

# INTAL CONNECTION

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## The Voice of Latin Americans



# Integration Ideas

## Computational Linguistics and Subjectivity in Modern Economic Theory

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Economic dynamics are largely explained by subjective states. For this reason, we can improve our understanding of economic events by better measuring these subjective aspects. For example, in studies of economic fluctuations, understanding how expectations of economic growth evolve is a matter of particular interest. Similarly, explanations for fluctuations in financial markets improve in line with our ability to document how those who participate in these markets assess and evaluate them. In many circumstances, the success of economic policies is the result of adequate understanding and management of the perceptions of economic agents.

Given this interest in subjective issues, opinion polls and expectations surveys are a widely used resource: through them, participants report their beliefs regarding economic issues of interest. These resources are the basis for the well-known consumer confidence indicators<sup>[1]</sup> and the compendia of macroeconomic forecasts compiled by professional analysts.<sup>[2]</sup> In this way, subjective information allows us to anticipate economic dynamics and to improve our understanding of the mechanisms that explain those dynamics that are of interest to us.

There is no doubt as to the value of this traditional way of measuring subjective states. However, this evidence can be supplemented by other sources of information: computational linguistics may be able to make a particular contribution to the study of subjective states.

### The Automatic Processing of Natural Language

Computational linguistics has developed a set of tools that allow information to be extracted automatically from texts expressed in natural language. It has also made progress on the automatic generation of messages that can be interpreted by humans.

This field of knowledge has grown rapidly in recent years thanks to the availability of large quantities of texts in digital format, the growth in computational capacity, and the development of new techniques that allow information to be automatically extracted and generated. The best-known applications of computational linguistics are text classification, translation, and communication with humans in commercial applications.[3] These tools are also used to measure consumer perceptions in the field of marketing or with regard to the public image of political figures. Perhaps surprisingly, its fields of application also include medicine.[4]

In economics, these tools can improve our understanding of subjective aspects by extracting information on people's level of attention to certain topics or their perceptions of events or economic agents. For example, using these techniques, we can infer people's levels of interest in fiscal reform processes, exchange rate policy programs, or commercial integration initiatives. In addition to scrutinizing attention levels, text processing allows us to extract information on the positive or negative opinions people have expressed regarding economic entities or processes of interest. For example, you can build confidence indicators on a country's economy or certain policy initiatives. Input sources for such exercises can include texts from the media, transcripts of speeches or TV programs, messages on social networks, discussions among policy makers, researcher reports, or documents generated by consultants or corporations.

There are many reasons to believe that these tools increase our capacity for measuring the subjective aspects of economics. In the first place, the availability of large quantities of texts allows us to generate subjective measurements over long periods of time. One noteworthy example is Garcia (2013), who uses texts from the New York Times to generate measures of investor sentiment over a period of 100 years (1905–2005). In addition, automatic text processing allows us to infer aspects of subjective states that cannot be captured through surveys. On the one hand, there is a significant body of psychology and neuroscience literature[5] that indicates that a substantial amount of the mental processes that explain our attitudes and behavior take place outside of our conscious control. It is thus likely that there is a large set of information on subjective states that does not emerge in responses to questionnaires but that can be inferred by summarizing large quantities of text. On the other hand, in some circumstances, subjective reports may include an error factor associated with strategic motivations.[6]

### **Methodological Issues**

The automatic extraction of information from natural language requires that certain significant methodological challenges be solved. Natural language is hard to interpret because of the very different ways in which we humans express our ideas. Unlike formal language, there are no explicit

rules, and these unwritten rules change according to context. The methods used must be adapted to the context in which the content was generated, the resources available, and the aim of the exercise. In some cases, the techniques used to process text automatically involve simple analyses in which the occurrence of a preestablished word or set of words is measured, such as “recession.”[7] The way such exercises summarize information is already preestablished, that is, there is no learning regarding how information is extracted. In contrast, other exercises use frontier artificial intelligence methodologies through which they learn to interpret messages. For example, there are methods which learn to interpret sentences through recursive neural networks.[8] In these cases, the algorithm learns to interpret information that goes beyond any a priori information that has been provided at the start of the exercise.

As noted above, in studies related to economics, the best-known exercises have to do with identifying the topic of a text and inferring whether it contains positive or negative assessments of certain economies, policies, or agents. I will now describe some of the techniques that are most often used to carry out such tasks.

One way of identifying themes in a set of texts is to generate subsets of texts that are grouped by similarity. This usually entails statistical techniques that group texts according to the frequency with which different words appear. The most common example of this type of technique is the latent Dirichlet allocation.[9] When thematic categories have been preestablished, a set of preclassified texts tends to be used first so that an algorithm can learn, by induction, to classify new texts. These learning techniques include the naive Bayes classifier, which learns to classify by aggregating information on the frequency of individual words. An alternative tool known as a support vector machine involves representing each document through vectors and identifying hyperplanes that separate texts into different categories. In some cases, the analysis extends not only to information on words but also to  $n$ -grams, that is, sequences of  $n$  words.

With regard to inferring assessments or evaluations from texts, one simple method that has been used successfully consists of computing the occurrence of words with positive or negative content. The positive or negative words may be from lexicons that have already been developed by other linguists[11] or may involve new lists generated by the researcher.[12] As was the case with thematic classification, supervised learning methods like the naive Bayes classifier or support vector machines are also used in this method.[13] In some cases, the techniques used process texts globally, trying to infer the meaning of phrases and sentences. For example, this is the case of the study by Socher et al. (2013), which was mentioned above.

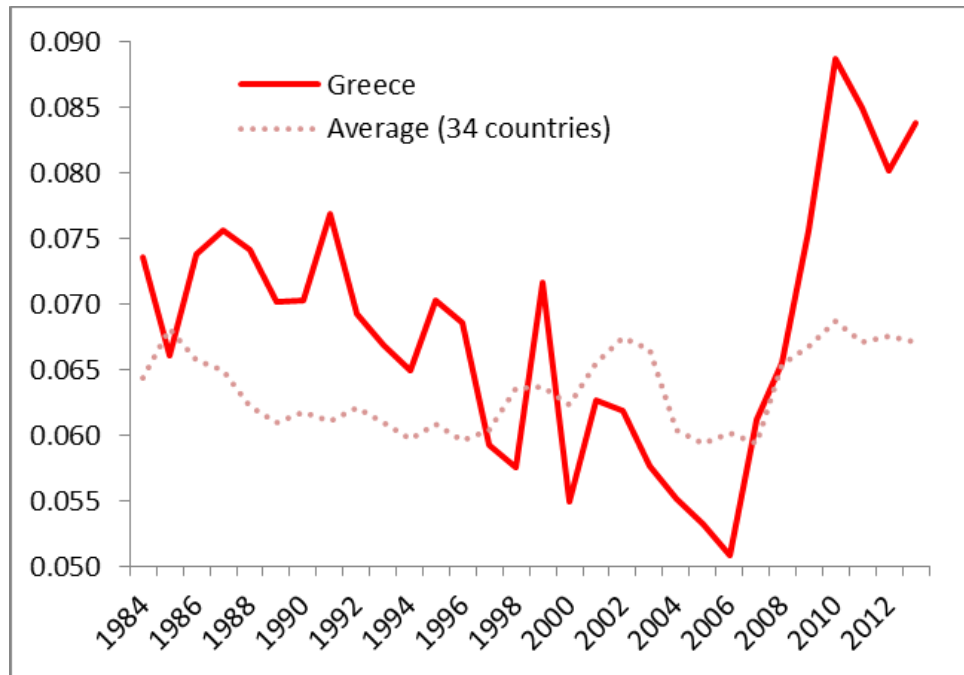


## Applications in Economics

In economics there are various studies that have made use of automatic text processing and yielded positive results. The most noteworthy of these is the widely recognized study by Gentzkow and Shapiro (2010), which examines biases in print media through its focus on the similarities between the speeches of members of congress and texts from newspapers. Baker et al. (2015) measure the occurrence of references to the “uncertainty of economic policy” in the press and found that this result allows variations in the economic growth rate and unemployment levels to be anticipated. Hansen et al. (2014) use computational linguistics techniques to analyze deliberations over monetary policy. Tetlock (2007) and Garcia (2013), mentioned above, find that measures of optimism in *The Wall Street Journal* and *The New York Times* allow changes in the expected return on the stock market over the following days to be anticipated.

A central issue in the study of economics has to do with the explanation for aggregate fluctuations in activity levels. In this regard, a key determinant that is nonetheless difficult to measure is the level of confidence expressed by economic agents. Levels of optimism regarding a country’s economic performance can be approximated using these tools. Another simple approach that has brought about interesting results is computing the number of negative words in texts related to the country in question. Figure 1 presents this type of index for Greece between 1984 and 2013. Articles published in *The Wall Street Journal* and *The Economist* were used to create the index. It can be observed that in 2006, around 5% of words had negative content. This value is the lowest in the series, that is, it represents the highest levels of confidence. Three years later there was a violent increase in negative words that coincided with Greece’s economic crisis. By 2010, the frequency of negative words had increased by approximately 80%.

**Figure 1. Amount of Negative Words in Texts Related to Greece**



Source: Compiled by the author.

Beyond the contemporary correlation with economic performance, it is interesting to note that these measurements allow us to improve our understanding of the mechanisms that determine the paths of different economies. According to recent studies, these indices anticipate errors in predictions of economic growth and returns differentials on financial assets.<sup>[14]</sup> These lagged associations indicate that periods of optimism are followed, on average, by negative surprises with regard to economic growth and the poor performance of financial assets. Not only is this type of information of academic value, it can also guide economic policy decisions.

In conclusion, the techniques employed in a given field of knowledge are a function of resource availability and people's beliefs regarding the rules that govern the system. It is reasonable to argue that current conditions are ripe for the intense use of computational linguistics techniques in economic studies, for which there is great potential, as a result of both the resources available and the importance now placed on subjective factors.

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[1] See, for example, the University of Michigan's traditional surveys (<http://www.sca.isr.umich.edu/>).

[2] See, for example, the forecasts released by the Federal Reserve Bank of Philadelphia (<https://www.philadelphiafed.org/research-and-data/real-time-center/survey-of-professional-forecasters/>) and Consensus Economics (<http://www.consensuseconomics.com/>).

[3] For a recent description of the field of computational linguistics, see Hirschberg and Manning (2015).

[4] See, for example, Chapman et al. (2011).

[5] See, for example, the classic study by Damasio (1993) or the issues discussed in Kahneman (2011).

[6] See, for example, Tillmann (2011).

