South-South Bilateral Relations: Argentina’s Political and Trade Links with Southeast Asia (2007-2011)

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ABSTRACT

The studies regarding the links between South America and South East Asia nowadays can be observed by increasing and constant ties caused by the growth of world trade interdependence, the development of the communications and means of transportation and the extension of the strategy of growth based on exportations (export led growth), among other phenomena. Our objective is to carry out a diagnosis of the bilateral relations through an analysis of the commercial and political links between Argentina and its main trade partners in Southeast Asia (SEA). Since both regions are considered part of the developing world, the concept of diversification becomes central so as to understand the objectives as well as the obstacles that emerge from the rapprochement. We consider that this paper will be an important contribution to the studies of South-South relations, even though they have been prolific in the hemisphere; they have overlooked the relations among these two regions.

Keywords: south-south studies, bilateral relations, Argentina, Southeast Asia, diversification.


Kata-Kata Kunci: studi selatan-selatan, hubungan bilateral, Argentina, Asia Tenggata, diversifikasi.
The studies regarding the links between South America and Southeast Asia have not received enough attention from the academia in the two regions. This phenomenon shows the limited importance of the interregional and bilateral relations among the countries of both regions. This can be due to historical, cultural and political reasons, besides geographical ones. However, nowadays more constant ties can be observed, which are caused by the growth of world trade interdependence, the development of the communications and means of transportation, and the extension of export led growth strategies, among other phenomena. We can add to these conditions the end of the Cold War, which created an opportunity for the rapprochement between regions that before were separated by the East-West division. Even though there are processes of rapprochement between both regions –the main one is Forum for East-Asia Latin America Cooperation (FEALAC)-, economic interdependence continues being weak since there are differences in the ways of understanding cooperation (Medalla and Balboa 2009, 1-2). Argentina has not been an exception to this research void.

Southeast Asia has become, in Far East, a pole of development and economic growth. Its emergence as an economic and financial center at a world level, and its proximity to China, have turn it in an alternative of economic insertion for countries in their search for diversification due to a volatile international economic scenario. In this context, Latin America has tried to find new options of foreign relations that allow it to diminish its dependence from traditional markets such as the European or North-American ones. Even though the rapprochement to the Asian Pacific region as a whole, the specific policies towards the Southeast Asia region are still in its initial stage.

The objective of this paper is to carry out a diagnosis of the bilateral relations through an analysis of the commercial and political links between Argentina and its main trade partners in Southeast Asia (SEA). In our analysis we will include the ASEAN-6 (Association of South East Asian Nations) economies which are Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Since our analysis will be based on the relations between Argentina and Southeast Asia, and both are considered part of the developing world, the concept of diversification becomes central so as to understand the objectives as well as the obstacles that emerge from the rapprochement. This concept, in a broad sense, can be defined as a strategy to achieve a better position in the international system (Olivet 2005, 22; Faust & Franke 2004). The diversification in the foreign policy of developing countries is a form of diminishing the commercial vulnerability that usually comes with the dependence from limited trade partners. It is also
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a mean of international insertion in the world economy, avoiding becoming peripheral or seeking to leave the periphery (Olivet 2005, 22; Faust & Franke 2004) and a way of having a greater voice at an international level through the coordination of common positions. Through these concepts we are going to analyze, in the following paragraphs, the political and trade relations between Argentina and Southeast Asian countries.

Pillars of South America and Southeast Asia Relations

The bilateral relations between both regions have centered on commercial issues, both historically and contemporarily. This characteristic is mainly due to the fact that Southeast Asia interactions with the rest of the world have been trade-dependent (Montesano & Poh Onn 2009) and Latin America’s interest in the Far East region has been based only on economic aspects, leaving aside the political issues.

