

INTAL CONNECTION

BETTER CONNECTED / BETTER INTEGRATED

CONNECTION
NUMBER

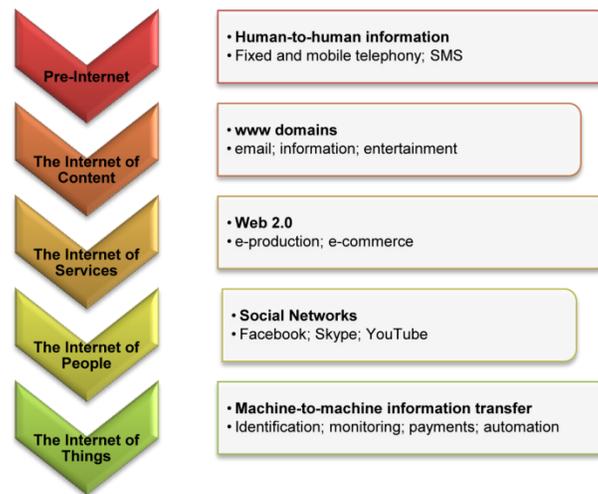
231 November, 2015

Integration + Inclusion: Keys for Reducing Social Inequality



This phenomenon is known as the Internet of Things (IoT) and is a network of all manner of objects that includes devices that connect and interact with other devices and their environment.

Figure 1. The Evolution of the Internet



Source: Jadoul (2015).

The most common example is the smart refrigerator, which communicates directly with the supermarket when it detects that it has run out of a particular product. But the options are endless: there are even shirts with sensors that communicate with washing machines to ensure they are washed on the appropriate cycle.

As all this information is in the cloud, these developments also raise questions about user privacy.^[2] In the USA alone there are already 245,000 million devices, and the demand for cyber security is constantly growing, in an effort to prevent the leakage of personal or corporate information.

In relation to trade, this new technology brings with it a series of significant consequences for all types of business organizations.^[3] In the first place, the spread of the IoT through value chains (also referred to as the “industrial Internet of Things”) is likely to contribute to increasing productivity and efficiency in a wide variety of sectors. For example, online agricultural machinery would decide on optimal seed combinations, planting depth, and fertilizers for a given site, based on an analysis of geological and climatic information, the properties of the inputs used, etc. Another example is online clothing, or “wearables,” which might allow you to monitor the wearer’s health in real time, potentially revolutionizing medical services and the pharmaceutical industry through the transition from

medicine as treatment to preventive medicine. Given that the speed of these changes will vary from sector to sector and from one player to another within the same sector, trade flows will be affected as a result of possible changes in comparative advantages.

Secondly, the IoT will contribute to reducing the costs associated with trade through improved efficiency in storage processes, traceability, transportation, distribution and marketing, as a result of data analysis and real-time decision making. According to estimates by Evans and Annunziata (2012), for every 1% reduction in rail transportation inefficiencies, the IoT would enable annual savings of US\$1.8 billion at the global level. In commercial aviation, cost reductions of 1% as a result of better planning using the IoT would signify annual savings of US\$2 billion.

Third, the IoT increasingly blurs the border between goods and services: not only will there be an increase in the services embodied in goods, but these will also become more visible. An example of this are smart appliances: refrigerators that not only keep things cold, but that also let you know when the best before date is coming up for any given product, and that can create a shopping list that includes foods that have run out, which it sends to the owner's cell phone so that he or she can then place an online grocery order.

Fourth, the IoT is extending the reach of e-commerce beyond shopping through computers, cell phones, or tablets. One such example is the Dash Button,^[4] a wireless device recently launched by Amazon that can be placed on any surface so that you can purchase a given product via Wi-Fi and have it sent to your home, all by simply pressing a button. The options available so far include a variety of widely consumed household products.

This transition towards online objects will generate new ways of doing business and increase interactions between producers of goods and services, giving rise to greater flows of international trade and investment.

From the regulatory standpoint, the main challenges will be linked to e-commerce, intellectual property rights, data protection and privacy, cyber security, and technical standards, among others.

Regulatory consistency is another critical challenge that has arisen with the development of the IOT, as goods that are traded internationally may in turn generate cross-border service flows (as is the case with wearables). The situation is similar for the regulation of transnational investments, as the Agreement on Trade-Related Investment Measures (TRIMs) applies only to measures affecting trade in goods, while investments in the service sector are regulated by the General Agreement on Trade in Services (GATS, mode 3).

Latin American and the Caribbean is in no way removed from this phenomenon: there are entrepreneurs in the region who have created successful innovations in this regard. One example of such creativity is the Bluesmart, a smart suitcase created by Argentine designers that you control

from your smartphone, allowing you to remotely lock and unlock it, weigh it, locate it, and receive notifications and reports about the trip. You can charge your phone from it, too.[5]

For some institutions, like the McKinsey Global Institute, the IoT will be one of the technologies that has the greatest impact on people's daily lives over the next few years.[6]

Bibliography

Evans, P. C. and Annuziata, M. 2012. *Industrial Internet: Pushing the Boundaries of Minds and Machines*. United States General Electric.

Fundación Telefónica. 2011. "Smart Cities: un primer paso hacia la internet de las cosas. [Smart cities: the first step towards the internet of things]."

Garcimartin, M. 2014. "Internet de las Cosas cambiará el futuro del comercio [The Internet of Things will change the future of trade]" (in Spanish), in: *Media-tics*. September 2.

Gaya, R. 2015. "El Sistema multilateral de comercio y las nuevas tecnologías [The multilateral trading system and new technologies]" (in Spanish), in: *Integration & Trade Magazine* 39. Buenos Aires: IDB/INTAL.

Gutierrez, M. A. 2015. "La economía del futuro [The economy of the future]" (in Spanish), in: *Integration & Trade Magazine*. Buenos Aires: IDB/INTAL.

Ibarra, A. 2015. "La Internet de las Cosas tiene su lado oscuro en la privacidad de los usuarios [User privacy: the dark side of the Internet of Things]" (in Spanish), in: *El Mercurio de Chile*. June 13.

Jadoul, M. 2015. "La Internet de las Cosas: El siguiente paso en la evolución de Internet [The Internet of Things: the next step in the evolution of the internet]" (in Spanish), in: *Techzine*. March 15.

Vacas, F. 2014. "Internet de las Cosas: los objetos hablan y mucho [The Internet of Things: objects talk, and a lot]" (in Spanish) in: *El Cronista Comercial*. November 4.

[1] On this topic, see Vacas (2014).

[2] Ibarra (2015).

[3] For more details on the impact on trade, see Gayá (2015).

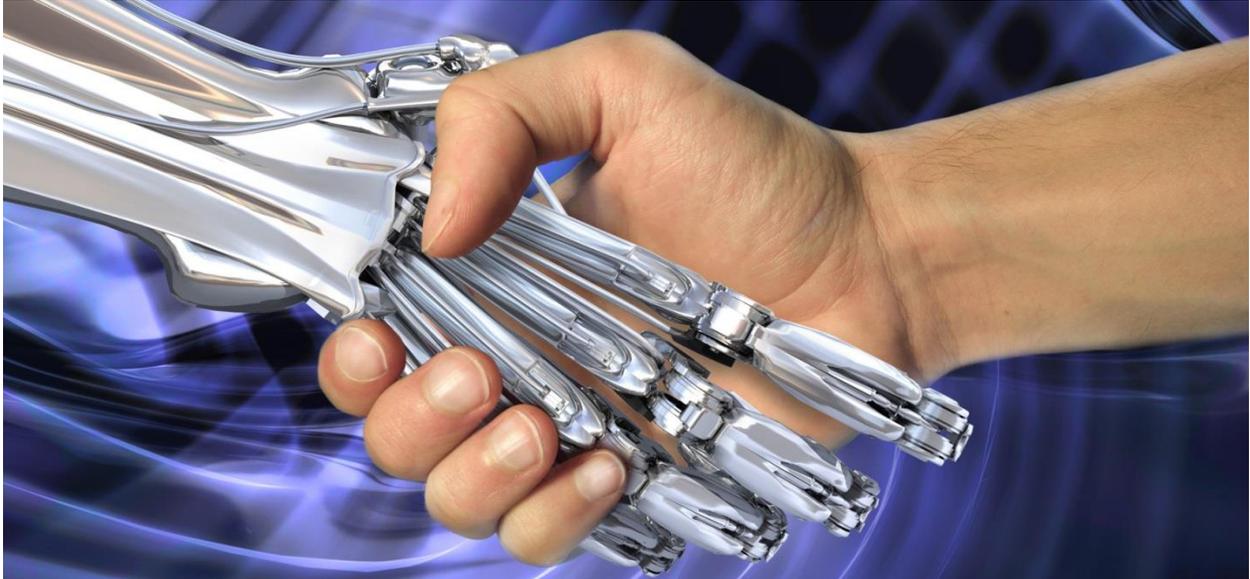
[4] For more information, see <https://www.amazon.com/oc/dash-button>.

[5] See "Argentinos crearon la primera valija inteligente [Argentines have created the first smart carry-on]" (in Spanish), *Infobae*, October 20, 2014. Available at <http://www.infobae.com/2014/10/20/1603001-argentinos-crearon-la-primer-valija-inteligente>.

[6] See Gutiérrez (2015).

Technological Change: Challenges for the Labor Market

- [Integration Ideas](#)
- [n231](#)



As a result of automation, some occupations will gradually disappear in coming years[ERROR EN ORIGINAL: Se repite el concepto de automatización (Con la automatización de tareas, algunas ocupaciones desaparecerán progresivamente debido a la automatización)], opportunities will increase for other existing activities, while yet other new ones will be created. The future of employment was one of the core themes at INTAL50, the main event to mark [INTAL's 50th anniversary](#).

The panel on work in the 21st century included [Carl Benedikt Frey](#) (Oxford Martin Program on Technology and Employment) and [Sergei Soares](#) (Brazilian Institute for Applied Economic Research, IPEA).

In fact, the impact of these changes reaches beyond the labor market—different countries' international integration patterns could even be modified by them.

Technological development is making it possible for computers not only to carry out routine tasks and complex calculations, but also to perform non-repetitive activities based on big data analysis. Some examples of this are [Watson](#), the computer designed by IBM that examines information from

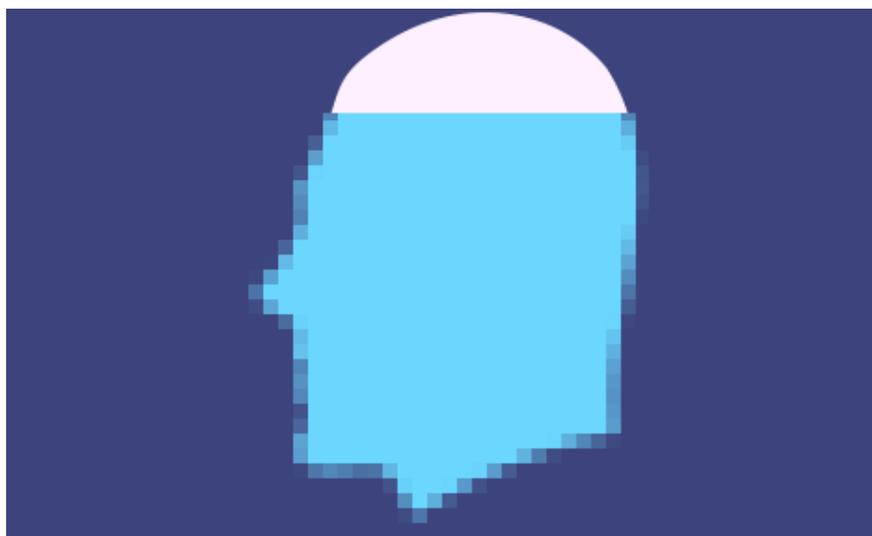
cancer patients and suggests the most appropriate treatment according to stored empirical data; [Google Translate](#), which automatically translates documents; or Google's [self-driving car](#).

Historically, technological change has replaced jobs, but it has also created more jobs than it has replaced. The latest innovations are having a polarizing effect, in which demand is shrinking for repetitive occupations with relatively low wages, but growing for skilled workers, whose wages are higher. This phenomenon is widespread at the global level, with the exception of China, where the demand for unskilled labor continues to grow.

In spite of increasing automation, human abilities still surpass those of computers in areas like creativity, social intelligence, perception, and manipulation.

Frey and Osborne (2013) estimated the likelihood of automation for more than 700 occupations based on data from the United States. Their calculations show that the probability of jobs being replaced by computers varies greatly from one activity to another, but the most vulnerable are low-skilled roles in the manufacturing, mining, and service industries, such as back office work, logistics, trade, transportation, storage, and construction, among others. At the other end of the spectrum, there is less probability of jobs being replaced by a computer in fields that require higher education in areas such as computer engineering, financial services, etc. As new tasks emerge, opportunities will increase for computer engineers, network administrators, logistics experts, etc. Likewise, it is expected that "skilled cities" will develop, with positive externalities arising from the geographical agglomeration of the most dynamic sectors.

Replaced by Robots?



Source: INTAL Interactivo

This context poses significant challenges for Latin America and the Caribbean, since a major share of its exports are concentrated in low-skill activities that are at risk of automation, such as labor-intensive manufacturing, the extraction of some natural resources, and services such as call centers and accounting, legal, or management services, among others. For this reason, the region should promote quality education with an emphasis on the skills that will be needed in the future, while encouraging research and development to increase productivity.

This is crucial not only if the region is to adapt to the changes taking place in the labor market, but also to reduce its high levels of inequality.

