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NUMBER

230 October, 2015

50 años

INTAL-L



The Economy of the Future



Integration Ideas

The TPP and the Challenges It Poses for the MERCOSUR

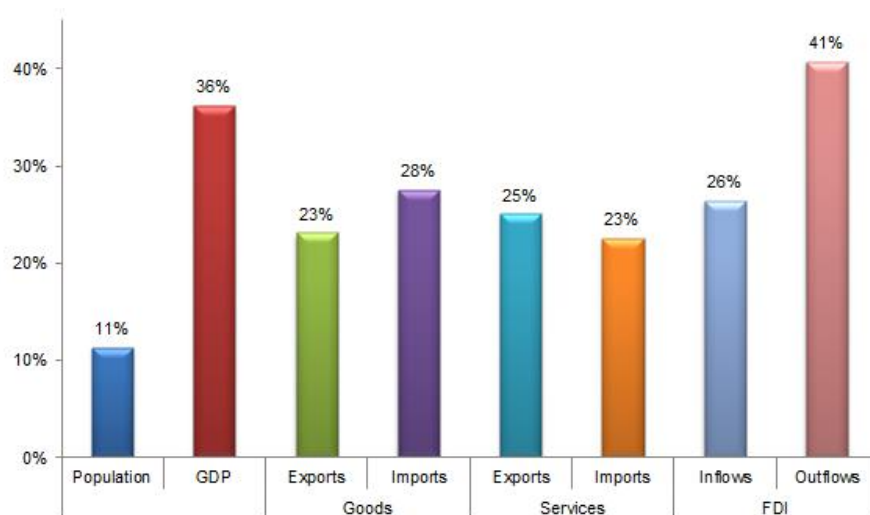
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In a context of stagnation in multilateral negotiations, over the past decade many countries have signed new regional trade agreements (RTAs) and deepened existing ones. A more recent noteworthy development is the negotiation of “mega-agreements” between the major global economies, above all the [completion](#) of talks for the Trans-Pacific Partnership (TPP) on October 5, 2015, in Atlanta, United States.

Although the TPP does not enter into force for another two years,[\[1\]](#) it is expected to have a significant impact not only on its members[\[2\]](#) but also on the rest of the world, due to its relevance to the global economy: it is the largest RTA that has been concluded to date, in terms of its share in global GDP, trade, and investment (Figure 1).

Figure 1. Relevance of the TPP in the global arena

Selected indicators. Share in the total, 2014



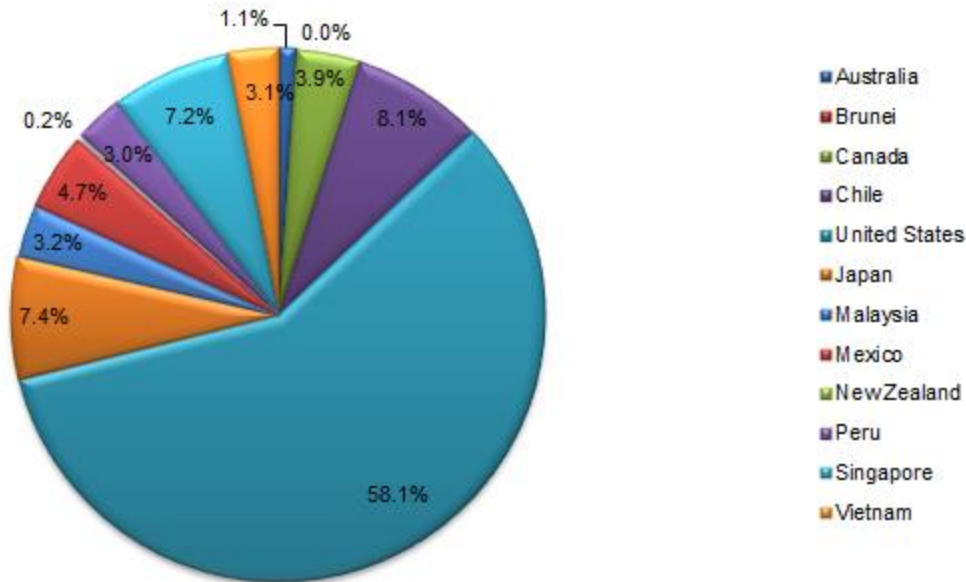
Source: Prepared in-house using data from the FMI, WTO, and UNCTAD.

Furthermore, the MERCOSUR will undoubtedly be affected by changes to the global context as a result of RTAs in general and mega-regionalism in particular. Specifically, the TPP poses major challenges to the MERCOSUR such as a possible negative impact on exports, reduced relevance as a foreign investment destination, and the influence of TPP standards on the multilateral trading system.

Greater difficulties in exporting

The TPP will probably have a negative impact on MERCOSUR exports. The new agreement will absorb 27.8% of MERCOSUR exports. Out of these, Venezuelan exports are particularly relevant, as they account for more than half of the total, and are concentrated in hydrocarbons. Exports from Brazil and Argentina are also significant, although to a lesser degree. The United States is the main destination market for MERCOSUR exports to the TPP, followed by Chile and Japan. In turn, MERCOSUR exports to the TPP are mainly made up of natural resources, in addition to some manufactures, which Brazil and Argentina export to the United States and to Latin American countries that are members of the TPP.

Figure 2. MERCOSUR* exports to TPP countries
2014



Note: * The data for Venezuela corresponds to imports reported by the partners.

Source: Prepared in-house using DATAINTAL and Comtrade data.

On the one hand, the establishment of new regulations—either due to harmonization of existing standards or the raising of standards—will probably generate new non-tariff barriers in the markets of TPP member countries, increasing costs for exporters and excluding all those who cannot comply with these regulations from the market.

On the other hand, the agreement could lead to trade diversion: MERCOSUR exports of some products to certain TPP countries may be displaced by ones from other TPP members, which would enter under preferential conditions. The greatest threats would be in the agricultural sector, where competitive producers in Australia, New Zealand, Canada, and the United States would see significant improvements in their access conditions to highly protected markets such as Japan and Malaysia and, in some sectors, the United States. Meanwhile, MERCOSUR exports, especially of processed foods, will continue to face very high barriers.

Assessing the potential impact of the TPP on the MERCOSUR would require a comprehensive analysis of the entry barriers and conditions of competition for each product, which is beyond the scope of this article. However, by way of example, according to the New Zealand government, the

country's main gains from the TPP would result from increased exports of meat, dairy products, fruits and vegetables, wines, forestry products, and other agrifoods (MFAT, 2015), sectors in which the MERCOSUR countries have comparative advantages. In fact, several of these products have been identified by the INAI [Argentine International Negotiation on Agriculture Institute] Foundation (2014) as being the most vulnerable to trade diversion within the TPP, along with corn, peanut butter, and animal fodder, among others. Likewise, this study predicts a fall in shipments of MERCOSUR agrifoods to certain key destination markets such as the United States and Chile, as a result of the TPP.

With regard to manufacturing, the additional threat to the MERCOSUR does not seem especially significant, because manufacturing only plays an important role in shipments to the United States and Latin American members of the TPP, where MERCOSUR exports already face competition from the United States and other TPP members, as exports from these enter duty-free.^[3] Indeed, Sica (2014) shows the drop recorded over the past decade in MERCOSUR exports to Chile, Peru, and Mexico of some manufactures such as automotive industry products, agricultural machinery, footwear, metals and metal manufactures, and fertilizers and herbicides, among others. Nor would it entail significant risks in terms of hydrocarbon exports to TPP countries from MERCOSUR members, such as Venezuela.

Regardless, the TPP restricts the integration of the MERCOSUR into global value chains (GVCs) based in Asia and North America. In this regard, it should be noted that the TPP rules of origin for most industrial products establish a regional content requirement of between 40% and 50% (MFAT, 2015).

The shrinking influence of the multilateral trading system

The provisions of the TPP go beyond the scope of the World Trade Organization (WTO), due to the inclusion of new topics and commitments that are deeper than those taken on in the multilateral sphere and even within several pre-existing RTAs. The most noteworthy provisions are those relating to services, investment, public procurement, e-commerce, intellectual property, labor and environmental issues, competition, state-owned enterprises, etc.

This new regulatory framework has significant implications for the MERCOSUR. On the one hand, as part of the regulations that have arisen of the TPP will be beyond the scope of WTO agreements, it will be more difficult to challenge potentially discriminatory measures before the WTO's dispute settlement body (DSB). Despite its limitations, the dispute settlement system has been a useful tool for MERCOSUR countries.

On the other hand, it is possible that the regulations of the TPP and other mega-agreements currently being negotiated—particularly the Transatlantic Trade and Investment Partnership (TTIP)^[4]—lay the groundwork for future multilateral regulations. Considering that the MERCOSUR plays no part in these negotiations, it will have little influence on the definition of the new standards that will govern world trade.

For example, although in 1998 the WTO decided to move forward on an e-commerce work program, a regulatory framework on this issue has yet to be decided upon (all that has been agreed is not to impose customs duties on such transactions). The TPP includes deep commitments on this topic, and it is therefore possible that a future multilateral agreement be based on these standards and on what is decided as part of TTIP negotiations.

Investment difficulties

On the one hand, the absence of preferential access to major global markets and the limitations to integration into GVCs reduce the attractiveness of the MERCOSUR as an investment destination, particularly in comparison with the Latin American and Asian countries in the TPP. This has various effects on the MERCOSUR, limiting the growth of total investment, foreign exchange earnings, the narrowing of the technological divide, etc.

On the other hand, the TPP further hampers attempts by some MERCOSUR countries to influence the regulation of international investment. The TPP has adopted the investor-state dispute settlement system (ISDS). Through this scheme, which is similar to that of the agreements on reciprocal promotion and protection of investments (ARPPIs) signed by many countries in the 1990s and early 2000s, private investors can sue states before international courts should they adopt measures contrary to the commitments made in the agreements.

Although MERCOSUR members have signed many ARPPIs, these have never entered into force in Brazil as they were not ratified by parliament. In Argentina and Venezuela, in turn, they were seriously called into question due to the large number of lawsuits filed by foreign investors (Rozemberg and Gayá, 2013). Brazil is currently promoting cooperation and investment facilitation agreements (CIFAs), a new bilateral agreement format which differs from ARPPIs in terms of its state-state dispute settlement system—which is more similar to the system used by the WTO—and by granting more limited rights to foreign investors. The potentially more widespread acceptance of the ISDS system as part of the TPP and other mega-agreements would reduce Brazil's ability to broaden the reach of the CIFAs it has already signed with several countries and has proposed adding to the MERCOSUR framework.

Final considerations

In contrast with several LAC countries, the MERCOSUR has not played an active role in the new wave of regionalism. As a result of opposing commercial interests and institutional issues, the bloc has not concluded agreements with any of the major global economies: the negotiations with the United States within the framework of the Free Trade Area of the Americas (FTAA) were abandoned more than a decade ago, and talks with the European Union (EU) have been going on for more than 15 years (Makuc, Rozemberg, and Duhalde, 2015). Over the last decade, the MERCOSUR has only signed RTAs of limited scope and/or with countries with which it has few commercial ties.

