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ROBOTLUTION



Integration Ideas

Robotlution

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Will robotization destroy or displace jobs or will it create new, more sustainable ones? What skills will be needed in the future? Can technological change play a part in reducing inequality in Latin America and the Caribbean? How can we bring the multilateral trade negotiations agenda up to speed with new technological realities? These are some of the key questions that 40 international experts responded to in “[Robotlution. The Future of Work in Latin American Integration 4.0.](#)” The report was officially presented on August 23, 2017, at the INTAL/IDB auditorium in Buenos Aires. ([Download the publication](#))

Argentina’s chief of staff, Marcos Peña, praised the initiative in his welcome video and said that “this book provides many tools that can help us take the challenges of the future and those of the present.” He added that “we need to take this sort of analysis to the G20 summit to ensure that our region has a voice in the process of re-examining education and work in the 21st century.”



Ambassador Pedro Villagra Delgado, Argentina's sherpa to the G20, said that new technologies are opening up extraordinary opportunities for those countries that are currently lagging most behind in development terms. "They can rapidly incorporate these new forms of production and improve their people's welfare, which is what this is all about. The world is changing fast and there will be disruptions that will affect the future of employment," he said.

From Washington DC, the manager of the IDB's Integration and Trade sector, Antoni Estevedeordal, analyzed the effect that advances such as 3D printing, the Internet of Things, big data, or cloud computing will have on logistics, storage, trading goods, and other core components of trade policies. Mr. Estevedeordal said that "at INTAL, we have been observing for years how disruptive technological changes modify the classic negotiation parameters of trade agreements. Bringing ongoing negotiations in line with new technological demands could promote export diversification in Latin America."



The publication was presented by INTAL/IDB director Gustavo Beliz, who stressed the need for a new "sociotechnological contract" to enable the region to make the most of the opportunities that new technologies bring, generate high-quality jobs, and incentivize the creation of skills that will allow it to successfully transition to a digital economy. Mr. Beliz underlined that the multiplier effect for each technological job creates an additional 4.9 new jobs. "We need new metrics for measuring automation, which would be a fundamental tool for states in making decisions and designing policies to shape a future that is not something out of science fiction but is already here among us," he concluded.

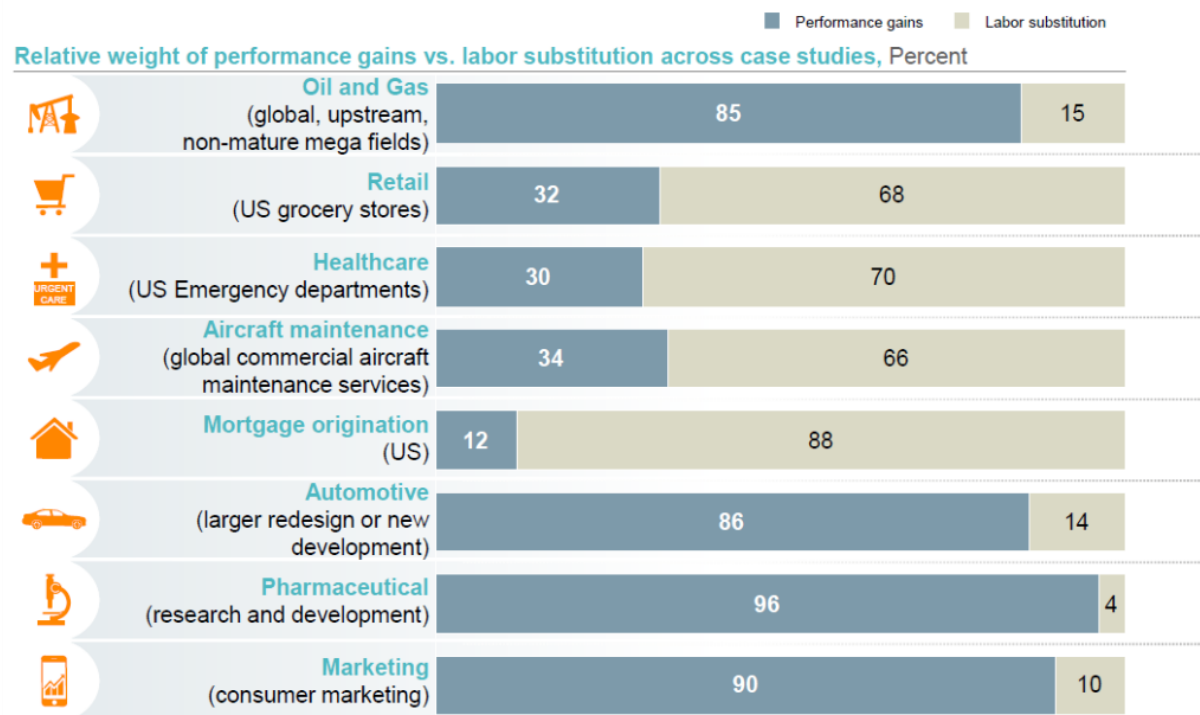
High-profile global experts took part in the presentation, including Jacques Bughin, director of the McKinsey Global Institute; Irmgard Nübler, coordinator of the Technology, Structural Transformation, and Jobs program at the International Labor Organisation (ILO); Tang Jun, researcher at Zhejiang International Studies University; Lydia Harriss, adviser to the House of Commons Science and Technology Committee; Miguel Acevedo, president of the Argentine Industrial Union; Beatriz Nofal, director of the consultancy firm Eco-Axis; and Eduardo Levy Yeyati, dean of the School of Government at Torcuato Di Tella University.



Jacques Bughin, Director del Mckinsey Global Institute

After the opening panel, Mr. Bughin summarized the main findings of the study that he contributed to [Robotlution](#). He argued that private companies could play a key role in education and that learning-by-doing is fundamental for innovation. “This is why we need to take care of the private sector and not leave education exclusively in the hands of the public sector. Companies know the problems that they are facing and the best ways to solve them,” he explained. He also summarized the conclusions of the recent McKinsey report on artificial intelligence, which shows that productivity increases will allow several sectors to create value and new jobs. “Latin America’s productivity has grown at an annual rate of just 0.4% in the last 50 years, so there is enormous potential if the region decides to really pursue productivity,” he concluded.

AI is not rarely entirely about labor substitution

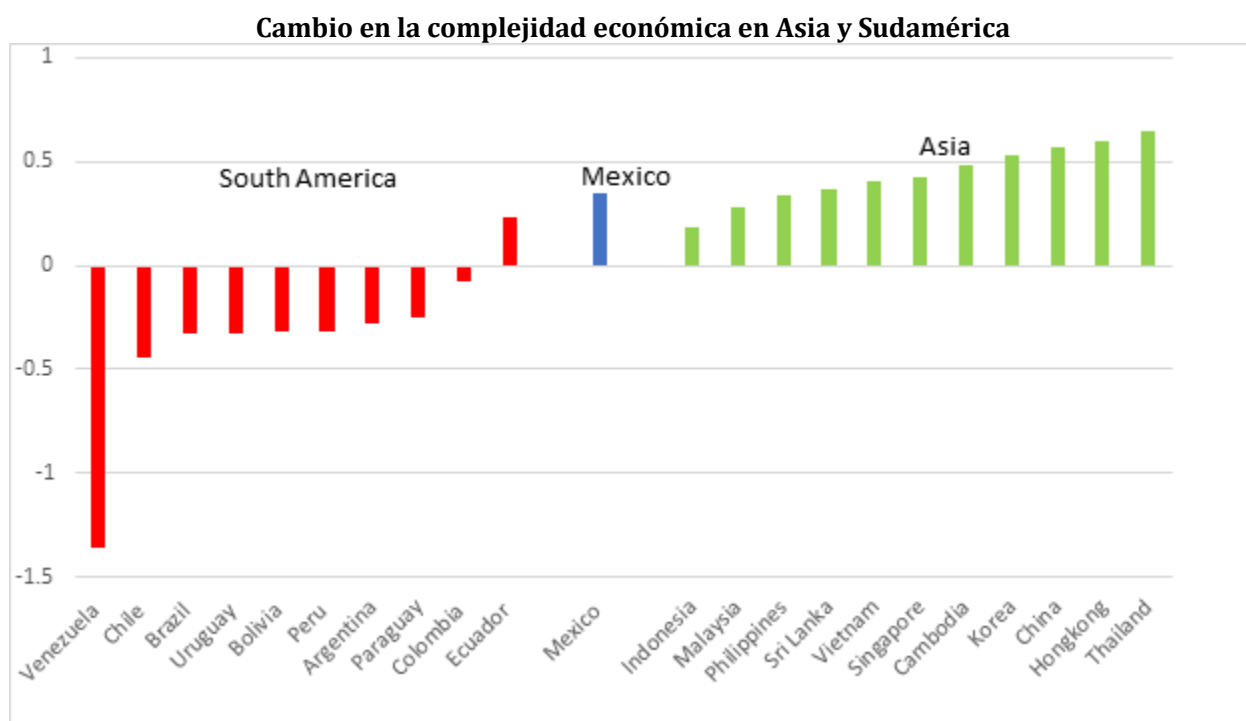


Fuente: McKinsey

Irmgard Nübler from the ILO highlighted the importance of work that builds socially supportive jobs and insisted that work is much more than a source of income: “it is a form of connection with others, the scaffolding for social ties, and a source of dignity.” For these reasons, she suggested that universal basic income could be a remedy for technological unemployment. “Latin American countries have a lot to learn from Asia, especially if they are to increase the complexity of their production systems, which is what has enabled Asian countries to be the global leaders of the electronics market today,” she emphasized, adding that of the five countries with the highest robot density per industrial workers (more than two robots per hundred workers), three are in Asia: South Korea, Japan, and Singapore. Ms. Nübler argued that capacity building is the key to navigating these new trends in production in which automation and artificial intelligence are playing a growing role.



Irmgard Nübler, Coordinadora del programa de Tecnología, Transformación Estructural y Trabajo de la OIT



Fuente: OIT

Lydia Harriss commented that the British Parliament has a special interdisciplinary group of scientists working on the challenges that the automation of tasks and jobs may bring. “We have put together three special committees, one on robotics and artificial intelligence, another on digital skills, and a third to debate the scope of a universal income.” According to the specialist, many jobs that are at risk of being automated include education professionals, the healthcare economy, domestic work, and accounting and financial services, among others. “We run the risk of the salary gap growing along with inequality, which is why Parliament has decided to pay particular attention to these phenomena and invest resources to get a better sense of what is going on,” she said, and also mentioned that Parliament has earmarked £100 million for researching new rules and regulations for autonomous vehicles.

Tang Jun commented on the implications of the *Made in China 2025* plan and insisted that automation is seen in a positive light in his country. China currently manufactures one out of every five robots that are built in the world. “The annual growth rate for robot sales in the country is averaging 12% and it is estimated that figures will reach 130,000 units per year in late 2017,” he said.

The second panel included Ady Beitler, integration specialist at the Inter-American Development Bank, who commented that many of the changes that new technologies are bringing are inevitable, as are factors related to climate change and population, so we should be prepared to adapt to them. “It’s not a bad idea to think about what happened to the dinosaurs every now and then. We need to realize as soon as possible that the situation has changed to ensure that we don’t miss out on the opportunities that these new circumstances are bringing,” he concluded.

During the closing panel, Eduardo Levy Yeyati and Miguel Acevedo talked to Gustavo Beliz. For Mr. Levy Yeyati, the key issue is generating a consensus around the redistribution of the benefits that come with increased productivity due to automation. “The accumulation of wealth is recessionary because the rich save. It is the poor who spend most of their income and who feed demand and consumption,” he explained while arguing that we should welcome the automation of many jobs. “Perhaps those of us in this auditorium are used to thinking about work as professional careers, but the truth is that most jobs are heavy going and largely unpleasant. It would be good for robots to do them. I would lean toward doing pilot projects to see how universal basic income works all toward reducing the working day,” said Mr. Levy Yeyati, who teaches at the Torcuato di Tello University.



Eduardo Levy Yeyati, Decano de la Escuela de Gobierno de la Universidad Torcuato Di Tella

From the world of industry, Mr. Acevedo described how washing machines that are connected to cell phones are already being manufactured in Argentina's Córdoba province, an example of industry 4.0 that includes the Internet of Things. "It is a real data revolution, both for consumers and manufacturers, who are getting an increasingly better idea of what the market's needs are," he said. Mr. Acevedo agreed with the need to invest in education: "We need more and better engineers to lead this technological process."

[Robotlution](#) also includes articles from international experts such as Nobel laureate Robert Aumann, Carl Frey and Daniel Susskind (Oxford University), Alan Krueger (Princeton), Dani Rodrik (Harvard), John van Reenen (MIT), Arun Sundararajan (New York University), José Manuel Salazar-Xirinachs (ILO), Anders Samuelsen (Denmark's minister of foreign affairs), and Manuel Blum (Carnegie Mellon University), among others.

The publication's main conclusions are as follows:

- . **Fine-tuning metrics:** we need to build new metrics for monitoring the impact of innovation on employment, as the differences in current estimates of the share of jobs that robots will replace range from 5% to 47%, depending on the method used. Impact assessment studies also need to consider the indirect creation of new jobs.

- . **Granular information:** the probability of jobs being automated varies by country, sector, and the features of each population. For example, this risk is as high as 82% for the agricultural sector in Uruguay and is greater among people with lower levels of formal education, young people (between 15 and 30 years of age), and men. In Argentina, it is 76% for the transportation sector.

- . **Concentration:** Switzerland and Germany are the two European countries with the most robots per industrial worker (more than two per hundred workers), although they are still outranked by Korea and Japan. In Latin

America and the Caribbean, Mexico and Brazil are leading the way in the use of robots, although with between 0.1 and 0.2 robots per 100 workers, they are still far behind more developed countries.

. **Trade 4.0:** bilateral exports in the automotive sector have grown by 2% for each 10% increase in robot numbers despite the incentives for firms to reshore their operations. The technological divide between countries that sign a trade agreement with clauses on technology transfer and scientific or production-related cooperation may shrink by up to 15%.



Through this publication, INTAL, which is part of the IDB's Integration and Trade Sector, is contributing to building a regional agenda which will monitor the impact of new technologies on employment, production, and trade, and take the necessary steps toward mitigating potential negative impacts of the technological revolution while building on the benefits that it may bring.