[7] See <http://www.economist.com/blogs/dailychart/2011/09/r-word-index>.

[8] See Socher et al. (2013).

[9] Blei et al. (2003).

[10] Manning et al. (2008) provide an accessible explanation of these techniques.

[11] For example, the classic General Inquirer list (<http://www.wjh.harvard.edu/~inquirer/homecat.htm>) has brought good results.

[12] See, for example, Loughran and McDonald (2011).

[13] A notable example in this sense is Pang et al. (2002), who implement these techniques to infer information from film reviews.

[14] See Aromí (2015a and 2015b).



# How Integration Affects Our Lives

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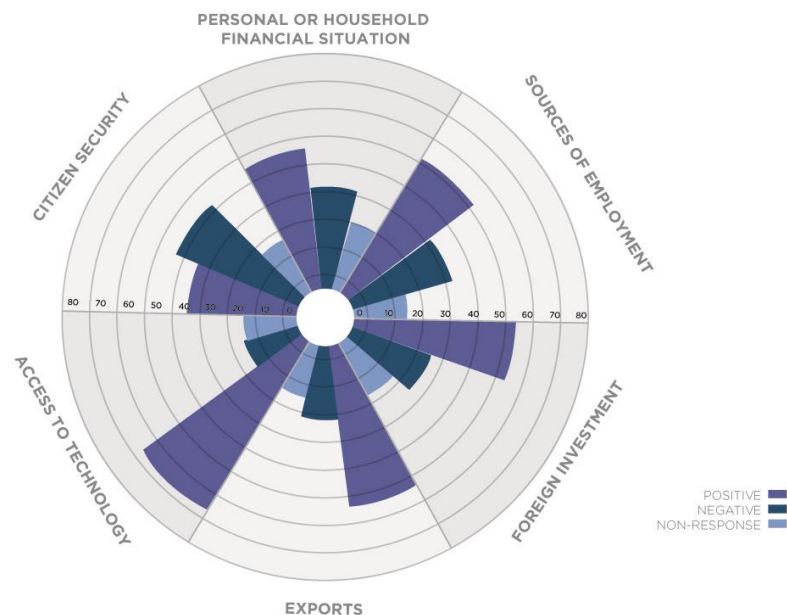
As part of the survey carried out by [the alliance between the Institute for the Integration of Latin America and the Caribbean \(INTAL\) and Latinobarómetro \(link in Spanish\)](#), Latin Americans answered on how integration affects their lives.

The perception survey, which is part of the Continuous Monitoring System for Regional Integration Processes in Latin America (SEPI), a regional public good (RPG), provided conclusive results in relation to the positive impact of integration on access to technology.

Answers reflected two types of impact, positive and negative. Of the positive impacts, technology (66%) topped the list as the most widely chosen option, followed by exports (58%) and foreign investment (55%). In terms of negative impacts, citizen security was mentioned in 45% of all answers.

**Figure 1. Perceived Impact of Integration Strategies. Regional Total**

Question: Over the last five years (country) has been following a global integration strategy. Do you think this strategy has had a positive or negative impact on...? (percentage of total answers)

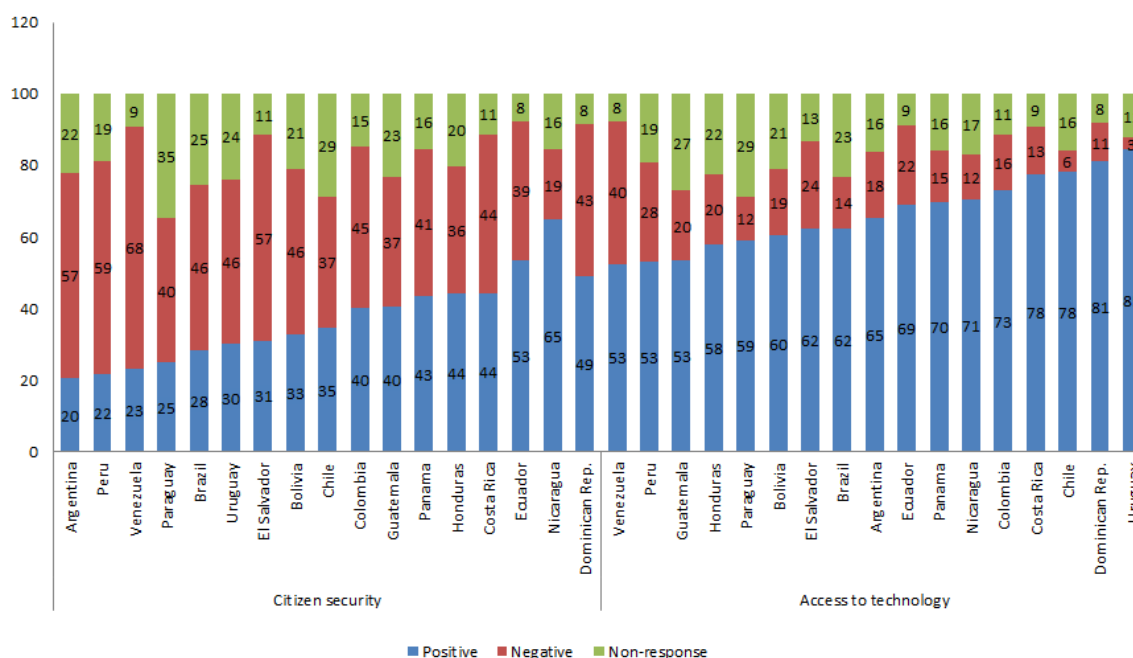


Source: INTAL/Latinobarómetro 2015.

Not only did answers differ in relation to people's opinions on the impact or implications of integration, but there was also significant dispersion between countries for each answer. By way of example, 58% of Venezuelan respondents answered that integration had a negative impact on their personal or household financial situation, but only 17% of Nicaraguans said so, a marked difference. The mapping of net impacts by country provides a clear picture of each area.

**Figure 2. Perception of the Impact of Integration Strategies on the Areas of Citizen Security and Access to Technology. Total per country**

Question: Over the last five years (country) has been following a global integration strategy. Do you think this strategy has had a positive or negative impact on citizen security/access to technology or are you not in a position to give an opinion?

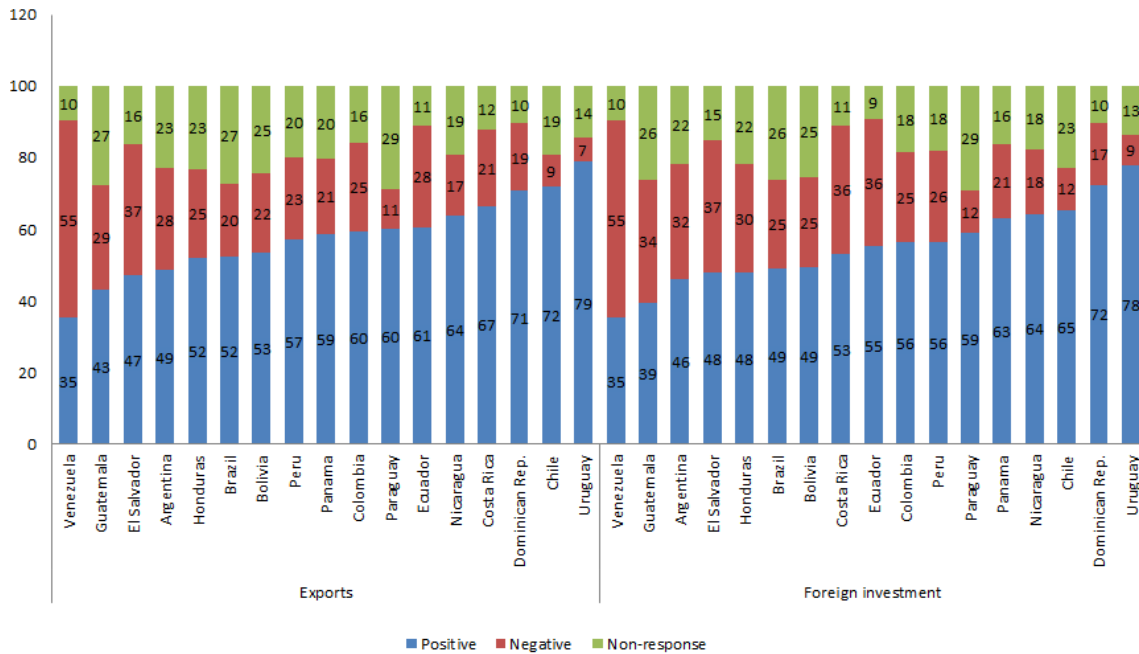


Source: INTAL/Latinobarómetro 2015.

After technology, the positive impacts on exports and investment were what respondents valued most, although this was truer for South Americans than for Central Americans. Respondents from El Salvador and Guatemala considered that the impacts on external sales and investment inflows were positive, although they did not consider them to be as significant as the rest of the Central American respondents did. Similarly, respondents from Argentina valued these items but to a lesser extent than other South Americans.

**Figure 3. Perception of the Impact of Integration Strategies on Exports and Foreign Investment. Total per country**

Question: Over the last five years (country) has been following a global integration strategy. Do you think this strategy has had a positive or negative impact on exports/foreign investment or are you not in a position to give an opinion?

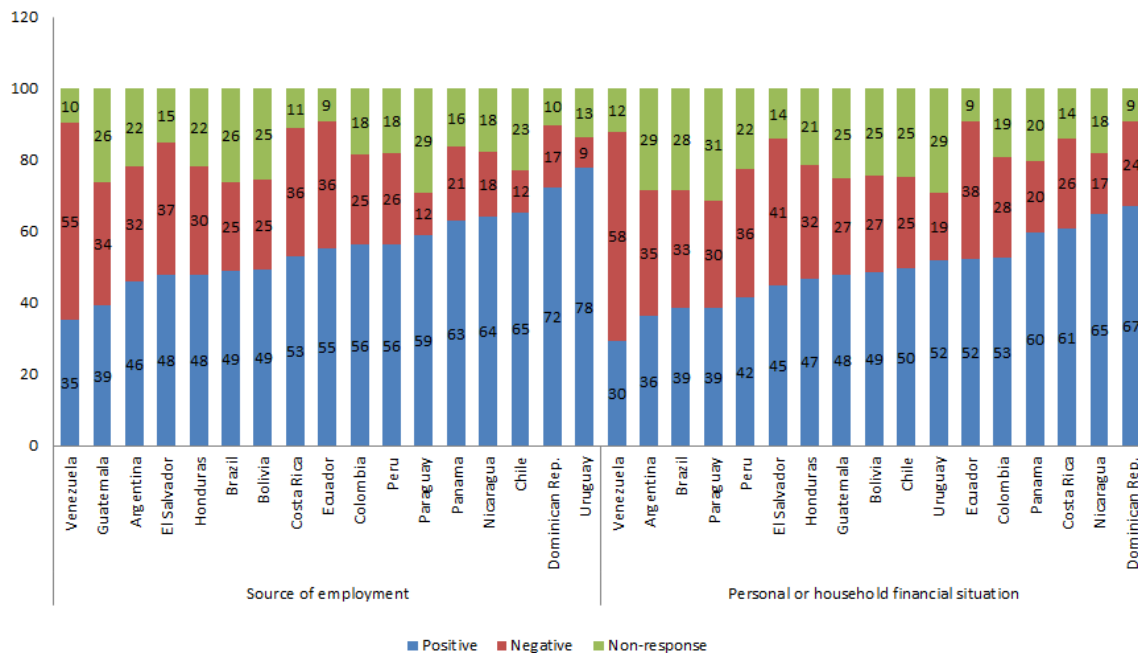


Source: INTAL/Latinobarómetro 2015.

