetings (30 September-1 October, 2002 in Seoul; 21-22 July 2003 in Mexico City; and 16-17 May 2004 in Seoul). The Co-chairmen held an additional meeting in Mexico City on 30th August 2004. These meetings were characterized by a frank and thorough review of all pertinent aspects of the relationship, as well as a shared desire to present specific recommendations designed to further deepen bilateral exchanges. The thoughtfulness and range of the debates are duly reflected in the following Report, as well as in the background studies that accompany it.

RECOMMENDATIONS

Vision and Agenda for Cooperation



I. Towards a Comprehensive Strategic Partnership

1. We strongly believe that our two countries should strive for a long-term strategic partnership of a comprehensive nature. In spite of many obvious differences, there are strong similarities between the two, economically and politically, that offer a strong foundation for mutually beneficial multidimensional partnership. Our two countries are similar to each other in terms of the size of their economy as well their weight in international trade. Both are emergent middle powers internationally, located in the most dynamic region of the world, the Asia-Pacific region. Both aspire to continue to pursue trade-led economic development. Both face several common challenges. And now in broadly comparable stages of development, both economically and politically, the two share the same ultimate goal of achieving national advancement as fully developed democratic countries. The two share a common vision of the world that would bring peace, security and development to all peoples through strong multilateral cooperation. When combined, these similarities create synergies and room for learning from each other. They form the basis for doubling the effectiveness of individual actions toward common goals when the two countries join forces in these actions. They also make room for strong self-interest on the part of each in forming partnership with the other. But the benefit from cooperation can

be reaped to its full potential only when the two countries enter into a long-term and comprehensive strategic partnership with each other.

2. After decades of developmental efforts amid many difficulties, both domestic and international, our two countries emerged in the 1990s as two new middle powers on the global economic scene. As of 2003, Mexico, with a population of 107 million people, ranks in the world the 10th and the 14th in terms of the size of its economy and trading volume, respectively. Korea, with its 48 million people, ranks the 11th and the 12th in those terms. In addition to these economic weights in the world economy, their common allegiance to the market economy as well as successful transition to liberal democracies have earned them membership in the Organization for Economic Co-operation and Development (OECD). They, however, have yet to reach the status of developed economies as summarily indicated by their per capita income levels of USD 12,600 in the case of Korea and USD 6,100 in the case of Mexico as of 2003. Mexico and Korea share a national goal of the utmost priority—to continue and complete the transition to a developed country with an income level at which the general populace will be reasonably safe and comfortable in material terms and with democratic institutions which are mature enough to provide their citizens with personal liberty, political stability and social cohesion. Internationally, Mexico and Korea each would like to enhance their contributions to the betterment of global governance, both economic and political, for peace and prosperity worldwide, as well as for the sustainable development of the developing countries in general.

II. Common Challenges of the New Century

3. Both Mexico and Korea are active and engaged members of the world community. They are thus fully aware of the enormous challenges they commonly face in a rapidly globalizing world. The onset of the 21st Century has brought many challenges and opportunities to the international community. On the one hand, there are serious dangers from the threat of global terrorism and geo-political tensions in many regions of the world. Multilateralism is in retreat in certain key areas on the world agenda. In other areas, there are signs that multilateralism works, but it seems to be in need of further enhancement. The international community has begun to make progress toward the Millennium Development Goals as set by the United Nations (UN). But poverty remains as a serious global problem. The world has just now embarked upon the implementation of the Kyoto Protocol, but it will take far broader participation in this effort, as well as decades of such effort, to realize the sustainable development of the world economy. Mexico and Korea, as partners and mid-size powers, should be working together to prevent and contain the dangers and tensions from globalization and to

promote their own as well as global prosperities. More specifically, there are a number of common challenges that our two countries could face in more effective ways by acting as partners in doing so.

4. Globalization brings each national economy tremendous opportunities to accelerate its development by removing barriers to the movement of capital, technologies, businessmen and labor, as well as of goods and services. It also intensifies competition among nations to take advantage of these opportunities, thereby posing to individual nations the risk of falling behind others in this competition. Globalization brings with it a number of common challenges, and the record of Mexico and Korea in meeting them differs from area to area.

5. The increasing recourse to regional approaches to trade and investment liberalization of regionalism is one of the most significant consequences of globalization and poses a challenge to the multilateral trading system. Specifically, countries have been forming trade blocs, mostly in the form of free trade agreements (FTAs), with each other bilaterally or multilaterally, for the purpose of strengthening their competitive edge against the third countries. This trend has been accelerating in recent years. Regionalism by itself may not be a problem, insofar as it allows the partnering countries to derive economic benefits from it in the form of accelerated trade and economic growth. However, it also discriminates against the third countries and poses the risk of fragmenting the world economy while possibly also creating political tensions with those countries. This analysis underlines the need to strengthen the World Trade Organization (WTO)-based multilateral trading system and specifically to bring the Doha Development Agenda trade negotiations to a successful conclusion in the near future.

6. The proliferation of FTAs brings a challenge to all countries seeking to promote trade. An FTA helps to enlarge the effective size of the market for each signatory, and to attract foreign direct investment (FDI), to promote industrial alliances between the signatory countries, as well as to develop political partnerships between them in international relations. A country which falls behind the competitive pursuit of FTAs will be discriminated in many national domestic markets around the world and thus could be losing in the global competition for trade, FDI and economic growth. Responding to the proliferation of regionalism around the world has thus become a major challenge to both Mexico and Korea. Mexico has been more proactive in responding to this challenge. Mexico has brought into effect FTAs with forty-three countries. However, such FTA activism has not yet brought the country much of the desired effect in terms of accelerated economic growth. The North American Free Trade Agreement (NAFTA) has been a major exception in this regard, and in pursuit of the same benefit, Mexico is

now actively implementing its newly signed FTA with Japan. Korea has thus far ratified just one FTA, (with Chile). But Korea has also embarked on the policy of building a network of FTAs around itself and has already launched FTA negotiations with Singapore, Japan, European Free Trade Agreement (EFTA), and Association of South East Asian Nations (ASEAN), preparing to launch more. Our two governments are currently discussing a possible Mexico-Korea FTA but have yet to launch formal negotiations.

7. China's rapid rise on the global stage is perhaps the single most critical factor that will shape the world economy and politics of the new century. From the standpoints of Mexico and Korea, in particular, China's spectacular industrial growth brings major new opportunities as well as serious new challenges. China's domestic market is rapidly growing in size while also opening up to the rest of the world. Through this process, China is offering a major new export market for the rest of the world, which will continue to get bigger over decades to come. At the same time, with its industrial development fuelled by strong FDI inflows, China is rapidly replacing the existing suppliers in international markets for labor-intensive manufactures threatening to weaken their export performances. In part aided by its geographical and cultural proximity to China, and in part thanks to its continued industrial adjustment at home, Korea has been doing well in terms of exporting to both China and industrial country markets such as the United States (US). Thus, China became Korea's largest trading partner in 2004, overtaking the United States as such, with Korea's trade with China growing more than 20% annually on the average since the opening of diplomatic relations between the two in 1992. In contrast, it seems that, thus far, Mexico has not been able to derive much economic benefit from the ascendancy of China as arguably the most dynamic economy in the world. Its exports to China, and for that matter, to the whole East Asia, remain negligible in volume. In the meantime, China has been overtaking Mexico in the United States. In 2003, Mexico was in fact overtaken by China as the second largest exporter to the United States, after Canada. India is on the heels of China in posing essentially the same competitiveness challenge. Mexico has yet to show a clear strategy in responding to the challenges of China and India.

8. The global onset of the information revolution brings opportunities and threats of its own. The digitalization of industries is in rapid progress, accelerating the advent of new technologies in general as well as industrial innovation towards high value-added manufacturing and services, thereby offering opportunities to accelerate the growth of productivity and income. Failure to partake in this revolution will deprive a country of the opportunity to develop into a high-productivity knowledge-based economy. Korea has been at the forefront of the Information Technology (IT) revolution. It is one of the most competitive suppliers of IT products and is rising as the IT

hub of Northeast Asia as the country with the highest rate of broadband internet penetration in the world. Mexico has some way to go in this regard, especially in order to be able to reap the full benefit derivable from its large potential domestic market for IT products and services, as well as from its close economic and cultural linkages with many other domestic markets of vast potentials throughout Latin America.

9. Economic and financial vulnerabilities continue to pose a serious challenge to both Korea and Mexico. Both countries have carried out many structural and financial reforms at home since their latest financial crises but the reforms to date remain incomplete with respect to the corporate sector, the labor market, the financial sector, as well as the public sector, although to different extents from each other. The challenge to each country here is two-fold—to continue and accelerate these domestic economic reforms, on the one hand, and to improve the international environment for financial and monetary stability, on the other.

10. Sustainable development is inevitably becoming a common development paradigm throughout the world. It means new patterns of consumption and production of natural resources, including energy, in particular. Among other things, it requires globally-shared efforts to economize the use of natural resources and to cut back the generation of greenhouse gases. Korea and Mexico each have a long way to go to improve efficiency in the production and consumption of energy and to be prepared to accede to Annex I of the Kyoto Protocol. Given the large energy and natural resource reserves that Mexico possesses, and Korea's advanced technology needed for their processing, there is broad scope for bilateral cooperation, including towards cost-effective observance and utilization of the guidelines and mechanisms of the Kyoto Protocol.

11. Human security problems have risen in recent years as a new global challenge of major significance. A number of trans-border problems have been rapidly emerging to threaten the personal security of domestic citizens as well as their economic prosperity. International terrorism, drug trafficking, and human trafficking, in particular, have become regional problems in both Asia and the Americas. International epidemics like Severe Acute Respiratory Syndrome (SARS) and the severe tsunami that recently struck various countries in Southeast Asia add public health and natural disasters to the list of human security problems of common concern. These human security problems call for international responses, and there is room for coordinated contributions by the two countries to these international efforts.

12. Korea is surrounded by four powerful geopolitical neighbors—the United States, China, Japan, and Russia—and its prosperity and interna-

tional role will depend essentially on how it manages economic and political relations with these 'big four'. The country's hope is to firmly establish itself economically as a business hub for Northeast Asia, and politically as a major coordinator of peace-making efforts for the region. These efforts toward these roles are bound to be complicated ones, and for now, have become all the more so because of North Korean problems. More recently, political tensions have risen among the regional neighbors over territorial and historical issues, to further complicate the situation. Mexico has been and is heavily dependent on the US both economically and politically. For this reason, managing its relationship with the US has been a complicated and difficult task. Mexico's dependence on the US has grown even further since the inception of NAFTA that has intensified trade and investment relations between the two countries. Mexico will be able to alleviate its dependence on the US economy while also diversifying its external markets and further to enhance its international political standing if it would develop cooperative economic and political relations with other major players in the Asia-Pacific region, such as China, Japan, and Russia, not to mention, Korea, in addition to the US. Mexico and Korea can assist each other in deepening and managing their relations with all those powers in the Asia-Pacific region.

13. North Korea's nuclear program is a major threat to global security, and one of the most serious proliferation challenges facing the world today. It is obviously in the common interest of Mexico and Korea for the international community to find a peaceful and permanent resolution of this problem. Mexico has extended its full support for Korea's efforts toward this solution. A larger challenge facing the two, and in fact, the whole international community, is to build on this solution an effective international regime of treaties and conventions on disarmament and arms control of nuclear and other weapons of mass destruction. The two countries should look beyond the North Korean nuclear program, and work together to contribute to the creation of such international regime.

14. Although their democracies are vibrant and dynamic, both Korea and Mexico often find it difficult to fully harmonize political stability, economic growth and social cohesion at home. The two countries can benefit by learning from each other's socio-political experiences, especially those with such difficulties.

III. Vision of a Strategic Partnership

15. The common challenges facing the two countries create the basis for a partnership which should be comprehensive in scope but strategically-oriented toward several mutually complementary long-term goals. The most basic

among these goals is to exploit resource and industrial complementarities, and to take advantage of each other's respective strategic locations as regional gateways. The key strategy in this regard is to promote trade and investment relations between the two countries. Mexico and Korea also share the goal of contributing to the enhancement of global economic and political governance as well as of global security. Trans-Pacific relations should be their most important common instrument for the pursuit of such goal and they should join hands in working to bring about a trans-Pacific community for the purpose of managing those relations to their common advantages. Finally, sharing experiences over a broad range of areas is fundamental to all other goals constituting the strategic partnership.

16. Exploiting resource complementarities between Mexico and Korea should constitute the key pillar of the bilateral strategic partnership. Mexico is richly endowed with human resources with its population of 107 million. Stretched over the surface area of almost 2 million square kilometers, the country is also richly endowed with various natural resources including oil, gas, minerals, forests and foodstuff. Over four decades of industrial development at an unprecedented speed, Korea has accumulated a strong stock of world-class engineering and managerial know-how for adding value to these natural resources as well as using human resources for this purpose. Indeed, Korea is already a major industrial powerhouse that competes head on with the US, Japan, and Europe, in key high-technology industries. In particular, Korea possesses strong international competitiveness in the engineering technologies for many sophisticated industrial products while Mexico has attained international competitiveness in the processing of raw materials, parts and components for many consumer and industrial products. These complementarities make ample room for industrial cooperation and technology transfer, involving Korea's direct investment in Mexican industries as the most important means of such cooperation.

17. Labor-intensive assembly operations have been the main area for such relations. The time has come for the upgrading of Korea's investment in Mexico toward higher technological content and higher value-added. Given the advanced state of Korea in the IT revolution, IT industries including information services are an area of special potential for mutually beneficial cooperation between the two countries. In addition, Korea and Mexico should now be more intent on exploring the potential for cooperation in the development and innovation of natural resources industries.

18. Taking advantage of each other's respective strategic regional locations should constitute another key component of the strategic partnership. Each country enjoys a geographical location of great strategic value in accessing major regional markets —Korea in accessing the national domes-

tic markets in Northeast Asia, specifically, those of China and Japan, not to mention, Korea's own domestic market, and Mexico in accessing the US and Canadian domestic markets as well as others in Latin America, in addition to its vast domestic market. The value of each other's gateway location has been rising rapidly in today's highly competitive international commerce, in which low-cost logistics has become a critical determinant of a firm's competitiveness. This is clearly demonstrated by the fact that some Mexican maquiladora plants have retained their competitive edge in the US market vis-à-vis Chinese and other Asian competitors with just-in-time production and logistical advantages. The gateway location also offers competitiveness advantages to goods whose weight-to-value ratios are high.

19. Korea's geographical advantage in accessing its neighboring markets is further reinforced by the country's cultural proximities to its neighbors. Korea's role as a major gateway to the markets in Northeast Asia is being strengthened by the country's strategy to become a 'business hub of Northeast Asia'. Accompanied by a number of international initiatives to promote regional cooperation and integration in Northeast Asia, under this strategy, Korea is making various efforts to attract those international businesses which would operate out of Korea in order to supply high-tech products and high-value-added business services including Research & Development (R&D), transportation, logistics, and information services to the neighboring Chinese and Japanese markets. These efforts include construction of state-of-art international business cities in the form of three Free Economic Zones along the coast. Mexico should try to take advantage of Korea's gateway role for Northeast Asia by forming business alliances with Korea and investing in the Free Economic Zones, in order to enter the Chinese market. This would constitute Mexico's triangular trading strategy toward the Chinese market, corresponding to Korea's own toward the NAFTA markets.

20. Mexico's geographical advantage in accessing its neighboring markets is reinforced by its cultural proximities to its neighboring countries as well as its network of FTAs, including NAFTA, in particular. Mexico's value as a major gateway to the US, Canadian and other markets in the Americas will be furthered enhanced by the country's potential as a 'commercial bridge' between Europe and East Asia. Korea should try to take a full advantage of Mexico's role as a gateway to the markets in the Americas, in particular, in order to further penetrate these markets, by investing in Mexico more actively while, by doing so, also contributing to Mexico's effort to upgrade its industries so as to stay ahead of China's industries.

21. The enhancement of multilateralism in global economic governance should be among the key goals for the strategic partnership between Mexico and Korea. As still-developing middle-power countries, Mexico and Korea

share similar interests in matters of global economic governance, ranging from the strengthening of the multilateral trading system to such matters as poverty alleviation, development assistance, sustainable development and the reform of the international financial architecture. Mexico and Korea should be able to make significant contributions to the improvement of global economic governance by working together in such bodies as the WTO, OECD, World Bank, the International Monetary Fund (IMF), and the United Nations.

22. Contributing to global peace and security should be another component of the strategic partnership between Mexico and Korea. Mexico and Korea each are now in positions to impact the international efforts to promote peace and stability around the world, including human security, through various international channels. They can wield much stronger influences on these efforts if they would work together. These efforts include those to curb the proliferation of nuclear and other weapons of mass destruction. Korea and Mexico also share common interests in the strengthening of global political institutions such as the United Nations. An impending issue of particular importance in this regard is the issue of the UN Security Council reform. The two countries should take a common position on this issue.