MERCOSUR–Pacific Alliance High-Level Dialogue

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A high-level dialogue entitled ***MERCOSUR–Pacific Alliance: A Positive Integration Agenda*** took place on July 19, 2017, in the city of Mendoza in the Republic of Argentina, as part of the 50th MERCOSUR Summit. At the request of and in partnership with the Republic of Argentina’s Ministry of Foreign Relations and Worship, the Institute for the Integration of Latin America and the Caribbean (INTAL), part of the Integration and Trade Sector at the Inter-American Development Bank (IDB), brought together experts from the public and private sectors and academia to identify focal points and draw up guidelines for a joint agenda to fast-track rapprochement between the two blocs.^[1]

There is a shared belief among experts that the MERCOSUR and the Pacific Alliance (PA) have an opportunity for moving toward a joint work program that is both realistic and pragmatic, based on the idea of bringing existing national objectives in line with possible regional goals. This would lead to positive feedback between the two blocs and would strengthen a broader regional space, in a context in which isolated players have less chance of improving their global integration status than those who find ways of working together.

Taking advantage of this opportunity is a rational response to both the uncertainty that currently characterizes global economic relations and to the long list of unfinished business in the history of regional integration.

This biregional agenda needs to be realistic, pragmatic, and strategically focused from the outset, and should be made up of goals that are motivating, inspiring, and extremely relevant. This aims to build on tangible, positive results in operational areas where concrete outcomes can be achieved. Increasing integration between the two blocs should contribute to achieving national targets that have already been agreed upon.

There are three key factors in the rapprochement process between the PA and the MERCOSUR: opting for simplicity; articulating public and private initiatives; and generating innovative options that sustain the dynamic of the link and strengthen and expand its results.

The seminar identified two main groups of projects, one of which is oriented toward trade facilitation and the other to strengthening regional value chains. Although these two groups have specific features, they are clearly not entirely separate. For example, taking the much-needed, long-term perfecting of instruments on rules of origin to the regional level would require improvements to data handling and the traceability of operations and operators within the sphere of trade facilitation. Likewise, trade facilitation initiatives cannot be separated from the broader trade policy framework.

Those at the event also put forward ideas on issues such as cooperation around technological innovation policies, entrepreneurship, and small and medium-sized companies, among others. Areas for developing creativity as part of a dynamic agenda.

Evolution

A meeting of the MERCOSUR and PA ministers of foreign relations and ministers responsible for foreign trade and production took place on April 7, 2017, in Buenos Aires and confirmed the joint work areas put forward by the two blocs in 2016. In addition, the PA High-Level Group (HLG) and the MERCOSUR Common Market Group (GMC) were instructed to meet periodically to make progress on the issues identified in the road map.

In July 2017, during the aforementioned summit in Mendoza, the MERCOSUR member countries signed an investment promotion and facilitation agreement based on the protocol they had agreed on in April.[\[2\]](#)

In a similar direction, authorities from the two blocs met on August 4, 2017, at the ALADI headquarters in Montevideo, Uruguay, where they looked at issues relating to the accumulation of origin, productive chains, customs procedures, promotion events and spaces of mutual interest, barriers to trade, and the facilitation of trade in services. For example, in relation to accumulation of origin and productive chains, they agreed to hold meetings between experts with the aim of exchanging information and experience from each bloc. Regarding trade facilitation, they agreed to promote rapprochement to implement initiatives that aim to facilitate, streamline, and fast-track customs procedures.[\[3\]](#)

MERCOSUR - ALIANZA DEL PACÍFICO HOJA DE RUTA

Cadenas Regionales de Valor / Acumulación de Origen

Reunión de expertos con miras a intercambiar información y experiencias sobre acumulación de origen.

Realización de un taller Alianza del Pacífico - MERCOSUR en materia de encadenamientos productivos.

Facilitación del Comercio / Ventanillas Únicas de Comercio Exterior - VUCEs

Reunión de expertos en el marco de la Red Iberoamericana de VUCEs.

Intercambiar avances sobre la implementación de la Certificación de Origen Digital de la ALADI.

Cooperación Aduanera

II Reunión de expertos aduaneros para analizar alcances del Sistema INDIRA de MERCOSUR (Intercambio de Información de los Registros Aduaneros) y, por parte de la Alianza del Pacífico, compartir los resultados de los talleres con la Organización Mundial de Aduanas.

Promoción Comercial y Pymes

Intercambiar invitaciones a eventos empresariales con la participación de Pymes de la Alianza del Pacífico y de MERCOSUR (por ejemplo, Macro-rueda de Negocios).

Barreras No Arancelarias

Facilitación del Comercio de Servicios

Key Factors in a Positive, Innovative Agenda: From Customs to Regional Value Chains

The task ahead is not an easy one. In principle, the two blocs need to simplify the complex web of relations between the countries that make them up and bridge the existing gaps in relations so as to move toward establishing a free trade area. To achieve this, they need to find stable areas of equilibrium which are both flexible and predictable, which may prove to be a difficult undertaking.

A more realistic vision for this road map would be to move toward a series of rapprochements focusing on areas in which biregional cooperation could be productive and could counteract the uncertainty that currently characterizes the international arena.

Both blocs have assets that could lead to a cross-pollination between them. For example, ALADI is a shared asset that could function as a space for negotiations and monitoring and could facilitate business relations and be used to further an agenda for rapprochement.

A general overview of the next steps that need to be taken toward convergence between the two blocs would suggest that they avoid getting involved in excessively complex and unnecessary initiatives and instead focus

their work on promoting a simple, concrete, actionable agenda as pragmatically as possible. The seminar made significant contributions to these aims.

In particular, eight proposals emerged from the high-level dialogue with the aim of moving toward trade facilitation and strengthening regional value chains between the two blocs, which are summarized in the following diagram.



The following government authorities, officials from international organizations, academics, and members of business organizations all took part in the seminar:

- Ambassador Jorge Faurie. Minister of Foreign Relations of the Republic of Argentina [Ver presentación](#)
- Francisco Cabrera. Minister of Production of the Republic of Argentina [Ver presentación](#)
- Alfredo Cornejo. Governor of Mendoza Province, Argentina
- Horacio Reyser Travers. Secretary of International Economic Relations, Ministry of Foreign Affairs and Worship, Argentina [Ver presentación](#)
- Paulo Estivallet de Mesquita. Undersecretary-General for Latin America and the Caribbean, Ministry of Foreign Relations, Brazil [Ver presentación](#)
- Abrão Miguel Árabe Neto. Secretary for Foreign Trade at the Ministry of Industry, Foreign Trade, and Services (MDIC), Brazil [Ver presentación](#)

- Carlos Carvallo Spalding. Member of the Board of Directors at the Central Bank of Paraguay [Ver presentación](#)
- Juan Angel Delgadillo. Director-General for Economic Policy, Ministry of Foreign Relations, Paraguay [Ver presentación](#)
- Gabriel Bellón. Director-General for Integration Affairs and the MERCOSUR, Ministry of Foreign Relations, Uruguay [Ver presentación](#)
- Juan Alfonso Labraga Brea. Director of the Trade Policy Consultancy, Ministry of the Economy and Finances, Uruguay [Ver presentación](#)
- Shunko Rojas. Undersecretary of Foreign Trade, Trade Secretariat, Ministry of Production, Argentina [Ver presentación](#)
- Alejandro de la Peña Navarrete. Mexico's Representative at the Latin American Integration Association (ALADI) [Ver presentación](#)
- Luis Felipe Quesada Incháustegui. Director-General for Economic Affairs, Ministry of Foreign Relations, Peru [Ver presentación](#)
- Abdul Fatat. Director of Economic Integration, Ministry of Trade, Industry, and Tourism, Colombia [Ver presentación](#)
- Luis Fernando Londoño Capurro. Colombia's Ambassador to Argentina [Ver presentación](#)
- Karina Cánepa Espada. Head of the South America and Regional Integration Organizations Department, DIRECON, Chile [Ver presentación](#)
- Antoni Estevadeordal. Manager of the IDB's Integration and Trade Sector [Ver presentación](#)
- Gustavo Beliz. Director, INTAL/IDB [Ver presentación](#)
- Félix Peña. Director of the ICBC Foundation, Argentina [Ver presentación](#)
- Roberto Bouzas. Academic Director of the Master's in International Politics and Economics, University of San Andrés (UDESA), Argentina [Ver presentación](#)
- Rubens Barbosa. President of the Upper Council of Foreign Trade of the Federation of Industries of the State of São Paulo, Brazil [Ver presentación](#)
- Renato Baumann. Secretary for International Affairs, Ministry of Planning, Development, and Management, Brazil [Ver presentación](#)
- Álvaro Ons. Secretary of Productive Transformation and Competitiveness, Uruguay [Ver presentación](#)
- Alan Fairlie Reinoso. Catholic University of Peru [Ver presentación](#)
- Raúl Eduardo Sáez. CIEPLAN, Chile [Ver presentación](#)
- Rafael Cornejo. International Trade Consultant [Ver presentación](#)
- Lisandro Nieri. Ministry of Economics and Finances of Mendoza, Argentina [Ver presentación](#)
- Ricardo Rozemberg. Researcher, Centro Ideas, Argentina [Ver presentación](#)
- Ricardo Rodríguez Silvero. Director of the RS&A consultancy firm, Paraguay [Ver presentación](#)
- Diego Yarza. National Chamber of Trade in Services, Uruguay [Ver presentación](#)
- Franchesca Garay. Specialist, National Society of Industries, Peru [Ver presentación](#)
- Rodrigo Arim Ihlenfeld. Dean of the School of Economic Sciences and Administration, University of the Republic, Uruguay [Ver presentación](#)
- Diego Coatz. Executive Director and Chief Economist at the UIA, Argentina [Ver presentación](#)
- Mauricio Mesquita Moreira. Chief Economist, Integration and Trade Sector, IDB [Ver presentación](#)
- Ana Paula Repezza. Director of Productive Integration and Economic Development, Office of the President, Brazil
- César Llona. Undersecretary of Development at the Free Trade Department, ALADI [Ver presentación](#)
- Enrique Mantilla. President of the Argentine Chamber of Exporters (CERA) [Ver presentación](#)
- Marcela Ruth Espinoza Nissim. Director of Borders, Ministry of Foreign Relations, Chile [Ver presentación](#)
- Nicole Morani Brown. Head of Public-Private Dialogue and Communication at VUCEA, Ministry of Production, Argentina [Ver presentación](#)

- Ronnie Pimentel. Trade Facilitation Specialist, National Confederation of Industries (CNI), Brazil [Ver presentación](#)
- Manuel José Prieto. Manager of International Affairs and Foreign Trade at SOFOFA, Chile [Ver presentación](#)
- Luis González Arias. Chief of Staff at the Industrial Union of Paraguay [Ver presentación](#)
- Mario Castillo, Head of the Innovation and New Technologies Unit, ECLAC [Ver presentación](#)
- Mariano Mayer. Secretary of Entrepreneurs and SMEs, Ministry of Production, Argentina [Ver presentación](#)
- Gonzalo Brahm. Executive Director of ASELA, Consultant for the PA Business Council, Chile [Ver presentación](#)
- Giovanni Andrés Gómez Camelo. ANALDEX (Colombia) [Ver presentación](#)
- Rafael Nava y Uribe. President of the International Department for South America at COMCE, Mexico [Ver presentación](#)
- Mario Mongilardi. President of the Lima Chamber of Commerce, Peru [Ver presentación](#)
- Andrés Rugeles. Director and CAF Representative in Argentina [Ver presentación](#)

[1] The proposals reviewed in this report only reflect the opinions of the individuals who took part and not those of the institutions that organized the event.

[2] It was decided at the same meeting that the foundations for a future agreement on government procurement should be established.

[3] They also agreed that: countries will exchange information on promotion events and spaces to promote business meetings and develop trade promotion events; they will also look at mechanisms for exchanging information on barriers to trade; and experts from each bloc will identify services-specific work areas.

Workshop on Negotiations at the WTO

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The Institute for the Integration of Latin America and the Caribbean (INTAL), part of the IDB's Integration and Trade Sector, held a [High-Level Workshop on Handling Negotiations at the WTO](#), in partnership with the [World Economic Forum](#) (WEF), the [World Trade Organization](#) (WTO) and the [Ministry of Foreign Relations of the Netherlands](#), in preparation for the 11th WTO Ministerial Conference which will be held in Buenos Aires in December 2017. The event took place at the headquarters of the World Economic Forum in Geneva between May 31 and June 1, 2017. It brought together high-level officials from the Argentine government who will be responsible for organizing MC11, major experts on global trade, and higher-ranking WTO officials, and was facilitated by the [Centre for Multilateral Negotiations](#).



Workshop on Negotiations at the WTO, Geneva, May 29–June 1, 2017

Over the course of the two-day event, those present shared best practices from previous trade negotiations in the hope that the Republic of Argentina will be able to build on these in the run-up to the Ministerial Conference and at the event itself. The effective handling of negotiations by the host country is key to the meeting being a

real opportunity for discovering points of negotiations-related equilibria that lead to the satisfaction of mutual interests while promoting multilateral cooperation to reach constructive outcomes that help develop international trade.

It is worth noting that the WTO General Council, which is presided over by Roberto Azevêdo, decided that Argentina would be the first country in South America to host the meeting of WTO trade ministers, which is the organization's topmost decision-making body and meets every two years.

The Geneva Workshop served as an informal forum where [Argentine government officials could openly discuss key issues in the negotiations with well-known international experts.](#)



Workshop on Negotiations at the WTO, Geneva, May 29–June 1, 2017

Following the progress made at the meetings in Bali in 2013 and Nairobi in 2015, MC11 will seek to achieve specific results relating to some of the unresolved issues from the Doha Round by establishing new regulations for multilateral trade and, possibly, in other spheres such as e-commerce, the integration of SMEs into global trade, and investment facilitation. These issues have become important in comparison with traditional negotiations around tariff- and nontariff-related trade issues.

The event also explored best practices to facilitate global agreements in complex international scenarios and to build institutional cohesion between the WTO Secretariat, the President of the General Council, and the host country in the run-up to MC11.



Workshop on Negotiations at the WTO, Geneva, May 29–June 1, 2017

A better understanding of the dynamics of negotiations can help those involved handle these better and thus may favor positive outcomes. Based on this premise, the discussions covered issues such as transparency and inclusiveness during negotiations; communication strategies during the negotiation process to ensure that all members and groups are represented; and constructively developing solutions.



Antoni Estevadeordal Manager of the IDB's Integration and Trade Sector

One particularly fruitful part of the meeting was the review of the lessons learned from the Paris Agreement on Climate Change, the Stockholm Convention on Persistent Organic Pollutants (POPs), and the government of the Netherlands' presentation on how civil society and the private sector can contribute to the negotiation process.



Tatiana Prazeres, Senior Advisor to the WTO Director General

The workshop concluded with a discussion of the global framework in which current trade negotiations are carried out, focusing on the trade policy context for MC11.

