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MERCOSUR'S FUTURE

Integration Ideas

MERCOSUR’s Futures

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Marcos Peña: Toward an Integration Agenda for Latin America

The debate on the future of the MERCOSUR is crucial to the future of Argentina and that of the region.

A strategic alliance with trade partners from the MERCOSUR and the rest of Latin America is a natural platform for Argentina to integrate politically, economically, and socially into the global arena in. The aim of this strategy is to generate greater development and well-being.

Argentina is seeking to take a qualitative leap toward global integration. That leap starts with forming closer and stronger ties with other MERCOSUR member countries and with other integration schemes, such as the Pacific Alliance.

Argentina and Brazil have recently begun to coordinate solutions to pending issues on the integration agenda, such as phytosanitary standards, exclusions, and other obstacles that continue to prevent them from achieving a truly efficient form of integration. The two countries have agreed to discuss negotiation strategies and trade and tourism promotion.

They are beginning to explore the possibility of establishing shared consulates so as to have joint representation in different parts of the world.

Two upcoming international events to be held in Buenos Aires, the WTO Ministerial Meeting in late 2017 and the 2018 G-20 Summit, should function as a springboard for better integration for Argentina and Latin America as a whole. This is why it is so important to work on a shared regional agenda for these gatherings.

Gustavo Beliz: A Broad Strategic Vision to Revitalize the MERCOSUR

The results of the “MERCOSUR Futures” report can be grouped into four strategic areas that encompass different aspects of integration.

The first of these is trade: we need to move toward an early harvest within the MERCOSUR and in Latin America as a whole. Given that 93% of the goods that are traded between the countries in South America are already tariff-free, this is about working on more sophisticated matters: items on this agenda that could bear fruit in the short term include the harmonization of standards, the elimination of nontariff barriers, a safeguard regime, and dispute settlement mechanisms.

The second key idea is productive techno-integration. Technology can be put to the service of better integration. Single windows for foreign trade are an example of how import and export costs can be brought down. There are many local initiatives that could help make integration into an economic policy tool that engages with the technological revolution that the world is going through, such as autoparts manufacturers specializing as global suppliers, “anchor firms” that act as sources of systemic competitiveness, and giving a regional impetus to knowledge-based service exports.

The third sphere is sustainable development. The integration agenda cannot be separate from important development goals such as environmental sustainability and improving the incomes of broad swathes of the population. We could, for example, implement regional programs that contribute to expanding the use of renewable energies and establish tax incentives to protect the environment and promote the development of small-scale farmers through the use of new technologies. Such initiatives would help protect the ecosystem and ensure that the fruits of technology and integration improve everyone’s well-being.

The last point is granular governance. It is time for us to agree on a joint investment regime, leverage innovation through strategic government procurement, respond to China in unison, and guarantee transparency in physical connectivity projects.

José Luis Lupo: The IDB Provides Firm, Concrete Support for Integration

The aim of the IDB is to improve the lives of those living in Latin America and the Caribbean. Part of that improvement comes from implementing smart, creative forms of integration that are oriented toward innovation and social inclusion. The IDB’s mandate translates into a goal of investing 15% of its portfolio in projects with integration components.

The IDB has US$24.5 billion invested in its active portfolio in the MERCOSUR and several of those projects will reduce barriers to integration. These initiatives are part of the strategy that foresees parallel work on the software and hardware of integration. In connection with the former, the IDB has provided loans for single windows for foreign trade (VUCEs) in Uruguay, Paraguay, Chile, and Peru. In 2016, Argentina also became part of this group following a US$73.6 million loan to implement the VUCE system. The key now is making these VUCEs interoperable through a joint platform that will encompass all of South America and eventually all of Latin America. The IDB is also supporting Argentina and Brazil’s initiative to facilitate trade by bringing their foreign trade procedures in line with one another, connecting their VUCEs, and strengthening the Argentina–Brazil Bilateral Production and Trade Commission. The IDB’s investments in physical connectivity include a loan of US$40 million in 2016 for the landmark Agua Negra Binational Tunnel between Argentina and Chile. The loan will support environmental studies, the binational management and oversight of the project, and the drafting of the call to tender. Other projects involve the optimization of the Cristo Redentor border crossing between the two countries, the upgrading of the Montevideo–Rivera Highway (which connects Uruguay, Argentina, Brazil), the new lanes on Route 19 between Santa Fe and Córdoba (part of the Brazil–Chile connection), and the construction of the El Dorado-Mayor Otaño Bridge between Paraguay and Argentina. Also on the table is an ambitious project for the Jesuit Mission tourist trail which includes Argentina, Brazil, Uruguay, Paraguay, and Bolivia and may expand to include Chile.

Alejandro Ramos: The New Normal and Technological Innovation

The texts included in the "MERCOSUR Futures" report seek to:

* Capture the effects of the new normal in global trade following the financial crisis.
* Explore the interaction between integration and technological innovation.
* Provide a medium-term outlook of both the past and the future.
* Come up with positive agendas for revitalizing the MERCOSUR.

The report is made up of five sections: an overview of the current state of affairs (2015–2017), negotiation paths (both external and internal), sectoral perspectives, innovation, and the environment.

The most tangible effect of the new normal in global trade on the MERCOSUR has been a sharp drop in exports. In January 2017, the annual moving average for the bloc's total exports stood at US$22.2 billion, nearly 26% below the peak of March 2012. Imports have also contracted considerably (particularly in Brazil), as has intra-MERCOSUR trade: in 2016 this totaled US$38 billion, almost 40% less than the high point of 2011.

This state of affairs points strongly to the need for an urgent strategic approach, one that seeks to improve the performance of the external sector in all countries, which could well involve adapting and modernizing the MERCOSUR as a tool for competitiveness.

The interaction between integration and technological innovation is illustrated by the relatively positive performance of the agriculture sector in MERCOSUR countries. International production indicators for this sector show the MERCOSUR to be one of the regions with the most solid growth trends in the last decade. Thanks to the spread of innovations that have arisen since the 1990s, the region's agricultural output now far outstrips the global average. However, in terms of the modern technological pattern ("producing more with less"), there is a clear gap between the MERCOSUR and the leaders of this technological revolution: the USA, Europe, and, perhaps surprisingly, China. The latter is, of course, the main market for the MERCOSUR's extraregional agricultural exports. This lag can be seen most clearly in terms of product innovation, which hinders export diversification.

Together, these results constitute a call to intensify the MERCOSUR's agricultural integration on two fronts: first, successfully unifying the bloc's markets, which is an essential step toward developing regional value chains with an international presence; and second, creating a regional agricultural innovation system that rationalizes the use of R&D resources and helps the MERCOSUR adopt the same standards for efficiency and diversification as the world's leading countries. The constructive principle of integration would also suggest that we seek synergies between the public and private sectors.

Sandra Polónia Rios: Priorities in the New Global Context

There is widespread consensus that the MERCOSUR needs to move toward a new phase in its development, with a more proactive external agenda. However, in setting out on this quest for greater international integration, the MERCOSUR is venturing into a hostile external environment that is marked by the downturn in the growth of world trade and increasing uncertainty around the future of megaregional agreements. We need to be clear that this new consensus in favor of greater global integration entails challenges both from within the bloc and outside of it. First, the structure of comparative advantages means that offensive interests are focused on products for which there are protectionist barriers in many markets, while its defensive interests seek to protect the internal market for locally produced manufactures and services. This combination has traditionally led to trade-offs that have brought the negotiations in question to a halt. The fact that the MERCOSUR has some of the highest levels of protection for industrial products in the world means that getting involved in these processes may possibly lead to nonreciprocal liberalization processes. The state of affairs outside the region is marked by a more fragmented form of international governance and an upsurge in protectionist and nationalist narratives.

All these difficulties, however, must not deter the MERCOSUR from revitalizing its external negotiations. In this sense, the priority items on a potential agenda for the bloc would focus on very specific areas. For example:

* Adhering to plurilateral WTO agreements such as the Information Technology Agreement (ITA) and the Agreement on Government Procurement.
* Successfully concluding MERCOSUR–EU negotiations, a long-running process that has recently been relaunched.
* Working toward a wider free trade agreement for Latin America and the Caribbean, using the Pacific Alliance and MERCOSUR as fulcrums.
* Negotiating free trade agreements with Canada, Japan, and South Korea.
* Deepening partial agreements with India and the Southern African Customs Union (SACU).

Daniel Godinho: From Tariff Liberalization to Integrated Trade in Latin America

Trade in goods is reasonably deregulated in Latin America but it is not integrated. The region's priority objective should be to tighten ties between the MERCOSUR and Mexico. At present, only Uruguay has an up-to-date free trade agreement with the latter. However, it is worth noting that negotiations are underway to make up for this enormous missing link in trade agreements between Latin American countries.

A key part of this process hinges on rules of origin within trade agreements. The MERCOSUR's historic stance on rules of origin is out of step with the global consensus: its rigid regulations in this regard do not contribute to increasing competitiveness in a world where the trend is toward the vertical relocation of production. As a consequence, a new Latin American trade agreement could move toward standards that help trade within the bloc to flow. There has been some movement in this direction lately, such as the negotiations between Brazil and Uruguay in the automotive sector.

If the bloc is to move toward greater integration, other fundamental issues need to be added to the agreements that the MERCOSUR is already party to or is currently negotiating:

* Trade facilitation
* VUCE
* Investments
* Government procurement
* Services

Félix Peña: A World That Is Being Redesigned in Search for Equilibrium

The new global context is demanding that we take initiative in two directions: redesigning agreements and, at the same time, seeking new points of equilibrium between countries. These will be the needs that will dominate the negotiation agenda over the course of the next year both at the global level and within the different regional spheres.

The former concerns redesigning the WTO to create a new space for that responds to the looming uncertainty about the future of the mega-agreements which at one point seemed to be shaping the rules for a new global economic order. This uncertainty has meant that certain aspects of the WTO world order could play a major role in maintaining global trade—for example, certain plurilateral agreements.

Furthermore, the current state of global trade has been caused by the loss of the equilibria that had seemed to be on the horizon. We need to seek out new points of equilibrium from a contemporary perspective. A core issue, therefore, is determining what components we need to redesign, which rulemakers will be able to put forward ideas that will be widely accepted, and what will happen if they are not and the trend toward fragmentation continues. The loss of equilibrium is related to various tensions that have arisen due to recent global phenomena, the most noteworthy of which are:

* The impact of technology on connectivity.
* The growth of the urban middle class, fundamentally in the developing world.
* The difficult task of reconciling flexibility with predictability: designing rules that can stand up to today's changes and the complexities they entail.

We will need to find lasting points of equilibrium between the different fronts that each country is operating on globally, regionally, subregionally, and within its borders. How will we find these? That is the great challenge that negotiators are currently up against.

Álvaro Ons: An Agenda Short on Credibility and Certainty

Regional integration should be an instrument through which the region's member countries can develop. We need to strengthen intraregional trade. To achieve this, we must implement an agenda that brings a sense of certainty and credibility to the MERCOSUR. We need to reformulate this economic/trade agreement through a short list of initiatives that are prioritized at the highest level. This would improve how the bloc functions and create a space where we can continue building a functional form of integration. We also need to seek out flexible instruments that will allow us to reconcile national strategies. These might include:

* A dispute settlement mechanism: an instrument to promote normal trade operations by containing any frictions that may arise and improving market access. A mechanism of this sort could be developed by expanding the scope of application of existing procedures. It should anticipate and include compensation for noncompliance with dispute judgments.
* Nontariff restrictions (NTRs): carry out joint analysis work within the MERCOSUR to define how these will be handled. We need to avoid long lists and allow each partner to identify the restrictions that are most relevant to them.
* Safeguards for regional trade: these are connected with the elimination of NTRs and to greater transparency in procedures, deadlines, and intensity. This instrument should focus on encouraging the expansion of intraregional trade.
* Facilitation of intraregional trade: identification of key projects, electronic certificate of origin, authorized economic operators, interoperability of VUCEs, etc.
* Organ with technical autonomy and a regional vision: reformulation of its hierarchical position and functions; reports to Common Market Council; has a clear mandate.
* Flagship projects: identify relevance, visibility, probability of success; positive medium- and long-term agenda: infrastructure, science and technology, innovation.