In terms of the impact of integration on jobs and household financial situation, the results were more heterogeneous. On average, integration was perceived as having a more positive impact on employment than on household financial situation. In Argentina, El Salvador, and Guatemala, integration was perceived positively in terms of its effect on employment, although little significance was attached to it; in contrast, in Uruguay, Chile, and the Dominican Republic, this impact was considered to be very positive. Likewise, countries that perceived integration as having a positive effect on employment also considered that it had a positive effect on household financial situation, although to a lesser extent.

**Figure 4. Perception of the Impact of Integration Strategies on Job Sources and the Economic Situation. Total per country**

Question: Over the last five years (country) has been following a global integration strategy. Do you think this strategy has had a positive or negative impact on your job or source of employment/personal and household financial situation or are you not in a position to give an opinion?



Source: INTAL/Latinobarómetro 2015.

The results of the survey can be seen in full on the [Summer Colloquium website \(link in Spanish\)](#): a preliminary analysis of the 2015 results were presented at this event and the foundations were laid for the 2016 version of the survey.

# Inspiring Activities

## MERCOSUR and the Pacific Alliance: a Debate Organized by INTAL and CARI

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The Institute for the Integration of Latin America and the Caribbean (INTAL) and the Argentine Council for International Relations (CARI) organized a meeting of specialists to analyze the potential for convergence between MERCOSUR and the Pacific Alliance.

Those present were welcomed to the event by INTAL Director Gustavo Beliz—who highlighted the beginning of joint activities between the two institutions—and CARI Vice President Antonio Estrany y Gendre.

The starting point for the debate was the talk given by Osvaldo Rosales (ECLAC), who presented his report “Towards Convergence in Diversity”. According to Rosales, Brazil’s new stand on integration has changed the regional context.

“Brazil is the seventh-largest economy in the world in terms of its GDP, but it ranks 25th when it comes to trade. This is an anomaly that must necessarily be corrected,” the expert argued. According to Rosales, who was Chile’s Deputy Minister of Foreign Trade during the presidency of Ricardo Lagos, the key to the future of regional integration is Brazil taking a more favorable position on a possible MERCOSUR–European Union (EU) agreement.

“The MERCOSUR–EU agreement will give strong impetus to regional integration, and to a substantial form of integration based on the free movement of goods and persons. Tariffs are the least relevant aspect. What really matter are non-tariff barriers, rules, dispute settlement mechanisms, and the possibility of rules of origin that allow accumulation, which would stimulate the creation of regional value chains. Eventually, an agreement with the EU would benefit from this accumulation, since goods produced with inputs from any country in the region would be able to enter the EU market, thus boosting regional trade,” Rosales added enthusiastically.

“We need the MERCOSUR–EU agreement to move forward, even if certain ambiguities persist. In fact, the best agreements are always full of ambiguities. Then we can find spaces for convergence with the Pacific Alliance, for example, and send joint business delegations to Brussels that include MERCOSUR representatives,” Rosales added.

For his part, José Ignacio Salafranca, EU Ambassador to Argentina, stressed that although the EU currently has other priorities (namely, the economic and refugee crises), “the time has come to conclude the agreement with MERCOSUR.” In his view, “the only thing needed is political will, since those countries that are reluctant to believe in the benefits of these agreements cannot be forced to move forward.”

IDB/INTAL integration specialist Alejandro Ramos Martínez argued that the foreign ministries of MERCOSUR and the Pacific Alliance member countries should seek opportunities for regional cooperation regardless of the pace of negotiations on the agreement with the EU. “There are many areas where progress can be made, from trade facilitation measures to single windows,” Ramos Martínez claimed, and he emphasized the [adverse situation facing regional trade](#), an issue also addressed by the [latest MERCOSUR Report \(link in Spanish\)](#).

During the subsequent discussion, Felix Peña, Director of the Institute for International Trade at the ICBC Foundation, expressed his view that the regional convergence between the Pacific Alliance and MERCOSUR would favor the MERCOSUR–EU agreement and that this may be just the starting point for negotiations at the continental level in the Americas.

Experts in foreign trade and international relations such as Jorge Castro, Ricardo Rozemberg, and Adrián Makuc were among those who took part in the discussion. The latter two are the authors of [a recent study \(link in Spanish\)](#) that analyzes MERCOSUR–EU relations in depth.



# Satisfactory Evolution of COSIPLAN Projects

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Over the last decade, the composition of the [COSIPLAN Project Portfolio](#)<sup>[1]</sup> has been modified and updated several times as a result of countries' territorial planning processes. The number of projects in the portfolio and estimated investment in these has risen every year except 2014, when, as a result of a thorough analysis, countries decided to exclude those projects on which no progress had been made since 2008 or earlier. In 2015 the number of projects increased again.

**The COSIPLAN project portfolio currently includes 593 integration projects for an estimated investment of US\$ 182.44 billion, distributed throughout South America.**

COSIPLAN: Evolution of the Project Portfolio, 2004–2015  
(no. of projects and millions of US\$)



**Between 2004 and 2015, the portfolio grew at an average rate of 29 projects and US\$ 16.11 billion per year. This pace entails an estimated growth in investment of 9% between 2014 and 2015.**

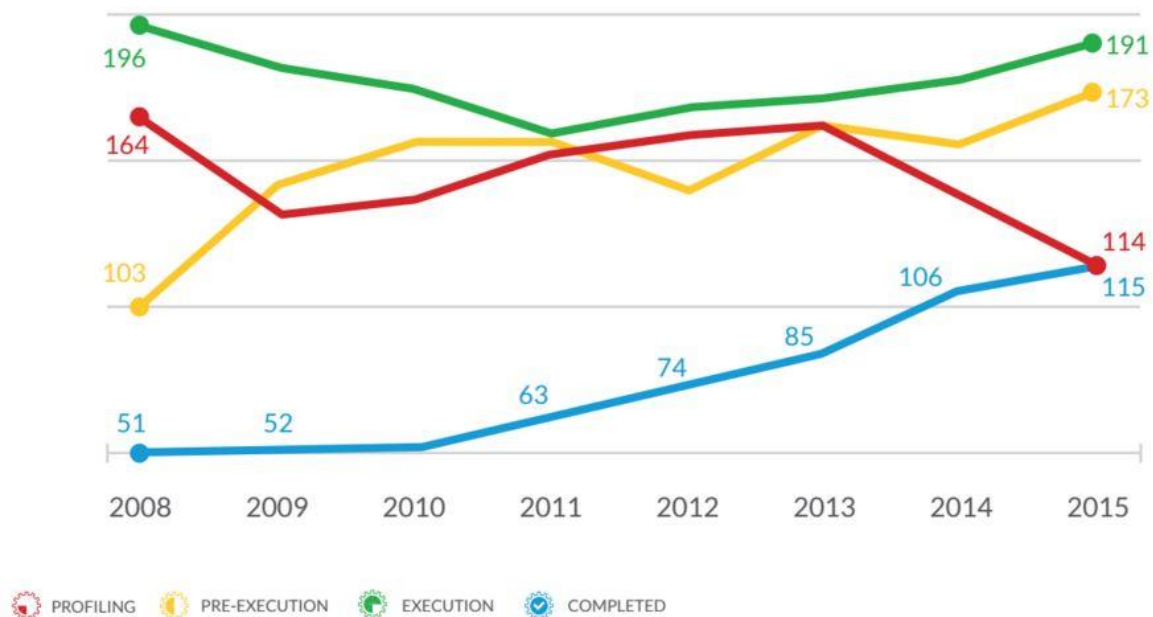
With regard to project numbers, some [Integration and Development Hubs](#)—such as the Andean Hub and the Peru–Brazil–Bolivia Hub—have remained relatively stable since 2007. Other hubs have been gradually contracting, as is the case of the Guianese Shield Hub, while a third group has

steadily grown: the most striking case is the MERCOSUR–Chile Hub, the number of projects in which almost doubled during the abovementioned period.

Because the portfolio is not closed, the total number of projects varies from year to year as new projects are added and others are excluded. New projects can enter the portfolio at different stages of their life cycle<sup>[2]</sup>, which makes it impossible to take 2004 as the base year for comparisons between the different years in order to analyze the evolution of the portfolio.

COSIPLAN: Annual Change in Projects by Stage (2008–2015)

(no. of projects and millions of US\$)



Portfolio projects move forward at different paces depending on the particular features of physical integration works:

- the dimension and technical complexity of some;
- the need for intergovernmental coordination in the case of bi- or multinational projects;
- the cost of works and the budget constraints faced by some governments, and the fact that projects might compete with other initiatives that rely on the same available resources within a given country;
- the reformulation of the scope of the project that may imply going backward to earlier stages of its life cycle.

### The number of projects completed each year has been increasing

However, some projects may appear to be at a standstill if they remain at the preimplementation stage for a long time. This is due to the fact that, as agreed by countries, this stage involves the carrying out of all the studies needed to define the project, and taking the steps required to obtain the necessary resources. Accordingly, progress may actually be underway on projects within that phase, and this would be recorded in the [Project Information System \(SIP\)](#).

Therefore, a more appropriate way of measuring the progress made on the portfolio is to consider works that have been completed. As can be seen in the chart above, over the period 2008-2015, the number of completed projects has increased annually to reach levels twice that of the initial figure.

