INTAL CONNECTION

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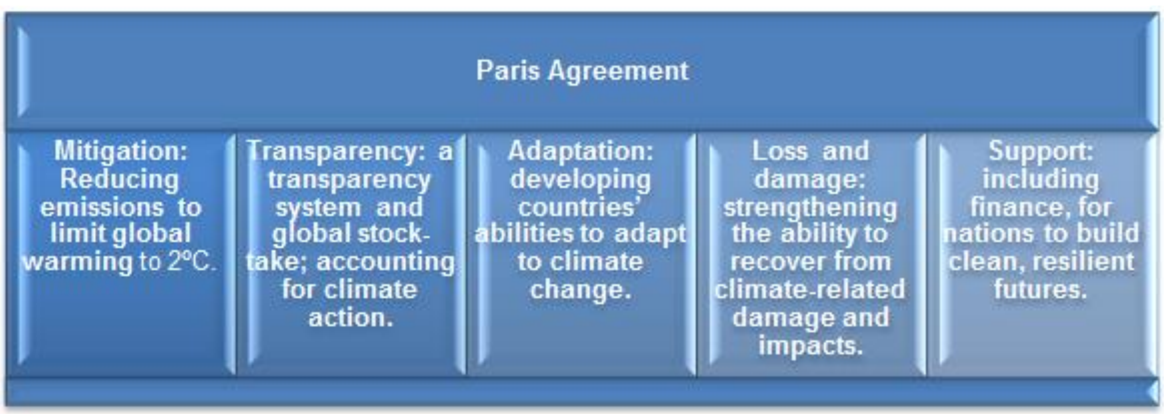
LATIN-CHINA

Integration Ideas

Climate Change Agreement: Impact on Trade

On December 12, 2015, the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) concluded in Paris with a global agreement to reduce greenhouse gas (GHG) emissions and combat climate change.

Representatives from 195 countries confirmed the objective of ensuring that the earth's temperature rises by less than 2ºC and pledged to strive to keep this increase below 1.5ºC so as to protect island states, which are threatened by rising sea levels. The Paris Agreement will be signed on April 22, 2016, in New York and will enter into force 30 days after being ratified by 55 countries representing at least 55% of global GHG emissions.



Before COP21, most countries had drawn up an action plan detailing the actions they would take to reduce GHG emissions. However, these were considered insufficient to keep global warming below the UNFCCC target of 2ºC, and so the Paris Agreement establishes each country's emissions should be reviewed every five years from 2020 onwards, without the option of their being able to reduce their pledges. Efforts will also be made to achieve "emissions neutrality" in the second half of the 21st century, which implies as much carbon being absorbed as is emitted. The agreement includes a non-punitive mechanism of compliance that will be overseen by a committee of experts.

In addition to the commitments made by national states, a large number of cities—including many in Latin America and the Caribbean—regions, companies, and organizations from civil society will develop initiatives to contribute to the fight against climate change, which are recorded on the NAZCA portal and in the Lima-Paris Action Agenda.

Common but Differentiated Responsibilities

The Paris Agreement establishes “common but differentiated responsibilities” in the fight against climate change: all countries must play a part, but the different responsibilities and capacities of each will be taken into account, depending on their economic realities. As such, developed countries will have to cut their GHG emissions to greater degrees than developing countries, although these must also broaden their mitigation efforts and make progress on limiting their emissions. The agreement also acknowledges that the circumstances of the least developed countries and small island developing states are exceptional.

The agreement recognizes that from 2020 onwards, US$100 billion will be required annually to finance climate change adaptation and mitigation projects. Developed countries will contribute to the financing of developing countries’ mitigation and adaptation actions and must provide quantitative and qualitative information every two years. For their part, developing countries are invited to make voluntary contributions for the same purpose and the Paris Committee on Capacity Building will be created to help them achieve these commitments.

Green Bonds

The agreement also establishes a voluntary market mechanism to contribute to GHG emission mitigation and support sustainable development. In other words, one country’s emissions reductions may be used by another to meet the commitments it has taken on as a nation. The green bond system may be used by public and private entities and the resulting benefits will go towards the adaptation of countries that are particularly vulnerable.

Possible Implications for Trade

The Paris Agreement establishes that the concerns of the economies most affected by the response measures—particularly developing countries—should be taken into account when it is being implemented, although it does not specify that climate change action should not become disguised protectionism. This contrasts with the Kyoto Protocol[1] and with earlier drafts of the Paris

Agreement, which stated that unilateral measures should not become unnecessary restrictions to international trade and especially that developed countries should not apply them to goods and services originating in developing countries.

This opens up the possibility of growing trade conflicts arising due to the adoption of restrictive trade measures that are supposedly justified by the fight against climate change. Exports from developing and the least-developed countries are most vulnerable to this type of practice, and increased difficulty in external market access may limit the resources available to these countries for taking climate action. Consequently, the agreement poses the challenge of finding forms of sustainable production and consumption that allow reductions in global GHG emissions and improvements to international integration to be achieved. The conflicts that may arise between climate action and trade point to the need for an agreement at the World Trade Organization (WTO) that takes both issues into account.

Box: Trade and Climate Change at INTAL50
The link between trade and climate change was a topic of discussion at the main event to mark INTAL's 50th anniversary through the presentations given by Aaron Cosbey(IISD) and Ricardo Meléndez Ortiz (ICTSD and E15). Aaron Cosbey argued that progress on the elimination of barriers to trade in environmental goods and services at the WTO has been slow and emphasized the importance of national and regional policies to promote these, placing special emphasis on trade and investment (video [in Spanish]). Despite the fact that the share of Latin American and Caribbean countries in the global market for environmental goods is small—with the exception of Mexico's production of solar panels and heaters and pressure measuring instruments—they do have export potential in this field. Cosbey drew attention to the cases of ethanol in Brazil—where public policy played a key role—solar rooftop heaters in Mexico, and HCFC-free fridges in Colombia. He also emphasized the importance of developing and harmonizing compulsory or voluntary energy efficiency standards in the region to expand the size of the potential market. Ricardo Meléndez Ortiz argued that climate change presents both challenges and opportunities that should be taken advantage of through innovation and integration (video [in Spanish]). With regard to COP21, he emphasized the importance of national efforts to reduce GHG emissions. In this context, he stressed that current emissions have to do with countries' installed capacity in

terms of capital goods and infrastructure, so a significant change in the energy matrix will be required. He also discussed renewable energies and argued that trade in the technological components that are required to generate these energies (e.g. wind towers, photovoltaic panels) is more important than trade in the energies themselves. He further underlined the need to reduce the carbon content of exports to avoid the negative impact of response measures in other countries.

Sources: UNFCCC, ICTSD.

[1] Article 2.3 of the Kyoto Protocol establishes that countries that committed to reduce their emissions “shall strive to implement policies and measures […] in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties, especially developing country Parties.”