Bibliography

Frey, C. and Osbourne, M. 2013. "[The Future of Employment: How Susceptible are Jobs to Computerisation?](#)" Oxford: Oxford University Press.

[1] Esta nota está basada en las ponencias de [Carl Benedikt Frey](#) (Programa Oxford Martin sobre Tecnología y Empleo) y [Sergei Soares](#) (IPEA) del evento central de celebración del [50° aniversario del INTAL](#).

Creating Quality Jobs

- [Integration Ideas](#)
- [n231](#)

There is no better social inclusion strategy than the creation of genuine quality jobs. This was the conclusion reached by the specialists that met on September 25 and 26, 2015, at Columbia University, New York City. The [Inspiring Ideas to Narrow the Inequality Gap in the Americas](#) event was organized by INTAL with the aim of bringing together experts from different countries in the Americas to present and debate initiatives described as “social elevator pitches”: that is, actions that have led to the narrowing of the inequality gap in the region.



Dimensions of Inequality and Inclusion

Christopher Sabatini, Columbia Professor and former Director of *Americas Quarterly*, focused on the need to redesign the indicators for measuring social inequality. The presenter introduced an index that includes a wide range of variables related to the following issues: GDP growth, the percentage of GDP invested in social programs, respect for civil liberties, respect for the rights of women and the LGBT population, financial inclusion, citizen participation, the percentage of the population with access to formal employment, access to adequate housing, enrollment in secondary school, the exercise of political rights, the percentage of the population living on more than US\$4 per

day, personal empowerment, and government efficiency. The index is based on an understanding of equality that aligns this with equal opportunities.

Access to financial services is key to creating formal jobs. This was the topic broached by **Santiago Peña**, Finance Minister of Paraguay, who observed that various factors relating to Paraguay's low population density and specific geography mean that financial transaction costs are extremely high in the country. Given this situation, the government has set out to develop innovative policies to overcome financial exclusion in unconventional ways, to which end it has developed "a national strategy for financial inclusion," in conjunction with several international agencies. There are positive aspects to the financialization of lower income sectors, as it is a way of including them in economic circuits.

The inclusion of prisoners or ex-convicts in the labor market was a key topic for this panel. **Jeremy Travis**, President of the John Jay College of Criminal Justice, underlined the importance of focusing on the social inclusion of the most marginalized groups, particularly prisoners and ex-convicts. The presenter provided data on the general increase in incarceration rates in the Americas over the last decade and gave an account of the continent's relatively high rate of imprisonment in comparison with other world regions. He highlighted the low correlation between these values and criminality levels, and emphasized the importance of recognizing that high incarceration levels are linked not to crime rates but to the political decisions of governments that are pushing this measure as their main initiative in the area of public security, regardless of the poor results that it has brought at the global level. In connection with the problem of inequality, the presenter showed that in the United States, prison inmates are mainly young men—especially of black and Latino origin—with low education levels and, frequently, mental problems and addictions. These individuals tend to be concentrated in very specific populations that suffer the effects of high imprisonment rates among their members.



From the perspective of the United States, **Jan Perry**, General Manager of the Economic and Workforce Development Department for the City of Los Angeles, talked about the city government's strategies to reduce unemployment and income inequality. She underlined the importance of working with two specific approaches: increasing the minimum wage and making a sustained effort to reintegrate the homeless, ex-convicts, and people with special needs into the workforce. Perry stated that, as a result of these policies, over the past five years 24,000 adults have been reintegrated into the labor market, and 11,000 young people have gone back to high school or found employment. The Los Angeles city government has also generated a cell phone application for job seekers that provides the community with employment- and training-related information from all worksorce centers, placing this literally "in the palm of your hand."

Productive Integration: the Greatest Vector for Equality

In the field of social inclusion, there are some interesting aspects to the case of Cuba. **Juan Triana**, Professor at the University of Havana and the Polytechnic University of Cuba, focused his analysis on the ways in which the labor market may be an agent for social inclusion. The presenter emphasized the importance of government regulation of the labor market to ensure that it operates as a tool for inclusion and that it actually contributes to improving the population's living standards. He argued that job creation incentives play a fundamental role in this process. He then discussed Cuba's recent experience of reopening the private sector and said that this has led to a slight improvement in the living conditions of the sectors that are involved. His colleague, **Ricardo Torres**, Professor and Researcher at the Center for the Study of the Cuban Economy, described a similar challenge. His particular focus was the importance of creating quality employment as a way of promoting social development. The speaker began by commenting that, although in 1989 the Gini index for Cuba was 0.24, it currently stands at around 0.4. Torres lamented this "Latin Americanization" of Cuba.

The panelists agreed that labor productivity is a key variable when measuring economic development. In this regard, **Sebastián Torres**, Director of Planning at the Planning and Budget Office of Uruguay, began by arguing that distance is what defines inequality and went on to propose that this gap be analyzed in productive terms. He argued that the distance between Latin American and central economies is due not only to productivity levels but also to what is produced: "Tell me what you produce, and I'll tell you what level of development you can reach," he quipped. In this context, he argued that social policies can easily go on indefinitely, taking the form of mitigation strategies, unless specific policies are developed to change the production model. He proposed a matrix that differs from the system currently used in Uruguay, one in which energy is no longer

obtained from outside the system but is instead generated within factories themselves. He mentioned that policies in favor of renewable energy are key in Uruguay, where 50% of the energy matrix is renewable and where this is clearly favored by state policy in this regard.

The case of Bolivia was analyzed by **Fernando Rios-Avila**, Researcher at the Levy Economics Institute, who focused his analysis on the causes of labor inequality. The presenter began by noting that over the last decade there have been reductions in both general inequality, measured using the Gini index, and wage inequality, particularly in urban areas. He argued that this was due to profound changes in the wage structure in cities, which were manifested mainly in the large-scale increase in lower wages and, secondarily, but also significantly, in a reduction in higher salaries. Rios-Avila claimed that economic recovery has driven growth in the demand for labor in favor of less-skilled occupations, which has also had an impact on the level of the lowest wages, thus reducing overall wage inequality.

A central dimension to this is the relationship between territorial inequalities and productive enterprises. The presentation from **Cristian Breitenstein**, Minister of Production, Science, and Technology of the Province of Buenos Aires, Argentina, continued in this vein. The minister presented the province's experience in creating industrial parks to improve equality, the numbers of which tripled between 2008 and 2015. These parks have been strong generators of employment, both direct and indirect, and are primarily conceived of as a federal development policy. In terms of reducing inequalities, this initiative has also aimed to mitigate the historic inequality between the center of the province and the more outlying areas, given that 80% of these new industrial parks are located outside metropolitan areas.



The final speaker on the panel was **José Adán Aguerri**, President of COSEP and member of the Board of Directors of the Central Bank of Nicaragua, who highlighted the benefits of a partnership between the government and the private sector in terms of national economic development. The panelist argued that businesspeople and the government have been working together over the past five years in Nicaragua and that this has resulted in tangible benefits for the population.

Searching for Shared Solutions

The different presentations showed a variety of experiences, concerns, and institutional contexts, but in general terms, certain core themes and concerns emerged. First, the central role of quality employment as an inescapable vector for social integration and the key factor for the reduction of inequality. In this regard, there is a need to redouble efforts to reach the most disadvantaged sectors: in some cases, this can be said to be part of the current agenda in Latin America (which is not to say that the problems themselves have been solved), as is the case with the inequality suffered by descendants of the African diaspora and indigenous peoples. Other cases, particularly the experiences from North America, highlighted the situation of social sectors that are also highly marginalized but not taken sufficiently into account by quality job creation policies: the homeless, ex-convicts, and people with chronic mental illness and special needs, particularly of a cognitive type. The right to quality employment must necessarily encompass all marginalized groups, and this is an important lesson that should be included in local agendas.

Second, taxation is a key factor if states are to have funds available for these types of policies. The tax base is low in many countries in the Americas and the tax systems are regressive in almost all of them. The transformations in question are not simple, but instead imply, on the one hand, major institutional challenges and the coordination of various state agencies, coordination at subnational levels, and public–private sector partnerships. These points were highlighted by Maria Victoria Murillo, Professor at Columbia University, as she gave her conclusions on the panel. On the other hand, in relation to economic development, a significant degree of creativity and innovation is needed, in that we must think differently about the articulations between the primary, secondary, and tertiary sectors; be aware of environmental challenges and specific agendas; and be able to respond fully to the demands of different social groups and movements.

This necessarily leads to another question that was present in one way or another in the different presentations: the multidimensional nature of inequality and integration. This implies that some of the biggest challenges facing our governments and societies include creating indicators for measuring inequality, designing policies to reduce it, articulating between different state agencies, and forging public–private sector partnerships to make headway on each of these different fronts.

Seminars such as this contribute by sharing experiences and solutions for a multiplicity of challenges that are in a constant state of flux.

Integration + Inclusion: Keys for Reducing Social Inequality

- [Integration Ideas](#)
- [n231](#)

The great challenge the region is facing is how to promote all aspects of social inclusion. These were the watchwords that brought together government officials, experts, and figures from civil society at the event entitled [Inspiring Ideas to Narrow the Inequality Gap in the Americas](#), which took place at Columbia University, New York, on September 25 and 26, 2015. The topics covered in this article center on social policies, civil society initiatives, innovations in health and education, the role of new technologies, and the place for regional integration, which were the subjects of the second, third, and fourth panels on Saturday, September 26. In another [article](#) we discuss Panel 1, which dealt with the creation of quality jobs.

All the presentations were concerned with successful experiences taking place in different parts of the Americas to reduce inequality. This article provides a summary of the main ideas presented by each speaker, which you can expand on by consulting the visual record of each presentation and the [Node i+i website](#).

Social Policies and Civil Society

What general assessment can be made of the different experiences of conditional cash transfer programs in the region, in terms of their impact on income inequality? What other institutional tools from civil society can be applied to increase the scope of social policies? These were the questions put to the speakers of the second panel at the event. The different conditional cash transfer programs that have been implemented in nearly every country in the region played a central role in this debate: such programs have reached more than 130 million beneficiaries [in recent years \(in Spanish\)](#).

Helmut Schwarzer, National Secretary for Citizen Income at Brazil's Ministry of Social Development, referred to the implementation of the *Bolsa Familia* [Family Allowance] program, one of the pioneering cash transfer programs and one that reaches the greatest number of people. He explained that there were three core parts to the program: income transfer for immediate poverty reduction, conditional transfers in the areas of health and education, and articulation with complementary programs. He said that the program currently serves 13.9 million Brazilians and that 0.5 % of the GDP is invested in it. With regard to its immediate impact, Schwarzer reported

that *Bolsa Familia* is responsible for 12% of the reduction in income inequality that Brazil witnessed between 2000 and 2012, and that 36 million people have been lifted out of poverty as a result of it.

Next came **James Riccio**, Director of the Low-Wage Workers and Communities Policy Area at MDRC, who spoke about New York City's Opportunity and Family Rewards program, a conditional cash transfer policy that aims to reduce immediate poverty and create human capital. The program is unusual in including 22 different financial incentives linked to education, preventive health care, and the employment of parents. Riccio had been asked to evaluate the initiative. In this regard, he stated that the families involved in the program had increased their monthly income by 22%, which implied a 41% reduction in the number of families living below the poverty line.

The case of Mexico was discussed by **Paula Hernández Olmos**, coordinator of the *Prospera* [Prosper] program, who stated that, in spite of the constant budget increases it had received, Mexico's *Oportunidades* [Opportunities] program had not brought about significant results in poverty reduction. Unlike the country's previous program in this area, *Prospera* includes university scholarships for people with special needs, incorporates 27 interventions from the catalog of universal health services, promotes family planning, and strengthens nutrition policies. It also maintains the three core areas of the previous version of the program (health, education, and nutrition).

The infographic displays the components of the Prospera program across three main areas: Educación, Salud, and Alimentación. At the top, logos for México (Gobierno de la República), SEDESOL (Secretaría de Desarrollo Social), PROSPERA (Programa de Inclusión Social), and MOVER México are shown.

Educación	Salud	Alimentación
Becas de Educación Básica y Media Superior	Paquete básico garantizado de Salud de 13 intervenciones	Apoyo alimentario
Apoyo para útiles escolares	Capacitación para el autocuidado de la salud	Apoyo alimentario complementario
Jóvenes con PROSPERA		
		
Becas de Educación Superior	Ampliación al Catálogo Universal de Servicios de Salud, pasa de 13 a 27 intervenciones	Acceso a Leche Liconsa
Becas de educación técnica, no escolarizada y de formación para el trabajo	Afiliación efectiva al Seguro Popular y al Seguro Médico Siglo XXI	Nuevos suplementos alimenticios para mujeres embarazadas, en lactancia y niños de 6 a 59 meses
Becas para personas con discapacidad	Acciones para la planificación familiar y prevención del embarazo adolescente	Consejería especializada en nutrición
		Equipamiento de unidades médicas para medir talla y peso

The next speaker was **Suzanne Duryea**, Chief Economist at the IDB's Social Sector, who gave a presentation on the evaluation of the Social Program of Youth and Children's Orchestras of Venezuela. Then came the turn of **Lawrence Aber**, Professor at New York University, who focused on child development. The following presentation was given by **Francisca Werth**, Head of Coordination and Research at the Office of the Criminal Public Defender of Chile's Ministry of Justice, who gave her thoughts on the experience of creating Neighborhood Justice Units. The main objective of the program was to improve the access of people and communities to justice by promoting the management and resolution of local or community conflicts. To this end, a "multi-door" program was created that allowed everyday problems between residents to be negotiated and managed.