In this sense, the block could be affected by the changes to the international arena in trade-related matters. The lack of progress on the Doha Round and the proliferation of RTAs may reduce the WTO's influence on world trade. Despite its limitations, the WTO is valuable to the MERCOSUR due to the increased bargaining power the bloc enjoys there: all countries have a vote, and decisions are made by consensus; the fact that transaction costs are lower when negotiating with all partners simultaneously; and the possibility of settling conflicts through the dispute settlement system (Gayá, 2014).

MERCOSUR countries must continue to foster multilateralism, but also to consider the opportunities and threats (which are not mutually exclusive) posed by other international integration options. On the basis of the initiatives currently underway, the MERCOSUR can continue to foster rapprochement with the Pacific Alliance by converging, accelerating, and deepening existing agreements, and can seek to bring the agreement with the EU to a satisfactory conclusion. Likewise, it should consider new negotiation fronts with other partners such as the United States or some Asian Pacific countries. Although these alternatives imply significant risks, the status quo involves high costs in terms of export development, the incorporation of technology, attracting investment, isolation, and loss of relative weight in the international arena.

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[1] The TPP still has to be legally verified before being signed by the governments in question and it will not enter into force until it is ratified by the member countries' parliaments, which must make the necessary amendments to their own regulatory frameworks enable them to adopt the commitments they have made. They have two years in which to complete this legal process, although the agreement includes certain provisions in the event that a longer period should be required.

[2] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States, and Vietnam.

[3] Chile has signed free trade agreements with all the members of the TPP, Mexico with the United States and Canada, and Peru with these same countries as well as Singapore and Thailand.

[4] The TTIP is being negotiated by the United States and the European Union.

[5] The characteristics of the MERCOSUR's productive structure have hampered negotiations with partners such as the United States or the EU, as the MERCOSUR's offensive trade interests are concentrated in exports of temperate climate agricultural products and food, an area in which its partners have the highest levels of protection. In contrast, the MERCOSUR's defensive trade interests are in the manufacturing industry, where the other countries have comparative advantages.

The integration of the future

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How new technologies will impact the lives of Latin Americans and Caribbeans was the big question addressed at INTAL 50, the event to mark the 50th anniversary of the Institute for the Integration of Latin America and the Caribbean (INTAL).

Academics from international universities, businesspeople and entrepreneurs, and government officials came together on October 7, 2015, to discuss topics critical to integration as well as the commercial strategies of the countries in the region. These issues included the future of education and employment, the potential of biotechnology and nanotechnology, the promotion of innovation, the risks of climate change, and the challenges that “disruptive” technological changes pose for the region’s policy-makers.

The event was divided into six panel discussions, and included a special conference given by the Former President of Uruguay, José “Pepe” Mujica. After each panel discussion there was an INTAL Flash, a section at which IDB specialists presented the new tools and instruments that INTAL is offering the community. Some 760 people attended the conference, while another 2,000 watched it live via streaming. All the [presentations and conferences](#) from the event are available on the INTAL website.



Either we invent or we fail

In his [welcome message](#), IDB President Luis Alberto Moreno highlighted the role that INTAL has played and the contributions it has made to regional integration since its founding in 1965. “I think that this is the best tribute we can pay to those pioneers of integration: let’s dream with our eyes open so that we can envision a shared future, taking the diversity of today’s world as a starting point,” Moreno said.

The technological revolutions that used to impact the global economy roughly every 50 years are accelerating. Disruptive changes are now appearing more often, altering integration and trade patterns. Indeed, some people even describe the situation as being a permanent revolution. Artificial Intelligence, robotics, drones, 3D printers, the Internet of Things, virtual reality, and digital networks are just some of the phenomena that are now challenging the classic rules of trade in goods and services. The transformative capacity of exponential technologies is astonishing, but they also pose unexpected challenges for employment, production, trade, and the environment.

During his opening speech, INTAL Director Gustavo Beliz invited the audience to reimagine the region in this new era. “In Latin America, either we invent or we fail,” he concluded, paraphrasing Simón Bolívar.

Exponential technologies and leaps in productivity ([video \[in Spanish\]](#))

The first panel was moderated by **Santiago Bilinkis** (Quasar Company). During his presentation, **Raymond McCauley** explained how digital biology can help add value to primary exports. Mr McCauley is the biotechnologist who founded BioCurious, a Silicon Valley laboratory and shared workspace where entrepreneurs and students collaborate on scientific and technological innovations. He also referred to the renaissance of biotechnology, emphasizing that the life sciences will become much more powerful due to the speed at which technology changes, reductions in research costs^[1], and the increased ease with which the processes in question can take place. Likewise, **Galo Soler Illia (in Spanish)**(UNSAM/CONICET) referred to advances in nanotechnology, which is based on the use of nanoscale materials, which have properties and behaviors that are different to those of regular materials. He demonstrated the everyday use of nanomaterials (for example, in pregnancy tests, tennis rackets, and television sets) and stressed that there is a huge potential market for these due to their multiple potential applications in fields such as energy (batteries that charge cell phones extra quickly), the environment (water purification), and health (delivering medications to precise locations in the body).

El futuro de trabajo regional (video [in Spanish])

The panel on employment perspectives and social policies was moderated by **Pablo Larguía** (Red Innova). The main speaker was **Carl Benedikt Frey** (Oxford Martin Program), who warned that many jobs are at risk of being automated, that is, carried out by machines. Among the professions most at risk of being replaced by machines are librarians, tax advisers, cabin crew, clock and watch repairers, mathematical technicians, and telemarketers. Following this, **Sergei Soares** (IPEA) emphasized the importance of improving education and promoting innovation-based productivity so as to continue reducing inequality, in a context in which the factors that drove improvements in equality over the past decade are no longer present.

INTAL Flash. Pablo García (in Spanish) (IDB) presented **ConnectAmericas**, a joint initiative from the IDB, Google, DHL, Visa, and Alibaba to internationalize small and medium-sized enterprises (SMEs) from LAC. This social network allows SMEs to contact and interact with other firms and potential strategic partners in order to gain knowledge about international trade, business development services, obtaining financing, and other important information. ConnectAmericas will soon provide even more services to facilitate the international integration of SMEs from LAC.

“Glocal” integration. Past and future (video [in Spanish])

The panel moderator, **Antoni Esteveadeordal** (manager of the IDB's Integration and Trade Sector), noted that successful integration initiatives in the region are characterized by the convergence of interests related to an economic logic, a political logic, and a "glocal" logic—that is to say, one related to local matters within the overall framework of a global context. **Enrique Iglesias** (Former President of the IDB) recalled that he was present at the opening of INTAL and that Felipe Herrera, the first president of the IDB, had said in 1961 that the IDB would be the bank of integration. He went on to describe how Gustavo Lagos (the first Director of INTAL) fuelled political will to create an institution that specialized in integration in Latin America. He then reviewed the current global panorama, which is characterized by the transfer of power from West to East, the importance of trade in intermediate goods, and the negotiation of mega-agreements which erode the multilateral framework.

Jean-Paul Fitoussi (Paris Institute of Political Studies) pointed out that it is important to conceptualize integration as a public good, that is, one to which the non-exclusion principle applies, as opposed to the usual understanding, which focuses on competitiveness—a relative, non-cooperative concept.



INTAL Flash. Marta Lagos (in Spanish) (Director of Latinobarómetro) introduced the Continuous Monitoring System for Regional Integration Processes in Latin America (SEPI), part of a strategic alliance with INTAL, based on public opinion surveys in the region. Through the

INTAL/Latinobarómetro project, it will be possible to monitor the opinions of the region's inhabitants on issues that are crucial to community life.

After lunch, the audience had the privilege of listening to [José “Pepe” Mujica \(in Spanish\)](#),

who reflected on the importance of integration, the creation of alliances between the public and private sectors, and the need to coordinate efforts between countries in the region ([see separate article](#)).

Governance of the new integration ([video \[in Spanish\]](#))

This panel brought together policy makers from the region and was moderated by **Alejandro Ramos Martínez** (Senior Economist at INTAL), who asked a series of questions about the challenges that lie ahead in integration matters.

Lino Barañao (Argentina's Minister of Science and Technology) discussed the possibility of a joint science and technology plan between Argentina and Brazil, based on the two countries' enormous potential in the bioeconomy. **Sergio Galilea Ocón** (Chile's Deputy Minister of Public Works) underlined the importance of fostering physical integration alongside stakeholders in this process, and of promoting aspects such as sustainability, trade facilitation, and public-private partnerships for infrastructure development. **João Carlos Ferraz** (Director of Planning at the Brazilian Development Bank) said that the aim of integration-related funding is to promote the interests of Brazilian companies abroad. **Gail Mathurin** (Director of the CARICOM Office of Trade Negotiations) commented on the lessons that the rest of the region can learn from the Caribbean's experience of integration.

INTAL Flash. [Ignacio Estévez and Alejandra Radl \(in Spanish\)](#) (IDB/INTAL Specialists) highlighted the role that the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) has played since 2000 in the planning and implementation of integration infrastructure in South America, and that of INTAL as the body that facilitates and coordinates this process.

Green integration: Climate change and environmental goods ([video \[in Spanish\]](#))

Raúl Osvaldo Benítez (FAO) moderated the panel on the challenges posed by environmental issues. First, **Aaron Cosbey** (IISD) focused on how to deal with the problem of climate change and reduce greenhouse gas (GHG) emissions through trade, investment, and integration policies. Secondly, **Ricardo Meléndez Ortiz** (ICTSD and E15) argued that climate change presents both challenges and opportunities that should be taken advantage of through innovation and integration. He remarked that what is important is not the trade in renewable energy but that of the technological components required to generate that energy (e.g., wind turbines).

INTAL Flash. Alejandro Ramos Martínez (in Spanish) (Senior Economist at IDB/INTAL) presented **INTradeBID**, a database system comprising the legal framework and the statistics and indicators for trade and integration in LAC.

The final of the **INTAL D-Tec** competition was also held live at the event, and the winner was announced: **Increase (in Spanish)**, a company that helps retailers manage their **credit card payments (video [in Spanish])**.

Cecilia Nicolini (Deputy Director of the *MIT Technology Review en español*) presented the ten most disruptive technologies of the year. She placed particular emphasis on virtual reality techniques, car-to-car communication, desalination, and internet connections for remote locations.

Articulation between the public and private sectors

INTAL director **Gustavo Beliz** moderated the last panel of the day, at which the Uruguayan Vice President **Raúl Sendic** talked about the challenges posed by environmental, social, and economic sustainability, the role of science, technology, and innovation, and how public policies must ensure access to education, science, and knowledge, so as to safeguard freedom.

This productive day was the culmination of INTAL's 50th anniversary celebrations. By the end, many conclusions had been reached, including: the need to create an integrated innovation research policy, generate a culture of innovation and entrepreneurship, encourage institutional development and cooperation between countries in the region on key topics such as the energy sector, agree on sustainable development policies, and educate new generations for the world of the future, which is already upon us. All of these topics were addressed in the special issue of the **Trade & Integration Magazine (in Spanish)**.

With this task ahead, Gustavo Beliz highlighted INTAL's new initiatives, such as the INTAL-Lab, a space for the co-creation of innovative ideas related to integration and trade, and **Node i+i**, an initiative launched in collaboration with Columbia University which examines how regional integration can help reduce inequality in the Americas.