Miguel Braun, Secretary of Trade, Ministry of Production, Argentina: <https://youtu.be/tv66OdAlrp8>

Marcelo Cima, Ambassador and Argentina's Permanent Representative to the WTO and International Organizations in Geneva. <https://youtu.be/8HKXiYYvr44>

Victor do Prado, Director of the Council and Trade Negotiation Committee Division at the WTO, and responsible for the organization of the WTO Ministerial Conferences <https://youtu.be/S0hX2UUpqYg>

Stuart Harbinson, Former General Council Chair and WTO Secretariat Chief of Staff <https://youtu.be/pE2YsaVjX18>

Kai Monheim: Director and Co-founder of the Centre for Multilateral Negotiations <https://www.youtube.com/watch?v=PSNz1p8uCdU>

Trends in Negotiations on Agricultural Trade

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Agriculture represents just 10% of global trade value at current prices. Despite the fact that it only accounts for such a small share, the sector has particular features that make it significant in the international trade negotiations arena. Agricultural production and trade are considered sensitive areas because of the part they play in strategic food security issues and the uncertainty caused by shifting climate patterns and abrupt changes in regulatory policies. Market trends toward instability and volatile prices are commonplace in agriculture, so policy instruments are often used to mitigate these. Technological change and the effects of agriculture on the environment are two other variables that make this sector a particularly sensitive one.

On the global supply side, it should be noted that agricultural products play a large part in the export basket of numerous economies, almost all of which are considered to be developing countries. In nearly 50 countries, agricultural products explain over a third of total exports, and in 33 economies they account for more than half of these. In Latin America and the Caribbean, 11 countries fall into the first category and six into the second.^[1] The profile of the agricultural sector makes multilateral negotiations a complex but necessary issue.

Figure 1. Composition of Global Trade by Area

(Average for 2010–2015, in percentages)



Source: IDB/INTAL using data from IDB/INT (Trade and Integration Monitor, 2016).

Agricultural issues were included relatively late in multilateral negotiations: although they were included in the General Agreement on Tariffs and Trade (GATT) in 1947, trade in agricultural products was subject to many exemptions from the general standards that were agreed on. GATT allowed countries to use some nontariff measures, such as import quotas, and to grant subsidies, among other exceptions that had distorting effects on international agricultural trade. It was only in the Uruguay Round that commitments were established in the framework for the Agreement on Agriculture. The standards and commitments in this instrument apply to three aspects of trade:

- Market access: trade restrictions that affect imports.
- Export subsidies (and other methods): used to artificially make exports more competitive.
- Domestic support: subsidies and other programs, including those that raise or guarantee the price paid to the producer and farmers' incomes. Domestic support is classified into four main categories, known as "boxes," depending on how far they distort production and trade, and countries' commitments to reducing these (table 1).

Table 1. Domestic Support Boxes

<i>Compartimentos</i>	<i>Caracterización</i>	<i>Objetivos conceptuales</i>	<i>Ejemplos</i>
VERDE	No distorsivos o mínimamente distorsivos	Desarrollo productivo y tecnológico, reestructuración productiva	- Investigación - Difusión/capacitación - Infraestructura - Ambiente - Diversificación bienes -Ingreso social estable
AZUL	Límites a producción	Reestructuración productiva	-Pagos directos
ÁMBAR	Distorsivos	Compromisos de reducción establecidos con métrica "Medida Global de Ayuda" <i>De minimis</i> : Cuota tolerada de medidas distorsivas	-Precios administrados -Subsidios directos -Compras de gobierno
TRATO ESPECIAL Y DIFERENCIADO	Desarrollo PED	Trato especial PED	-Subsidios a inversión

Source: IDB/INTAL using WTO data.

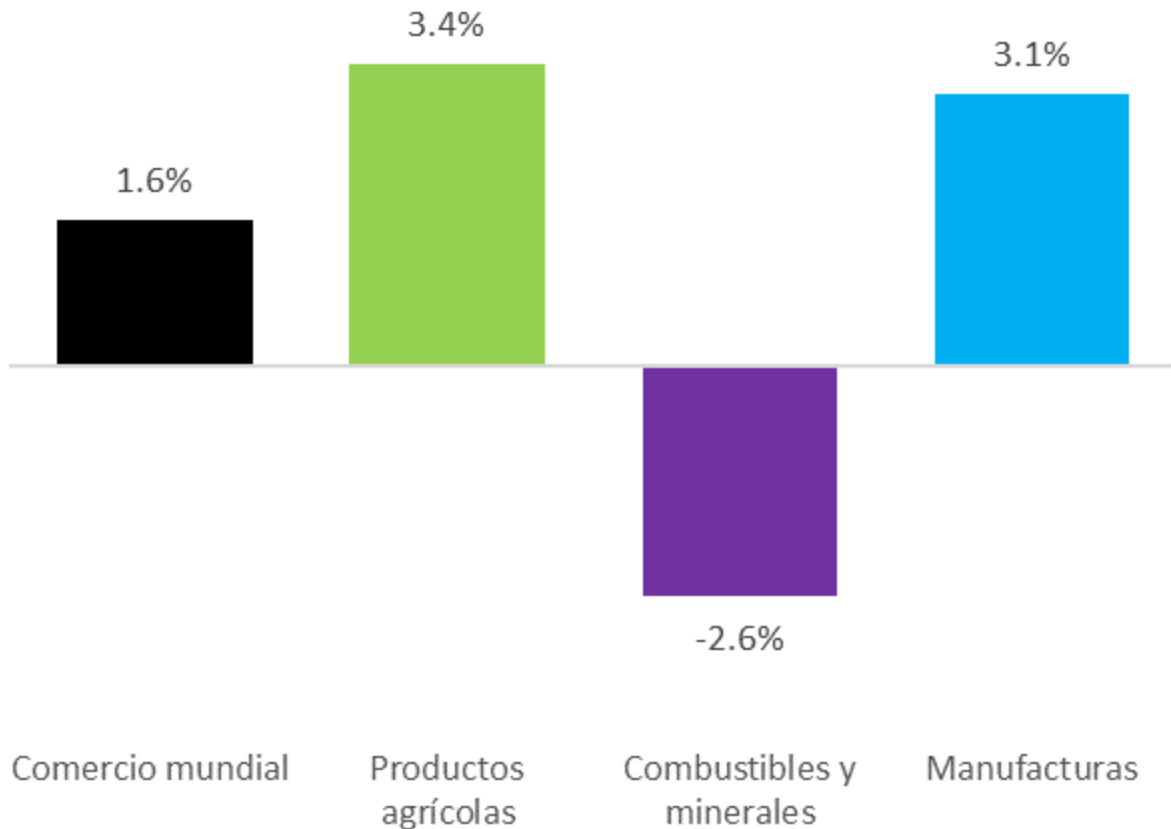
In addition to certain standards, the agreement included a commitment to continue with the reform via new negotiations. These negotiations began in 2000 with the Doha Round. However, as is well-known, this process is yet to be concluded. One early sign of progress came in 2013 with the Trade Facilitation Agreement, the first multilateral agreement since the Uruguay Round. Another came in 2015 with the new commitments on the competitiveness of agricultural exports.

In addition to the de facto expiry of the single undertaking principle^[2], there are several other key factors behind this progress in multilateral negotiations, which is modest in relation to the Doha agenda as a whole, but still significant. First, it reflects increased trust in the global market that is regulated by multilateral rules.

Second, although global trade stagnated between 2010 and 2015,[3] trade in agricultural products has proved resilient and is the area that grew most during this period. While total trade flows grew by an annual average of 1.6%, agricultural trade increased by 3.4% per year, more than double the total rate (figure 2).

Figure 2. Evolution of the Value of Global Trade by Area

(Annual average rate of change, 2010–2015)

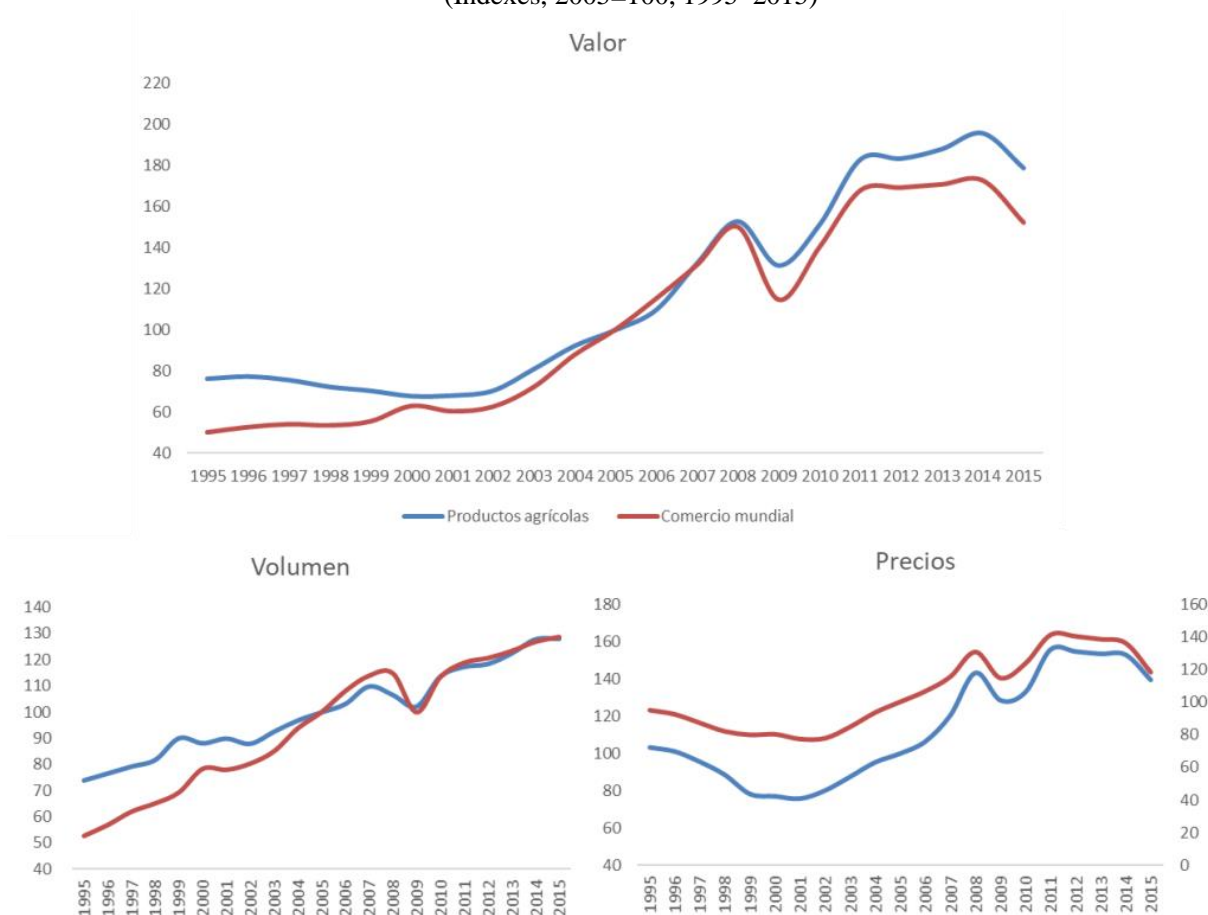


Source: IDB/INTAL using data from IDB/INT (Trade and Integration Monitor, 2016).

Against this backdrop of relative strength for the sector, the prices and volumes of agricultural trade have remained relatively high since the most recent financial crisis (figure 3). On the one hand, this “endogenously” deactivates the need for mechanisms such as export subsidies while also making the idea of “cutting the slack” from the existing margins of distortive domestic support a plausible one. If farmers are looking at strong demand and high prices, there is less pressure for protectionist measures. On the other hand, it shows that the growth in demand for agricultural goods (caused, for example, by improvements to the diet of large sectors of the population in emerging economies) is having a positive effect on trade flows, in that part of this stimulus is being channeled through imports.

Figure 3. Value, Volumes, Prices of International Trade

(Indexes, 2005=100, 1995–2015)



Source: IDB/INTAL using IDB/INT data.

These cyclical factors have created a better context for trade in agriculture and have marginally improved expectations around negotiations in this area. The commitments achieved at the Ministerial Conference held in Nairobi in December 2015 on eliminating subsidies to exports of agricultural products are testimony to this. In fact, this reform is the most important in this area since the WTO was established.

From one point of view, the current structure of multilateral regulations for agricultural trade (which we could call the “Uruguay–Nairobi Agreement”) is a major milestone, considering that it is a structure of disciplines for the sector that has been most reluctant to engage in free trade in many countries and that it has managed to eliminate the broadest protectionist and distortive mechanisms. It is also true that it still falls short of what is needed.

The regulation of agricultural trade continues to allow distortive practices in several senses. Relatively high tariffs persist in the market access component, including tariff peaks on some products which in practice prevent trade; tariffs are highly scattered; and there is significant tariff escalation (higher tariffs on products with greater

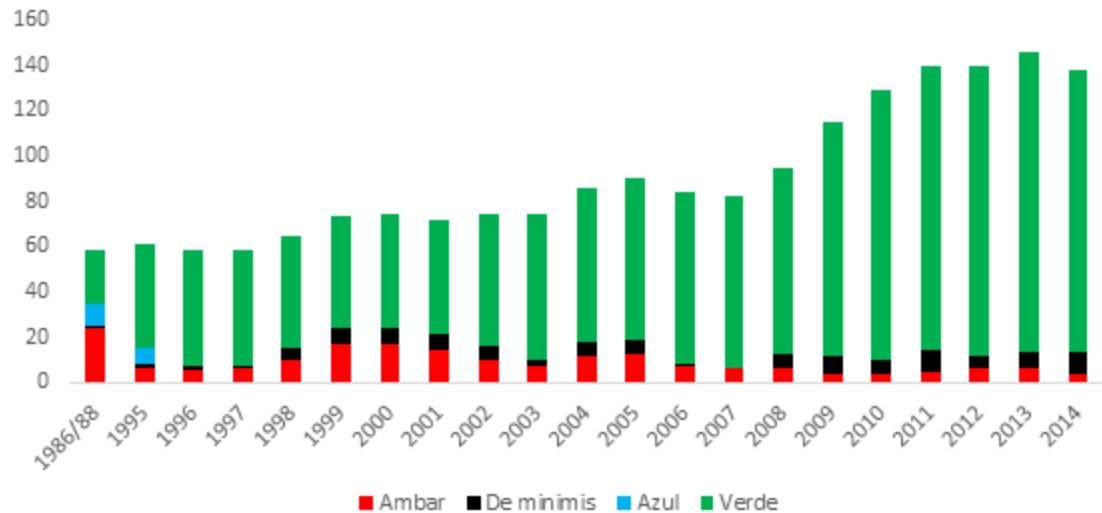
value added); and differential taxes apply, among other restrictive measures. With regard to domestic support, although distortive intervention has been reduced, the upper limits that have been sent for this are extremely high and other forms of flexibility are still available: for example, the so-called de minimis clause legalizes the use of distortive instruments which, due to the scale of suppliers, could impact on global prices for agricultural goods.