Rosilene Rocha, Deputy Secretary for Work and Social Development for the State of Mina Gerais, Brazil, emphasized the importance of the provinces and municipalities in reducing regional inequalities. Likewise, **Enrique Betancourt**, Director of the Violence and Crime Prevention Initiative at the NGO Chemonics International, underlined the need to address the role of violence as a barrier to development.

Representatives from civil society contributed their perspectives and experiences in this area. **Juan Carr**, director of the Argentine NGO *Red Solidaria* [Solidarity Network], gave a presentation on how to organize the online community to create a culture of solidarity. This could be key to finding solutions for everyday problems that are of vital importance, such as: increasing blood donor numbers, increasing the number of volunteers who are trained in first aid, decreasing the number of traffic-related deaths, and/or minimizing hypothermia-related deaths among the homeless.



The panel was brought to a close by **Paula Moreno Zapata**, Director of the NGO *Manos Visibles* [Visible Hands] and former Minister of Culture of Colombia, who also approached the issues from a territorial perspective. Her presentation highlighted the need to map not only the weak points of our territories but also their strengths, particularly in relation to the quality of community leadership, by adopting a much-needed (and often absent) gender perspective.

The presentations revealed different facets of these types of initiatives, their achievements, the constraints they face, and recent innovations, in particular with regard to conditional cash transfer programs. In his concluding remarks, **Gabriel Kessler**, Professor at the National University of La Plata, underlined a series of points that make up an agenda for future discussions. First, he raised the question of what can and cannot be asked of these programs. At the end of the day, the high stakes that governments in the region have placed on these programs to alleviate exclusion may have led to too much optimism being generated around them as a vector for future change. Redefining their limitations is important if we are to avoid creating false hopes that this type of program would not be able to live up to. Secondly, he wondered if it was time to be more flexible when establishing potential benefits or conditions for the programs, by encouraging the beneficiaries themselves to put forward projects and ideas for these, along the lines of European measures such as the paradigmatic French model known as RMI (*revenu minimum d'insertion*, minimum income support). This implies a more symmetrical relationship between the state and citizens, who sign a sort of “integration contract” where the type of benefit is negotiated in terms of different integration-related projects.

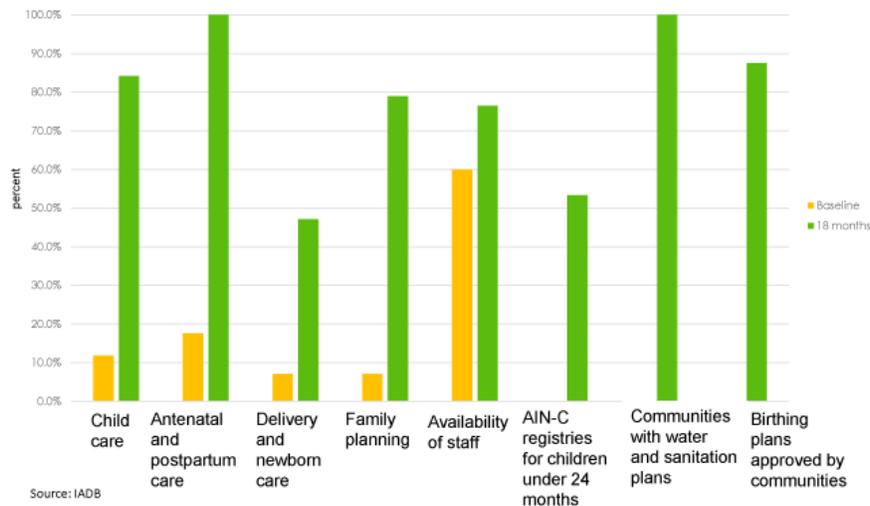
Health, Education, and Technological Innovation

The third panel focused on the impact of health, education, and technological innovation policies on the reduction of inequality. In particular, several speakers described experiences in which new technologies helped to bridge gaps in health and education. Another question was whether there was a virtuous circle between reductions in inequalities in education and those in other areas, such as health, and finally about the role of investment in R&D in the region.

The debate was opened by **Wolfgang Munar**, Associate Director of the Global Health Center and Senior Scholar at the Social System Design Lab at Washington University in St. Louis, who introduced the Mesoamerica Health Program. He said that the initiative focuses on public-private articulation to narrow gaps in health equality and includes transformational solutions by extending the reach, quality, and use of basic reproductive, maternal, neonatal, and child health care services; maternal and child nutrition; and vaccination. The program had seen significant results in terms of

medical care for children, pre- and postpartum care for mothers, family planning, and access to safe drinking water and sewers. Attention then turned to the impact that the program had had in Panama.

Panama: success stories



The second speaker was **Miguel Santana**, City Administrative Officer for the City of Los Angeles, who talked about the universalization of internet access in the city through the installation of a free broadband network. The panelist noted that the service will be provided by internet companies, while the city will be responsible for ensuring access to streets and traffic lights in order for the necessary components to be installed.

The next person to take the floor was **Gustavo Rivera**, New York State Senator, who spoke about the importance of knowing what the key variables are that we must act on in the field of health in order to make a significant and lasting impact. He presented a set of 13 variables related to the physical environment, socio-economic aspects, clinical care, and health-related behaviors. On this basis, he provided some examples of initiatives that were passed by the New York State Legislature in connection with the smoking ban in public schools, both inside and outside establishments, and applying the same rate of taxation to various tobacco products.

Then came the turn of **Ramón Tejada Holguín**, from the Office of Information Analysis and Strategic Programming of the Presidency of the Dominican Republic, who discussed the impact of extending the length of the school day in that country. The speaker argued that this measure has been successful in improving child nutrition. The following speaker was **Elena Arias Ortiz**, Education Senior Associate for the IDB’s Social Sector, who focused on guided usage models for technology in the classroom as tools to enhance students’ learning and performances.

Next came **Marcela Escobari**, Executive Director of Harvard's Center for International Development, who discussed the use of information technologies to understand the functioning of various networks (virtual, social, infrastructure, etc.) in economic and social development. She also claimed that the poor are not connected to networks that are taken for granted by institutions and that have a huge impact on people's daily lives, such as water, electricity, communications, transportation, virtual, and social networks.



Science and technology are fundamental tools for reducing inequality. **Diego Molano Vega**, Former Minister of Information and Communication Technologies of Colombia, explained *Plan Colombia Vive Digital* [Colombia Lives Online], a plan that was implemented with the aim of opening up internet access to all and developing a national digital ecosystem. He reported that the program aims to get 100% of the country's municipalities connected to high-speed internet, increase internet access in rural communities, deliver tablets and computers to schools, and incorporate 4G technologies. Meanwhile, **Luis Ubiñas**, President of the Board of Trustees of the OAS's Pan American Development Foundation, spoke about the role of technological innovation in the reduction of inequality.

John Burchett, Director of Public Policy for Latin America, Canada, and US States at Google, explained how helium balloons can be used to provide the entire population with internet access. The speaker confirmed that testing for the project has already begun in Latin America and that it has the huge advantage of not requiring major infrastructure works to extend broadband access to all. **Frances Colon**, Acting Science and Technology Adviser to the Secretary of State at the US

Department of State, discussed the importance of connecting talent through science and technology networks.

Next, **Elaine Smith**, Founder of the Social Progress Network in Brazil, presented the Social Progress Index, created in Washington in 2013 and which is beginning to be used in several municipalities in Brazil. The speaker mentioned that the index includes 50 indicators that are grouped into three areas: basic human needs, foundations of wellbeing, and opportunity. This third panel concluded with the presentation by **Dominik Hartmann**, Researcher at the MIT Media Lab, who postulated that there is a connection between a country's productive matrix and its levels of income distribution and growth.

During the concluding remarks, **Nelson Fraiman**, Professor at Columbia University, said that there is a pool of ideas on experiences that articulate health, education, and technological innovation, many of which are relatively low cost, which could be used to narrow various inequality gaps in the region. The degree of innovation and creativity shown by this panel pays testimony to the fact that there are already a large number of ideas in the Americas that could be implemented throughout the length and breadth of the continent.

Regional Integration and Globalization

The questions in this panel focused on Latin America's position in the face of the new challenges of globalization and integration in the region from the perspective of narrowing the inequality gap. Second, the issue of immigration was considered in terms of the priorities in this area, as well as Cuba's new situation regarding its relationship with the United States.

The first speaker was **John Mollenkopf**, Professor at The City University of New York, who spoke about the importance of the participation of immigrants in the 2016 US elections. The speaker mentioned that 12.5% of the US population was born in another country and that another 12% are the children of immigrants. He stated that immigrants will be key players in the electoral process.

The second speaker was **Josefina Vázquez Mota**, Former Secretary of Social Development and Education of Mexico and Former Presidential Candidate for the PAN, who reported on the Together We Can initiative, which aims to promote the integration of Mexicans in the United States and, at the same time, help them avoid losing their ties with their country of origin. This initiative covers four areas—education, health, civic involvement, and documentation—in its efforts to promote the civic integration of immigrants and their children.



Marc Rosenblum, Deputy Director of the U.S Immigration Policy Program at the Migration Policy Institute, then spoke on the impact of the immigration laws and deportation in the USA. He stated that deportations have increased substantially since 1997 and that 91% of the immigrants deported from the USA are Mexicans and Central Americans. **Javier Valdés**, Co-Executive Director of the NGO Make the Road New York, later discussed initiatives for the empowerment of the immigrant community in New York City.

From the public sector, **Luis Henry Molina**, Vice Minister of the Presidency of the Dominican Republic, explained regularization and documentation policies for migrants and the headway that has been made in terms of the right to identity. **Frank Mora**, Director of the Kimberly Green Latin American and Caribbean Center at Florida International University and Former US Deputy Assistant Secretary of Defense, spoke about inter-state approaches to security.

Next came **Kevin Casas Zamora**, Senior Fellow of Inter-American Dialogue and Former Vice President and Minister of Planning of Costa Rica, who spoke about citizen insecurity and showed that there is a strong correlation between the human development index and the homicide rate.

The panel finished with a presentation by **Ariel Bergamin**, Uruguayan Ambassador to Cuba, who talked about politics as an ethical mandate and a tool for the democratic articulation of social development, emphasizing the fact that democracy requires a strengthening of citizenship and that there can be no citizens without guaranteeing the exercise of rights and promoting accountability. **Julissa Reynoso**, Professor at Columbia University and former US Ambassador to

Uruguay, gave the panel's closing remarks, highlighting the main ideas from the different presentations.

Integration+Inclusion

There is no question that during this two-day event, numerous valuable experiences and innovative initiatives were presented which are taking place throughout the length and breadth of the Americas. There is a wealth of information based on concrete experiences that can be adopted, spread, and tailored to specific national contexts, so as to contribute to regional integration and the reduction of inequalities.

Of course, much work remains to be done, but we need to recognize what is already happening and the goals that have already been achieved, so as to help explore the road ahead more effectively, learning from other countries' experiences for the benefit of the most marginalized sectors of our populations.

In this sense, the event achieved its goal: to get to know more so as to act better in the future. The meeting kicked off what will undoubtedly be a much longer process, given that there are an enormous amount of other experiences that are helping to reduce inequalities in different areas. They make up knowledge capital that we need to be aware of if we are to take advantage of it: this awareness is one of the main objectives of Node I+I.

Inspiring Activities

COSIPLAN's New Geographic Information System

- [Inspiring Activities](#)
- [n231](#)

The [Final GIS Workshop \(in Spanish\)](#) was held on November 10 and 11, 2015, in the City of Buenos Aires, with the following three aims: presenting what had been achieved as a result of the consolidation of the COSIPLAN Geographic Information System (GIS), deciding upon the components to be published on the UNASUR website, and establishing content administration procedures.[1]

The aim of the GIS is to provide the countries that are part of COSIPLAN the capacity to undertake geospatial analysis of specific COSIPLAN issues. This has been made possible through the development and implementation of a system that uses continental geospatial databases in thematic layers for each subject area and is compatible with the provision of geoservices.

On the basis of the agreements reached in 2012, two documents were drafted and adopted:

The Basic Technical Guidelines for the Development of a COSIPLAN Geographic Information System, adopted at the 3rd Ordinary Meeting of COSIPLAN Ministers (Lima, November 2012)

The Work Plan for the Development of the COSIPLAN GIS, made up of two phases

Phase one (2013–14), the goal of which is to complete and structure the information available and produce tools that allow it to be standardized and integrated.

Phase two (2015), the goal of which is to complete the final standardization and integration processes and edit the georeferenced information.

In 2013, US\$230,155 from the UNASUR Common Initiatives Fund (FIC) were approved for technical assistance for the development and implementation of the COSIPLAN GIS.

**TECHNICAL
ASPECTS OF THE
COSIPLAN GIS**

Scale of reference: 1:250.000

Reference system: SIRGAS (Geocentric Reference System for the Americas)

Data coordinate system: Latitude/Longitude

Standards for cataloguing feature types and feature concepts based on ISO 19110 and ISO 19126.

Metadata: Latin American Metadata Profile (LAMP) based on ISO/TC211 (Standard 19115)

Data availability: ESRI Shapefile as the native format, available through transactional online WMS and WFS geoservices.

The outputs obtained as a result of this process are: (i) a set of 21 initial thematic layers, which constitute the core of the COSIPLAN GIS (political divisions; settlements; border crossings and border controls; road, rail, port, and airport infrastructure; natural resources; and projects in the COSIPLAN Project Portfolio; among others). The most useful aspect of these layers is that they can be used intensively and integrated into other datasets and that spatial analysis processes can be applied to them; (ii) Content Manager System, through which you access spatial information. In the first stage of development of the GIS, information will be provided in Shapefile format, and each of the 21 thematic layers will be compressed; (iii) metadata, available in PDF format; and (iv) complete documentation of the COSIPLAN GIS: Catalog of features, data dictionary, topological rules, metadata profile, system documentation, and operation manual and user guide.