### COSIPLAN Projects in 2015

Between 2014 and 2015 the total number of portfolio projects increased from 579 to 593, since 23 projects were excluded and 37 were included. In terms of estimated investment, the total amount rose from US\$ 163,324.5 million to US\$ 182,435.7 million.

The increase in project numbers was mainly due to the inclusion of new projects in Groups 1 and 2 of the Southern Hub, which expanded its area of influence.

On the other hand, the 11% increase in the estimated portfolio investment was explained almost entirely by the inclusion of one project in the Andean Hub: Ecuador's Electric Freight Train, which is in the profile stage and will entail an estimated investment of US\$ 17.80 billion.

#### COSIPLAN: Annual Change in Projects by Hub (2014–2015)

(No. of projects and millions of US\$)

Number of Projects				Estimated Investment*		
Hub	2014	2015	Change	2014	2015	Change
Amazon Hub	82	74	-8	25,070.2	22,420.8	-2,649.4
Andean Hub	64	67	3	9,962.1	28,614.0	18,651.9
Capricorn Hub	83	82	-1	17,929.5	16,314.7	-1,614.8
Guianese Shield Hub	20	20	0	4,581.3	4,581.3	0.0
Paraguay-Paraná Waterway Hub	95	92	-3	7,574.4	7,328.2	-246.2
Central Interoceanic Hub	61	63	2	8,907.6	11,614.8	2,707.2
MERCOSUR-Chile Hub	123	124	1	54,608.3	56,168.9	1,560.6
Peru-Brazil-Bolivia Hub	25	24	-1	32,131.9	31,431.9	-700.0
Southern Hub	28	49	21	2,744.6	4,146.6	1,402.0
TOTAL (1)(2)	579	593	14	163,324.5	182,435.7	19,111.2

Notes: (\*) Investments made in two existing projects before the IIRSA Initiative was launched have not been included. These projects are the Road Corridor Connecting Santa Marta–Paraguachón–Maracaibo–Barquisimeto–Acarigua in the Andean Hub; and the Itaipú system in the MERCOSUR–Chile Hub. (\*\*) There are two “hinge” projects that belong to two hubs; therefore, the totals in the number of projects and estimated investment columns do not match the arithmetic sum of the totals by hub. These are: (i) the Pircas Negras Border Crossing, part of the Capricorn and MERCOSUR–Chile hubs; and (ii) Paving of the Potosi–Tupiza–Villazón Road, belonging to the Capricorn and Interoceanic Central hubs (hinge projects articulate two or more Integration and Development Hubs, play a role in more than one hub, or articulate two or more project groups within one hub).

[1] See “Informe de la Cartera de Proyectos del COSIPLAN 2015” [COSIPLAN Project Portfolio Report 2015], Buenos Aires, December 2015 ([link in Spanish](#)).

[2] The life-cycle stages of the portfolio projects are: profile, preimplementation, implementation, and completion.

# The Voice of Latin Americans

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What do Latin Americans think about regional and global integration? The Institute for the Integration of Latin America and the Caribbean (INTAL) and Latinobarómetro have already conducted over 20,000 exclusive surveys in 18 countries in the region. This new joint initiative will provide continuous measurements of people's views on the issues that are most sensitive for public policy design: democracy, regional integration, living conditions, infrastructure, services, citizen security, and the environment, among others. The aim is to understand how Latin Americans feel about these topics.

On February 25, 2016, the preliminary results of the study were presented at the INTAL-Lab. As part of this initial exploratory process of connecting the two data sources, citizens' perceptions were also compared with objective indicators for national economies, thus revealing correspondences and asymmetries between individuals' subjective opinions and the region's objective performance. This included exercises to "link up the tables": that is, to connect the Latinobarómetro database with INTRADE, the IDB's trade and integration database.

Government officials and representatives from the executive and legislative branches of nine Latin American countries took part in the summer colloquium entitled "The Voice of Latin Americans, a Regional Public Good."

The event was opened by INTAL director Gustavo Beliz, who pointed out that "there are very few conferences at the regional and global levels that do not quote Latinobarómetro results when discussing Latin America."

Latinobarómetro director [Marta Lagos \(link in Spanish\)](#) emphasized that "governments tend to guide their decisions on the basis of objective data, but this is just one way of trying to rationalize reality and it may not make much sense to citizens." In fact, Lagos argued, it is people's subjective opinions that end up determining their behavior. "We have now started linking up the tables: the table that describes what is happening in our society, and the table that contains what we think is happening. The so-called objective and subjective aspects," she explained.

"There is a lack of statistics on Latin America, but there is an ever greater lack of theories that explain its development. Even after a decade of a virtuous democratic growth cycle, we continue to

be the most unequal region in the world, and the most distrustful one. This implies that there are two characteristics that define us and set us apart: the fact that most people aspire to equality and distrust political development,” Ms Lago summarized, stressing that the aim of Latinobarómetro’s alliance with INTAL is to build added value onto the knowledge of our societies.

### **This Is Us**

[Gustavo Beliz \(link in Spanish\)](#) and IDB/INTAL consultant Santiago Chelala presented the results of “[This Is Us. What do Latin Americas and Caribbeans Think About Regional Integration? \(link in Spanish\)](#)”, the first study of the region to connect objective integration and trade data with the results of opinion polls.<sup>[1]</sup>

With regard to integration into the world, Beliz stressed that:

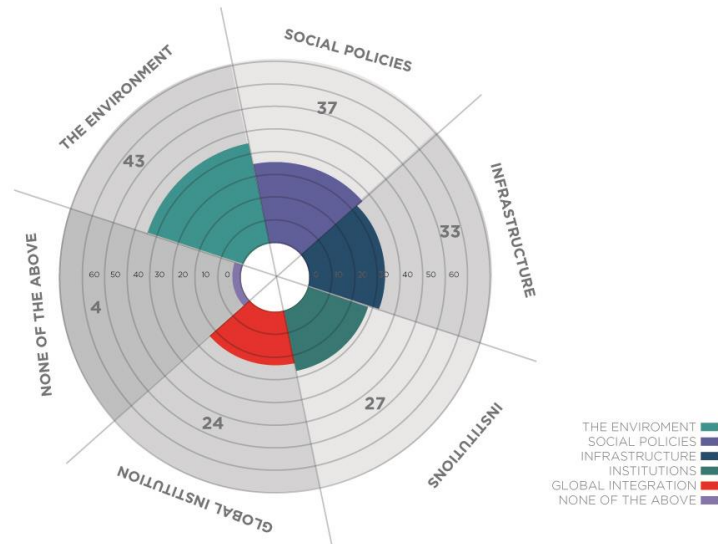
- One in four Latin Americans believes that global integration is a priority issue for development. In some countries, such as Uruguay, that figure is as high as four in every ten people.
- The development issue around which there is most consensus is environmental protection: 43% of Latin Americans consider it a priority.
- Socioeconomic status is a conditioning factor for people’s support for global integration, which is higher among young people and those who believe themselves to have higher incomes.
- Citizens of countries with the highest average most-favored nation (MFN) tariffs—that is, non-preferential tariffs—were more likely to think that global integration should be a priority issue.

The countries with the lowest coefficients for economic openness (exports+imports/GDP) also believe that global integration is a priority for development.



**Figure 1. Key Development Issues.**

Question: Which of the following topics are the most important for your country's development: the environment, infrastructure, institutions, global integration, social policies.\* (in % of total responses.)



With specific regard to regional integration, the report notes the following aspects:

- Some 44% of Latin Americans would agree or strongly agree on the need to include commitments relating to care for the environment in regional integration agreements, even if this implies paying approximately 20% more for products.
- Some 69% of Latin Americans agree or strongly agree that their country should be able to buy goods and services from any other country in the region and that any other country should be able to sell goods and services to their country.
- The worse the quality of local infrastructure, the greater the population's willingness to pay for better infrastructure. The higher citizens' educational levels are, the greater this predisposition is.
- Some 66% of the region's population believe that regional integration has a positive impact on access to technology, 58% believe it to have a positive impact on exports, 55% on investments, 52% on employment, and 48% on their own personal situation.
- In contrast, 45% believe that regional integration had a negative impact on citizen security.
- Some 41% of citizens agree or strongly agree on paying 20% more for products if this implies protection for the rights of both foreign and domestic workers. The inclination to pay is greater in countries with more equal income distribution.

Special guest and Eurobarometer expert [Marita Carballo \(link in Spanish\)](#) traced the origins of these public opinion polls in Europe back to 1973, and underlined how governments at the time needed to understand what Europeans thought about the integration process that had begun in the 1950s, and also to monitor the same problems across all countries in the region. At present, Globalbarometer, an international federation of barometers includes data from around 90 countries in the world. Ms Carballo also stressed the importance of finding common patterns in Latin American identity as a key factor in regional integration.

For their part, IDB specialists Paolo Giordano and [Alejandro Ramos Martínez \(link in Spanish\)](#) presented the INTRADE and DataINTAL portals, which are the source for the objective indicators used in the “This Is Us” report, which will mainly be used in conjunction with the results of the 2016 Latinobarómetro survey.

### **Innovation, Inclusion, and Development**

Other IDB experts presented the state of the art with regard to indicators of innovation, inclusion, and social development, with the intention that these would serve as triggers for the production of the new 2016 questionnaire. Pablo Valenti, a specialist from the IDB’s Institutions for Development Sector (IFD), highlighted the potential of social networks, given that Latin America is one of the global regions that most uses these. The challenge lies in the gap between what citizens ask of their governments (mainly security and transport), and what governments tell voters their priorities are (culture, education) [Julieta: ¿estamos interpretando bien que “lo que los gobiernos comunican a sus representados” se refiere a lo que comunican como prioritario?].

In the field of science and technology, lead specialist Gustavo Crespi noted that in addition to traditional indicators (such as patents, R&D expenditure, or company surveys), it is important to obtain public opinion surveys. This allows us to understand the value that citizens place on science and technology in society from different perspectives. For example, the way in which individuals appropriate innovations (such as consuming genetically modified foods or using health-care products) may vary depending on how they assess the risks and benefits of these.

Economic research specialist Fabiana Machado stressed that the advantage of opinion polls [Julieta: falta la “de” después de encuestas], unlike objective data, is that they can adapt data to our needs. However, in order to take advantage of this data, we need to be clear about exactly what we are trying to measure and, above all, know how to obtain this information from those we are polling.