However, although the cyclical factors mentioned above have played a part in creating a better context for negotiations, fiscal targets in several developed economies do not seem to indicate this to be the case. Strictly speaking, there is no sign of intense fiscal adjustments in any of the economies where such interventions play a significant role. In the United States, domestic support levels are higher than in the crisis years, which might suggest that there is room to reduce these, but it is unclear whether there is any willingness to take on permanent commitments to do so beyond current levels (figure 4). The possibility of a fiscal reform in the US further complicates matters. Although the level of distortive domestic support measures is at a historical low, almost all of these reductions in recent years have been transferred to the so-called green box, in other words, everything that has been left off the negotiations table.

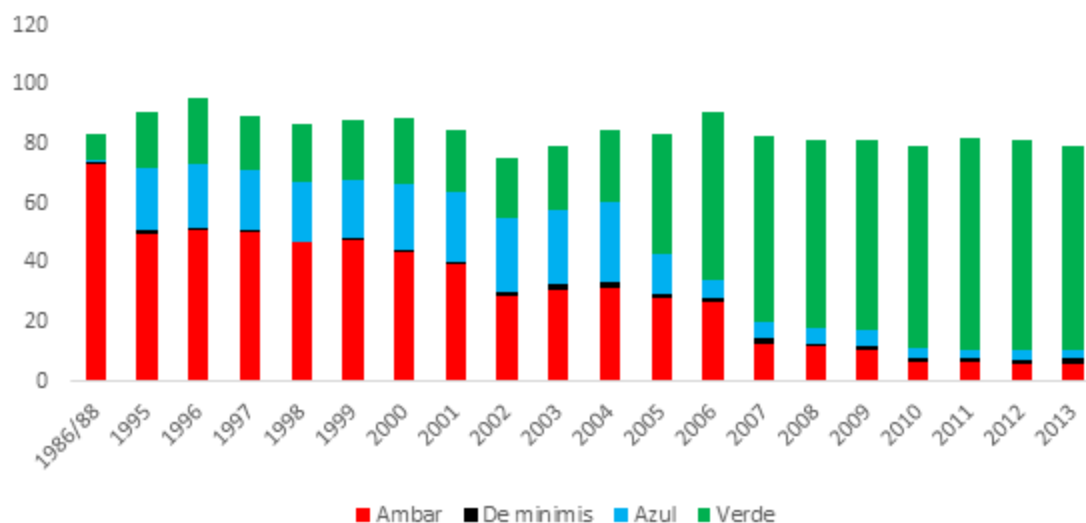
Figure 4. Domestic Support, by Box

(Billions of US\$)

United States



European Union



Source: IDB/INTAL using WTO data.

These positive developments in the reform of the Agreement on Agriculture may continue, provided that trade in agricultural products remains strong (through relatively high prices and growth in demand) and the increased trust that has developed among players continues. However, the uncertainty that characterizes the sector and the risks associated with this continue to make agricultural trade a complex area in which to create agreement among countries. One of the characteristics of negotiations is that the agenda has been skewed toward domestic support and the competitiveness of exports, while market access has not clearly featured on it. Negotiations around the latter reflect the offensive interests of small countries that specialize more in agriculture. In contrast, the focus on the competitiveness of exports and domestic support mainly arises from the defensive interests of countries with large, unspecialized domestic markets which are also large-scale agricultural producers.

It is to be expected that these small advances in this area will be consolidated and the gradual development of agricultural trade flows will generate a space of trust in which the rules and disciplines of multilateral regulations are expanded, to the benefit of all countries.

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[1] Argentina, Belize, Guyana, Nicaragua, Paraguay, and Uruguay are the six countries in the region where agricultural products represent over 50% of exports; in Brazil, Costa Rica, Ecuador, Guatemala, and Honduras, the percentage is greater than 30%.

[2] This clause establishes that there must be agreement on all the issues included in the negotiation for this to be concluded—in other words, nothing is agreed on until everything is agreed.

[3] Giordano (2016).

Integrating Logistics Chains to Become More Competitive

- [Inspiring Activities](#)
- [n252](#)

The [COSIPLAN/UNASUR Network of Freight Logistics Experts \(link in Spanish\)](#) was created after the countries of South America expressed the need for an online workspace for government officials from different areas that specialize in this issue. The aim is to provide COSIPLAN with guidance on the process of drafting regional policies, projects, and initiatives by identifying research, development, and knowledge transfer requirements for the sector.

As part of the group's activities, two webinars were held in July 2017. The first, which took place on July 6, was a presentation on the Bioceanic Rail Integration Corridor project from the [Bolivia's Ministry of Public Works, Services, and Housing \(link in Spanish\)](#). The second was held on July 25 and covered the second National Logistics Survey carried out by [Colombia's National Planning Department \(DNP\) \(link in Spanish\)](#).

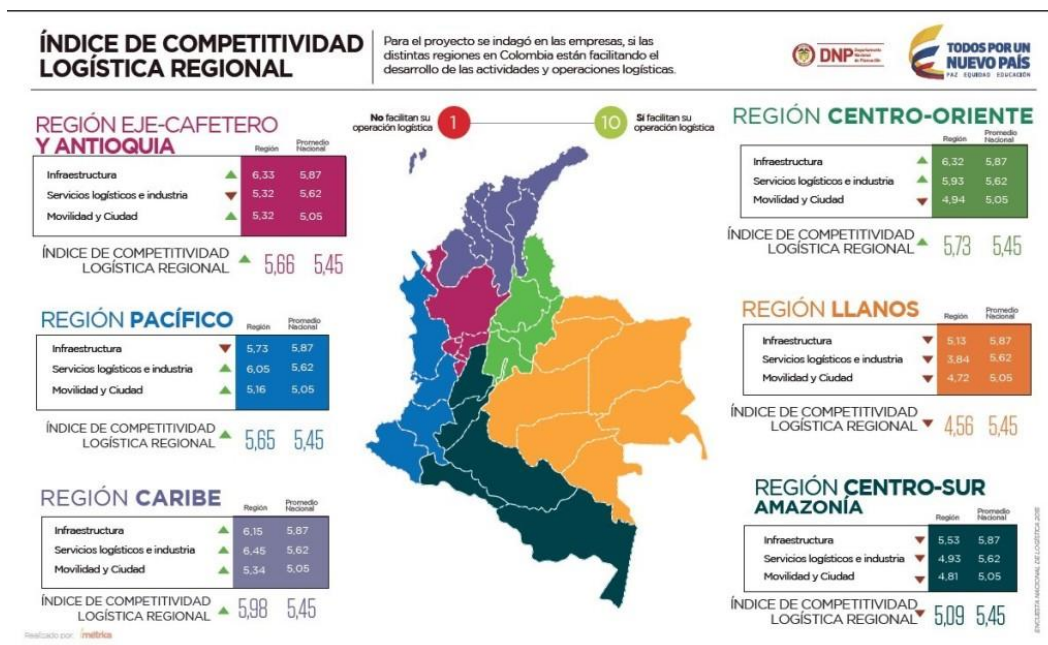
Colombia's Second National Logistics Survey

In 2008, Colombia decided to create a national logistics policy and implement a national poll on how logistics processes were performing in the country. The first National Logistics Survey was carried out in 2015 to update the 2008 data and provide the information needed to draft future public policies and comply with the guidelines set out in the [2014–2018 National Development Plan: "Everyone for a New Country" \(link in Spanish\)](#).

In 2008, the average cost of Colombian firms' logistics processes was 18%. One of the main findings of the 2015 survey was that this accounted for 14.97% of sales. This cost is greater than in several other countries in the Americas and in Europe: in the United States logistics represents 8.7% of sales, on average; in Europe, 11.9%; and in Latin America, 14.7%.

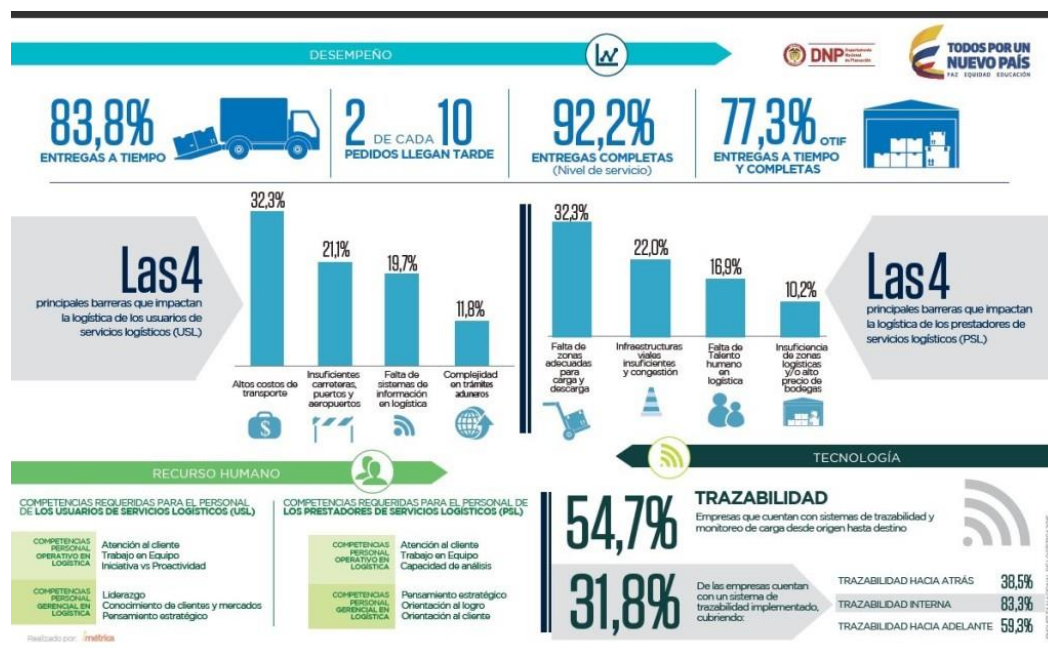
This exercise was the first time that the Region-Specific Logistics Competitiveness Index was used to evaluate how far different regions of the country facilitated logistics operations on a scale of 1 to 10. The result was a national average of 5.45.

Results of the 2015 National Logistics Survey by Region



Source: National Logistics Survey 2015, National Planning Department

Results of the 2015 National Logistics Survey for Performance and Logistics Needs



Source: National Logistics Survey 2015, National Planning Department

In 2016, the DNP led the [Logistics and Foreign Trade Mission \(link in Spanish\)](#) in analyzing obstacles that make logistics more costly, in order to draw up a short- and medium-term action plan to reduce current logistics costs from 14.9% to less than 12% by 2030.

To follow up on this, Colombia decided to carry out a second National Logistics Survey in 2018. To gather feedback on the cost of similar exercises in other countries and the methodology used for calculating logistics costs, the DNP suggested a holding a webinar with the Network of Experts. The presentation was given by Katherine Sandoval, the DNP's Logistics Coordinator.

Those who took part in the activity discussed several factors that are key to Colombia improving its next survey, an experience which will help other countries in the region such as Peru or Paraguay, which have been working toward partial surveys, or Chile, which is planning a national sampling exercise.

Participants agreed that it is essential to establish which areas need to be worked on to facilitate foreign trade, taking the information provided by the [World Bank's Logistics Performance Index \(LPI\)](#) as a starting point. Germany ranks top of this index, followed by Singapore and the United States. Chile, Mexico, Argentina, Brazil, and Peru rank higher than Colombia in terms of logistics performance. According to the index, Colombia appears to be lagging behind in terms of customs facilities and infrastructure.

The next index aims to compile information from the private sector to measure **logistics performance**, which is one of the main inputs needed for the government to build public policies to respond to the sector's needs.

The data it is seeking will focus on four main components: **cost and time; quality; productivity; and use of information and communication technologies (ICTs)**. The survey will also include other areas that may function as variables, such as the level of outsourcing and logistics; logistics for foreign trade (legal framework, external market, and port services logistics); regional analysis of logistics performance and competitiveness in the country's different departments; and the outlook for logistics.

The activity encouraged dialogue around different methodological matters of interest, and the main conclusions reached were:

- The number of questions on the next survey will be reduced to a maximum of 150 so as to obtain representative results.
- A regular timeframe for the survey needs to be defined, which will ensure that the data is kept up-to-date.
- Colombia was praised for its decision to measure logistics costs as a percentage of sales rather than GDP. This is the indicator used for users of logistics services, but not for suppliers.
- One issue that was discussed was how to account for the effect of inflation on logistics costs, a factor that Colombia solves by measuring cost as a percentage of sales.
- The importance of generating indicators that can be compared over time was also mentioned. To this end, it was decided that stable markers or indicators should be used whenever the survey is carried out, in combination with other indicators that may not necessarily be gauged for every survey but that leave room for inquiry into other areas.

- It was suggested that some indicators for logistics maturity be included—that is, how far they play a part in the country's and the region's more sensitive supply chains, with the eventual aim of implementing similar surveys in other countries so as to be able to compare results.
- Those who took part in the webinar exchanged opinions on whether it would be useful in the short term to use a compound indicator, that is, one that combines several indicators. Colombia said it had attempted to use this alternative, but it had been forced to put it aside in the short term due to consistency problems.
- They also discussed the fact that some indicators allow the causes of certain distortions to be identified, such as how time spent complying with foreign trade processes impacts logistics costs.

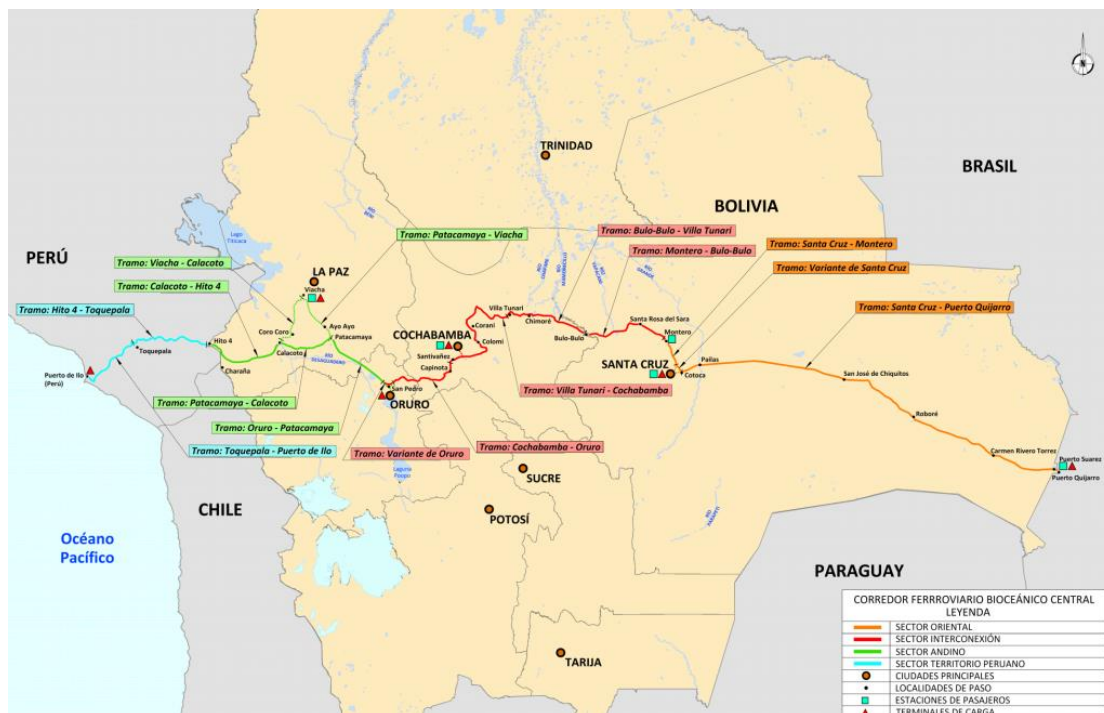
The session ended with a cooperation agreement that will allow Chile, which is about to implement its first logistics survey, to learn from the Colombian experience.