The economic natures of these links have been closely connected to the objective of diversification that arose in Latin American economies during the nineties, closely related to the changing development model. Faust underlines that:

As macroeconomic stabilization and economic growth have been sought via more market-oriented strategies, the wave of privatization and liberalization has given rise to foreign economic policies focusing on export-oriented growth and the attraction of foreign investment to compensate for the shrinking role of the state. The orientation toward the economization of foreign policies- geared toward market-driven integration into the world economy- has prioritized economic interests (Faust 2004, 747).

The increasing trade interdependence between the two regions, although still low, has not been matched by an increase in investment. In this respect, according to the Inter-American Development Bank (IDB), the relations between Asia and Latin America have followed a certain pattern “with trade moving first and investment and cooperation catching up later” (IDB 2012, 14). IDB presents three pillars in regional relations, one is trade, second is foreign direct investments (FDI) and third, cooperation in diverse political, social, and technical issues. The organization highlights the uniqueness of the phenomenon that has developed in Asia-Latin America relations, where trade has become the most important pillar, presenting an unprecedented imbalance regarding the other two.
The structure of the bilateral trade has traditionally been dominated by a commodity-for-manufacturing pattern.

This pattern of trade has translated into a high concentration of LAC’s exports in a small number of basic commodities: iron ore, copper, soy, oil, sugar, paper pulp, and poultry; these goods correspond to 70% of all exports. For its part, Asia exports a wide range of manufactured goods, including ships, cars, electronics, equipment, and parts and components (IDB 2012, 15).

In the case of South America and Southeast Asia we can observe a reflection of this pattern.

The nature of trade exchanges between Argentina and the SEA can be explained by several reasons. Besides Argentina’s traditional focus on exports based on primary products and their derivate, the demand structure of the Asian counterparts must also be considered. This exchange, then, is closely linked to the economic productive structure of SEA nations which will influence their demands: countries such as Singapore and Malaysia with a highly industrialized economy will demand a higher percentage of manufacture goods while countries like Vietnam, the Philippines or Thailand will demand raw materials and their derivate. On top of this, the productive structure of most Latin American countries –including Argentina- limits the possibility of expanding and diversifying the export basket towards SEA. As we will explore in further detail, Argentina has not been able to add a significant amount of value to their exports, although there have been some initiatives towards this objective.

Another feature of the trade relations with SEA has been the persistent imbalances shown in the commercial exchanges with Argentina. As shown in Figure 1, Argentina’s exports have been substantially superior to its imports from this region during this five-year period. In terms of percentage, Argentina’s exports to SEA represented 5.2% of total exports in 2011, while for Brazil it accounted for 3.6% and for Chile 1.7% of total exports. Imports from SEA, on the other hand, represented 3.7% of total imports in the case of Brazil, 2.7% in the case of Argentina and 1.8% in the case of Chile.

We shall also consider that these differences in the trade with SEA seem to compensate the imbalances in commercial relations with the PRC (People’s Republic of China). In 2011 the exports of these countries to China accounted for the following values in millions of US dollars: Brazil: 44,314; Chile: 18,600; and Argentina: 6,237. The imports from China in 2011 were as follow: Brazil: 32,788; Chile: 12,695; and
Argentina: 11,627 (UNComtrade, 2012). In contrast to the trade relation with SEA, Argentina presented an outstanding deficit in its balance of trade with China.

The international economic and financial crisis that started in 2008 certainly had an impact on both regions, although not as profound and long standing as in other parts of the world. Analysts agree in the rapid recovery of both regions and the strong resilience they demonstrated (IDB 2012; Montesano & Onn 2010). Both regions were principally affected by the fall of the external demand and, in the case of SEA, the reversal of FDI flows (Chongvilaivan 2010). In this context, “the growing trade has brought substantial benefits for both regions, which became all the more evident during the crisis when the relationship offered a safe haven from declining markets in the US and Europe” (IDB 2012, 2). The
crisis resulted in an opportunity to strengthen the already more active bilateral commercial links as a mean to reduce external vulnerability derived from the dependence on a few commercial partners. In the following section we will focus on the foreign policy actions and commercial relations between Argentina and Southeast Asian countries, particularly exports structure and partners.