For his part, Social Sector specialist [Julieta: dice “especialistas” (plural) en vez de “especialista”] Marcos Robles highlighted the IDB’s work on the harmonization and systematization of a wide range of social indicators across the region so as to make them comparable across countries. This

undertaking is reflected in the Sociómetro-BID [Julietta: en el sitio del BID en inglés no está traducido el nombre de este dataset. ¿Está bien que lo dejemos así?], which will soon include the results of two projects related to the labor market and education.

Finally, a specialist from the IDB's Office of Strategic Planning and Development Effectiveness (SPD), Armando Justo, outlined some of the results of the IDB's External Feedback System (EFS), a series of 10 surveys carried out between 2012 and 2014 and involving more than 4,000 people in the region, with the aim of optimizing institutional projects within the government, the private sector, academia, and civil society.

### **Government Experiences**

On the second day, government officials and representatives from regional legislative bodies shared different experiences relating to public surveys and the monitoring of indicators in strategic areas such as citizen security, democratic transparency, and regional integration. This led to a constructive open discussion among all those taking part in the event, from which an interesting finding emerged: there is convergence around the demands for information for the adoption of public policies.

With specific regard to integration, Mijail Quipse Sandival, Deputy Director of Integration at Peru's Ministry of Foreign Affairs, said that his country uses some objective indicators to analyze existing integration processes, but he thought that understanding how much citizens themselves know about these is also necessary. He stressed the importance of knowing what people understand by "integration."

The Director of Strategic Planning at Chile's Ministry of Foreign Affairs, María del Carmen Domínguez, explained that there may be a negative correlation in the region between citizen support for integration and signed agreements, a situation that calls for greater interaction between governments and civil society.

In turn, the Director of Ecuador's National Secretariat of Planning and Development, Patricia Martínez, raised the idea of dividing the questionnaire into "soft" integration questions, in relation to the temporary movement of people and culture, and "hard" integration questions, focusing on what individuals identify as the strategic sectors that need to be protected from regional competition. At this point, Marta Lagos emphasized that "Latin Americans agree with free trade, but not with free movement, because they identify this with unemployment and lack of safety."

With regard to citizen security, one of the issues of most concern to Latin Americans (even in relation to integration), Luiza Hermeto, Adviser to the Special Organization for Crime Prevention in the state of Minas Gerais, Brazil, presented three systematic surveys undertaken at the state level. The premise for this research is that citizen security is increasingly a central component of welfare in

contemporary societies—for example, it alters behavior habits and the physical structure of homes. Among other indicators, the State of Minas Gerais measures how far citizens trust their institutions and environment, how satisfied they are with the responses of defense agencies, and whether they are afraid of being the victim of a crime.

Javier Donnangelo, Director of the Observatory on Violence and Crime at Uruguay's Ministry of the Interior, wondered how far fear and a feeling of lack of safety were associated with objective crime rates. Uruguay currently has an extensive series of objective crime indicators, but he felt it would be necessary to include a regional measurement that links objective crime rates with specific social factors among the population, such as levels of drug and alcohol consumption, perceptions of social inequality and gender roles, or ease of access to firearms.

Building on this point, the Director General of the Cabinet of Paraguay's Minister of the Interior, Humberto Insfrán Miranda, emphasized the importance of making this sort of information public. In fact, he wondered whether announcing that emergency buttons are being installed on streets increases citizens' feeling of safety or, in contrast, makes them feel that they are living in an increasingly unsafe context.

On this issue, Marta Lagos explained that over the last decade people's perceptions of lack of safety have increased, while crime rates have remained relatively stable. "There has always been crime in Latin America, but 20 years ago, the main problems were economic ones."

Transparency policies were another major topic of discussion. José Dantos Filho, Higher Education Coordinator of the Brazilian Legislative Institute, stressed that given the legislative developments in Brazil regarding public spending and access to information, the country's supervisory bodies have created a series of indicators to assess the transparency of the different branches of government. In the case of the executive branch, internet portals are measured in terms of their content, how far back the information goes and whether it is up-to-date, and ease of navigation. The legislative branch, in turn, is currently developing a transparency index that will include legislative acts that are not directly reflected in the legislation itself.

With regard to transparency, the Director of Planning and Development of the Dominican Republic's Central Electoral Board (JCE), Pavel Rivas Goris, commented that the way elections in his country are organized relies heavily on technology, which makes the voting process highly legitimate.

Gustavo Meixuerio, Counselor President of the Electoral and Citizen Participation Institute of the State of Oaxaca, Mexico, said that it would be of interest to know how Latin Americans perceive matters of electoral fraud, ethnic diversity, and gender differences in the region. The issues at stake in this regard are people's perceptions of discrimination and representation within the political system. Francisco Sales Heredia, Director of the Center for Social and Public Opinion Studies of

Mexico's Chamber of Deputies, shared the results of national public opinion polls that had caused surprise due to the large proportion of the population that was not aware of the concept of social rights, while another substantial share associated "being a citizen" more with responsibilities, such as paying taxes, than with rights.

Those participating in the event agreed that cross-referencing perceptions and economic data allows us to better understand the demands for integration (in the broad sense of the term, which includes trade-related, physical, and social aspects), and thus can contribute to the design of public policies that seek to satisfy these. This comparison of data from both sides of the spectrum—tangible and intangible—is a new aspect of comparative studies on this issue.

The concordance between objective trends and public perceptions allows a dual course of action to be plotted. This would include, on the one hand, considering subjective needs when establishing the priorities and objectives of integration strategies and, on the other, conclusively assessing whether decisions that have already been taken have actually had the desired impact on citizens' perceptions of daily life.



[1] The 2015 Latinobarómetro survey included five specific questions about integration.

# Integration in Motion

## The Future of Latin America, the Core Issue at the IDB Annual Meeting

- [America](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)



Economic and financial leaders from the 48 member countries of the Inter-American Development Bank (IDB) will discuss key development challenges for Latin America and the Caribbean on issues ranging from the global economic slowdown to private sector investments, energy sector diversification, sustainable urban development, the potential of creative industries, and natural capital as a line of defense against climate change, among others.

The [annual meeting](#) will also feature discussions about the future of cities in the region. The Government of the Bahamas will showcase its vision for Nassau's urban sustainability and Emerging Sustainable Cities.

Representatives of other development agencies, commercial banks, companies, and civil society organizations will also attend the gathering.

The event will mark the 57th annual meeting of the IDB Group's Board of Governors, the bank's top decision-making body. Most governors are ministers of finance or the economy, or central bank presidents.



Speakers for the various seminars on urbanism include Joan Clos, executive director of the United Nations Human Settlements Program (UN-Habitat). The potential of creative industries in cities will be discussed by creative economy expert Lala Dehenzelin, and by the internationally renowned architect Aziza Chaouni.

Considering the richness of the region's natural capital, a panel of experts that include the University of the West Indies' Leonard Nurse and Stanford University's Mary Ruckelshaus will discuss innovative solutions to stabilize shorelines, avoid flooding, and protect marine ecosystems.

During the event the IDB Group will release its annual macroeconomic assessment of the region's outlook in the context of a difficult global economic environment. A panel discussion of senior officials will discuss the report's findings and look ahead to fiscal, monetary, and other challenges.

# Summit of Latin American Ministers to Eradicate Hunger

- [America](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

From February 29 to March 3, 2016, the Ministers of Agriculture, Environment, and Social Development and government representatives from 33 countries took part in the summit of the United Nations Food and Agriculture Organization (FAO).

The [conference](#) focused on the challenges and prospects for food and nutrition security in the region, and reaching the Millennium Development Goals.

Latin America and the Caribbean is the only region in the world to have achieved both the hunger reduction goals of the World Food Summit as well as the Millennium Development Goals.

Participants also discussed the challenges in the transformation of the rural sector and the sustainable use of natural resources, risk management, adaptation to climate change, and South–South cooperation among countries in the region.

The conference was also a meeting space for civil society, peasant and indigenous organizations, NGOs, intergovernmental organizations, regional integration organizations, and other UN agencies.

Likewise, the governments participating in the conference analyzed FAO activities in the region between 2014 and 2015 and set priorities for FAO action for the period 2016–2017.

# New Round of Transatlantic Trade and Investment Partnership Negotiations

- [Integration in Motion](#)
- [International Scenario](#)
- [n234](#)

From Monday, February 22, to Friday, February 25, 2016, [negotiations](#) were held to facilitate the Transatlantic Trade and Investment Partnership (TTIP) between the two parties. Negotiators discussed the three main parts of the agreement:

- Market access,
- Regulatory cooperation, and
- Rules.

During this 12th round of negotiations for a free trade agreement (that is, the TTIP), the European Union (EU) and the United States (US) attempted to outline their goals in relation to nine industrial sectors and resumed discussions on investment protection.

Their aim is to achieve interoperability in these sectors, although sources have acknowledged that in some, such as chemicals and cosmetics, regulatory cooperation will be modest and harmonization will not be possible since EU and US regulations differ too much.

The investment protection system, which has been neglected in negotiations for some time, has become one of the most controversial chapters of the agreement for some sectors.

The EU, which has already submitted a proposal to the US authorities on an alternative to the traditional investor-state dispute settlement instrument (ISDS), will unveil its proposal for a new investment-related legal structure to be known as the Investment Court System (ICS), which it will describe in detail in this chapter, according to EU sources.

With regard to the chapter on sustainable development, the EU has already put forward its proposal, and the US is expected to put its on the table during this round.

The EU has also proposed that the TTIP—like all trade agreements that it negotiates—include specific anti-corruption provisions, based on EU and international standards.

In terms of market access, the parties have already exchanged offers to liberalize 97% of tariff lines and will consider whether there is any room for improvement on these. The remaining 3%, which concern more sensitive products, have yet to be brought to the negotiation table.

Negotiations began in July 2013 and have sought to create the largest free trade area in the world, and to set a global benchmark through the harmonization of the EU and US regulatory frameworks.

# Six Keys for Making Artisan Businesses More Competitive

- [Integration in Motion](#)
- [n234](#)
- [The SME Space](#)



In addition to reflecting peoples' collective identities and being one of the most significant ways of preserving cultural and ethnographic heritage, artisanal products also play an important role by contributing to local, regional, and national economies.

As a productive activity, artisanal products and handicrafts are not immune to the effects of the development of information and communication technologies (ICTs), or to market globalization, which have opened up new opportunities and will continue to do so to an even greater extent throughout the different business processes. Globalization also entails opportunities for cooperation and increasing presence in foreign markets that are worth exploring.

At the international level, [UNESCO](#) proposes the following definition for these products: “Artisanal products are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, [culturally attached \(video in Spanish\)](#), decorative, functional, traditional, religiously and socially symbolic and significant.”