INTAL in the media:

- [Emprende by Endeavor, October 2015](#)
- [Empleo y cambio climático, desafíos de la política \[Employment and climate change: political challenges\] \(in Spanish\)](#)
- [Prospera participa en la iniciativa internacional NODO i+i \[Prospera takes part in the international NODE i+i initiative\] \(in Spanish\)](#)
- [Ministro Peña en reunión de líderes emergentes \[Minister Peña attends meeting of emerging leaders\] \(in Spanish\)](#)
- [“El fallo de Griesa es escandaloso” \[“Griesa’s ruling is scandalous”\] \(in Spanish\)](#)

[1] At present, DNA analysis equipment can be purchased for about US\$ 1000.

Inspiring Activities

The INTAL Co-Creation Competition Continues

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INTAL is inviting people to take part in the [INTAL Co-Creation](#) competition, an essay contest on innovative ideas that reflect the debates and issues raised at [INTAL 50 \(in Spanish\)](#) and that put forward creative solutions for consolidating regional integration and strengthening trade. The deadline for entries is **December 7, 2015**.

What are the essay topics?

Particular attention will be paid to essays that analyze the conclusions reached during the panels and open discussions that took place at [INTAL 50 \(in Spanish\)](#), the event to celebrate INTAL's 50th anniversary. There, international experts discussed the following topics, in connection with trade and regional integration:

- **The new technological revolution.** How will new technologies change the lives of Latin Americans and Caribbeans?

- **Geopolitical transformations.** What will the region be like 50 years from now? How can we integrate better and trade more with the rest of the world?
- **The future of employment.** How will technology impact the labor market, equality, income distribution, and labor productivity?
- Do institutions help or hinder innovators? How can innovation be encouraged through public policy? How are good ideas born and how are they set in motion?
- **Protection of the environment and natural resources.** Can clean energy and biotechnology mitigate climate change? How might the Environmental Goods Agreement impact trade?

Essay topics may also include proposals for improving the products and services that INTAL provides (databases, publications, INTAL-Lab).

What is the prize?

The winning essay will receive a monetary award of US\$ 2,000 as an incentive for the author to develop his or her idea further. In addition, the author of the essay will be able to give a brief talk on the initiatives proposed in his or her essay to IDB developers and specialists at INTAL-Lab, INTAL's space for the co-creation of innovative ideas for integration and trade.

Investment in Ports and Waterways for the Development of Logistics

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Integration through ports and waterways is one of the main areas of work for promoting connectivity within South America. As a result, the [Workshop on South American Integration through Ports and Waterways](#) was incorporated into the COSIPLAN-IIRSA Work Plan 2015[1] and was held on October 14 and 15 in Brasilia, Brazil.

Those at the meeting emphasized the potential of waterways, which are as much a part of the logistics system as all other modes of transport. As a result, they agreed to work on waterway sector projects within the [COSIPLAN Priority Project Agenda](#) (API). These are the following:

API 3: [Northeastern Access to the Amazon River \(in Spanish\)](#) (Brazil, Colombia, Ecuador, and Peru)

- Estimated investment: US\$ 61,759,000
- Type of finance: Public
- Project stage: Execution

This project seeks to take advantage of the complementarities of the different natural regions of Ecuador, Colombia, Peru, and Brazil by linking the coastal and Andean areas of Ecuador and Colombia with the Amazon in general. The purpose of the bimodal corridors, which will become operational when the waterways and corresponding river terminals are opened, is to make the city of Manaus a commercial destination, without losing sight of the possibility of connecting to overseas markets.

Project technical specifications: (i) construction of a 150-ha logistics transfer center; (ii) improvement of navigation conditions for 1,200 km of waterways; (iii) renovation and/or construction of 12 docks; (vi) construction of a river port.

API 17: [Improvement of Navigation Conditions on the Rivers of the Plata Basin \(in Spanish\)](#) (Argentina, Bolivia, Brazil, Paraguay, and Uruguay)

- Estimated investment: US\$ 1,169,998,216
- Type of finance: Public

- Project stage: Execution

Improvements to waterway navigation conditions will lead to significant reductions in transportation costs for internal trade flows between regions, and also for extra-regional trade, thus contributing to the economic integration of the region and to strengthening its sustainable development. This will make products from the region more competitive, notably for those areas that are furthest from seaports.

Project technical specifications: (i) improvement of navigation conditions for 4,708.3 km of waterways; (ii) implementation of a water level prediction system.

API 27: Multimodal Transportation in the Laguna Merín and Lagoa dos Patos System (Brazil and Uruguay)

- Estimated investment: US\$ 38,200,000
- Type of finance: Public/private
- Project stage: Execution

This project will improve connectivity between eastern Uruguay and southern Brazil by making the waterways of the Laguna Merín and Lagoa dos Patos system fully navigable. The construction of Highway BR-471/RS (Chuí-Pelotas) in the 1970s led to the closure of these waterways. Reinstating them as transportation routes will allow larger volumes of cargo to be transported, thus reducing freight and infrastructure maintenance costs, easing congestion at border crossings, while reducing the environmental impact of greenhouse gas emissions, noise pollution, and road accidents.

Project technical specifications: i) dredging, improvements to waterway corridors and complementary works for the two lakes and their tributaries (includes dredging, installation of signs, buoy markers, and aids to navigation, and cartographic and hydrographic surveys); (ii) construction of two river port terminals.

COSIPLAN Project Portfolio

Within the portfolio, there are currently 113 projects from the transportation sector, within the **river** and **sea** transportation sub-sectors, for an estimated investment of approximately US\$ 14 billion.

Table 1. Projects from the river and sea sub-sectors by type of construction work Number of projects and estimated investment

SEA TRANSPORTATION		
Project Type	Number of Projects	Estimated Investment (millions of US\$)
New Seaports	7	3404.8
Expansion of terrestrial infrastructure at seaports	31	7539.6
RIVER TRANSPORTATION		
Improvement of navigation conditions	33	2074.0
Construction of new river ports	10	260.4
Upgrading of existing river ports (enlargement)	32	552.6
Total	113	13,831.5

Source: COSIPLAN Project Information System, 27/10/2015.

[1] The Work Plan 2015 was passed at the [5th Ordinary Meeting of COSIPLAN Ministers](#).

MIT Technology Review en Español awards ten innovators in Argentina and Uruguay

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In October, the 4th [Innovators Under 35](#) event took place. It is the world's most prestigious award to young innovators and is hosted by the *MIT Technology Review*, the longest-running publication of the Massachusetts Institute of Technology (MIT). Two of the ten winners received special mentions for their projects: Gino Tubaro was named Innovator of the Year and Emanuel Vilte Social Innovator. Prominent leaders in innovation and entrepreneurship and members of the global community of innovators under 35 discussed the main keys to building the education of the future, creating new innovation hubs to solve different urban problems, and the challenge of investing in innovative entrepreneurship. Those who took part in the event included MIT authorities such as Israel Ruiz,

vice president and treasurer; Jonathan Feng Sun, a researcher at the MIT Senseable City Lab; and Gabriel Lanfranchi, founder of the MIT Metro Lab; as well as winners from previous years such as Tomás Escobar, CEO of Acámica; Sebastián Stranieri, CEO and founder of VU Security; and Rodrigo Teijeiro, CEO and founder of Fnbox.

Since 2011, the Innovators Under 35 award has drawn attention to the young Argentines and Uruguayans behind today's most innovative projects, young people who are helping to improve the economy and wellbeing of their countries through their talent, involvement, and the impact of their projects. This year's competition gave awards to eight Argentines and two Uruguayans whose profiles and projects varied greatly but who had one thing in common: they represent the fourth generation of young leaders from the two countries in question.

Of the ten winners, Emanuel Vilte was recognized as a Social Innovator for creating [Linguoo](#), an app that enables you to hear online text read aloud by a narrator. Gino Tubaro received a special mention as Innovator of the Year for [Atomic Lab \(in Spanish\)](#), his own innovation platform, which includes a device that is able to recognize the letters in a printed text and **translate them into braille in real time**.

"These young people that we are celebrating today live, breathe, and spread innovation. At the Inter-American Development Bank (IDB), we think it is fundamental to draw attention to them and form part of this ecosystem of creative people seeking solutions that will improve lives in Latin America and the Caribbean by doing something essential for our countries' development," said **Hugo Flórez Timorán, the IDB's representative for Argentina**. Before the award ceremony, the finalists spent time at the INTAL-LAB, where they met with INTAL director Gustavo Beliz to exchange creative ideas on integration and regional trade.

The ten innovators under 35 for Argentina and Uruguay 2015 were:

- **Emanuel Vilte** (33). Argentina. –His community of narrators reads online content to the visually impaired via an app ([Linguoo](#)).
- **Gino Tubaro** (20). Argentina. –He has created a device that translates printed text into braille in real time (Project LIMBS (in Spanish)/[Atomic Lab](#)).
- **Gustavo Bessone** (32). Argentina. –He has created an intuitive platform for managing online advertising ([Taggify](#)).
- **Ignacio Juárez** (33). Argentina. –His urban wind turbine is adapted to Argentine winds and is more efficient and economical ([Semtive](#)).

- **Jimena González** (33). Argentina. –She has created a gel for bandages that mimics skin and improves the healing of wounds and burns ([Institute of Research in Materials Science and Technology](#)).
- **Matías Kalwill** (34). Argentina. –His collaborative navigation app for cyclists seeks to achieve more sustainable urban traffic ([Bikestorming](#)).
- **Nicolás Pereyra** (32). Uruguay. –His educational smart books promote the use of IT tools in primary education ([EDU Editorial \[in Spanish\]](#)).
- **Pablo Orlando** (31). Argentina. –He has created a system that provides vehicles with artificial intelligence, thus transforming them into autonomous cars ([Inipop \[in Spanish\]](#)).
- **Patricio Jutard** (34). Argentina. –His digital whiteboard allows people to work collaboratively and creatively from any location ([Mural](#)).
- Valentina Arriagada (26). Uruguay. –Her platform brings together patients with renal conditions and dialysis centers around the world to make their lives easier ([Connectus Medical](#)).



Trade Integration through Postal Services for SMEs

- [Inspiring Activities](#)
- [n230](#)



On September 28 and 29, 2015, the [meeting of the Executive Technical Group](#) (GTE) for COSIPLAN's [Trade Integration through Postal Services for MSMEs](#) project took place in Lima, Peru. The meeting was attended by delegations from Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela, and IIRSA's Technical Coordination Committee (CCT), as well as representatives from Guatemala and Honduras. The Secretary General of the Postal Union of the Americas, Spain, and Portugal (UPAEP) stressed the importance of the initiative at the regional and global levels. This activity is part of COSIPLAN's Work Plan 2015.[\[1\]](#)

The dynamics of the work undertaken at the meeting focused on three points that are essential for a regional project: (i) strengthening the synergies between different countries' institutions; (ii) getting to know users' experiences and their needs firsthand in order to make adjustments during the implementation of the project; and (iii) promoting horizontal cooperation.

To strengthen regional and inter-institutional work, it was agreed that a community known as "Mipyme Exporta Fácil" [MySME Exports Easily] would be created within the

IDB*ConnectAmericas* portal. This would initially be for country representatives, and would then be opened up to MSMEs in the region and the general public. The countries stressed the importance of having a space like this in which to hold technical discussions and exchange experiences. Furthermore, all the material produced will be available to MSMEs that become part of the community, and these will also be able to raise any queries directly with those who are implementing the project in their respective countries.

