

# INTAL CONNECTION

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## **INTALENT. Creativity + Integration**

A close-up photograph of a woman with long, dark, wavy hair, wearing a light-colored hat with thin dark stripes. She is smiling and looking down, her face partially obscured by her hair and the hat. The background is a blurred interior space, likely a library or bookstore, with bookshelves visible. The image is overlaid with a semi-transparent white box containing text.

## Integration Ideas

# The Orange Economy and Development

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A Mexican spends day after day in his tiny room in Tijuana trying to control the flight path of a helicopter by hacking it using an Arduino board[1] that he bought for less than US\$20. He applied to college in his country to study aeronautics but was turned down twice as he didn't meet the traditional application criteria. In Buenos Aires, a teenager discovers he can manufacture prosthetic hands at a very low cost with the help of a 3D printer. In Peru, a woman who has not yet turned 30 dreams of helping unemployed women in her country who have not had access to a formal education to learn to write code and become expert web programmers.

All three are part of what is now known as the *creative economy*. They are major players in this new sector of the 21st-century economy which is based on gray matter—people's ideas and creativity. Although this sector's circumstances change by the day and are marked by uncertainty, its players respond flexibly and dynamically and the sector is booming despite the extreme economic turbulence that surrounds it.

## What is the Creative Economy?

Let's briefly define what we mean by creative economy. To do so, I'm going to set aside semantic discussions and epistemological diatribes, as there are many definitions or terms that can help us understand this sector: creative industries, cultural industries, cultural economy... It was even dubbed the "orange economy" in a fascinating 2011 publication by Felipe Buitrago. But what's important here isn't so much what we call it as the players that are involved in it and the impact that it is having on the economy.

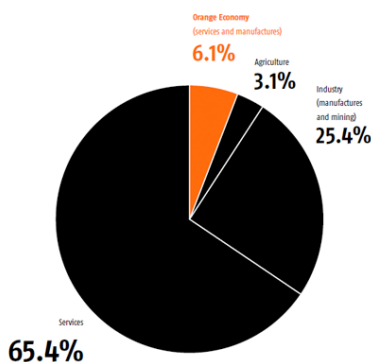
I want to refer back to the concept that John Howkins coined in a book he published in 2001<sup>[2]</sup>, in which he described the creative economy as being those activities which use creativity, ideas, and the arts as their raw material. They also rely on intellectual property to generate value (or royalties) and have a direct relationship with creative value chains.

Howkins argues that there is a close relationship between creativity and the economy and that this sector includes goods and services whose value is based on intellectual property: advertising, architecture, crafts, design, fashion, film, games and toys, music, publishing, R&D, software, TV and radio, videogames, and the visual and performing arts.

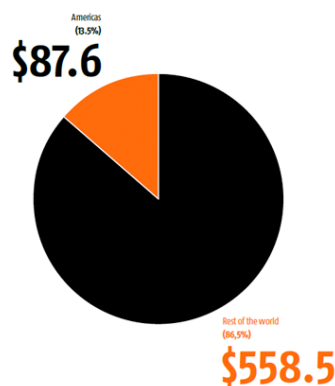
But the definition that Buitrago uses is even more interesting, and more practical, in that he underlines the creative economy—or the orange economy, as he calls it— as being “the group of linked activities through which ideas are transformed into cultural goods and services whose value is determined by intellectual property.” He goes on to describe how these include the cultural economy and the creative industries, and the conventional cultural industries, which lie at the point where the first two overlap. He places particular emphasis on the areas that provide support for creativity, which is interesting. In this regard, he highlights research, innovation and development, technical skills development, the institutions that watch over intellectual property, and professional creative education.

### The Creative Economy's Contribution to the Global Economy

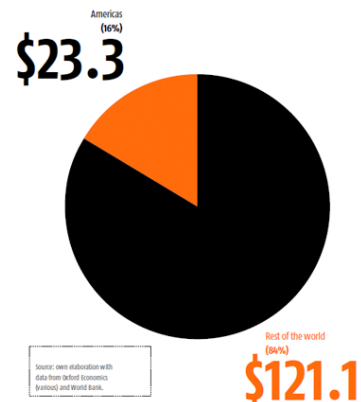
**Contribution to the world economy**



**Contribution to world exports (billion dollars)**



**Contribution to employment worldwide (million workers)**



Buitrago Restrepo, Pedro, and Duque Márquez, Iván. 2013. The Orange Economy. An Infinite Opportunity. IDB. October.