23. Working toward the realization of a trans-Pacific economic community should be a shared aspiration of Mexico and Korea. The two clearly share a common interest in creating an economic community across the Pacific. Asia-Pacific Economic Cooperation (APEC) offers an important framework for the realization of this vision. As middle powers in their respective regions, Mexico and Korea's joint effort to the strengthening of trans-Pacific linkages can be instrumental in bringing about a trans-Pacific economic community. They can also work together on specific issues and goals in order to facilitate APEC's progress toward the realization of this vision.

24. FTAs may serve as building blocks toward such a community, so long as they are consistent with APEC's principle of 'open regionalism'. A Mexico and Korea FTA would constitute an important building block toward a trans-Pacific economic community. There should also be many other efforts to strengthen trans-Pacific exchanges of all kinds such as goods, services and people. These efforts should include those to strengthen physical and institutional infrastructures to facilitate those exchanges, including seaports, airports, and tourist facilities in order to accommodate much higher flows of trade and people. Mexico and Korea may spearhead investment in these facilities, starting with those for exchanges with each other.

25. Sharing of experiences will provide a strong foundation for a long-term partnership. The two countries should share experiences over a broad

range of areas, including history, economy and politics, for better mutual understanding, in order to identify opportunities for cooperation. Experiences can be shared for mutual benefit, for example, on economic structural adjustment, social and sustainable development, political development, and good governance. They can also include those dealing with human security problems and managing relationships with major geopolitical neighbors.

IV. Current Status of Mexico-Korea Relations

26. While the first group of Korean immigrants arrived in Mexico 100 years ago, bilateral relations between our two countries have not been growing steadily until after the formal opening of diplomatic relations in 1962. The pace has accelerated greatly since the beginning of the 1990's. Now, Mexico-Korea relations encompass a broad spectrum of sectors and activities, beyond trade and formal intergovernmental exchanges. But the potential has not been fully tapped. Trade has been expanding but remains unbalanced, with large surpluses in favor of Korea, reflecting among others Korean manufacturers' active utilization of Mexico's gateway role to NAFTA markets unaccompanied by a reciprocal active interest on the part of the Mexican business community in Northeast Asia, and in Korea, in particular. Korea's investment in Mexico is high but needs further encouragement. Mexico's investment in Korea is virtually non-existent, reflecting, once again the country's lack of active interest in Korea as well as of familiarity with business opportunities in Korea. Bilateral exchanges in tourism, culture and sports remain limited in depth. This seems to be both a cause as well as an effect of the fact that knowledge of each other's history, culture and society at the level of common citizens is very poor, and often distorted by prejudices. Cooperation on major international issues has just begun to widen and deepen. The institutional framework for exchange and cooperation remains rather weak and unfocused.

27. The volume of bilateral trade has been increasing steadily since the late 1980s in both directions. But trade remains unbalanced because Korea's exports to Mexico have been increasing more rapidly than Mexico's exports to Korea. As a result, Korea has been running relatively large trade surpluses with Mexico since 1988, and the size of the bilateral trade imbalance has also been increasing steadily. The major portion of this imbalance may be explained by Korea's 'trilateral trading strategy', under which, given Mexico's gateway location to the NAFTA markets, Korea uses Mexico as an export platform to the US. Korean exporters invest in Mexico to establish their processing and assembly plants, import many raw materials, parts and components from Korea for processing and assembling in the country, and export the final products to the US and Canada. This strategy entails Mexico's deficits with Korea but also its trade surpluses with US and Canada. Other fac-

tors are also at work. There are increases in imports to Mexico in response to Mexican consumers' increased demand for Korean products. Mexico's weak export performance to Korea also contributes to the bilateral trade imbalance. Korea's restrictive import policies on agricultural goods may be one reason and should be removed as soon as it is possible. But a much more important reason seems to be that there is neither much interest, nor active effort, on the part of Mexican producers to export to Korea and other countries in East Asia. This may be so because they are preoccupied with the US and other American markets and are also unfamiliar with Korean and Chinese markets. The failure on the part of the Mexican business community thus far to show a strong interest in an FTA with Korea seems to attest to this fact. It is noteworthy that, in contrast, the Korean and Chilean business communities successfully pushed an FTA between their two countries, and one year after the FTA came into effect, bilateral trade has been flourishing. During the first 11 months of the Korea-Chile FTA, the volume of bilateral trade increased by 55.5%, Korea's exports to Chile by 58.6%, and Korea's imports by 54.3%, according to Korean trade data.

28. Mexico's various FTAs, and especially, the latest one with Japan, in the absence of an FTA with Korea, threatens to weaken the bilateral trade flows between Mexico and Korea through their discriminatory impacts on these flows, and furthermore, to mitigate each's value as the strategic gateway to the other's neighboring markets, to the detriment of both economies. When left unaddressed, the discriminations thus introduced against Korean products and firms may dampen the political climate for cooperation, not to mention, strategic partnership between the two countries over the whole range of areas.

29. Korea's investment in Mexico is grossly underreported because most of it is made through Korean investors' subsidiaries in the US, thus, being reported as part of the US investment. Even by the official figure so understated, however, Korea is Asia's second largest investor in Mexico, next to Japan. Korea's investment in Mexico contributes to Mexico's industrial and technological development, creation of employment, and value-added exports. Korea's overseas investment has been increasing rapidly again after a slump following the Asian financial crisis in 1997-1998 but an increasing portion of it is going to China, raising the possibility that there could be diversion of Korea's investment from Mexico to China to the detriment of the Mexican economy. Since 2002, China has overtaken the United States as the largest destination of Korea's overseas direct investment. And in 2004, Korea became practically the largest external investor in China only next to Hong Kong and Virgin Islands. It may be necessary for both governments to encourage Korean investment in Mexico. Some of the promising sectors for further Korean investment in Mexico are energy and petrochemicals, food and agriculture, beverages, fishery, glass and automotive parts.

30. Mexican companies are rapidly becoming major foreign investors internationally in many sectors such as telecommunications, food and beverages, glass, cement, automotive parts and other manufactures. But these investments go mainly to other Latin American countries, Spain and the US. The Mexico's investment in Korea is virtually non-existent, reflecting, once again, lack of Mexico's active interest in Korea and China. This situation must end. The Korean domestic market continues to grow in size as well as opening up for both manufactured and agricultural goods, offering opportunities for Mexican exporters and investors. Mexican businesses should make special efforts to establish their presence in the Korean market for more aggressive local marketing in order to exploit these opportunities. Some of the promising sectors for Mexican investment in Korea are automobile, consumer electronics, and IT products and services. Meeting the China challenge requires Mexico to double its effort to establish its business presence in, as well as to penetrate, the Chinese domestic market. Mexico may be able to do this better if its businesses take advantage of Korea's regional gateway location in Northeast Asia as well as the country's drive to become a business hub in the region for the same purposes. For this purpose, Mexican businesses may want to establish their presence in Seoul and the Free Economic Zones which are now being created in such coastal regions and cities in Korea as Incheon-Songdo, Busan-Jinhae, and Gwangyang areas, all of which will be very closely connected with other parts of Northeast Asia, including all major cities in China, in particular, through air and sea routes, as well as through various multinational businesses to be present there. There are more than 40 cities with the population of more than 2 millions in China and Japan that are within 3 hours of flight from Korea's Incheon International Airport, the premier hub airport of Northeast Asia.

31. The two governments have been making substantial efforts to promote cultural and educational exchanges with each other. There has been an expansion of Spanish language programs and Latin American/Mexican studies at Korean universities. As a result, the number of Korean students in Mexico has been growing, although they are concentrated in a few graduate-level programs in Mexico City. Taekwondo is becoming a popular sport in Mexico. Korean drama fan clubs have been organized in Mexico. Recently, Korean movies have begun to gain attention in Mexico. Yet, relative to the potential for exchange of culture and sports between the two countries, the actual exchange remains much limited in scope and depth. Most notably, the bilateral flows of tourists are far too weak. International tourism has been booming in both countries but it has had little impact on the level of tourism between the two countries. This is in part because of the 'tyranny of distance' as well as high cultural barriers between the two, and in part because of limited knowledge about each other. Policy efforts should be made by both governments to promote exchanges of culture, sports and tourism.

These efforts should include launching direct flights between the two countries in order to overcome the tyranny of distance.

32. Korean immigrants in Mexico can make special contribution to Mexico's economic development, especially, by helping to tap the potential for economic exchanges between the two countries. There is a small but vibrant community of Korean immigrants in Mexico. The two governments should make special efforts to assist them in getting integrated into the host country and encourage them to play a catalytic role in bringing the two countries closer to each other and promoting partnership between the two.

33. The two countries have intensified dialogue and coordination on international issues in recent years, especially since both joined the OECD in the 1990s. But the potential for cooperation on those issues still remains much unexplored, at major international bodies such as UN, WTO, IMF, APEC, and the financial G-20. Among these, the last one is a group of systematically significant industrialized and developing countries, including Korea and Mexico, whose finance ministers and central bank governors have been meeting annually since 1999 with their deputies meeting twice a year. A primary purpose of this 'financial G-20' is to promote cooperation to achieve stable and sustainable growth that benefits all by forging international agreements in cases where the G-7 has increasingly failed to perform. These seems to be under-appreciation on the part of each government of the importance of multilateral international cooperation as well as of the potential impact they can make by working together on issues of global and international governance.

34. The institutional framework for exchange and cooperation remains weak and unfocused. A number of channels for exchange and cooperation between the two countries have been created at both the official and private levels. However, in nearly all cases, the underlying dialogue has been lacking in depth and purposefulness. In addition, there has been little dialogue and interaction at the citizen-to-citizen level, including Non-Gubernamental Organizations (NGO's) and young people. Initiatives for exchange and cooperation in general have been lacking in long-term vision and strategic focuses. All initiatives should be driven by the vision of a long-term strategic partnership between the two countries, as well as by a stronger and more consistent government leadership of each country.

V. Agenda for Cooperation: Strategic Partnership Initiatives.

35. On the occasion of the first centennial anniversary of the first Korean immigration to Mexico, the governments of Mexico and Korea should mark the

opening of a new era of cooperation with each other by jointly declaring a bold vision of a long-term partnership as well as comprehensive agenda for cooperation consisting of several strategic initiatives. The present report of the Mexico-Korea 21st Century Commission is meant to propose such vision and agenda. The official vision and agenda which the Commission hopes would be founded on this report should be sanctioned in the form of an official document backed by a strong political will that is jointly expressed by both Presidents.

36. Such vision and agenda should address the following comprehensive set of goals for cooperation between Mexico and Korea:

- Exploit the resource and industrial complementarities which exist between the two;
- Allow and enable each to fully take advantage of the strategic gateway location of the other in the respective regions;
- Join forces in contributing to the strengthening of the multilateral economic system;
- Join forces also in contributing to global peace and security, including on the problems of weapons of mass destruction and human security;
- Work together to provide a leadership role in building a trans-Pacific community; and,
- Create a solid foundation for a long-term partnership by sharing of experiences through dialogue and promoting mutual understandings between the two peoples.

37. The strategic initiatives for cooperation between the two countries should aim to address the following imbalances and deficiencies:

- The potential for the growth of bilateral trade remains underexploited, and Mexico's exports to Korea, in particular, remain very weak;
- Korea's investment in Mexico should continue to increase but may weaken, distracted by opportunities in China in the absence of special efforts to promote it;
- Mexico's investment in Korea is virtually non-existent, despite Korea's large domestic market as well as its strategic location as gateway to Northeast Asia;
- Bilateral trade and investment relations may, in fact, weaken if Korea remains excluded from Mexico's network of FTAs;
- Bilateral exchange of tourists is far too limited in number and so are exchanges in culture and sports;
- Mutual understanding and interests between the two peoples are far too limited;
- Meaningful cooperation on international issues, both economic and political should be strengthened; and,
- The institutional framework for exchange and cooperation is rather weak, lacking in depth, vision and focus.

38. Therefore, the strategic initiatives should include the following:

- Launch a bilateral Economic Partnership Agreement (EPA). The central pillar of a long-term partnership between the two countries should be an FTA for free trade and investment. However, a comprehensive strategic partnership requires an EPA that goes beyond, and augments, a traditional FTA, also including other measures to facilitate trade and investment, measures to promote industrial cooperation in a range of sectors, and cooperation for human resource and technology development, aimed specifically to allow and encourage Korea to contribute to Mexico's industrial development.
- Promote strategic participation in each other's regional hub projects. Mexican businesses should be encouraged to make strategic investment in Korea's Free Economic Zones and the Seoul metropolitan area for the purpose of exploring and tapping new market opportunities opening up in Korea, as well as in Northeast Asia more broadly, in international logistics, financial services, regional market research, industrial R&D, and other business services. Likewise, Korean businesses should be encouraged to increase the investment in Mexico, taking advantage of its multi-market access.
- Strengthen information industry cooperation. Korea should make special efforts to facilitate the development and permeation of information technologies in Mexico in order to help facilitate Mexico's transition to a knowledge-based economy and society. This cooperation may include sharing of experiences in the telephony market, developing the e-trade and e-learning networks, and harmonization of IT standards. These efforts will require the strengthening of the current Mexico-Korea IT Research Center.
- Promote technology cooperation in environment and energy. Both countries should make special joint efforts to accede to the Kyoto Protocol Annex I as soon as it is practicable. The two countries should undertake cooperative research on how to observe the guidelines and the mechanism of the Protocol most cost-effectively and thus prepare for this accession.
- Create a Korea-Mexico/Mexico-Korea High-level Business Council. High-level businessmen from both countries should meet on a regular basis to review the current status of business relations between the two countries and discuss ways of further promoting them. The regular meeting should be well-attended by leading Chief Executive Officer (CEOs) from the respective business communities and well programmed under careful advance planning and coordination. The effective implementation is the key to the success of this process. The creation of a High-level Business Council is recommended for this purpose.
- Launch a direct air route. Tourism and various other exchanges are being encumbered by the absence of any direct air route between the

two countries. Opening a direct air route between the two countries will promote tourism and other international exchanges, not only between the two, but more broadly also between East Asia and Latin America en route the two countries.

- Build the basis for sustained cultural, sports and educational exchanges: a Korea-Mexico Foundation and a Mexico-Korea Foundation. Essential to the promotion of cooperation on a sustained basis are various exchange programs which promote mutual understanding, especially, through people-to-people exchanges. Exchanges should cover a broad range of fields as well as involve many cities in the respective countries. There should be exchanges of TV programs, movies, and cultural performances. There should be exchanges of students and professors on a sustained basis. There should be publication of translated literary works from each other. The study of Spanish, the second most widely spoken western language, should be further encouraged in Korea. Mexican students should be brought to Korea so that they could learn of Korea and its language. In order to promote all these and other exchange programs on a sustained basis, there should be a financing center for those programs in each country in the form of a 'Korea-Mexico Foundation' in Korea and a 'Mexico-Korea Foundation' in Mexico. These two foundations may jointly sponsor an annual dialogue between the private sectors of the two countries on socio-cultural and political developments in the respective countries. The fund should be financed jointly by the business sector and the government in each country under a matching-fund formula.
- Streamline and strengthen governmental dialogue channels. There is a strong need for a better-focused and more effective institutional framework for policy dialogue and cooperation at the governmental level. Such policy dialogue and cooperation should be driven by the vision of a long-term strategic partnership, with clear mandates and responsibilities per channel. From this perspective, and in the light of the proposed new vision for such partnership, the functioning, terms of reference and agenda of the existing channels and bodies constituting such dialogue should be critically reviewed and streamlined.
- Create a mechanism for coordination of multilateral and global strategies on economic and security issues. The institutional framework for policy dialogue and cooperation should include a mechanism for reviewing, as well as assessing and strengthening bilateral cooperation at various multilateral and global forums.
- Promote coordination of development assistance projects in each other's region. Both as members of OECD, the two countries will become increasingly active as donors of development assistance over time. The two governments may work together in designing and executing development assistance projects in Latin America and East Asia, espe-

cially, in Central America, the Caribbean and Southeast Asia. Mexico may be able to provide Korea with expert guidance on Latin American projects, while Korea may be able to reciprocate in Southeast and South Asia.

- Institutionalize parliamentary exchanges. Parliamentarians will play an important role in mobilizing public support for bilateral cooperation as well as in providing the necessary legislative support for its implementation. Parliamentary exchange and dialogue should be held regularly, and institutionalized, accordingly.