Inspiring Activities

Social Integration+Social Inclusion

- Inspiring Activities
- n232

Trade is increasingly important in the global economy. What structural changes has LAC seen over the past 15 years?
In his presentation, Antoni Estevadeordal, Manager of the Integration and Trade Sector at the IDB, explains the growth in trade between LAC and Asia, which has become the region's main trading partner: it currently accounts for 22% of LAC's trade, and this percentage is expected to increase to 33% over the next decade. He also underlined the opportunity generated by trade between developing countries—known as South-South trade—which was virtually non-existent 20 years ago and today stands at 20%.

Laudato Si', Pope Francis's most recent encyclical, was one of the documents that was most cited during the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change (UNFCCC) that concluded in Paris on December 12, 2015.
In his presentation, **Marcelo Sánchez Sorondo**, Chancellor of the Pontifical Academy of Sciences of the Vatican, analyzed and outlined the main arguments of *Laudato Si',* which he defined as an encyclical that is not just about nature but also about society.

LAC and China in the Wake of the Commodity Boom

- Inspiring Activities
- n232

Leading international experts reconsidered the relationship between Latin America and the Caribbean and China in the context of low commodity prices**.** The seminar The economic relations between China and Latin America and the Caribbean: a prospective vision (see agenda) was the ideal context in which to analyze different aspects of cooperation and ways of strengthening relations that are based on trade rather than aid or financial assistance.

The first panel was moderated by **Ricardo Rozemberg** (National University of General San Martín). It began with a presentation from **Guo Jie** (Peking University), who pointed out the trade and investment linkages between China and LAC and the recent slowdown in GDP growth and trade in both places as a path towards more sustainable growth. On the one hand, she stressed the growth in non-traditional exports from some LAC countries to China, such as agro-industrial products and foods with higher levels of processing. On the other hand, she showed the diversification of Chinese investment in the region in the automotive sector, agriculture, renewable energies, and e-commerce, among others. In this regard, she emphasized that FDI is not only targeting natural resources but is also seeking markets, reductions in production and logistics costs, and increased competitiveness. Dr Guo explained the framework for China's 1+3+6 alliance with LAC, which is based on one plan, the China–Latin American Countries and Caribbean States Cooperation Plan (2015–2019); three engines (trade, investment, and financial cooperation); and six fields, promoting integration between the two in energy and resources, infrastructure construction, agriculture, industry, scientific and technological innovation, and information technologies.
Furthermore, she noted the various loans and funds for investment and cooperation with LAC and expressed her support for these programs and initiatives, especially in infrastructure and tourism, where many opportunities lie.

Mauricio Mesquita Moreira (IDB/INT) reviewed the past 15 years of China–LAC relations, stressing the inter-industry nature of trade flows and the different impacts on subregions: while some South American countries have a trade surplus, Central American and Caribbean countries have a deficit. He described how FDI arrived in the region towards the end of the boom and concentrated first on natural resources and infrastructure in connection with those resources. He also pointed to the increase in loans focusing on the Southern Cone in exchange for natural resources.

Dr Mesquita Moreira argued that the current slowdown can be explained by a cyclical adjustment, as China will continue to demand large quantities of natural resources, as is shown by the growth in the volume of commodity imports. Looking to the future, a change in the pattern of trade is not to be expected, and the region needs to generate trade policy responses in order to diversify exports and negotiate the entry of products with higher degrees of processing. There is plenty of room for negotiation in relation to tariffs on agricultural products in China, while LAC has imposed barriers on Chinese manufactured goods. Furthermore, China grants neighboring countries tariff preferences for agricultural and manufactured goods to generate productive complementarity, which has a negative effect on the region's exports. Dr Mesquita Moreira noted that what is needed is not assistance from China, but rather access to markets so as to take advantage of opportunities to export more sophisticated products (trade, not aid). He also pointed to the need to understand sanitary and phytosanitary barriers and approve export agencies.

The Context of a Global Trade Slump

The second panel focused on the MERCOSUR's relations with China and included the presentation by **Alejandro Ramos Martínez** (in Spanish) (IDB/INTAL) of the *MERCOSUR Report No. 20 (2014–2015)* (in Spanish). The study highlights the asynchrony between the recovery in global activity levels and the slump in global trade since mid-2014, the result of deflationary pressure that is partly due to the appreciation of the US dollar. The international context affected activity levels and trade in MERCOSUR countries, with the exception of Bolivia. Ramos Martínez emphasized some modest advances in the internal agenda, such as extensions to the systems of exceptions and to FOCEM for a period of 10 years. He also noted how frictions in bilateral trade have been soothed, and observed the extension of the automotive sector agreement. The MERCOSUR's external agenda has been developed in a context of paralysis in multilateralism and mega-agreements. No significant progress has been made on negotiations between the MERCOSUR and the EU, although there is an action plan for a convergence of the MERCOSUR and the Pacific Alliance. The report includes a special chapter on the bloc's linkages with China and highlights the existence of complementarities and asymmetries. On the one hand, Mr Ramos Martínez discussed China's trade policy, which is characterized by an MFN tariff of 9% on average and 15% for agricultural products, which leaves room for negotiation. On the other hand, he noted the trade defense measures taken by Argentina and Brazil, especially in the manufacturing sector. He also drew attention to the transition from regional dialog (1997–2004) to bilateralism. Finally, he highlighted certain milestones in relations between China and the MERCOSUR countries. His presentation concluded by dwelling on the need for special regional agreements between the two parties that try to take advantage of their complementarities and provide governance for their asymmetries.

After this presentation, **Félix Peña** (ICBC Foundation and National University of Tres de Febrero) remarked on the great need for an international integration strategy for the MERCOSUR. In 2012, China raised the possibility of a feasibility study for an FTA with the MERCOSUR. However this did not go ahead due to the fear it might lead to a "primarization" of MERCOSUR economies and a deterioration of the manufacturing sector. However, Dr Peña stressed that China's FTAs are not a one-size-fits-all solution, but rather than each is constructed on the basis of a balance of interests while respecting international rules such as the General Agreement on Tariffs and Trade (GATT) and the entailing ambiguities. In this sense, China's agreements are made-to-measure. Although this may seem to be an advantage, it actually poses a major complication because it implies that both the public and private sectors must first have a clear idea of what they want and what is actually possible. Regarding the possibility of a new stage in negotiations with China, he pointed out that this might reach beyond the MERCOSUR. He underlined the fact that China is a single country, while LAC is made up of many countries with relatively limited articulation between them. As such, the main thing is to define how to achieve this articulation while avoiding inflexible formulas. In this regard, he mentioned the idea of convergence in a context of diversity so as to build networks between countries on the Pacific and those on the Atlantic, but without the rigidity of blocs. For example, the PA–MERCOSUR agenda might include an FTA with China that would capitalize on existing agreements with the addition of new topics such as physical connectivity with trade and production.

Dr Peña concluded by saying that when one country takes the initiative, there is always the possibility of responding: the members of the PA and the MERCOSUR could put forward a feasibility study for an FTA without specifying a time frame for this.

Ministers Agree to Move Forward with Regional Physical Integration

- Inspiring Activities
- n232

Latin American infrastructure ministers held their 6th Ordinary Meeting, at which they confirmed the importance of making more and better infrastructure available in South America.