### **The Quest for a Competitive Sector**

Business competitiveness is a dynamic, multidimensional concept which refers to a company's ability to maintain and increase its market share. It is closely related to its competitive advantages, a concept which is made manifest either through lower costs compared to those of the company's competitors or the possibility of differentiating products.

Improvements to competitiveness in the artisan sector could give rise to stronger, more profitable firms that would be keener to grow and explore all the different ways of achieving this.

In the medium and long term, competitiveness is determined by six major aspects which, if appropriately managed, can improve the growth and profitability of artisan companies:

- **Human resource management:** This is a key factor for artisan businesses given their production processes and the importance of workers' skills and expertise for the quality of their products. The small average size of artisan companies further reinforces the importance of human resources to make these businesses competitive.
- **Use of ICTs:** ICTs have become one of the key factors in achieving business competitiveness and entail improvements in various ways. Applying these technologies to production processes generates **innovations** that boost productivity gains. In addition, they enable organizational and commercial innovations and facilitate the internationalization of the company.
- **Innovation:** In many respects, quality is closely tied to innovation, and often precedes it. A company's concern for quality reflects its desire to constantly improve customer satisfaction. One way is to obtain certifications that enhance the confidence of existing and new customers in the quality of the company's products and services, both in the domestic and international markets.
- **Internationalization:** The most frequent marketing channel for artisan businesses is direct sales to specific customers. The use of all other marketing channels is very limited, especially in the



case of those that reach foreign markets. An alternative sales channel is via specialized portals and websites.

- **Financing:** A company's financial situation affects its growth potential and determines its strategic planning. Its financial structure, particularly how much it relies on external financing and how this is distributed between short- and long-term funding, is the result of multiple factors, the most noteworthy of which are the company's strategic policy and the economic situation of the market in which it operates.
- **Business and Institutional Cooperation:** In the case of [artisan companies](#), cooperation is especially relevant because of their small average size; it is a way of overcoming some of the disadvantages associated with microenterprises. Among the many advantages associated with cooperation with third parties (companies or other organizations), the most significant benefits are easier, cheaper, and faster access to information, technology, and new markets; obtaining additional human and financial resources; and the possibility of sharing risks, both in the development of new products and services, and in terms of access to foreign markets.



# Colombia Begins Negotiations with the European Union for an Agricultural Agreement

- [Andean Group](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

Colombia and the European Union (EU) [have announced \(link in Spanish\)](#) the beginning of negotiations to reach a bilateral agreement on trade in organic products, which will grant small Colombian producers access to a larger market and will play a key role in Colombia's post-conflict period.

Both sides have reasserted their interest in reaching an agreement as soon as possible so as to ensure organic farmers a larger market, reduce the burden of administrative procedures on businesses, and identify a wider range of organic products available for consumers.

This potential agreement with the EU will be based on mutual recognition of each party's production standards and control regimes as being equivalent to one another. It will also seek to promote dialog and technical cooperation between the parties, in order to benefit both producers and consumers of organic products.

In principle, certain products, such as Hass avocados and exotic fruits, have been identified as being likely to make their way into the EU market through sustainable and environmentally friendly development.

At present, the EU supports several rural development programs in Colombia—such as one for the modernization of the dairy sector—which may also play a relevant role in this new stage that the country is heading into.

Colombia has expressed its willingness to sign a memorandum of understanding with the EU, which would include issues relating to technical cooperation in matters of sustainable agricultural development. These issues, in turn, would cover areas such as organic production, Good Agricultural Practices, fair trade, and sustainability.

# Ecuador Negotiates to Expand Cooperation with Korea

- [Andean Group](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

At this first [meeting \(link in Spanish\)](#), representatives from Ecuador and the Republic of Korea exchanged criteria on both parties' general interests and the procedural modality that will rule the upcoming trade negotiations.

Additionally, meetings were held to discuss the following topics: access to agricultural and industrial markets; sanitary and phytosanitary measures; rules of origin and origin procedures; technical barriers to trade; transparency and institutional affairs; trade in services; investments; customs administration, and trade facilitation; and trade defense measures.

Ecuador expressed its intention to achieve a balanced and comprehensive agreement that considers each party's level of economic development. Moreover, in the weeks to come, a bilateral cooperation proposal will be tabled. Through this agreement, Ecuador seeks to increase its exports and foreign currency inflows to the country, while safeguarding the interests of domestic production sectors and protecting the most sensitive of these.

The nine working tables negotiating the agreement will reconvene for a second round of negotiations, to be held in the city of Seoul, Korea, in March.

The first round was held in Quito and was attended by a delegation comprising 37 Korean government officials from various public agencies.

# Uruguay and Russia Agree to Increase Primary Exports

- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)
- [Southern Cone](#)

*Russia's and Uruguay's Ministers of Agriculture signed a bilateral agreement with the aim of strengthening relations in the areas of trade, services, and the exchange of technical and scientific knowledge.*

In early February 2016, the Russian Minister of Agriculture, Nikolay Fyodorov, met with his Uruguayan counterpart, Tabaré Aguerre, and the two signed a bilateral [agreement \(link in Spanish\)](#). Its main goal is to promote exchanges in different agriculture-related areas by implementing joint programs and projects.

The target areas defined so far include veterinary and phytosanitary monitoring; actions for the eradication and control of animal disease; the implementation of mutual trade in agricultural and agro-industrial production; supply of livestock, frozen semen, and bovine embryos; research in the field of agronomy; and livestock identification registers.

According to the information provided by the Uruguayan Ministry of Agriculture, Livestock, and Fishing on its website, cooperation will be implemented in the form of research programs, working groups, exchanges and visits, seminars, and exchange programs between experts.

This agreement will enable fluent contact between the two countries' health authorities, which will in turn help to address trade-related issues, given that Russia is one of the main destination markets for Uruguay.

The two countries have great potential for boosting bilateral trade, particularly Uruguayan exports of dairy products, meat, and food by-products.

Aguerre stressed that governments are responsible for generating appropriate frameworks to enable and encourage favorable trade conditions. He mentioned that Uruguay exports 55% of its butter production to Russia: between January and October 2015, these exports reached 8,000 tons.

He also stated that duty- and quota-free access to trade in the segment of high quality chilled beef, which was achieved after several years of negotiation, is a formidable opportunity for Uruguay.

# Honduras and Ecuador Move Closer to a Trade Agreement

- [Andean Group](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

The expansion of trade relations between Ecuador and Honduras was the main issue at the meeting held between representatives of the two countries. Their objective is to achieve tariff preferences for non-traditional products from sectors such as metalworking, white goods, construction, wood, plastics, and agri-industry, among others.

The [negotiation \(link in Spanish\)](#) between Ecuador and Honduras took place on February 2, 2016, and focused on six points: market access, sanitary and phytosanitary measures, technical barriers to trade, dispute settlement, trade defense, and origin, which were discussed by more than 30 high-level experts from the two countries.

“This agreement takes the interests of both Ecuador’s and Honduras’s production sectors into account. Rest assured that the negotiating teams are aware of their priorities,” said Alejandro Dávalos, Ecuador’s Deputy Minister of Foreign Trade.

During the 2nd Round of Trade Negotiations for a Partial Scope Agreement on Economic Complementarity, Dávalos added that 60% of Ecuador’s exports to Central America consist of value-added goods.

The 1st Round of Trade Negotiations was held in Tegucigalpa in November 2015.

# Panama Reiterates its Complaint against Colombia before the WTO

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

Colombia's imposition of compound tariffs affecting the re-exportation of textiles and footwear from the Colón Free Zone has led to the appointment of a World Trade Organization (WTO) Expert Panel. During a second substantive meeting between the parties and the arbitration panel, the WTO received the technical team from the Office of International Trade Negotiations of Panama's [Ministry of Trade and Industry \(MICI\) \(link in Spanish\)](#).

The panel aims to continue discussions between Panama and Colombia regarding a decree enacted by the latter, by which an extra 10% tariff is imposed on textiles and footwear leaving the Colón Free Zone in Panama, in addition to a charge of US\$ 5 per container.

"Panama will resort to all the instances provided for by this procedure to protect its industry and demonstrate that these measures on the part of Colombia are illegal, in order for Colombia to cease applying them to re-exports of textiles and footwear from the Colón Free Zone, so as to guarantee access to the Colombian market for this sector," stated Panama's Minister of Trade, Melitón Arrocha. Mr Arrocha added that "Panama feels confident that the arbitration panel's report will clearly determine that Colombia has breached the multilateral trading rules that all our countries have committed to within the WTO legal framework, and that these illegal measures must be revoked."

In the three weeks following the hearing, both parties must comply with the mandatory submission of final documentary evidence. On April 30, 2016, the arbitration panel will circulate the descriptive part of its report, which includes its analysis of the case. The panel's final ruling may be issued in early August.

# Chile and EFTA Make Headway on Dialog to Reach Trade Agreements

- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)
- [Southern Cone](#)

Technical delegations from Chile's Directorate for International Economic Relations (DIRECON) and the European Free Trade Organization (EFTA) met in Brussels and Geneva, with a view to modernizing and deepening the existing trade agreements between them.

The leader of the Chilean delegation, Pablo Urria, Director of Chile's Bilateral Economic Affairs, pointed out that "the aim of these [sessions \(link in Spanish\)](#) is to continue the work we have carried out in recent months to establish, in the case of the EU, the appropriate terms of reference for the modernization of the trade pillar of the Partnership Agreement."

As of November 2015, trade between Chile and the European Union totaled US\$ 16.36 billion, and this bloc was the second-largest destination for Chilean exports, following China. Meanwhile, over the same period, trade between Chile and the EFTA economies (Iceland, Liechtenstein, Norway, and Switzerland) totaled US\$ 898 million.

Urria stated that, in terms of market access, Chile seeks to improve access conditions with both the EU and EFTA for several headings of goods that fell into special categories in these agreements.

"In our dialogs with both EU and EFTA authorities, we have expressed our shared interest not only in deepening market access, but also in promoting other areas that had not been fully included in such agreements, such as issues relating to trade and sustainable development, public procurement, trade facilitation, and trade in services, among others. This will lead to the creation of an environment that will facilitate economic and trade relations between the parties," said Urria.

# TPP Member Countries Formally Sign Agreement

- [America](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

The finance ministers of the 12 member countries formally signed the [Transpacific Partnership Agreement](#) (TPP) in an event that formally concluded negotiations and opened the review process that has to take place in each of the nations for the agreement to be ratified.