Three users of Exporta Fácil in Peru were invited to share their experiences of using the scheme: Frank González Campos, who heads an MSME that exports Peruvian products in the city of Huánuco, in the center of Peru; María Linares Farro, who runs Motos Andes, which produces fiberglass accessories for sports motorcycles; and Nancy Montoya, founder of Alpaca Montoya, an MSME that exports alpaca clothing. This panel served as a trigger for discussions and allowed government officials and those who benefit from the project to work together.

In terms of horizontal cooperation, two topics were addressed: the team from [Paraguay](#) shared its experience of the pre-diagnostic visit prior to the implementation of the project, while the teams from Brazil and Peru presented the work plan for the implementation of a connectivity pilot project between the two countries' Exporta Fácil and Importa Fácil [Imports Easily] programs (the export and import facilitation systems, respectively). With regard to the first of these topics, all the countries where Exporta Fácil is already operating decided to support Paraguay in implementing the strategic and operational aspects of the project. Although this type of cooperation has been encouraged since the start of the project, it implies countries renewing their commitment to the rest of the governments in the region. The connectivity pilot scheme will require large amounts of work between customs facilities, designated postal operators, and export promotion agencies. The first stages in the design of the scheme were presented at the meeting. The countries involved are following this experience closely both because it sets an antecedent in terms of inter-institutional collaboration in the region, and because of the positive impact it could have on MSMEs' intra-regional trade.

The meeting concluded with panel discussions that had been organized in line with the needs of the different countries, and which gave rise to suggestions for concrete actions that would lead to progress on the Work Plan 2015 and the plans for each country. As part of the COSIPLAN-IIRSA Technical Coordination Committee, INTAL will continue to coordinate the project and provide countries with support so as to help all participants fulfill their commitments.

[1] [COSIPLAN](#) (South American Infrastructure and Planning Council) is the work area of the Union of South American Nations (UNASUR) that focuses on political and strategic discussion with the aim of integrating South American countries' regional infrastructure.

The Winners of the INTAL D-Tec Competition Have Been Announced

- [Inspiring Activities](#)
- [n230](#)



The technology entrepreneurship competition launched by the Institute for the Integration of Latin America and the Caribbean (INTAL) reflected the enormous innovation capacity of SMEs in the region. Some 144 start-ups from 16 countries in Latin America and the Caribbean enrolled in the competition. Firms specializing in biotechnology, drones, 3D printing, renewable energy, robotics, financial applications, the Internet of Things, and big data, among other exponential technologies, presented their proposals to improve regional integration processes and promote trade through creative technology projects.

The five INTAL D-Tec finalists were Increase, Less Industries, Booster AgTech, Engeenuity, and Kymatec, all pioneering companies in their fields with enormous disruptive potential within their markets. **Increase** has developed a mechanism for retailers throughout Latin America to manage,

oversee, and balance the income they make from credit and debit card sales. **Less Industries** provides remote, robust, optimized metering of energy use to make energy consumption more efficient. **Kymatec** allows users to generate savings of up to 90% on the agrochemicals used in farming through a powerful scanning tool that determines the state of health of crops. **Engeenuity** designs and produces systems that use photonic technology to inhibit the natural reproductive cycles of microorganisms such as bacteria, fungi, and viruses, thus reducing the need for chemical compounds and protecting the environment. **Booster** takes advantage of big data techniques to bring relevant agronomic information on crops and the weather to small agricultural enterprises.

A jury made up of Martín Migoya, CEO of Globant; Emiliano Kargieman, CEO of Satellogic; Hernán Kazah, founder of Kazsek Ventures; Cristian Breitenstein, minister of production, science, and technology for Buenos Aires Province; Francisco Cabrera, minister of development for the City of Buenos Aires; and Gabriel Casaburi, the IDB's leading private sector specialist, analyzed the initiatives and evaluated the finalists during a live competition that formed part of the event to mark INTAL's 50th anniversary.

The winner, **Increase (in Spanish)**, received US\$ 10,000 in prizes. The company will also benefit from a six-month empowerment process sponsored by the Endeavor Foundation Argentina to outline a strategic investment plan and the possibility of promoting itself at *ConnectAmericas*, the IDB's first social business network.

NODE i+i, Regional Integration Plus Social Inclusion

- [Inspiring Activities](#)
- [n230](#)

The Institute for the Integration of Latin America and the Caribbean (INTAL) organized **Node i+i** in conjunction with Columbia University and with the support of the Integration and Trade Sector (INT) and the Social Sector of the Inter-American Development Bank (IDB). The event took place on Friday and Saturday September 25 and 26, 2015, in New York City, to coincide with the US visit of Pope Francis and the General Assembly of the United Nations.

The initiative seeks to promote a working network among emerging leaders and academics in Latin America, the Caribbean, and the United States in order to share ideas and success stories on **regional integration and social inclusion**. This first meeting was attended by **50 representatives** from **13 countries** involved in the implementation and evaluation of social initiatives.

Node i+i is a **forum for shared thinking** that seeks to construct new ways of analyzing old problems and understanding new ones, while always focusing on people and their specific contexts, through **innovations** in public policies that promote **equality**.

The opening day of the event—Friday, September 25—included remarks from **John Coatsworth**, provost of Columbia University; **Luis Almagro**, OAS secretary general; and **Marcelo Sánchez Sorondo**, chancellor of the Pontifical Academy of Sciences at the Vatican. The IDB's perspective was given by **Antoni Estevadeordal**, manager of the Integration and Trade Sector; **Héctor Salazar Sánchez**, manager of the Social Sector; and **Gustavo Beliz**, director of INTAL.

In his words of welcome, **John Coatsworth** remarked that *"equality is an issue not just of morality but also of political stability and the consolidation of democracy."* Along the same lines, **Luis Almagro** argued that *"there is no greater disability in the world than not understanding that we are all equal."* For his part, **Monsignor Sánchez Sorondo** talked about the last papal encyclical, *"Laudato si,"* describing it not just as an *"an encyclical about nature"* but also as *"a social encyclical."* **Héctor Salazar Sánchez** provided a general overview on the social situation in the region in terms of access to health, education, conditional cash transfers, employment, and productivity. He described the progress made in terms of income distribution as follows: *"from 2000 to the present, inequality has been substantially reduced in terms of the Gini coefficient but the benefits brought by*

the tailwinds of this process are not so certain.” He believes that the region is facing two major challenges: **maintaining solid growth rates and protecting social investment programs.**

For his part, **Antoni Estevadeordal** analyzed the structural changes the region has seen in terms of trade over the past 15 years. During this time, Asia has become LAC’s most important trade partner and currently accounts for 22% of the region’s trade, a figure that is expected to increase to 33% in the next decade. Similarly, **Estevadeordal** stressed the opportunity generated by trade between developing countries. Known as South-South trade, this was virtually non-existent 20 years ago but today stands at 20%.

Proceedings on Saturday, September 26, were organized around the notions of **collective intelligence and co-creation**. Each participant had five minutes to outline a proposal, case study, or piece of academic research, which then gave way to a space for dialog with the rest of the participants.

The meeting was divided into **four thematic panel discussions** where different social gaps were analyzed: gaps in income, gaps in life opportunities, gaps in access to health care, education, housing, and new technologies and, more generally, gaps in access to different types of effective rights.

The first panel looked at **employment and taxation**, focusing on how to reduce labor inequality, the impact the tax structure has, and which measures contribute to improving the quality of employment. The responses converged around the need to combine growth with better jobs, trying to think about new ways of overcoming productivity problems in the region, aiming especially at novel development strategies that leverage each country’s advantages in an innovative way. Advantages were seen as factors that combine natural resources and knowledge and above all, promote original ways of thinking about the relationship between the production of raw materials, industry, and services.

Other topics addressed were how to benefit the most marginalized sectors of society, including prison inmates in need of social reintegration, those living in the most deprived areas, and those facing significant physical or mental challenges.

With regard to tax structure, there was consensus on its importance for reducing inequality and on the need for deep reforms so as to increase both its progressiveness and, in some countries, the tax base. But those present also agreed that there were no simple solutions to any of the topics dealt with: the institutional, technical, and political limits to attempts to improve employment, taxation, and “hard-core” exclusion were at the heart of many of the discussions.

The **second panel** focused on social policies, particularly **conditional cash transfers (CCTs)**, which have been applied in the region to reduce inequality, and also on how civil society can play a part in this task. Those responsible for many of these programs gave presentations on their

achievements, while leaders from civil society discussed their contributions to solving other inequalities, including those related to the digital divide, territorial cohesion, and integration through culture, following which various proposals were put forward. These included thinking about the articulation of CCT programs with other policies, reviewing the conditions of these programs in innovative ways, thinking about the impact they may have on territories as well as on families, which has already been documented, and measuring whether they are helping to break the intergenerational transmission of inequality.

The third panel focused on the impact of **health, education, and technological innovation** policies on the reduction of inequality. The different presentations all applauded the increase in educational coverage throughout the region, although the gaps in quality of education between the social classes was identified as an ongoing problem. The proposals from these panels centered on innovations in community-based forms of tackling preventative health care, how new technologies could help to reduce various types of gaps such as difficulties in geographical mobility, and which technological tools would best guarantee students better chances of digital literacy.

The fourth panel focused on **regional integration and globalization**. The questions examined Latin America's position in the face of the new challenges of globalization and what the priorities should be in matters of immigration. There was consensus on the challenges of international integration, which could benefit certain sectors but might also be very detrimental to others if it is not properly regulated. Similarly, the presentations made inroads into the complex situation of undocumented migrants in the US, particularly those of Latin American origin. They underlined the need to make progress on the integration of this social sector through a profound reform of immigration policy. The challenges facing the security agendas of Latin American countries were also discussed. Participants agreed that the new relationship between the US and Cuba presents new opportunities. These were just some of the issues that were raised at the first **Node i+i** meeting. The event has undoubtedly kick-started the process of responding to the challenge of continuing to integrate new experiences. There is still much to be done in the region, but much has also been achieved over the last decade. For this reason, connecting and finding synergies between different experiences is a way of taking maximum advantage of the progress that has already been made so as to continue narrowing the inequality gap.

In the next few issues, INTAL Connection will cover the specific ideas that emerged at each panel in greater detail.



“Pepe” Mujica and Regional Integration at INTAL50

- [Inspiring Activities](#)
- [n230](#)

Former president of Uruguay **José “Pepe” Mujica (in Spanish)** took part in [the celebrations to mark INTAL’s 50th anniversary](#) and surprised those present when he reflected on the process of constructing integration in Latin America and the need for political will.

He said that several decades ago, “integration was only a dream” and that “the force that motivates us today is fear” because the only possible way to negotiate with large-scale alliances—such as the alliance that would be established between the United States and the European Union if the two reach a bilateral trade agreement—is as another integrated bloc. Mujica underlined the importance of “integration so as to be someone in the world” and insisted that achieving this would require political will. In this regard, he argued that “in Latin America, policy has not measured up to the circumstances,” short-term perspectives have always triumphed, and little attention has been paid to the fact that integration is a tool for gaining influence in the international arena. Likewise, he stressed the need to promote greater social acceptance of integration and said that while not all countries bear the same responsibilities in terms of integration, given that the larger nations have greater chances of success in this field, all must play their part.