This was the main outcome of the 6th Ordinary Meeting of South American Infrastructure and Planning Council (COSIPLAN) Ministers of the Union of South American Nations (UNASUR) that took place in Montevideo, Uruguay on December 3, 2015.

The countries of South America confirmed their commitment to the implementation of integration infrastructure with the goal of achieving equitable social and human development, higher levels of inclusion, and eradicating poverty for good.

The meeting, which has taken place annually since 2010, was chaired by the Minister of Transport and Public Works of Uruguay, which holds the *pro-tempore* presidency of COSIPLAN. This activity was preceded by the 28th Meeting of IIRSA National Coordinators and the 13th Meeting of the COSIPLAN Coordinating Committee.

The results of the work carried out in 2015 have been compiled in the COSIPLAN Activity Report 2015 (in Spanish). For the first time, COSIPLAN has consolidated all the achievements it has made towards fulfilling its annual Work Plan in a single document, which was coordinated by Uruguay. The countries' commitment was reflected in the Ministers' Final Declaration (in Spanish), which was signed by those present.

How to Negotiate with China

- Inspiring Activities
- n232

The seminar entitled The economic relations between China and Latin America and the Caribbean: a prospective vision was attended by those heading the region's trade negotiations with China. The agenda included a panel discussion with negotiators from Chile, Costa Rica, and Peru, the three countries in the region that have free trade agreements (FTAs) with China.

The panel was moderated by **Mauricio Mesquita Moreira** (IDB), and also included **Renato Baumann** (IPEA Brazil), who carried out a comparative analysis of eight FTAs between China and the following countries: ASEAN, New Zealand, Australia, Chile, Peru, Costa Rica, Korea, and Singapore. While in general FTAs have to do with geographical proximity, certification of origin, and exchange rate cooperation, those signed by China do not usually include these topics and are instead very pragmatic agreements with certain common themes: transparency, national treatment, customs procedures, reference to World Trade Organization (WTO) regulations, disciplines on government procurement, concurrency, and competition. However, there are major differences between the different agreements as these are all made to measure.

In addition, a learning curve can be observed: the newer agreements are more sophisticated and comprehensive than the older ones. They are different to the US and EU FTAs, which are a one-size-fits-all model that is either accepted or rejected, without the possibility of making adjustments. In this context, what lies ahead for LAC is a challenge—but also an opportunity.

Productive complementarity can be observed in the context of tariff preferences within Southeast Asia. In contrast, not only is the geography of LAC unhelpful in this regard, there is also less promotion of complementarity. Furthermore, when considering the PA and the MERCOSUR, it is important to note that Chile and Peru have already FTAs with China; and that Mexico, Chile, and Peru are in the TPP; which implies enormous challenges and competition for the MERCOSUR. Dr Baumann concluded by focusing on the need for clear national objectives without preconceptions at the negotiation table, and also discussed the problem of the MERCOSUR having no clear direction and not participating actively in any such negotiations.

The negotiators for LAC's three FTAs with China shared the most important lessons they had learned from negotiating these agreements, stressing the particular aspects that distinguished this experience from that of negotiating with other countries.

Eduardo Ferreyros Kuppers (in Spanish) (former Minister of Foreign Trade and Tourism of Peru), highlighted the fact that Peru had sought to open itself up to the world, but that the population had been against an FTA with the United States. Public presentations on the goals of the process were made, and public opinion began to change. In this way, the opening up of markets such as China and the EU began to be prioritized. In 2006, a pre-feasibility study for an FTA with China was put forward. China was very interested in being granted market economy status in order to avoid different WTO standards on dumping and safeguards being applied to it. During negotiations, the aim was to reach simpler standards and clear rules of the game to promote the exchange of goods, services, and investments. Similarly, the process sought to incorporate transparent trade defense mechanisms, especially in sectors in which Peru has defensive interests, such as the fisheries and agriculture sectors.

It should be noted that Peru and China have a significant shared history and are culturally close, which opened certain doors during the negotiation process. The intention was to negotiate quickly so that the process would culminate in November 2008 at the APEC Summit, which Peru hosted. To achieve this, Peru proposed excluding textiles, footwear, and some metal products. A Customs Cooperation Agreement was also negotiated.

In this way, a broad-reaching FTA was achieved that included goods, services, investments, related matters, and an institutional framework. Some 592 tariff items were excluded, which are not part of the tariff elimination process.

As a result of the agreement, Peruvian exports to China grew until 2012, but fell in 2013 and 2014 due to the reduction in mineral prices. However, non-traditional exports (from the agriculture and fisheries sector) have grown and new companies are exporting to China.

Andrés Rebolledo Smitsman (DIRECON Chile) described Chile's experience of commercial and political relations with China: 45 years ago, it became the first country in the region to establish diplomatic relations with the Asian country. Chile's trade policy takes into account the fact that it is a small economy, and as a result, it has been seeking to open up markets and expand its relations with the world. This is why it has strengthened ties with Asia and signed an FTA with China ten years ago. Both countries depend very much on international trade and understand the FTA in that context.

Negotiations with China were smooth, pragmatic, flexible, and brief—the process took just 10 months. A progressive agreement was negotiated in stages: first tariffs were reduced on trade in goods, and remaining issues, such as investment and services, were negotiated later.

At that point, China was Chile's fifth-largest export market; today it is the largest. China had negotiated three FTAs; today it has 20 (13 signed, 7 in discussion). Chile particularly sought to develop the food export sector. At the time, it was exporting US$100 million in food; it is currently exporting US$1.8 billion to China in that sector. Chile's main export is minerals, but foods have become very dynamic and the FTA has had a positive influence on this process.

Chile took advantage not only of the tariff reductions in the FTA but also of the standards therein in terms of the transparency concerning trade in food, for example in SPS. Although this had an impact on trade, the FTA did not help attract Chinese investment, which remains a great challenge. Chile is undertaking productive projects in association with exports to China, especially in the food sector.

The new international trade standards are not generated at the WTO but rather through the mega-agreements, leading to fragmentation and new global standards. Chile's participation in the TPP should be understood in this context.

The project for negotiating an FTA with APEC was first put forward a decade ago, and in 2014 China pushed for a feasibility study and for negotiations to be launched in 2016.

Costa Rica was represented by **Marco Vinicio Ruiz** (in Spanish) (former Minister of Foreign Trade) who described his experience during three stages of negotiations between Costa Rica and China: on the establishment of diplomatic relations in 2007, as a negotiator, and as ambassador to China.

It was understood that an agreement with China would allow Costa Rica to expand its market and overcome the difficulties of the WTO, so the goal of the negotiations was to establish rules to foster subsequent trade with China. A feasibility study was proposed in January 2008, and negotiations began in October of the same year. Costa Rica had already negotiated with the United States and the EU, but the process with China was very different: more direct, more pragmatic, with interests on the table from the start, and no changes in position throughout.

One major difficulty was the lack of knowledge about China on the part of civil society, academia, and businesspeople in Latin America. In this sense, the key factors were not tariffs but standards and institutions. The FTA has now been in force for five years, includes a complaints procedure, and functions well. However, Chinese bureaucracy is big and strong. There are no single-windows for foreign trade through with to solve problems with Chinese trade authorities. As such, these issues need to be handled with Chinese institutions.