Beatriz Nofal: Regional Government Procurement: The Key to Competitiveness

Since the financial crisis, the prospects for using smart instruments for productive development have opened up. Many developed countries have government procurement policies that are compatible with their trade commitments. The MERCOSUR could explore this path from a regional perspective. Apart from seeking to improve efficiency and transparency, a 21st-century public procurement policy would leverage innovation and the promotion and development of SMEs for appropriate social and environmental development, among other objectives.

The MERCOSUR should replicate the EU's Europe 2020 strategy which is oriented toward intelligent, sustainable, and inclusive growth which also guarantees more efficient use of public funds. This would clearly require a high level of professionalization within the state and close collaboration between the public and private sectors.

The MERCOSUR is the best platform for improving the international integration of its member countries.

Ricardo Rozemberg: Pragmatic Modernization for the MERCOSUR

The MERCOSUR needs to focus its agenda on a limited number of critical core issues. It needs to develop an agenda that contemplates new mechanisms and to update those that have already been included. It must also fine-tune the coordination of its political and technical interests. A much larger volume of business should take place in the context of the MERCOSUR. Progress undoubtedly needs to be made on the government procurement agenda: 15% of global trade is explained by government procurement, and the MERCOSUR is no exception to this rule. We also need to place greater emphasis on the ”escape mechanisms” that make the scheme flexible. Productive integration initiatives should be intensified to help the MERCOSUR adapt to the global trend toward forming value chains. The common external tariff needs to be adapted and incentives should be provided for infrastructure projects.

Fernando Porta: From Restrictions to Dynamic Global Integration

The MERCOSUR’s automotive industry has followed the major global trends for the sector. Any examination of how the sector functions within the region must consider the restrictions that constrain it, such as its limited scale, the lack of dynamism in the region’s autoparts sector, and the market concentration for some inputs, which increases costs. A positive agenda for the sector could aim for:

* The exclusive allocation of certain models both within the MERCOSUR and for other markets.
* The development of global autoparts suppliers seeking to export.
* National regulatory schemes that are compatible with the quest for intraregional equilibrium.
* Export diversification, opening up new markets within South America.
* Improving access for different types of inputs at different prices.
* Coordinating an agenda of incentives and productive development.

Gustavo Rojas: Integration Would Catalyze New Technology-Related Benefits for Small-Scale Agricultural Producers

The MERCOSUR could contribute to articulating public policies to strengthen technology use among small-scale agricultural producers in three ways:

* Production: Articulating access to knowledge through the use of new technologies. Focus on agricultural extension services, digital literacy, and mobile-based information services; shared work agenda carried out by the MERCOSUR Special Meeting on Family Farming (REAF) and the Cooperative Program for Agrifood and Agro-industrial Development in the Southern Cone (PROCISUR).
* Financing: Improve national regulations to increase access to financing and the implementation of agricultural insurance programs; work with regional departments for insurance and financing.
* Trade: Improve market access by using new technologies; regional traceability program; articulation with regional agrotechnology hubs; mutual recognition of records; regional agreement for government procurement; regional labeling standards; designations of origin; e-commerce; regional competition policies.

Andrés López: Looking at the Future

The MERCOSUR has an automotive industry that is technologically competitive at the global level. Its plants produce models that are comparable to those of the global market with only a slight lag behind launches in other countries. However, the MERCOSUR has remained passive in the face of the huge changes and innovations that are taking place within the global automotive sector: the regional market is not developing electric or driverless cars. Technological decisions are still being made in other parts of the world and this implies substantial risks for the region's development strategies. As a consequence, we need to make the effort to look to the future, or to alternative futures in which what we currently take for granted might no longer exist. The automotive sector may no longer be a dynamic driver for growth in the years to come.

A core factor that needs to be rethought is the sector-specific approach to policy-making. This no longer makes sense, because what "sectors" do is articulate a cluster of services and innovations that would be better understood as chains. Future policies need to be approached in these terms and no longer on the basis of possible sector-specific incentives. These chains bring together primary, industrial, and service-based activities. The MERCOSUR may turn out to be a suitable forum for discussing these issues and moving toward initiatives with regional implications.

AGRICULTURAL INTEGRATION

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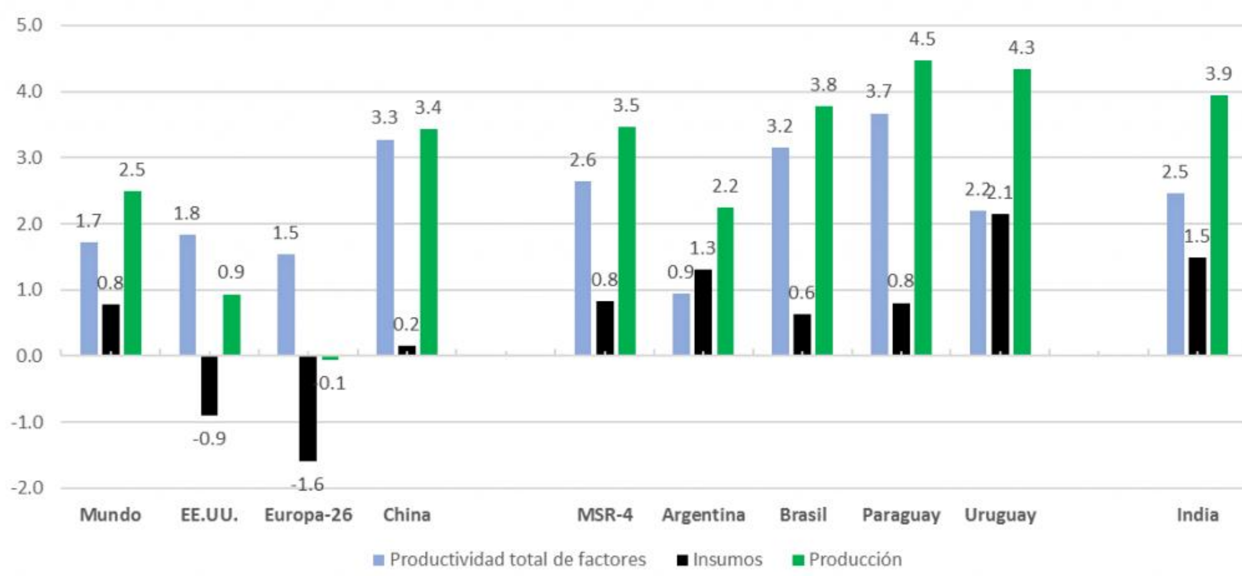
AGRICULTURAL INTEGRATION

Since the 1990s, technical change in global agriculture has revolved around the introduction of technology-intensive production methods that increase efficiency: "producing more with less." On the other hand, the introduction of multiple product innovations has generated a wide range of markets for the agriculture sector that are both global and diversified. The MERCOSUR countries have positioned themselves against this backdrop as uniquely important players in terms of global agricultural supply. Growth in local production has far outstripped the global average and the MERCOSUR is among the economies to have notably increased their agricultural output over the last decade, as have China and India.

This growth is partly explained by their effective adoption of more efficient technologies but also by an increase in the use of resources. In this sense, the MERCOSUR growth path contrasts with that of countries with "more mature" agricultural production, such as the United States and Europe, but also with that of China. The latter has seen an increase in output that is comparable to that of the MERCOSUR. China has unexpectedly proven to be not only the "workshop of the world," but also a major agricultural competitor. The pace of technological innovation in the MERCOSUR countries is not entirely in sync with the trends set by the leading global players. Although there have been improvements in efficiency, these are not on a par with the more dynamic hubs and have actually dropped off in recent years. Likewise, the structure of the bloc's agricultural specialization reveals limited product diversity. This last point is a cause for particular concern as it reveals that the sector's innovation system has limited capacity for generating diversified products, which has been the other major trend in global agricultural development in recent decades.

Contribution of the variations in total factor productivity and inputs to the growth of the gross volume of agricultural production in selected economies, 2004–2013

(In percentages)



Note: The gross volume of agricultural production and the volume of inputs used are estimated at constant prices in US$2005. The figures correspond to the average logarithmic rates of change for 2004–2013. Total factor productivity is the difference between the rates of change for production and inputs. Source: Prepared in-house using data from the US Department of Agriculture's ERS.

Intensifying agricultural integration in the MERCOSUR will contribute to improving the sector's performance. On the one hand, a truly integrated market with no barriers and unified regulations and inspection processes is a necessary condition for developing regional value chains with global potential within this sector. On the one hand, a regional innovation system would help rationalize the use of resources for agricultural science, innovation, and product development and thus bring the local pace of innovation in step with that of leading global economies.

The article by Alejandro Ramos Martínez, integration and trade specialist at IDB/INTAL, and Fernando Vilella, director of the Department of Bioeconomics, Public Policies, and Prospectives at the University of Buenos Aires' School of Agronomy, published in MERCOSUR Futures. New Directions in Regional Integration , focuses on the role that agricultural integration could play within the MERCOSUR to leverage a broader, more competitive form of global integration for this sector.

Descargue el artículo completo en el siguiente enlace: Los Futuros del MERCOSUR

Small-Scale Producers: The Challenge Is Technological

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The use of information and communication technologies (ICTs) is key to becoming competitive, accessing new opportunities, and successfully integrating into global value chains. For small-scale producers from the MERCOSUR, who account for 5 million of the region's agricultural establishments and supply most of its basic food basket, the need for this technology is particularly marked, notably in relation to access to financing, production, and logistics and marketing flows. How can these producers take advantage of new tools to find solutions and improvements to the economic challenges they are facing?

The article "New Technologies and Small-Scale Producers," by Lucas Arce and Gustavo Rojas, examines this question and the problems and challenges it entails. It provides examples of uses of technology in the agriculture sector in other countries and puts forward potential regionwide lines of action.

The authors argue that globalization is a source of both opportunities and challenges for small-scale agricultural producers. "The creation of a global market for their products and the lifting of tariff restrictions as a result of regional agreements has put new competitive pressure on small producers," they argue. "On the one hand, technological progress and increased access to technical innovations (such as in the area of ICTs) are giving small producers new tools that they can use to compete in the international market and form part of global value chains." The authors believe that "the MERCOSUR could be a strategic arena in which to take advantage of new technologies at the regional level. The bloc includes institutional spaces in which government officials, and entrepreneurs, and leading figures from the world of family farming all take part."

Small-scale producers play an important role in the MERCOSUR in demographic and economic terms. They account for 83% of all agricultural establishments and generate significant numbers of jobs. In fact, "the incomes of around 30 million people (60% of the rural population) in the form MERCOSUR countries are directly linked to small-scale agriculture."

There are several regional promotion institutions, such as the MERCOSUR Family Farming Fund (FAF-MERCOSUR) and the Regional Exchange Program on Public Procurement in Family

Farming, which were established as part of the MERCOSUR Special Meeting on Family Farming (REAF), a MERCOSUR advisory body which in recent years has put forward regional initiatives to support small-scale production. The FAF-MERCOSUR, in contrast, is a nonrefundable fund administered by the United Nations Food and Agriculture Organization (FAO) which has proposed promoting trade in products from small-scale farms through mutual technical cooperation and FAO support. "This has created significant public policy synergies while encouraging governments to create their own work areas from which to address the issue of family farming," say the authors.

Production Tools

The article looks at the potential for the use of ICTs in three areas (production, financing, and trade and logistics), the challenges facing each sector, and examples of how these technologies are being used in other countries.

The challenges to production are manifold. "The MERCOSUR has the highest density of agricultural knowledge and research capacity in Latin America. However, while in developed countries the private sector plays an increasingly important part in this process, in the MERCOSUR research financing and the development of technological applications for the agricultural sector is highly dependent on public funding," say Arce and Rojas. Agricultural extension programs are developed by a network of different institutions in each country which operate in a centralized fashion, which "limits their contact with small-scale producers." According to the authors, "although we have moved toward developing a new approach to optimizing small-scale production in the MERCOSUR, we have yet to create one that successfully integrates the particular features of family farmers with the growing demands of the international market."