In addition to the role of integration in improving countries' positions in the global market, Mujica highlighted that the true purpose of integration must be to contribute to the goal of reducing poverty. As such, he argued that integration needs to move beyond trade and instead should focus on developing common policies on issues such as the environment, energy, and attracting of foreign direct investment, as opposed to incentive wars between countries in the region. Mujica pointed out the need for flexibility and respect for diversity, in addition to valuing knowledge and culture. He stressed that there is a need for greater "political courage" so that the state has greater control, but also warned of the importance of managing public spending better in order to avoid clientelistic policies.

He went on to say that Latin America could complain as much as it liked but that the world would not change as a result, and that as such, "integration is not altruism or solidarity but a form of self-defense." He argued that while there are enormous possibilities, integration remains "a daunting challenge" and "the greatest obstacle to reaching it is ourselves." In this sense, he claimed not to be optimistic about integration in the region, while remaining committed to defending it.

Integration in Motion

The Orange Economy: an Infinite Opportunity

- Integration in Motion
- n230
- The SME Space



Advertising, architecture, crafts, design, fashion, film, music, publishing, research and development, software, toys and games, TV and radio, video games, and the visual and performing arts are some of the sectors comprising the Orange Economy, according to John Howkins, one of the most influential researchers in the field.

The last decade has been a good one for trade in creative goods and services (hereafter, “mindfactures”): between 2002 and 2011, exports grew 134%, according to the United Nations Conference on Trade and Development (UNCTAD). If mindfactures were included in the International Trade Center (ITC) classification system, they would be the fifth most traded product on earth.

According to the book *The Orange Economy: An Infinite Opportunity*, written by Felipe Buitrago Restrepo and Iván Duque Márquez and published by the Inter-American Development Bank (IDB), a distinction can be drawn between creative goods (audiovisual products, crafts, design, new media, visual and performing arts, etc.) and creative services (architecture, advertising, culture and recreation, research and development, etc.). In 2011, exports of creative goods and services reached US\$ 646 billion, but services grew 70% faster, as these transactions increasingly take place online.

Creative trade is less volatile than trade in commodities or raw materials. The fact that the sector stood up to the global financial crisis better than sectors such as petroleum is proof of this. While sales of the Organization of Petroleum Exporting Countries (OPEC) dropped by 40% in 2009, exports of creative goods and services fell by barely 12%.

Measured in trillions of dollars, if the Orange Economy were a country, it would be the world's fourth-largest economy, after the United States, China, and Japan; the ninth-largest exporter; and the fourth-largest labor force, with 144 million workers.

The Orange Economy of the Americas is clearly the global leader in this sector, due to the spectacular performance of the United States. LAC's trade deficit is huge in relation to its exports of creative goods and services. This situation is even more troubling if net payments of intellectual property royalties and licensing fees are taken into account, as these increase the deficit two-fold.

Only 1.77 % of the global exports of creative goods originate in LAC. Just under a third of these are exported to other countries in the region, over 64% to developed economies, and less than 3% to other developing countries.

The Orange Economy as a development axis

Now that the trend in creative trade is leaning towards services, those nations with a digital strategy that is intensive in mindfactures will take the lead and make the Orange Economy one of their main development axes for the creation of jobs and wealth. Mindfactures like art, design, video games, film, and crafts have an intangible symbolic value that exceeds their use value.

Another option is to convince the 107 million young people (between 14 and 24) living in LAC to become early adopters of mindfacture-based business models (the basis for an Orange Revolution) and build an empire based on creativity.

Access (be it physical or virtual) is key, as is contact between audiences, content, creative professionals, entrepreneurs, and technology. Access and contact are the key catalysts for generating the innovation that derives from the cross-fertilization of ideas, uses, interpretations, and habits.

Society currently treats culture as a public good, which is damaging to artists and creatives because they are being denied at least two fundamental rights: recognition of their activity as legitimate work and rightful compensation for it. At the same time, society is being denied the progress that artists, creatives, and the entire creative value chain could deliver.

Cultural exchange and the economic processes that transform symbolic content into goods and services for society are constantly evolving. Today, content consumption is of a niche nature. An Inter-American Market for Original Content (MICO) needs to be established.

Developing the Orange Economy would make it possible to close social gaps and to bring the poorest people in the world together with the most privileged around a shared purpose. Many people are motivated to use the tools of the Orange Economy to encourage social integration.

Some innovation leaders and key players in these creative industries will take part in Outsource2LAC, the most important outsourcing and offshoring business forum in LAC. It will take place in Guadalajara, Mexico, between November 11 and 13, 2015, and will bring together leading entrepreneurs in the region's service industry.



Published by [ConnectAmericas](#).

LAB4+ Forum Promotes Innovation in Trade

- [Andean Group](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

Organized by the trade promotion agencies of the four Pacific Alliance (PA) countries, 100 firms came together as part of [LAB4+ \(in Spanish\)](#) to promote internationalization and exports, and boost entrepreneurship, venture capital, and intra-regional trade.

Focusing on the design sector, creative industries, and information and communication technologies (ICTs), the forum sought to attract buyers and investors, as well as start-ups and equity funds, among other key agents.

There were talks to develop innovation management skills and to encourage the growth and productivity of small and medium-sized enterprises (SMEs). Furthermore, the event sought for SMEs to share their experiences in innovation and entrepreneurship with their peers in order to build and strengthen the innovation ecosystem within the PA.

The 17 Sustainable Development Goals

- [Integration in Motion](#)
- [International Scenario](#)
- [n230](#)

World leaders met at the United Nations (UN) in New York on September 25, where they adopted a new agenda for sustainable development.

This agenda includes 17 [Sustainable Development Goals \(SDGs\)](#) that will guide development policies and funding over the next 15 years. These are based on the eight Millennium Development Goals (MDGs) that were adopted in 2000 with the intention of their being achieved this year. The MDGs sought to bring an end to the indignity of poverty through quantitative goals related to reducing poverty, hunger, disease, gender inequality, and improving access to water and sanitation. While great progress has been made, the MDGs have not been fully achieved, so the SDGs seek to strengthen efforts to eradicate poverty through improvements to food, health, education, sanitation, infrastructure, energy, gender equality, growth, social and environmental sustainability, innovation, etc. It should also be mentioned that goal 17 emphasizes the role of international cooperation in achieving these objectives.

Figure 1. Sustainable Development Goals



Source: UNDP.

Pacific Alliance Finance Ministers Discuss Their Common Agenda

- [Andean Group](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

The [7th Meeting of Pacific Alliance \(PA\) Finance Ministers](#) took place on October 9 in Lima, Peru.

The ministers reviewed the tasks that had arisen from the work agenda of the Paracas Declaration and the next steps to be taken in this regard.

- Management of catastrophe risks: it was agreed that a study should be carried out in order to implement a financial mechanism that would allow shared risk transfer following natural disasters.
- Investment in infrastructure: a study will be carried out for the implementation of a financial vehicle for infrastructure investment, including revision of the legal, regulatory, fiscal, and financial frameworks.
- Fiscal management and transparency: the objective is to achieve high standards in fiscal management.
- Financial integration: progress was made on the mutual and effective recognition of capital market issuers in PA countries. The ministers also sought to promote financial inclusion mechanisms, through financing for small and medium-sized enterprises (SMEs) and support for electronic money and payments.

Finally, it was emphasized that the presidents of the PA countries expressed at the 70th Session of the United Nations General Assembly in New York that financial and economic integration are the next step towards regional integration in the framework of the PA initiative.

Dispute over Services between Panama and Argentina in the WTO

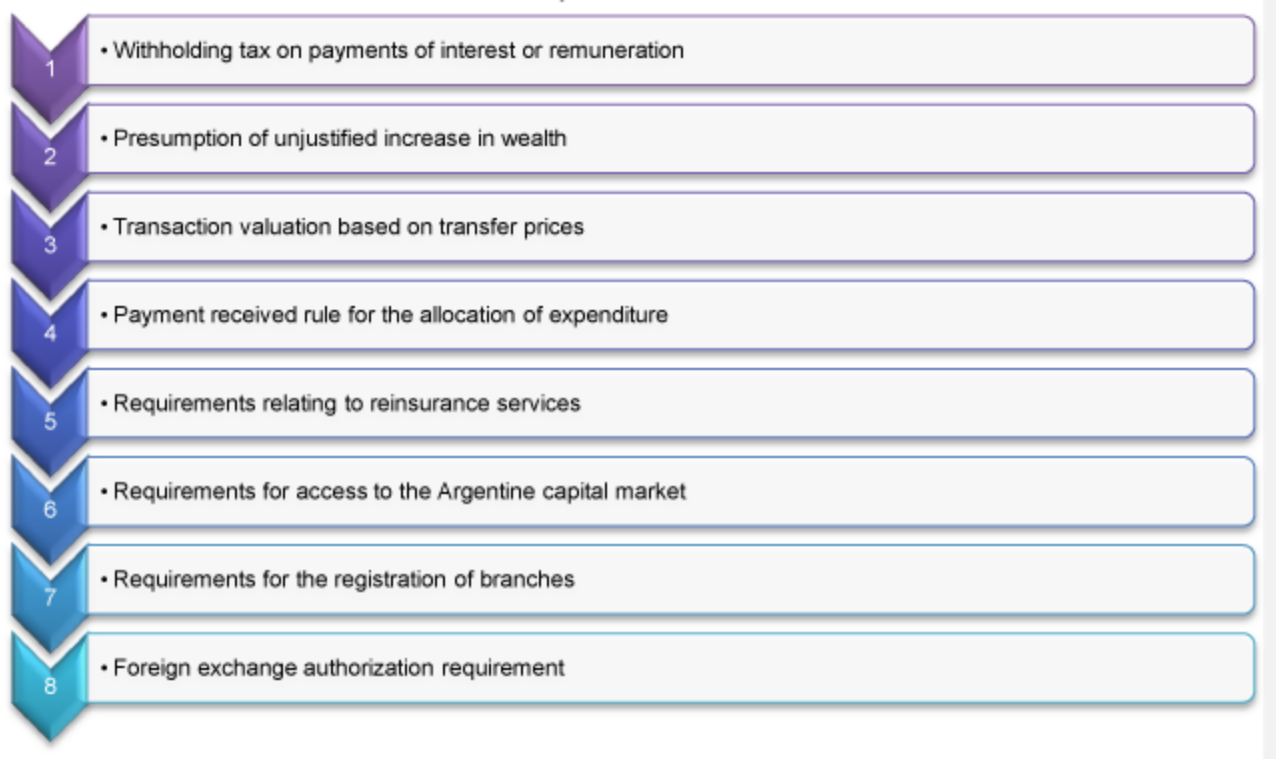
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)
- [Southern Cone](#)

In December 2012, Panama questioned eight measures imposed by Argentina at the WTO. The dispute concerns financial, taxation, foreign exchange, and registration measures (Diagram 1), and mainly affects services and service providers from “non-cooperative jurisdictions,” that is, those that do not exchange information with Argentina for the purposes of fiscal transparency.