On the one hand, Costa Rica wanted to attract investment in infrastructure with soft loans, but this remains a challenge. On the other hand, companies need support if they are to export to China—support with negotiations, travel, seminars—as there are major cultural differences between the two countries, and China is a huge, constantly changing market. To improve knowledge of China, one proposal is for several countries to create a coordinated business facilitation center to help companies enter this market. Australia and New Zealand have been using this strategy for some time.

At present, Intel is no longer exporting from Costa Rica to China. It has plants in China and the microprocessors that Costa Rica exported were replaced by other products. Exports of the remaining products in the FTA have grown considerably: fruit juice, beef, milk, coffee, etc.

LATIN-CHINA

On November 11, 2015, the seminar entitled The economic relations between China and Latin America and the Caribbean: a prospective vision took place at the INTAL-Lab. The event had a high-profile agenda and was attended by senior government officials, negotiators, and academics.

During his opening remarks, IDB/INTAL Director **Gustavo Beliz** thanked those present for attending the event, which marked the end of INTAL's 50th anniversary celebrations. He also highlighted the strategic linkages between Latin America and the Caribbean (LAC) and China, underlining the agreement reached between the latter and the MERCOSUR in 2004. In this regard, he drew attention to IDB/INTAL's presentation of the *MERCOSUR Report No. 20 (2014–2015)* (in Spanish), and the next issue of Integration and Trade Journal, which will focus on China and will be published in the first half of 2016.

Xu Jianjun from the Office of Outreach and Partnerships, IDB, remarked on the scale of the Chinese market and its links with LAC. In addition, he stated that China's recent slowdown poses a challenge for both parties, although there are new opportunities and initiatives arising from the economic and institutional cooperation between the two. He went on to describe the IDB's activities and initiatives to foster linkages and integration between the two parties since China joined the institution in 2009. In terms of financial cooperation, the IDB administers the US$2 billion Co-financing Fund for LAC for various programs in fields such as the financial market, sanitation, and technology in member countries. In the field of knowledge cooperation, the IDB and the Bank of China have a cooperation plan for the exchange of knowledge between experts from China and LAC in a variety of areas, together with the identification of new strategic shared priorities.

Florisvaldo Fier, High Representative-General of the MERCOSUR, congratulated IDB/INTAL on fostering debate in this area. He reflected on the MERCOSUR's international integration strategy and the potential of the New Development Bank BRICS, as well as on the possibility of moving from a bipolar international political context to a more democratic and multilateral one.

Promoting Cooperation

Yang Wanming, Chinese Ambassador to Argentina, also took part in the first part of the event, during which he gave a presentation on China's current and future linkages with the world in general, and LAC in particular.

He referred to China's current slowdown, the result of global economic and commercial weaknesses. Despite these difficulties, the ambassador stressed that China's economic performance continues to be exceptional in comparison to the world's other major economies. He emphasized the growing contribution of the services sector, consumption, and the technology industry to China's GDP. He also highlighted China's contribution to growth and global FDI, and underlined how despite the fact that the values of raw materials imported by China have fallen lately, the volume of these imports continues to grow. He described China's five-year plan for 2016–2020, which is based on innovative, coordinated, green, shared development with medium growth and deep integration with the global economy.

The ambassador pointed out the progress that has been made on relations between China and LAC over the last ten years: China is LAC's second largest trading partner and its third largest source of investment. China's most noteworthy objectives include the promotion of trade facilitation and trade in goods and services with high value added, both from LAC and from China. He also stressed the importance of deepening industrial linkages between emerging economies, and promoting investment in industrial sectors and integration infrastructure.

He underlined the importance of an international economic order based on equality, equity, and profit sharing in which developing countries play a greater role in global economic governance. In this regard, he stressed China's will to jointly implement projects for the integration of LAC, working together with initiatives such as the Community of Latin American and Caribbean States (CELAC), the Southern Common Market (MERCOSUR), the Union of South American Nations (UNASUR), and Pacific Alliance.

Finally, he emphasized the need to deepen trade relations, cooperation, and investment, and to promote communication between think tanks, universities, and the media so as to join forces between China and LAC and bring ideas from the two areas together.

The Future of Exchange Rate Reform

From the academic sphere, Professor **Ju Jiandong** (Shanghai University of Finance and Economics) gave a presentation on the most important reform that is taking place in China. He drew attention to the trilemma that arises from the impossibility of simultaneously reforming the financial sector, the exchange rate system, and the regime that regulates international capital flows, and stressed the importance of sequencing reforms so as to prevent financial crises from occurring.

First, Professor Ju explained that the Chinese financial system is dominated by four large banks, which mainly give loans to public enterprises. This makes it more difficult for new private firms in new sectors to gain access to credit. He also stressed the need for the interest rate to be determined by the market and to facilitate the entry and exit of banking entities in the sector.

Second, he pointed out that the aim is to move from a fixed exchange rate system to a floating one, seeking not depreciation but rather an independent monetary policy, taking into account the differences between the Chinese and US economies. He mentioned the fact that the devaluation of the yuan this year had unforeseen consequences on international markets. This warned of the difficulties that may arise if the sequencing of reforms begins by giving the exchange market a greater role.

Third, he pointed out that the capital account of the balance of payments is open to foreign direct investment but that there are restrictions on financial capital flows. In fact, the government has moved ahead with a gradual opening-up strategy, creating four free trade zones (FTZs), including that of Shanghai, where there are no restrictions to or quotas for capital inflow, though there are barriers to the movement of capital within and outside these FTZs.

However, the problem lies in the fact that the opening up of the capital market to financial flows should be the last step in the process, following the flexibilization of the exchange rate and increased competition in the financial market. But the actual situation is such that this will probably be the first step in the sequence. This could make the system vulnerable to crises, since a sound financial system and efficient foreign exchange market are needed before the capital market is opened up. In particular, there may be large capital inflows, but also abrupt outflows with consequences for financial stability.

This is why, as a mechanism for neutralizing this type of phenomena, the professor proposed the introduction of a progressive (non-linear) capital flow tax in order to avoid abrupt capital outflows and financial crises: the proportion would be greater for greater capital flows and there would be a fixed cost for opening each account.

The seminar went on to include presentations from other prominent intellectuals and high-profile regional negotiators who shared their experiences negotiating free trade agreements with China.

The day was an excellent opportunity to discuss China's growing importance in the global economy and in LAC, considering the multiple challenges in the area of trade relations, investment, and technical and financial cooperation, in the presence of high-profile specialists from China and Latin America.