Bolivia's Bioceanic Rail Integration Corridor

The [Central Bioceanic Rail Corridor](#) (CBFC) is a rail project that has been prioritized by the government of Bolivia and which aims to join the Atlantic port of Santos in Brazil with the Pacific port of Ilo in Peru. This rail connection is the optimum alternative for shipping large volumes and weights of Bolivian mining, farming, and forestry commodities to international markets.

This project is part of the [COSIPLAN Integration Priority Project Agenda \(API\)](#) and its scope was described in an article in [INTAL Connection in June 2017](#). It was also on the agenda at the [Meeting of the Working Group on Rail Integration \(link in Spanish\)](#) held on July 13, 2017, in Montevideo, Uruguay.

Central Bioceanic Rail Corridor Route Map



Source: Bolivia's Ministry of Public Works, Services, and Housing, 2017.

As part of the Network of Logistics Experts, Alberto Gutiérrez from Bolivia's Ministry of Public Works, Services, and Housing presented the project with the aim of exchanging opinions and getting feedback from the other participants on factors that could potentially improve Bolivia's rail freight logistics.

Bolivia received financing from the IDB to carry out technical, economic, financial, and socio-environmental studies to determine the viability of this bioceanic rail link.

The country has recently signed a Memorandum of Understanding with Peru and Brazil, which was then signed by Paraguay and Uruguay and which Argentina will soon also be party to.

The multiple factors that were analyzed during the webinar include the type of freight to be transported (soy, bulk liquids, zinc, containers, iron, and bulk dry goods); the origin and destination markets for these goods (intra- and extraregional imports and exports and transit); the potential effects of diverting container freight to the port of Ilo; and new opportunities for developing logistics centers in the immediate environs of freight terminals in major cities.

These future logistics centers could provide services such as customs dispatch, consolidation, and deconsolidation and could eventually be combined with urban delivery platforms. A dry port is planned in Patacamaya or Viacha, while there is also potential for logistics centers in Roboré (which connects with the branch from Paraguay) and the dry port at Oruro, which is being re-evaluated as an alternative dry port for the rail system.

Bolivia is also considering the possibility of facilitating authorized economic operator (AEO) certification to railway users, taking advantage of the fact that it is a natural extension of the primary customs zone.

At present, the Bolivian rail system is made up of the Andean Network (in the west of the country), which is in the Bolivian highlands and has 2,276 kilometers of track, and the Eastern Network, which is made up of 1,246 kilometers of track in the lowlands. The two networks have never been connected to one another due to a lack of infrastructure in the center of the country. The eastern section of the network connects with Brazil and Argentina and the western section with Chile, Peru, and Argentina.

Freight from Brazil to Asia must currently be shipped via the Panama Canal, taking 67 days to travel more than 25,000 kilometers. Building this large-scale rail infrastructure project would cut that time by half.

The network's current axle load capacity is a maximum of 15 metric tons per axle, which falls short of the volume that it is hoped will be transported in the future. An assessment of the current structure of the Bolivian rail network and an estimate of the freight that it might be expected to carry over the next 40 years suggests that this infrastructure could be taken advantage of by increasing and homogenizing the load capacity along the entire corridor.

At the regional level, the Bioceanic Rail Integration Corridor is a project that will play an enormous part in connecting central South America by enabling a direct connection between the continent's east and west coasts, which will lead to reductions in export costs and times within the region and overseas.

Links related to the Central Bioceanic Rail Corridor: [\[1\]](#) [\[2\]](#)

Ideas in Action

- [Inspiring Activities](#)
- [n252](#)

As part of *Projecting Ideas*, a series of talks that the IDB is organizing to reflect on issues related to innovation in the workplace, the president of the professional services firm Accenture for Argentina and Spanish-speaking South America, Sergio Kaufman, gave a presentation on how artificial intelligence is creating new jobs. In his presentation to IDB staff, Mr. Kaufman shared his vision of the future of employment and commented on some of the human resources initiatives that Accenture is implementing to improve productivity, flexibility, motivation, and diversity in the world of work.

He argued that the firm is currently going through a “brutal employment revolution” which revolves around several core issues: demographic and generational factors, social and flexibility-related matters, and understandings of diversity. “Technology is revolutionizing the way we work and the old labor model. Work is no longer just the place where you operate a machine. So, five years ago, we switched to offering a home office system to all employees twice a week. Our people are happy with the scheme: we believe that giving them flexibility is a motivating factor,” Mr. Kaufman said. “They do still have to go to the office three days a week, as face-to-face interaction is very enriching,” he added. Accenture has a global staff of 450,000 and a presence in 120 countries. In Argentina, it employs 8,400 people and plans to increase its local staff to 10,000 in 2018.



Diversity is another key factor in the future of employment. “In a world where creativity and innovation are kings, you need your teams to be diverse. We want to have different cultures in terms of gender and age. Today, our corporate culture is diametrically opposed to the vision that reigned 20 years ago, the one that I came up under. The fact that so many innovations were born in garages, not corporations, clearly indicates that a lot of successful, established corporations are not capable of processing innovation and making the most of it.” Mr. Kaufman argued that “the future of work will be diverse and flexible.” He added: “about 60% of the students at Argentinian universities are currently women; on average, they get better grades and graduate a year earlier than their male counterparts. However, women are seriously underrepresented in any decision-making situation, even in the academic world. There is no question as to where the world of work and innovation are headed, but there are conservative forces that want to counteract that trend. The more diverse the team, the better the results.”

Mr. Kaufman explained that advances in artificial intelligence (AI) are now displacing tasks that used to be performed by humans. However, the next five years will bring new jobs for different types of workers with different levels of education. “Accenture is growing even though robots are beginning to perform more and more human tasks. This week, for example, I received a request to hire 300 people to train robots that moderate social

networks. In other words, even though some jobs are disappearing, new, interesting ones are emerging. You don't always need to be an expert to do these jobs. There is no reason for someone to be a graduate to train robots to moderate social networks, for example—you just need to have enough basic common sense to be able to understand when a video or message is offensive and explain this to the robots so that it can practice and learn. There are also physical robots that need people to train and adapt them.”

Understanding and explaining new AI phenomena is another source of work. “For organizations to appreciate the advances in AI platforms, we need people who are able to explain the coming trends and interpret them. The job of explaining, providing a broader context, and interpreting what lies ahead is very important within any organization,” Mr. Kaufman argued.

Another new position that he said would come with AI is that of “sustainers.” Once robots are already operational in a given field, these people will decide where it makes sense to install a given solution when new technology comes out. “There are whole areas of employment that we need to think about and define.”

Mr. Kaufmann said that “employment as we know it today will shrink, but there will be new jobs and new career paths.” He then touched on care for the elderly. “This is a field which requires only brief training and would be hard to automate, as there is a lot of emphasis on relationships and interactions, as is the case with nursing. But we need to develop active policies to explore these ideas,” he said.

The transformation of the labor market will become increasingly complex as new applications for AI emerge. “Tasks are what will disappear, not jobs,” Mr. Kaufman argued. At Accenture Argentina, we have a robotics center to increase our efficiency. We have used robots to eliminate 500 tasks but we also have supervisors for those robots, so people whose tasks were replaced did not lose their job. What we need to be thinking about now is how we can best use these tools. Basic tasks have changed.”

Accenture's training and human resource policies can be adapted to suit each and every employee and it seeks to promote collaboration. “We need to be unmistakably human, especially because we are such a diverse organization. We are very flexible with our training. There is a lot of training available and each employee can put together a program for themselves in line with their interests, and the content changes every six months,” he noted. At Accenture, “people feel that they are evaluated based on what they achieve.”

Mr. Kaufman explained that collaboration is another core area, “because we work with knowledge.” “There is a temptation to keep tight hold of whatever it is that each person comes up with themselves, but when you work as a group, that kind of secrecy hampers progress,” he warned. To counteract such behavior, “we constantly try to create a culture of intellectual generosity, a culture that benefits those who share, because sharing helps everyone,” he said. “We have to work on that all the time. Exponential change happens when there is interaction. You need to be generous, giving credit to others for their ideas. I reward people who share.”

Analysis of the Chile–Uruguay FTA

- [Integration Ideas](#)
- [n252](#)

As part of the process of rapprochement that has been developing between the Pacific Alliance and the MERCOSUR, on October 4, 2016, Uruguay and Chile signed a free trade agreement (FTA) in the city of Montevideo, through which they are seeking to deepen their economic relations and trade in goods and services. Negotiations began in February of the same year and full agreement was reached following four rounds of conversations and the legal review of the contents.

The text, which is yet to be approved by the two countries' parliaments, contains 20 chapters. First, it includes areas that had already been agreed upon by Chile and the MERCOSUR since 1996 as part of Economic Complementarity Agreement (ECA) No. 35. Second, it includes some new chapters which have led to it being described as an innovative, next-generation agreement. These chapters are on SMEs, e-commerce, labor standards, the environment, cooperation, gender and trade, intellectual property, and transparency and anticorruption. Furthermore, this agreement will be complemented by those that Uruguay and Chile have already signed on investment promotion and protection, economic complementarity, and avoiding double taxation, the last of which is also pending ratification by both countries.

An SMEs committee has been established to address matters relating to SMEs. This is made up of government representatives from both countries, who will work to identify ways of assisting these companies by exchanging and discussing experiences and best practices to support these firms with the export process, organizing and promoting seminars, workshops, and other activities, improving programs to provide guidance, assistance, and training in relation to exporting, and generally helping firms integrate effectively into global supply chains.

The chapter on gender is one of the novelties in this agreement. Through it, the two countries are seeking to increase women's role in international trade. Among other things, this chapter recognizes the importance of including a gender perspective in promoting inclusive economic growth and the instrumental role that gender policies may play in furthering a form of development that is socioeconomically sustainable. Likewise, the two countries have reasserted their commitment to effectively implementing laws, policies, and good practices in relation to gender equality.

Trade between Chile and Uruguay is already tariff-free, as was established in ECA No. 35, which Chile is already a full member of. However, what is new in this more recent agreement is the inclusion of standards on trade facilitation, which seek to streamline and reduce the cost of cross-border trade while guaranteeing the security of this and protecting borders. To this end, the two countries established a series of commitments to facilitate the dispatch of goods and exchange of information between the two customs services and a series of customs

procedures that seek to streamline bilateral trade and make it more transparent, which will greatly benefit economic operators. It is worth noting that this advance comes in the context of the multilateral agreement that was reached in Bali.[\[1\]](#)

In relation to trade facilitation, the chapter on transparency establishes that the states parties must publish any standards, procedures, and administrative rulings that may affect trade and investment between them before these enter into force and they must allow interested parties to comment on the proposed measures.

With regard to another area that has recently been included in several negotiations, e-commerce, the two countries have taken on commitments that seek to achieve high-standard, modern disciplines to govern this type of trade, including standards on the localization of computer systems and provisions that seek to keep cross-border information flows fluid. Both regulations will allow the internet to function as a catalyst for innovation and economic development, enabling the two countries to take advantage of the export potential of digital products from Chile and Uruguay, while creating conditions to increase trade in a variety of goods and services. In relation to intellectual property, the agreement establishes that both countries must ratify or join the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, and the Patent Cooperation Treaty (PCT).

In addition to the issues described above, the agreement also includes chapters on sanitary and phytosanitary measures, technical barriers to trade, intellectual property, rules of origin, and cross-border trade in services.

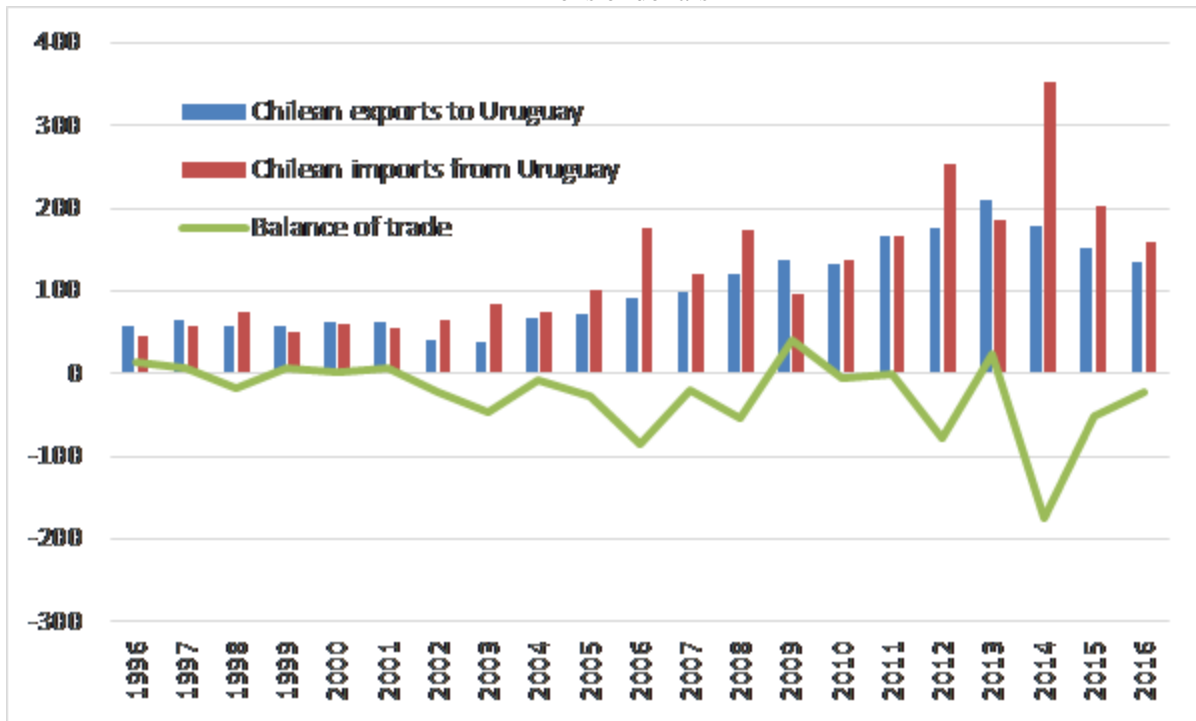
The agreement between Chile and Uruguay is particularly important in that it creates deeper ties between two economies that are also members of, respectively, the Pacific Alliance and the MERCOSUR. In this sense, it is a landmark in the process of rapprochement that has been unfolding between these two blocs, the most recent event in which was the [MERCOSUR–Pacific Alliance Seminar: A Positive Integration Agenda](#), which took place in the city of Mendoza, Argentina, as part of the 50th MERCOSUR Summit.