The technical document on the COSIPLAN GIS will be presented for consideration and approval at the 6th Ordinary Meeting of COSIPLAN Ministers (Montevideo, December 3, 2015). This document, which is addressed in particular to those government officials and professionals who may potentially be users of the system, acknowledges the efforts made by a team of authorities, public officials, executives, professionals, technicians, and specialists from all the countries that make up the UNASUR in order to reach this initial achievement. The document outlines the main features, contents, forms of access, and benefits of the GIS.

[1] The Working Group on the COSIPLAN Geographic Information System and Website (GIS/COSIPLAN-WEB WG) is coordinated by the Republic of Argentina. It was created at the 4th Ordinary Meeting of COSIPLAN Ministers, 2013 ([link](#)).

Air Integration of Guyana and Suriname with the Rest of South America

- [Inspiring Activities](#)
- [n231](#)



As part of the COSIPLAN Work Plan 2015,[1] the [Virtual Meeting of the Executive Technical Group \(GTE\) on Air Integration](#)[2] was held on November 17, 2015, to present the study entitled “The Development of Regional Connectivity between the Guianese Shield Countries and the Rest of South America.” This was carried out with the support of the Inter-American Development Bank (IDB) after being requested by Guyana during the [Air Integration Workshop](#) held in Brazil in 2014.

The aim of the study was to investigate the main causes of the restrictions in air connectivity between the countries of the Guianese Shield Hub (Brazil, Guyana, Suriname, and Venezuela) and the rest of the countries in South America. The paper reviews current connectivity levels and focuses on possible obstacles that would explain the region’s limited connectivity, including the state and cost of airport infrastructure, institutional frameworks, each country’s aviation policy, and an analysis of the market.

Area of Influence of Guianese Shield Hub



Source: COSIPLAN Project Information System.

According to the preliminary results, Brazil and Venezuela showed adequate levels of air connectivity. However, these levels are low for Guyana and Suriname. As such, the study analyzed possible alternatives that would promote increased connections with these two countries.

It found that neither airport infrastructure nor the airport costs charged to passengers and airlines are relevant in explaining these low connectivity levels. It also notes that the airline industry's institutional framework could be improved, and a greater number of bilateral agreements could be activated. However, these factors alone are not necessary conditions for increasing the demand for air services.

Finally, the study recommends improving the connectivity of the two countries in question through connections with potential hubs in Panama City (Panama), Port of Spain (Trinidad and Tobago), Curacao, and Bogota (Colombia).

The countries involved are currently reviewing the document. The aim is to present the final version of this study for consideration and approval by the COSIPLAN Ministers at their 6th Ordinary Meeting (Montevideo, December 3, 2015).

Air Integration within COSIPLAN's Work

There is considerable opportunity for effective growth in the air transportation market in South America by promoting regional air transportation of both passengers and cargo and cross-border connectivity through regional airports.

As part of the initiatives promoted by COSIPLAN, the Strategic Action Plan 2012–2022 (PAE)^[3] proposes to revise this sectoral process that began during the first stage of the [Initiative for the Integration of Regional Infrastructure in South America \(IIRSA\)](#) and encourage initiatives in specific fields so as to promote regional air Integration.

As of October 2015, 25 projects from the [COSIPLAN Project Portfolio](#) correspond to the air transportation sub-sector, representing an estimated investment of around US\$7 billion.

^[1] The South American Infrastructure and Planning Council (COSIPLAN) is a work area for political and strategic dialog, through consultation, evaluation, cooperation, planning and coordination of efforts, and the articulation of programs and projects to implement the integration of regional infrastructure in member countries of the Union of South American Nations (UNASUR). The Work Plan 2015 was passed at the [5th Ordinary Meeting of COSIPLAN Ministers](#) in 2014.

^[2] At the 4th Ordinary Meeting of COSIPLAN Ministers (2013), Brazil was appointed coordinating country of the GTE on Air Integration.

^[3] [Strategic Action Plan 2012-2022 \(PAE\)](#).

Planning Cross-Border Territorial Integration

- [Inspiring Activities](#)
- [n231](#)



Cross-border integration is a process that aims to promote the development of border territories. Argentina and Chile^[1] presented the Draft Guidelines for a Work Plan on Planning Cross-Border Territorial Integration within COSIPLAN,^[2] in the framework of the [Meeting of the Executive Technical Group \(GTE\) on Cross-Border Integration and Facilitation](#), which took place in the City of Buenos Aires, Argentina, on November 12, 2015.

The overall objective is to include cross-border integration in COSIPLAN's Indicative Territorial Planning process by identifying and promoting plans, programs, and projects that contribute to the integration and sustainable development of common border areas and help facilitate the flows of goods and people between UNASUR countries.

In addition, four specific goals were put forward, with a preliminary description of the activities and outcomes that it would be desirable to achieve as a result. These actions will be included in the COSIPLAN 2016 Work Plan.

Specific objectives

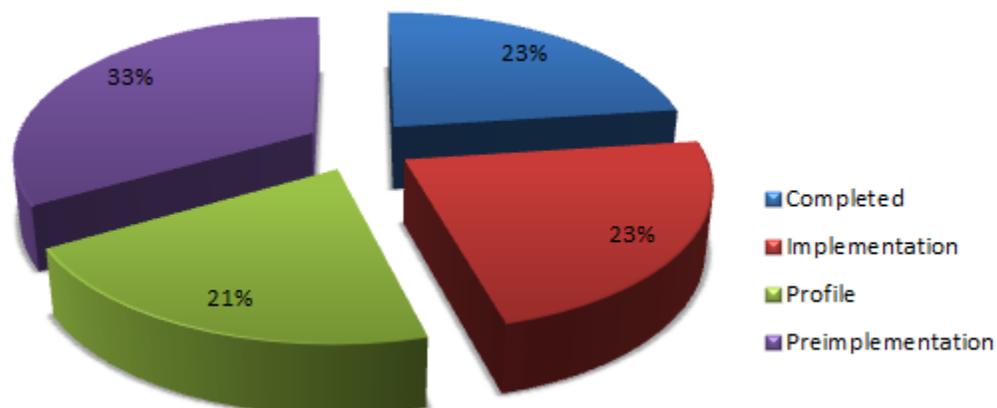
- Harmonize the processes of regional, bilateral, and cross-border physical integration, successfully converging these in common border areas so as to strengthen the integration process driven by UNASUR;
- Develop plans for cross-border integration that include a reliable baseline, a proposal for action, and mechanisms to implement and monitor this;
- Implement a border observatory within COSIPLAN that can adopt different approaches and dimensions depending on the needs that arise; and
- Propose cooperation and financing mechanisms that facilitate, in the first instance, the development of cross-border integration plans, programs, and projects, as well as the instruments that then make its implementation viable.

The countries are currently reviewing the proposed guidelines. The outcomes of this study will be submitted for consideration and approval at the 6th Ordinary Meeting of COSIPLAN Ministers (Montevideo, December 3, 2015).

COSIPLAN Projects at Border Crossings

As of October 2015, 47 of the 593 infrastructure projects in the [COSIPLAN Project Portfolio](#) involve interventions at border crossings (8% of the total projects, for an estimated investment of US\$917 million). Of these 47 projects, 14 belong to the [Priority Project Agenda \(API\)](#), representing an amount estimated at US\$584 million.

Figure 1. Border Crossing Projects within the COSIPLAN Project Portfolio by Lifecycle



Source: COSIPLAN Project Information System

[1] Argentina and Chile were appointed as coordinators of the Executive Technical Group on Cross-Border Integration and Facilitation at the [4th Ordinary Meeting of COSIPLAN Ministers](#).

[2] The South American Infrastructure and Planning Council (COSIPLAN) is a work area for political and strategic dialog, through consultation, evaluation, cooperation, planning and coordination of efforts, and the articulation of programs and projects to implement the integration of regional infrastructure in member countries of the Union of South American Nations (UNASUR).

FinTech: Reinventing the Financial Industry

- [Inspiring Activities](#)
- [n231](#)



You can run a risk analysis and even obtain a loan in just a few short seconds. Smart finances are becoming an increasingly useful tool for both the business world and the community as a whole.

Financial SMEs do not face the same bureaucratic restrictions as large banks in terms of innovations, and they have advantages when it comes to installing new financial products. This was one of the conclusions reached at the event that brought together several dozen businesspeople and officials from financial institutions to share insights on the financial industry of the future. The event took place on November 19, 2015, at the INTAL-Lab, and its slogan was “Technology, agility, and innovation.”

IDB Specialist Gabriel Casaburi welcomed those present and emphasized the need for the financial services industry to increase its competitiveness and offer users new alternatives. By incorporating new technologies, financial technology (FinTech) firms and new models for the banking industry can help reduce credit costs and operating costs for large companies.

Gonzalo Costa (NXTP Labs), who has ten years' experience at high-profile banks, argued that the largest financial institutions find it hard to innovate due to internal and market-related bureaucracies. "Financial innovation start-ups don't have that problem. They're agile, and creativity is their very *raison d'être*," Costa said.

The event included presentations from Pablo Lima (VU Security), Alejandro Estrada (Billonaire & Moni), and Matías Doublie (Increase), who also won the INTAL D-Tec prize that INTAL launched this year in conjunction with Endeavor. During the talks there was consensus that the most important areas of innovation today are linked to big data (the analysis of large databases), the mobile experience (financial applications for cell phones), and cyber security (protection from fraud and identity theft), among other technologies that are contributing to the modernization of the world of finance.

During the event, Ana Inés Basco, Specialist in Strategic Alliances at IDB/INTAL, discussed the new initiatives, tools, and competitions that INTAL has made available to the community through INTAL-Lab, a space for the co-creation of innovative ideas in integration and trade, and invited participants to take part in the initiative.

Training for Negotiators: Trade Remedy Measures

- [Inspiring Activities](#)
- [n231](#)

The *Latin American Dialogue on Managing Trade Remedies (in Spanish)* was held between November 2 and 4, 2015, in the city of Santo Domingo, Dominican Republic. The event was jointly organized by IDB/INTAL, the World Trade Organization (WTO), the International Center for Trade and Sustainable Development (ICTSD), and the Advisory Centre on WTO Law (ACWL), in partnership with the Trade Defense Commission of the Dominican Republic (CDC).

The opening ceremony was attended by the highest government authorities of the Dominican Republic, including the Minister of Industry and Trade, José Manuel Del Castillo Saviñón; the Minister of Foreign Affairs, Andrés Navarro García; and the Chairman of the Trade Defense Commission, Iván Gatón Rosa; as well as the IDB Resident Representative in the Dominican Republic, Flora Montealegre Painter.

The event was organized in response to the need for institutional strengthening in matters of trade defense that various countries in the region are facing. In this sense, the Latin American Dialogue provided a space for reflection and debate on the trade defense instruments that are available to WTO members to cope with the market distortions caused by unfair trade practices (such as dumping or subsidies), and to resolve situations where domestic industry is harmed due to an unusual increase in imports (safeguards).



The WTO is the only international body that deals with the rules governing trade between countries. These rules are set forth in the agreements on Antidumping; Subsidies and Countervailing Measures; and Safeguards^[1], which are part of the body of texts that emerged from the Uruguay Round of the GATT and through which governments committed to keeping their trade policies within the agreed limits, based on the fundamental non-discrimination and most-favored-nation principles. The Latin American Dialogue was organized at the request of the Trade Defense Commission (CDC) of the Dominican Republic and was led by such high-profile experts as Clarisse Morgan, Counsellor in the Rules Division of the WTO; Miguel Rodríguez Mendoza, Senior Fellow at ICTSD; and Fernando Piérola, Senior Counsel at the ACWL. Other expert participants included Jorge Miranda, Advisor at King & Spalding LLP; and Gisela Bolivar Villagómez, Partner at Aguilar & Loera LLP.

The event program was designed especially for government officials who are leading trade remedy programs at trade practice enforcement agencies within the following WTO member countries: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

On November 2 and 3, the focus was on participants exchanging views and experiences through interactive sessions. November 4 involved a training session on the handling of trade remedy-related disputes.



Throughout the different sessions, participants were able to discuss their common problems, and the countries that have been involved in higher numbers of anti-dumping investigations—such as

Argentina, Brazil, Colombia, Mexico, and Peru—shared their practices, strategies, perspectives, and information about their institutional structure and the legislation currently in force with those countries with less experience in this regard and that therefore do not have a permanent specialized unit for this or have limited numbers of investigators trained in these disciplines.

Through presentations, discussions, and practical exercises, attendees learned about the context for making a formal complaint and analyzed aspects such as coordination between industry, government, and non-governmental actors; the role of industrial trade associations in promoting trade defense instruments and supporting the preparation of applications; the collection of information from domestic producers; valid means for obtaining evidence of dumping; and the circumstances that would justify setting an investigation procedure in motion *ex officio* as the instance that precedes a formal request for consultation and, eventually, leads to the establishment of a panel for filing a complaint.

Likewise, taking into account the fact that almost half of the disputes settled within the WTO relate to trade remedy measures, the Latin American Dialogue included an entire day spent focusing on the practical aspects that make the preparation for a dispute successful from the perspective of both the complaining country and the respondent; preparation for consultations; the dispute settlement procedures both before the Panel and at the Appellate Body stage; and aspects relating to implementation, compliance, and retaliation that pertain to the respondent member, if they carried out practices that were inconsistent with WTO rules.