39. Launch the new strategic partnership in 2005. The two governments should make use of this first centennial anniversary year of the first Korean immigration to Mexico to jointly declare the new vision for a strategic partnership, as well as major partnership initiatives. It is recommended that the Presidents of the two countries undertake this declaration in order to support it with a strong political will. It will be best if the two Presidents would meet in this centennial year for this purpose.

40. Finally, it is recommended that two conferences be convened to discuss the principal messages and recommendations contained in the present report of the Mexico-Korea 21st Century Commission. These conferences should be held as immediately as possible after both governments have received the present report of the Commission, be open to the public and their contents widely publicized. They should focus on assessing the desirability and feasibility of the recommended strategic initiatives for cooperation. It will be through these conferences that the present report of the Commission is widely publicized and its contents be closely reviewed and discussed by those business and opinion leaders of both countries who should be at the forefront of the joint effort to build a strategic partnership between the two countries for the new century that has already begun to unfold. The two conferences should be as follows:

- A Mexico-Korea/Korea-Mexico High-level Business Dialogue to discuss the benefits, feasibilities, and strategic ingredients, in the recommended EPA and other initiatives for economic, industrial and technological cooperation. The background discussions should focus on the significance and implications of each country's regional gateway locations. The Dialogue should be attended by the CEO-level representatives of major multinational corporations as well as representative of small and medium enterprises from each country. This Dialogue should also discuss the need for the creation of a Mexico-Korea/Korea-Mexico High-level Business Council.
- A Korea-Mexico/Mexico-Korea Socio-Cultural Dialogue in order to discuss the need, and specific initiatives, for the promotion of the people-to-people understanding of each other's history, society, and

politics, in the form of various exchanges on sustained bases. A particular issue to be discussed here is the need to launch a Korea-Mexico Foundation in Korea and Mexico-Korea Foundation in Mexico for this purpose. This should be attended by leaders from socio-cultural arenas and the political arena of each country as well as appropriate financial officers of the business communities.

BACKGROUND STUDIES

**Mexico-Korea Relations: Current Status
and Opportunities for Cooperation**



I. NATIONAL ASPIRATIONS AND INSTITUTIONAL COOPERATION

1. Exploring Common Objectives of Political Cooperation

Mexico and Korea are middle powers, and members of the Organization for Economic Cooperation and Development (OECD). Their democratic institutions are in the process of continued consolidation and, therefore, the bilateral relationship should be built on allegiances to political democracy and the market economy.

They have achieved middle power status as they have advanced toward greater political democratization and market liberalization. Korea's GDP per capita is USD 12,600 and Mexico's USD 6,300 in 2003 according to the OECD. Mexico became a member of the OECD in May 1994 and Korea in December 1996. As Korea prepared for OECD membership, it worked closely with Mexico.

Mexico and Korea aspire toward achieving "hub" status in their respective regions. In Korea, President Roh Moo-hyun has proclaimed Korea's transformation into a Northeast Asian "business hub" as one of the new government's key policy goals. In this regard, laying the diplomatic foundation is surfacing as a crucial task for realizing this goal. President Roh stated, "In the 21st century, the Korean Peninsula should be transformed into a zone of peace that transmits peace to the world. Korea must be reborn as a peaceful gateway to Northeast Asia that connects the Eurasian continent to the Pacific".

Likewise, President Vicente Fox has stated that Mexico can become a world economic hub linking North and South America to each other and with Europe, building upon the previous decade's active trade policy, characterized by the negotiation of Free Trade Agreements (FTA) with 43 nations. Currently, Mexico has preferential access to the world's major markets: Canada and the United States (US), the European Union, Israel, almost all Latin American countries and Japan. This network of trade agreements has positioned Mexico as an important strategic partner and a potential hub for international trade. Mexico's current challenge is to fully integrate all sectors of society into this process, in particular small and medium-sized companies, and to establish itself as a "commercial bridge" between Europe and East Asia.

Both nations face the geopolitical and geographical reality of life with a neighbouring giant. For Korea, the United States is not a geographic, but a geopolitical neighbour who sometimes plays the role of a "senior partner" in its foreign and security policies. The Korean Peninsula suffers from an imbalance of power among the surrounding countries. In this regard, Korea needs equilibrium within Northeast Asia where the United States plays the balancing role, particularly between China and Japan.

Mexico and the United States are geographic neighbours that share a 3,000 kilometer-long border. The US is unquestionably Mexico's major partner and a high degree of economic interdependence exists between the two. Nearly 90 percent of Mexican exports go to the United States, which is also its principal source of Foreign Direct Investment (FDI). More than 25 million Mexicans live in the United States as of 2004. From a pragmatic point of view, Mexico is trying to transform its relationship with the US into a more interdependent and collaborative one. The Mexican government is actively promoting a broad agenda with the US that goes beyond the limited scope of trade relations. Mexico is willing to complement the North America Free Trade Agreement (NAFTA) with other factors, emphasizing the need for deeper regional integration. However, putting "NAFTA Plus" into action requires a change of attitude on the part of the United States on issues and concerns common to both countries.

Mexico and Korea are emerging economies with the potential to become regional powerhouses. According to the World Bank ("World Development Indicators 2004"), Mexico has the 9th largest Gross National Income (GNI) of the world, but ranks 66th if measured by per capita GNI and valued at the purchasing power parity (2002 ranking). Korea is number 13th and 53rd respectively. Adding to these indicators those concerning population and territory, there is no doubt that the two nations are emerging markets at the threshold of becoming economic powerhouses.

Korea has been considered for a long time by international economic organizations as one of the newly industrialized Asian economies. Its role as a power-house in Asia is clearly reflected in the volume of Korean invest-

ments in Asia and other regions, and due to the fact that Korea is the third largest trader in East Asia, after Japan and China.

Mexico is also the third largest trader in the Americas, after the US and Canada. In 2004, 73.2% of Mexican foreign trade concentrated in those two countries and the effect of this trade in the Latin American region is relatively weak. Korea and Mexico are among the world's major exporters, with sales abroad in 2002 in the range of 162.5 and 160.0 billion dollars respectively according to the OECD.

In spite of the major role that Korea plays in comparison to Mexico in terms of private direct investments abroad, there have been some years for Korea—from 1998 to 2000, for example—when inflows surpassed outflows.

Korea's real Gross Domestic Product (GDP) grew at an average rate of 8.2% during the period 1985-1994, and at an estimated average rate of 5.0% for the period 1995-2004. Over the same period, Mexico's average real GDP growth has shown a lower performance: 2.5% in the period 1985-1994, and an estimated 2.7% yearly for the period 1995-2004.¹ These differences in the dynamics of growth reflect two different types of economic experiences.

The differences between Korea and Mexico should also be recognized. The Korean Peninsula has been divided for more than half a century. The costs of this division are in many ways higher than the eventual cost of unification. The lingering North Korean nuclear crisis may have a negative effect on the foreign investment environment in South Korea. In addition, South Korea suffers from the "ideological divide" between those who look to inter-Korean harmony based on Korean nationalism and those who recognize the importance of the Republic of Korea (ROK)-US alliance.

Mexico is a country of more than 100 million people, with a democratic political system and social and political stability. Constitutional provisions guarantee freedom of speech and of religion. At the same time, many social, economic and regional inequalities still remain.

The Mexican and Korean economies are both competitive in the world economy, and they are complementary with each other given their relative stages of economic development and the differences in their respective factors of economic endowment. Korea has a comparative advantage, for instance, in production technologies in the manufacturing sector, while Mexico has one in assembly and processing. Taking into account their respective complementarities, Korea and Mexico should actively let those natural forces of comparative advantage play themselves out fully through the market process. Direct investment by leading Korean firms in Mexico will help transfer Korea's more advanced industrial technologies to Mexico and also help promote Mexico's exports worldwide, including, but not limited to, the US, while also boosting Korea's exports to Mexico. Mexico's exports to Ko-

¹ *Global Insight*, February 2005.

rea, too, will accelerate over time as a result. Both governments should try to create the business environment in both countries to encourage such industry-level collaboration/cooperation among Korean and Mexican businesspeople and investors, in order to take full advantage of potential benefits.

Geopolitical Relationships

Korea is surrounded by four major powers, China, Japan, Russia and the US, which brought about among others painful historical experiences such as the Sino-Japanese War a century ago. Korea is trying to expand its diplomatic horizons by overcoming “four-power politics” and strengthening its presence in the multilateral diplomatic arena (Association of Southeast Asian Nations Regional Forum —ARF—, Asia-Pacific Economic Cooperation —APEC—, etc).

Historically, Mexico has had a rich, multifaceted and complex relationship with its northern neighbour, the United States. Like Korea, Mexico has increasingly played a more dynamic role in international economic relations, in accordance with its position as the world’s 9th largest economy. Mexico has diversified its external relations with the European Union, the Asia-Pacific region and Latin America. It is also facing new challenges from emerging economic rivals such as China, India, the ASEAN nations, and South America Common Market (MERCOSUR).

Population and Natural Resources

In terms of population size and demographic composition, Mexico has a relative advantage over Korea. Mexico is a country of a little bit over 100 million inhabitants and with a sizeable diaspora that keeps strong links with its home-country. In short, it enjoys a comparative advantage in labor force.

The same comparison can be applied to the allocation of natural resources, in which Mexico has a relative international advantage, especially in oil and gas. These two strategic raw materials will continue to play a major role at the global level for a long time to come. In general, the Korean energy sector offers several advantages, mainly in technologies for nuclear electricity generation and other fields from which Mexico could benefit through a more comprehensive bilateral interdependency. Korea has a huge and growing demand for energy resources such as oil and gas, and Korea, as a ranking importer of those resources, has emerged as a major international investor in the exploration and development of oil and gas abroad. It has also built its huge heavy and chemical industry complex based on state-of-art experience and technologies for the fabrication and utilization of those energies and other natural resources.

2. Challenges for Mexico and Korea

Economic Vulnerabilities: how to reduce and remove them

The world economy is different today than it was ten years ago. Increasing economic and financial integration has produced a much more interdependent world. As a result, an increasing number of countries have the ability, through their policy action or inaction, to influence economic and financial developments far beyond their own borders. Moreover, founded or unfounded market anxieties can quickly spread from one economy to another.

Facing these circumstances, the Korean and the Mexican economies have successfully maintained strong macroeconomic fundamentals in recent years. Although both economies recovered from their respective financial crises in 1997 and 1994, they are still vulnerable. That is why they must be prudent and cautious in conducting their financial policies so that their economic confidence is not undermined.

However, stable macroeconomic indicators are not sufficient to overcome existing vulnerabilities. In order to avoid financial crises and to consolidate economic strength, they should continue to undertake structural reforms to enhance competitiveness, improve the business environment and corporate governance, as well as reinforce financial market surveillance.

Increased Exposure to “Human Security” Problems

Growing international recognition of the human costs of conflict, in addition to other post-Cold War developments, has led the international community to re-examine the concept of security. This evolution in the perception of international security has led to the emergence of new concepts such as “human security”. Even though a consensus definition of this concept has not yet been agreed upon by the international community, its meaning entails more than the mere absence of military threat. It includes security against economic privation, an acceptable quality of life, and a guarantee of fundamental human rights. Problems such as socio-economic insecurity, ethnic conflict, involuntary migration flows, drug-trafficking, trans-national crime, and terrorism, among others, have emerged as paramount issues during the last years of the Twentieth century and the beginning of the new millennium.

Taking into account the trans-national nature and global reach of these phenomena, there is great scope for bilateral cooperation in this regard, especially in the framework of international organizations such as the United Nations.

The United States and China: Coping with Two Giants

The South Korean people are caught in a dilemma between their “brothers” in the North, who have shared blood, and its “friends” across the Pacific, who shed blood during the Korean and Vietnam Wars. In this regard, the United States sees that the ROK-US alliance is facing two major challenges, one from North Korea’s efforts to drive a wedge between Seoul and Washington, and the other from anti-American sentiment.

Currently, there seem to be three kinds of anti-Americanism in South Korea: 1) ideological anti-Americanism which is ideology-bound and is expressed by radical student organizations, leftist scholars and journalists; 2) pragmatic anti-Americanism, espoused by moderate non-governmental organizations (NGOs) and focused on specific issues such as the State of Forces Agreement (SOFA), environment, wartime operational control, etc. rather than on anti-Americanism per se; and 3) popular anti-Americanism, which is episodic in nature and responds to certain incidents in an emotional manner. The main problem lies in that ideological anti-Americanism, though small in number, tries to build coalitions with the exponents of pragmatic anti-Americanism in order to influence and heighten popular anti-Americanism.

China has become Korea’s number one trading partner, overtaking the United States in 2002. Korea is faced with the challenge of taking advantage of the opportunities presented by this development. China’s challenge to Korea is not so much to take advantage of the opportunities as to get ready to cope with the rapidly growing economic and political influence of China as the giant of the neighborhood, while also taking advantage of those opportunities. These problems may be actually analogous to Mexico’s US problem.

In Latin America, the US war on terrorism and the invasion of Iraq have revived anti-American sentiment. Anti-Americanism in Latin America, which blames the United States for its problems, undermines the credibility of reforms associated with capitalism and neo-liberal policies. This makes it more difficult for governments to implement needed changes. Mexico is no exception.

Mexico is also faced by the challenges poised by the rise of China as a world economic power. In 2003, China overtook Mexico as the US’s 2nd largest trading partner. Imports, legal and illicit, of Chinese products to the Mexican market, have also risen dramatically. As a matter of fact, China’s economy will quadruple in size during 2002-2020 and will do so once again during 2020-2050. There are tremendous opportunities as well as challenges to both Korea and Mexico, also bearing in mind East Asia’s and China’s integration process as well as India’s potential competitiveness challenge to China. This is of special significance to Mexico. In order to positively address these challenges and opportunities, Mexico must move toward the implementation of various structural reforms and greater investments in

education and infrastructure; it must engage China as a partner and not as a rival; it must promote the rule of law in international trade; and encourage its private sector to take advantage of opportunities for Mexican exports and joint-ventures. In this regard, Korea can become a strategic partner for Mexican businesspeople to establish greater presence in Asian markets.

Capability to Deal with Recurrent External Shocks

Mexico and Korea need to develop social networks and other mechanisms to effectively deal with recurrent external shocks. Both countries have much to learn from each other about the reform and modernization of the financial sector and the capital market in the presence of volatile global financial flows, including improving the corporate governance institutions and practice in the corporate sectors. In relation to internal financial overhauling, Mexico's IPAB ("Institute for the Protection of Savings in the Banks") and Korea's KAMCO (Korea Asset Management Corporation) are tools designed to cope with the non-performing assets that private banks and corporations accumulated in recent years; it would be useful for both countries to share outcomes, and learn from the respective shortcomings of those two mechanisms in order to assess their real effectiveness.

Achieving Sustainable and Durable Growth in an Increasingly Interdependent World

The environmental costs of growth cannot be ignored if countries seek to achieve sustainable growth. Mexico and Korea are in different stages of the unavoidable process to internalize environmental costs, but they should cooperate strongly in this area including the Kyoto Protocol process.

3. Visions for Mexico-Korea Cooperation

Building a Trans-Pacific Community (TPC)

Mexico and Korea are part of a rich and diverse region, sharing many values and facing similar challenges. Both trace their origins to ancient civilizations that bequeathed a strong set of principles, ideology, beliefs and ideals. There could grow a sense of community across the Pacific.

For a TPC to be both feasible and durable, its design and construction will need to be conscious of these multiple and interacting idiosyncrasies that shape communities and provide a sense of identity. There is a strong need for the development of non-bureaucratic institutional foundations,

building upon the resources and capabilities of both state and non-state actors in order to engage our societies to the greatest extent possible.

Korea and Mexico may act as the bridge-builders between the developed and the developing countries in the ultimate TPC-building process.

Achieving Advanced Economies

Mexico and Korea should make use of their economic complementarities to increase their respective competitiveness. For example, both countries should urgently promote synergies in industrial cooperation. They should establish cooperation agreements and mechanisms between governmental and non-governmental institutions. Emphasis should be given to cooperation between institutions and agencies responsible for small and medium-sized enterprises, technology development and transfer, trade and investment promotion, industrial policy, chambers of industry and commerce, education, research and development, think tanks, regional governments and environmental authorities, among others.

Without doubt, international trade plays a catalytic role in economic development. However, the level of bilateral trade is far from reflecting its potential given both countries' status in international transactions. Mexico and Korea should explore new ways to enhance their trade and investment relationship. Ways and means should be identified to permit high-level policy dialogue (involving government and private sector) to address in a comprehensive manner bilateral trade and investment issues.

Promoting Cooperation on "Human Security" Issues

Given both countries' shared democratic values and importance in international fora, they should strive toward greater and more meaningful cooperation on global issues such as human rights, terrorism, human smuggling, drug-trafficking, environmental pollution, helping to build coalitions between like-minded countries. Given the primary importance of education for economic and social development, both countries should give priority attention to cooperation in human capacity building, taking advantage of information and communication technologies.