## Why Now? What Has Changed in the World?

Now that the 21st century is well and truly underway, we are experiencing a complete paradigm shift. Some people describe it as the fourth industrial revolution, while others call it the technological or digital revolution. What's certain is that the ways in which we organized our societies and related to one another in the last century have been left far behind. The economy of the masses that characterized the 20th century is gradually becoming obsolete.

Let's think about organizations for a moment. We are seeing a progressive shift from hierarchical, bureaucratic organizations to much more horizontal, collaborative ones. Planning used to be a priority within organizations, but now we think about prototyping, doing, experimenting. Organizations were closed entities that fed off their own talent. If they are to survive today they necessarily have to move outside their own environments and seek ideas further afield. Concepts like open innovation, or open data, affect not just companies but politics, culture, science, and society as a whole.

Organizations need to listen more than talk. Above all, they need to relate to one another in multiple directions, as parts of networks. Those that don't open themselves up to the ecosystem will find it hard to survive. Over the last two decades, the expected shelf life of a company has gone from an average of 50 years to just five. Even governments that don't listen to their citizens may find their stability threatened to a greater or lesser degree.



Technology has become another key factor in this equation and a major player in these changes. **It isn't technology itself that brings about change, but the impact it has on every sphere, including regional integration and trade.** Technology allows us to produce more and to produce better, and it is becoming more and more accessible and less and less expensive. Using technology and digital

platforms, we can produce content in Argentina and in a matter of seconds be reproducing it in India, Mexico, or Spain. It allows us to highlight the value of ideas even before we have the financing to produce them.

Technology has given us back our identity. After being lost in the mass society of the 20th century, we have become individuals once more and have started to differentiate ourselves from one another. Consumers demand personalized products and services, and today this is economically viable and technically plausible. The term *prosumer*—coined by Alvin Tofler several years ago and which describes the power that the consumer has over the product or service he or she is going to



buy—is undoubtedly more relevant than ever today. We are spectators, but we are also players and creators. Social networks have become the new agora. Revolutions, protests, and even political parties have been born in less than 140 characters.

If we think of the possibilities that are opening up in terms of improving our health and quality of life, even making our lives longer, the options are infinite. We will be able to edit our genes to cure illnesses even before these have started to manifest themselves in our bodies. A blood test will be enough to tell us if we have cancer, and bombarding ourselves with chemicals in the fight against malignant cells will soon be a thing of the past. It will be possible to provide the 9.5 billion people that will inhabit the planet by 2020 with drinkable water through highly efficient large-scale desalination plants. And we're hoping to eradicate hunger once and for all, with the help of plants that carry out supercharged photosynthesis and thus produce greater quantities of food.

Some of the more optimistic and daring technologists out there even dream of the “death of death.” The so-called technological singularity that we will soon achieve will mean that machines will be able to create. How so? Well-known scientist and *Singularity University* founder Ray Kurzweil claims that in the not-too-distant future, technological progress and social change will speed up due to progress in the field of artificial intelligence, and that human beings that predate this hypothetical point in time will not be able to understand these events. Artificial intelligence will be able to recreate itself, and these humanoids will become ever more intelligent, so much so that they will even find the cure to dying.

It does sound rather like science fiction. So thinks Paul Allen, philanthropist and co-founder of Microsoft, who responded to Kurzweil in an article in the *MIT Technology Review* that even though he didn't rule out that all this might happen at some point, he didn't think it would be in the medium term. [\[3\]](#)

While we recover from the vertigo that such hypotheses tend to induce, let's see how economists, technologists, and scientists analyze the possible impact that technology may have on our economies—or that it's already having. Technological changes may build a better world but they also bring new challenges. So claim Erik Brynjolfsson and Andrew McAfee, renowned MIT professors who study and analyze technology's impact on the economy.