Brazil Makes Progress on Regulatory Harmonization with the United States

- Integration in Motion
- n232
- Regional Panorama
- Southern Cone

Brazil and the United States signed new agreements on regulatory convergence and patents:

- A memorandum of understanding between Brazil's Foreign Trade Council (CAMEX) and the US Department of Commerce to exchange information and experiences on transparent regulatory practices for foreign trade, coordination between agencies, and the elimination of unnecessary barriers to trade.
- An agreement to allow Brazilian companies that manufacture equipment and machinery, electrical and electronic products, and lamps to certify their products in Brazil for export to the United States. The certification deadline is expected to be reduced from one year to three months and the costs of the process to decrease by 30%. The two countries have already signed similar agreements for other sectors such as ceramics, refrigeration, and textiles. The entities that represent textile companies in the two countries carried out technical studies for standard convergence in specific areas.
- An agreement between Brazil's National Institute for Industrial Property (INPI) and the United States Patent and Trademark Office (USPTO) to establish a Patent Prosecution Highway (PPH) pilot program of patent applications as well as the exchange of information between the two agencies. The pilot program will be in place for two years and will be limited to 150 patent applications in each country. The INPI will prioritize orders from the oil and gas sector, while the USPTO will not have sectoral priorities.

Likewise, progress was made on work related to:

- harmonization of statistics on trade in goods.

- exchange of experiences on the analysis and dissemination of statistics on trade in services.
- cooperation to identify barriers and propose bilateral trade facilitation policies.

Guyana Ratifies Trade Facilitation Agreement

- Caribbean
- Integration in Motion
- n232
- Regional Panorama

On November 30, 2015, the parliament of Guyana ratified the World Trade Organization (WTO) Trade Facilitation Agreement (TFA), thus becoming the fifty-third member of the organization to do so (along with some other countries in Latin America and the Caribbean: Trinidad and Tobago, Belize, Nicaragua, and Panama). For the agreement to enter into force, it must be ratified by two-thirds of the 162 countries that are part of the multilateral trading system.

The TFA, which was agreed on at the 9th WTO Ministerial Conference in Bali in 2013, includes provisions designed to expedite the movement, release, and clearance of goods, including goods in transit, as well as customs cooperation measures. The agreement also contains provisions for technical assistance and capacity building in relation to trade facilitation.

Signs of Rapprochement between the Pacific Alliance and the MERCOSUR

- America
- Integration in Motion
- n232
- Regional Panorama

High-level authorities from Brazil met with their counterparts from Chile, Peru, and Mexico to make progress towards trade and cooperation agreements.

First, Brazil (in Portuguese) and Chile (in Spanish) signed a Cooperation and Investment Facilitation Agreement (CIFA), with the aim of promoting mutual investment, establishing a framework for the treatment and protection of investments, as well as a dispute prevention and settlement mechanism. It should be mentioned that the two countries had signed an Agreement on Reciprocal Promotion and Protection of Investments (ARPPI) in 1994 that never entered into force because the Brazilian parliament has not ratified any agreements of this sort. In contrast, in 2015 Brazil began to actively promote CIFAs, which are different to ARPPIs in several ways, notably in terms of the CIFA state-state dispute settlement system, which contrasts with the ARPPI investor-state system. In addition to the agreement with Chile, Brazil signed five other CIFAs (including with Colombia and Mexico) and submitted a proposal for this kind of investment agreement within the MERCOSUR.

It should be noted that Brazil is the main destination for Chilean FDI abroad, and that many Brazilian companies operate in Chile. Both countries emphasized the importance of greater integration among PA and MERCOSUR countries in order to strengthen their position in global trade and global value chains.

Second, Brazil and Peru (in Spanish) made headway on the fourth round of negotiations for a renewed and expanded agenda for their trade relations, one that includes services, public procurement, investment, trade facilitation, and the acceleration of the liberalization program contained in Economic Complementarity Agreement No. 58 (ECA 58).

Third, Brazil and Mexico (in Spanish) completed the first round of negotiations for the broadening and deepening of Economic Complementarity Agreement No. 53 (ECA 53). It is noteworthy that a significant widening of the tariff universe will be prioritized, including agricultural and industrial goods, together with a deepening of the levels of preference granted between the two countries. The disciplines being negotiated are market access, rules of origin, trade facilitation, services and investment, sanitary and phytosanitary measures, public procurement, trade remedies, technical barriers to trade, intellectual property, safeguards, and regulatory consistency.

Finally, Chile and the MERCOSUR (in Spanish) held the 25th extraordinary meeting of the administrative committee for Economic Complementarity Agreement No. 35 (ECA 35). Among the most significant topics discussed were the Agreement on Trade in Services and Regulation of Dispute Settlement and agreements concerning rules of origin, which in some cases will imply the simplification of specific rules of origin. Views were also exchanged on the dialog between the MERCOSUR and the PA.

Exporting: 6 Reasons to Take the Plunge

- Integration in Motion
- n232
- The SME Space

Exporting brings many opportunities. However, companies need to undertake market research in the countries they wish to export to. By way of example, in one of the most important sectors in LAC, food, the following areas would need to be analyzed:

- **Growth**: expansion is a natural consequence of internationalization. An increase in demand leads to increases in production and sales.
- **Risk diversification**: Globalization drives a growing demand for products. If for some reason the local market shrinks, companies that have gone international will be less affected. By exporting, companies increase their client numbers so that a reduction in orders does not impact their profitability.
- **Economies of scale**: increased demand may allow companies to increase their production and thus become more profitable. If they generate a surplus, they have the chance of selling this overseas, sidestepping the issue of seasonality and other factors that may condition local sales.
- **Innovations**: to compete at the international level, businesses must adapt to the latest technologies and **certifications**, factors that will enable them to grow and also be at the forefront of the local market.
- **Tax benefits**: by going international, companies may reduce the amount of taxes they pay.
- **New capacities**: to grow and start exporting, companies need to become more competitive by improving the tools they have available to them, such as better training for their staff. This will allow them to adapt their production according to demand.
- **Image**: access to the international market may raise companies' profiles on the local market.

Four Tips for Food

There are excellent opportunities on international markets for quinoa, organic products, stevia, and chia from Latin America and the Caribbean. This was revealed by research carried out by Duke University for the Multilateral Investment Fund (MIF), which belongs to the Inter-American Development Bank (IDB).

Small- and medium-scale producers in the region should take note of these tips:

- Follow health standards: foods are subject to a series of sanitary and phytosanitary standards to ensure their safety and quality and prevent the transmission of diseases. These foods have a significantly higher value that may represent an attractive source of income for small-scale producers.
- Carry out market research: Before exporting, food companies should study the tastes and customs of the countries where they are thinking about selling their products. They can begin with simple research such as looking at restaurant and supermarket websites to see if there are similar products already on the market.
- Take part in trade shows: to make contact with potential distributors and buyers, attending trade shows is key, as these are good opportunities for meeting potential customers, distributors, and suppliers. One such event is LAC Flavors, which took place in September 2015.
- Reach out to chambers of commerce and promotion agencies: the official bodies representing each country can help with the export process.
- Logistics and exports advisors also have very valuable information and can help streamline international processes.

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connect americas

Brazil and Uruguay Agree to Free Trade in the Automotive Sector

- Integration in Motion
- n232
- Regional Panorama
- Southern Cone

Brazil and Uruguay agreed (in Portuguese) to liberalize bilateral trade in passenger cars, buses, trucks, agricultural machinery, autoparts, chassis, and tires as of January 1, 2016. In order for each to benefit from preferential access to the other trade partner's market, the regional content requirement is 55% for Brazilian products and 50% for Uruguayan ones, and there will be an additional quota of US$650 million for Uruguay and US$325 million for Brazil to apply to products that do not reach the above-mentioned regional value-added threshold.