Cooperative Efforts to Strengthen Multilateralism

Mexico and Korea's international prestige enables them to play a leading role in promoting the enhancement of multilateralism as the main venue for the solution of political, social, and economic problems faced by the international community.

Apart from the global and regional institutions where both countries can play an active participation (World Trade Organization —WTO—, Asia-Pacific Economic Cooperation —APEC—, etc.), there are many fora where Mexico and Korea can play a coordinated role in order to strengthen the prestige, effectiveness, and legitimacy of multilateralism in fields such as education, labour, health, children and women, and technical cooperation.

Contributing to World Peace and Political Stability

Mexico and Korea must support the United Nations' leading role in maintaining peace and stability at a global level, and in tackling the most controversial issues of the current international agenda. To this effect, both countries should intensify diplomatic and political efforts to advance the various initiatives related to the reform of the main bodies on the United Nations (Security Council and General Assembly).

4. Disarmament and Non-Proliferation: North Korea

North Korea's nuclear development program and ballistic missile threat stands out as one of the most serious proliferation challenges facing the world today.

In supporting a permanent solution to the problem through dialogue and negotiation, the international community needs to deliver three messages to North Korea. First, a nuclear-armed North Korea is unacceptable to the international community. If North Korea resists, it will be facing isolation and containment. Second, the biggest threat to North Korea is not a hostile policy or a possible attack from the United States, but its own structural contradictions that need to be resolved through comprehensive reforms. Third, comprehensive assistance will be provided if North Korea dismantles its nuclear program.

Although North Korea's nuclear ambition represents a major threat to the whole international community, and requires specific negotiating efforts to defuse it (such as the six party process) the overall question is how to put the issue of arms control, non-proliferation of nuclear weapons and other weapons of mass destruction back in the world agenda as a political priority.

In the international arena, Mexico and Korea must strive toward the strengthening of the major treaties and conventions on disarmament and arms control, in particular the Biological Weapons Convention (BWC); Chemical Weapons Convention (CWC); United Nations Ottawa Convention on landmines; Comprehensive Nuclear Test Ban Treaty (CTBT); and the Non-Proliferation Treaty (NPT).

5. Strengthening the Institutional Framework for Bilateral Cooperation

Mexico and Korea should develop a network of government officials and business people in order to support cooperative actions in the public and private sector. For instance, measures can be implemented such as the establishment of the Mexico-Korea forums for bilateral cooperation aimed at increasing the level of contact between business people and government officials from both countries. Human contacts play a fundamental role toward deepening bilateral relations, including business exchanges. An agenda for bilateral cooperation could contemplate the following issues: industrial policy, technology development and transfer, financial regulations, bilateral and multilateral dialogue and cooperation, trade policy (including export promotion), immigration issues, transportation and logistics, small and medium enterprises (SMEs), energy, regional development, environmental protection, transnational crime and corporate governance.

Both countries can also play a partnership role in the design and implementation of cooperation projects in neighboring regions (Central America, the Caribbean and Southeast Asia). Emphasis should be given to poverty reduction programs and the integration of developing countries into the global economy.

In the cultural, educational and technological fields, a concerted effort must be undertaken to promote greater cooperation between Korean and Mexican universities, research agencies and cultural institutions. Such programs could enhance mutual understanding and help determine the shape and scope of cooperation. The possibility of more active cooperation between Korea and Mexico has been limited by two factors: the persistent tendency toward cultural exclusiveness and the language barrier. Universities should continue to lead young people to overcome these obstacles by strengthening and deepening exchange programs.

Promotion of Parliamentarian Exchange and Cooperation

In addition to greater political dialogue and cooperation between the Executive branches of government, a closer relationship between each country's legislatures is an effective tool for the exchange of experiences, mutual understanding and people-to-people contacts.

Parliamentary processes have a significant role to play in the construction of public support for bilateral cooperation and in the definition and approval of the necessary legislative changes to implement bilateral cooperation, especially the liberalization, trade and financing accessibility agreements defined in the bilateral agenda and in the framework of regional cooperation fora such as APEC and the Asia-Pacific Parliamentary Forum.

In this regard, a comprehensive agenda for institutionalized parliamentary dialogue between the two countries could address the following issues: educational, scientific and technical cooperation, cooperation on the WTO Doha Agenda for Development, and regional parliamentary cooperation (Asia-Pacific Parliamentary Forum, Asia-Pacific Parliamentarians Conference on Environment and Development, among others).

Developing and Strengthening the Bilateral Legal Framework

Since the establishment of diplomatic relations in 1962, Mexico and Korea have developed an institutional framework that gives certainty to bilateral exchanges and at the same time promotes cooperation in various areas.

The first legal instrument signed was the Cultural Agreement in 1966. So far, more than 15 agreements have been signed in such fields as air services; investment protection; trade; extradition; fiscal evasion; visa suppression; economic, scientific and technical cooperation; and tourism and cultural cooperation. Besides this intergovernmental framework, there are various inter-institutional instruments, specifically related to education and scientific-technological cooperation.

In the last few years, the bilateral legal framework has been further strengthened. During the State visit of President Vicente Fox to Seoul in June 2001, Mexico and Korea signed four bilateral instruments: 1) the Agreement that Amends the Agreement for Air Services, which updates commitments to facilitate transportation; 2) a Memorandum of Understanding (MOU) for the Identification, Conservation, Preservation, Administration and Investigation of Cultural Patrimonies, which aims to foster the exchange of information; 3) a MOU for Scientific and Technological Cooperation that helps monitor programs and projects on those issues; and 4) the MOU that established the Mexico-Korea 21st Century Commission.

Negotiations are underway relating to agreements on tourism, mutual legal assistance, customs, and money laundering. Both governments should engage in a comprehensive review on the existing bilateral legal framework in order to determine, as appropriate, areas of cooperation which should be further addressed through bilateral agreements and to identify the treaties and/or inter-institutional agreements that are not operating adequately, have produced limited results or need revision.



II. ECONOMIC RELATIONS: TRADE AND INVESTMENT

1. Introduction

On January 26, 1962, the governments of Mexico and Korea established diplomatic relations. In that same year, Korea announced the opening of its Embassy in Mexico. Sixteen years later, Mexico opened its own Embassy in Seoul. Bilateral economic cooperation between Korea and Mexico was formally initiated with the signing of the Mexican-Korean Commercial Agreement in 1966. In 1989, the two countries signed an agreement for Economic, Scientific, and Technical Cooperation as a way to expand bilateral economic relations. Built into the framework of this agreement was the creation of a Commission whose function was to institutionalize dialogue between Mexico and Korea and identify mechanisms for strengthening bilateral economic relations.

Throughout the last decade, the economic and legal framework has been enriched and expanded. Mexico and Korea have signed agreements related to air transport, tourism, telecommunications, double taxation and investments. The agreement regarding the promotion and protection of investment for both countries was the first of its kind signed by Mexico with an Asian country.

Another important development that has strengthened economic and commercial ties and has promoted cooperation is the reciprocal visits of dignitaries. In 1991, President Roh Tae Woo visited Mexico; this was the first

visit of a Korean President to a Latin American nation. Similarly, in 1996, President Ernesto Zedillo visited Korea; being the first time a Mexican President visited Korea. In 1997, Korean President Kim Young Sam visited Mexico. The subsequent visit of Mexican President Vicente Fox to Korea in 2001 further enhanced bilateral relations and led to the establishment of the Mexico-Korea 21st Century Commission.

As a key component for the consolidation of a long-term strategy for economic relations between Korea and Mexico, the Mexico-Korea 21st Century Commission should develop ideas and make valuable suggestions to facilitate both countries' policy responses to cope with challenges from the new international environments.

2. Trade

The process of economic globalization since the 1980s favored an increase in the volume of trade between Korea and Mexico. Since the late 1980s, bilateral trade has steadily increased. In 2004, Korea was Mexico's 6th largest import source, accounting for 2.7% of the latter's total imports, surpassed only by the United States (US), China, Japan, Germany and Canada. Mexican exports to Korea were much smaller in volume than imports, accounting for 0.06% of the country's total exports. Thus, in 2004, Korea was Mexico's 41st largest export destination. To Korea, Mexico was only the 16th largest export destination, accounting for 1.2% of Korea's total exports, and the 45th largest import source, accounting for 0.2% of Korea's total imports.

In looking at the balance of payments statistics, and in the case of bilateral trade statistics, it should be borne in mind that they differ greatly depending on who provides the statistics. For example, differences in the timing of reporting on the same goods as well as technical differences in the valuation of the same goods between the trade partners could affect statistics. There also are always errors and omissions. For this reason, it should be no surprise to find significant differences in the bilateral trade statistics between Mexico and Korea. This is confirmed by the comparison of Tables 1 and 2 (see pages 50-51). In addition, this comparison shows that the discrepancies are systematic and rather large. For example, for 2003, Korean statistics indicate Korea's trade surplus of 2.1 billion dollars whereas Mexican statistics indicate Mexico's trade deficit of 4.0 billion dollars, and for other years, too, Korea's trade surplus figure is much smaller than Mexico's trade deficit figure. The main reason for this disagreement seems to be that the customs offices register exports by immediate destination, rather than by the final destination, while they register imports by origin of the goods.

Still, three observations may be made here about Mexico-Korea trade relationship. First, the volume of trade between the two countries has been increasing steadily over time in both directions. Second, Korea's exports to

Mexico have been increasing more rapidly than Mexico's exports to Korea. As a result, Korea has been running trade surpluses, and Mexico trade deficits, vis-à-vis the other, since 1988. The volume of the trade imbalance, too, has been increasing steadily. Third, Korea's trading relationship is much more diversified, i.e., much more globally oriented, than Mexico's. A major reason for this seems to be Mexico's heavy reliance on the United States for trade that has been very much strengthened by North America Free Trade Agreement (NAFTA).

The bilateral trade imbalance figures show that Mexico's imports from Korea have been rising steadily and rather rapidly without being accompanied by commensurate increase in the country's exports to Korea. It is important to understand why.

Table 1
Korea's Trade Flows with Mexico
(Millions of dollars)

	Exports	Imports	Total trade	Balance
1980	44.7	64.2	108.9	-19.5
1981	50.2	55.9	106.1	-5.7
1982	43.4	261.1	304.5	-217.7
1983	51.0	200.5	251.5	-149.5
1984	19.6	212.5	232.1	-192.9
1985	26.1	139.4	165.1	-113.3
1986	50.1	174.9	225.0	-124.8
1987	133.2	181.0	314.2	-47.8
1988	279.7	220.1	499.8	59.6
1989	461.8	163.4	625.2	298.4
1990	559.5	264.1	823.6	295.3
1991	774.6	224.1	998.7	550.5
1992	905.4	172.2	1077.6	733.2
1993	997.0	157.5	1154.6	839.5
1994	1289.2	228.6	1517.8	1,060.6
1995	941.1	306.7	1,247.9	634.3
1996	1,191.1	408.3	1,599.5	782.8
1997	1,471.0	344.1	1,815.1	1,126.9
1998	1,404.8	190.7	1,595.6	1,214.1
1999	2,016.9	291.7	2,308.6	1,725.2
2000	2,391.3	377.9	2,769.3	2,013.4
2001	2,148.9	266.6	2,415.5	1,882.3
2002	2,230.8	295.4	2,526.2	1935.4
2003	2,455.0	333.7	2788.7	2121.3
2004	2,994.0	411.3	3,405.3	2,582.7

Source: www.kotis.net

Table 2
Mexico's Trade Flows with Korea
(Millions of dollars)

	Exports	Imports	Total	Balance
1980	16.0	32.7	48.7	-16.7
1981	68.1	25.3	93.4	42.7
1982	206.8	26.2	233.0	180.6
1983	136.6	21.7	158.3	114.9
1984	157.6	17.9	175.5	139.7
1985	103.1	12.2	115.3	90.9
1986	90.2	17.9	108.1	72.3
1987	95.8	27.0	122.8	68.8
1988	98.3	110.9	209.2	-12.6
1989	51.5	204.8	256.3	-153.3
1990	9.2	27.0	36.2	-17.8
1991	32.0	386.8	418.8	-354.8
1992	44.0	665.6	709.6	-621.5
1993	27.1	837.5	864.6	-810.3
1994	37.8	938.4	976.2	-900.5
1995	88.3	770.8	859.1	-682.5
1996	193.8	1059.4	1253.2	-865.5
1997	66.2	1584.3	1650.5	-1518.1
1998	68.4	1823.1	1891.5	-1754.7
1999	150.3	2780.7	2931.0	-2630.4
2000	179.2	3690.3	3869.5	-3511.1
2001	293.0	3531.7	3824.7	-3238.7
2002	185.0	3910.0	4095.0	-3725.0
2003	95.1	4112.9	4208.0	-4017.8
2004	111.3	5310.9	5422.2	-5199.6

Source: Directorate General for Bilateral Economic Relations (DGREB), Ministry of Foreign Affairs of Mexico, based on data of the Secretariat of Economy.

The sharp increase in imports from Korea can be attributed to the following reasons:

- Imports are components and raw materials that supply the Korean manufacturing industry established in Mexico; these items are subsequently re-exported to other countries, boosting Mexico's exports to third countries, especially, the United States.
- Therefore, an increase in Korea's investment in Mexico concomitantly brings increases in imports while boosting Mexico's overall export performance.
- There are also increases in imports in response to increased Mexican consumers' and producers' demand for Korean products that have consequences on Mexico's economic growth and trade liberalization.

From 1990 to 1994, Mexico's imports from Korea maintained a steady growth. During the first half of the 1990s, the most salient imports were finished electrical and electronic equipment, machine parts, machines, and textile byproducts. From 1994, as a result of the increase in Korean investment in Mexico, imports from Korea have been dominated by the purchase of parts, equipment, and textiles. The majority of imports are those of parts for the conclusion of products that are later exported to third countries.

In 2002, of the twenty main products that Mexico imported from Korea, the following were the most notable sectors:

- Metal/Mechanical Sector: parts and accessories for mechanical machinery.
- Electrical-Electronic Sector: electronic and electrical equipment, tubes for visualization of graphical data, LEDs, transmitting/broadcasting equipment, parts for automatic data processing machines, air conditioning units.
- Automotive Sector: vehicles with a cylinder capacity less than or equal to 1,000cc, vehicles for transport of goods, bicycles, and other cycles.
- Textiles Sector: synthetic styrene polymers, fibers, related copolymers, coils, spools, and support.
- Industrial Metals Sector: cold steel laminates.

In contrast to Mexico's increasing imports from Korea, exports to Korea have remained relatively small in their total volume and their growth has been very slow. Although this trend is not limited to Mexico's trade with Korea, but with Asian countries in general, it may be explained as follows:

- The limited Mexican business presence in, and unfamiliarity with the Korean market, particularly in terms of the availability and promotion of exports; this is a result of Mexico's greater interest in exporting to other markets including the United States and Canada.
- Petroleum sales, until 1992, were Mexico's main export to Korea. In 1990, petroleum represented 72.9% of Mexico's total trade with Korea.

The sale of Mexican petroleum thus contributed to the balance in bilateral trade; the disappearance of petroleum exports to Korea contributed to the increasing trade imbalance between the two countries.

- The limited market access in Korea's agricultural sector.
- There has not been a strategic, systematic positioning of Mexican products in the Korean market. Thus, the list of exported Mexican products to Korea is fewer than 500; in contrast, Korea exports more than 4,000 of its own products to Mexico. In 2001, according to Mexican sources, the six main Mexican products exported to Korea represented 75.81% of the total Mexican goods in the Korean market.

It should be noted that Mexican exporters complain that Korea applies diverse restrictions to the import of Mexican goods: special import licenses, high tariffs, special import controls, phytosanitary and zoo sanitary measures, special taxes on consumer goods, alcoholic beverages, and sumptuary goods, and value added tax. Such products include fresh fruits and vegetables and chicken. Other products, such as squid, tequila, and beer face high tariffs, which adversely impact the volume of Mexico's goods exported to Korea.

From 1990 to 2002, the composition of Mexican exports to Korea has changed considerably. A substantial portion of this change can be attributed to the nature of investment flows from Korea to Mexico. Investment is concentrated in the manufacturing sector. One explanation for the growth of investment in the manufacturing sector is that the products derived from this sector are among the first to be exported.