In one of their most recent publications, *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*, they explain that although technology helps the economy to grow faster—which explains why most creative industries are booming—not everyone benefits equally. Compared to the industrial revolution, it would seem that digital technologies increasingly create what are known as “winner-take-all markets.” Sadly, this situation may continue to widen the already worrying inequality gap, among other things.

However, the authors are optimistic about technological progress. They are convinced that good ideas will help us to produce more and better, which will translate into more health, more education, and more infrastructure. But they warn us that **we are facing a range of economic disruptions that are the result of the digitization of the market and that given this, we should be preparing ourselves as individuals and our institutions to take these on.** Above all, we need to focus on talent. **The changes we are facing will demand a workforce that is ever more skilled, better educated, and highly creative.** Everything else will be done by... robots?

### **Creativity and Innovation**

Given this outlook of constant change that demands that we become more flexible, open, and resilient, creativity may be the spark that sets off the explosion in the creative economy in Latin America and the Caribbean. As John Howkins says, "Creativity is not new and neither is economics, but what is new is the nature and extent of the relationship between them, and how they combine to create extraordinary value and wealth."[\[4\]](#)

Let's go back to the idea that we can take a qualitative leap and set our economy alight if we focus more on talent and ideas. For a long time, it was thought that creativity was a talent that only a few geniuses had, and that was very hard to acquire. However, experience has shown us the opposite to be true. Creativity can be acquired, developed, and perfected, and we are increasingly aware of this. It is a skill that develops with practice and not a talent which you are born with.

We tend to overuse terms so much that we get sick of them, which in this case might lead to confusion or distrust around what "creative" actually means. Today everyone, every company, every institution, every city, and even every country wants to be creative. The same thing is true of "innovation." The two are alike in many ways, but while creativity is more subjective and lies within the individual, innovation is more objective and is generally achieved as a group or within a certain ecosystem. The combination of the two is key in this context.

We have long spoken of the creativity that Latin America and the Caribbean harbors, from the talented individuals among us to the passion we have developed for innovation and technology. We have Nobel Prize winners in literature, medicine, and physics. We are home to some of the world's best-known cultural events, such as the Rio Carnival or the Guadalajara International Book Fair. We manufacture geostationary satellites that we launch into space and we have exceptional doctors who have helped global medicine make great strides.

But as I argued above, talent and creativity need to be cultivated. If we want to innovate, stand out, and make our region a paradigm for innovation and the creative economy, we need to be aware that there is a lot of work to be done before we get our eureka moment. Entrepreneurs are well aware of

this: 1% inspiration and 99% transpiration. But if this is the case, how can we make the creative economy represent at least half of our GDP?



First, through the core area of **education**. In a region as unequal as Latin America, education is one of the main tools that will enable us to reach the levels of development we are seeking. Recent years have seen great efforts to improve education, which have led to tangible results in terms of increased access to this and rising literacy rates. However, we continue to fail international

examinations and are falling short of the quality of the education we want for our children. Education frees us, opens up a thousand doors, and drives us to create.

Second, by attracting—or rather, retaining—**talent**. Not only must we teach people to be creative, we also need to motivate them, fill them with enthusiasm, and encourage them to realize their full potential so as to have an impact on the economy. We need to bring back talented individuals who have moved elsewhere, hold onto those that are still here, and—why not?—even draw in talented individuals from outside our region who recognize the creative opportunities among us.

But how do we attract such talent? By creating an **ecosystem**. More than ever before, even though our technology platforms allow us to be in many places at once, being part of a system undoubtedly drives our creative development. We can innovate and be more creative if we have institutions that watch over our ideas through patents or copyrights. Governments that invest in quality education. Congresspeople who legislate in favor of diversity, tolerance, and freedom of expression. Agencies that drive small and medium-sized enterprises that today are the heart of the creative economy. Cities that promote entrepreneurship with tools but also through support. Failing is part of the process.