The agreement also establishes a Productive Integration Program for vehicles and autoparts which is oriented towards supplier development and it provides for the temporary suspension of preferences in the case of significant imbalances.

The automotive sector is excluded from free trade within the MERCOSUR and trade is governed by bilateral agreements between member countries. Previously, trade flows in the sector between Brazil and Uruguay were subject to a quantitative restrictions scheme which allowed the tariff-free entry of a certain quantity of products in each period.

Chile–Thailand FTA Enters into Force

- Andean Group
- Integration in Motion
- n232
- Regional Panorama

Following the completion of the necessary legal processes, the Free Trade Agreement (FTA) between Chile and Thailand (in Spanish) came into force on November, 2015. This is the fourth FTA that Chile has signed with economies of the Association of Southeast Asian Nations (ASEAN). Noteworthy features of the agreement include the fact that it does not exclude any product from the tariff universe and that it includes trade in services and financial services, while at the same time establishing a commitment to start negotiations for a chapter on investment in two years' time. It also includes disciplines such as technical barriers to trade (TBT), rules of origin, environmental and labor issues, public procurement, and sanitary and phytosanitary measures (SPS).

The agreement implies the immediate elimination of tariffs on more than 90% of bilateral trade. Now that the agreement has entered into force, the most noteworthy of the goods that Chile will be able to export to Thailand duty-free include copper cathodes, molybdenum concentrates, lithium carbonate, automobile gearboxes, wood products, paper and paperboard, and a variety of foods, such as avocados, poultry, pork, and condensed milk.

Among the Thai products that will enter Chile duty-free are oil, natural gas, vans, cars, canned tuna, digital cameras, and tinned pineapple.

Chile exported US$289 million to Thailand in 2014,[1] mainly copper cathodes and ores, chemical wood pulp, and frozen fish, among others.

In turn, Chile imported US$526 million from Thailand, notably vans, passenger cars, prepared or preserved fish, and television reception apparatuses.

[1] Source: DataINTAL.

WTO Rules on Colombia's Trade Measures

- Andean Group
- Integration in Motion
- n232
- Regional Panorama

On November 27, 2015, the World Trade Organization (WTO) issued the Report of the Panel charged with examining the issue raised by Panama regarding the measures imposed by Colombia on textiles, apparel, and footwear imports. The WTO ruled that the compound tariff is not compatible with Article XX of the General Agreement on Tariffs and Trade (GATT) and recommended that Colombia bring the disputed measure into conformity with the obligations contained in the GATT.

In June 2013, Panama requested consultations concerning the compound tariff imposed by Colombia on certain Panamanian imports, in response to which Colombia argued the need to limit illegal trade and protect local industry. Several of the goods in question originate in Asian countries such as China, and are subsequently re-exported to Colombia from the Colón Free Trade Zone in Panama.

The elimination of this measure would allow companies in the free trade zone to once again export footwear and textiles to the Colombian market without paying additional taxes to those set out in Colombia's tax code. However, Colombia has announced that it will appeal the ruling, which it has 60 days to do.

Pacific Alliance at the APEC Summit

- Andean Group
- Integration in Motion
- n232
- Regional Panorama

The 23rd Asia–Pacific Economic Cooperation (APEC) Economic Leaders Meeting took place in November 2015, in Manila, the Philippines, and was attended by the presidents of the Pacific Alliance (PA) countries. It should be noted that Chile, Mexico, and Peru are part of both initiatives, while Colombia is part of the PA and is seeking to join APEC.

The Informal Dialog between the PA and APEC (in Spanish) sought to identify potential areas of complementarity, synergies, and collaboration on the agendas for both mechanisms, and highlighted the topics that the two processes had in common.

In addition to security and the fight against terrorism, the 2015 Leaders' Declaration focused on inclusive economic growth and the Free Trade Area of the Asia-Pacific (FTAAP), which will remain in the study phase until 2016 and is open to all APEC members. The next summit will be held in Lima, Peru, in 2016.

Second Round of Central America–Korea Negotiations

- Central America and Mexico
- Integration in Motion
- n232
- Regional Panorama

At the end of November 2015, the second round (in Spanish) of negotiations for a free trade agreement (FTA) between Central America and the Republic of Korea was held in San Salvador. The topics addressed included rules of origin, trade defense, competition, trade in services, investment, intellectual property, dispute settlement, and sanitary and phytosanitary measures.

The parties plan to exchange tariff elimination offers before the next round, scheduled for February 2016. The FTA is expected to allow Central America to increase its exports of agricultural and fishery products, while Korea would be able to increase its shipments of vehicles and autoparts, electronics, iron and steel manufactures, and electrical appliances. As can be seen in Table 1, many of these products are currently of note in bilateral trade. In 2014, Central American exports to Korea totaled US$456.3 million, a figure that was far surpassed by imports from Korea (US$1.75 billion).

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

As a percentage of the total, 2014 data

Exports		Imports	
Sugar	39.1%	Cars	26.5%
Lead and lead concentrates	18.8%	Petroleum oils	6.5%
Coffee	9.5%	Structures and parts of structures	5.7%
Iron and steel waste and scrap	8.5%	Knitted or crocheted fabrics	4.7%
Aluminum waste and scrap	4.2%	Cell phones and other devices	4.3%
Other	19.9%	Other	52.2%

Source: Prepared in-house using DATAINTAL data.

For its part, the Central American Bank for Economic Integration (CABEI) announced that will provide the region with financial support (in Spanish) for this negotiation.

MERCOSUR Summit: Presidents Commit to Deepening Regional Integration

- Integration in Motion
- n232
- Regional Panorama
- Southern Cone

On the occasion of the 49th Ordinary Meeting of the Common Market Council which took place in Asunción, the Presidents of the State Parties presented a communiqué containing 37 points, in which they reiterated their firm commitment to the MERCOSUR and highlighted that its objectives should seek to deepen the integration and development of their peoples, to consolidate democracy, and to foster respect for human rights.

The President of the Republic of Argentina, Mauricio Macri, the President of the Federative Republic of Brazil, Dilma Rousseff; the President of the Plurinational State of Bolivia, Evo Morales; the President of the Republic of Paraguay, Horacio Cartes; the President of the Eastern Republic of Uruguay, Tabaré Vazquez; and the President of the Bolivarian Republic of Venezuela, Nicolás Maduro, presented a document that contains some of the agreements reached during the summit.

It emphasizes the presidents' determination to strengthen the aspects of integration that are related to society and citizenship, and underlines the importance of the work being undertaken in various forums to ensure job creation and economic growth with justice and social inclusion.

The leaders stressed the strategic importance of the MERCOSUR Structural Convergence Fund (FOCEM) as the most important tool for mitigating asymmetries between the State Parties of the MERCOSUR, in particular those of the smaller economies and less developed regions in the area, and as an important source of financing for projects that will impact the region.