Argentina and Southeast Asia

Argentina’s foreign policy towards the East of Asia has a scarce historical background. This is due, mainly, to the fact that the region has been considered distant from local interests that, traditionally, have been concentrated in the United States and Europe and in the Latin America region. Besides, the main feature that has characterized the relationship of Argentina with this region has been the commercial and economic aspects that in only few occasions have been accompanied by governmental political initiatives. Most of these actions were concentrated in the decade of the nineties. During both presidencies of Carlos Menem, the Southeast Asian region received great attention by the government and its diplomacy. There were several bilateral agreements, two presidential official visits and a tripartite mission that led to the visit of most countries of the region, except Cambodia.

Taking into account the period chosen for this research, we can observe that during the presidency of Néstor Kirchner, the priorities of the foreign policy were very similar to previous governments: an alliance with Brazil, to deepen the ties of the Mercosur, as well as with Bolivia and Chile. The region of Southeast Asia had a marginal interest, just following up the trends initiated in the previous decade. The arrival of Cristina Fernández de Kirchner to power in 2008 didn’t change the foreign policy, but it could be seen a difference in the diplomatic instruments used. Both governments followed an active foreign policy (De la Balze 2010), especially in the commercial field, focusing on a policy of promotion of exports and taking place official visits and numerous commercial missions, especially to emergent markets and non-traditional countries –such as the Arab world, Southeast Asia and China-. In the post 2001 crisis, Nestor Kirchner’s government had to concentrate its efforts in the domestic issues, leaving out some aspects of the foreign policy. The internal economic recovery allowed the government of Fernandez de Kirchner to have more flexibility in the foreign policy, seeking for the diversification of not only markets but also of the export basket, including more products with higher value.

In the case of Vietnam, the year 2007 does not show any major activity. The advances in the negotiation between Energía Argentina Sociedad
Anonima (ENARSA)\(^1\) and Petrovietnam were made in 2008, the same year that there was a commercial Multi-sector mission to the Southeast Asian country (Chief of Cabinet of Ministers 2008, 60). 2009 was a prolific year; it took place the Second Meeting of the Intergovernmental Commission, in which it was agreed, to undertake actions that lead to a more diversified commercial exchange. It was also signed a Memorandum of Understanding between the Argentinean Ministry of Federal Planning, Public Investment and Services and the Ministry of Industry and Commerce of Vietnam regarding energy, oil and gas.

Besides this, the government of Argentina supported the projects of Argentinean companies in the field of eolian, hydroelectric energy and compressed natural gas (Chief of Cabinet of Ministers 2009, 71). In 2010 there was an official visit from Vietnam that included a wide range of businessmen. As a result, it was signed a Joint Declaration between both governments and several cooperation instruments, such as the Cooperation Agreement in the Energy Sector, the Memorandum of Understanding regarding cooperation in the field of Commercial and Economic Negotiations, among others. At the same time it was subscribed a Letter of Intention between the Argentinean company IMPSA and Petrovietnam Power in the eolian energy sector (Ministry of Foreign Affairs, International Trade and Cult 2010). On March 2011, the Vice-Chancellor of Vietnam visited Argentina, having a meeting with its counterparts, regarding cooperation on economic and commercial negotiations.

Even though relations with Indonesia had been sporadic in the political realm, the period between 2010 and 2012 has shown an increasing political activity. The most outstanding action in this area was Argentina’s Foreign Minister, Héctor Timerman, official visit to Jakarta last September. The visit’s main result was, according to Indonesian sources, the establishment of a strategic partnership between both countries, which recognize each other as main economies in their respective regions. Both governments coincided in their positions regarding different issues such as anticolonialism –Indonesia has backed Argentina’s position in Malvinas-, South-South cooperation and climate change (The Jakarta Post, September 12, 2012).