The TPP includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

Together, these countries account for 25% of world trade, contribute 36% of the world's gross domestic product, and absorb 38% of foreign direct investment, according to data from Mexico's Ministry of the Economy.

The agreement shall enter into force once two-thirds of the members have ratified it.



# Mexico and the European Free Trade Association

## Launch Negotiations on a Review of FTA

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

On January 22, 2016, within the framework of President Enrique Peña Nieto's visit to the World Economic Forum, a Joint Declaration on the Launch of Negotiations for the Review of the Free Trade Agreement was signed by Mexico and the members of the European Free Trade Association (EFTA).

During the meeting, representatives of EFTA and Mexico emphasized how successful the FTA has been and how much it has contributed to trade and investment for both parties.

The [Joint Declaration \(link in Spanish\)](#) on the Launch of Negotiations for the Review of the Free Trade Agreement between Mexico and the EFTA Member States was signed by Mexico's Minister of the Economy, Ildefonso Guajardo; the President of the Swiss Confederation, Johann Schneider Ammann; Norway's Minister of Foreign Affairs, Borge Brende; Liechtenstein's Minister of Foreign Affairs, Education, and Culture, Aurelia Frick; and Iceland's Permanent Representative to the UN, Martin Eyjolfsson.

By reviewing their FTA, both Mexico and EFTA seek to expand the access of Mexican agricultural products to EFTA member states; to eliminate, reduce, or prevent unnecessary non-tariff barriers; and to update the chapters that are already included in the FTA as well as to include new issues such as trade facilitation, regulatory consistency, SMEs, and cooperation in the field of energy.

The FTA between Mexico and EFTA was signed on November 27, 2000, and entered into force on July 1, 2001. The General Framework for a Review of the Free Trade Agreement was finalized on October 28, 2015.

The review document signed by the parties establishes the terms that shall rule the negotiations to update and expand the FTA between Mexico and EFTA.

Flows of trade in goods between Mexico and EFTA have increased threefold in the last ten years: according to EFTA statistics for 2014, flows have gone from slightly over US\$ 1.2 billion in 2004 to more than US\$ 3.5 billion in 2014.

# Mexico and Argentina Boost Trade Relations

- [America](#)
- [Integration in Motion](#)
- [n234](#)
- [Regional Panorama](#)

Mexico's Minister of the Economy, Ildefonso Guajardo Villarreal, and Deputy Minister of Foreign Trade, Francisco de Rosenzweig Mendialdua, met with Argentina's Secretary of Trade from the Ministry of Production, Miguel Braun, with the aim of exploring opportunities to strengthen trade relations between the two countries, in compliance with the mandate established by presidents Enrique Peña Nieto and Mauricio Macri in Davos, Switzerland, in January 2016 (see [press release](#) [link in Spanish]).

The governments of Mexico and Argentina have announced that they will seek to broaden the scope of the Economic Complementation Agreement No.6 (ECA 6), by which both countries mutually grant tariff preferences on their bilateral trade in goods.

Interest in making headway on a comprehensive agreement in the automotive sector was also expressed, with a view to increasing bilateral exchanges. Furthermore, the opportunities available to deepen energy sector supplies between the two nations were also analyzed.

Argentina is a strategic trade partner for Mexico in Latin America and the Caribbean: their exchanges totaled US\$ 2.35 billion in 2014. Moreover, Argentina ranks sixth among Mexico's trading partners in the region (being its fifth-largest supplier and its seventh-most-important export destination).

# Connecting Voices

## Exclusive Videos on Trade and the Future of Regional Integration

- [Connecting Voices](#)
- [n234](#)

Interview with Marta Lagos, Director of Latinobarómetro (video in Spanish)

Interview with Marita Carballo, Director of Eurobarometer (video in Spanish)

Presentation by James Riccio, Director of the Low-Wage Workers and Communities Policy Area at MDRC

Presentation by Paula Hernández Olmos, National Coordinator of the Prospera program, Mexico (video in Spanish)

Presentation by Rosilene Rocha, Deputy Secretary of Labor and Social Development of the State of Minas Gerais, Brazil (video in Spanish)

# Reading Material on Integration

## Trade, Finance, and Development: Overview of Challenges and Opportunities

- [n234](#)
- [Reading Material on Integration](#)
- [Reviews](#)

“[Trade, Finance & Development: Overview of Challenges and Opportunities](#),” is one of the studies undertaken as part of the E15 Initiative, a series carried out jointly by the ICTSD and the World Economic Forum and which has brought together experts and institutions to conduct strategic analyses and make recommendations to the public and private sectors. Its work is oriented towards strengthening the global trade and investment system for sustainable development.

The document’s thesis is that there is a very strong correlation between various measures of trade and economic development. Nevertheless, it suggests that the evidence concerning the direction of causation between economic growth, development, and other variables is not clear.

### The Impact of Geography on Institutions

Over the past twenty years, the number of analytical studies has grown considerably, which, as the study argues, were “initially driven by the construction of internationally comparable measures, both of economic growth and development (such as the Penn World Tables or the World Bank’s World Development Indicators), and of country characteristics.”

It goes on to explain that:

this literature has given rise to two broadly defined schools of thought [...] On the one hand, the “geography” school, often associated with Jeffrey Sachs, holds that a country’s development performance is to a large extent determined by its geographical location. [...] On the other hand, the “institutional” school of thought, often associated with the work of Daron Acemoglu and his collaborators, has emphasized the importance of a country’s institutional environment, where

institutions are understood in their economic (and not political) sense in terms of social structures, such as the rule of law or the protection of property rights that allow economic activity to develop. On the basis of real examples, such as the economic crisis of 2008, the authors argue that high levels of financial depth, measured by credit as a fraction of GDP, are associated with less, rather than more, economic growth.



Arcand, Jean-Louis. Trade, Finance & Development: Overview of Challenges and Opportunities. E15 Initiative, 2016.

# Global Value Chains and Protection

- [Impact Assessment](#)
- [n234](#)
- [Reading Material on Integration](#)

An interesting paper by Emily J. Blanchard, Chad P. Bown and Robert C. Johnson, “Global Supply Chains and Trade Policy,” published by the National Bureau of Economic Research ([NBER](#)), examines the impact of countries’ integration into global value chains and the consequent reduction in tariff protectionism brought about by this integration.

The question that triggered this research was how global value chains (GVC) can modify the structure of import protection. The theory predicts that tariffs on final goods consumed in the domestic market will decrease as the domestic content of foreign-produced final goods increases. That is to say, as a country becomes more deeply integrated into a value chain in which it provides inputs for final goods consumed abroad, its own tariffs on the final goods it consumes will be lower.

As the study explains, it provides estimates based on “newly assembled data on bilateral applied tariffs, temporary trade barriers, and value-added contents for the 14 major economies over the 1995–2009 period.”

The authors found strong support for the empirical predictions of the model, which implies that global value chains are important determinants of trade policy, both in theory and in practice.

They conclude that GVCs “dissolve the link between the location in which final goods are produced and the nationality of the value-added content embodied in those goods.”

When the domestic content of foreign inputs is high, a country has an incentive to modify its tariff structure, which leads to a rise in imports. Integration into a GVC tends to lower optimal tariff rates. At the end of the day, optimal tariffs will depend on the domestic value added in GVCs. Therefore, any changes to the value added in GVCs should also have an impact on these tariffs.

The empirical results are confirmed both when countries apply protection through a bilateral tariff, as well as when they raise protection by adopting temporary trade barriers. The results prove the empirical relevance that the structure of GVCs has on governments’ trade policy decisions.

# COSIPLAN Project Portfolio Report 2015

- [n234](#)
- [Notable Publications](#)
- [Reading Material on Integration](#)



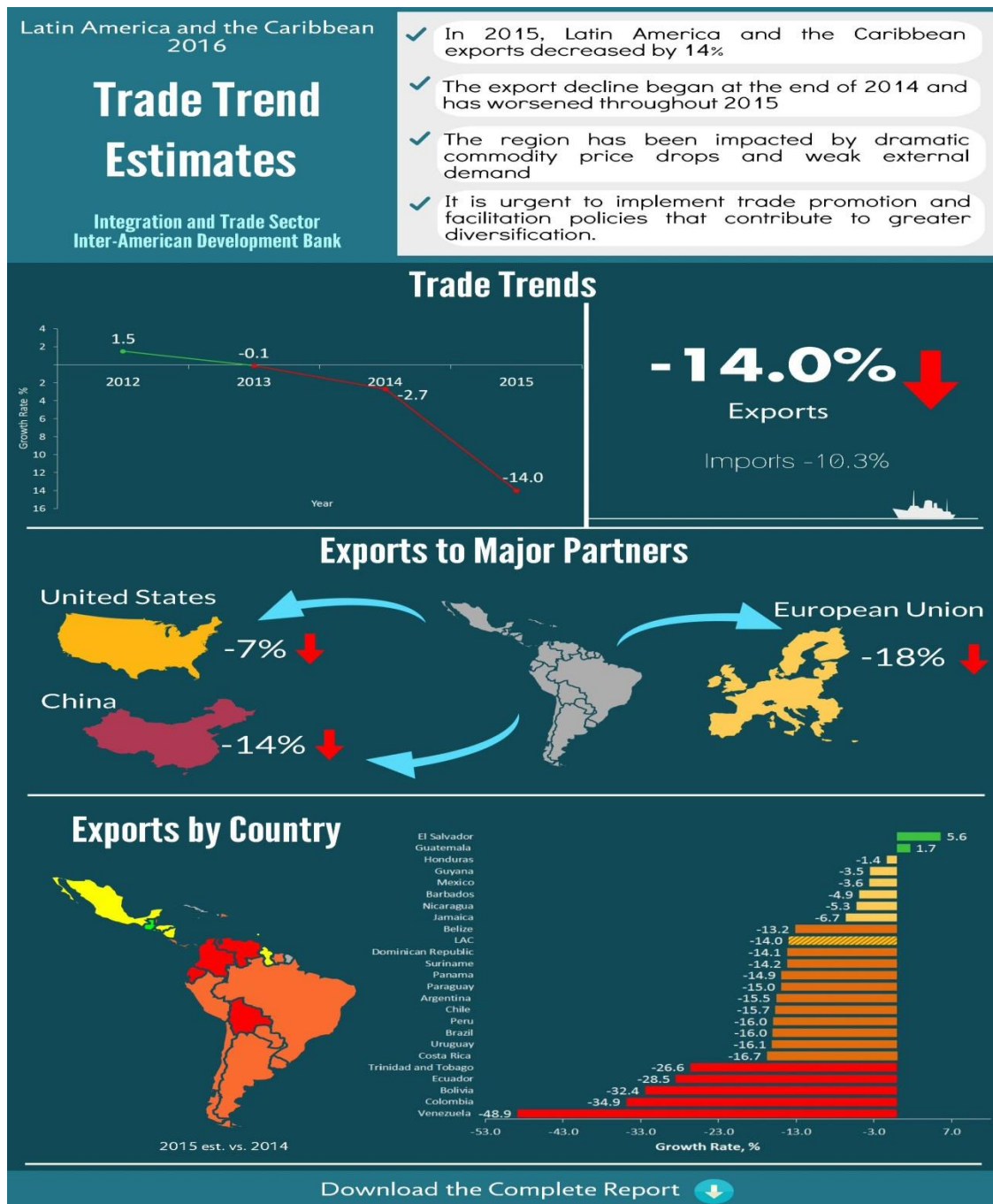
The Fifth Report of the COSIPLAN Project Portfolio offers a general overview of the portfolio and reviews the results of the work carried out by countries in the field of territorial planning. The report divides the portfolio into three sections: total, active, and completed portfolio projects; additionally, it presents the projects from each of the nine Integration and Development Hubs.