Finally, the Trade Defense Commission of the Dominican Republic urged the creation of a network of investigating authorities, as a way to structure the exchange of knowledge, experiences, and best practices in this area.

Source: CDC.

[1] See WTO legal texts https://www.wto.org/english/docs_e/legal_e/ursum_e.htm#Agreement.

Latin America's Economic Relations with China: a Vision for the Future

- [Inspiring Activities](#)
- [n231](#)



The seminar “[The economic relations between China and Latin America and the Caribbean: a prospective vision](#)” was held on November 11, 2015, at the INTAL-Lab. The event had a high-profile [agenda](#) and was attended by senior government officials, negotiators, and academics. Those present heard talks from three officials from the countries in the region that have negotiated Free Trade Agreements (FTAs) with China—Peru, Chile, and Costa Rica—and exchanged experiences with them.

In his words of welcome, Gustavo Beliz (Director of IDB/INTAL) emphasized strategic linkages and the complementarity between the economies of Latin America and the Caribbean (LAC) and China. For his part, Xu Jianjun (Office of Strategic Alliances/IDB), highlighted the activities and initiatives undertaken by the IDB since China became part of the organization in 2009. These have promoted

linkages and integration between LAC and China, mainly through financial and knowledge-related cooperation.

Florisvaldo Fier (High Representative-General of the MERCOSUR) reflected on the MERCOSUR's international integration strategy and the potential of the New Development Bank BRICS. Yang Wanming (Chinese Ambassador to Argentina) described the current and future linkages between China and LAC, emphasizing trade relations, cooperation, investment, and communication between think tanks, universities, and the media, so as to join forces and bring together ideas from both geographical areas.

Next came the [presentation](#) from Ju Jiandong (Shanghai University of Finance and Economics) on the major reform that is taking place in China's financial sector, the exchange rate regime, and the capital market. Professor Ju stressed the importance of the sequencing of reforms and of imposing a progressive tax on capital flows to prevent financial crises from occurring.

The first panel on China's relations with LAC in the context of economic slowdown was moderated by Ricardo Rozemberg (UNSAM), and included presentations from [Guo Jie](#) (Peking University) and [Mauricio Mesquita Moreira](#) (IDB/INT).

The second panel, which focused on the MERCOSUR's relationship with China, included a presentation from [Alejandro Ramos Martínez \(in Spanish\)](#) (IDB/INTAL) on the [MERCOSUR Report No. 20 \(2014–2015\) \(in Spanish\)](#), which includes a special chapter on the linkages between MERCOSUR countries and China. This presentation was followed by some remarks from Felix Peña (ICBC Foundation and UNTREF).

The third panel was a regional discussion on LAC's free trade agreements (FTAs) with China, moderated by Mauricio Mesquita Moreira (IDB), with the participation of Renato Baumann (IPEA Brazil), [Eduardo Ferreyros Kueppers \(in Spanish\)](#) (Former Minister of Foreign Trade and Tourism of Peru), [Marco Vinicio Ruiz \(in Spanish\)](#) (Former Minister of Foreign Trade of Costa Rica) and Andrés Rebolledo Smitsman (DIRECO Chile). Eduardo Ferreyros Kueppers compared the different FTAs, while the other three speakers shared the most important lessons their countries had learned from negotiations over the FTAs that their countries had signed with China. They also emphasized the peculiarities that set this process apart from their experiences in negotiating with other countries.

Integration in Motion

Honduras, El Salvador, and Panama Sign New Free Trade Agreements

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

Central American countries have an active agenda of negotiations outside the region. Significant advances have recently been made in this field, such as the first meeting of the Administrative Commission of the Free Trade Agreement (FTA) between [El Salvador, Honduras, and Taiwan](#) (in Spanish), signed in 2007. At the meeting, some stipulations that will allow an expansion of Central American exports to Taiwan were subscribed to. The most noteworthy include the elimination by Taiwan of tariffs on by-products of noni fruit (also known as *morinda citrifolia*)—such as juice, jelly, tea, and soft drinks—and the increase in the export quota for sugar. Furthermore, some progress was made in terms of the agreement's dispute settlement system.

On the other hand, during the round held on November 16–19, 2015, in Panama City, Israel and Panama concluded negotiations for the signing of an FTA. Once this FTA enters into force, those Panamanian manufactures that are still subject to tariffs will be granted duty-free access to the Israeli market. Moreover, Israel will promptly eliminate tariffs on imports of various agri-industrial products from Panama, including vinegar, coffee, palm oil, some meat products, cassava, fish, and some alcoholic beverages. In other cases, tariff reductions will be implemented in a phased manner, while certain export products particularly relevant to Panama—such as some meat products and fruit—will have preferential access to the Israeli market through tariff-rate quotas.

Argentina's New President Makes His First Visit to Brazil

- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)
- [Southern Cone](#)

For the first time in 23 years, the same political force will be in charge of Argentina's executive branch as well as Buenos Aires province and the Autonomous City of Buenos Aires. During Mauricio Macri's visit to Brazil, which took place on December 4, 2015, he announced that he will prioritize Argentina's relations with Brazil. Prior to this, he had proposed Venezuela's suspension from the MERCOSUR and stated that he would seek to establish closer relations with the Pacific Alliance.

When he introduced his cabinet, President Macri announced that Susana Malcorra, former chief of staff to the United Nations Secretary-General, Ban Ki-Moon, would be Argentina's Foreign Minister. Malcorra will steer Argentina's international relations.

Macri has also appointed economist Martin Lousteau as the new ambassador to the United States and Guillermo Montenegro as ambassador to Uruguay, thus initiating a new phase in the country's foreign relations.

Brazil and Mexico Move One Step Closer to a Bilateral Free Trade Agreement

- [America](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

The [first round \(in Spanish\)](#) of negotiations between Brazil and Mexico took place from November 10 to 12, 2015, in Mexico City, with the aim of expanding and deepening Economic Complementarity Agreement No. 53. This agreement, which has been in force since 2003, includes reciprocal tariff preferences of between 20% and 100% and tariff-rate quotas for almost 800 products, including chemicals, transportation equipment, non-food and non-fuel commodities, and other manufactures.

The two countries are seeking to expand the scope of the agreement to include agricultural and industrial products, expand existing preferences, and include new issues. During this first round, talks focused on topics such as market access, rules of origin, trade facilitation, services, investments, sanitary and phytosanitary measures, technical barriers to trade, government procurement, intellectual property, trade remedies, safeguards, and regulatory consistency. It is expected that the first exchange of offers will take place in December, and that these will be discussed during the second round of negotiations in February 2016.

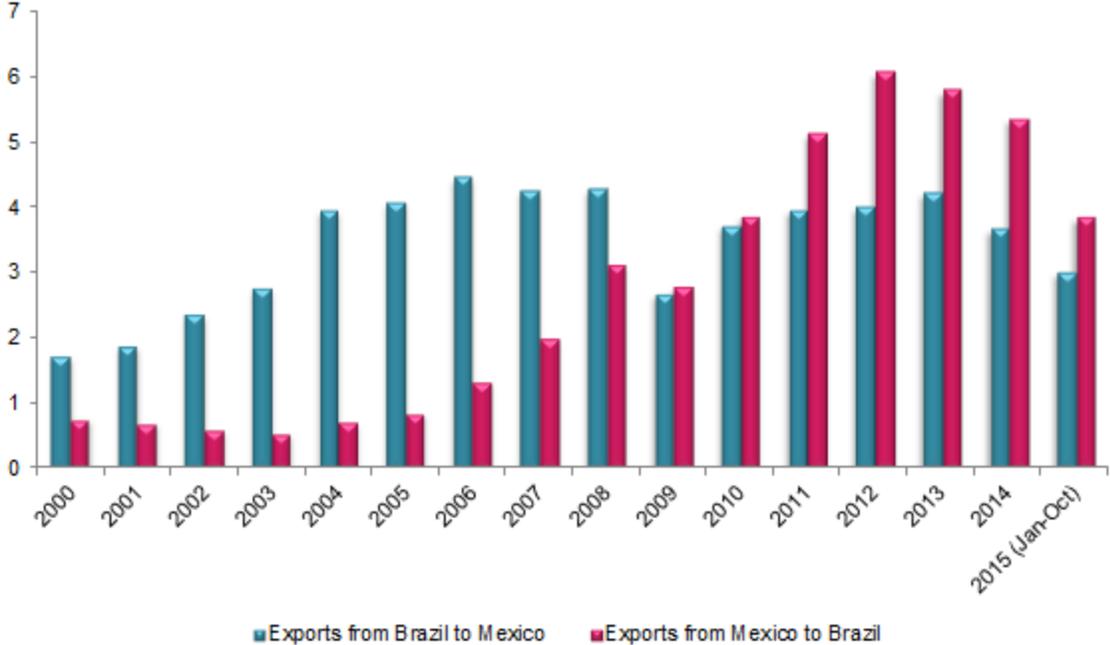
In addition to ECA 53, both countries have two other agreements within the Latin American Integration Association (LAIA): ECA 54, which establishes a framework for the creation of a free trade area between Mexico and the MERCOSUR, and ECA 55, also in force since 2003, which lays the groundwork for the liberalization of trade in the automotive sector (cars; light commercial vehicles; chassis with engines; cabs and bodies for these vehicles; trucks and chassis; tractors; harvesting machinery; self-propelled agricultural and road machinery; and autoparts) between MERCOSUR members and Mexico. Preferences in this sector have been agreed on bilaterally. Similarly, Brazil and Mexico signed a Cooperation and Investment Facilitation Agreement (CIFA) this year.

Brazil and Mexico are the two largest economies in Latin America, and together account for 62.3% of the region's gross domestic product, 52.4% of its population, and 59.8% of its exports. However, the share of each country in the other's trade is less than 2%. Until the 2009 financial crisis, Brazil had run a bilateral trade surplus with Mexico, but the situation has reversed since then. In addition,

bilateral flows have contracted over the past few years. Between January and October 2015, exports from Brazil to Mexico fell 1.6% y-o-y, while exports from Mexico to Brazil fell by 17.2% (Figure 1).

Figure 1. Trade between Brazil and Mexico

In millions of US\$



Source: Prepared in-house using data from SECEX.

In the framework of ECA 55, automotive industry products stand out among exports from each country to the other. In sales from Brazil to Mexico, other prominent products include coffee, products of the iron and steel industry, cell phones, some chemicals, and woods, whereas in Mexican exports to Brazil, certain chemicals, gasolines, and television sets are among the most important products.

How Argentine SMEs Are Funded

- [Integration in Motion](#)
- [n231](#)
- [The SME Space](#)

Argentine SMEs mostly resort to self-financing. They finance between 60% and 65% of investments using their own resources, which shows how limited their access to the financial market is. This conclusion can be inferred from the data released by the *Fundación Observatorio PyME* (SME Observatory Foundation), which shows that, in comparison with their European counterparts, the share of Argentine SMEs' long-term financial debts in total financial debts is low, which has a negative impact on improvements in production capacity and competitiveness (which depend on long-term loans).

Furthermore, financing costs are higher in Argentina than in Europe. On the other hand, virtually all European companies have access to bank credit, while only a third of their Argentine counterparts can obtain such funding.

For more information on the status of Argentine SMEs, visit the [Observatorio PyME](#) website (in Spanish).

The G-20 Agree on Measures to Support Refugees

- [Integration in Motion](#)
- [International Scenario](#)
- [n231](#)

On November 16 and 17, 2015, the finance ministers of the member countries met at the [G-20 Summit](#), which took place in Antalya, Turkey. Among other relevant issues, different actions connected to the fight against terrorism and the refugee crisis were agreed upon.

The ministers analyzed the causes of the slowdown in international trade and committed to strengthening the multilateral trading system by avoiding protectionist measures. In this sense, they expressed their support for the 10th Ministerial Conference of the World Trade Organization (WTO), to be held in Nairobi between December 15 and 18, 2015. They also discussed the impact of regional trade agreements on the multilateral system and agreed to boost the integration of developing countries' small and medium-sized enterprises into global value chains.

The Pacific Alliance Is Committed to Innovation

- [Andean Group](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)



In October 2015, the Chilean city of Punta Arenas hosted the 32nd Round of the Pacific Alliance (PA) [High Level Group \(HLG\) meetings](#) (in Spanish), which brought together the vice ministers of foreign affairs and trade of the four member countries. On this occasion, the Inter-American Development Bank (IDB) approved an instrument for short-term technical cooperation and assessed the implementation of a regional public good with the aim of supporting the four countries in the construction of the [PA innovation ecosystem \(in Spanish\)](#), based on five pillars : human capital, financing, knowledge production and transfer, mindset and culture, and regulatory framework. The most significant projects that the IDB will promote include the Pacific Alliance Acceleration Program, an award for innovation, the creation of an entrepreneurial mentors' network, and the regional integration of incubators for dynamic entrepreneurs.

Furthermore, the vice ministers agreed to encourage the adoption and prompt entry into force of the Trade Protocol in their respective countries, and they also assessed the progress made on issues such as trade facilitation, foreign trade single windows, small and medium-sized enterprises, technical-productive training, and the movement of persons.

The 11th Round of TTIP Negotiations

- [Integration in Motion](#)
- [International Scenario](#)
- [n231](#)

The United States and the European Union (EU) held the 11th [round](#) of negotiations for the Transatlantic Trade and Investment Partnership (TTIP) on October 23 in Miami. The discussions focused on the three pillars of the agreement: market access, regulatory cooperation, and trade rules. With regard to the first pillar, the exchange of offers on tariff reductions and proposals on rules of origin for specific products are of particular note. Both sides agreed to exchange offers on public procurement in February 2016.