If we consider the period of study, in 2007 it took place the First Meeting of Political Bilateral Consultation in Argentina where several issues were debated, such as aero commercial transportation, the lift of the ban on

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\(^1\) It is a company created by the government in 2004 and whose objective, among others, is to explore and exploit solid, liquid and gaseous hydrocarbon; to transport, storage, distribute, sale and industrialize these products and their derivates.
the importation of Argentinean meat and the sale of dairy products. It was also talked the possibility of the incorporation of compressed natural gas in the public transportation of Indonesia (Ministry of Foreign Affairs, International Trade and Cult 2007). Argentina signed an agreement with Indonesia, in 2008, regarding the inspection and approval of Argentinean Businesses that export dairy and its sub-products to the Asian market (Chief of Cabinet of Ministers 2008, 59-60). In 2009 there were no major meetings or advances, but in 2010 the Ministers of Foreign Affairs of both countries met in the context of the G-20 Summit in South Korea; it was a work meeting where several bilateral issues were dealt (Ministry of Foreign Affairs, International Trade and Cult 2010a). On August 2011-during the FEALC Summit held in Argentina-, it was signed an agreement between the Argentinean Fund of Horizontal Cooperation and the Office for Technical Cooperation of Indonesia and an agreement regarding the removal of visas in diplomatic passports (Ministry of Foreign Affairs, International Trade and Cult 2011).

Malaysia has been considered a priority market for Argentina, and as such it was included in the action plan of commercial promotion and development of external markets of the Ministry. 2007 was characterized by several visits. On May there was a commercial Multi-sector mission to the Asian country with the objective of moving forward in the composition of bilateral trade. On September Argentina received the visit of the Undersecretary for the Americas’ Division of the Ministry of Foreign Affairs of Malaysia with the aim of dealing with bilateral topics like cooperation and commercial and economic issues. On November there was a Malaysian commercial mission, seeking to deepen bilateral links, especially the commercial ones (Ministry of Foreign Affairs, International Trade and Cult 2007). During 2008 and 2010 there were held bilateral meetings of consultation with the objective of achieving an increased cooperation in the economic, commercial, agricultural, customs, energy issues, among others (Chief of Cabinet of Ministers 2008; 2010, 110). As in the previous case, during the FEALAC meeting in Buenos Aires, both Ministers held a meeting in order to deal with different regional and bilateral issues.

In the case of the Philippines, the most important event in 2007 was the inauguration in the city of Mamplasan –in the outskirts of Manila- of a pilot project of compressed natural gas destined to public transportation. In this project participated GALILEO, an Argentinean company that supplied the technology and the equipment for the transportation of gas and the remote station for its sale (Chief of Cabinet of Ministers 2007, 61). In 2010 there were held several bilateral consultative meetings so as to increase the cooperation in different fields such as economic, commercial and agricultural ones. In this context, it
was signed a cooperation Protocol with SENASA regarding information of phitosanitary situation of several farming products so as to analyze the risk of plagues for the opening of the Filipino market (Chief of Cabinet of Ministers 2010, 280-81). In May 2011, it has held the First Bilateral Consultation Meeting between the Vice-chancellors of both countries, where it was analyzed the bilateral relation and issues of common interest. Following the FEALAC meeting, on August it was signed an Agreement of Technical Cooperation with the aim of strengthening south-south and triangular cooperation (Ministry of Foreign Affairs, International Trade and Cult 2011a, b).

In September 2012, Argentina’s Foreign Minister, Timerman, officially visited the Philippines. He met Manila’s mayor, and held a meeting with the Foreign Affairs secretary, Albert del Rosario, who affirmed that:

As the first foreign minister from Latin America to visit the Philippines under the administration of President Aquino, Minister Timerman’s visit is a milestone in Philippine-Argentina relations. It reaffirms the close ties that have always existed between our two countries.