In 2002, of the twenty main products that Mexico exported to Korea, the following were the most notable sectors:

- Electrical-electronic sector: television sets, magnetic tape for sound or image recording equipment, components and parts for data processing machines.
- Automotive sector: vehicle parts and accessories (including gear boxes); vehicles with a cylinder capacity greater than 1,500cc, but less than or equal to 3,000cc.
- Chemical and pharmaceutical sector: salts for antibiotic medicines.
- Textile sector: synthetic fibers.
- Food and drinks sector: preparation of meat, fish, crustaceans, and malt beer.
- Metal industry sector: smelting boxes.
- Automobiles (MTI 7411) exports from Mexico to Korea began in 1999.

Table 3
Imports of automobiles (MTI 7411) from Mexico to Korea

* Thousands of dollars, annual variance (%)

1999	2000	2001	2002	2003	2004
229	3,070 +1,240.6%	4,430 +44.3%	9,025 +103.7%	10,286 +14.0%	12,433 +20.9%

Source: www.kotis.net

3. Investment

It is important to note again the discrepancy between the investment figures calculated by Korea and Mexico. There are two central reasons that it is not possible to calculate reliable data regarding Korean investment in Mexico. First, many of the resources that Korean companies invest in Mexico actually originate in their subsidiaries in the United States. Given this, Mexico attributes such investments to the United States rather than to Korea. Second, in 1994, the Secretariat of Commerce and Industrial Promotion (SECOFI) changed the methodology for recording foreign direct investment (FDI). The result of this change is that figures calculated after 1994 are not comparable with those of previous years.

Currently, Korea is the second largest investor to Mexico from the Asia-Pacific region, after Japan. Between January 1994 and December 2004, Korean investment increased to USD 656.1million; this amount represented 0.4% of total investments in Mexico and around 12.4% of investment flows from the Asia-Pacific region directed to Mexico.

However, according to the data that the Korean Embassy in Mexico acquired from the survey of Korean companies there, their outstanding investments amount to about USD 1.5 billion, with 27,249 employees.

Korean investment in Mexico began in 1988, when the Samsung Group first invested USD 12 million in a project for the production of color television sets in Tijuana, Baja California. As illustrated in Table 4, investment from 1989 to 1993 was cautious, reflecting the natural concern of Korean investors of the results they could obtain from these investments. Thus, during this five-year period, investments from Korea to Mexico were marked by fluctuations, from USD 2.5 million in 1991 to only USD 0.04 million in 1992. Investment increased again in 1993 to USD 8.4 million. The total accumulated amount from the period of 1989-1993 reached USD 12.4 million, representing 2.8% of the investment channeled to Mexico.

Table 4
Korea's Investment in Mexico, 1989-1993
(Millions of dollars)

	1989-90	1991	1992	1993	Total 1989-1993
Total	6222.2	3565.1	3599.6	4900.6	18287.5
Región	147.2	77.5	89.5	119.5	433.7
% of total FDI	2.37	2.17	2.49	2.44	2.37
Korea	1.5	2.5	0.04	8.4	12.4
% of region's total	1.0	3.2	0.04	7	2.8

Source: Created by DGREB based on data from SECOFI.

From 1994 to 1997, Korean investment to Mexico dramatically increased. Korean investors decided to make the most of the comparative advantages that Mexico offered as part of the NAFTA. Korean investors wanted to use Mexico as an export platform to gain access to the markets to the United States and Canada. Table 5 illustrates this trend.

Table 5
Korea's Investment in Mexico, 1994-2004
(Millions of dollars)

	1994	1995	1996	1997	1998	1999	2000
Total	10,661.3	8,344.2	7,817.7	12,181.7	8,317.3	13,207.4	16,781.2
Korea	15.1	103.7	85.8	199.2	52.6	46.2	29.9

	2001	2002	2003	2004	Outstanding 1994-2004*	
Total	27,634.7	15,129.1	11,372.7	15,846.4	147,293.7	100.0%
Korea	44.3	30.6	34.9	13.7	656.0	0.4%

Source: National Commission of External Investment. February 2005. Statistical Report over the Behaviour of the External Investment in Mexico. January-December 2004.

However, Mexico's investment in Korea is almost negligible.

Table 6
Mexico's investment in Korea
(Thousand of dollars)

	1998	1999	2000	2001	2002	2003	2004	Outstanding
Cases	1	-	-	-	1	-	-	2
Amount	56	-	2,767	-	92	-	-	2,915

Source: Korean Ex-Im Bank, 2005.

In addition to the increase in Korean investment in Mexico, Korean investors also invested intensively in capital and technology. Mexico was no longer only attractive for its inexpensive manual labor. Korean investors considered Mexico as a strategic location to produce medium and high technology goods that allowed Korea to maintain its international competitiveness for both price and quality.

After the “boom” in Korean investment to Mexico during the years 1995, 1996 and 1997, investment fell considerably in 1998. This was primarily due to the Asian financial crisis that erupted in the region and which severely hit the Korean economy. By 1998, as a result of the severe economic crisis that affected Korea since November of 1997, there was a significant reduction in Korean investment to Mexico.

By 1999, the Korean economy had recovered significantly and Mexico hoped that foreign investment flows from Korea would resume. However, many of the large Korean conglomerates and companies still faced difficult conditions; many were immersed in an extended restructuring process. These factors prevented an increase in foreign investment from Korea to Mexico. From 1998 to 2004, Korean investment to Mexico registered an annual reduction of 20.0%.

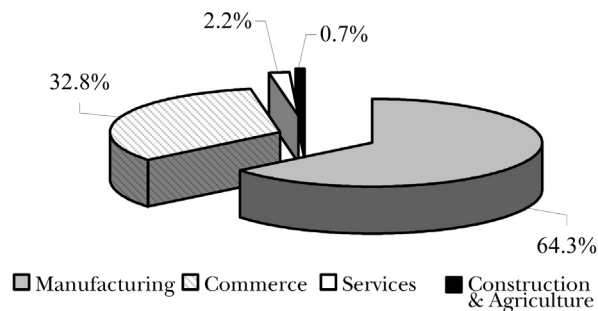
Among the causes that explain the reduction of investment from 2000 to 2004 are the following:

- Instability in the international financial markets caused investment decisions to be based more and more on complex strategic considerations.
- Stagnation in structural reforms in Mexico caused the productive sector to lose its competitiveness. According to the World Economic Forum's Global Competitiveness Report, Mexico's ranking fell considerably in recent years. In 1999, Mexico's Growth Competitive Rank was 32; by 2002, Mexico's rank had fallen to 45.
- The emergence of highly competitive countries that offer low wages, government subsidies and support, a large availability of manual labor, and potentially enormous markets, such as China and India.
- Particularly, the spectacular increase of Chinese competitiveness in diverse sectors must have served as diverting factor for Korean invest-

ments in Mexico. China has become a primary competitor of Mexico's assembly plants, as a result of ten times more available manual labor than Mexico, and the main destination of FDI at a global level. The outstanding Korean investment in China outnumbered USD 9 billion in 2004. In recent years, Korea has become the third largest investor in China only after Hong Kong and the Virgin Islands.

Korean investment is primarily directed to the manufacturing sector, which received 64.3% of the total investment. Commerce was the second sector, receiving 32.8%; 2.2% was channeled to the services sector while the remaining 0.7% was directed toward construction and agriculture. These divisions are clearly illustrated in Figure 1.

Figure 1
Sectorial Distribution of Korean Investment in Mexico
(%) 1994-2002



Source: Directorate General for Bilateral Economic Relations, Ministry of Foreign Affairs of Mexico.

In December 2002, 768 registered companies received Korean investment; this figure represents about 3.0% of the total number of companies (25,708) that received foreign direct investment in Mexico. These companies are mainly oriented toward activities in the commercial sector (59.6% of the total) and the industrial sector (33.2%). Table 7 presents the main segments that receive Korean investment.

Table 7
Main Segments that Receive Korean Investment

Branches	Total Amount (thousands dollars)	Part. %
Manufacture and/or assembly of radio, television, communications, and medical equipment	44,786.6	35.8
Wholesale non-food products, including animal feed	39,543.1	31.6
Manufacture of plastic products	15,673.4	12.5
Other industrial manufactures	10,038.0	8.0
Manufacture of knitwear	7,384.4	5.9
Manufacture of other metallic products, excluding machinery and equipment	4,435.5	3.5
Manufacture of ready to wear garments	3,077.5	2.5
Professional, technical, and specialized services, excluding agriculture.	1,689.5	1.3
Preparation of textile materials, including the manufacture of upholstery and soft fiber carpets.	1,624.1	1.3
Production of other chemical products and substances	1,464.5	1.2
Other	-4,464.1	-3.6
Total	125,252.5	100.0

Source: Mexican Secretariat of Economy

Table 8 shows the location of Korean Companies:

Table 8
Location of Korean Companies

State	Total Amount (thousands of dollars)	Part. %
Baja California	48,973.0	39.1
Distrito Federal	37,888.3	30.2
Sonora	14,244.1	11.4
Puebla	9,889.7	7.9
Estado de México	5,313.3	4.2
Jalisco	3,329.6	2.7
Guanajuato	1,749.8	1.4
Michoacán	1,743.2	1.4
Coahuila	895.8	0.7
Otros	1,225.7	1.0
Total	125,252.5	100.0

Source: Mexican Secretariat of Economy

4. Towards a Mexican-Korean Strategic Partnership

In 1986, Mexico entered the General Agreement on Tariffs and Trade (GATT) and began its process of trade liberalization and integration with the world economy. This has allowed Mexico to become a worldwide commercial power (among the first ten) as well as the first in Latin America. Mexico is involved with 46% percent of total exports and imports in the Latin American region.

The Free Trade Agreements (FTAs) signed by Mexico with USA and Canada, Chile, Colombia and Venezuela, Costa Rica, Bolivia, Nicaragua, Uruguay, Northern Triangle, European Union (EU), European Free Trade Agreement (EFTA), Japan and Israel have played an important role in the process of its trade liberalization. Mexico has negotiated twelve FTAs that grant preferential and secure market access to forty-three countries on three continents. These FTAs enable Mexico to maintain two-digit growth in manufacturing exports, as well as promote growth in production and employment. Mexico's FTAs have allowed Mexico to increase its exports fivefold.

Until recently, Korea was one of the few World Trade Organization (WTO) member countries without any bilateral or regional FTAs. Korea has traditionally adhered to 'multilateralism'. There were several reasons for Korea to abstain from FTAs. First, a regional or bilateral approach was not attractive to Korea because its trade relations were quite diversified, encompassing all major regions of the world. By taking the bilateral route, Korea would have run the risk of discriminating against trade partners and ultimately distorting its trade structure. Second, the Korean agricultural sector was desperately resistant to liberalization, and bilateral or regional liberalization could provide additional ammunition to the political controversy already triggered by the process of multilateral liberalization in the wake of the end of the GATT's Uruguay Round (UR) negotiations.

Such a traditional multilateral approach, however, has lost steam in recent years due to the mushrooming of regional trade arrangements worldwide. At the same time an increasing number of leading scholars began to promote regional trade arrangements as building blocks to multilateralism. In the wake of the financial crisis or in late 1998, the Korean government clearly changed its direction. FTAs were considered to ultimately provide a better business environment for foreign direct investments and facilitate export promotion. In particular, once FTAs came to be widely seen as a channel for an open-trade policy, Korea needed to demonstrate its resolve to build an "open trading country" by opting for FTAs. Korea believes that FTAs create new trade opportunities and encourage market reforms, which strengthen and liberalize multilateral trade systems and investment.

After three years of negotiations for a FTA with Chile, the first of its type for Korea, the agreement was completed in October 2002, signed in February 2003, and entered into effect on April 1, 2004. Moreover, Korea has

finished FTA negotiations with Singapore, and started negotiations with Association of South East Asian Nations (ASEAN), and Japan.

Korea has expressed its interest in negotiating a free trade agreement with Mexico. During the VI Meeting of the Mexican-Korean Economic, Scientific, and Technical Commission in July 2002, Korea and Mexico decided to launch studies to explore the possibilities of negotiating a free trade agreement. In late 2003, Mexico's Secretariat of Economy announced a moratorium of FTA negotiations except the then ongoing negotiations for the Free Trade Area of the Americas and FTA with Japan. Although the Mexican government faces resistance from the private sector in negotiating a free trade agreement with Korea, it has not blocked the process of discussions in an effort to examine thoroughly the issues that both countries would bring to the negotiation of an instrument of this nature. Another positive development has been the establishment of the Expert Group on the Strengthening of Bilateral Economic Relations established by the Secretariat of Economy and the Minister of Foreign Affairs of Trade. The Group has held 4 meetings up to May 2005 with the participation of government officials, academics and businesspeople. It is expected to present recommendations before September 2005.

Given the previous analysis, the first and most important among other objectives that can be offered to pursue bilateral economic relations is the establishment of a strategic association that would allow bilateral trade expansion and its balance, increase Mexico and Korea's FDIs, and encourage financial links to favor cooperative action in areas of mutual interest.

An essential part of the association must be the systematic promotion of mutual access to each other's market, the fervent encouragement of business presence in each other's economy, and the definition of new sectors for cooperation that could deepen economic relations and could culminate in a free trade agreement (information technology, support industries, petrochemical, and electrical, among others). A FTA serves not only as the means to get free access to mutual markets, but also to put into action larger potential for economic, scientific, and technological cooperation (e.g. shipyards, ports and transports, oil refinement, information technology, small and medium businesses, support industries).

A FTA would give greater certainty to investors. Particularly, Korean investors who suffer from elimination of benefits in the ex-maquiladora program they would be relieved of their chronic concern about uncertain business environments in Mexico while Korea is not a FTA partner of Mexico.

Moreover, it is also necessary to consider the creation of key strategies for penetration in the mutual regional markets of the Asia-Pacific and the Americas by establishing a bridge to other countries in the respective areas. In particular, an extremely dynamic integration process is occurring in the Asia-Pacific region by means of bilateral free trade agreements among Korea, Japan, China and ASEAN, as well as in the Americas. This situation could have negative repercussions in Mexico-Korea's economic relations.

Korea has been further opening its agricultural market as witnessed in the Korea-Chile FTA. One factor that is necessary for Mexico to pay particular attention to is the inclusion and treatment of the agricultural sector within the Mexico-Korea FTA. It is essential to consider that the agro-food sector in Mexico is strategic for the social and economic development of the country because it brings together one fourth of the population, generates 22% of remunerated employment, contributes 4.7% to the Gross Domestic Product (GDP), and generates 5.7% of total exports as of 2003. Better access to agricultural market in Korea would depend on the terms of agreement.



III. OPPORTUNITIES FOR INDUSTRIAL COOPERATION

1. The Need of an Advanced Industrial Structure

Over the last three decades, Korea has transformed itself from a poor nation totally dependent upon traditional agriculture and handicrafts into an industrial power, highly competitive in international markets and with a sophisticated industrial structure. Nowadays, industrial Gross Domestic Product (GDP) accounts for almost 42% of total GDP, while agriculture represents only 4.4%. Production levels and exports from Korea's major industries, including digital electronic appliances, shipbuilding, steel, automobile, telecommunication equipments, semiconductors and TFT-LCDs, have reached the top five in the world. It is expected that domestically and internationally Korea will join advanced countries in the near future, at least in terms of industrial development. For instance, Korean per capita GDP at purchasing power parity rate is close to USD 16,000 per year. This is a clear sign of Korea's economic development in the last decades.

However, Korean industries are facing several challenges, both domestic and international. First, they are facing the ever-growing presence of Chinese industries in international markets. While several high-tech industries benefit from China's economic development, traditional industries such as textile and clothing, footwear and some electrical appliances are continuously losing ground in favor of Chinese products, even in the domestic market. Second, trading blocs, in which most countries take part, are in-

creasingly discriminating Korean products in major markets. Third, strong doubts about the government's role in further industrial development have been raised. Fourth, the corporate restructuring imposed during the financial crisis in 1997 that led many large companies to falter is still in progress. Fifth, sporadic labor militancy seriously damages domestic industries and destabilizes international confidence.

Korean industries are endeavoring in many areas to cope with these challenges. First, in order to face the China challenge, they are improving the quality of their products and developing new technologies. Second, for the same reason, they are relocating many of their production facilities through overseas direct investment. Third, they ask the government to actively participate in regional integration schemes and Free Trade Agreements (FTAs) with major trading partners. Efforts in this direction are underway, since Korea recently ratified an FTA with Chile, completed negotiations with Singapore, undertook negotiations with Japan, Association of South East Asian Nations (ASEAN), and European free Trade Agreement (EFTA), and proposed joint-study or negotiations with many other trade partners. Fourth, the Roh Moo-Hyun government is placing as a top priority the improvement of transparency and corporate governance as well as the stabilization of the labor market.