And for all these tools to open up a new era of growth and prosperity, we need to guarantee **access to technology**. We believe that connectivity has become a universal human right and that guaranteeing access to it will undoubtedly build a bridge that will bring the two halves of society together. Some 4 billion people in the world today are still not online, which is a serious impediment to narrowing the inequality gap. Once again, creativity has opened up possible solutions: the helium balloons of Google's Project Loon, Facebook's drones, or Elon Musk's satellites. These solutions are extremely exciting and make us optimistic about the future.

## **Creativity for Integration**

As a region, Latin America and the Caribbean needs to keep strengthening its foundations and invest decisively so as to create talent within its borders and attract the best talent from outside these, as this will be the basis for growth and improvements to the quality of life of its inhabitants in the years to come. It will be our gray matter and not our natural resources that will help us overcome the problems we are currently facing. It will be the creative minds among us that will find solutions to our most pressing emergencies.

Today, global economic centers compete more over talent than over goods and services. The University of Toronto's Global Creativity Ranking draws on different rankings to point to the three factors that it believes drives economic development: talent, technology, and tolerance. According to Professor Richard Florida, who created the index, "A growing body of research finds that openness to diversity spurs economic development, while homogeneity stunts economic growth. Places that are open to new ideas also tend to attract creative people from around the globe that provide an edge in generating innovations and startup companies."[\[5\]](#)

**Today, people and firms aren't the only ones who are competing to be creative. Cities and regions are, too.** The more dynamic and creative an ecosystem is, the greater the numbers of talented people that will come in search of it. And where talent and creativity go, innovation and economic growth follow.

Latin America and the Caribbean have a huge opportunity before them. These are hard times. All around are natural disasters like the earthquake in Ecuador or the spread of the Zika virus in Brazil. The economy is sailing on rough seas due to the falling prices of oil and commodities. Yet the creative economy continues to grow. It is here to stay and is opening up the opportunities we are seeking in order to keep growing and improving the lives of millions of Latin Americans.

**Efforts to foster physical, political, and commercial integration between our countries will be key to reaching our growth and development objectives sustainably.** Strengthening our institutions and promoting access to technology will open up infinite opportunities for us.

We are living at a unique point in history. Passion and creativity, together with our citizens' commitment to solving the problems we are facing, will sow the seeds for our future.

That Mexican who spent hours shut away in his room in Tijuana is today Jordi Muñoz, co-founder of the largest consumer drone manufacturer in the world. His firm 3D Robotics is valued at tens of millions of dollars, and his drones are of help to other entrepreneurs like Paola Santana, a Dominican who co-founded Metternet, the goal of which is to take medicines to areas that are hard to reach by road.



Gino Tubaro, the 20-year-old who brought hope to children with his prosthetic hands with superhero motifs on them, today has over 60 3D printers that help hundreds of people with limited resources. And the young women in Peru that learned to program are today successful heads of households after attaining formal employment in a field with a bright future, all thanks to Mariana Costa.

As I said at the start, all of these individuals add value to what is now known as the creative economy. Not only because of the economic value that their enterprises may have, but because of the talent, creativity, and inspiration they represent for many young people in Latin America and the Caribbean. The creative economy will soon stop being invisible and will instead become our region's new *El Dorado*.

[1] Arduino es una plataforma electrónica de código abierto que permite diseñar proyectos interactivos. Más información en [www.arduino.cc](http://www.arduino.cc).

[2] Howkins, John. 2001. *The Creative economy*. Penguin.

[3] Buitrago Restrepo, Pedro y Duque Márquez, Iván. 2013. *La economía naranja. Una oportunidad infinita*. BID. Octubre.

[4] Ver artículos en: <https://www.technologyreview.com/s/425733/paul-allen-the-singularity-isnt-near/>

[5] Entrevista a John Howkins. "El motor de la creatividad en la economía creativa" por Donna Ghelfi. OMPI.

[6] Andrés Oppenheimer. 2015. "Latinoamérica, la creativa". Diario El País, Uruguay.