(Philstar, September 15, 2012)

During the visit “the Philippine-Argentina Technical Working Group on Technical Cooperation presented to the ministers a plan of action for 2012 to 2014 where both sides commit to undertake projects in the field of biotechnology and agriculture. Additionally, they had a productive exchange of views on matters of regional interest, such as FEALAC, MERCOSUR, UNASUR, ASEAN, and East Asia Summit”. (Philstar, September 15, 2012). Timerman finally met with the Philippines president, Benigno Aquino III. In the occasion, the Argentinean official stressed the importance of this visit as it aimed to increase cooperation between the two countries to a new level on the 65th anniversary of the establishment of diplomatic relations, which will be celebrated in 2013 (Philstar, September 15, 2012).

During the period under study, it can be observed an increase in the links between Argentina and the Kingdom of Thailand. In 2007 there were several bilateral meetings with the aim of continuing the negotiation of agreements and other instruments -started during previous years- in the economic and commercial sphere so as to increase cooperation in different fields. It also visited the country the Minister of Health of the Kingdom of Thailand and it was signed a Memorandum of Understanding regarding health matters (Chief of Cabinet of Ministers 2007, 60). In 2008 there was a multi-sector commercial mission to the Asian country led by high officials of the Ministry with the aim of deepening the bilateral relations. In October, the Vice Minister of
Foreign Affairs of Argentina visited Thailand in the context of the First Meeting of Bilateral political Consultations. The objective of the visit was to revise the state of bilateral relations and to analyze the perspectives of a rapprochement between MERCOSUR and ASEAN (Ministry of Foreign Affairs, International Trade and Cult 2008). Among the topics discussed -that included bilateral, regional and multilateral topics-, it was started a negotiation on triangular cooperation that led to the signature, in 2009, of a Memorandum of Understanding on the Program of Association for the Joint Cooperation between both countries. This was the first agreement of triangular cooperation that Argentina subscribed with a Southeast Asian country (Ministry of Foreign Affairs, International Trade and Cult 2009).

In 2010 it was held the first meeting of the Committee of Planning on Triangular Cooperation; and it was also implemented several technical assistance projects regarding rural development, energy and industry, science and technology, among others. Like the case of the Philippines, it was signed a cooperation Protocol with SENASA regarding information of the phitosanitary situation of several farming products (Chief of Cabinet of Ministers 2010, 125 & 281). Continuing with this initiative, on October of 2011 it was carried out the First Exchange Program of South-South Cooperation and Administration of International Cooperation between the agencies of both countries. The objective of the program was the training of governmental officials of the Thai Agency and of the Ministry of Foreign Affairs of Thailand in the management of International Cooperation so as to generate an exchange of mutual experiences and knowledge regarding this topic (Ministry of Foreign Affairs, International Trade and Cult 2011c).

The last country to analyze is Singapore. In this case there are not many links between both countries, being the commercial relation the most important one but, at the same time it has an insignificant impact on the total trade of the country. Due to this, there are not many diplomatic or political contacts. In 2006 there was an official visit from Singapore, including businessmen from real state sector, hotels, tourism, production and distribution of food and beverages, with the objective of informing about opportunities of investment in Argentina (Minister of Foreign Affairs, International Trade and Cult 2006). During 2007 there was a meeting between the Minister of Foreign Affairs of Argentina and its equal of Singapore, trying to reinforce the political dialogue and the strengthening of cultural, commercial and technological links. During that year it was expanded the list of meat processing plants authorized to export to the Southeast Asian country (Chief of Cabinet of Ministers 2007, 59-61). During 2008 there were no major meetings or events, just the monitoring of the activities already started. In 2009 and 2010, the Non Resident Ambassador of Singapore visited the country. On August
2011, during the FEALAC summit, it was signed a Memorandum of Understanding regarding Political Consultations with Singapore (Ministry of Foreign Affairs, International Trade and Cult 2011d).