The Main Features of Trade and Bilateral Investment

Trade between Chile and Uruguay reached US\$293 million in 2016, however, as is the case throughout Latin America, it has contracted by 45% since 2014, which is greater than the downturn in global trade. The bilateral balance is slightly in Uruguay's favor (US\$23 million in 2016), as Chilean exports to Uruguay totaled US\$135 million while imports reached US\$158 million.

Evolution of Chile–Uruguay Trade, 1996–2016

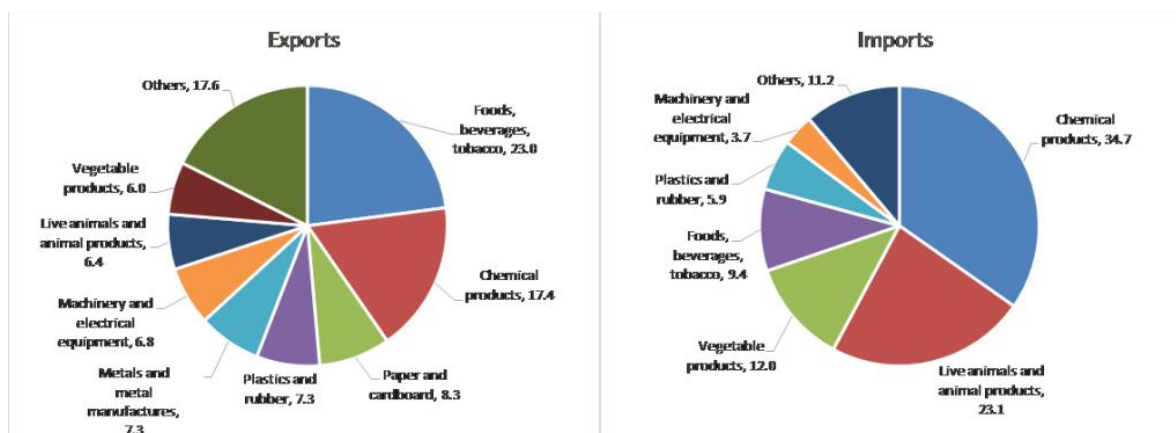
Millions of dollars



The breakdown by sector of bilateral trade flows shows that chemical products account for a significant share. In 2016, this sector accounted for 17.4% of Chile's exports to Uruguay, mainly due to sales of potassium chloride, and almost 35% of its imports from Uruguay, with medicines playing a leading role. The presence of these manufactures of industrial origin makes these bilateral flows particularly interesting. Manufactures based on natural resources also account for a significant share.

Composition of Chile–Uruguay Trade, 2016

Share in percentage



At the product level, Chile’s exports to Uruguay are somewhat more diversified than its imports, given that the top five products account for almost 27% of total exports and nearly 50% of total imports. The former include various food preparations, fertilizer (potassium chloride) wine, and salmon. Chile’s imports from Uruguay are mainly medicines for therapeutic and preventative purposes, fresh or chilled boneless beef, and wheat.

In terms of bilateral investment flows, as of December 2016, Uruguay has received US\$4.57 billion in investment from Chile, which represents 4% of total direct Chilean investment and ranks Uruguay sixth among the main destinations for Chilean capital. Furthermore, 70 firms of Chilean origin have investments in Uruguay, which are particularly concentrated in the industrial sector (almost 80%) and, to a lesser extent, in the service and agriculture, fisheries, and forestry sectors, both of which account for around 10% of the total.^[2] Investment in the latter sector is interesting in that these firms are part of a manufacturing complex for forestry-industry products with international scope.

Finally, it is to be expected that the agreement will intensify trade in both industrial and agricultural manufactures, which currently account for a large part of bilateral trade flows, as well as trade in services and direct investment.

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^[1] Giordano (2014).

^[2] Data from 2015.

Sustainable Targets

- [Inspiring Activities](#)
- [n252](#)

On July 12, 2017, a new series of the “Inspire” talks took place, organized by INTAL/IDB and Argentina’s Ministry of Modernization. The focus of this series was on issues such as innovation, open government, new technologies, and transparency. The main topic of the event was “Public Innovation with a Focus on Sustainable Development,” and proceedings revolved around the 17 Sustainable Development Goals that the United Nations established in 2015 as a target for 2030.

The series of talks included presentations from Ana Basco, integration specialist at INTAL/IDB; Agustín Dellagiovanina, national director for the development of social responsibility and sustainability at the Ministry of Social Development; and Mario Roset, director of the NGO Wingu.

Ms. Basco began by presenting the results of the research that INTAL has been carrying out to compare objective indicators on the realities of life in Latin America that are connected to the SDGs (such as the environment and social circumstances) with the subjective views that citizens from the region and young people from Argentina have on these issues. To make these comparisons, Ms. Basco drew on three sources: the IDB publication “Social Pulse in Latin America and the Caribbean 2016: Realities & Perspectives,” which describes the region’s trends over the last 20 years through social indicators; the results of the INTAL/Latinobarómetro survey, which interviewed 20,000 people in 18 countries in the region; and the “Millennial Beats” study, a joint project between INTAL and the Voices! consultancy firm that surveyed 600 young people from Argentina on their values, expectations, and consumer habits.



“The last 20 years have brought major social advances in Latin America: poverty has decreased and the middle class has grown. Some 96% of homes now have access to reliable drinking water, infant mortality has also come down by 65%, and 98% of children have access to primary education. Women now account for a greater share of family income and the habitability of homes has risen. Yet despite these advances, Latin America remains the most unequal region in the world. Approximately 60% of employment is informal and 37% of homes are vulnerable (with incomes that range between US\$5 and US\$12), the number of female-headed single-parent homes has increased, and 15% of young people are not in education or employment. There are many differences in older adults’ access to pensions: only 13% of those at the lower end of the socioeconomic spectrum have pensions, while as many as 73% of middle-class adults do,” Ms. Basco said. “This comes in a macroeconomic context of recession, as there has been a downturn in growth over the last few years. There are fiscal deficits in every country in the region and a drop in trade, although it has picked up slightly in the last few months. Latin America has entered a risk zone: we run the risk of poverty increasing again and inequality continuing to rise.” Given this combination of progress and setbacks, INTAL decided to find out more about what Latin Americans think about development-related issues. “The issues that people are most concerned about are social inclusion,

the environment, and equal opportunities, which are all key to achieving the SDGs. There is a certain awareness among the region's citizens that these issues are a critical part of development.”

According to the INTAL/Latinobarómetro survey, 49% of Latin American citizens would be willing to pay 20% more for a product which had been produced in an environmentally friendly way, while 46% would also be willing to pay a similar premium for a product that guaranteed that workers' rights had been respected. “We interpret this number as being high because it implies a drop in people's spending power if they are willing to pay more for these products. There is agreement among citizens on the importance of the environment and social issues.”

What do millennials think about development-related issues? According to the survey that INTAL and Voices! carried out among young Argentinians between the ages of 18 and 34, 38% of them are in favor of allowing immigrants into their countries provided that there is work available. “Citizens are aware of the employment issue, which is key to achieving the SDGs,” Ms. Basco said. Young people have a similar position when they are asked about free trade. “We asked them, on a scale of 1 to 10, how in favor they were of free trade. Some 41% of millennials took a more protectionist stance, which shows that they are aware of the effects of trade unemployment and wish to safeguard local aspects.”

The survey also looked at innovation and young people's vision of the future. “Latin American citizens think that health, environmental protection, and job creation are the areas that innovation will have the greatest impact on. We asked Argentinian millennials the same question and they gave similar answers, but also added education.” Ms. Basco argued that “we believe that the development agenda is in sync with current social issues and the views of Latin Americans and Argentinian millennials. This is a very important step toward achieving the SDGs.”

Agustín Dellagiovanna then reminded the audience that the UN SDGs seek to “end poverty and stabilize the environment while also guaranteeing peace and prosperity for all the world's communities. One interesting aspect of the goals is that they are for states, companies, and civil society organizations. This shift implies that, for the first time ever, we need to work together to achieve these objectives, not as individual players. The SDGs have put social responsibility back on the agenda and expanded the concept to include sustainability and sustainable development. The state needs to guarantee that the SDGs are met, and they need to do so in a world in which business has changed and the consumer is playing a totally different role and beginning to demand that the private sector complies with certain parameters. These days, any firm that is not responsible for the impact it generates in the community is seen as a negative force.”



“This government has set itself the target of zero poverty, and we are hard at work on that,” Mr. Dellagiovanna said. He argued that they were generating partnerships to work on the 17 SDGs. “Historically, the private sector has found it hard to work together with the state, especially on public policies related to poverty. So we’re trying to develop tools to respond to that demand, to gain the trust of the private sector and NGOs so that we can work together more effectively. The first of these tools is the Social Responsibility Forum for Sustainable Development, which minister for social development Carolina Stanley launched in mid-2016. This forum is a space for different stakeholders (private companies, NGOs, and the government) to work together innovatively and creatively. It is not just another workspace, but includes timeframes, processes, and methodologies to enable us to identify small projects all over the country where we can replicate other initiatives that are being developed, and to do so within 100 days.”

Based on this work, “we have found many civil society organizations that are working on the same things in the same place—they need to get together, work together, find out where they are falling short and what they’re doing right,” Mr. Dellagiovanna said. He also argued that companies “should spend their money where they make an impact. Our goal is to create a network in each province to bring these players together so that they can get to know each other and develop projects together.”

Mario Roset, the director of Wingu, an NGO that has spent the last nine years working to use technology and innovation to strengthen other NGOs, commented on the way that civil society organizations are adopting information technology based on data from a survey of 400 organization set is carried out every year. “In terms of communications, these companies work with social networks, traditional websites, Facebook, Twitter, and instigate. Many use email marketing as their main tool for reaching people. Only 20% of respondents use technology to develop their funds.”



However, Wingu’s survey found that 21% of organizations from civil society keep their information, which is often sensitive, on paper. “As NGOs, we have the advantage of being able to access free tools that are provided by private firms,” Mr. Roset said. The challenge is converting that into more volunteers, more donors, or better results for target populations. However, recent years have brought developments in the way that NGOs use technology. For example, many now have top-of-the-line management systems for handling data and engaging in digital marketing campaigns. These sorts of systems are available to NGOs at a very low cost.”

Mr. Roset then mentioned several collaborative, open-data projects from the third sector, such as “Cuida tu escuela (in Mexico), “Caminos de la villa” (Buenos Aires), and “Float Beijing” (China). He also discussed the

main lessons that Wingu had learned from the projects it had implemented. “Right from day one, you need to keep the user or recipient in mind when designing this type of platform. Giving and asking for feedback all the time is essential. Users must be a part of the process.” He also admitted that “we shouldn’t reinvent the wheel—it is important to learn from other existing platforms and then build on them.” He finished his presentation by suggesting that organizations need to “open up the playing field and share things” to better develop these processes. “We need to seek out allies from the get-go and surround ourselves with good people.”

The Economy Is Connecting

- [Integration Ideas](#)
- [n252](#)

The Internet of Things (IoT) promises to transform different sectors of the economy and the dynamics of daily life. The first applications for it began to roll out with the spread and falling costs of wireless data networks, sensor technologies, and smart devices.

5G Americas defines the IoT as a network of physical objects, machines, people, and devices that enable and facilitate connectivity and communications by exchanging data between applications and intelligence services. The IoT thus integrates the physical and the digital worlds and generates exponential quantities of information. Expectations around this technology are high, as connecting tablets, smartphones, vehicles, robots, engines, industrial machines, sensors, and household appliances, among many other devices, is the foundation for developing innovative applications in transportation and logistics, public services, and industry.

According to the consultancy firm IDC, this year the IoT segment will grow by 20% and reach a business volume of US\$800 billion, while by 2021 it will have reached US\$1.42 trillion as “organizations continue to invest in the hardware, software, services, and connectivity that enable the IoT.” Likewise, an IDC survey of 4,500 firms around the world indicates that 46% of companies in Latin America are familiar with IoT technology. Although just 10% of these have implemented IoT solutions, the remainder have plans to adopt it, with different levels of sophistication, in the next two years. In contrast, 30% of firms in the United States and Europe have already done so.

“The three main factors that are accelerating the implementation of IoT in Latin America are process automation, the desire to increase productivity and efficiency, and to reduce operating costs, which is closely aligned with organizations’ business objectives,” says Diego Anesini, director of Enterprise for IDC Latin America. “Although at this early stage of implementation, the objectives are mainly about automation, we could take greater advantage of the IoT during the second stage by connecting big data and analytics systems that allow us to process information, interpret it, and make decisions. Then users will perceive greater value from the perspective of innovation.”

Mr. Anesini argues that the main challenges today include implementation costs—not just investments in hardware and sensors, but also because of the organizational change and adaptation that these technologies entail. Other hurdles are network and device security and the limitations of existing infrastructure, such as telecommunications and roads, both within individual companies and at the country level.

“For the time being, the IoT is still an emerging technology, but it is growing quickly,” says Ignacio Perrone, telecommunications industry manager for Latin America at consultancy firm Frost & Sullivan, who estimates

that by 2020 there will be 50 billion online devices in the world, 80% of which will be IoT sensors. “At the global level, our projections indicate an economic impact of between US\$4 trillion and US\$11 trillion by 2025, depending on whether you use a conservative or an aggressive context. The estimate for 2017 is about US\$200 billion, and we are expecting a volume of nearly US\$3 billion by 2020 for the front-runner in Latin America, which is Brazil,” he says.

“IoT will grow according to the levels of economic innovation in each productive sector in the economy and also based on government initiatives that aim to create smart cities and buildings,” Mr. Perrone adds. “For example, the analog switch-off is a strong catalyzer for people to change their television sets, which will lead to an increase in smart devices that can go online.”