As regards regulatory cooperation, there were meetings between the relevant EU and US agencies responsible for regulations on road safety, communications, food, pharmaceuticals, and health, among others.

The Details and the Fine Print of the TPP Under the Magnifying Glass

- [Integration in Motion](#)
- [International Scenario](#)
- [n231](#)

The text of the [Trans-Pacific Partnership](#) (TPP)—signed on October 5, 2015, by Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam—has been revealed. The publication of the documents in question is highly significant, since the negotiation process took place in secret and came under criticism for its lack of transparency.

The agreement includes 30 chapters that address multiple issues such as the TPP's compatibility with pre-existing agreements, market access, rules of origin, trade facilitation and customs, sanitary and phytosanitary measures, technical barriers to trade, investment, trade in services, financial services, the temporary entry of businesspeople, telecommunications, e-commerce, government procurement, competition, state-owned enterprises (SOE), intellectual property, labor and environmental issues, regulatory consistency, small and medium-sized enterprises (SMEs), and dispute settlement, among others.

In terms of market access, the agreement includes the elimination of tariff and non-tariff barriers to agricultural and non-agricultural products over a maximum period of 16 years, albeit with some exceptions that will not be fully liberalized but will enjoy tariff reductions on imports or access to other members' markets through tariff quotas. The most noteworthy of the sensitive products include textiles and clothing—through rules of origin and special safeguards—and processed agricultural products, many of which will be subject not only to tariff quotas but also to safeguards applied by the United States and Japan.

Member countries agreed not to grant export subsidies to agricultural products that would be exported to other TPP countries. Regardless, the most significant support that the agricultural sector receives in the United States is not framed within this modality but instead is an example of domestic support (production subsidies), which may continue to be used. Restrictions on agricultural exports, although permitted, may only be applied for a maximum period of six months. The agreement also includes provisions on transparency in the granting of export licenses for non-agricultural products.

While many countries prohibit the importation of used goods, the TPP prevents restricting trade in *used and remanufactured products* (that is, products that have been repaired and restored “like new”), a point of great interest for the United States as it is the world’s leading exporter of these goods.

It should be mentioned that the TPP allows the accumulation of origin in the production process (that is to say that each country can treat inputs originating in other TPP member countries in the same way as their own inputs), which favors the strengthening of regional value chains between the member countries. Likewise, anticipating the impact of technological change and forms of production, the agreement provides for the possibility of parties modifying rules of origin to favor their adaptation to the new context.

With regard to *trade in services*, the TPP countries agreed to general commitments on national treatment (NT), most-favored-nation (MFN), and market access (for example, there can be no imposing of quantitative restrictions), and there is a ban on forcing suppliers to establish a commercial presence. The commitments were adopted in the form of negative lists (i.e., they apply for all services and modes of delivery, with the exception of those included in the lists), which tends to be less restrictive than the positive list approach used by the World Trade Organization (WTO) General Agreement on Trade in Services (GATS), in which the specific commitments only apply to the services and modes of delivery included in the lists.

With regard to e-commerce, the agreement seeks to ensure the free flow of information and prohibits the forced localization of technologies, servers, and data storage and the imposition of discriminatory measures on trade in digital products.

The chapter on investment binds the member states to providing NT and MFN to investors from TPP countries, sets a minimum standard of treatment, establishes the conditions in which expropriation would be permitted, prevents the use of performance requirements and the restriction of investment-related transfers of funds (contributions to capital, profits, interest payments, and royalties and contractual payments), but allows non-discriminatory restrictions to be imposed on capital flows, among other relevant aspects. The dispute settlement system allows private investors to sue states before the World Bank’s International Center for Settlement of Investment Disputes (ICSID). In some respects, the contents of this chapter go beyond pre-existing agreements, as is the case with the provisions on investment that apply to SOEs. As such, SOEs may not take discriminatory measures in relation to investors from other TPP member countries.

Likewise, the member states are committed to ensuring that transactions made by SOEs take place in market conditions, and cannot provide them with assistance that could negatively impact partners.

In conclusion, in many regards, the TPP goes beyond the commitments taken on by member countries in previous agreements, both among themselves and with other trade partners. In this sense, this first mega-agreement establishes new rules and standards that will affect not only those countries that are party to the agreement but also [the rest of the world](#), both as a result of the barriers that could arise in terms of market access and also by laying the groundwork for the negotiation of other regional and multilateral agreements.

Bolivia and China Negotiate Infrastructure Loan

- [Andean Group](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

In October 2015, the [vice president of Bolivia](#) (in Spanish), Alvaro García Linera, concluded his visit to China, during which negotiations for a US\$7.5 billion loan began. China would grant Bolivia this loan for investment in road, railway, and electric power infrastructure projects. These projects consist of:

Three roads to join the northern Amazon region with the backbone of the country

- Charazani-Apolo-Tumupasa-Ixiamas-Chivé-Porvenir;
- Trinidad-San Ramón-La Moroiña-Guayaramerin; and,
- Santa Rosa de la Roca-Puerto Villazón-Remanzos

A railroad

- Charazani-Apolo-Tumupasa-Ixiamas-Chivé-Porvenir

The construction of a hydroelectric power station

These loans will not be negotiated as a lump sum, but will be requested from Eximbank on a project-by-project basis and will be supplied by Chinese companies, once the corresponding procedures and interest rates have been approved.

Growing Trade Synergies between Andean Countries

- [Andean Group](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)



In October 2015, representatives of the Peruvian, Chilean, Colombian, and Ecuadorian chambers of commerce met in Trujillo, Peru, to sign an [agreement to promote trade and business](#) (in Spanish), and to enhance and develop economic relations between the business communities of their respective countries. Their goal is to draw up agendas that include issues of common interest to promote synergies and competitiveness between companies, and to boost trade, technology, and innovation. To this end, they intend to share information on trade fairs, missions, and business opportunities, as well as to jointly organize trade promotion activities, encourage regional tourism, and exchange experiences and common knowledge.

Brazil and Paraguay Sign Cooperation Agreements

- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)
- [Southern Cone](#)



On October 29, 2015, Brazil and Paraguay signed a series of [agreements](#) (in Spanish) to promote bilateral cooperation, focusing on the development of Paraguay's precision forestry, capacity building for the management of water resources, and dairy farming, among other activities.

The objectives of the agreements include seeking cooperation for the development of the dairy production chain and supporting the Advisory Group on the competitiveness of Paraguay's dairy industry (known as *Mesa Láctea*) with a view to strengthening the sector.

The above-mentioned documents were signed by Ambassador Eladio Loizaga, Minister of Foreign Affairs of the Republic of Paraguay, and José Felício, Ambassador of the Federative Republic of Brazil.

Costa Rica Initiates OECD Accession Process

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

The Organization for Economic Co-operation and Development ([OECD](#)) officially launched the process for the accession of [Costa Rica](#) (in Spanish), within the framework of a visit by a delegation of OECD representatives to the country in question.

As part of this [process](#), 22 OECD committees will examine Costa Rica's willingness and ability to implement the organization's legal instruments and bring itself in line with the best practices recommended by the OECD in various areas. Some of the most significant of these areas are investment, trade, the economy and development, science and technology, regulatory aspects, statistics, the digital economy, agriculture, financial matters, and the environment. These committees may recommend that Costa Rica adapt its legislation, policies, or practices to OECD standards.

Established in 1961, the OECD seeks to promote policies aimed at improving the economic and social well-being of people at the global level. To this end, it provides a discussion forum in which governments can exchange experiences so as to find solutions to common problems. It is made up of 34 countries, most of which are developed economies. To date, the only Latin American members of the organization are Mexico and Chile, which joined the OECD in 1994 and 2010, respectively. Colombia, for its part, has been undergoing the accession process since 1993.

Paraguay and Uruguay Expand Trade in Local Currency

- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)
- [Southern Cone](#)



On October 23, the Central Banks of Paraguay and Uruguay signed an [agreement](#) (in Spanish) to create a local currency payment system (SML), whereby the natural and legal persons that carry out transactions of any kind between the two countries can make and receive payments in their respective currencies. The aim of this measure is to reduce transaction processing times and the costs that arise from the use of a third currency, as well as to enhance financial inclusion. This mechanism shall enter into force once it is regulated.

The SML between Paraguay and Uruguay was agreed on in the framework of Decision No. 25/07 of the MERCOSUR Common Market Council (CMC), which created it as an optional and supplementary payment system to those currently in place. This SML will be governed by bilateral agreements between member countries.

This is the first agreement that establishes payments in local currency that Paraguay has signed with its fellow MERCOSUR members. Uruguay launched an SML with Brazil in December 2014, and later

signed an agreement to create a similar mechanism with Argentina in June 2015. Likewise, the SML between Argentina and Brazil has been in operation since October 2008, although its use has been limited in terms of both the number of transactions and the amounts of currency involved.

To learn more about the SML, see [MERCOSUR Report No.20](#) (*in Spanish*) (pages 77–78).

The Caribbean Seeks to Promote Investment

- [Caribbean](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)



The [41st meeting](#) of the Council for Trade and Economic Development (COTED) of the Caribbean took place on November 13, 2015.

Among other topics, there were discussions on the subregion's future trade strategy, investment promotion, the relative progress made on the implementation of the provisions of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), the opportunities and challenges facing companies in the Caribbean, and the subregion's priorities in health matters. This last point of discussion included issues related directly and indirectly to trade, such as food labeling and diseases that affect the competitiveness of the labor force.

Input-Output Matrix Maps Integration Potential

- [America](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

The fruit of almost three years of intense work, the regional input-output matrix (IOM) created by the Economic Commission for Latin America and the Caribbean (ECLAC) and the Institute for Applied Economic Research (IPEA) was presented on November 18, 2015, at the Federation of Industries of the State of São Paulo (FIESP), during the seminar entitled “Productive Integration in South America.” The aim of this new tool is to enable the creation of better public policies and also to prioritize analyses of the private sector.

Central America Makes Headway on Trade Facilitation

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n231](#)
- [Regional Panorama](#)

Noteworthy progress has recently been made in the fields of trade facilitation and logistics in Central America.

First, the Council of Ministers for Central American Economic Integration (COMIECO) approved the [Central American Trade Facilitation and Competitiveness Strategy](#) (in Spanish), which emphasizes coordinated border management, drawn up by the authorities of the region with the support of the Inter-American Development Bank (IDB) and other international agencies.

This strategy is expected to help simplify trade procedures, reduce trade costs, improve tax revenue, enhance competitiveness, and modernize border infrastructure. Central American countries will develop national plans to implement the strategy.

Second, the COMIECO, the Sectoral Council of Transportation Ministers of Central America (COMITRAN), and the Council of Finance Ministers of Central America and the Dominican Republic (COSEFIN) agreed to promote this strategy, as well as to join efforts to draw up a [Regional Policy Framework on Logistics and Mobility](#) (in Spanish), to be coordinated by El Salvador.

Third, Panama became the 52nd member of the World Trade Organization (WTO) to ratify the Trade Facilitation Agreement (TFA). So far, the only parliament in Central America to have approved the agreement is that of Nicaragua.

The TFA will only enter into force once it has been ratified by 108 countries, that is, by two-thirds of the WTO membership. Its goals are to simplify customs procedures so as to reduce trade costs and times, enhance efficiency and transparency in operations, and reduce bureaucracy and the possibility of corruption. The TFA includes stipulations on goods in transit and provides for measures to support capacity building in those countries that lack the necessary technical and financial resources to fulfill their commitments.

Five Reasons for Businesses to Hire Women

- [Integration in Motion](#)
- [n231](#)
- [The SME Space](#)



Diversity is Key for the Organizations of the Future

A study by the [International Finance Corporation](#) has revealed that incorporating more women into firms helps protect women's rights, while also making good business sense. After examining a variety of [companies \(in Spanish\)](#) in different sectors around the world, the study argues that hiring women brings with it the following list of [benefits \(in Spanish\)](#):

- **The best available talent:** there has been a rise in the number of professionals who could potentially fill vacancies, from the lowest levels up to management.

- **Greater productivity and innovation:** there is ever more evidence that when men and women work alongside each other, teams tend to be more creative. Diversity is a key quality for the organizations of the future.
- **Strengthening team dynamics:** women are often skilled at uniting people and bringing together different views and ideas. This favors teamwork, encourages people to get involved, and streamlines decision-making.
- **Lower staff turnover and long-term relationships:** unlike men, most women can focus on several things at a time and multitask. Companies can take a gamble on their continued training, rather than hiring new staff for new tasks or positions.
- **Better working environment (in Spanish):** women are able to relate to other people from a place of empathy. They value others, because they are usually more oriented towards people and their needs. Women are also more predisposed towards communication and feedback, which contributes to conflict resolution.

Although female employees represent **40% of the world's labor force**, and many successfully set up their [own businesses \(in Spanish\)](#), the [International Labour Organization](#) estimates that about half (48%) of women's productive potential is not being taken advantage of, compared with 22% of that of men.

Investment in initiatives that support women in the workplace creates a win-win situation as it leads to real benefits for both employees and employers. At least one third of the firms that invested in these programs in emerging and developing markets have seen improvements in their companies, and 38% are expecting to see financial returns, according to a survey by McKinsey.

Some of the benefits are short term, such as reducing staff turnover and absenteeism rates, while others are long term, connected with corporate image, earnings, talent attraction, and higher levels of innovation.

Hiring more women ensures that a company's workforce is more representative of its customer base and has greater knowledge of consumer preferences: globally, women influence up to 80% of purchasing decisions.