Guatemala and Honduras Make Customs Union Official

- Central America and Mexico
- Integration in Motion
- n232
- Regional Panorama

On December 15, 2015, the customs union (CU) between Guatemala and Honduras was made official through the unification of the customs facilities at Agua Caliente, the main border crossing between the two countries. This was agreed on during the seventh and final round (in Spanish) of CU negotiations, which took place in Tegucigalpa on November 16 to 20, 2015. Over the next six months, the remaining border crossings between the two countries will be integrated so as to complete the CU.

In recent years, the countries of Central America have made great efforts to complete a CU throughout the isthmus. This CU between Guatemala and Honduras is the first in Latin America.

Nairobi II: the WTO Eliminates Tariffs on Technological Products

- Integration in Motion
- International Scenario
- n232

The World Trade Organization (WTO) has successfully completed the expansion of the Information Technology Agreement, which implies the elimination of tariffs for a list of 201 information technology products.

The negotiations culminated during the 10th WTO Ministerial Conference in Nairobi, Kenya, and the agreement affects products that imply a volume of international trade of US$1.2 trillion per year—a figure that represents nearly 10% of world trade in goods.

The elimination of tariffs affects products such as sophisticated electromedical devices, advanced machine tools and their components, state-of-the-art semiconductors, and numerous precision instruments. Some of these products did not even exist when the first agreement was adopted in 1996.

From July 1, 2016, tariffs will be eliminated on products that represent 88% of trade in the goods included in the agreement. By 2019 this percentage will have reached 95%, and from 2023 the entire tariff elimination process will be complete.

The expansion of the agreement has been negotiated by 53 WTO members: the 28 EU countries, the USA, Canada, Switzerland, Norway, Iceland, Israel, China, Hong Kong, Taiwan, Japan, Korea, Singapore, the Philippines, Thailand, Malaysia, Mauritius, Australia, New Zealand, Colombia, Costa Rica, Guatemala, Albania, and Montenegro.

These countries represent more than 90% of global trade flows in the goods included in the lists, although the agreement is open to new WTO members should any others wish to join it.

Costa Rica Suspends its Involvement in SICA over the Stranded Cuban Migrant Crisis

- Central America and Mexico
- Integration in Motion
- n232
- Regional Panorama

In December 2015, the Government of Costa Rica (in Spanish) suspended its involvement in the political forums of the Central American Integration System (SICA). The decision was taken during the SICA Presidential Summit in El Salvador, following the refusal on the part of three countries (Belize, Guatemala, and Nicaragua) to seek a solution to the large-scale flow of Cuban migrants through the region.

The president of Costa Rica, Luis Guillermo Solís, urged the other Central American presidents to reach a humanitarian agreement concerning the thousands of Cubans who remain stranded in Costa Rica on their way to the United States. However, his proposal was not accepted, after which the president and the foreign minister, Manuel A. González, opted not to continue participating in the meeting.

Nairobi I: Agreement to Eliminate Agricultural Subsidies

- Integration in Motion
- International Scenario
- n232

In Nairobi, Kenya, the World Trade Organization (WTO) reached an agreement implying that developed countries will remove export subsidies for agricultural products.

“The elimination of agricultural export subsidies is particularly significant [because] it removes the distortions that these subsidies cause in agriculture markets,” emphasized WTO Director-General Roberto Azevêdo.

According to the agreement adopted in the area of agricultural exports, developing countries must eliminate subsidies in 2018, with some exceptions until 2023.

Another of the most highly anticipated agreements was the Special Safeguard Mechanism (SSM), which will allow developing countries to apply tariffs to imports of certain products to cope with sudden import surges of price falls.

In addition, the poorest countries will also benefit from a moratorium until 2030 to implement most of the agreement, and several measures will be put in place to accelerate their integration into the international market.

Connecting Voices

Exclusive Interviews with Prominent Figures

In this edition of INTAL Connection, Mauricio Mesquita Moreira (IDB) emphasizes the need to establish a relationship with China that is based on trade, not financial aid; Félix Peña analyzes the different cooperation strategies between LAC and China; Ju Jiandong looks ahead to what the exchange rate policy will be like in the future; and Andrés Rebolledo discusses the details of negotiations for the FTA between China and Chile.

Interview with Mauricio Mesquita Moreira (in Spanish)

Interview with Félix Peña (in Spanish)

Interview with Ju Jiandong

Interview with Andrés Rebolledo (in Spanish)

Reading Material on Integration

The WTO at 20: Challenges and Achievements

- n232
- Reading Material on Integration
- Reviews

In this publication, the World Trade Organization (WTO) Secretariat reviews the institution's achievements and the challenges it has faced since its creation in 1995.

The book emphasizes that in an open, multipolar, and interconnected global economy, the WTO provides a framework of rules for the multilateral trading system. As such, the WTO currently has 162 members and covers 98% of global commerce, with developing countries playing a key role.

With regard to the organization's major achievements, the publication argues that the use of the dispute settlement system (DSU) has become firmly established. The system is based on WTO rules and is open for all members to use, providing they respect its scope of action and all countries' sovereignty. Likewise, protectionism has been reduced due to increased transparency in trade measures, together with the strengthening of surveillance, monitoring, and consultation. Furthermore, barriers to trade have been reduced, and trade opportunities have increased. Several agreements with positive impacts on trade have been negotiated and signed, such as the Information Technology Agreement (ITA), the Agreement on Textiles and Clothing (ATC), the SPS Agreement, the TBT Agreement, and the General Agreement on Trade in Services (GATS), among others. So far, the agreement on the Bali Package in 2013 has been the WTO's greatest achievement, within which the Trade Facilitation Agreement—which aims to reduce trade costs—is particularly noteworthy.

The books points out that the WTO maintains extensive institutional relations with many international organizations, and cooperates constructively on issues such as the environment, work, SPS, health, intellectual property rights, and public procurement, among others.

While bilateral and regional agreements and, more recently, mega-agreements have become increasingly important within trade relations, the publication argues that the importance of WTO principles, rules, and procedures should not be underestimated.

With regard to the main challenges, the book draws attention to the slow progress made on the Doha Round trade negotiations.

Its value lies in showing that despite the WTO's difficulties, it is the only forum in which all member states, both developed and developing, make decisions by consensus and can cooperate to resolve the growing number of global trade problems. The publication also looks to the future and highlights the importance of member states strengthening the multilateral trading system and ensuring that this plays a key role in promoting economic growth and inclusive development. However, it does not delve deeper into the causes that have prevented the WTO from making progress and staying up-to-date, nor does it consider what could be done to enable the system to move forward and handle the concerns of all member countries.

World Trade Organization (WTO). 2015. The WTO at 20: Challenges and Achievements Geneva. WTO.

Business Strategies and Informal Employment

- Impact Assessment
- n232
- Reading Material on Integration

The study by Bosch *et al.* (2012) evaluates the effects of trade openness and labor reforms on the dynamics of formal and informal employment in Brazil. It focuses on 1983–2002, based on the fact that the informal employment rate rose from 35% to 45% between the beginning and the end of the 1990s.