# Agua Negra Binational Tunnel: The Region's First Territorial Integration Program

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The [PTI for the Agua Negra Binational Tunnel \(link in Spanish\)](#) was passed by the COSIPLAN ministers in December 2015. In the first quarter of 2016, Argentina and Chile made progress setting up a work schedule that will allow the projects, plans, and programs that have been prioritized to be implemented. The work to be carried out in 2016 was presented by the two countries at the [29th Meeting of the IIRSA Technical Forum](#) on April 6, 2016, in Montevideo.

## From Planning to Implementation

The PTI Action Plan is an essential part of the PTI. Its role is to put the planning process into action; in other words, its objective is to successfully implement the program. It is made up of the plans, programs, and projects that the two countries have prioritized, and the actions and activities that are associated with each of these. Managing these activities is the focus of the Action Plan.

- **31 New Complementary Activities:** these are new actions or activities which were identified as being relevant and complementary to the tunnel project during the process of creating the PTI.
- **69 Concurrent Planning Activities:** these are actions or activities that are already part of government plans or programs and which were identified as being relevant or complementary to the tunnel during the process of creating the PTI. Incorporating them into the program adds to their value.

## New Complementary Actions/Activities in the Action Plan by Strategic Area

| Component  | Plan/Program/Project  | Current Status | Next Action/Activity   | Country/Countries |
|--|---|----------------|--|-------------------|
| Area: Physical Connectivity                                  |   |                |  |                   |
| Improvements to road connectivity                            | Paving and upgrading project for Road 41 CH   | PR             | Carry out an integrated study for re-routing cargo traffic and alternatives for a new route. Road Section: Border Crossing Facility, Juntas del Toro, and ports in the Coquimbo Region | CH                |
|  |   | PR             | Carry out studies for the R41CH bypass project, Quebrada de Talca–Puerto de Coquimbo   | CH                |
|  |   | PI             | Draft project for the Las Rojas–Vicuña section (divided highway project for R41CH)   | CH                |
|  |   | PI             | Invitation to tender for: Section II, Puente El Camarón–La Laguna (paving project for R41CH between Juntas del Toro and the tunnel entrance)   | CH                |
| Expansion of the electricity and telecommunications networks | Project to extend the fiber optic network from Las Flores to the binational tunnel and possibly into Chile. | PR             | Carry out a feasibility study for the development of the fiber optic installation project and its channeling by the state  | CH                |
|  | Project for the expansion of cell phone network coverage in the Chilean sector                              | PR             | Move forward with negotiations with (private) telecommunications providers   | CH                |
|  | Project for supplying energy to telecommunications services in the Chilean sector                           | PR             | Analyze the inclusion of energy provision in the overall electricity project, depending on telecommunications projects   | CH                |
| Improvements to physical connectivity services               | Project for installing service areas and facilities   | PR             | Develop road safety projects in different sectors of the relevant road network   | AR-CH             |
|  | Project for installing logistics platforms  | PR             | Identify intermodal logistics terminal projects  | AR-CH             |
| Area: Territorial Environmental Sustainability               |   |                |  |                   |
| Protection of biodiversity                                   | Binational program for the protection of biodiversity   | PR             | Analyze and propose joint actions  | AR-CH             |
| Area: Demographic Dynamics (Rural and Urban)                 |   |                |  |                   |
| Internal road structuring in urban areas                     | Mobility project in the Greater San Juan area (second and third beltway)                                    | PR             | Plan a mobility project in functional terms (land use) that will enable the creation of a services or nodal zone.  | AR                |
|  | Project to consolidate the Third Provincial Beltway in San Juan   | PI             | Carry out pre-feasibility study for the Third Provincial Beltway   | AR                |
| Territorial organization                                     | Strategic program for organizing urban nuclei   | PI             | Update and implement territorial organization plans  | AR                |
|  |   | PI             | Development of Regional Urban Development Policy, Coquimbo Region  | CH                |
| Area: Productive/Economic Activities                         |   |                |  |                   |
| Mining   | Program to improve access for mining use/exploitations  | IM             | Incorporate information into the geographic mining system  | AR                |
|  | Use plan for non-metallic mining  | PR             | Analyze productive development opportunities for non-metallic minerals   | AR                |
|  | Binational mining complementarity plan  | PR             | Devise plan  | AR-CH             |
| Industrial development                                       | Strategic industrial development plan   | PR             | Devise strategic industrial development plan   | AR                |
|  | Binational Plan for Value Chain Development and Complementarity   | PR             | Devise binational plan for value chain development and complementarity   | AR-CH             |
| Tourism development  | Integrated binational tourism plan  | PR             | Carry out study of the tourism potential of the areas between Valle del Elqui and Valle de Jáchal  | AR-CH             |
|  |   | PR             | Carry out focused study of the tourism potential of Valle Fértil   | AR                |
|  |   | PR             | Devise binational master plan for integrated tourism routes  | AR-CH             |
| Area: Risks of Natural and Human Origin                      |   |                |  |                   |
| Risk prevention and mitigation                               | Integrated risk management program  | PR             | Devise binational contingency plan and emergency protocol  | AR-CH             |
| Climate change   | Program to adapt the direct action area infrastructure to climate change                                    | PR             | Devise a plan for minor works to reduce losses caused by climate change  | AR-CH             |
|  |   | PR             | Draw up a map of current and future physical vulnerability in terms of action to mitigate the effects of climate change in the primary production, health, and tourism sectors.        | AR-CH             |