On the other hand, in the last two decades of the 20th century Mexico changed its industrialization model from an import substitution, closed economy, to a more open, outward oriented economy. This process was reinforced by Mexico's accession to the General Agreement on Tariffs and Trade (GATT) in 1986 and by the entry into force of NAFTA in 1994. This new policy meant that Mexico's industry was suddenly exposed to international competition, which forced a dramatic transformation in order to make it competitive. Although some industries were not able to adapt to this new environment, many others were successful in penetrating external markets, particularly the United States (US).

In this way, Mexico made steady progress in developing its industries and succeeded in attaining international competitiveness for several industries such as glass, textiles and clothing, leather products, agro industry, processed foods and beverages, cement, automobiles, electric and electronics. For many years, and given the preferential access guaranteed by NAFTA, these industries successfully positioned themselves as important exporters to the US market. Mexico positioned itself as the United States' second major trading partner and its second source of imports. In 2002, and according to US figures, 11.5% of US total imports came from Mexico (Canada was the first source of imports, and China was the third, with 10.74% of total US imports). However, there is growing concern in Mexico over the harsh competition posed by newly emerging economies, such as China. For the first time in the last several years, from January to August 2003 China surpassed Mexico as the second source of imports to the US

market (in that period, imports from China accounted for 11.4% of total USA imports, while imports from Mexico accounted for 10.9%). Also, some rigidities have prevented the Mexican economy from being more competitive. In particular, Mexico requires improvements in infrastructure, a more competitive telecommunications and energy market, and more flexible labor legislation.

As a result, both countries need to develop a more competitive and advanced industrial structure in order to compete with other emerging economies and also with developed countries. In this sense, industrial cooperation between the two countries could be advantageous, since both countries' industries face similar challenges. There is an opportunity to exchange good and bad experiences, learn from best practices and make the most of each country's comparative advantages.

Just 20 years ago the Korean manufacturing sector was dominated by assembly and processing. Since then, most Korean manufacturing industries have succeeded in acquiring high global standard production technologies. Many government initiatives such as the "Heavy and Chemical Industries Development Program", the "Development Plan for Components and (new) Materials" and the "Development Plan for Machinery" played important roles in attaining such remarkable industrial growth. Private companies' interaction with the government initiatives was a decisive factor towards this success. However, this close collaboration for industrialization left some unwanted legacies: economic concentration in favor of handful of conglomerates, a weakened financial sector, rigid industrial relations and collusive relations between government and business.

Nowadays, the Korean manufacturing sector has acquired international competitiveness in the area of production technology. The production level of Korean industries is ranked among the top five in the world and Korean companies are in general producing their own products with their own brands and technologies. Many local suppliers provide the components and materials. One can safely say that the competitiveness of most Korean products originates in this sophisticated industrial structure.

Meanwhile, many industries in the Mexican manufacturing sector have been able to compete successfully in one of the most competitive markets in the world, the US. However, assembly and processing activities still represent an important portion of Mexico's exports to this market (in 2002 maquiladora exports reached USD 78,098 million, 48.56% of Mexico's total exports). Mexico can learn from the successes and failures in Korea's industrial development, especially government development strategies and corporate entrepreneurship. Mexican manufacturing industries, although benefiting from an important price advantage in the NAFTA region, have to cope with a new challenge —namely China. In this regard, Mexico needs to consider and acquire new sources of competitiveness, such as production technologies.

2. The Opportunities in Complementarities

Industrial cooperation between Mexico and Korea should be based on the complementary industrial characteristics and the dynamics of market mechanisms with a view to increasing international competitiveness. Korea is ready to share its experience in shaping an industrial development plan and promoting technology development. Korean companies will be interested in cooperating with Mexican partners in terms of technology transfer, since Mexico offers a more favorable investment environment than other countries. Currently, Korean investment in Mexico is very low, since it represents only USD 590 million, or 0.5% of total Foreign Direct Investment (FDI) in Mexico from 1994 to March 2003. This means that Mexico was able to attract only around 1.7% of the total of USD 34.1 billion FDI of Korea between 1994 and 2002.

Given the lack of integration in Mexico's productive chains, particularly in the maquiladora industry, Korea and Mexico should engage in a program to develop the supporting industry in Mexico. There is no doubt that such a program would offer benefits to both countries, since Mexican exports would have more domestic value added, and Korean investments in Mexico would benefit from the availability of timely, cheaper, world quality local inputs. In this way, Korea will take full advantage of the network of FTAs that Mexico has negotiated. Moreover, the development of sector-specific clusters would certainly have a positive regional impact, which could be enhanced by region-to-region initiatives. In this regard, it would be advisable that those authorities responsible for industrial policy of both governments establish such a program, in conjunction with interested enterprises. Suggested sectors for inclusion in this program could be the automotive sector, and the electric and electronic; two sectors of great importance for Korean investments in Mexico.

In addition to the above-mentioned sectors, others that can be explored for greater cooperation are the following: agriculture, livestock, fisheries, processed food and beverages and tourism.

Mexico and Korea can establish programs to promote the exchange of advanced production technology, including fairs. Through this form of exchange, companies from various manufacturing industries in both countries will have the opportunity to show their technologies to their potential partners. In that process, a form of technology consulting between providers and demanders will likely take place naturally. The governments of Mexico and Korea, together with industry associations, should engage in a process of identifying specific areas of potential cooperation and exchange. Furthermore, universities in both countries should take a very active role in promoting technological exchange between the two countries. Mexico and Korea should identify and select, at the earliest possible time, universities that could play a leadership role in the field of technological exchange.

Establishing a human network linking engineers and scientists from the two countries is also a promising avenue for industrial cooperation. Mexico possesses numerous well-trained engineers and scientists who have taken part in research programs at American and other foreign universities and research laboratories. As Korean interest in acquiring high-level basic technologies grows, Mexican engineers and scientists can become excellent partners in seeking advanced knowledge and information at this level. In contrast, Korean engineers and scientists are more oriented towards practical technologies that may be lacking in Mexico. For this reason, exchange programs or joint research programs between engineers and scientists from the two countries may be a good means of advancing bilateral industrial cooperation. In particular, Mexico and Korea should initiate a program of reciprocal scholarships in engineering and in information and communications technology.

3. New Areas for Cooperation

The information and telecommunication (IT) industry is considered one of the most promising sectors for the advancement of industrial cooperation between the two countries. The infrastructure for this industry in Korea is one of the most advanced of the Organization for Economic Co-operation and Development (OECD) countries, and Korea is number one in the world with respect to broadband and Internet penetration ratios. As the Mexican IT sector is aiming to move to a more advanced level, Korea's experience in this sector in terms of developing strategy for broadband networks and introducing effective competition in telephone communications markets such as mobile and fixed-lines would be beneficial for the Mexican counterparts. Korea could share its experience with Mexico in achieving a very high rate of Internet penetration, since almost 64% of Koreans are Internet users, while in Mexico, the penetration rate is only 11%. Hi-tech electronic components such as semiconductors and TFT-LCDs may also be potential areas for industrial cooperation in this line.

Moreover, Korean companies in this sector such as KT, SKT and Samsung, which are already regarded as top global companies, may be interested in establishing strategic alliances with their Mexican counterparts.

The recently established Mexico-Korea IT Research Center is a good starting point for promoting greater and more effective bilateral cooperation in the IT industry. Here again, expert exchange programs or joint research programs must be pursued. In order to ensure the Center's success, measures must be taken to provide for adequate and continuous funding for its activities. Research and Development (R&D) is an area in which Korea could provide Mexico with important insights, since it has achieved an important stage of development. For instance, Korea could share with Mex-

ico its strategy to increase R&D expenditure. According to OECD figures, Korea's expenditure on R&D as percentage of GDP is around 3.4%, while in Mexico the same figure is 0.6%. Furthermore, Korea has been successful in engaging its business sector in R&D activities, since almost 73% of R&D expenditure is funded by business enterprises, and only 25% is financed by the government. The very opposite situation occurs in Mexico, where the government funds more than 60% of R&D expenditure, and the business sector finances only 23.6%.

Korea and Mexico have been international leaders in tariff reduction and elimination for a large number of tradable products in the IT sector. Korea is Party to the Information Technology Agreement (ITA) of the World Trade Organization (WTO). Although Mexico is not a Party to this agreement, it has implemented significant unilateral tariff reductions in this sector. Unfortunately, it seems that the two countries are still placing relatively high tariffs on some remaining IT products. In order to move to an advanced stage of industrial cooperation in this regard, both countries should study which products can benefit from further bilateral liberalization, and establish ways and means to further improve market access before launching a formal FTA negotiation.

Other areas for potential cooperation in the IT sector may be as follows:

- E-trade network between the two countries: Both countries should take advantage of the new information and communications technology to facilitate bilateral business transactions. For instance, customs authorities should cooperate in order to establish a paperless trading environment for shipping between the two countries. This technology would reduce transportation time and costs, and would increase security at departure and entrance ports.
- E-learning: Distance learning is a relatively new technology that has the potential to multiply the impact on learning groups, without distance limitations. Mexico and Korea should develop and implement e-learning programs, in particular in areas of IT and production technologies. Both countries should urge interested universities to develop this program.
- E-commerce: e-commerce is a new and innovative way of doing business. In particular, e-commerce is an important opportunity for small and medium enterprises (SMEs), which many times do not have the resources to have local presence in all markets. Since SMEs represent a very high percentage of total business in both Mexico and Korea, the two countries should undertake specific programs to promote their development. It is proposed that Mexico and Korea develop a joint program to train instructors for e-commerce SME incubators. Once these trainers are appropriately qualified, they could spread their knowledge within their own regions and create a catalytic effect in incubating e-commerce SMEs. SMEs and e-commerce authorities of both countries should take responsibility for the development of this program.

- Harmonization of standards and/or recognition of each country's technical regulations and conformity assessment procedures: Increasingly, non-tariff barriers are becoming the most used, and abused, form of protectionism. Technical standards and regulations frequently become an impenetrable barrier, especially for SMEs. Mutual Recognition Agreements (MRAs), in particular in those sectors where there is more trade, like electric and electronic parts and equipment, is a specific trade facilitation measure that would reduce transaction costs significantly. Mexico and Korea should initiate contacts between their respective standards authorities to engage in a process of negotiating MRAs, in particular, but not limited, to the IT industry.

It is recommended that a network be established to link Korean companies currently in Mexico with Mexican suppliers and related companies. This network may be developed into a framework for improving cooperation in terms of human resources and practical technologies among partners in Mexico.

Greater technology transfer is an important reason for promoting FDI. Thus, both countries should further improve the investment environment for companies in hi-tech industries. The protection of intellectual property rights is essential for promoting investment in hi-tech industries and should be reinforced. Both countries should promote among business people the benefits of the Bilateral Investment Treaty signed in November of 2000.

While Mexico is continuing its industrial development, there will be a high probability of increased pollution. Mexico will then need to develop advanced technologies for environmental protection. Korea has been making such efforts to overcome pollution problems and has developed advanced levels of technologies for environmental protection. Mexico might find these technologies suitable to its needs in terms of their adaptability of material and human resources. There are possibilities for common research and development in this field.

When it comes to the obligation of reducing the consumption of carbon dioxide-emitting energy, namely fossil fuels, Mexico and Korea are in the same position because they have signed the Kyoto Protocol as developing countries. The two countries currently do not have any obligation to immediately reduce energy consumption. However, in order to fight against the global warming trend, each country should work to reduce energy consumption. In this regard, the two countries may be able to further promote cooperative programs in the following areas:

- Developing new recycled energy sources
- Developing energy saving technologies
- Using nuclear energy, for which Korea has developed a high level of technology.

It seems that both countries are confronted with similar problems when privatizing public enterprises in the energy sector, although Mexico has been comparatively successful in privatizing other public enterprises. It would be quite useful to share these privatization experiences between the two countries, including background logics for privatization and information on groups opposing privatization.

An area for further cooperation is transportation, in particular maritime. Mexico and Korea share and are united by the Pacific Ocean. However, there are no frequent, secure and direct maritime routes service between Mexico and Korea. Certainly this fact diminishes the opportunities for increased trade flows between the two countries. Mexico offers world class ports for Korean shipments, such as those located in Manzanillo and Lázaro Cardenas. Furthermore, these ports are supported by enhanced rail service running through the heart of North America, which could be used by Korean companies to ship cargo not only to Mexico, but to the US and Canada as well. Cargo generation programs, customs modernization, infrastructure enhancements and the use of Intelligent Transportation Systems (ITS) will help justify frequent maritime service between Mexico and Korea, which will reduce transportation costs for Koreans and will increase bilateral trade flows.

4. A New Institutional Framework

Both countries should urgently promote greater bilateral dialogue and cooperation to address the problem of illegal commerce, taking into account its legal, customs, and intellectual property rights aspects.

Mexico and Korea share a broad and complex agenda, which increasingly involves non-governmental actors. In this regard, the Mexico-Korea 21st Commission underlines the need for greater and more meaningful dialogue, cooperation and exchange of information and experiences between business groups, academic, and research institutions. Greater dialogue and information sharing between each country's private sectors should be a priority (COMCE-CCC, FKI-CCE, for example). This is a fundamental step for there to be a qualitative and quantitative advancement toward a strengthened bilateral relationship.

At the governmental level, there is a strong need for a more focused, effective and operational institutional framework, with clear mandates and responsibilities. In this regard, the Commission recommends that the functioning, terms of reference and agenda of the existing institutional framework dealing with trade, investment and cooperation issues, be reviewed and updated in order to ensure its effectiveness.

An updated bilateral agenda in the above-mentioned areas needs to give special emphasis to the improvement of trade and investment flows, competitiveness, and financial issues, addressing trade and investment policy and

promotion, market access problems, industrial cooperation, SMEs, cooperation on structural reforms, macroeconomic policy, financial regulation and surveillance, and corporate governance.

This exercise should be undertaken in order for the revitalized bilateral institutional framework to be operational at the earliest possible time. To this effect, it would be desirable to establish intergovernmental dialogue groups with a broad agenda and participation (the organizational structure of a possible framework is set out below).

Mexico-Korea Enhanced Competitiveness Cooperation Framework Proposal

General Coordination		
Secretariat for Foreign Relations	Ministry of Foreign Affairs and Trade	
High Level Meeting on Trade, Investment and Competitiveness ²		
Issue	Responsible in Mexico	Responsible in Korea
Industrial policy	Secretary of Economy	Ministry of Commerce, Industry and Energy
Trade and investment policy	Secretary of Economy	Ministry of Commerce, Industry and Energy; Ministry of Foreign Affairs and Trade (MOFAT)
Coordination in multilateral trade organizations	Secretary of Economy	Ministry of Commerce, Industry and Energy, Ministry of Foreign Affairs and Trade
Customs cooperation	Secretary of Finance (SHCP)	Korea Customs Service
Sanitary and phytosanitary issues	Secretary of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)	Ministry of Agriculture and Forestry: National Plant Quarantine Service, National Agricultural Products Quality Management Service. Korean Food and Drugs Administration.
Intellectual Property Rights: smuggling, counterfeiting	Secretary of Economy: Mexican Institute for Industrial Property. Secretary of Public Education (SEP): National Institute for Copyrights. Attorney General (Procuraduría General de la República -PGR)	Ministry of Commerce, Industry and Energy: Korean Intellectual Property Office. Ministry of Justice
Standards and conformance	Secretary of Economy; National Center for Metrology	Ministry of Commerce, Industry and Energy

SMEs	Secretary of Economy	Ministry of Commerce, Industry and Energy: Small and Medium Business Administration
e-economy:	Secretary of Economy; Secretary of Communications and Transportation (SCT), Secretary of Finance	Ministry of Commerce, Industry and Energy (including Small and Medium Business Administration); Ministry of Finance and Economy; Ministry of Information and Communication
Export promotion credit lines	BANCOMEXT (National Bank for Foreign Trade)	Korea Trade and Investment Promotion Agency (KOTRA); EXIM Bank of Korea; Korea Development Bank.
Regional development	Secretary of Economy	Ministry of Commerce, Industry and Energy
Transportation (maritime in particular) and logistics	Secretary of Communications and Transportation; Secretary of Economy	Ministry of Construction and Transportation
High Level Meeting on Cooperation on Financial Issues		
Issue	Responsible in Mexico	Responsible in Korea
Macroeconomic policy and Financial issues	Secretary of Finance	Ministry of Finance and Economy
Financial regulation and surveillance	Secretary of Finance	Ministry of Finance and Economy; Korea Financial Supervisory Commission
Corporate governance	Secretary of Finance	Ministry of Finance and Economy
High Level Meeting on Scientific and Technological Cooperation		
Issue	Responsible in Mexico	Responsible in Korea
Industrial technology development and transfer policies	Secretary of Economy; National Council for Science and Technology (CONACYT)	Ministry of Science and Technology
Environmental protection technologies	Secretary of the Environment and Natural Resources	Ministry of the Environment
Scientific exchanges	Mexican Academy of Sciences	Korean Academy of Sciences
Joint research projects	CONACYT	Korea Institute of Science and Technology (KIST)

Joint support of Applied Sciences	CONACYT	Korea Science and Engineer Foundation (KOSEF)
Technology Appraisal and credit guarantee	CONACYT - NAFINSA	Korea Technology Credit Guarantee Fund (KOTEC)
Biotechnology	CONACYT	Korea Research Institute of Bioscience and Biotechnology (KRIBB)
Functional Foods	COLPOS	Korea Food Research Institute
Exchange program of engineers and young scientists	To be headed by a Mexican university: e.g. ITESM	To be headed by a Korean institution: e.g. Korean Advanced Institute of Science and Technology (KAIST)
IT manufacturing and services	Secretary of Communications and Transportation	Ministry of Information and Communication

² Both countries may agree on the convenience of private sector participation in this Meeting.