Digital tools give extension services new ways of providing farmers with knowledge and information. "By cooperating with agricultural research and extension services, organizations such as Green Digital, Grameen Foundation, Reuters Market Light, and Technoserve can provide cheap, timely, relevant information and consultancy services in a way that is easy for farmers in South Asia, Latin America, and Sub-Saharan Africa to process," the authors say. "Instead of having to travel to the farm, extension service agents use a combination of voice, text, and video messages and other online tools to reduce costs and interact more frequently with farmers. Similarly,

governments use these tools to coordinate the distribution of improved seeds and subsidized fertilizers in remote areas through electronic coupons, such as in the large-scale mobile e-wallet initiative in Nigeria." As a consequence, "small-scale producers make use of these technologies because they are much less costly than traditional services. A study in India has demonstrated that information provided via farmers' mobile phones at a cost of just US$0.60 per month was able to change farmer behavior, increasing their knowledge of available crop and input options, such as seeds and fertilizers, and improving their investment decisions and profitability."

With regard to financing, just 15% of the small-scale producers in the MERCOSUR have access to formal credit programs. However, "the MERCOSUR has extensive cell phone networks and the use of cell phones is widespread. Together with the slow but continual advances in data transmission infrastructure, this mean that the region is fertile ground for the expansion of online financial services through mobile platforms. For those sectors of the population without access to banking services, which is true of many small-scale farmers, these new systems are the first step toward their inclusion in the financial system. These services include payment operations, cashflow management, and sending money within the country. Some have great potential to really transform the sector, such as access to financing, receiving international money transfers, and being paid wages or public subsidies." Initiatives such as Kenya's M-PESA system are good examples that may be worth following. M-PESA is a mobile e-wallet service used by more than 30 million people in 2011. Its financial network includes 37,000 agents and nonbanking operators throughout the country, while its banking network has 876 branches and 1,424 ATMs. M-PESA offers services such as money transfers, payments, and transfers to other users, all using mobile phones.

As financing is key to improving the competitiveness of small-scale farmers (among other factors, by facilitating their access to global value chains), MERCOSUR states should support ICT-based financial inclusion schemes. To do so, they need to work on several fronts: building their regulatory framework, improving cell phone network coverage, and incorporating new financial products and services that are in keeping with the reality of life for small-scale farmers.

Thanks to improvements in logistics, food product markets are increasingly being supplied through regional and global agricultural value chains. "However, in developing countries, a large proportion of food products are still sold through informal markets which are supplied by local

farmers," say Arce and Rojas. They add that, although small-scale farmers in the MERCOSUR may manage to access local value chains, their integration into the international market, which demands products of an increasingly high quality, is much more complex.

As they point out, "new technological advances have lowered transaction costs, increased profits, and minimized waste. New technologies have improved coordination between supply and demand for products, strengthening trade networks and increasing the efficiency with which merchandise is transported to new markets." Although conditions in the MERCOSUR mean the region is well positioned to take advantage of this progress, "its infrastructure is still lagging behind the rest of the world, which is affecting costs and access to markets and public services for small-scale farmers." In this regard, Arce and Rojas argue that "building infrastructure is necessary if we want to improve logistics for small-scale producers, given that they tend to be located in less accessible areas." They go on: "the development of transportation needs to be coordinated with local processing plans, as this gives rise to rapid increases in productivity that derive from better access to markets and public services and reduces the amount of food waste along the chain, among other factors. Better infrastructure needs to come hand-in-hand with soft credit to associations of farmers to be used to buy vehicles and refrigeration systems to facilitate the logistics of their operations."

What Does Recovery of Commodity Prices Depend on?

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Although commodity prices began to recover last year, most are still lower than before the collapse of 2014, and significantly lower than the high point of 2011.

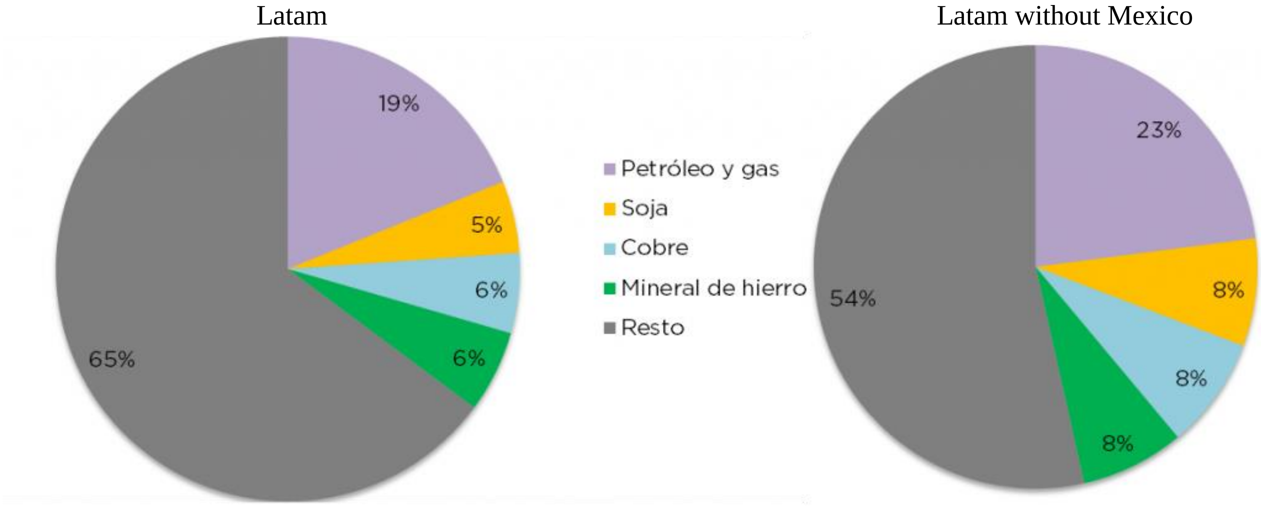
In 2016 and the first few months of 2017, commodity price dynamics responded to supply and demand factors, some of which are market-specific, such as the OPEC decision to cut down oil production or China's credit injection into copper and iron. Other factors are tied to the performance of the global economy. It is striking that the appreciation of the dollar has not put downward pressure on these prices, as has historically been the case.

This article examines the factors that have influenced the behavior of this variable, which is key for Latin America's export sector, and separates structural factors and short-term factors.

The Four Complexes and Export Concentration

It is well-known that the exports of many countries in Latin America and the Caribbean are highly concentrated in a handful of products. The four main export complexes—oil and gas, copper, iron nor, and soy—explain 35% of total external sales between 2011 and 2015. If the region's largest exporter, Mexico, which is highly specialized in manufactures, is left out of the equation, this share increases to 46% (figure 1). Other commodities such as sugar, coffee, and bananas are extremely important within certain countries' export baskets although their share in the regional total is less noteworthy. As a result, the behavior of these commodity prices is a key component in the evolution of the region's exports.

Figure 1. Share of the Main Export Complexes in Export Totals for Latin America and the Caribbean, 2011–2015



Source: IDB/INTAL using data from DataINTAL.

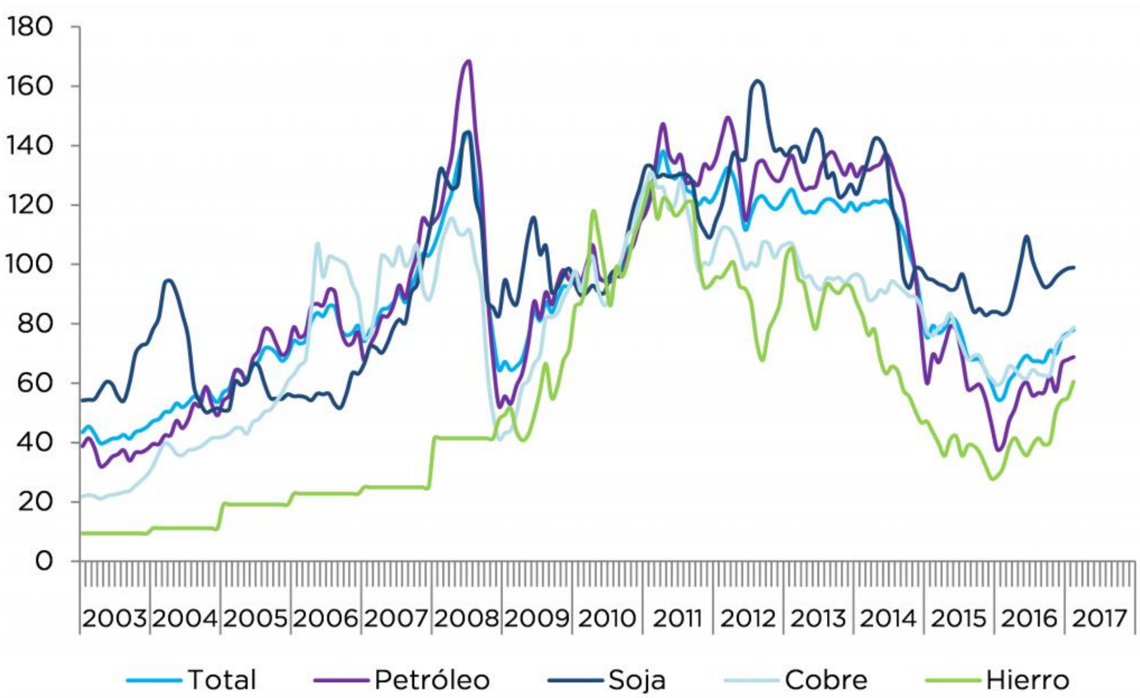
The End of the Supercycle

The export boom of 2003–2008 was due to a sharp increase in the prices of these commodities. This boom came to an abrupt halt following the global financial crisis (figure 2). This "supercycle" had a major postcrisis knock-on effect due to a series of stimulus measures that were implemented in many of the major global economies. This prevented the deflationary spiral that would otherwise have followed, so much so that, with the exception of petroleum, prices in 2011 were even higher than before the crisis.

However, these bullish trends soon slowed and, in some cases, even began to reverse. The turning point came in September 2014 when there was a sudden drop in prices, leading to deflationary tension in the global economy, which revolves around the petroleum market. This downward streak continued unabated for 16 months until the start of 2016 when prices finally bottomed out. The trend has been positive since then, although prices have not yet returned to their former high points, although in some exceptional cases they have gone back up to levels that are similar to those of mid-2014.

Figure 2. Price Levels for Selected Commodities

Indexes, 2010=100, 2003–2017



Nota: El total corresponde al promedio ponderado de los índices de precios de los productos básicos incluidos en la estimación del FMI. Fuente: BID-INTAL con base en datos del FMI.

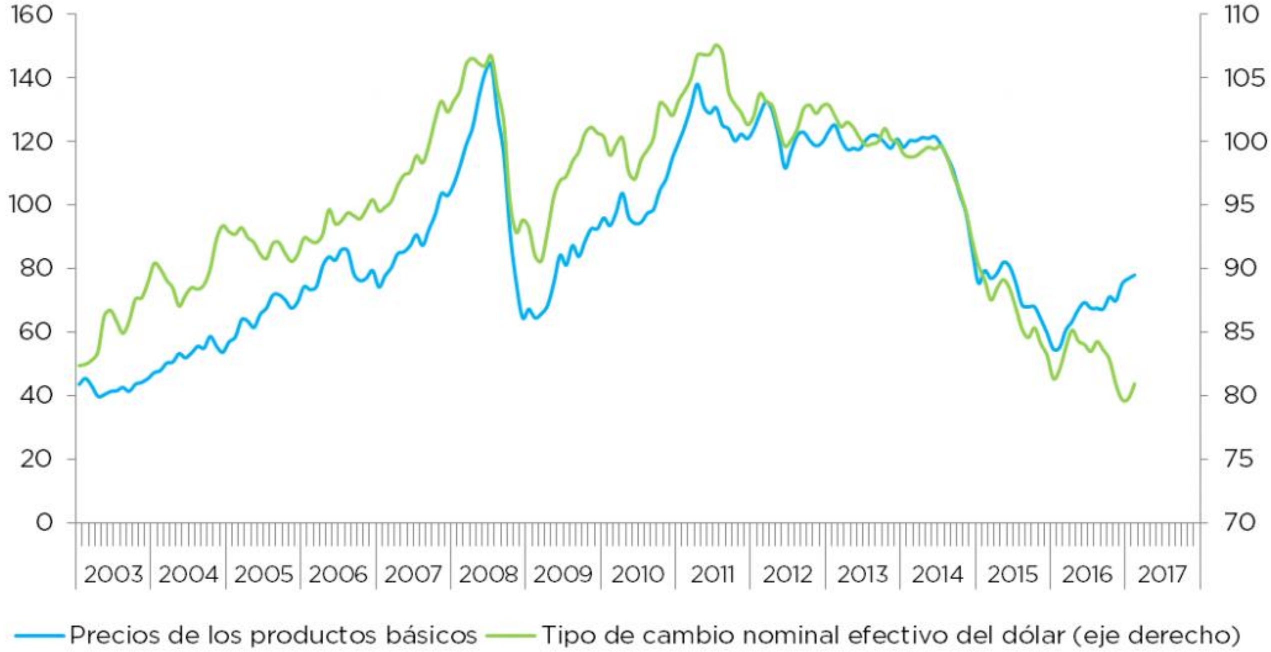
Markets and the US Dollar

As was observed in the Trade and Integration Monitor 2016, "Price fluctuations are driven by two determinants […] The first one [is] changes in the value of the dollar, the currency in which trade flows are denominated" and in which most of these products are priced. "All else constant, an appreciation of the US currency drives the prices of goods down, as fewer dollars are needed to purchase them. […] The second determinant thus accounts for price fluctuations induced by factors other than changes in the value of the dollar, and related to the dynamics of specific markets." Breaking down the two factors reveals that, with the exception of certain short periods of time, commodity prices have closely followed the behavior of the dollar (figure 3).