Note: PR: Profile. PI: Pre-implementation. AR: Argentina CH: Chile

### New Complementary Actions/Activities in the Action Plan by Cross-cutting Factor

| Component  | Plan/Program/Project  | Current Status | Next Action/Activity  | Country/Countries |
|--|---|----------------|---|-------------------|
| Factor: Capacity Building  |   |                |   |                   |
| Strengthening and training   | Binational training program for local capacities                            | PR             | Program design (tourism, foreign trade, logistics, and local entrepreneurship)  | AR-CH             |
| Community development  | Support program for the creation of cooperatives or associations            | PR             | Develop a binational support program for the creation of cooperatives or associations (mining, tourism, agriculture, and fishing)   | AR-CH             |
|  | Binational support program for community development                        | PR             | Carry out study of support mechanisms and initiatives for community development   | AR-CH             |
| Factor: Development and Innovation                                     |   |                |   |                   |
| Roadway information system   | Project to create a roadway information system for the R41CH–RNN150 roadway | PR             | Design an information system on road conditions, the binational tunnel, and the border crossing that includes an app for transportation companies and tourists  | AR-CH             |
| Factor: Regulatory Framework   |   |                |   |                   |
| Regularization of ownership of water use rights                        | Restructuring program for ownership of water use rights                     | PR             | Carry out study to identify areas where water use is problematic and reorganize ownership rights  | AR                |
| Complementarity in the use of economic cooperation instruments (FTAs). | Project to analyze and evaluate shared tariff benefits arising from the FTA | PR             | Evaluate the results of the economic complementarity study on the Central Bioceanic Rail Corridor between Coquimbo and Porto Alegre (CBC) (Universidad Católica del Norte and Universidad Católica de Cuyo) | AR-CH             |

The plan must be implemented during the time it takes to build the tunnel, which was initially estimated at ten years.

*The implementation of these plans, programs, and projects will mitigate constraints and take advantage of the opportunities that come with the building of the Agua Negra Binational Tunnel so as to boost the productive potential of the area in question and the generation of services within it, while promoting sustainable development, internal and international integration, and territorial organization.*

The next steps towards achieving the goals of the Action Plan in 2016 were presented by the National Coordinators from Argentina and Chile at the [29th Meeting of the IIRSA Technical Forum](#) (April 6, 2016, Montevideo). In general terms, these are as follows: (i) identify the bodies and government officials that are responsible for each plan, program, and project, and collect detailed information on each; (ii) structure the more complex new complementary actions, both national and binational; (iii) evaluate the need for an information and monitoring system for the Action Plan; and

(iv) draft the 1st Action Plan Progress Report on the Agua Negra Binational Tunnel PTI and present it at the Meeting of COSIPLAN Ministers.