José Otero, the director of 5G Americas, an umbrella organization for service providers and manufacturers in the telecommunications industry in Latin America and the Caribbean, agrees. “We are currently at the first stage in the growth of the Internet of Things in Latin America and the rest of the world,” he says. “Vertical segments such as transportation, security, and energy will drive the adoption of these technologies around the world. In the mass market segment, growth will be driven by online vehicles and appliances. According to figures from Gartner, machine-to-machine wireless connections alone will grow from 14 million in 2014 to over 160 million in 2024.”

Industry, Transportation, and Services

According to a global IDC survey, the industries that are investing most in IoT this year are manufacturing (US\$183 billion in expenditure), transportation (US\$85 billion), and public services (US\$66 billion). This year the consultancy firm expects that the most significant investments will be in factory operations, freight monitoring, managing production assets, smart grid technology for electricity, gas, and water services, and smart buildings. Although the latter sectors will remain the largest until 2021, those that will see the most rapid growth are smart home technology (19.8%), the automation of airport facilities (33.4%), loading electric vehicles (21.1%), and contextual marketing (20.2%).

“Although globally we have recorded 49 different types of uses for IoT, 80% of these projects are for public services, transportation, logistics, and manufacturing,” Mr. Anesini says. In Mexico, for example, the Federal Electricity Commission (CFE) is including smart electricity meters to reduce technical and nontechnical errors in user consumption and thus obtain savings.

The Asia-Pacific (excluding Japan) is the region that will invest most in IoT technology—US\$455 billion for 2021. The United States ranks second on this list (US\$421 billion), followed by Western Europe (US\$274 billion). However, the regions where expenditure on IoT will grow most will be Latin America (21.7%) and the Middle East and Africa (21.6%).

What conditions will allow this market to develop? “The global and regional factors driving the IoT include the falling price of sensors, miniaturization, the need to cut costs and make processes more efficient, ubiquitous

connectivity, and the need to find new business models that generate new sources of income,” explains Mr. Perrone, at Frost & Sullivan. However, “there are still doubts about security, regulatory hurdles, problems with interoperability, and limited capacity.”

Inspiring Activities

More Energy Production for Regional Integration

- [Inspiring Activities](#)
- [n252](#)

In the Republic of Argentina, the electrical sector is characterized by a supply of primary energy, much of which is thermal. This implies the consumption of hydrocarbons, especially natural gas, which is now understood to be a limited resource both domestically and globally, the scarcity of which is likely to increase. This prompts the need for policies that tend toward a diversification of the energy matrix, intensifying the use of renewable or high-availability sources such as hydropower, biomass, wind, solar, and nuclear power.

The Embalse Nuclear Power Plant (CNE) is in Embalse, Calamuchita department, Córdoba province, approximately 620 kilometers northeast of the City of Buenos Aires. This power station supplies the provinces of Mendoza, San Juan, San Luis, Córdoba, Entre Ríos, and Santa Fe and Greater Buenos Aires, the total estimated population of which was over 26 million people in 2014 ([COSIPLAN, 2014](#))



The CNE is a 648-megawatt electrical power plant that has been operated commercially since 1984 but which reached the end of its lifespan in December 2015. The repowering process to extend its services for another 30 years began in 2007 and was broken down into three stages: (i) lifespan assessment; (ii) basic and precision engineering, contracts with firms, and purchase of machinery and materials; and (iii) implementation of building work, which began in January 2016.

The [project](#) is part of Project Group 5 in the COSIPLAN Project Portfolio's MERCOSUR–Chile Hub. It represents an estimated investment of US\$2.15 billion, US\$240 million of which is from a CAF loan that has already been disbursed, while the remaining US\$1.91 billion will come from Argentina's national treasury and was included in the country's 2016 budget. The project currently employs over 2,800 people and it is estimated that an additional 20% of indirect jobs will also be created.



Following the public hearing held in July 2016, the Secretariat of the Environment and Climate Change of Córdoba Province issued the Environmental Permit on July 22. The estimated completion date for the construction work is February 2018 and it is expected that the power station will then be in a fit state to begin a new lifespan as long as its first and will supply an extra 5% of electricity to the country, equivalent to 683 megawatts.

This building work includes upgrading processes and the replacement of components in the reactor and other systems so as to bring the power station in line with regulatory requirements and increase its capacity. The project includes technological advances and systems that aim to improve operational security and also entails the modernization and optimization of the turbogenerator and the thermal cycle.



Experiences from around the world and technological progress suggest that power stations that undergo lifespan extension processes become more energy efficient, are safer to operate and free of greenhouse gases, and use operating procedures that optimize all the resources they consume, thus protecting the environment and leading to greater social benefits.

In this sense, the CNE will help replace the use of nonrenewable hydrocarbons such as diesel, fuel oil, or natural gas and to reduce possible energy shortfalls caused by changes in water cycles.

It will also strengthen local firms in the nuclear power sector and bolster value chains by preserving the technological cluster that has developed in Argentina, promoting the involvement of local industry in the supply of equipment and services.

This upgrading work will play a part in building specialized knowledge among professionals, technicians, and Argentinian companies for the construction and operation of future nuclear power plants, and these skills and knowledge may even be exported to other countries.

Video of Construction Work at the Embalse Nuclear Power Station (link in Spanish)



Obras en la Central Nuclear de Córdoba



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MERCOSUR Reaches Economic Complementarity Agreement with Colombia

- [America](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

Following the Summit of **MERCOSUR** Heads of State, the countries that make up the bloc signed an [Economic Complementarity Agreement \(ECA\) \(link in Spanish\)](#) with Colombia to promote and facilitate **trade** between the different parties.

“This **agreement** will allow Colombian **exports** to grow and will bring real, competitive opportunities,” said María Lacouture, Colombia’s minister of **trade, industry, and tourism**.

The signing of the ECA also marked the entry into force of the [bilateral agreement \(link in Spanish\)](#) that Argentina’s minister of production, Francisco Cabrera, and Ms. Lacouture signed in April. This eliminates **tariffs** on [trade in vehicles](#) and opens up an annual **market** for vans, buses, trucks, and cars worth US\$700 million.

This is another step forward in the process of rapprochement between MERCOSUR countries and the Pacific Alliance.

Integration in Motion

Argentina and Mexico Move Toward Expanding their Economic Complementarity Agreement

- [America](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

Argentina and Mexico held the [Third Round of Negotiations](#) to expand and deepen [Economic Complementarity Agreement No. 6 \(link in Spanish\)](#), which the two countries signed in 1993.

This renegotiation mainly seeks to expand the number of products that are **traded** between the two countries, reduce **tariffs** to improve **market access**, and simplify the approval process for technical and sanitary requirements.

The authorities who took part in the meeting were accompanied by representatives from the private sector. The issues they focused on included **rules of origin, competition policy, government procurement, safeguards, services, and investments**.

The two countries said that they were satisfied with the [outcomes](#) and agreed to hold the Fourth Round of Negotiations in Buenos Aires in November.

CARICOM Discusses Rules of Origin to Stimulate Trade

- [Caribbean](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

Representatives from the [Caribbean Community \(CARICOM\)](#) met at the bloc's secretariat in Guyana to review the Common External **Tariff** (CET) and **rules of origin** that apply as part of its current **trade policy**.

The assistant secretary-general for **trade and economic integration**, Joseph Cox, [said](#) that the CET was not sustainable in its current format, so “order, structure, and modernization were necessary for the instruments to work for the [region](#).”

The consultant Dan Ciuriek said that reviewing these instruments would help improve the way the [CARICOM Single Market and Economy](#) (CSME) function and its role in the global **economy**.

The event was supported by funding from the Spanish Agency for International Development Cooperation (AECID). At the end of the meeting, regional stakeholders recommended the careful consideration of derogations of the CET on some products, as well as the implementation of a modernized and simplified version of the **rules of origin**.

Mexico Fast-Tracks Customs Flows Using New Technologies

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

As part of the [Toward a 21st-Century Customs Administration \(link in Spanish\)](#) program implemented by the Ministry of Finance and Public Credit (SHCP) in partnership with the Tax Administration Service (SAT), [Mexico](#) is seeking to position its 49 customs facilities as global leaders and model service providers whose technological prowess sets them apart.

The main aim of the program is to streamline the entry and exit of goods into and from the country and to increase surveillance measures that allow illegal acts to be identified.

Each day, in the whole of Mexico, “an average 45,000 customs declaration are processed and 29,000 cars and 56,000 people cross the border” said José Guadalupe Bautista Montoya, a customs officer at [Nuevo Laredo \(link in Spanish\)](#). This indicates how important it is for the program to be implemented in the near future.

Mr. Montoya also mentioned that the project is made up of five core areas, which aim to create a customs service that is:

- *smart*, automated, and highly **technological**, which will make it more efficient and secure;
- *transparent*, through the use of QR codes on **goods**, which will enable the status of these on entry or exit to be identified using any mobile device;
- *competitive*, with **infrastructure** improvements that will lead to greater physical capacity and better facilities;
- *collaborative*, by establishing relationships with **customs** services from other countries, mainly by developing a shared dispatch service between the Mexican and US **customs** facilities;

and *global*, in constant communication with other **customs** services throughout the world.

Central America Signs Digital Governance Agreements with the Republic of Korea

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

After taking part in the **Digital Government** Ministers' Forum of Korea and **Central America**, [the Dominican Republic \(link in Spanish\)](#), Belize, [Costa Rica \(link in Spanish\)](#), El Salvador, Guatemala, Honduras, Nicaragua, and [Panama \(link in Spanish\)](#) signed an agreement with Korea to strengthen **digital government**, through which they hope to promote cooperation to help build a high-quality public service.

The event was organized by [Costa Rica's Ministry of Science, Technology, Telecommunications \(MICITT\) \(link in Spanish\)](#); the government of Korea; the Inter-American Development Bank (IDB); and the [Electronic Government Network of Latin America and the Caribbean \(REDGEALC\) \(link in Spanish\)](#). Those who took part discussed innovation through **digital government** and other issues such as electronic customs systems, national archives, smart transportation systems, natural disaster management systems, and legal information management systems.

“**Digital governance** seeks to increase **citizen engagement** in decision-making processes, making the government more transparent, efficient, and effective and allowing different actors to interact as equals regardless of their ideological or political views. This is why we need a model to design and implement [public policies](#) for developing services and digital governability,” added Minister Carolina Vásquez Soto of MICITT.

Brazil Aspires to Announce MERCOSUR–EU Agreement in Late 2017

- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)
- [Southern Cone](#)

During the [36th National Foreign Trade Event \(link in Portuguese\)](#), held in Rio de Janeiro, Brazil's minister of **Industry, Trade, and Services**, Marcos Pereira, emphasized how set his country is on [reaching a free trade agreement between the MERCOSUR and the European Union \(link in Spanish\)](#).

This intention had already been expressed in July 2017 at the Summit of the MERCOSUR Heads of State, when Brazil took over the pro-tempore presidency of the bloc.

“Brazil is hoping to announce the conclusion of **negotiations** for the agreement at the [upcoming World Trade Organization \(WTO\) Ministerial Conference](#), which will be held in December in Buenos Aires. As president of the **MERCOSUR**, Brazil will try to fast-track **negotiations** so that we can announce the agreement with the **European Union** at the end of the year,” Mr. Pereira explained.

Negotiations around the [free trade agreement between the MERCOSUR and the EU \(link in Spanish\)](#) have been going on for nearly two decades. After various setbacks and years of stagnation, they were relaunched in 2016. Two rounds of negotiations were held this year and the next will take place in Brasília in October.

The minister also commented that the MERCOSUR intends to negotiate with other blocs, such as the Pacific Alliance, and other countries, such as India, Canada, and South Korea. “We want to make up for lost time (...) [Brazil](#) has its sights set on free trade and facilitating the **export** process for business owners,” he added.

Peru and Canada Adopt Trade Facilitation Measures

- [Andean Group](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

The Peruvian minister of foreign trade and tourism, Eduardo Ferreyros, and the Canadian ambassador to Peru, Gwyneth Kutz, signed [Decision 1 of the Joint Committee for the Free Trade Agreement \(FTA\) \(link in Spanish\)](#) that has been in force between the two countries for eight years. The provision will facilitate transactions between countries, allowing greater benefits for **customs** operators, a similar advantage as in the agreement that Peru reached with [Australia](#) last July.

“We agreed that when **goods** from either country go through transit or transshipment in a third country and are not stored there, the presentation of transportation documents will be sufficient. This will increase flexibility so that the two countries can really take advantage of the tariff benefits of the **FTA**,” explained Mr. Ferreyros.

He also mentioned that this is the eighth year since the **FTA** entered into force. It is estimated that the agreement has played a part in creating major **trade** opportunities for both Peruvian and Canadian **firms**. “In 2016, trade between the two countries reached US\$2.36 billion, with **exports** of US\$1.69 billion and **imports** of US\$669 million. So far this year, **exports** have reached US\$386 million while **imports** are at US\$208 million,” he said.

Pacific Alliance Creates Infrastructure Investment Fund

- [Andean Group](#)
- [Integration in Motion](#)
- [n252](#)
- [Regional Panorama](#)

The **Pacific Alliance** (PA) is to set up a [fund to finance infrastructure projects \(link in Spanish\)](#), with investments that will come from private entities and institutions from both within the bloc and globally.

In so doing, the [PA](#) is formalizing an idea that was first put forward in 2015 during Peru's pro-tempore presidency of the bloc. "The implementation of this plan will be supported by the [Inter-American Development Bank](#) (IDB) and the [Development Bank of Latin America](#) (CAF)," said Chile's finance minister Rodrigo Valdés.

Although it remains to be established how investors will be matched to projects, the type of corporate governance the fund will have, and each PA country's share in it, authorities have already estimated that the initiative may mobilize over US\$100 billion.

The United States and China Conclude Comprehensive Economic Dialogue

- [Integration in Motion](#)
- [International Scenario](#)
- [n252](#)

US **commerce** secretary Wilbur Ross and treasury secretary Steven Mnuchin received Chinese vice premier Wang Yang in Washington, DC, where they and other high-ranking authorities held a new [high-level dialogue](#). The aim of the [meeting](#) was to review the status of **trade** and **economic** issues that are of interest to both countries and to consider the progress that has been achieved in recent months.

One issue that was examined in detail was the end of China's restrictions on US beef **imports** (following a 14-year ban), a matter that had been pushed for during the meeting between presidents [Donald Trump](#) and [Xi Jinping](#) in April 2017. Those present also discussed **trade** in steel and aluminum, poultry, and services, among other issues.

Authorities ended the meeting by agreeing to strengthen **cooperation** between the two countries on issues such as **macroeconomics, finances, trade, and investments**; promote measures to facilitate trade in goods; reinforce communication and the coordination of macroeconomic policies; and strengthen the development of financial **markets**.

While this was the first time a "comprehensive dialogue" had been held, the two sides have previously held high-level dialogues in similar configurations under earlier US administrations, such as the Strategic and Economic Dialogue established in 2009. This mechanism entailed annual meetings and a similar objective. Secretary Mnuchin explained that the difference this time was the range of topics covered.