The Panel established to examine the dispute recently released its [report](#), in which it determined that these measures are incompatible with the non-discrimination commitments agreed to as part of the General Agreement on Trade in Services (GATS). On the one hand, the eight measures go against the **most-favored-nation principle**: no less favorable treatment is not to be granted to suppliers from non-cooperative jurisdictions in contrast to those from cooperative ones. Furthermore, some of the measures are also incompatible with the **national treatment** principle regarding the modes and services for which there are specific commitments, because foreign service suppliers (in this case, suppliers from non-cooperative jurisdictions) do not receive the same treatment as their Argentine counterparts.

Figure 1. Measures Implemented by Argentina and Questioned by Panama

Dispute DS453



Source: WTO.

If the report is adopted by the WTO's Dispute Settlement Body (DSB) (which is very likely because it will only be rejected if all members agree to do so, Panama included), the DSB will recommend that Argentina bring its policies into conformity with the provisions. Regardless, both parties can appeal the decision (which Panama might do because some of its questions were rejected), whereupon the Appellate Body (AB) will ratify, modify, or revoke the recommendation. Should the AB ratify the incompatibility of the measures Argentina has imposed with its GATS commitments, Argentina must adjust its rules to the DSB's recommendations in a timely fashion. If it does not, it will have to negotiate mutually acceptable compensation with Panama. If no agreement is reached, Panama could request authorization from the DSB to retaliate within the sector of the dispute or, if this is not possible, in a different sector within the same agreement or, in the absence of one, within a different arrangement.

The Andean Community and Chile Promote an Electrical Interconnection System

- [Andean Group](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

The objective of the [Meeting of the Council of Ministers for the Andean Electrical Interconnection System \(SINEA\) \(in Spanish\)](#) was to make progress on infrastructure and regulatory matters in the five countries involved in the project.

The authorities signed the [Santiago Declaration \(in Spanish\)](#), in which they reaffirmed their political will to promote the SINEA initiative and to make regional and bilateral progress on regulatory harmonization and infrastructure, in accordance with the Road Map for Andean Electrical Integration. The countries reiterated their thanks to the Inter-American Development Bank for the support it has provided for the process of Andean electrical integration and to the CAN as the coordinator of subregional integration.

Nanomercosur: the Regional Nanotechnology Meeting

- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The 5th [Nanomercosur](#) meeting took place in Buenos Aires, Argentina, from October 6 to 8, 2015. It was attended by government officials, researchers, technologists and entrepreneurs from the nanotechnology sector of countries in the bloc, with the aim of exchanging ideas on the major trends in nanotechnology.

More information on [trade and nanotechnology](#).

New Round of MERCOSUR–European Union Negotiations

- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)
- [Southern Cone](#)

Negotiators from the MERCOSUR and the European Union (EU) [met \(in Portuguese\)](#) in Asunción, Paraguay, during the last week of September for dialogs over the trade openness offers that the two blocs are to exchange at the end of the year, as agreed in June 2015.

The MERCOSUR countries agreed on a joint offer in July 2014. While the details are not known, the proposal is likely to contemplate tariff elimination for 87.5% of trade, slightly less than the 90% requested by the EU. It should be mentioned that Brussels could reach this level of coverage without including the products that are of greatest interest to the MERCOSUR. Indeed, tariffs would not be eliminated for many of the agrifoods in which the MERCOSUR is highly competitive—instead, these would enter the European market subject to tariff-rate quotas.

The EU, for its part, is hoping that the MERCOSUR will improve on its earlier offer with regard to other areas such as services and government procurement. In contrast with the situation for the trade in goods, there is no single offer by the MERCOSUR in the case of services—instead, each country will make its own list of commitments. Likewise, the EU requires the MERCOSUR to provide potential European suppliers with national treatment in the area of public procurement. Up to now, the MERCOSUR countries do not offer this treatment to suppliers from other MERCOSUR member countries.

More information on the [MERCOSUR–EU negotiations \(in Spanish\)](#).

Brazil Proposes a MERCOSUR Investment Agreement

- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)
- [Southern Cone](#)

On September 22 and 23, 2015, the 99th Regular Meeting of the [Common Market Group](#) (GMC) took place in Asunción, Paraguay. The most important aspect of the meeting was the presentation of a proposal to negotiate an “Intra-MERCOSUR Cooperation and Investment Facilitation Protocol,” which will be discussed by Working Subgroup No.12 (Investments).

Although the MERCOSUR signed an agreement for the promotion and mutual protection of intra-bloc investments in 1993, and another for the treatment of investment flows with the rest of the world in 1994 (the Colonia and Buenos Aires protocols, respectively), both were repealed before entering into force.

The proposal put forward by Brazil is similar to the Cooperation and Facilitation Investment Agreements (CFIAs) that the country has signed with Mexico, Colombia, Mozambique, Malawi, and Angola over the past few months. The agreement will only cover direct investments and will establish commitments regarding non-discrimination, conditions of expropriation and compensation for losses, transparency, exchange of information between states, cooperation between investment promotion agencies, and a regional agenda for further cooperation and investment facilitation, among other topics. The proposal provides for the free transfer of investment-related resources in local or convertible foreign currencies, but it contemplates the possibility of temporarily restricting these flows in the event of a balance of payments crisis, provided certain conditions are met.

Furthermore, it establishes considerations on fighting against corruption and illegal activities and stipulates that investors should make efforts in matters of corporate social responsibility.

The most relevant difference in comparison with previous protocols and the bilateral investment agreements already signed by the MERCOSUR countries is undoubtedly the dispute settlement system.^[1] Brazil's proposal provides for dispute settlement between states within the framework of the provisions set out in the Olivos Protocol, instead of the traditional system in which private investors can sue states before national and international courts.

Other noteworthy aspects of the GMC meeting include agreement over the form that will be used to identify the restrictions to the free movement of goods in trade within the bloc or with third parties,

within the framework of the Action Plan for the Commercial and Economic Strengthening of the MERCOSUR, which was agreed on in July 2015. This plan was identified as being the first priority of Paraguay's *pro-tempore* presidency (PPT) of the bloc for the second half of 2015. The forms containing the measures in question must be submitted before November 16, 2015.

Likewise, the provisions for the operation of the MERCOSUR Structural Convergence Fund (FOCEM) were examined.

With regard to Venezuela's adoption of the MERCOSUR regulatory acquis, the information compiled by the MERCOSUR Secretariat indicates that there are 179 standards that have yet to be implemented by Venezuela, 155 of which should already have been adopted.

[1] While all the MERCOSUR countries have signed agreements of this kind, they have never entered into force in Brazil as they have not been ratified by parliament. One of the most controversial points in this regard was precisely the dispute settlement system.

Central America Moves Closer to Korea

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

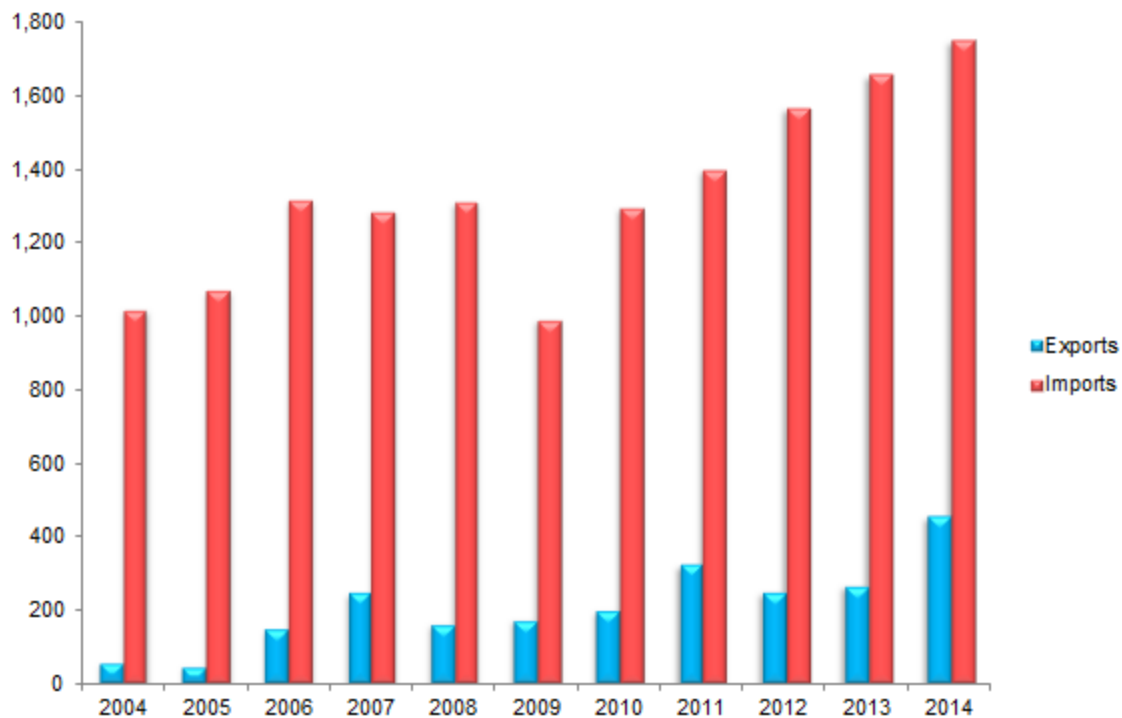
The first [round \(in Spanish\)](#) of negotiations over a free trade agreement between Central America and Korea took place from September 21 to 25, 2015, in Seoul, Republic of Korea. At the meeting, representatives from Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama discussed the following topics with their Korean counterparts: market access for agricultural and industrial products, rules of origin, customs procedures and trade facilitation, dispute settlement, institutional arrangements, trade defense, public procurement, sanitary and phytosanitary measures, technical barriers to trade, and cooperation.

The next round of negotiations will take place in El Salvador during the last week of November.

Over the last decade, Central American imports from Korea have grown at a cumulative annual average rate of 23% and thus have performed far more dynamically than Central American exports to Korea (5.6% c.a.). As such, the bilateral trade deficit has grown considerably and amounted to US\$ 1.29 billion in 2014 (Figure 1).

Figure 1. Evolution of Trade between Central America and the Republic of Korea

Millions of US\$



Source: DATAINTAL.

Guatemala is Korea's main supplier, accounting for 63% of Central America's sales to the country. Imports, on the other hand, are more widely distributed among the countries of Central America: Panama and Guatemala together absorb more than half of Korean imports, followed by Costa Rica and Nicaragua (which represent 19% and 14%, respectively).

Central American exports to Korea are concentrated in sugar; aluminum, iron, and steel waste and scrap; coffee; and electrical equipment parts. Imports from Korea consist mainly of vehicles; iron and steel products; mechanical and electrical machinery and equipment (primarily cell phones and bulldozers); and fuel (Table 1).

Table 1. Composition of Trade between Central America and the Republic of Korea

As a percentage of the total, 2014

Exports		Imports	
Sugars and sugar confectionery	39.1 %	Vehicles	33.6%
Ores, slag, and ash	21.0%	Iron and steel	8.5%
Coffee, spices	9.5%	Machinery and mechanical appliances	7.7%
Iron and steel	8.9%	Electrical machinery and equipment	7.0%
Electrical machinery and equipment	7.1%	Fuels	6.5%
Other	14.4%	Other	36.6%

More information on [Central America's trade efforts](#).