IV. CULTURAL EXCHANGE AS A FOUNDATION FOR PARTNERSHIP

1. New Ways for Cultural Cooperation

The goal of discussing culture as a rubric toward the building of new ways for the improvement of cultural exchange between Mexico and Korea, needs to go beyond the conventional wisdom under which culture and cultural interactions have been understood. On this regard, it can be assumed, along with Lourdes Arizpe, that culture is one of the major issues of sustainability, development, and governance in this century.³

The commonly accepted concept of culture identifies it as a synonym of intellectual and artistic creation. It is for this reason that, in the practice of foreign policies of the nations, this has been understood as cultural exchange expressed through programming of exhibitions, presentation of artistic groups, organization of scientific seminars, exchange of scholars, professors and researchers, and so on. Conceived this way, culture appears stripped of the implications it has in the life of the societies as a source of the world regional diversity, manifested by the variety of beliefs, behavior, means of production and exchange of goods.

³ Lourdes Arizpe (ed.) *The Cultural Dimensions of Global Change. An Anthropological Approach*. Paris, UNESCO publishing, 1996. p. 11.

From this perspective, cultures define themselves through their differences, and precisely these dissimilarities confer the sense of specificity that characterizes the different social groups. Therefore, culture encompasses all human activities as well as beliefs, knowledge, art, customs and values, the source where a great diversity of the cultures in the world emanate from.

In this sense, the cultural differences between Mexico and Korea must be reconsidered regarding the design of new guidelines for the cultural exchange. This exercise holds not only the recognition of the distinctive character of the Korean and Mexican cultures, but also takes into consideration that nowadays one cannot refer to cultural encounter and exchange outside of certain questions emanated from the trends of contemporary international reality, where to talk about an imminent globalization of culture has become a common ground but a predicting loss of diversity and identity.

From this perspective, the development of cultural links between Mexico and Korea can be observed as a process still in its infancy, although it certainly must be recognized that in recent years it has begun to acquire an important dynamism. Thus, in order to grasp a more clear idea about such processes and to attempt to figure out some suitable ways for their further improvement, we need to present an historical overview where there might be some insights to extract elements that eventually could help to pave the way for the construction of a new approach toward trans-cultural understanding and patterns of cultural exchange.

After the establishment of diplomatic relations in 1962, the two countries signed a cultural agreement in 1966. The Program of Cooperation 2000-2002 has just been finished and has been substituted by another Program of Cooperation for the years 2003-2006.

The two nations share more than forty years of contacts, though it is perhaps more accurately to assert that the cultural exchange program truly began with the turn of the Twentieth Century. This work is divided in two parts: the development of the cultural relationship between the two countries from 1970s to 2000, and the program of cultural and educational cooperation for 2003-2006. As conclusions, some proposals are presented.

2. Historical Overview of the Bilateral Cultural Exchange Program

The first cultural agreement was signed in April 1966, but the cultural exchange programs were minimal. As it is shown in the table below, only three activities took place in the sixties. It can be asserted, however, that the trip to Korea of the Mexican Catholic Missionaries pioneered a path for communication between Koreans and Mexicans.

1960's

Category	Content	Annotation
Education	- Establishment of Sisterhood between Hankook University of Foreign Studies (HUFS) & National Autonomous University of Mexico (UNAM)	- Two Korean students and one professor were sent to Mexico - One Mexican student was sent to Korea
Performing Arts & Etc.	- Olympic Korean Dance Team performed in Mexico - Korean pavilion in Olympic Park	- 1968 Mexican Olympic Games
Religion	- Catholic Congregations dispatched to Korea	- Missionaries of Guadalupe, Missionaries of Marists Brothers

The seventies were characterized by the lack of mutual interest in cultural activities, mainly as a result of two reasons: 1) as Korea emphasized economic development through industrialization, other activities tended to be rather underestimated; thus, the possibilities to conduct effectively cultural programs were scarce, and 2) Mexico opened its Embassy only at the end of the decade and was limited in its capacity to promote those kind of activities. During this period, the following cultural initiatives were undertaken:

1970's

Category	Content	Annotation
Brotherhood	- Founding of Korean- Mexican Friends Association in Korea	- President: Lee Young Sook, president of Korean Women Economists Association
Education	- Lectures given by Mexican professors in Korean university	- HUFS
	- "Young Sook" scholarship of Korean- Mexican Friends Association	- Receiver: UNAM student
	- Korean student studied in Mexico	- Accepted to Mexican graduate school
Performing Arts	- Trio Los Panchos performed in Korea	- After performance in Japan
	- Korean Dance Team performed in Mexico	- Little Angels (children) and Korean Dance Team (adults) performed
Exhibition	- Mexican Mask Exhibition	- Korean- Mexican Friends Association

Among the cultural events that stand out were those presented by the Korean-Mexican Friends Association under the presidency of Mme. Young Sook Lee. Acting as a non-governmental organization, this Association hosted various cultural events without government funding. In several occasions it even supported the visits of Mexican government officials or representatives. Compared with past experience, the Korean-Mexican Friends Association has been less active nowadays.

The Missionaries of Marists Brothers began to work in Korean universities as professors of conversational Spanish. They also held some activities in the small Spanish language club, thereby contributing to enhancing the Spanish education and speaking skills of Korean students.

In the eighties Korea and Mexico experienced more cultural exchanges, as shown in the following table:

1980's

Category	Content	Annotation
Brotherhood	- Mexican- Korean Friends Association in Mérida, Yucatan	- Centered around Korean-Mexicans and the Secretary of Education of Yucatán, Dr. Eduardo Tello
Education	- Lectures given by Mexican professors in Korean universities	- HUFs, Dankook Univeristy, Pusan University of Foreign Studies (PUFS), Kyunghee University
	- Establishment of sisterhood amongst Korean and Mexican universities	- Universidad Autónoma de Guadalajara and HUFs, Kyunghee University; Seoul National University and Universidad de Guadalajara
	- Korean students at Mexican universities	- University students and graduate school students
Performing Arts	- Cervantino International Arts Festival (2 times)	- Traditional Korean Dance Team and Bok Hee Kim, Hwa Suk Kim Dance team
	- The 3rd International Dance Festival	- Yunduk-kyung dance team
Exhibition	- Korean Fine Arts Exhibition in Mexico (5 times)	- Modern Fine Arts, Photography of Olympic Games, Yun Shin Kim's sculptures, Korean ceramics, and Exhibition of Traditional Arts
	- International Book Fair in Mexico	- International Book Fair (two times)

During this decade the Korean government began to give greater importance to Latin America economic and foreign policies. Thus, the numerous Korean cultural events held in Mexico reflected Korea's greater interest in Mexico. The cultural programs based upon performing arts and fine arts exhibitions began from 1987. Especially after the 1988 Seoul Olympic Games, Korea succeeded in catching the Mexican interest, holding two events in that year, three in 1989, and four performing arts and fine arts exhibitions in 1990.

The newly aroused Korean interest towards Latin America had an impact in the educational sphere, resulting in the establishment of Spanish Departments in nine different universities: Kyunghee University, Daegu Catholic University, Korea University, PUFs, Dankook University, Seoul National University, Chosun University, Jeonbuk University, and Ulsan University. As a result, the early eighties were characterized by increased interest amongst the Korean public toward Mexico as well as in Spanish language training and study in Spanish speaking countries, including Mexico. Moreover, in the late eighties the number of Korean students in Mexican universities and graduate schools grew considerably.

At the same time, the lack of Mexican interest in Korean culture was evident. Besides a visit by Mexican television producers invited by Korea, there was no other visits to Korea of a cultural nature. At that time, the numerous cultural activities organized by Korea were mostly a result of the work of the Korean Embassy in Mexico. This underlines the fact that cultural activities depend greatly on the presence and work of officials who are sensitive to the importance of culture in bilateral relations. Additionally, although there were no specific cultural activities in Korea, it can be said that the young generation of Koreans in the eighties that painted the walls of universities were influenced by Mexican 'muralismo.'

Cultural activities between Korea-Mexico started to increase in the nineties (see next table). Through the help of the Korea Foundation, Korean Studies programs were established at El Colegio de México. Furthermore, with the establishment of the Hispanic Studies program in Sun Moon University (Latin American Studies) and Duksung Women's University, a total of thirteen universities (including the Spanish Department of HUFs which was opened in 1955), came to share the Spanish major program.

1990's

Category	Content	Annotation
Exchange Agreement	- Exchange agreement of libraries	- Library of the Korean Congress and library of the Mexican Senate
Sports	- <i>Taekwondo</i>	- Trial Performance by Dae Han <i>Taekwondo</i>
Publications	- Korean literary works published in Mexico	- Anthology (3) and Novels (2)
	- Mexican literary works published in Korea	- "Historia mínima de México" and other works (Octavio Paz, Carlos Fuentes) ⁴
Cultural activities	- Seminar, "Now and Then" of Korean literature	- Organized by El Colegio de México and Fondo de Cultura Económica
	- Seminar, "Korea and Mexico"	- Universidad Autónoma de Guadalajara (UAG)
	- Seminar, "The literary world of writer, Jung Hee Oh" (3 times)	- Literary Association of Mérida, Colegio de México, UAG
	- Week of Korean Literature	- Universidad de Guadalajara
Education	- Lectures given by Mexican professors in Korean universities	- HUFU, Dankook University, PUFU, Kyunghee University
	- Establishment of sisterhood between Korean and Mexican universities	- Universidad de Guadalajara and other Korean universities
	- Government scholarships	- Korean government (7) - Mexican government (8)
	- Number of students up to the nineties	- Korean students (107) - Mexican students (32)
	- Week of Korean Culture	- UNAM
	- "Korea House" in International Culture Festival	- Politécnico University
	- Korean studies supported by Korea Foundation	- Master course: El Colegio de México (USD 50,000) - Faculty Program: UNAM (USD 18,480) - Conferences held on behalf of Korean studies: two times (USD 20,000)
	- Lectures given by Korean professors in Mexican universities	- Autonomous Institute of Technology of Mexico (ITAM)

Performing Arts	- Cervantino International Festival (3 times)	- Korean Traditional Song Tone (Chang Mu Whe), Kil Joo Lee's Dace Team, Incheon dance team
	- Performance by Korean dance team	- Eun Hwa Kim, Won Kwang University, Korean Classic Music University, Municipal dance team (by Korea Foundation)
	- Concert	- Kumho Modern Strings Quartet (by Korea Foundation)
	Performance by Mexican dance team	- "Festival in commemoration of 600 years of Seoul, as capital of Korea"
	- Castro Leñero Brothers' fine arts exhibition	- Press Center Gallery (by Dankook University)
	- "Women's presence" exhibition by Mexican female fine artists	- Chosun Daily gallery
	- Water Painting Exhibition by Luis Améndola	- Dankook University Fine Arts Hall, Seoul Club
	- Mexican Children's Program Broadcasted	- "Carrusel", broadcasted in Korean television
	- Mexican Film Festival	- Mexican Film Festival
Exhibition	- Book Fair (2 times)	- International Book Fair - Metropolitan Book Fair
	- "Thirty years of Olympics" exhibition	- Commemorative exhibition of Mexican Olympic Games
	- Korea booth opened in International Festival	- Festival in Cebada and Maguey
	- Korea booth opened in the fair	- Texcoco Fair

⁴ Starting from Mariano Azuela in the eighties, Mexican writers such as Octavio Paz, Carlos Fuentes, Ángeles Mastretta, and José Emilio Pacheco come to represent the nineties of Mexico. Octavio Paz's works include, *El laberinto de la soledad*, *El arco y la lira*. Also Carlos Fuentes's works include, *The Death of Artemio Cruz*, *Aura*, *El espejo enterrado*, etc.

As the previous table shows, by the late nineties the number of Koreans who stayed in Mexico to study was three times higher than that of Mexican students in Korea, which also shows the preference of Korean students to major in Spanish over other Mexican study programs. In fact, the number of Korean Ph.D. students in Mexico is equivalent to the number of all Korean students in Latin America. It should also be noted that many Korean students that finished their doctoral degrees in Spain, had received their Masters degrees in Mexico.

Taekwondo arrived in Mexico during the seventies, although its main importance was recognized later in the nineties. Nowadays, it is considered

one of the most popular sports in Mexico, currently with 150,000 practitioners. Each year several Taekwondo gyms in Mexico send their students to affiliated Korean gyms. The total number of exchanges cannot be calculated and the time of stay in Korea lasts from one to three months.

The nineties were also characterized by the surge of mutual interest in each country in the other's literature. The award of the Nobel Prize in literature to Octavio Paz drew Korean attention towards other Mexican literary works such as the novels of Carlos Fuentes or the book *Historia mínima de Mexico*. This level of attention was still small when compared to the depth and international recognition of Mexican literature.

In contrast, awareness of Korean literature in the Spanish-speaking world, including Mexico, is still marginal and in its initial stages. In this respect, work needs to be done with Mexican publishing companies to publish Korean literature.

Even though Hollywood stereotypes of Mexico predominate in the Korean public, the Mexican children's soap opera, "Carrusel", was very effectively in changing this image over a short period of time. Through the lives of the little children and their world, the drama created a new image of Mexico. It was a case whereby the mass media influenced the cultural exchange.

Through the free travel amendment of the eighties, Korean televisions broadcasted many programs presenting to Korean viewers the culture and archeology of various parts of the world. The opportunity to watch and learn about the cultures of the Aztecs, the Mayas, and the archeological sites in the Yucatán Península and near Mexico City, further helped to change Korean perceptions. Korean tourism to Mexico increased during the nineties, even more than the one to Asia, Europe, and the United States during the eighties.

In this period, the Congregation of Beatos Nuns of Korea sent their members to Mexico, which worked in the mountainous area of Oaxaca. Moreover, the establishment of the Latin American Cultural Center and Museum in Korea helped to the promotion of Mexican arts and culture.

3. Cultural Cooperation Program 2000-2002

In May 2000, the Korean and Mexican governments approved the educational and cultural exchange plan, valid until December 31, 2002. The exchange between the two countries from 2000 to 2002 benefited both sides unlike the previous ones from the sixties to nineties.

This program consisted of 37 projects: 18 educational and 19 cultural. 73% of the total of these initiatives were accomplished. Their main activities were undertaken in the fields of information exchange on education, international festivals, visual arts, translation of works, student exchanges, radio and cinematography, and youth and sports. See the table below.