One novel aspect of the 2016 recovery has indeed been the dissociation between the behavior of the dollar and commodity prices. Although the value of the dollar is clearly on the rise, commodity prices have also gone up, breaking this erstwhile correlation. This reveals that market-specific effects have had a profound influence on the current context.

Figure 3. Effective Nominal Exchange Rate of the Dollar and Commodity Prices

Indexes, 2010 = 100, 2003–2017



Note: The effective nominal exchange rate of the dollar is the average of rates for a broad basket of currencies. A negative/positive slope indicates appreciation/depreciation of the dollar. The price index is the average of the IMF global basket. Source: IDB/INTAL using data from Federal Reserve and the IMF.

Crosscutting and Sector-Specific Determinants

Some of the determining factors that have been present since 2016 are common to several markets. The first of these are the Chinese government's stimulus measures, which seek to mitigate fluctuations in exchange rates and stock markets and, more broadly, to dampen the impact of the growth model's change of direction toward consumption. The second is the expectations that have arisen around large infrastructure investments in the US, which are slated to be part of the new administration's economic strategy.

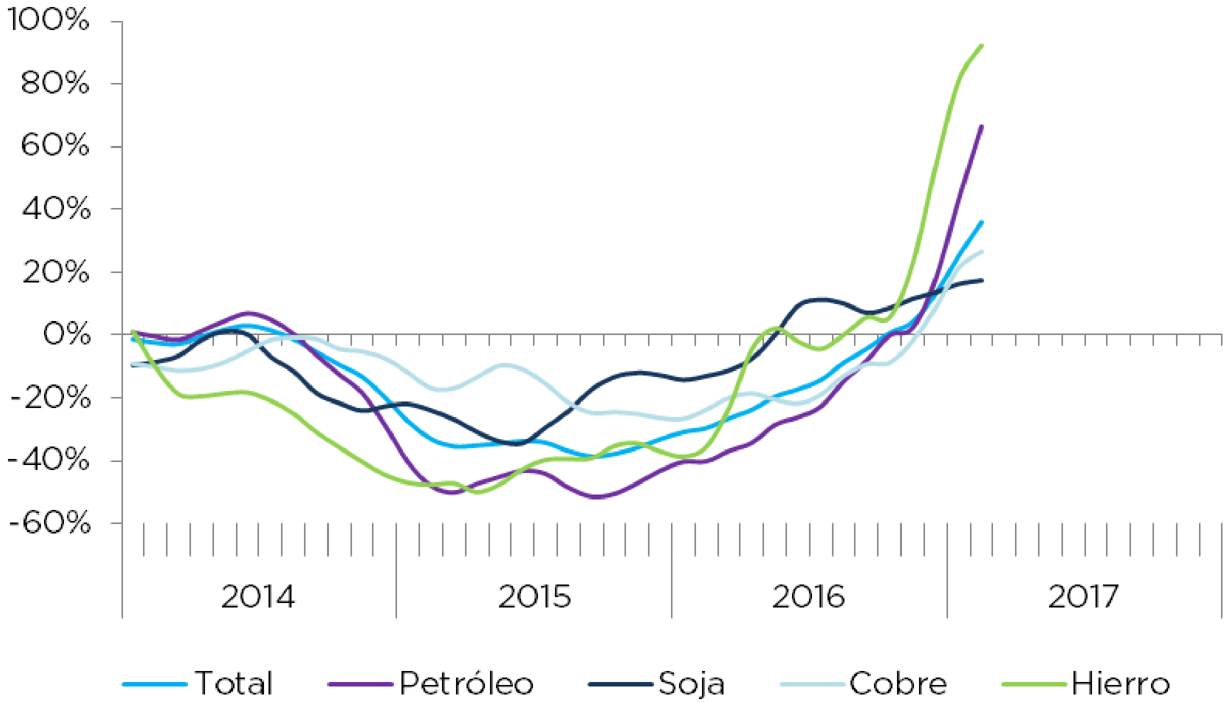
Although both factors have stimulated demand for commodities, they are both shrouded in uncertainty: in the first case, the measures have repercussions for China's financial stability and thus may not last; the implementation times for the latter could be extremely lengthy and may be framed within restrictive policies for global trade, the effects of which may be unpredictable.

In any case, in recent months there have been some more stable positive signals that the recovery of the commodity market may prove to be enduring. If there is an upturn in growth in both the developed and emerging worlds and these improvements unfold simultaneously, it could create feedback effects between consumption and investment, which would have a favorable impact on demand for commodities.

Market-specific factors include oil prices, which dropped by 73% between June 2014 and January 2016 due to oversupply2 but recovered significantly throughout 2016 (figure 4). The Chinese stimulus measures and other factors prompted an initial recovery in early 2016. This picked up speed following the OPEC agreement in November to cut back oil production for six months, with the option of extending this for a further six months. Oil prices doubled between December 2015 and February 2017, but two-thirds of this recovery took place after December 2016. However, it is worth noting that prices remain 50% lower than the high point of June 2014, before the collapse began. What will happen to prices once the OPEC agreement expires is uncertain. Furthermore, the restrictions on OPEC's supply and rising prices have prompted the re-entry of other producers whose operations were not profitable during the price slump, which puts further downward pressure on prices.

Figure 4. Evolution of Prices of Selected Commodities

Quarterly moving average of the year-on-year growth rate, 2014–2017



Source: IDB/INTAL using data from the IMF.

Iron ore has enjoyed the best relative recovery: its price in February 2017 had more than doubled relative to the low point of December 2015, and most of this increase took place from December 2016 onward. This was driven by the aforementioned credit stimulus policies in the Chinese housing market and reductions in supply. However, as the first quarter of 2017 ends, these factors already seem to be wearing out. Indeed, the hike in interest rates on Chinese mortgages was reflected in the shift in the upward trend in mid-March. At this point, iron ore prices are still 35% below the high point of 2014.

The price of copper has been falling since 2011, more dramatically so since 2014. Although the pace of this downturn has been less marked than that of oil or iron, it should be remembered that copper prices were already falling even before the general contraction in trade. Furthermore, the price

recovery has not been so significant in comparison with the low point of January 2016. Although in February 2017 prices were 33% above that level, this is still 19% below the high point of early 2014. In any case, this recovery is explained by the demand-related factors in the US and China described above and other specific issues. For example, supply increased less than expected following the opening of new mines, while production in the world's largest mines was interrupted by labor conflicts (Chile) and regulatory measures (Indonesia).

The deflationary tensions that began in 2014–2015 had less notable effects on the agricultural products that are most relevant to the Latin American export basket. Even so, the price of soy plummeted by 42% between April 2014 and the low point of November 2015. This price also benefited from the trend toward recovery in 2016: in February 2017, its value had climbed back up by 19% although it remained 30% below the record of 2014. Recent data from the US Department of Agriculture shows that increases in production in 2017 will continue to push prices down. From a medium-term perspective, there have been signs of oversupply for several agricultural markets which have derived from the strong incentives for investment and production that arose during the peak price period, in a context in which demand is not increasing as quickly as before.3

In conclusion, temporary and structural factors are both playing a part in the current dynamics of commodity prices. Several of the price rises of recent months are connected to passing phenomena, while the impacts of long-term trends can also be observed, such as increases in production capacity driven by pricing during the boom years, along with technological innovations. These factors support the hypothesis that prices will stabilize at levels below those of the last decade once they have moved past the period of strong deflationary pressure of 2014–2015. A return to a firmer growth path for the world's major economies is the only factor that would have a long-term positive impact on these markets.

[1] On the rise: The global economy enjoys a synchronised upswing, The Economist, 18 de marzo, 2017.

[2] For more on the dynamics of the oil market and its impact on prices in 2014, see the Trade and Integration Monitor 2015. Double-Dip: Latin America and the Caribbean Facing the Contraction of World Trade.

[3] Agricultural traders warn of long-term oversupply, Financial Times, 28 de marzo, 2017.

How to strengthen intraregional trade?

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Foreign trade in goods has been the main focus of the MERCOSUR integration process due to its importance for the economic development strategies of the bloc's member countries and its effects on the evolution of nontrade-related areas of integration. The importance of this factor and the current state of the MERCOSUR—which is characterized by stagnation, a lack of conviction, and the absence of a plan to revert this situation—all make it necessary to reformulate the agreement.

The article by Álvaro Ons, Uruguay's secretary of productive transformation and competitiveness, published in MERCOSUR Futures: New Directions in Regional Integration (publication in Spanish), puts forward a brief agenda of feasible short-term initiatives that have the potential to bring credibility and certainty to intraregional trade.

The potential contents of a brief, viable, internal agenda could include: using a dispute settlement mechanism that would be perceived as an instrument for normal trade relations; defining a regional approach to nontariff restrictions; regulating a safeguard regime; implementing facilitation initiatives that reduce the cost of trade; establishing a technical organ with a clear mandate; and agreeing on flagship projects that, for example, anticipate regional science and technology or infrastructure objectives.

Download the complete article here: Los Futuros del MERCOSUR [MERCOSUR Futures] (link in Spanish)

Environmental tax policy

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Climate change and environmental sustainability have been arousing ever more interest in recent decades. The governments of a growing number of countries and social organizations that are actively campaigning to preserve natural resources recognize and stress how important these issues are for today's societies. The institutional developments and policies applied by these governments have stressed the need to introduce new regulations to mitigate the effects of climate change by seeking a reduction in greenhouse gas emissions.

The article by Fernando Lorenzo, director of Uruguay's Center for Economic Research (CINVE), published in MERCOSUR Futures: New Directions for Regional Integration (publication in Spanish), argues that the challenges of climate change need to be integrated into the design of development strategies that open up spaces where MERCOSUR member countries can work together on shared visions of the future.

Given how important natural resources are to the economic circumstances of the MERCOSUR countries, using these sustainably is a matter of strategic importance. Creating shared perspectives on environmental issues that encompass all member countries would contribute to achieving global targets for reducing vulnerability in the face of climate change. A forum for regional discussion would also allow the bloc to work toward the objective of achieving "environmental value added" and "green exports" which could form part of a strategy for competitiveness and the differentiation of products to be exported to the global market. Examining these issues from a broader perspective than that of national targets and initiatives would enrich initiatives such as an efficient environmental tax policy and the political economy–related issues that implementing a tax policy of this type would entail.

Download the complete article here: Los Futuros del MERCOSUR [MERCOSUR Futures] (link in Spanish)

RIDING THE GLOBAL MARKET

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The global software market is expected to grow by 7.2% over the next year and to create total sales volumes of US$357 billion, while information technology sales will reach US$943 billion, according to the consulting firm Gartner. Latin America and the Caribbean is positioning itself in the global context by creating a dynamic supply of software and information services (SIS). These are aimed mainly at the US and European markets but have started to diversify toward the other countries in the region in recent years.