The WTO Emphasizes the Progress Made on Guyana's Trade Policy

- [Caribbean](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

Following the [trade policy review](#) carried out by the World Trade Organization (WTO), over the last five years Guyana has continued its efforts to liberalize and facilitate trade. Its major advances include the implementation of the customs risk management system, the elimination of certain export taxes, and the conclusion of air transport agreements with various partners. Likewise, the country has sought to attract foreign investment by offering national treatment to investors in almost all sectors, improvements to the business environment, tax incentives, and other stimuli.

However, the review warns of the concentration of the Guyanese exports in a handful of primary products (sugar, gold, bauxite, shrimp, timber, and rice) and of the deterioration of the current account deficit (15% of GDP in 2014). The worsening of this negative balance is mainly explained by the imbalance of trade in goods and, to a lesser extent, in services, which is partially offset by remittances from Guyanese workers abroad.

Brazil and Colombia Sign Investment Facilitation Agreements

- [America](#)
- [Integration in Motion](#)
- [n230](#)
- [Regional Panorama](#)

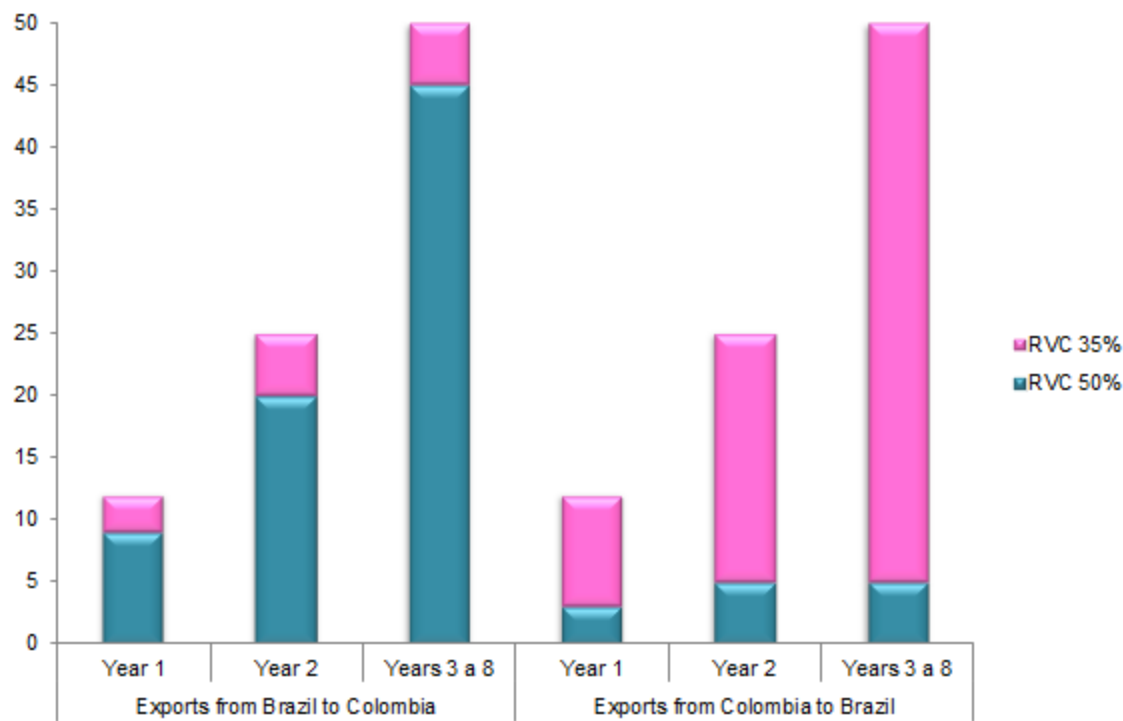
In recent years, Brazil has sought to strengthen ties with Colombia and Peru by expanding and/or deepening the commitments made within the framework of the Economic Complementarity Agreements (ECAs) between the MERCOSUR and these countries (ECAs no. 59 and no. 58, respectively).

In this context, and as part of a high-level Brazilian mission to Bogotá on October 9, 2015, the two countries signed a series of [bilateral agreements \(in Portuguese\)](#).

First, they signed a Cooperation and Investment Facilitation Agreement ([CIFA](#)), which seeks to promote investment flows between Brazil and Colombia. The Brazilian government is promoting this type of agreement, which is different from traditional agreements for the promotion and mutual protection of investments in that it provides for dispute settlement between states (as opposed to between investors and the state), and includes provisions on corporate social responsibility, etc. In addition to the CIFA with Colombia, since March 2015 Brazil has signed similar agreements with Angola, Malawi, Mexico, and Mozambique.

The second noteworthy achievement is the [understanding on the automotive sector \(in Portuguese\)](#), which will be formalized within the framework of ECA no. 59. Both countries established conditions for the duty-free bilateral trade in vehicles carrying up to 16 passengers and 3.5 tons of cargo for eight years starting from the entry into force of the protocol, although this period may be extended indefinitely. Two quotas were established under which vehicles may freely enter the partner country's market depending on their regional value content (RVC): 50% and 35%. The number of vehicles will increase from 12,000 units in the first year to 50,000 units as of the third year, and the regional content requirements will be more demanding for Brazil than for Colombia (Figure 1). The quotas will be managed by the exporting country. The two countries further agreed that they would negotiate preferential trade conditions for vehicles not covered by the agreement from 2016 onwards.

Figure 1. Preferential trade conditions between Brazil and Colombia for the automotive sector
Thousands of vehicles that each country will be able to export duty-free to the partner country
depending on RVC



Source: Prepared in-house based on the understanding between Brazil and Colombia.

Brazil and Colombia also signed memoranda of understanding for cooperation in indigenous affairs in the border area, for the promotion of studies and research between the two countries' ministries of foreign affairs, and for cooperation in family farming, and a letter of intent for cooperation in information and communication technologies.

Connecting Voices

Exclusive Interviews with Prominent Figures

- [Connecting Voices](#)
- [n230](#)

INTAL's 50th Anniversary: Institutional Video (in Spanish)

INTAL's 50th Anniversary: Interview with José "Pepe" Mujica (in Spanish)

Reading Material on Integration

Globalización, integración y comercio inclusivo en América Latina: Textos seleccionados 2010-2014 [Globalization, Integration, and Inclusive Trade in Latin America: Selected Texts 2010–2014]. ECLAC, September 2015

- [n230](#)
- [Reading Material on Integration](#)
- [Reviews](#)

The text explores the link between LAC's role in international trade and the achievement of inclusive growth, and considers the regional integration process to be a key factor in this process.

The most noteworthy of the topics discussed are, first, the international economic context that the region is facing, which is characterized by the slowing down of developed countries' economies in comparison with the dynamism that preceded the global crisis of 2008–2009. The publication emphasizes three changes to the global economy: the acceleration of technological change, the growing role of developing countries in global growth, and the increasing importance of global and regional value chains (GVCs and RVCs).

Second, it analyzes the negotiations of the three major mega-agreements (TPP, TTIP, and RCEP), emphasizing that they involve a limited number of countries rather than operating at the multilateral level, but will have a significant impact on the rules of international trade in the future.

Third, the publication examines the evolution of trade relations, investment, and economic cooperation between LAC and its major extraregional partners, highlighting the growing role of China and the Asia Pacific, in contrast with the shrinking share of the United States and the European Union. In this sense, the text highlights the need for a new relationship with Asia, privileging complementarities and spaces for cooperation, with LAC countries acting in coordination to put this relationship into practice.

Fourth, the study describes some of what ECLAC perceives as being the weak points of the region's export performance in the first decade of the 2000s.

Fifth, it shows LAC's share in GVCs and RVCs by exploring interesting linkages in the textile and garment industry in the Andean Community and Central America, the automotive sector in Argentina and Brazil, the pharmaceutical industry in Mexico, and the cocoa industry in Ecuador, among others.

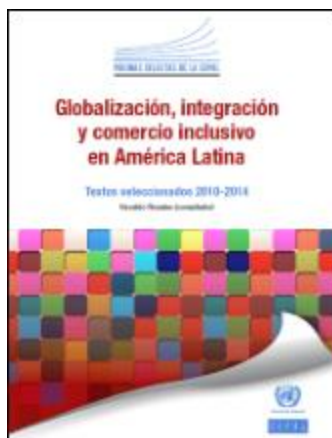
Sixth, it refers to the need for commercial and productive integration in LAC in the face of the global transformations taking place in a world divided into macroregions, due to the fact that intra-regional trade is associated with export diversification, the internationalization of small and medium-sized enterprises, and the creation of productive chains.

Seventh, it examines the connections between integration and industrialization, stressing that despite significant progress in tariff-related issues, much less progress has been made in regulatory matters, which hampers the creation of RVCs and greater regional productive integration. In this sense, the publication highlights the need to move towards a regional market with common rules for trade and investment, including in relation to issues such as regional financial cooperation, digital cooperation, and physical infrastructure for energy, transport, and logistics.

Eighth, it puts forward ten guidelines for regional integration that include policy and institutional recommendations such as promoting equality, in addition to advancing in a flexible fashion towards the convergence of the various existing integration schemes.

Ninth, the text discusses how international trade contributes to inclusive growth from the theoretical perspective, through channels such as productivity increases, export diversification, the creation of export-oriented employment, and the internationalization of companies. It then reviews the literature providing empirical evidence in this regard. It points out that international trade can contribute to economic growth and social inclusion, under certain conditions and with the support of trade-related and other complementary policies.

The publication contributes to the debate through its up-to-date examination of integration processes in the region, and reveals both the strengths and limitations of these. From the perspective of public policy, the paper suggests various measures through which progress could be made in order to progress towards convergence of the various agreements in order to better integrate the different subregions, including social aspects such as inclusion. The study's value lies in the fact that it summarizes, in a single document, ECLAC's perspective on integration and provides public policy recommendations that take regional differences into account.



Rosales, O., ed. 2015. Globalización, integración y comercio inclusivo en América Latina : textos seleccionados 2010-2014 [Globalization, Integration, and Inclusive Trade in Latin America: Selected Texts 2010–2014]. Santiago de Chile: ECLAC.

The Impact of Exports on Employment

- [Impact Assessment](#)
- [n230](#)
- [Reading Material on Integration](#)

Pellandra (2013) evaluates the impact of starting to export on the dynamics of skilled and unskilled labor at the firm level. In particular, the study aims to estimate the effect of measures such as tariff reduction on employment and wages in a country like Chile, an open economy in which a regional comparison reveals high income inequality.

The research was based on firm-level microdata for 1995–2007, obtained by cross-referencing information from the National Industrial Survey and customs data. It explores the effect of a reduction in trade costs generated by trade liberalization. A Melitz-style model (Melitz, 2003) was constructed to measure the impact of international trade on labor demand, taking into account the incomes of destination countries in both Latin America and the rest of the world. Given that the probability of exporting is not independent of other firm features, it is difficult to estimate the causal effects of export market entry on labor market variables. To prevent selection bias, a differences-in-differences methodology was used in conjunction with propensity score matching.