### **The Process of Drawing Up the PTI**

The PTI was developed between 2014 and 2015 by the COSIPLAN/IIRSA National Coordinators in Argentina and Chile. Those national and regional or provincial government bodies that are involved in these issues played an active part in the work process, and together made up the Enlarged Work Team. Support for the process of drawing up the PTI was provided by a Technical Assistance team coordinated by INTAL in its role as the Secretariat of the COSIPLAN/IIRSA Technical Coordination Committee.

The main components of the PTI are as follows:

**Objective.** The objective of the PTI is to contribute to consolidating the Agua Negra Border Crossing as a connectivity alternative between Argentina and Chile, so as to boost the region's productive potential and the generation of services within it by identifying projects and actions that foster sustainable development, internal and international integration, and territorial organization.

**Action Area.** The Direct Action Area includes the provinces of San Juan and La Rioja in Argentina and the Coquimbo Region in Chile. The Indirect Action Area includes the provinces of Córdoba and Santa Fe in Argentina.

**Integrated Diagnostics.** The objective was to characterize the territory contained within the PTI Action Area in terms of the following dimensions: infrastructure; biophysical, socio-territorial, socio-cultural, economic, and productive aspects; and natural hazards. The aim of this characterization is to make basic information available in an organized fashion in relation to: (i) the status, quantity, quality, and availability of each of the resources that make up the territorial heritage (natural capital and social capital); and (ii) the conditions of use and the damage these resources are subject to.

**Participation Plan.** This helped facilitate the interaction between the Enlarged Work Team and specialists and local players by identifying interest groups' different perceptions and opinions of future scenarios related to the construction and operation of the tunnel.

**Strategic Areas and Cross-cutting Factors.** These refer to significant aspects that allow the territorial dynamic of the PTI Action Area to be described, taking the implementation of the tunnel into account.



### Strategic Areas and their Components

| Strategic Area  | Component  |
|---|--|
| Physical Connectivity   | Improvements to road connectivity                        |
|   | Improvements to rail connectivity                        |
|   | Improvements to port facilities                          |
|   | Expansion of electricity and telecommunications networks |
|   | Improvements to physical connectivity services           |
| Identity of local society and protection of cultural heritage | Protection of cultural heritage and identity             |
|   | International socio-cultural integration and exchange    |
| Environmental sustainability of the territory                 | Protection of biodiversity                               |
|   | Management of water resources                            |
|   | Protection and conservation of coastal areas             |
|   | Urban and industrial solid waste                         |
| Demographic dynamics (rural and urban)                        | Internal road structuring in urban areas                 |
|   | Territorial organization                                 |
| Productive/economic activities                                | Mining   |
|   | Industrial development                                   |
|   | Tourism development                                      |
| Risks of natural and human origin                             | Risk prevention and mitigation                           |
|   | Climate change   |

### Cross-cutting Factors and Their Components

| Cross-cutting factors      | Component  |
|----------------------------|--|
| Capacity building          | Strengthening and training   |
|                            | Community development  |
|                            | Academic training and development                                      |
| Development and innovation | Roadway information system   |
|                            | Administrative decentralization  |
| Regulatory framework       | Regularization of ownership  |
|                            | Regularization of ownership of water use rights                        |
|                            | Complementarity in the use of economic cooperation instruments (FTAs). |

**Strategic Analysis.** After these areas and factors were identified, work began on the strategic analysis phase, the aim of which was to analyze in advance the opportunities and limitations that construction of the tunnel implies for the area. As part of this process, regional workshops and focus group meetings were held, which allowed those present to identify plans, programs, and projects that could be integrated into the PTI.

**Plans, Programs, and Projects.** The plans, programs, and projects, together with the actions and activities that these imply, are initiatives which aim to help achieve the PTI's objective. The Strategic Areas and Cross-cutting Factors are a way of organizing the plans, programs, and projects that are included in the PTI. As of December 2015, the PTI was made up of 69 plans, programs, and projects.