Applications of new technology are becoming widespread throughout the region. A study carried out by the Inter-American Development Bank (IDB) and the Latin American Internet Association argues that, in the region, "online cross-border sales represent 38% of total sales and 41% of online sales." In Mexico, for example, 81% of exporters use online platforms to grow their businesses.

In Argentina, some 4,200 companies in the software sector employ 81,000 people. In 2015, these companies made US$1 billion in revenue from foreign sales, according to Argentina's Chamber of Commerce for Software and Information Services (CESSI). Some 50% of the sector's exports go to the United States, followed by Uruguay (9.2%), Mexico (9%), and Brazil (5.2%). In Uruguay, the software sector generates 16,000 direct jobs and is made up of 470 companies. In 2015, these exported US$400 million to more than 52 markets, according to the Uruguayan Chamber of Information Technology (CUTI). Aníbal Gonda, who is president of Genexus and a member of the board directors of CUTI, says that Uruguayan software start-ups plan to export from the outset "because the local market is small. The industry has an export vision, which gives us a competitive advantage." Some 27% of Uruguayan companies' business is with the United States, but they also export to Europe, Japan, and other countries in South America.

The outlook is similar in Costa Rica, where a report from the Chamber of Information and Communication Technologies (CAMTIC) argues that "the international market is an opportunity for digital technology firms, given the limitations of the domestic market, which is relatively small." However, it warns that "successfully entering the export market requires appropriate planning and capacity building for the internationalization process." The study, which uses data from 2014, claims that 86% of the firms it surveyed have external sales worth less than US$1 billion, while 14% exports more than this. Almost half the country's clients are in the United States.

In Chile, software companies export US$370 million. Their main clients are countries in Latin America and, to a lesser extent, the United States and Europe. "There has been little growth in exports in recent years," admitted Raúl Ciudad, president of the Chilean Association of Information Technology Companies (ACTI). "The main obstacles to more fluid trade have been related to financing, the lack of support from the state, and logistical limitations." However, in the last 18 months, chambers of commerce from the sector and Chile's Ministry of the Treasury created an export council to boost activity. For 2017, they are promoting a joint program that is seeking to increase export volumes tenfold in the next five or ten years via different initiatives. In the future, ACTI seeks to expand its presence in the United States and Canada and open up new markets in Pacific Alliance countries.

The Digital Region

Many players in the sector are seeking to grow within Latin America. According to the consulting firm IDC, the region will spend US$274.2 billion on ICTs this year. The Argentinian firm Belatrix receives 95% of its turnover from sales to the United States and, to a lesser degree, to Canada and the United Kingdom. The company, which has 500 employees, has opened offices in Peru and Colombia to meet the needs of those markets. According to Belatrix CEO and cofounder Luis Robbio, the region is shaping up as an export hub, especially for digital solutions for the banking and insurance sectors. His firm's strategy is to continue to expand in Latin America without losing sight of the US market. "We are optimistic about the growth of the software industry in Latin America. What we see are opportunities," Mr. Robbio argued. "There are major investments in the banking sector which seek to make digital solutions, innovation, and mobility a reality. The central banks of Argentina, Chile, and Peru are facilitating the spread of these technologies."

Mr. Robbio thinks that the region could position itself as a software and services exporter. "The idea of nearshoring has really taken on in the United States as Latin America's geographical location and time zone make it an ideal service provider. Our main competitor is India, which has unbeatably low prices that we could never compete with," he remarked. Latin America therefore needs to set itself apart based on other factors, such as time zone: "today's software project management techniques involve considerable interaction between development teams. If your time zones largely overlap, you can work closely with the client and share much of the working day." Another strong point is "Latin Americans' creativity, which is highly valued in the software world," Mr. Robbio argued. "Our English is getting much better, too."

Aníbal Gonda of Genexus agreed that "today it makes sense to export within the region, especially to countries in Central America and northern South America." The Uruguayan software sector exports services, development tools, and, above all, applications for vertical markets such as banking, healthcare, logistics, or local government, "a segment where we've positioned ourselves really well," he added.

With 400 employees, Genexus exports to 45 countries and has branches in the United States, Mexico, Brazil, and Japan, a market they broke into 15 years ago through a joint venture with a local company. Mr. Gonda thinks that one factor that sets Latin American professionals apart is "their vision of the future and capacity to adapt to change and crises," which is fundamental for a market like software "which is constantly evolving and in a state of permanent flux." He believes that the most complex part of internationalization is making the first sale abroad: "once that happens and you have your pilot case, the next sales are easier."

Chile’s software industry today includes some 150 small and medium-sized companies and a further 800 even smaller ones that develop videogames, apps, and animation. The aim is to increase export capacity. To achieve this, the chambers of commerce for the software sector and the Ministry of the Treasury are implementing a program this year to increase the number of exporter companies through a range of initiatives: foreign trade-related training, financial support, access to credit, and the promotion of Chilean services abroad. “The other area that we’re working on is human capital,” said Raúl Ciudad of ACTI. “We’re developing a strategy to train pupils at industrial training colleges and a scholarship program to train professionals who are not from the tech sector, along with other initiatives to help bring more people into the software ecosystem.”

The software area is, therefore, a promising, diversified export segment for Latin America, one that is in tune with the technological revolution that we are living through. Coordinated efforts between the public and private sectors, such as those described in this article, could boost regional exports yet further.

New regulations on Trade-Related Intellectual Property

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The Amendment of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) became effective on January 23, 2017, following its ratification by two-thirds of the WTO member countries.

This modification of the TRIPS Agreement authorizes the legal framework wherein generic versions of medicaments that are protected by patents can be produced using specific compulsory licenses (also known as "involuntary licenses") and exported to countries whose production capacity for these is limited or nonexistent. The use of these compulsory licenses is one of the most controversial flexibilities included in the TRIPS Agreement. The new instrument allows a government or legal authority to authorize the manufacture and export or import of the patented pharmaceutical without needing the consent of the patent owner. Developing countries consider these licenses to be of fundamental importance to guaranteeing the implementation of more ambitious public policies, in line with the provisions of the TRIPS Agreement.

Background and Precedents to the Amendment of the TRIPS Agreement

The TRIPS Agreement has contributed to the international sphere by providing a compulsory international regulatory framework for all WTO member countries by listing obligations in relation to technological inventions. However, Article 4 of the Doha Declaration on the TRIPS Agreement and Public Health leaves a margin of flexibility for member countries to "develop their own patent and intellectual property laws on the basis of their own development needs"1, in order to be able to comply with their own national goals of access to health and food.

TRIPS, Article 4: We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all. In 2001, the DOHA Declaration on the TRIPS Agreement and Public Health confirmed that intellectual property rights should not be an obstacle to developing countries accessing medicines. However, the absence of a patent does not guarantee effective access to a medicine or medical innovation, as this depends on a balance of factors including accessible prices, sustainable financing, and reliable healthcare systems.

The WTO responded to calls from countries belonging to the African Group in paragraph 6 of the Declaration on the TRIPS Agreement and Public Health, in which it acknowledged the need for a solution to the difficulties that members with limited or no medicine manufacturing capacities were facing when it came to using compulsory licenses.

Declaration on the TRIPS Agreement and Public Health, Paragraph 6: We recognize that WTO Members with insufficient or no manufacturing capacities in the pharmaceutical sector could face difficulties in making effective use of compulsory licensing under the TRIPS Agreement. We instruct the Council for TRIPS to find an expeditious solution to this problem and to report to the General Council before the end of 2002.

However, the negotiations in Geneva on intellectual property and public health came to a standstill over subparagraph (f) article 31 of the TRIPS Agreement as negotiators were unable to resolve the controversial issue of restrictions on the use of compulsory licenses within the domestic market (except where these were issued in response to anticompetitive practices), which in practice hindered the importation of generic medicines at lower prices.

The members were able to move past this impasse through the General Council Decision of August 30, 2003, at the request of the major generic medicine–producing countries (India, China, Brazil, Thailand, and South Africa). This decision established a specific compulsory license (usually referred to as the "paragraph 6 system") which allowed exports to countries that were not able to produce medicines for themselves and that required a rapid response to their healthcare needs.3

This decision simultaneously solved the health problem of the member country wishing to import a given medicine and the legal problem of the member country wishing to export it. However, the General Council agreed that this exemption, which was only temporary, would only remain in force until article 31 of the TRIPS Agreement had been amended.

The paragraph 6 system was highly contentious due to the complexity of the procedures it entailed and the exceptional circumstances under which it could be used.

On January 23, 2017, the WTO made the Decision of August 30, 2003, legally binding by including article 31bis in the TRIPS Agreement and establishing that member countries that have not yet ratified the amendment have until December 31, 2017, to do so.4

When WTO director-general Roberto de Azevêdo announced that this amendment had been ratified, he drew attention to this being the first time a legal modification to WTO standards has been passed and has entered into force. He also underlined the objective of the decision, which is related to the vulnerability of the least-developed and developing countries, which face greater obstacles to meeting their basic medication needs.

Access to Medicines and Trade

At present, 4.8 billion people (80% of the world's population) live in developing countries, where communicable diseases account for 50% of the burden of disease. In these countries, 2.7 billion people live on less than US$2 a day, which excludes them from any possibility of acquiring health products and medical devices for the diagnosis, treatment, cure, or prevention of disease.

The amendment to article 31 of the TRIPS Agreement is important because it acknowledges that resolving the problem of access to patented medicines is a global priority. This acknowledgment was a call to action for the international community to respond not just to the HIV/AIDS, TB, and malaria epidemics that mainly afflict developing countries but also to other illnesses that also affect these countries' populations, thus affecting their trade and economic growth.

The main issues at stake include the limitations that many developing countries face in manufacturing their own medicines and the way in which the pharmaceutical industry's production is concentrated in certain countries with capacities for investing in R&D for new medicines and technological innovations in the field of medicine. Likewise, new developments such as cancer drugs, new vaccines, and medicines to combat noncommunicable diseases are becoming increasingly costly.

Belén Trincado

In this sense, the interaction between the WTO, the WHO, and WIPO constitutes a coordinated pillar of support for member countries in the field of intellectual property measures around access to basic medicines and medical technology. It encourages greater transparency in the patenting of essential medicines by identifying barriers to access to these.

Working toward guaranteeing access to healthcare for the world's most vulnerable populations is a crosscutting challenge that involves a wide range of interconnected issues, such as trade-related aspects of intellectual property; technology transfer; research, development, and innovation; access to medicaments and treatments; and access to financing. It is also connected to disciplines such as competition policies5; acquisition policies; tariff and nontariff measures; data protection; freedom to operate; innovation policies; regulation to ensure quality, safety, and effectiveness; international trade agreements; monitoring; human rights; and so on.

Access to Healthcare and Its Connection with the Multilateral Trading System

The multilateral trading system guarantees its members the right to protect public health. The General Agreement on Tariffs and Trade (GATT) of 1947 gives countries the flexibility to take restrictive trade measures when necessary to protect human, animal, or plant life or health under certain conditions set out in paragraph (b) of article XX.

GATT, paragraph (b), article XX. Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures: …

(b) necessary to protect human, animal or plant life or health…" Likewise, the General Agreement on Trade in Services (GATS) contains a similar condition in paragraph (b) of article XIV (General Exceptions).

Article 8 of the TRIPS Agreement recognizes member countries' right to adopt measures to protect public health and nutrition provided that these are consistent with the provisions of the agreement.

GATS, Art. 8: Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.

All countries depend on imported medicines and other products to cover their healthcare needs, especially developing countries, whose local production capacity for medical technology is lower. In this sense, trade policy affects the way that medical technology markets open up to competition from imported goods and services.

The principle of nondiscrimination is one of the basic principles governing international trade relations and is set out in the basic principles of the WTO, namely national treatment6 and most-favored-nation treatment.7 They are also reflected in the GATT (trade in goods), GATS (trade in services), and the TRIPS agreement (intellectual property). The principle of nondiscrimination includes exceptions such as special and differential treatment for developing countries and within free trade agreements. In the case of GATT and GATS, major exceptions apply, particularly special provisions on special and differential treatment in favor of developing countries and free trade agreements (GATT, art. XXIV).