The study seeks to explain this variation by considering, on the one hand, the reforms carried out in Brazil in 1988, such as the increase in the cost of extra hours, the penalty for dismissing workers, and fewer restrictions on trade union activity. Furthermore, it evaluates the impact of trade liberalization, such as tariff reductions and the increase in the import penetration ratio. According to the theory, liberalization increases the competition faced by local production, which can reduce the likelihood of people finding formal employment. However, tariff reduction may also increase imports of goods that increase productivity, reduce costs, and improve product quality, thus improving competitiveness and driving formal employment.

The study builds an estimation based on panel data, using instrumental variables as in the generalized method of moments (GMM).

The main finding of the research is that the increase in informal employment is mainly explained by labor reforms, which account for between 30% and 40% of the variation, while trade has an incidence of between 1.5% and 2%. The two effects act by reducing the recruitment rate in the labor market, rather than by increasing the layoff rate. Among the most noteworthy of the study's conclusions is the importance of labor legislation for creating formal work.

The value of the paper lies in its rigorous measurement of the impacts of trade liberalization on the labor market. The minimal impact this has on the increase in informality is particularly noteworthy.

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Technical Paper: Registration of Foreign Trade in Goods and Special Trade Regimes

- n232
- Notable Publications
- Reading Material on Integration

The new technical paper written by the team at the Institute for the Integration of Latin America and the Caribbean (INTAL) documents various aspects of the registration process for foreign trade in goods in Central America and the Dominican Republic, particularly those connected to special trade regimes (STRs).

INTAL's primary interest in STRs lies in their intensive use as export promotion instruments in most of these countries, in particular from the 1970s and 1980s onwards. With regard to statistics, there arose a need to pay particular attention to the trade flows channeled through these special regimes and distinguish them from those that took place within the general foreign trade regime. Within the group of countries in question, Panama already had a long history applying STRs, although these essentially targeted the development of a free trade zone and not export promotion. To learn more, click here (in Spanish).

How to Take Advantage of the Benefits China is Offering LAC

- n232
- Reading Material on Integration
- Reviews

In *China's Evolving Role in Latin America: Can It Be a Win-Win?*, Enrique Dussel Peters explores relations between China and Latin America and the Caribbean (LAC), the importance of appropriate strategic planning, and the measures necessary to ensure the connection is beneficial for both parties.

He emphasizes China's fundamental role in the global economy as the world's largest exporter, the most dynamic importer, and the second-largest source of foreign direct investment (FDI). He also draws attention to the unusual fact that the public sector controls 50% of the gross domestic product, including ownership of both local and multinational companies.

The author identifies four trends in the linkages between China and LAC:

First, he outlines China's strategy, including long-term goals based on the presence of abundant natural resources in LAC, with specific areas of cooperation such as trade, investment, infrastructure, and energy. This strategy has led to visits from Chinese delegations and high-level officials to countries in the region, as well as to their involvement in multilateral agencies such as the Inter-American Development Bank (IDB) and the Economic Commission for Latin America and the Caribbean (ECLAC). The First Ministerial Meeting of the Forum of China and the Community of Latin American and Caribbean States (CELAC) has also taken place, at which the plan for 2015–2019 was outlined, with a focus on growing trade and investment.

Second, the paper describes China's capacity for providing "turnkey projects" (a group of products in one package) in LAC that include trade, financing, investments, and supporting services, as a result of the public sector's presence in its economy. Since 2000, LAC has increased its trade with China significantly, with a deficit balance for the Caribbean, Central America, and Mexico, while exports to China are more concentrated than LAC's total exports. Likewise, the economic importance of LAC for China has increased, as the former has become an important supplier of raw materials. In addition, China has increased its FDI flows in several countries in the region. This FDI comes from Chinese public enterprises and is oriented toward the acquisition of raw materials.

Third, the paper shows that China has committed to loans for specific energy and transport infrastructure projects in the region.

Fourth, it highlights the fact that LAC and China share a deep cultural relationship, which is evident in the growing educational exchange programs between the two and in conventions for the promotion of Mandarin Chinese in several countries in the region.

The author draws attention to certain relevant issues in China's relations with five LAC countries:

- Argentina: Soybeans have become relatively more important than soy oil in Argentine exports to China. Likewise, swap and bilateral agreements have been signed for Chinese investment in the country, with preferential access for Chinese inputs and labor.
- Brazil: The relevance of China and Brazil increased in forums such as the G-20 due to their role in the BRICS group, and they have signed a series of cooperation agreements on investment, trade, and science and technology, among other topics. The challenge is ensuring that Chinese investments promote backward and forward linkages, in order to avoiding the concentration of exports in a few products such as iron and soybeans.
- Cuba: There are political and economic agreements between the two countries in investment, trade, education, and culture, among others. Cuba's exports to China are concentrated in sugar and nickel, while China is interested in investing directly in the island.
- Mexico: According to the author, there are difficulties in the economic and political relations between the two countries, as has been evident of late. He points out the structural trade deficit, the limited relevance of Chinese FDI in Mexico, the country's lack of a long-term strategy with China, and China's lack of knowledge of its national interests or legal framework, among other factors.
- Venezuela: The relationship goes beyond trade, with Venezuela repaying its debt using oil, on the basis of its reserves and China's needs.

In this context, the author concludes by pointing out the importance of improving the institutional capacity of LAC countries and China's knowledge of them. He stresses that while China is showing its strategy towards LAC, the region has not committed to understanding the Chinese political system or China's business, investment, and education initiatives. In this regard, he made certain policy recommendations to enhance linkages between the two.

- LAC needs a post-commodities boom strategy toward China, with the goal of achieving regional economic development.

- Regional institutions such as the IDB and ECLAC could play a part in evaluating the agreements offered by China and the effects of Chinese investments, so as to improve the contractual quality of these agreements.
- National governments should identify public-sector, private-sector, and academic interests and define common strategies towards China.
- LAC countries should establish working groups with China to promote transparency and mechanisms for promotion and evaluation.
- Trade and investment agreements should be based on common understanding and reciprocity as a foundation for negotiations.

The value of the document resides in the fact that it reveals concisely the implicit complexities in LAC's relationship with China as long as this characterized by a lack of knowledge, and the need to take on both national and regional actions for this link to benefit both parties.

Dussel Peters, E. (2015). China's Evolving Role in Latin America: Can It Be a Win-Win? Washington: Atlantic Council.

Bibliographical News

- Bibliographical News
- n232
- 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

INTAL Interactive Infographics and Fact Sheets

Feeding the Dragon

Economic and commercial relations between Latin America and the Caribbean (LAC) and China have deepened significantly over the last decade. China is currently LAC's second-most important trading partner.

The Global Driving Force

So far this century, developing countries, led by China, have contributed most to the growth of the global economy. This dynamism has also affected trade and investment. As such, the emerging world is an increasingly important player in the global economy. Its growing role in the international arena is creating new challenges and opportunities for Latin America and the Caribbean.

Editorial

Editorial Staff

- Editorial
- n232

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.

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