Argentina’s main partner during most of the period was Malaysia. These two countries relation has been characterized by strong links, forged during the nineties. Although the turning of the century has witnessed an abrupt interruption of foreign policy initiatives from the Argentinean side, it is evident that this did not diminish the trade relations that have become even more active. The most outstanding change in Argentina’s trade links with SEA was the remarkable increase of exports to Indonesia. Between 2009 and 2011 exports to this destiny grew from 603.9 millions of dollars to 1,530.9 millions. Argentina’s Foreign Minister recent visit to the country must be understood within this context. There certainly is a close relation between trade links and the political relevance Indonesia has gained for Argentina’s foreign agenda.

As we have already remarked before, the trade balance has favored Argentina during the whole period, with a significant surplus since exports almost doubled imports from the region. Foreign policy initiatives, although not absent, had a low profile, and were oriented to opening markets for new exports and reinforcing some existing ones. Its impact on trade relations was not evident. The remarkable trade imbalance is one possible explanation to these weak foreign policy activities, given the uncomfortable situation this asymmetrical relation could generate in Asian counterparts’ vis-à-vis its Argentinean partners.

Figure 2
Argentina’s exports to SEA-6, by destination 2003-2011, in thousands of dollars

(UNComtrade 2012)
Argentina’s exports basket was highly concentrated in very few items, reproducing a tendency already present in its trade relation with SEA in the previous decade. Figure 3 shows an impressive and increasing concentration in only one product: soybean oil residues. On top of this, two of the other three most exported products to SEA also consist of soybean or its derivates. The four main products Argentina exports to SEA account for more than two thirds of the total exports to the region (7.6 billion out of 10.2 billion dollars in 2007-2010).

![Figure 3](https://example.com/figure3.png)

Argentina’s exports to SEA-6, by principal products, 2007-2010, in dollars

(UNComtrade 2012)

It must be mentioned that some manufactures also participated in the exports basket in those years, but their share in the total showed a decreasing tendency. Some examples of these are motor vehicles to Vietnam (contracted from 40 million in 2008 to 32 million dollars in 2010), and iron tubes to Indonesia and Singapore (UNComtrade 2012).

In line with the diagnosis elaborated by the IDB for Latin America and East Asia trade relations as a commodity-for-manufacturing pattern, Argentina’s trade towards SEA reflects this same tendency. The only slight difference is that most of Argentina’s exports consist of agricultural manufactures with a low degree of value added.
Conclusion

The limited importance of the interregional and bilateral trade among the countries of both regions led to a late development of political and economic links. The nineties, with the end of the Cold War and the spread of economic liberalization, constituted the opportunity to improve the international insertion of both regions. From that time on, the meetings, negotiations and agreements signed were prolific until the 1997 Asian crisis that decelerated these dynamics. In the case of Argentina, after the 2001 crisis, concentrated its efforts more in the Latin American region than in the Asian one. This affected the process of strengthening the links.

Although there is potentiality to increase trade exchanges given the low interdependence between both regions, there are several factors that prevent this phenomenon to happen. First, SEA and the South American countries compete to access to the same markets and also to attract FDI from other East Asian countries as well as from other developed countries (Rubiolo & Baroni 2011). Second, there are high costs in the exchanges due to high tariff and non-tariff barriers and to high costs of transportation, poor infrastructure and inefficient transport services (ADB 2012, 16). Third, the limitation of products in the export basket of Argentina –mainly raw materials and agricultural manufactures- curtails the possibilities of expanding exports to the countries of Southeast Asia.

The 2008 global crisis made clear the need to reduce dependency on few big partners. It also created the scenario to develop and strengthen trade relations with non traditional markets. Argentina has the opportunity to diversify its commercial links towards these dynamic emergent Southeast Asian economies. Diversification could represent for Argentina and other South American countries, a chance to reduce vulnerability to future external changes and to broaden their political and economic autonomy.

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