The Right to Health from a Legal Perspective

From the legal perspective, the current debate on universal access to healthcare focuses on two main issues: on the one hand, access to medicines, which has been a core aspect of the human right to health since the signing of the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 1966; and access to drugs and patents, on the other. TRIPS sets out the legal scope of patent protection in the health sector.

The expansion of medical patents and technological development in this sector have deepened the connection between the right to health and medical patents, which have come to occupy a central position internationally.

Access to Healthcare and Technology Transfer

TRIPS signatory countries committed to providing incentives to firms and institutions in their territories to promote and facilitate North–South and South-South technology transfer.

Art. 7: The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.

TRIPS, Article 66.2: Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging

technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base.

Patents are a controversial issue in this regard, as they have the potential to both facilitate and restrict access to new drugs. On the one hand, in accordance with article 3 of the Doha Declaration on the TRIPS Agreement and Public Health, patents protect innovation and promote the spread of knowledge through incentives to investment in research and development in the health sector, particularly in developed countries. However, on the other hand, they lead to an increase in the relative prices of patented drugs. This dichotomy creates tension between the goals of the pharmaceutical industry, which seek to recoup their investments, and those of public policy, which must promote access to healthcare, particularly for low-income sectors of the population.

TRIPS, Article 3: We recognize that intellectual property protection is important for the development of new medicines. We also recognize the concerns about its effects on prices.

Chapters on Intellectual Property in Free Trade Agreements. Latin America's Experience

Latin America is the region that has signed the most bilateral and regional free trade agreements with the United States, the European Union, the European Free Trade Association (EFTA), and Japan, countries that have a tradition of including chapters on intellectual property that go beyond the minimum standards countries commit to as part of the TRIPS Agreement.

Of the 20 free trade agreements (FTAs) that the United States has negotiated, 11 are with countries in the Americas: Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru.

Another example of agreements containing intellectual property-related obligations that go beyond what has been negotiated at the WTO are the agreements between the European Union and countries in the region, including the CARIFORUM (with the 15 CARICOM countries, Cuba, and the Dominican Republic); Peru, Colombia, and Central America.

The EFTA countries have signed 26 FTAs with 36 countries, 7 of which are in the Americas (Canada, Costa Rica, Panama, Chile, Colombia, Mexico, and Peru).

Japan has 10 FTAs with countries that include Chile, Mexico, and Peru.

Some 12 countries are currently taking part in the negotiations toward the Trans-Pacific Partnership (TPP), which includes an ambitious chapter on intellectual property.

[1] Declaration on Patient Protection: Regulatory Sovereignty under TRIPS

[2] The seriousness of the HIV/AIDS crisis was what led to public health-related intellectual property rights receiving a declaration of their own that is separate from the Doha Ministerial Declaration.

[3] For a concise but complete analysis of this negotiation process, see Devereaux, Charan, Robert Z. Lawrence, and Michael D. Watkins, Case Studies in US Trade Negotiation, Vol.1 Making the Rules (Washington DC: Institute for International Economics, 2006), pp. 76–133.

[4] General Council Document WT/L/965

[5] Imported and locally-produced goods should be treated equally—at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights, and patents.

[6] Imported and locally-produced goods should be treated equally—at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights, and patents.

[7] Under the WTO agreements, countries cannot normally discriminate between their trading partners. Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members.

2017: A Year of Change: Toward a New Vision of Regional Integration?

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People's subjective opinions may shift or be affected by those of others and the environment that surrounds them. Substantial changes have swept Latin America and the world as a whole in recent months. The political and economic context has been transformed over the last year. Will this change the perspectives and perceptions of the citizens of Latin America and the Caribbean? What will they see as the most important issue for development after the notable changes that have taken place globally and regionally over the last year? Will the anti-integration movements and growing protectionism in the northern hemisphere have a knock-on effect on Latin America? Or, in contrast, do Latin Americans largely disapprove of these attitudes? Do they instead see the current situation as an opportunity to strengthen their bonds? How do they see the United States in the wake of the recent presidential elections? Will people's perceptions of individual rights have changed? Will their perceptions of the US have changed their views on China? How is the immigration crisis in other continents affecting Latin Americans' opinions? Is integration an aspiration or a priority?

These are some of the questions that came up during the 2017 Opinion Poll Workshop, part of the INTAL/Latinobarómetro Alliance, a regional public good. The answers to them will allow conclusions to be drawn regarding how the region's citizens perceive these changes in the global and regional context. On March 17, 2017, representatives from the nine countries involved in running the project met at INTAL-LAB to draft the questions for the opinion poll that will be implemented in 18 countries in the region so as to evaluate citizens' opinions on crucial issues such as democracy, integration, and development. Representatives from the governments of Argentina, Brazil, Chile, the Dominican Republic, Ecuador, Mexico, Paraguay, Peru, and Uruguay took part in the meeting.

Regional integration boosts development because it is a key part of the process of integrating efficiently into the world by lowering costs, opening up markets, and improving countries' physical connectivity, among other aspects. However, are the region's citizens aware of these benefits? The government officials present at the meeting were particularly interested in finding out more about perceptions of regional integration, support for free trade, foreign direct investment, and tolerance toward immigration.

They also decided to continue asking about public perceptions of democracy, the quality of institutions, and people's trust in these and their representatives. Another key issue was corruption, both passive and active, which both the private sector and society are responsible for. Violence and security were also put forward, as there is a lot that Latinobarómetro can contribute by gauging public perceptions of violence on the streets (which generally differs from official records) and of violence within the family, which these records tend not to reveal. Both of these analyses will complement the results of official statistics, thus creating further value.

Those present at the workshop agreed to look more closely at the use of new technologies and the future of employment, an issue that INTAL has been working on for some time. Do citizens see new technologies as a threat to their jobs? Do they think that start-ups and technological development will set Latin America apart in a few years? Is Latin American society open to the sharing economy? To tackle these questions, INTAL is developing a new project that seeks to analyze the implications of technological change in labor markets and the region's global integration. As part of these activities, it will soon be publishing the results of a survey of millennials from Argentina that aims to find out how young people see these changes and evaluate information gaps. The Latinobarómetro survey will complement this particular analysis because it encompasses the entire region and covers a larger age group that is representative of society as a whole.

The commitment of all the government officials involved has been crucial to the ongoing development of the INTAL/Latinobarómetro Alliance. Given the current context, these polls are a critical tool for understanding Latin American society and engaging with its views and perceptions on what is happening both in the region and the rest of the world. They are also an important public policy instrument as they provide governments with useful information and measurements on key issues in adverse political and economic contexts that may be hard to understand. The time has come for us to raise the profile of Latin America and the Caribbean. The outcomes of the 2017 poll will undoubtedly contribute to achieving this objective and add value to current analyses of regional integration. The recent workshop was extremely fruitful in defining the issues that matter most to our region's citizens and are the sources of greatest concern for them.

Civil Society's Contributions to Infrastructure in South America

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In its role as the secretariat for COSIPLAN, the Institute for the Integration of Latin America and the Caribbean (INTAL) encourages civil society organizations to get involved in different COSIPLAN work areas and analyzes the progress that has been made toward information transparency.

Citizen engagement and pluralism are established as being the basis for integration and unity in South America in the UNASUR Constitutive Treaty (link in Spanish). This is also reflected in the experience of COSIPLAN, which interacts with civil society organizations through its different work areas.

One of the initiatives in the Strategic Action Plan (PAE) is to "define areas for social engagement which the communities involved in COSIPLAN activities can actively contribute to." To this end, the COSIPLAN ministers include this issue as a priority in their work plans each year.

In addition to consulting and engaging with local players during the planning process, more and more civil society organizations are taking part in COSIPLAN meetings as observers. These include RedCLARA, *Cooperación Latinoamericana de Redes Avanzadas* [Latin American Cooperation of Advanced Networks]; *Derecho, Ambiente y Recursos Naturales* (DAR) [Law, Environment, and Natural Resources], Peru; *Ambiente y Sociedad* [Environment and Society Association], Colombia; *Federación Uruguaya de Trabajadores Viales* (FUTRAVI) [Uruguayan Federation of Road Workers]; *Confederación de Trabajadores Viales, Rodoviarios y Camineros de Sudamérica* [Confederation of Road, Highway, and Freeway Workers of South America]; and the *Coalición Regional por la Transparencia y la Participación* [Regional Coalition for Transparency and Engagement].

In 2016, to measure the impact and potential of the Project Information System (SIP), the Regional Coalition for Transparency and Engagement published a report entitled "Contributions from Civil Society. An Evaluation of the Transparency of the COSIPLAN Project Information System" (link in Spanish).

Two representatives from this coalition, Vanessa Torres (Environment and Society Association, Colombia) and Esteban Valle Riestra (Law, Environment, Natural Resources, Peru) gave their opinions on this initiative in the interview that follows.

The "Contributions from Civil Society" report argues that COSIPLAN has made its initiatives considerably more transparent since 2007.

This progress has made it possible for citizens to access tools such as the SIP and GIS together with documents and reports that enable them to find out more about COSIPLAN projects, keep track of progress on them, and complement—and even supplement—the information provided by local governments, which contributes to preventing conflicts and mitigating impacts. The fact that civil society organizations can take part as observers in regional decision-making spaces is another sign of progress as it guarantees engagement, participation, transparency, and access to information. In short, COSIPLAN's experience is a positive example that should be replicated in other UNASUR bodies, even though there is still a lot of work to be done. The challenge is consolidating the engagement of civil society organizations in this type of space and ensuring that they play an active role in constructing the different methodologies that COSIPLAN uses. The history of their involvement in this space has been patchy.

The report also points out that the countries in the region need to improve the way they manage and update the SIP. Could you summarize the issue and the solutions you are putting forward?

The COSIPLAN Technical Secretariat (IDB/INTAL) has identified problems with updating information sheets, including errors in the information that is submitted and the internal coherence of this. This affects the precision and quality of information by preventing the tool from reaching its full potential. As a consequence, we suggest:

1. First, that the tool would be improved if the countries involved acted continually on their commitments to update the records that make up the SIP, not just those they are obliged to update prior to the COSIPLAN annual meeting.

2. Second, that the solution could involve designating officials from public institutions that specialize in managing infrastructure projects and making them responsible for updating the SIP and keeping it on the government agenda. These appointments should be made in a unified fashion so as to guarantee that all such officials have first-hand access to the information that is needed.

3. Finally, that IDB/INTAL could be granted greater powers in its role as the COSIPLAN Technical Secretariat. This would imply increasing INTAL's power to request updates and corrections for the information that countries provide through designated officials and institutions and demanding that they meet the deadlines for updating records.

What was the process for taking part in COSIPLAN meetings?

The coalition began to set up spaces for dialogue with UNASUR and COSIPLAN officials through meetings with the PTP, which Uruguay was responsible for at that point. In 2015, we took part in the last three meetings of the COSIPLAN Technical Forum as observers and we were able to speak to representatives from all the countries and put forward a critical perspective on COSIPLAN's vision of development.

How would you evaluate the role that development banks play in COSIPLAN?

The involvement of the IDB, CAF, and FONPLATA in COSIPLAN and the support they have provided for tools such as the SIP is a relatively positive factor that is proof of their intention to promote the rights to transparency and access to information.

Inspiring Activities

New Port in Peru to Improve Regional Economic Integration

- Inspiring Activities
- n247

The new port terminal is in the Nueva Reforma district, on the western bank of the Huallaga river, approximately 20 km downstream from the original port (Paranapura). Construction was completed in July 2016 following an investment of US$30.5 million. The new port, which will replace the existing port, has modern infrastructure capable of handling passenger flows, bulk cargo, and containers. Port operations will comply with international safety and environmental standards, helping to formalize port services in the area it serves.

The new port is part of the Northern Peru Intermodal Amazon Hub, the aim of which is to strengthen trade flows and the economic integration of production centers in Peru's jungle region with those of the coastal and mountain regions and to facilitate trade with the neighboring countries of Ecuador, Colombia, and Brazil by reducing logistics costs. Peru is also working toward achieving these ends by reducing tariff restrictions and negotiating trade and shipping agreements with these countries.