2000-2002

Category	Content	Annotation
Exchange Agreement	- A stamp in commemoration of the 40 th anniversary of the establishment of diplomatic relations between Mexico and Korea was printed	- Funded by the Ministry of Communications, Ministry of Foreign Affairs, and the Korean Embassy in Mexico
	- Mexican culture museum built a Korea House	- Korea House located within the Mexican Culture Museum
	- Exchange Agreement instituted	- National Ministry of Culture and Mexican National Institute of Anthropology
	- Sisterhood cities founded	- Korean cities with major Mexican cities
	- Between the Korean and Mexican foreign ministries	
	- Promotion of exchange within the Korean- Mexican ministries of education	- No further approaches
	- Youth exchange	- Korean Ministry of Tourism and Mexican Youth Institute
	- Sports exchange agreement established	- Korean Ministry of Tourism and Mexican Sports Association
Literary Exchange	- Korean literary works published in Mexico	- Anthology (2) and novel (1)
	- Mexican literary works published in Korea	- Two novels of René Avilés
	- Mexican poets visit (2 times)	- PEN club and the Association of Literates Cherishing Poetry invited
	- Korea- Mexico writers exchange (2 times)	- Korean writers and Mexican writers
Radio, TV	- KBS producer visits Mexico	- Ok-Chang (correspondent of “Yu- yul’s Music Album” program)
	- Participation in the fourth International Radio Biennale held in Mexico	- Korea International Broadcasting System

Education	- Essay Competition in 40 th anniversary of the establishment of diplomatic relations between Mexico and Korea	- Organized by the Mexican Embassy in Korea and the Mexican Secretary of Education
	- Seminar held in forty year celebration of Mexico- Korea relations	- Organized by Dankook, Institute of Asian American Studies
	- Mexican ceramic artist studies in Korea	- International Ceramics Exhibition
	- Universities exchange program	- Dankook University and UNAM, Jalisco state with Seokang University, Seokang University and ITESM
	- Students exchange	- Dankook student studied in UNAM, Mexican student at Dankook Univeristy
	- Students visit	- ITESM students and professors visit Korea (9 times)
	- Professors exchange	- HUFS, Seoul National University
	- Scholarships offered	- Mexico (2), Korea (5)
	- Professors and research assistants invited	- Six dispatched to Mexico, one to Korea
	- Youth exchange (2 times)	
	- Lectures given by Korean professors in Mexican universities	- Metropolitan Autonomous University (UAM), among others.
Others	- Mexican food festival (14 times)	- Korean hotels and schools

Performing Arts	- Music program in 40 th anniversary of the establishment of diplomatic relations between Mexico and Korea	- Yu- yul's Music Album program in KBS radio
	- Participation in Cervantino International Dance Festival	- Young- hee Kim's ballet team
	- Kyungju International Culture Expo 2000	- Mexico's Mixcoatl traditional ballet team
	- The 19th International Modern Dance Festival	- Delfos modern dance team
	- Seoul International Festival (2 times)	- Participation as a part of the Mexican Embassy
	- Mexican theatre actor visits	- Hugo Salcedo
	- Fourth Mexican film festival	- Art Sunjae
	- Korean film festival	- UNAM
	- Participation in Latin American film festival	- Art Sunjae (in addition to various Latin American countries)
Exhibition	- Seoul Women Culture festival	- Maryse Sistach participated
	- Korean modern fine arts exhibition opens	- Part of the 40 th anniversary of the establishment of diplomatic relations between Mexico and Korea
	- "Clothing of Mexico and Central America"	- Latin American Cultural Center and Museum
	- Mexican ceramics exhibition	- National Folk Museum
	- Photo exhibition of Frida Kalho	- Seoul Animation Center
	- Mexico's Image	- Art Sunjae
	- Stamp exhibition in 40 th anniversary of the establishment of diplomatic relations between Mexico and Korea	- Central Stamp Museum
	- Nacho López's photo exhibition	- Kwan Hoon Fine Arts Gallery
	- The second Mexican animation exhibition	- Seoul Animation Center
	- The fourth International Water Painting Biennale	- Participation of Korean painter in Mexico City's Biennale
	- Participation in Kwangju Biennale	- Participation in 2000 and 2002
- Pusan International Modern Fine Arts Festival	- Santiago Sierra participated	

With the commemoration of the 40th anniversary of the establishment of diplomatic relations between Mexico and Korea in 2002, various exchange agreements were signed. These went beyond existing partnerships between Korean and Mexican universities, to include cultural exchanges between associations, sisterhood cities, sisterhood states, youth, and sports exchanges. As a result, various cultural activities took place.

Cooperation in the educational field is steadily increasing. Ever since the initiation of government scholarships programs in 2000, many professors, research assistants, and student scholars have participated in exchanges. Currently, five Mexican exchange professors are teaching Spanish conversation in the Spanish departments of Korean universities. Exchanges at the university level help to deepen the degree of mutual knowledge and understanding of each country's culture and literature.

There are more than thirty Koreans with a Mexican Ph.D. in various fields like linguistics, literature, archaeology, anthropology, politics, economy, history, and the arts. There are also Korean professionals working as Spanish teachers, translators and experts in subjects related to Mexico. In contrast, there are very few Mexicans with Korean academic titles or specialists on Korean matters.

Apart from the publications of literary works, many writers have visited Korea and Mexico through literary exchanges. Currently, these exchanges are initiated by writers themselves. Since 2000, mutual exchanges of writers have been made with the cooperation of two organizations: the Daesan Foundation (culture foundation) and SOGEM (Mexico's Writers Association). These visits have led to the translation and publication of works. However, a notable lack of interest is still observed on the part of the Mexican side.

Mexico's presence in arts exhibitions (performing and fine arts), and movie festivals is greater than Korea's in Mexico. For example, most art exhibitions were held by Mexico in Korea with artists like Diego Rivera and Frida Kalho.

In addition, Mexican food festivals serve as means to promote Mexican cuisine.

Together with these achievements, there are also some unsuccessful experiences in the 2000-2002 program that need to be mentioned.

In the first place, the activities related to cultural industries, cultural diversity and popular cultures did not prosper, even though it is in this field where the importance of culture in today's world lies. These ones are relevant because they encourage respect for diversity, faith in human creativity and concern in future wellbeing, as reflected in the works and proposals carried out by the United Nations' World Culture and Development Commission, contained in the Report Our Creative Diversity.

In second place, there is an exchange program between national libraries, with very limited success, taking into account the language barrier, which limits the access to reading material written in Spanish or Korean.

On the other hand, there is also a noticeable lack of participation in book fairs which are periodically carried out in both countries. Neither of them takes active part in the book fairs of its counterpart.

Another limitation lies in the fact that the idea of establishing a Center of Korean Studies at UNAM has not prospered. Although this University was the first Mexican institution that conducted courses on both Korean language and history, these programs did not continue because of the short-lived existence of the Center for Oriental Studies. It was until the early nineties that El Colegio de Mexico has carried out this task offering a Master Degree program in Korean Studies, but it still attracts very little interest on the part of Mexican students. On the opposite side, in Korea there are several academic institutions that have devoted their efforts to promote research programs on Latin American studies, which include Mexico as a part of this region.

4. Cultural and Educational Cooperation Program for 2003-2006

The 2003-2006 cultural and educational cooperation program signed in June, 2003, in Mexico City, begins with a reference to the “Centennial Anniversary of Korean immigration to Mexico”.

In 1905 the first Koreans arrived in Yucatán, Mexico: 702 men, 135 women and 196 children. They were hired to work in the henequen plantations for a four-year term. When in 1909 their contracts were due, this group of immigrants found themselves in a precarious situation, which drove them to try to return to Korea. But there were two important events that hindered their intention: the Mexican Revolution of 1910 and the Korean annexation to Japan in 1910. Forced to stay in Yucatán, they started to move to different parts of Mexico. During the 1920s, three hundred of them moved to Cuba. Most of them worked in the henequen plantations in Matanzas province.

In this sense, the celebration of the Centennial Anniversary of the Korean immigration to Mexico in 2005 adds special meaning to efforts to strengthen the cultural understanding and the friendship between the two peoples and governments.

The 2003-2006 is divided into three areas: culture and art; education, and youth and sports. It specifies how to manage the whole program with ‘general and financing provisions’.

Cooperation in Culture and Art

- Archeology and Anthropology.
- Preservation and Restoration of Historic and Cultural Heritage.
- Cultural Festivals.
- Artistic Residencies.
- International Festivals.

- Visual Arts and Museums.
- Music and Scenic Arts.
- International Book Fairs, Literature and Editorial Collaboration.
- Archives and Libraries.
- Radio, Television, Cinema, and Audiovisual Media.
- Sister cities.

Compared to the cultural program of 2000-2002, the current one is more substantial and stresses mutual cooperation in specific fields like anthropology and archaeology, where the Korean side has the opportunity to participate in the restoration program of Mexico's historic and cultural patrimony.

As in the previous program, importance is given to festivals, archives and libraries, the sisterhood relation between Korean and Mexican cities and the cooperation between editors (this is an area where more cooperation is needed from Mexican editors, given the difficulties faced by Koreans that want to publish in Spanish).

Media exchanges (radio, T.V. and cinema) provide the most effective means to promote the mutual understanding of both peoples. For instance, the Mexican children's program "Carrusel" positively transformed the Mexican image in Korea during the nineties. Recently some Korean T.V. dramas have gained popularity among Mexicans, changing their image about Korea and Koreans. Because of their wide audience penetration, media program exchanges should be promoted, perhaps through greater contacts among T.V. producers.

Educational Cooperation

- Higher education.
- Development of Human Resources.
- Dissemination and Language Teaching.
- Diplomatic Studies and International Relations.
- Basic and Middle Education.
- General education.
- Copyright.

Particular attention must be given to the higher education component of this program. Nowadays, the thirteen Korean universities with Spanish Departments have exchange agreements with Mexican universities such as UNAM, UAM, UAG, U de G, etc., and in all these agreements there are articles about students' and professors' exchange programs. Through this program many Korean universities send their students to their Mexican counterparts for periods of one year. These students pay for their enrollment.

Besides this type of exchange, Korean university students of the Hispanic Studies Department tend to spend a semester or a year in one of the

Spanish speaking countries. Mexico is by far the most preferred destination. Annually over 100 students (mostly from Sunmoon University, Pusan University of Foreign Studies, Daegu Catholic University, Paichai University, Ulsan University, Chosun University) travel to Mexico City, Guadalajara, or Guanajuato with the purpose of further developing their language skills (in the case of Sunmoon University, the number of students going to Mexico under the year-abroad program, has been constantly increasing: 10 in 1999, 25 in 2000 and 35 in 2004).

However, these students usually face migratory difficulties in their procedure for entering Mexico. Normally, a temporary tourist visa is issued to the students when they enter Mexico, regardless of their length of stay (6 months or one year). Later, the visa status is changed to the student visa with the help of university lawyers so the students can have a kind of 'grace period' with their tourist visa before the student visa is issued. However, the length of stay granted by the temporary visa is not long enough to be a "grace period". Efforts should be made to simplify and expedite immigration and consular procedures and requirements.

Finally, in the dissemination and language teaching, the program stresses only Spanish, without great mention of Korean language teaching, which is an essential part of the beginning of Korean Studies.

Cooperation in Youth and Sports

Sports exchanges are not as fluid and effective as those in other categories, excluding Taekwondo. Taekwondo exchanges are mostly made through civil groups but without proper preparation. In the 2003-2006 program, besides Taekwondo, bow and arrow, in which Korea has fame, was included. Unfortunately, it omitted the exchange of soccer coaches or teams, in which Mexico has much experience.

In general terms, the Program of Cultural and Educational Cooperation between Mexico and Korea for the years 2003-2006 could be considered a turning point toward strengthening cultural understanding between two peoples. Nevertheless, it is a pity that there is no mention about the promotion of tourism, which can serve as a direct form of understanding the historical heritage of the other side.

5. Conclusions and recommendations

What direction should Mexico and Korean cooperation take from the current situation? The review and evaluation that has been attempted in this study allows us to venture some proposals in this regard.

On the broader and intellectually more significant historical horizon, it is important to point out that the ancient and rich cultural heritage of Korea and Mexico provides the most effective tool for launching a more comprehensive and future-oriented approach. If we try to see each other in our historical reality and through the mutual appreciation of our cultures, we certainly will have contributed to pave the way for framing and conducting new and innovative exchange programs.

However, knowing the literature, the arts, the thought of a nation, its traditions, its costumes and cooking, in the broad sense, not necessarily brings practical consequences. Therefore it is important to define more clearly the objectives, the spirit and the methods for pursuing them.

In the light of what we now understand, we can reflect upon the following lines.

First of all, there is a need to review the way bilateral mechanisms are used for framing the cultural agreements in order to determine their effectiveness. The results show that the most successful actions have been those that did not rely solely on a bureaucratic or institutional mechanism to bring them about. On the contrary, those that have failed tend to have been too ambitious as well as beyond the real institutional possibilities of both parts to conduct and implement them.

In the pursuit of cultural exchange, more efforts are needed to think about the way for establishing the appropriate criteria for approaching these issues in order to avoid a rigid view that might hinder the achievement of results. This means, to define and differentiate the issues in question. The first step should be studying and researching in order to clarify those aspects of culture that may lead to the opening of new studies. In this regard, the work of specialists is a necessary basis and the guide for any sort of action.

This requires, in the first place, the co-operation of specialists in social sciences and humanities for discussing issues related to teaching programs and translation of history and literary works. Although it is important to strengthen the current Master's degree program of Korean studies in El Colegio de Mexico, it is also necessary to look for establishing some other type of courses in Mexican universities such as UNAM, UAM, U de G. In this regard, the announcement of the establishment of a Korean Studies Program at the Universidad de Colima is a welcome development. Along these lines, it could be useful to develop specific initiatives for emphasizing the study of Mexico in Korean universities within the Hispanic studies departments. This depends largely on the type of working relationships that can be established among universities and research institutions. It also should include scholarships and fellowships for professors, researchers and students to foster the study of the language, literature, history, economic and social problems and even a special program for the training of translators. The specific proposal could be the creation of an extracurricular and extraordinary professorship

in the field of area studies in each country under the title “Mexico-Korea relationship”. The host institution could be UNAM.

Another important recommendation is the need of a special arrangement for Korean students’ legal status, by granting students their respective visas before their departure.

As long as translation and editorial work is limited, there will be a lack of reference works suitable for providing accurate and valid information about both Korea and Mexico. This requires the co-operation of editors, translators and publishing houses for evaluating the existing works and to figure out what are the most suitable materials to be published and to ensure their distribution. In this aspect there is the need to establish contacts with Mexican editors in order to publish books about Korean culture, art and history, as well as to initiate a partnership between national libraries.

This is a broad-scale problem that needs closer attention because the enhancement of cultural exchange does not only refer to the fields of social sciences and Korean and Mexican studies. The traditional scientific process of knowledge confined within limited disciplines has been broken down in recent times. Now the search for knowledge tends to be more interdisciplinary. In this process, Korea and Mexico can combine efforts for working together in pursuing common objectives in the field of natural sciences, a domain that also belongs to the general concept of culture. On this issue, it is important to mention the joint programs that UNAM has just started with some Korean scientific research institutes. This first agreement opened the door for further projects that have been suggested on bio-technology, genetics, neurology, science of the sea, material and nanotechnology, information technology and energy technology.

However, the diffusion of knowledge should not only be oriented towards the university community; it should include the general public as well. In this regard, particular programs devoted to youngsters and some other groups have to be considered. The Korean Embassy in Mexico has successfully conducted an annual Literary Essay Contest among middle school students with the purpose of developing the knowledge and appreciation of Korean cultural values. This is an encouraging experience for the Mexican Embassy in Korea to do something similar.

A good catalyst to foster a better and deeper knowledge of each country could be the centennial celebration of Korean immigration to Mexico in 2005.

Activities oriented to young people can also be attempted. There can be different types of programs aiming toward the promotion of mutual friendship and understanding, fostering the spirit of international co-operation and the will to practice it. As a first step it is suggested that The Youth Affairs Office in Mexico and the Korean UNESCO National Commission could work together for studying the possible setting of an annual Work Camp Program between Mexican and Korean youths, similar to what the Commis-

sion has been organizing for more than three decades with the purpose of bringing together Korean and Asian youths.

Recently a Korea Fans Club located in Mexico City has been established and some other places in the state of Mexico, a spontaneous organization founded by the initiative of a group of TV watchers of a recent Korean Drama broadcasted by a local TV channel. The possibility of developing some exchange programs directed toward this audience might help to enlarge the future development of cultural exchange.

This experience underlines the impact of television upon local life. By watching television one is being exposed to different cultures and influenced by them. Just as the Mexican TV drama "Carrousel" has contributed to change the stereotyped image of Mexico among Korean children, this Korean show is making the same for the Korean image in Mexico.

Along with television, films, TV programs, radio, video, music and the internet can contribute to the diffusion of cultural contents. Internet websites can display virtual galleries with images of Korean and Mexican art, editing books and magazines, diffusing bibliographic news, celebration of art performances and show tourist attractions.

On the other hand, both countries should urgently promote greater bilateral dialogue and cooperation to address the problem of illegal commerce, taking into account its legal, customs and intellectual property rights aspects.

The conduction of all these suggested activities requires a mechanism that can articulate them in order to carry out not only isolated actions, which in many occasions do not have a multiplying effect towards the approach of all those interested in the cultural interchange. This mechanism could be the proposed Mexico-Korea Foundation, a private organization but supported by both governments.

Within this framework considerations should be given to the establishment of an academic Consortium formed by governments, scholars and businessmen that can work together in building the institutional framework, the framing of the projects and providing the funding of their activities. The works of the Foundation and the Consortium should start by forming a binational advisory committee that will define their respective objectives and their *modus operandi*.

It is our hope that through these suggestions we will be able to build a more comprehensive approach that may permit the increase and improvement of the means and capabilities of governments, educators and cultural leaders for furthering knowledge and understanding of cultural values of the two nations. This initial effort would allow to build other type of programs that could pave the way for the intensification of cultural exchanges, the practice of cooperation that will lead to the foundation of institutions for research and teaching, the formation of networks of creative writers, artists and information specialists and to stimulate reflection on the importance of culture in this globalized era.