The European Union and Brazil Request New Agricultural Subsidy Regulations at the WTO

- [Integration in Motion](#)
- [International Scenario](#)
- [n252](#)

The European Union (EU) and Brazil have submitted a [joint proposal to reform agricultural subsidies](#) to the **World Trade Organization** (WTO), in the hope that it will be tackled at the [upcoming WTO Ministerial Conference](#), which will be held in Buenos Aires in December 2017.

Colombia, Peru, and Uruguay have already expressed their support for the initiative, which suggests limiting trade-distorting [subsidies](#) in proportion to the size of each country's **agricultural sector** to avoid negative, **market**-distorting effects and ensure fair conditions for all **farmers**. The **least developed countries** would be exempted from subsidy limits, which would have a positive effect for countries that buy foods at minimum **prices** as part of their **food security** programs.

The proposal also includes a specific chapter on the cotton sector, given the importance of this product to many developing countries. "This proposal should lead other WTO members to follow our example and so ensure a level playing field for all farmers in the local, regional, and in global markets," said Phil Hogan, EU commissioner in charge of agriculture and rural development.

The Importance of Soft Skills in SMEs

- [Integration in Motion](#)
- [n252](#)
- [The SME Space](#)

According to the Institute of Technological Sciences of Chile (CIISA), hard skills are specific practices that can easily be measured. For example, the ability to use certain software, draw up an accounting statement, or carry out market research. In most cases, these abilities are transferable through education and continuous training. In contrast, soft skills are the attributes or capacities that allow a person to perform their job more effectively. They are about the emotional side of things, interpersonal skills, and interactions with the other staff in a company. These soft skills are personal attributes that improve people's ability to relate well to others.

Some examples of soft skills

- Teamwork
- Problem-solving
- Effective time management
- Handling change
- Handling stress
- Leadership
- Effective communication
- Active listening
- Empathy

Empathy, active listening, and communication are more than just handy extras for employees.

A study by Visa Empresarial stresses that employees of small and medium-sized enterprises (SMEs) are often found to have excellent technical skills. This is because most SMEs were started by technicians, which is reflected in how skilled they are at solving problems that are related to their specific area of business. However, if SMEs and their employees are to negotiate or interact with other employees, suppliers, clients, or investors, developing soft skills is essential.

According to a Terra Chile publication, we are living in changing times in which consumers' needs are constantly changing and are often not perceived by those on the supply side. Firms thus need to employ people who adapt well to the constant shifts in business and who know how to interpret the consumers' new demands.

Álvaro Garrido, information technologies director at CIISA and a coaching expert, argues that this is vital for SMEs in any industry. He says that projects often fail due to a lack of understanding or a breakdown in communication between the client and the supplier. "Technically-oriented people think they know best what the end user wants, but it's not always the case. The point isn't proving that you know more than someone else, but is rather about contributing to the final solution by meeting the other person's needs," Mr. Garrido explains.

Soft skills such as leadership, empathy, active listening, and communication are extremely important and are more than just handy extras for employees. To get ahead in a highly competitive world, firms need to interact effectively with organizations, clients, and individuals from different sectors and cultures and with different levels of knowledge. Although most of these skills are innate, we all have the capacity to develop them.

How to Develop Your Soft Skills

- **Get to know your strong and weak points:** there are many tools available for evaluating your personality, such as the Myers-Briggs Personality Type Indicator. Understanding your personality type can help you limit your focus to soft skills that you can take advantage of or improve on.
- **Observe others:** especially members of your organization that have good interpersonal skills at work. A good exercise is watching how these people interact with others and discovering what they do so as to imitate their success. Copying what works is a good idea!
- **Asking for comments or feedback from your work team:** those near to you often have an excellent sense of your interpersonal skills. Don't be afraid to ask for their opinion. It's a way of earning other people's respect as it shows you value what they think.
- **Find a coach:** getting honest, productive feedback can be difficult. It's often best to find someone outside your normal channels who can help you identify the areas that you need to focus on. There are generally qualified people who are willing to act as your coach for a minimum charge or for free.

Don't think that interpersonal skills are for weaklings: the leaders of organizations or managers often think that soft skills are largely irrelevant and give an image of weakness. On the contrary, these soft skills are a must in today's organizational environment. They will be defining factors for professional success in the future. Devoting time to understanding and improving interpersonal skills will prevent you from becoming a dinosaur.

Connecting Voices

The Future of Work in Latin American Integration 4.0

- [Connecting Voices](#)
- [n252](#)

Jacques Bughin, Director, McKinsey Global Institute



Irmgard Nübler, Coordinator, Technology, Structural Transformation, and Jobs Program at the ILO



Eduardo Levy Yeyati, Dean, School of Government at Torcuato Di Tella University



Pedro Villagra Delgado, Argentina's Sherpa to the G20



Alejandro Melamed, Director, Humanize Consulting



Lydia Harriss, Science and Innovation Adviser, Parliamentary Office of Science and Technology, United Kingdom



Foreign Direct Investment and the Automotive Sector

- [n252](#)
- [Reading Material on Integration](#)
- [Reviews](#)

“[La Inversión Extranjera Directa en América Latina y el Caribe 2017 \[Foreign direct investment in Latin America and the Caribbean 2017\]](#)” analyzes the main trends in foreign direct investment (FDI) in the countries in the region. The study reveals that FDI inflows dropped by 7.9% in 2016 to US\$167.04 billion, a figure which represents a cumulative drop of 17% compared to the high point of 2011.

However, the most significant point, which is the focus of this review, is the disruptive change that is being seen in a leading productive sector, the **automotive industry**, namely in the form of **relocalization, shifting business models, and technological revolution**. This process is becoming a catalyst for and driving force behind large-scale technological and productive changes. Suppliers of autoparts and components are becoming increasingly important in the productive chain and are driving technological development.

The authors argue that strong competition, consumer pressure, and rapid technological progress have favored the consolidation of new platforms that allow large-scale manufacturing to become increasingly flexible. In the coming years, the major manufacturers will concentrate a large proportion of their global production in a very small number of new modular platforms, focusing increasingly on their areas of specialization and giving increasing responsibility to their suppliers. The report also emphasizes that manufacturers are trapped in a highly competitive dynamic, which puts pressure on them to come up with more and better features for their products. There is an increasing need for high innovation and technology content for firms to maintain their positions on the market.

This dynamic, the authors argue, forces firms at all points in the production chain to increase the resources they spend or use on research, development, and innovation. Indeed, five of the twenty firms that invest most in R&D at the global level are from the automotive sector. While vehicle manufacturers invest, on average, around 5% of their sales on R&D, suppliers of parts and components have an R&D intensity of around 10%.

The report describes three major trends that will determine the dynamics of this industry in coming years:

- *Convergence with the digital economy;*
- *changes in the concept of mobility and consumption patterns; and*
- *regulatory requirements in relation to safety, the environment, and energy efficiency.*

In the face of these changes, the automotive industry’s wider market will change significantly. *Between 2015 and 2030, the authors estimate that vehicle sales will fall between 50% and 28% while shared mobility services will grow by up to 20%.* Furthermore, traditional suppliers will see their market share drop from 10% to 3%, while the share of suppliers of new technologies, electronics, and software will increase from 1% to 10% over the same period. *We are currently experiencing a process of colossal change in which electronics,*

digitization, and software are key players: today, the average automobile contains 60 microprocessors and it is expected that electronics and software will grow exponentially toward 2030, particularly with the development of electric vehicles. In this way, the focus of supplier income will shift from engines, interiors, and chassis (the traditional areas) to electronics, software, cloud services, and next-generation batteries.

The incorporation of digital technologies into vehicles is allowing connectivity and autonomous transportation to progress rapidly. In fact, *it is expected that around 75% of vehicle production in 2020 will be connected vehicles*. It is interesting to note that this wave of new technology use in the automobile industry will not translate into substantial price increases.

These advances are attracting hard-core tech firms: Apple, Google, Uber, Intel, and Samsung are venturing into everything from vehicle manufacturing to developing components, connectivity-related services, and autonomous driving.

These processes, which are emerging in the current context of overpopulation, congestion, and pollution in major cities, are modifying consumption patterns and the regulatory requirements that the automotive industry faces. For all of these reasons, the report concludes that the sector is going through one of the greatest productive revolutions in its history. Its frontiers are expanding and new products and business models are appearing.

The convergence of traditional manufacturing with electronics and software is modifying the structure of the international automotive production chain.

ECLAC, 2017. [La Inversión Extranjera Directa en América Latina y el Caribe 2017 \[Foreign direct investment in Latin America and the Caribbean 2017\] \(link in Spanish\)](#)

Reading Material on Integration

INTAL-LIB's Recommended Readings

- [n252](#)
- [Notable Publications](#)
- [Reading Material on Integration](#)



[Robotlution: The Future of Work in Latin American Integration 4.0](#)

Summary: INTAL/IDB has brought together more than 40 experts from around the world to analyze the future of work in Latin America in the light of automation and integration 4.0. Through research articles, exclusive interviews, and case studies, they respond to the main questions that the Fourth Industrial Revolution is posing in the region.



[Millennial Beats: Generation Y in the Age of Integration 4.0 \(link in Spanish\)](#)

Summary: The Institute for the Integration of Latin America and the Caribbean (INTAL), part of the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), has published a study entitled “Millennial Beats: Generation Y in the Age of Integration 4.0” as part of its Integrology platform, which looks at the future of work and regional integration in the age of robots, seeks to generate advanced knowledge, and provides resources and tools to help better understand how automation will impact production and trade. Based on a quanti/qualitative research project, it explores how young Argentines view education and the international context, and their consumer habits, expectations, and employment situations, as this is the generation that will be most affected—be it positively or negatively—by the Fourth Industrial Revolution in the short- and medium-term. More than any other generation, they need to be prepared for the changes ahead: they were born into the digital age and their transition into adulthood has coincided with the rise of robotization, 3D and 4D printing, artificial intelligence, and hyperconnectivity. The results of this study indicate that Argentinian millennials are largely cautious about the transformations that have come with Revolution 4.0, with the exception of a group of young people from the most privileged socioeconomic sectors who live in the City of Buenos Aires and are mostly younger males.



[The State of Financing for SMEs and New Firms in Latin America \(link in Spanish\)](#)

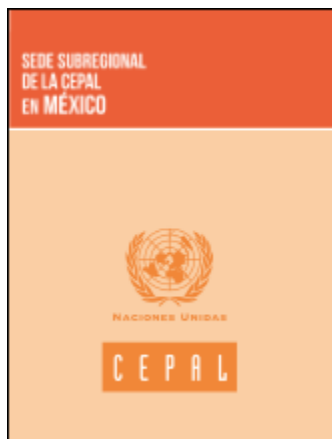
Summary: Left to their own devices, both the debt and capital markets tend to produce suboptimal financing for both SMEs and new companies, which has a negative impact on job creation and productivity and thus on economic growth. This report analyzes the shortfalls in supply, demand, and institutional issues which together determine whether or not there are barriers to financing these firms around the world, regardless of the economic statuses of the countries included, how developed their financial systems are, and even their business culture. It also analyzes different funding sources and financial intermediaries and their role in the different stages of the business lifecycle. After comparing the scale of financial restrictions in Latin America with that of other regions, the report analyzes Latin American public policies in the light of best international practices.



[The Future of Work We Want: The Voices of Young People and Different Points of View from Latin America and the Caribbean \(link in Spanish\)](#)

Summary: During the last quarter of 2016, the ILO's Regional Office carried out a face-to-face survey of young people between 18 and 29 years of age in three cities in Peru. During the same period, it implemented an online

survey of 1544 young people of between 15 and 29 years of age in 26 countries in Latin America and the Caribbean. The aim of the two surveys was to gather information on the opinions and insights of young Latin Americans Caribbeans regarding their employment future and their prospects toward 2030. This publication is a first look at how young Latin Americans feel about the future of work and the expectations that they have, based on the results of these surveys.



[Strategic Actions for Deepening Economic Integration in Central America \(link in Spanish\)](#)

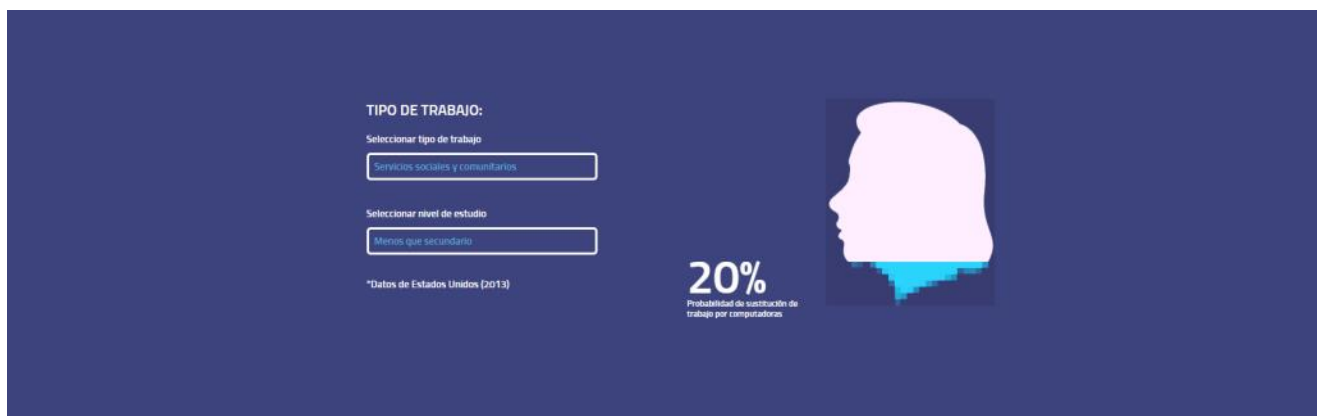
Summary: This document analyzes five strategic actions for deepening Central American economic integration. It considers areas such as the harmonization of requirements, the free movement of goods, and the harmonization of regional legislation. These actions are: a) deepening recognition processes for sanitary records; b) strengthening the Central American Sanitary and Phytosanitary Guidelines; c) analyzing regulations that apply to trade in goods produced under the Special Customs Regimes; d) expanding the percentage of harmonization of the Central American Rules of Origin in the light of the rules of origin that have been negotiated in the different free trade agreements that countries in the region are party to; and e) reducing the number of unharmonized headings in the Central American Import Tariff in the light of the tariff elimination programs included in the region's main free trade agreements.

Trade Thermometer

Replaced by Robots?

- [n252](#)
- [Trade Thermometer](#)

Technological progress both recent and future will profoundly change labor markets by doing away with many occupations, expanding the scope of others, and creating new jobs. These changes may affect countries' comparative advantages and change their role in the global economy.



Editorial

Editorial Staff

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