The private sector, which accounts for nearly 9 of every 10 jobs in developing countries, has a crucial role to play in this process. Companies with higher numbers of female employees are still a rarity, despite advances in gender equality. In many industries such as mining, construction, and energy, women represent only a small minority of employees; and they account for a smaller proportion of management positions than men in almost every sector.

Barriers in the Region

In some countries in Latin America, the barriers to women working are not only cultural but are also, in many cases, legal and administrative. [World Bank](#) economist Elizaveta Perova said that “the lack of flexible, family-friendly policies, together with traditional gender roles that assign women household responsibilities, impede women’s access to paid employment.”

These barriers play a significant role in explaining, for example, the fact that many women decide not to opt for more lucrative career areas such as science, [technology \(in Spanish\)](#), engineering, or mathematics. In addition there are practical difficulties such as the almost total lack of affordable, high-quality childcare services for the children of working mothers.

Some analysts predict that the next economic revolution may arise from the role that women play in the world of business and the market, as the business dynamic would be greatly enhanced by larger numbers of women entering the workforce.



Connecting Voices

Exclusive Interviews with Key Players

- [Connecting Voices](#)
- [n231](#)

INTAL's 50th Anniversary: Interview with Carl Benedikt Frey

INTAL's 50th Anniversary: Interview with Sergei Soares (in Spanish)

Reading Material on Integration

Commodity Prices Have an Effect on Social Conflicts

- [Impact Assessment](#)
- [n231](#)
- [Reading Material on Integration](#)



In their interesting, detailed study, Dube and Vargas (2012) evaluate the income effect^[1] derived from variations in export product prices on social conflict in Colombia and single out two types of effect. On the one hand, an increase in prices can bring about an “opportunity cost effect,” in the sense that the consequent improvement in the labor market and rise in wages tends to reduce the incentive to appropriate resources by violent means. On the other hand, the authors define a “predation effect” that captures the fact that the increase in income that derives from the price hike can prove to be an incentive for the appropriation of additional resources through violence. In particular, the study aims to estimate the effect of changes in the price of coffee, oil, and other products on violence and civil unrest in Colombia between 1998 and 2005.

The study links variations in the prices of agricultural, energy, and mining products from a total of 950 municipalities with data on four measures of conflict: guerrilla attacks, paramilitary attacks, conflicts, and war-related casualties.

The methodology consisted of constructing fixed effects by municipality so as to control for those features that are not modified over time in each municipality, which could then be correlated with economic variables and armed conflict. Furthermore, production variables were instrumented with exogenous variables such as temperature and rainfall for agricultural products; coal reserves; and historical measures of gold production.

A difference-in-differences estimation was constructed, so as to evaluate the effect of changes in prices on violence in the different municipalities in question.

The study found that a decrease in the price of coffee in the 1990s led to reduced wages and an increase in violence in coffee-growing municipalities, as a result of the lower opportunity cost of joining in the armed conflict. On the other hand, rising oil prices increased the income of municipalities through taxation, although violence also grew in oil-producing municipalities. The study then turned to other products, and found an opportunity cost effect for sugar, banana, palm, and tobacco, and a predation effect for goods such as coal and gold.

Among the study's more noteworthy conclusions are certain policy implications, such minimum price schemes for certain products, which would reduce the probability of armed conflict, as well as the need to increase security in municipalities that derive higher levels of tax revenue from the effect of commodity prices.

The value of the study lies in its rigorous measurement of the heterogeneous impacts that an income effect derived from changes in export prices can have on social conflict.

Bibliography

Dube, O. and Vargas, J. 2012. "[Commodity Price Shocks and Civil Conflict. Evidence from Colombia](#)," in: *Review of Economic Studies*, 80. December. p. 1384–1421.

[1] Income effect can be positive or negative depending on whether there is a rise or fall in export prices.

The MERCOSUR Report: The State of Affairs and Current Trends

- [n231](#)
- [Reading Material on Integration](#)
- [Reviews](#)

Rather than contributing to an improvement in the macroeconomic climate of the MERCOSUR, the international context has had the opposite effect. The difficulties in the global economy have worsened since mid-2014: in addition to weak international demand there has been a reduction in global trade and investment, and in commodity prices. The only factor counterbalancing this process is the mild and unstable recovery of the developed economies, of which the United States has performed best. The slowdown of China, the main market for MERCOSUR commodities exports, is an important factor in explaining how the external sector has ceased to leverage the bloc's performance as a whole.

In 2014, both exports and imports contracted, and this drop was accentuated during the first half of 2015, when the negative trend spread to all countries in the bloc, affecting trade with its main partners and most product categories. Given its cyclical nature, trade within the MERCOSUR shrunk more than trade with the rest of the world, mainly as a result of lower flows between Argentina and Brazil, especially in the automotive sector. Paraguay was the only member of the bloc that managed to increase its sales to the MERCOSUR throughout the period in question. As well as examining trade with extraregional partners and intrabloc trade, the report includes a section on trade between the MERCOSUR and Bolivia, a country in the process of joining the bloc.

Between July 2014 and July 2015, the MERCOSUR domestic agenda was structured around three core areas: economic and commercial issues, institutional matters, and the social dimension. In the economic/commercial sphere, work continued on various initiatives to promote productive integration and reduce asymmetries between member countries. At the Brasilia summit, it was decided that FOCEM and the corresponding technical unit would be extended for ten more years, although there were no changes to its budget. One of the most noteworthy recent highlights was Brazil's presentation of a proposal to sign a Cooperation and Facilitation Investment Agreement in September 2015.

Institutions

At the institutional level, the most relevant aspect of the domestic agenda in the period under analysis was the potential expansion of the MERCOSUR, that is, the regularization of agreements for the accession of Bolivia and association of Guyana and Suriname, signed during Paraguay's suspension from the bloc. However, no significant progress has been made on the entry process for Venezuela. Also of note is the regularization of the institutional reorganization of the Common Market Group (GMC), the appointment of new authorities, and some aspects related to the MERCOSUR Parliament.

At the same time, the individual negotiations carried out by Argentina and Brazil with Mexico over trade in the automotive sector did not reflect prior efforts at intra-bloc coordination, as had been suggested in 2014. During this period, the new administration of President Tabaré Vázquez in Uruguay promoted various initiatives for rapprochement with the other MERCOSUR countries. Uruguay thus reached different sectoral agreements with Brazil and Paraguay, and joint negotiation proposals were also agreed upon with the latter country to be presented within the MERCOSUR framework.

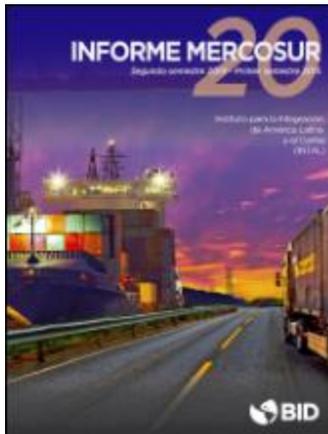
The report also examined the bilateral negotiations that the different members have maintained with Bolivia over the period. In particular, it describes individual energy negotiations between Bolivia and Brazil and Argentina, as well as infrastructure initiatives in the context of URUPABOL. Finally, the report summarizes two salient facts concerning the links between some member countries and the United States.

In terms of links with the Pacific Alliance, the MERCOSUR put forward a concrete proposal for a joint Action Plan, though it has yet to receive a response from the other party. As such, the initiative and thrust that biregional relations experienced toward mid-to-late 2014 have not developed further over 2015.

Relations between MERCOSUR Member Countries and China

Progress has been made on the links between MERCOSUR members and China both in terms of formal relations with the bloc (especially in recent years) and at the bilateral level. The recent history of this relationship reveals the growing use of complementarity relations between the two parties. This has emerged in the wake of China's integration into the multilateral trading system and its consolidation as a strong source of demand for raw materials and as a supplier of manufactures and, subsequently, its growth as a major international financing center. Today, China is an important, dynamic presence in the external sector for MERCOSUR countries.

As such, a negotiation agenda that will help to improve this link would play a prominent role within these countries' foreign relations. In a context in which the dynamism of trade and global activity have been weakened following the international financial crisis, the “manufactures for raw materials” trade pattern that dominates trade relations between China and the MERCOSUR has given way to deterioration and deficits in the balance of trade in goods for most MERCOSUR countries.



Beliz, G., director, and Ramos Martínez, A., coordinator. 2015. MERCOSUR Report No. 20: Second semester 2014–First semester 2015 (in Spanish). Buenos Aires: INTAL.

Bibliographic alert

- [Bibliographical News](#)
- [n231](#)
- [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

- [n231](#)
- [Trade Thermometer](#)

This month's trends

During this period, the outlook for regional trade policy was characterized mainly by the presentation of the text of the Trans-Pacific Partnership (TPP), and the discussions around this. Similarly, the immigration crisis in Central America and disputes in Venezuela also dominated the agenda. There have been advances on existing agreements, notably the regional agreements between Chile, Central America, and Mexico with partners both within and outside the region, and the agreements of major integration blocs like ALADI, ACS, the MERCOSUR, SICA, and SELA. Progress was also made on new and advanced negotiations.

360° Panorama

Over the course of the month, progress was made on one new agreement, thirty-five existing agreements, and ten trade negotiations (seven advanced and three concluded).

New Agreement

- [Free trade agreement between Chile and Thailand enters into force \(in Spanish\)](#)

Advanced Negotiations

- Trans-Pacific Partnership (TPP): [The Trans-Pacific Partnership \(TPP\) sees the light of day \(in Spanish\)](#)
- [The TPP will be signed in February and will enter into force within two years \(in Spanish\)](#)
- Pacific Alliance: [Peru ratifies additional protocol for the Pacific Alliance framework agreement \(in Spanish\)](#)
- CELAC defines extraregional relations and prepares upcoming summit

- [Second round of negotiations takes place for FTA between Central America and Korea \(in Spanish\)](#)
- [Ecuador and Turkey move towards a trade agreement \(in Spanish\)](#)
- [Fourth round of negotiations for FTA between Peru and Turkey begins with significant results \(in Spanish\)](#)

Concluded Negotiations

- [Panama and Colombia reach seventh round of negotiations \(in Spanish\)](#)
- [The European Union supports trade agreement with Ecuador but calls for action on social issues \(in Spanish\)](#)
- [Panama and Israel conclude negotiations and will sign a free trade agreement \(in Spanish\)](#)

Selected News on Trade Agreements Currently in Force

- [ALBA/TCP: Hemispheric meeting on Latin American integration begins in Cuba \(in Spanish\)](#)
- [ACS: Leaders from 21 countries in the Caribbean and Central America meet to support MSMEs \(in Spanish\)](#)
- [Panama and Trinidad and Tobago are interested in expanding trade \(in Spanish\)](#)
- [Latin American Integration Association \(ALADI\): Fourth Meeting of Government Officials Specializing in Trade in Services Statistics \(in Spanish\)](#)
- [Latin America/Asia Pacific Business Forum \(in Spanish\)](#)
- [Bolivia/Chile Partial Scope ECA 22: Controversies over the facilities Chile provides for Bolivia's maritime trade \(in Spanish\)](#)
- [Central America/European Union: Deadlines have been set for reimbursement of duties on imports from the EU \(in Spanish\)](#)
- [Costa Rica is open to reviewing its treaty with the European Union \(in Spanish\)](#)
- [Chile/Peru: Peruvian border control increases tension in relations with Chile \(in Spanish\)](#)
- [The EU and Chile are working to conclude updating their bilateral agreement in 2017 \(in Spanish\)](#)
- [Colombia/Venezuela: In search of a Venezuela–Colombia border agreement \(in Spanish\)](#)
- [Costa Rica/People's Republic of China: Costa Rica approves first vote concerning the investment promotion agreement with China \(in Spanish\)](#)
- [Caribbean Community \(CARICOM\): CARICOM Secretary visits Brazil to strengthen links \(in Spanish\)](#)
- [MERCOSUR: Committee of Permanent Representatives of MERCOSUR meet \(in Spanish\)](#)

- [MERCOSUR/Bolivia: Bolivia seeks special treatment in trade agreement with Germany and the European Union \(in Spanish\)](#)
- [MERCOSUR/Chile: Chile and Brazil sign historic economic and trade cooperation agreement \(in Spanish\)](#)
- [Mexico/EU: Mexico and the EU make headway on Economic Partnership and Cooperation Agreement \(in Spanish\)](#)
- [Panama/Chinese Taipei: Panama and Taiwan sign agreement \(in Spanish\)](#)
- [Panama/Cuba: The Havana International Fair 2015 and Panama \(in Spanish\)](#)
- [Peru/Korea: Pharmaceutical companies in Peru and Korea close agreements worth US\\$12.6 million \(in Spanish\)](#)
- [Peru/United States of America: Peru and the United States continue to make progress towards the implementation of their FTA \(in Spanish\)](#)
- [Peru/People's Republic of China: Peru emphasizes its economic growth to Chinese investors \(in Spanish\)](#)
- [Peru/Thailand: Peruvian canned tuna industry at risk due to unfair competition from Thailand \(in Spanish\)](#)
- [CAFTA–DR: The Dominican Republic gets bad marks regarding trade with the US \(in Spanish\)](#)
- [Central American Integration System \(SICA\): First meeting of the Central American Integration System ends with no agreement on Cubans \(in Spanish\)](#)
- [Latin American Economic System \(SELA\): SELA commemorates the 40th anniversary of its articles of agreement \(in Spanish\)](#)
- [Reflections following the ASPA summit \(in Spanish\)](#)
- [Union of South American Nations \(UNASUR\): Statement issued by the Electoral Mission of the Union of South American Nations during the elections of the National Assembly held in the Republic of Venezuela](#)