The more noteworthy findings include the fact that companies that are starting to export require 12% more low-skilled labor, without a significant effect on wages; while the salaries of their skilled staff increase by 10%, without a significant effect on the payroll of this type of employment. The larger the market, the more labor companies take on, and if destination markets are high income, the labor sought is more skilled than if the destination markets are Latin American countries. It is interesting that the greater the income of the destination market, the greater the effect on labor skill.

The Hecksher-Olin model predicts that relatively abundant, unskilled labor will benefit from a reduction in barriers to trade. However, when heterogeneity among firms is taken into account, it can be seen that only exporting firms require more skilled staff, and it is these workers that are employed by exporting firms who benefit when international trade increases.

The study's value lies in the fact that it provides a quantitative measure of the effect of international trade on the labor market, and suggests that export promotion policies must be accompanied by educational policies that promote the skills required by firms that internationalize.

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Bibliographical News

- [Bibliographical News](#)
- [n230](#)
- [Reading Material on Integration](#)

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

Trade Thermometer

Legal Instruments of Integration (LII) Observatory

- [n230](#)
- [Trade Thermometer](#)

This Month's Trends

Between the end of September and October, 2015, the regional trade policy scenario was characterized mainly by the progress made on the Trans-Pacific Partnership (TPP). The TPP has functioned as a source of traction that is impacting the map of agreements in the region. There have been advances on existing agreements, notably the regional agreements between Chile, Colombia, and Mexico with partners both within and outside the region, and with major integration blocks like the MERCOSUR, SELA, UNASUR, and CAN. Progress was also made on new and advanced negotiations.

360° Panorama

Over the course of the month, there was headway on 28 existing agreements and seven trade negotiations (one new, five advanced, and one concluded).

Advanced Negotiations

- Trans-Pacific Partnership (TPP): [Historic trade agreement between 12 Pacific countries, including the United States, Chile, Mexico, and Peru \(in Spanish\)](#).
- [The Pacific Alliance: Benefits and Challenges \(in Spanish\)](#)
- [Ecuador and Turkey to resume trade agreement negotiations \(in Spanish\)](#)
- [As TPP negotiations conclude, FTA between Colombia and Japan gains momentum \(in Spanish\)](#)
- [FTA between Panama and Israel a step from becoming a reality \(in Spanish\)](#)

New Negotiations

- [Negotiations between Central America and South Korea begin \(in Spanish\)](#)

Selected news on trade agreements currently in force

- Association of Caribbean States (ACS): [Dominican Republic expresses its interest in strengthening relations with the rest of the Caribbean \(in Spanish\)](#)
- Latin American Integration Association (ALADI): [Cooperation in biotechnology to strengthen integration, a topic of discussion at ALADI \(Spanish\)](#)
- Central America–Mexico: [FTA turns 20 in the midst of trade disputes \(in Spanish\)](#)
- Central America–European Union: [EU earmarks €7 million to develop MSMEs in the region \(in Spanish\)](#)
- [Chile and Mexico implement electronic certification for agrifood trade \(in Spanish\)](#)
- Chile–European Union: [Chile and Italy sign agreements over energy cooperation](#)
- [Canada opens its doors to Colombian milk imports \(in Spanish\)](#)
- Colombia, Peru–European Union: [EU calls on Colombia and Peru to speed up Ecuador's entry into the FTA \(in Spanish\)](#)
- Andean Community (CAN): [Trade between the Andean Community and China grows by 6.5% \(in Spanish\)](#)
- Caribbean Community (CARICOM): [CARICOM Secretary visits Brazil to strengthen ties \(in Spanish\)](#)
- [Ecuador hopes its FTA with the European Union will be successful \(in Spanish\)](#)
- [Canadian businesspeople interested in investing in Honduras. Honduras has a trade balance surplus with Canada \(in Spanish\).](#)
- [MERCOSUR under attack since its very beginnings: Interview with the MERCOSUR High Representative-General \(in Spanish\)](#)
- [TPP has MERCOSUR beef producers on the alert \(in Spanish\)](#)
- MERCOSUR–India: [Uruguay and India commit to promoting a Technical Cooperation Agreement \(in Spanish\)](#)
- [FTA between Mexico and Costa Rica turns 20 \(in Spanish\)](#)
- [Mexico and Japan, the main beneficiaries of the TPP \(in Spanish\)](#)
- Mexico–Panama: [Edomex and Panama sign trade agreement \(in Spanish\)](#)
- Mexico–European Union: [Spain supports updates to Mexico–EU FTA \(in Spanish\)](#)
- [Panama and Chile agree on bilateral cooperation program for 2016–2018 \(in Spanish\)](#)
- Peru–Thailand: [Thai oil company resells Ecuadorian crude oil to Peru and the USA.](#)
- Dominican Republic, Central America–United States of America (CAFTA–DR): [Krugman: Dominican Republic's performance is relatively good \(in Spanish\)](#)
- [SELA and Uruguay organize 7th Regional Meeting on Single-Windows for Foreign Trade](#)

- [SELA: Analysis of LAC's economic and financial relations with the BRICS group \(in Spanish\)](#)
- [From the North American Free Trade Agreement \(NAFTA\) to the Trans-Pacific Partnership \(TPP\) \(in Spanish\)](#)
- [UNASUR to bring together international experts to talk about citizen security policies and Secretary-General asks Brazilian political forces to respect the continuation of democracy](#)

The IJI is an analytical compilation of regulatory texts, commentaries, and monitoring of legal commitments and developments concerning the various integration processes taking place in Latin America and the Caribbean. For news and to learn more about the progress made on trade agreements and negotiations, visit [IJI](#).

INTAL Interactive Infographics and Data Sheets

- [n230](#)
- [Trade Thermometer](#)

Eco-Factories (in Spanish)



Mega Regionalism (in Spanish)



Presentation of the Trade and Integration Monitor 2015

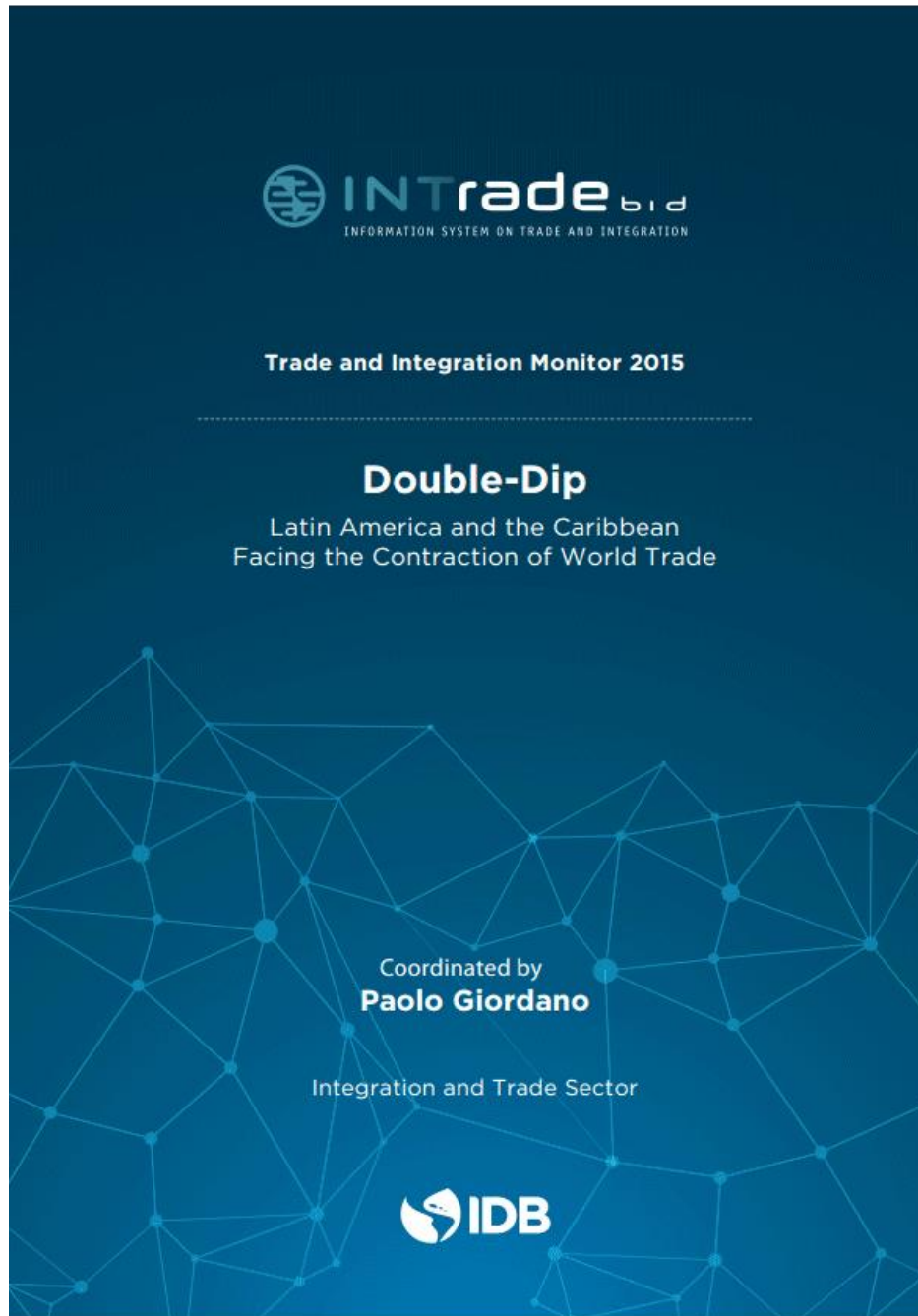
- [n230](#)
- [Trade Thermometer](#)



The [regional report](#) was launched at an [event](#) hosted by the IDB and INCAE on October 16 in San José, Costa Rica.

The publication was presented by Paolo Giordano, Chief Economist for the IDB's Integration and Trade Sector, after which there were questions from the audience and a round-table discussion involving Pedro Beirute Prada, General Manager of PROCOMER, Sandro Zolezzi, Research Director at CINDE, and Alberto Trejos, Professor at INCAE.

The change in world trade trends, the fall in exports from the region, and the need to increase export diversification efforts were the main issues tackled by the audience and the panel.



The Region Requires Greater Diversification to Mitigate External Shocks

Trade and Integration
Monitor 2015

Double-Dip

Latin America and the Caribbean
Facing the Contraction
of World Trade

 **INTRADE**_{bid}
INFORMATION SYSTEM ON TRADE AND INTEGRATION

National Differences in:

Number of Products Exported

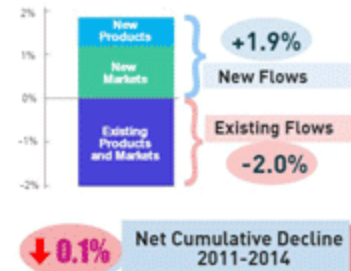


Concentration of Exports*



*Number of products to reach 75% of total exports

Diversification limited the decline
in exports from Latin America
in 2011-2014



Editorial

Editorial Staff

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R.P.I.: 5234654

ISSN: 1027-2550

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Links to original information sources in this issue:

- Acordo de cooperação e facilitação de investimentos entre a República Federativa do Brasil e a República da Colômbia. (2015). Bogotá: Brasil. Ministério das Relações Exteriores; Colombia. Ministerio de Comercio, Industria y Turismo. [Enlace](#).
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