The port is part of Project Group 3 of the COSIPLAN Portfolio Amazon Hub, and in 2011 it was added to the Integration Priority Project Agenda (API) as part of the Paita-Tarapoto-Yurimaguas Road, Ports, Logistic Centers, and Waterways structured project.

This API project aims to make international transportation between Peru and Brazil more viable and to improve ongoing connections towards the Pacific and the Atlantic. The Paita–Yurimaguas road and the Huallaga, Marañón and Amazon waterways are the backbones of this macroregion.

Improving navigation conditions on these waterways and connecting them to the road network will contribute to the development of the Peruvian Northwest and the border zones. Multisectoral initiatives will also need to be implemented, mainly in connection with productive undertakings and social issues.

This multimodal hub will allow products such as the phosphates that are mined in Bayóvar on the Pacific coast in Peru's Piura department to be transported to agricultural areas in Brazil overland instead of by sea, as is currently the case. Similarly, it will be possible to transport production inputs from countries in Asia to the Industrial Free-Trade Zone in Manaus. Products produce in this area will be able to reach markets on the Pacific coast of South America.

As part of this API project, there have been major investments in works that have already been completed such as the Yurimaguas New Port Terminal, the Paita-Tarapoto / Tarapoto-Yurimaguas road, and the Port of Paita. Work is expected to continue on improving navigation conditions on the Huallaga, Marañon, and Ucayali waterways and developing logistic centers in Yurimaguas, Paita, and Iquitos.

Technical Features of the New Terminal

In 2010, the project was granted as a concession to the private firm Concesionario Puerto Amazonas S.A. (COPAM). The agreement included the design, financing, construction, operation and maintenance of the new port for 30 years and committed a total investment of US$43.73 million. The works included the construction of a 66,167-square-meter wharf and a 253,667-square-meter logistics area.

Work began on the first phase of the project in May 2014 and involved the construction of a wharf with two cargo moorings and one passenger mooring, a general warehousing area, an undercover storage area for perishable goods, and a container yard. Other acquisitions included a mobile crane, a truck crane, elevators, tractors, and a maintenance boat. This first phase was completed in July 2016 following an investment of US$30.5 million.

Construction on the second phase will take place when demand exceeds 600,000 metric tonnes per year or the wharf occupancy rate passes the 44% mark. When this occurs, the wharf will be expanded to include an additional mooring, and the size of the undercover storage area and container yard will also increase.

In December 2013, work finished on a 9.4 km access road to the port which will connect this logistics center with the Paita–Yurimaguas road.

Connecting Voices

New Directions in Regional Integration

- Connecting Voices
- n247

Download the publicacion here.

On March 21, 2017, INTAL-Lab hosted the presentation of the *MERCOSUR Futures* report, in which experts shared their ideas on ways to revitalize and strengthen the bloc.

Pacific Alliance to Negotiate with Asia

- America
- Integration in Motion
- n247
- Regional Panorama

After ministers from the countries that make up the Pacific Alliance, (Mexico, Chile, Colombia, and Peru) met recently, the bloc announced that it would act in unison to increase trade in light of the current state of the Trans-Pacific Partnership (TPP).

The ministers stated that they are “fully committed” to free trade and open to exploring new forms of integration outside the TPP.

To this end, they proposed that the Pacific Alliance should act jointly and in unison to improve and expand its free trade agreements with countries and trade blocs from the Asia-Pacific region.

Colombia’s minister of the treasury, Mauricio Cárdenas, stressed that the Pacific Alliance countries have already acted as a unit in arenas such as the International Monetary Fund (IMF) and suggested that they do the same to increase integration with the Asia-Pacific.

The TPP was officially signed by the ministers of finance and the economy of the 12 member countries in February 2016. This marked the official end to negotiations and began the review process in each of the countries prior to ratification.

The TPP originally included Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam. However, the United States recently withdrew from the agreement and is seeking to continue negotiations bilaterally.

WTO: Trade Facilitation Agreement Enters into Force

- Integration in Motion
- International Scenario
- n247

After being signed by two-thirds of the total member countries of the World Trade Organization (WTO), the **Trade Facilitation Agreement** (TFA) has entered into force. It was put forward during the 9th Ministerial Conference, held in Bali in 2013.

The TFA contains provisions for simplifying, streamlining, and harmonizing **import** and **export** procedures. It also establishes measures for effective cooperation between **customs** authorities and other authorities on **trade facilitation**-related matters, as well as decisions on technical assistance.

The WTO expects that when the TFA is fully applied it will reduce member countries' trade costs by an average 14.3%, with the least developed countries (LDCs) standing to benefit most from it. It will also reduce merchandise **import** times by over a day and a half and **export** times by nearly two days. This represents reductions of 47% and 91%, respectively, in comparison with the current average.

The Mechanism for the **TFA**, which was implemented in July 2014, will help developing countries and the LDCs to gradually apply the agreement in the established time period.

"By ratifying the TFA, the WTO member countries have shown their commitment to the multilateral **trading** system and have fulfilled the promises they made in Bali when this agreement was reached. Now that the TFA has entered into force, we can start to work to make its benefits a reality," said director-general Roberto Azevêdo at a meeting of the WTO General Council.

The president of the General Council, Ambassador Harald Neple of Norway, stated: "The TFA is a defining multilateral achievement of our time. It is practical, modern and global and it symbolizes the essence of the WTO: members from all corners of the globe coming together, overcoming differences, and responding to pressing trade issues for the benefit of all."

The Trade and Integration Monitor 2014 contains an analysis of the trade facilitation commitments included in regional agreements and how these compare to those agreed on in Bali.

CARICOM Seeks to Establish a Full Common Market

- America
- Integration in Motion
- n247
- Regional Panorama

At the annual meeting held in Georgetown, Guyana, CARICOM countries established (link in Spanish) that a system will be implemented to guarantee responsibility for the CARICOM integration process and to measure the impact of this.

The areas to be evaluated include legal and institutional measures and support mechanisms for the free flow of goods, services, and capacities and establishing companies in other member countries. The heads of government agreed on the priority areas that need to be tackled, including the challenge of paying for goods and services that are traded within the region and a protocol on procedures for facilitating travel.

They also highlighted the importance of transportation for the movement of CARICOM citizens and requested further discussion on this issue from the perspective of integration.

Those present stressed that tourism is a vital sector for member states' economies and they welcomed proposals from the Caribbean Tourism Association (CTO) and the Caribbean Hotel and Tourism Association (CHTA) to move toward a regional tourism agenda, particularly through the sector's public–private associations.

They also discuss the future of the African, Caribbean, and Pacific Group of States (ACP), including the renewal of the Cotonou Agreement, which governs relations between the ACP and the European Union and which expires in 2020.

The presidency of the conference rotates every six months: the prime minister of Grenada will take over for the next six-month period as of July 1, 2017. The 38th meeting of the conference will take place in Grenada between July 4 and 6, 2017.

Mexico and Argentina Agreed to Boost Free Trade

- America
- Integration in Motion
- n247
- Regional Panorama

Argentina's minister of foreign relations, Susana Malcorra, and Mexico's minister of the economy, Ildefonso Guajardo, agreed to strengthen (link in Spanish) commercial ties between the two countries. To this end they held a meeting during which they reviewed progress on updating Economic Complementarity Agreement Number 6 (ECA 6), which has been in force between the two countries since 1987. Argentina and Mexico are seeking a "next-generation" trade agreement on the basis of this ECA by expanding tariff preferences and including new trade disciplines. They also agreed that the next round of negotiations would take place in Argentina in April.

Argentina is Mexico's fourth-largest trade partner in Latin America and the Caribbean and the 22nd-largest at the global level, while Mexico is the ninth-largest trade partner for Argentina. Trade between the two countries reached US$2.3 billion in 2016.

According to Mexican government data, in 2015, trade between Argentina and Mexico stood at US$2.55 billion, with the balance in favor of Mexico. In contrast, Mexico's trade with the United States is worth more than US$500 billion per year. Mexico's exports to Argentina have reached the US$1.5 billion mark, while Argentina's exports to Mexico stand at US$1.06 billion.

Peru Seeks a Trade Agreement with India

- Andean Group
- Integration in Motion
- n247
- Regional Panorama

Peru has held its first technical meetings with Indian authorities with the aim of reaching a trade agreement. The meetings took place in New Delhi.

Through this agreement, Peru hopes not only to reduce tariffs on its exports to India but also to access the Indian market for exports of services, such as restaurant franchises, professional services, and services related to information technology.

Likewise, Peruvian authorities jointly evaluated different issues with Indian firms from the agriculture sector to discuss the importance of swift, efficient sanitary processes that do not hinder the entry of Peruvian products to the Indian market.

In September 2016, Mincetur (link in Spanish) announced the completion of the Joint Feasibility Study that the two countries had carried out. This study found that Peruvian exports to India could increase by up to 12%, mainly in the areas of apparel, fruit and vegetables, and chemical products.

The other regional bloc with experience in negotiating with India is the MERCOSUR, which already has an agreement that entered into force in 2009 and is currently at the consultations stage, as has been described in previous issues of INTAL Connection. It is important to take the context of these negotiations into account, particularly the trend toward mega-agreements.

India is a currently major importer of raw materials from the mining and agriculture and fishery sectors. Technical obstacles and sanitary measures that form part of Indian legislation are some of the aspects that will be addressed the next time this seminar organized by the **Pacific Alliance** is held.

It will be followed by other workshops in other countries, Peruvian authorities have stated.

Integration in Motion

Progress toward the Implementation of Authorized Economic Operators

- Andean Group
- Integration in Motion
- n247
- Regional Panorama

On February 10, 2016, government officials from the customs organizations of the member countries of the Andean Community (CAN) met in Lima and took part in a working meeting (link in Spanish) that concluded with the signing of the "Action Plan for the Mutual Recognition of Authorized Economic Operators (AEOs)." At the meeting, the National Customs Service of the Plurinational State of Bolivia (ANB), the Department of National Taxes and the Customs Service (DIAN) of Colombia, the National Customs Service of the Republic of Ecuador (SENAE), and the National Superintendent's Office of Customs and Tax Administration (SUNAT) of Peru agreed to move toward a Mutual Recognition Agreement (MRA [link in Spanish]), just as CAN had planned in 2001 through Decision 770 (link in Spanish) concerning trade facilitation in customs matters. The AEO (link in Spanish) is a mechanism which allows customs services to improve risk management and assist beneficiary companies during customs checks, which leads to substantial reductions in the costs and times of trade-related transactions. Each company that is authorized as an AEO stands to gain operational benefits when negotiating with other companies from CAN member countries.

The MERCOSUR Makes Headway on an Agreement with South Korea

- Integration in Motion
- n247
- Regional Panorama
- Southern Cone

Susana Malcorra, Argentina's minister of foreign affairs and the country's representative in its role as pro-tempore president of the **MERCOSUR**, held a working meeting (link in Spanish) with Korea's minister of trade, industry, and energy, Joo Hyunghwan, at which they reviewed matters that affect both countries and the international arena.

At the end of the meeting, the two officials signed a Joint Statement in which they established that exploratory talks between the **MERCOSUR** and Korea had reached a successful conclusion, and they hope to soon negotiate a trade agreement between the two parties, as Korea has already done with Central America.

Each **MERCOSUR** member states and South Korea will now begin their respective internal proceedings with a view to soon establishing an appropriate basis from which to begin **trade negotiations**.

The intention of reaching an agreement of this sort agreement was first expressed in 2005, when the first exploratory meeting was held in Asunción, Paraguay. The second meeting was held in August 2005 in Seoul, Korea.

On that occasion, the ministers stressed that a **trade agreement** between the **MERCOSUR** and Korea would significantly increase trade and **investment** flows in both directions and would strengthen **economic cooperation** between the parties.

Foreign Ministers Discuss Agreement with the European Union

- Integration in Motion
- n247
- Regional Panorama
- Southern Cone

On March 9, 2017, the foreign ministers of Argentina, Brazil, Paraguay, and Uruguay took part in a day of meetings (link in Spanish) in which they discussed issues on the internal and external **MERCOSUR** agenda on the basis of priorities put forward by Argentina, which is *pro-tempore* president of the bloc for this semester.