The COSIPLAN Project Portfolio includes 593 integration projects, which represent a total

estimated investment of US\$ 182.44 billion, distributed throughout South America, and organized into 48 Project Groups and nine Integration and Development Hubs. ([Click Here](#))

# Trade Trend Estimates for 2016

- n234
- Notable Publications
- Reading Material on Integration





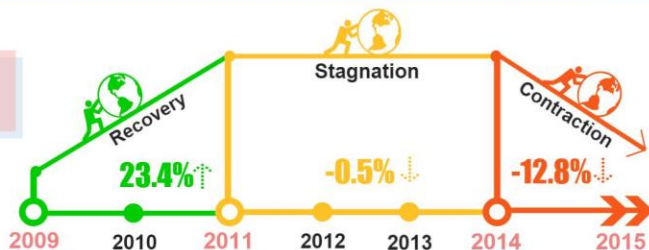
## Trade and Integration Monitor 2015: Double-Dip

- [n234](#)
- [Notable Publications](#)
- [Reading Material on Integration](#)

This is the most recent edition of the series of reports prepared by the Integration and Trade Sector of the Inter-American Development Bank (INT/IDB) that study the evolution of Latin America and the Caribbean's integration into the global trading system, making use of the data available from INTrade, the IDB's information system on integration and trade. The report analyzes the weak growth of the region's export volumes of goods and services and the strong impact of the correction in commodity prices since mid-2014. The study emphasizes the consequences that the realignment of exchange rates has had for the value of trade flows and the price-competitiveness of the region's export supply.

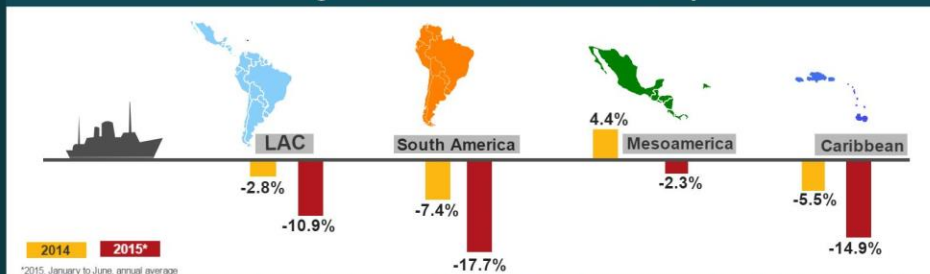
## The Region Faces Adverse World Trade Conditions

### Global Trade 2009-2015



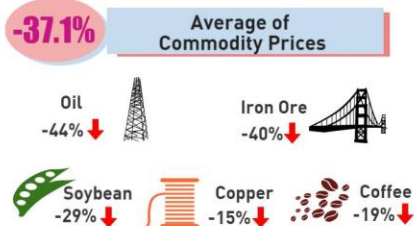
## Falling Regional Exports

Decline began in 2014 and worsened in early 2015



## Factors influencing the region's export decline

### Fall in Commodity Prices



### Diminished World Demand



## The Region Requires Greater Diversification to Mitigate External Shocks

### National Differences in:

#### Number of Products Exported



#### Concentration of Exports



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



## Bibliographical News

- [Bibliographical News](#)
- [n234](#)
- [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

- [n234](#)
- [Trade Thermometer](#)

### This month's trends

In February 2016 the global trade policy agenda was marked by the signing of the Trans-Pacific Strategic Economic Partnership Agreement (TPP), which now has to be ratified by the relevant national parliaments. At the regional level, the most notable event was the 4th CELAC Summit, which took place in late January. Regional agreements and bilateral integration schemes showed less dynamism than in the previous period, albeit with some exceptions. However, progress was made on some advanced negotiation processes.

### 360° Panorama

Over the course of the month, there have been advances on 13 existing agreements and 7 trade negotiations.

#### *Advanced Negotiations*

- TPP: [TPP not expected to enter into force until 2018 \(link in Spanish\)](#)
- MERCOSUR–EU: [The MERCOSUR–EU agreement and regional integration \(link in Spanish\)](#)
- Pacific Alliance: [The Pacific Alliance makes headway on productive integration \(link in Spanish\)](#)
- [Reducing extreme poverty a CELAC priority, heads of state agree at 4th CELAC Summit \(link in Spanish\)](#)
- Ecuador and Turkey: [Sights are set on an FTA \(link in Spanish\)](#)

#### *Selected news on trade agreements currently in force*

- Chile–China: [China becomes the largest importer of Chilean wines \(link in Spanish\)](#)
- Chile–Turkey: [Chile and Turkey sign cooperation agreement \(link in Spanish\)](#)

- Colombia and Peru–European Union: [Colombia and the European Union initiate negotiations for key agricultural trade agreement in post-conflict period \(link in Spanish\)](#)
- Amazon Cooperation: [Strategic action program approved for the management of Amazon basin water resources \(link in Spanish\)](#)
- Plata Basin: [New negotiations with Uruguay after repeal of provision 1108, which regulates export cargoes from Argentine ports \(link in Spanish\)](#)
- MERCOSUR–India: [Commercial strategy involves deepening agreements \(link in Spanish\)](#)
- MERCOSUR–Peru: [Peru and Paraguay strengthen and give new life to bilateral trade relations \(link in Spanish\)](#)
- Mexico–European Free Trade Association (EFTA): [EFTA and Mexico launch negotiations to review their free trade agreement \(link in Spanish\)](#)
- MERCOSUR–Brazil, Partial Scope Economic Complementarity Agreement 53: [Second round of negotiations to expand ECA 53 comes to an end. Brazil proposes an industrial integration agreement to Mexico \(link in Spanish\)](#)
- Mexico–EU: [Mexico and the EU announce bilateral agreement to better position tropical products and add organic ones \(link in Spanish\)](#)
- Peru–United States of America: [Peru: non-traditional exports to the United States grew 90.3% following FTA \(link in Spanish\)](#)
- Dominican Republic, Central America–United States of America (CAFTA-DR): [Dominican trade sector organizations urge government intervention to make agreement implementation fairer \(link in Spanish\)](#)
- Central American Integration System (SICA): [President of Costa Rica calls for substantive Central American integration \(link in Spanish\)](#)
- SICA's Pro-Tempore Presidency and General Secretariat hold working meeting to promote integration issues [\(link in Spanish\)](#)
- [First ever virtual meeting of SICA presidents concludes successfully \(link in Spanish\)](#)

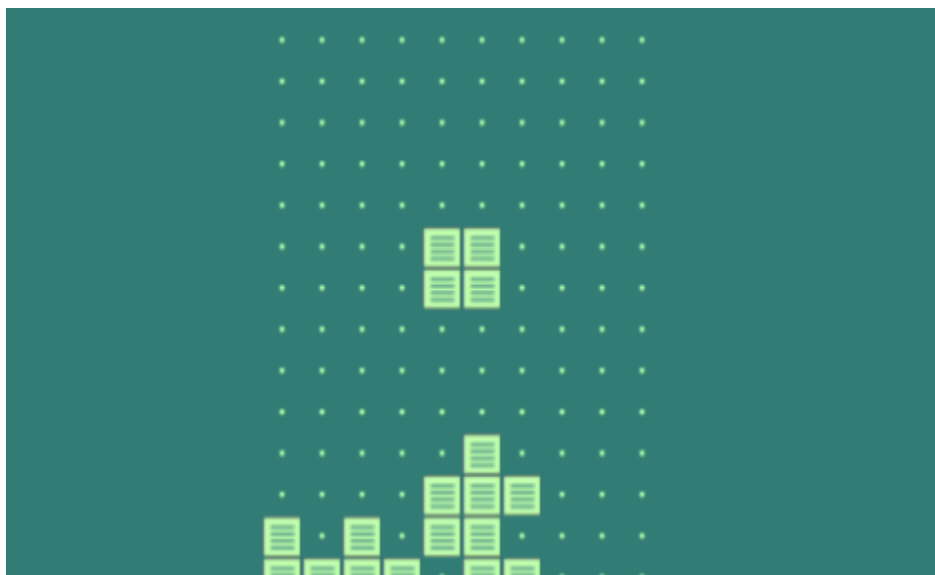
The IJI is a compilation of regulatory texts, commentaries, and follow-up on legal commitments and developments of an analytical nature concerning the various integration processes taking place in Latin America and the Caribbean. For news and to learn more about the progress made on trade agreements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

# INTAL Interactive Infographics and Fact Sheets

- [n234](#)
- [Trade Thermometer](#)

## Between Us

How difficult it is to achieve a high level of regional integration in trade in goods? This display uses the computer game Tetris as a metaphor to show that if you play well, you'll get a high intraregional trade score and rank high among the regional blocs listed in the table on the right of the screen. If you don't manage to fit your pieces together and clear the lines, your intraregional trade score will be low, and you'll be towards the bottom of the ranking, behind the leading regional blocs.



## Integrated

The countries of Latin America and the Caribbean are part of a complex, growing network of trade agreements. These agreements present different characteristics, in terms of both the issues under negotiation and the commitments made, and also the partners involved. Likewise, the different countries and blocs have followed different strategies when seeking new agreements, which are the result of diverse perspectives on integration into the global economy and ways of achieving this. Looking to the future, it will be necessary to take advantage of trade negotiations to address the challenges presented by a global economy that is organized into transnational value chains.



# Editorial

## Editorial Staff

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