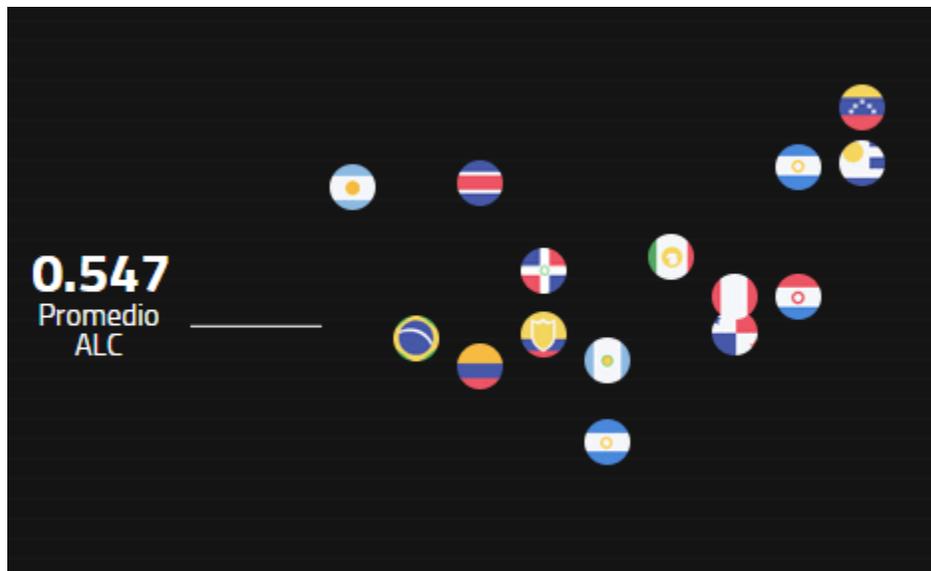
The IJI is an analytical compilation of regulatory texts, commentaries, and the monitoring of legal commitments and developments concerning the various integration processes taking place in Latin America and the Caribbean. For news and to learn more about the progress made on trade agreements and negotiations,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

INTAL Interactive Infographics and Fact Sheets

- [n231](#)
- [Trade Thermometer](#)

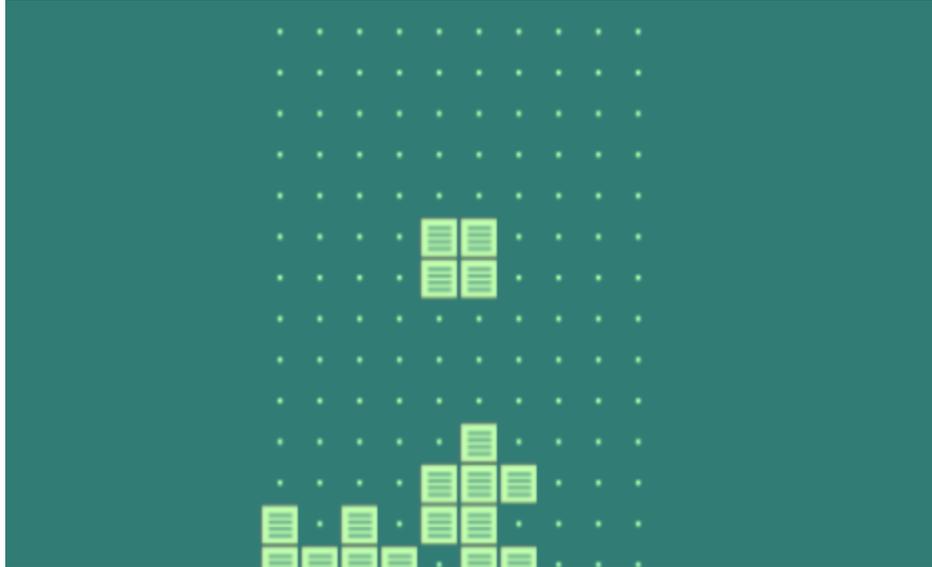
Inequality

Social indicators have improved in Latin America and the Caribbean over the last decade. Among other indicators, both income distribution and poverty show a positive evolution. This screen displays a review of the factors behind improvements in social equality in the region.



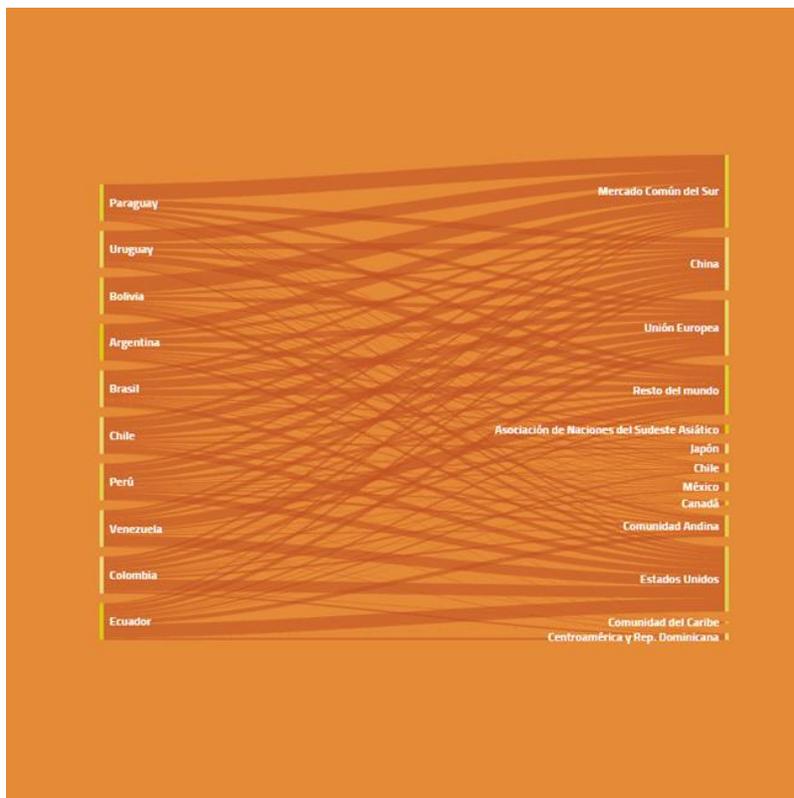
Between Us

How difficult is it to achieve a high level of regional integration in trade in goods? This display uses the game of Tetris as a metaphor to show that if you play well, you will reach a high score in intraregional trade and rank high among the regional blocs listed in the table to the right of the screen. On the contrary, if you fail to fit your pieces together and clear the lines, your level of intraregional trade will be low and you will be in one of the lowest positions in the ranking, behind leading regional blocs.



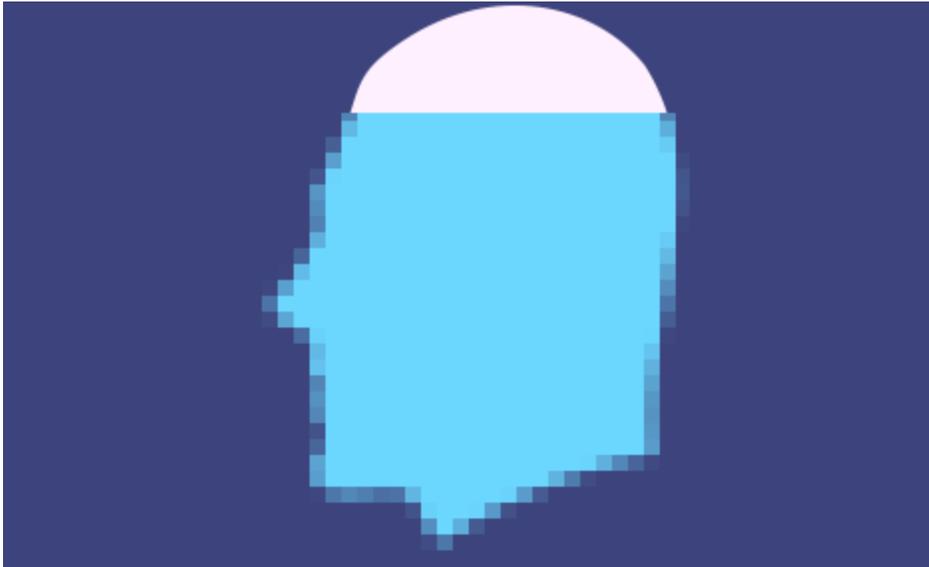
Partners

Find out who the region's major trade partners are. Move around the display to find out who Latin America's main trade partners are. After selecting a LAC country on the left of the screen, you can see its total trade figures (exports plus imports) with its main intra- and extra-regional partners on the right.



Replaced by Robots?

Jobs that are most at risk of being made obsolete by the automation of tasks. What does the future have in store for your particular line of work? What is the probability of automation for different types of employment and levels of education?



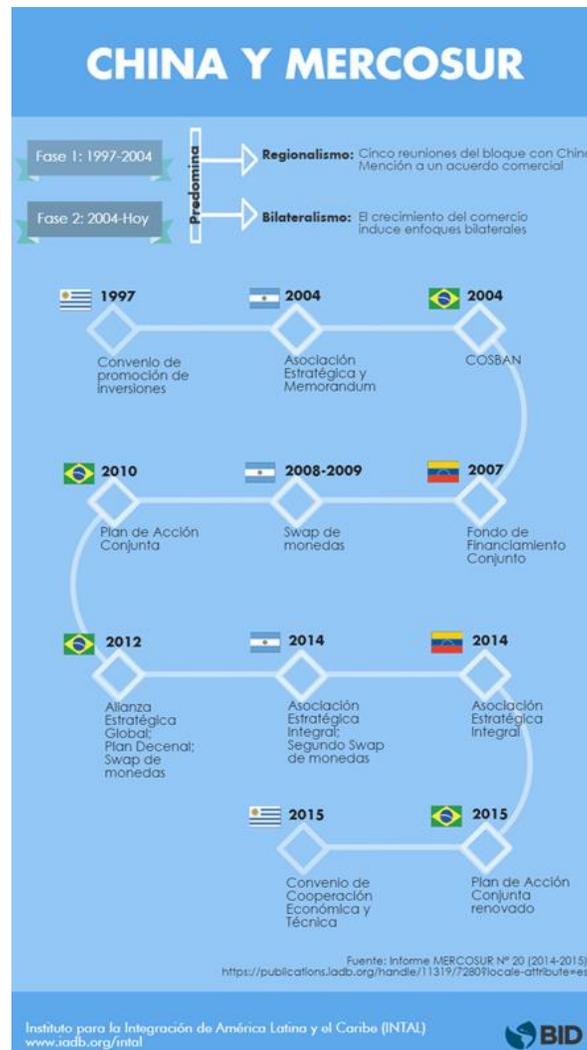
The Impact of the Deterioration in the External Sector on the Region

- n231
- Trade Thermometer



China and MERCOSUR

A deepening relationship. From regionalism to bilateralism.



For more information, see [MERCOSUR Report No. 20 \(2014–2015\)](#) (in Spanish).

Editorial

Editorial Staff

- [Editorial](#)
- [n231](#)

This is a monthly publication property of the Institute for the Integration of Latin America and the Caribbean, Inter-American Development Bank (IDB-INTAL). All rights reserved.

Information sources: Press releases and clippings from: LAIA; IDB; CARICOM; Andean Community; Euro-Lat; Group of 77; ACS; Group of Rio; MERCOSUR; PARLATINO; LAES; SG-SICA; SIECA. Official and International Agencies. INTAL Press.

Steering Committee:

Antoni Estevadeordal

Gustavo Beliz

Coordination:

Alejandro Ramos Martínez

Technical advisory:

Rosario Campos

Santiago Chelala

Ignacio Estévez

Romina Gayá

Alejandra Radl

Verónica Toscani

Assistance to compilation:

Andrea Benítez

Eugenia Piasentini

Editing:

Ana Basco

Santiago Chelala

Julieta Tarquini

Web Editing:

Gastón Casella

Federico Mazzella

Julieta Tarquini

R.P.I.: 5234654

ISSN: 1027-2550

Copyright © 2015 Inter-American Development Bank. This work is licensed under a Creative Commons IGO 3.0 Attribution-NonCommercial-NoDerivatives (CC-IGO BY-NC-ND 3.0 IGO) license (<http://creativecommons.org/licenses/by-nc-nd/3.0/igo/legalcode>) and may be reproduced with attribution to the IDB and for any non-commercial purpose. No derivative work is allowed.

Any dispute related to the use of the works of the IDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. The use of the IDB's name for any purpose other than for attribution, and the use of IDB's logo shall be subject to a separate written license agreement between the IDB and the user and is not authorized as part of this CC-IGO license.

Note that link provided above includes additional terms and conditions of the license.

The opinions expressed in this publication are those of the authors and do not necessarily reflect the views of the Inter-American Development Bank, its Board of Directors, or the countries they represent.

**Links to original information sources in this issue:**

- Convenio para la implementación del Sistema de pagos en Moneda Local entre el Banco Central del Paraguay (BCP) y el Banco Central del Uruguay (BCU). (2015). Asunción: BCP; BCU. [Link](#).
- Dubey, O. and Vargas, J. (2012). Commodity price shocks and civil conflict: evidence from Colombia. *Review of Economic Studies*, 80, p. 1384-1421. [Link](#).
- Roadmap for the accession of Costa Rica to the OECD Convention. (2015). París: OECD. [Link](#).
- McClean, Maxine. (november, 2015). Statement. At: Press Conference at the conclusion of the Forty-First Meeting of COTED. Georgetown: CARICOM. [Link](#).