The officials adopted decisions and gave specific instructions to the coordinators on aspects of the MERCOSUR's (link in Spanish) **economic/trade** and institutional agenda on the bloc's **foreign relations.**

They agreed on how to proceed with negotiations with the **European Union** (link in Spanish) and on the need to earn the greatest possible political support in both regions for the future Association Agreement. Finally, they stressed the importance of having recently launched trade agreements with **EFTA** and resolved to strengthen the current process of rapprochement between the **MERCOSUR** and the **Pacific Alliance**.

In the **economic** sphere, the ministers expressed their intention to conclude the **investment** and public procurement agreement that will be implemented in the region and the mechanisms for moving toward the elimination of barriers to intrazone **trade**. They hope to achieve both these goals this year. They also analyzed alternatives for harmonizing **technical, sanitary, and phytosanitary norms** to facilitate trade flows.

The Growth of Argentinian SMEs from outside the City of Buenos Aires

- Integration in Motion
- n247
- The SME Space

Thanks to a public–private partnership program, different Argentinian SMEs have managed to join the world of international trade and reach new markets, adding value and technology to their exports. This article by the IDB's ConnectAmericas team reviews some success stories that may serve as a source of inspiration.

- **SAVANT, export-quality medicines (link in Spanish)**: this company manufactures medicines at its production plant in El Tío in Argentina's Córdoba province. It produces 4 million units of liquid medicines per year and more than 1 billion tablets containing different major active ingredients.

Read more here (link in Spanish)

- **TRANSLATION BACK OFFICE, translations to 25 countries (link in Spanish)**: has extensive internationalization experience following its active involvement in calls to tender and trade missions. This local firm sells translation services to more than 25 countries and ranks among the most reliable international companies in the sector. It is part of the Export Supply Board for the Province of Cordoba, Córdoba Exporters, which the **ProCórdoba Agency**

Read more here (link in Spanish)

- **TECME, respirators for intensive care units (link in Spanish)**: this company has 50 years of experience and expertise in developing respirators for intensive care units. It sells 80% of its production to more than 50 countries and has taken part in many major international calls to tender. At the local level, 85% of Argentina's ICUs use its products.

Read more here (link in Spanish)

- **SILMAG, biomedical products (link in Spanish)**: located in the heart of Argentina, with more than 30 years' experience. The company's development process and the quality of its products have served as a springboard for it to reach over 10 markets around the world, with international sales accounting for 30% of its turnover.

Read more here (link in Spanish)

- **INFOREST, emergency equipment (link in Spanish)**: this company manufactures firefighting equipment for use by rescue teams and firefighters combating forest fires. It is the only company in Argentina that manufactures products of this type.

Argentina and Spain Sign Cooperation Agreements

- Integration in Motion
- n247
- Regional Panorama
- Southern Cone

At the end of February 2017, President Mauricio Macri traveled to Spain (link in Spanish) to pay an official visit to his Spanish counterpart, Mariano Rajoy. The two heads of state signed a new Action Plan and a Joint Declaration while ministers from the two governments signed eight bilateral **cooperation** agreements for different areas of government, including **education**, , and **employment**.

Mr. Macri and Mr. Rajoy confirmed the decision to grant the relationship between Argentina and Spain “strategic partnership” status once again. They also expressed their agreement on the need to provide strong impetus for **negotiations** toward the signing of a **trade agreement** between the **MERCOSUR and the European Union (link in Spanish)**.

“There are more than 300 Spanish companies (link in Spanish) that play a major part in the day-to-day life of Argentina. They have set an agenda for producing high-quality goods and services, which is why we are hoping that they will increase their presence and their **investments** in this new stage in Argentina–Spain relations,” said Mr. Macri (link in Spanish). He also encouraged small and medium-sized enterprises (SMEs) to work together and consider expanding their **export** markets or entering into partnerships with Argentinian **companies**.

Mr. Rajoy stated that “it is an honor for us to receive the president of the Republic of Argentina, a country which is a friend and brother to Spain. We are fortunate to enjoy **excellent bilateral** relations today, and I am absolutely convinced that these will only improve going forward,” he added.

Impact assessment.

The Role of Public Banking in Development

- Impact assessment.
- n247

A document drafted by the IDB and the Latin American Association of Development Financing Institutions (ALIDE) sets out to analyze compliance with the Sustainable Development Goals (SDGs) in Latin America, discover the role that national development banks have played in achieving the SDGs, and find out about any viable proposals that might improve the current state of affairs.

The report analyzes the SDGs and the context in which they were adopted, while also examining the current status of the issues that the SDGs set out to resolve in Latin America and the Caribbean. It does so in the light of the contributions that national development banks can make to stimulate the transformation process that the countries in the region intend to implement.

The 17 SDGs were adopted by the United Nations member states in September 2015 and entered into force on January 1, 2016.

According to the authors, as national efforts unfold, public development banking should play an important role both by providing the means for implementing the SDGs and by facilitating the processes through which the structural transformations that SDGs require might take place.

A key point in the report relates to how compliance with the SDGs may affect financing needs and the impact of these.

It concludes by reflecting on the importance of national development banks in achieving the SDGs and ways in which implementing these could be facilitated, along with the need to upgrade these financial institutions to make them more sustainable.

La contribución de la banca pública de desarrollo a los Objetivos de Desarrollo Sostenible en los países de América Latina y el Caribe [Public Development Banking's Contribution to the Sustainable Development Goals in Latin America and the Caribbean] (link in Spanish). IDB. 2017.

Reading Material on Integration

The Future of Work

- n247
- Reading Material on Integration
- Reviews

The report "The Future of Work: White Paper from the Employment Industry" looks at "the structural shifts that are currently reshaping the world of work: technology, demographics, globalization, new production patterns, the rise of the on-demand economy but also new expectations regarding jobs and careers."

The document is the outcome of an analysis by the **World Employment Confederation** and reviews the major milestones in the transformation of employment thus far and points to those that we should be aware of in the coming years. It thus functions as a guidebook of sorts to the essential issues on the international labor agenda.

The authors' main argument and conclusion is that labor markets are currently in the midst of a paradigm shift. "Production methods have changed and attitudes to work have evolved significantly." At the macroeconomic level, the opening up of China and India to the market economy has had a strong impact on the globalization of employment. However, these changes manifest themselves through several employment-specific variables.

Skills: On the one hand, the report argues that the labor force has never been so diverse nor has it had such high average levels of education at the global level. This has led to an individualization of working conditions.

Demographics: The ageing of the global working population is another factor to bear in mind. "Across Europe, the working-age population is projected to decline by 10% by 2020, and in Germany alone, the labor force will shrink by six million workers over the next 15 years." A smaller workforce means that growth will be explained by leaps in productivity. Furthermore, "caring for large numbers of elderly people will put severe pressure on government finances."

Urban centers: at the global level, the population living in urban areas has been growing continually. "Nearly half of global GDP growth between 2010 and 2025 will come from 440 cities in emerging markets, 95% of them small and medium-sized cities."

Localization vs. connection: new technologies are bringing more flexibility in terms of time, standards, and the location of the work process. The internet is enabling digital work in offices and at home.

One final effect of these processes is more social than economic: the emergence of new forms of work is connected to new individual expectations, a change in work-life balance, the appearance of new work spaces which may imply the physical disappearance of traditional spaces, and the dissolving of rigid timetables and pre-established activities, among other things. These changes are posing short-term challenges to the world of work and we will feel their effects sooner rather than later.

The transformations that they are causing are highly complex because they are taking place simultaneously at multiple levels globally.

The Future of Work: White Paper from the Employment Industry. WEC, 2017.

South American Connectivity in 31 Projects

- n247
- Notable Publications
- Reading Material on Integration

The Integration Priority Project Agenda (API) Progress Report (link in Spanish) provides a general overview of the API, tracks progress on it, and reviews the results of the work that has been carried out by the different countries on updating and analyzing projects. It includes detailed status and progress reports for each of the API's 31 structured projects, classified by Integration and Development Hub.

An updating exercise was carried out in 2016 with the following objectives:

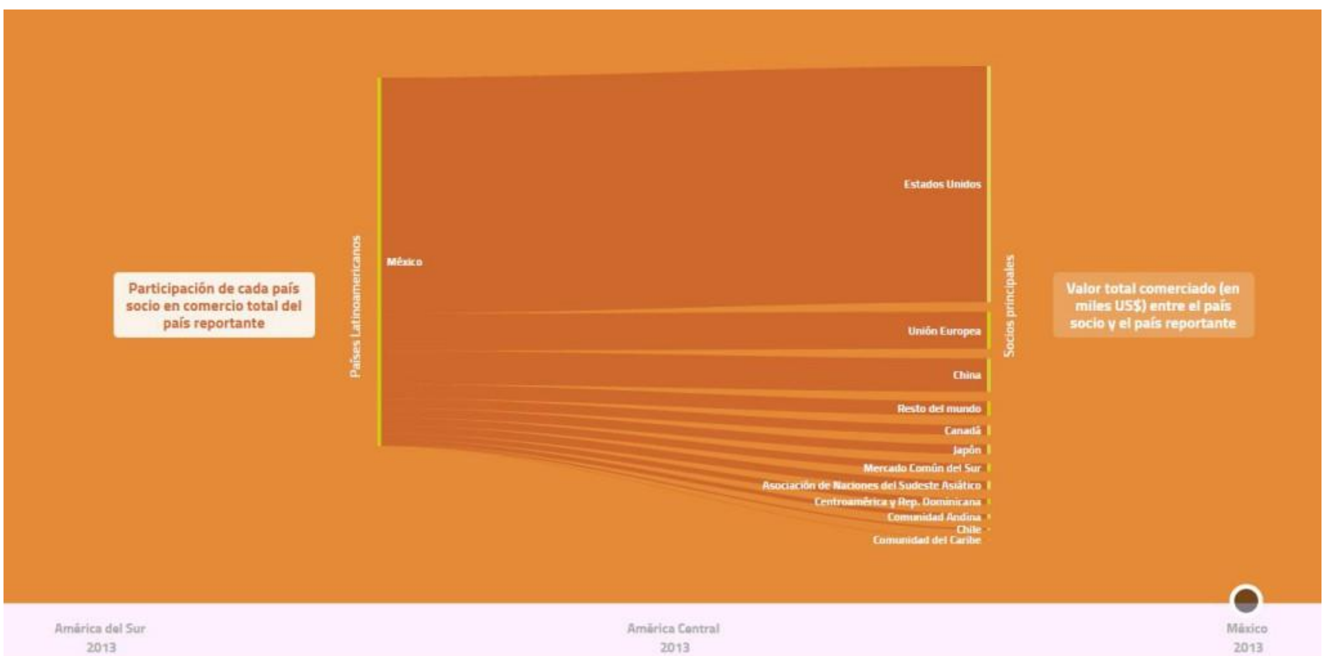
- To comply with the schedule that the countries decided on in 2014 regarding descriptor reviews, concluded project modules, and information for the continuous monitoring system.

- To review projects containing inconsistent information and complete those containing empty fields or partial information.
- To review projects at the pre-implementation stage so as to describe the progress made on them and their current status as precisely as possible, with the aim of facilitating their implementation.

Partners

- n247
- Trade Thermometer

Traditionally, the United States (US) and the European Union (EU) were the main trade partners for Latin America (LA). When China and other emerging countries burst onto the scene as major global players at the beginning of the 21st century, it brought major changes to the direction of trade for LA countries. For all of these countries, trade with Asia has been growing in both volume and value. In some cases, this increase has benefited from trade and integration agreements while in others there appears to have been no need for these. However, Asia's growing importance as a trade partner for LA has been uneven: there are major differences between the continent's different subregions. This infographic summarizes the LA's current main trade partners, the trade patterns that predominate in these linkages, and the main transformations that have taken place over the last decade.



Bibliographical News

- Bibliographical News
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- Reading Material on Integration

This weekly alert disseminates information on the highlighted documents recently uploaded in the INTAL Documentation Center Data Base (CDI). It also provides links to open access bulletins and journals in Spanish, Portuguese and English. Click aquí.

Editorial

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