# EU Agricultural Policy and its Impact on Latin America and the Caribbean

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The elimination of subsidies to agricultural exports that was established at the last WTO Conference in Nairobi (December 13–16, 2015) is a significant step towards reducing the competition that developing countries face in global trade, however, progress is yet to be made on the elimination of other barriers to trade. In this sense, this article briefly introduces some of the trade policy tools that the European Union (EU) is using in the agricultural sector.

EU tariffs are somewhat higher in the agricultural sector in relation to other sectors, and they include tariff peaks, tariff escalation, and seasonal tariffs. However, the average MFN tariff is relatively low and many tariff lines are duty-free.

The measures that the EU uses to regulate trade in goods, fundamentally agricultural goods, include **tariffs, tariff quotas, antidumping and countervailing measures, sanitary and phytosanitary barriers, technical regulations and standards, and environmental protection measures**. The following section describes each of these trade regulation modalities in detail.

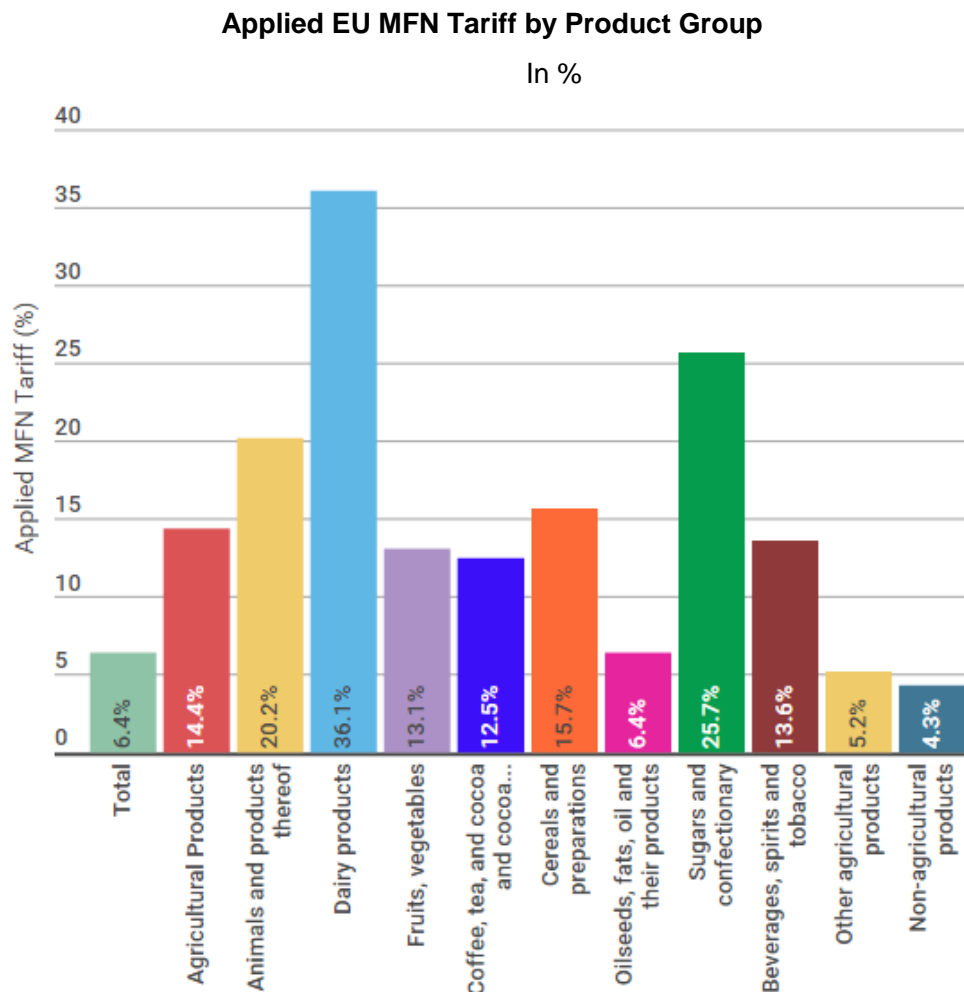
## Tariffs and Tariff Quotas

The EU's tariff structure includes non-ad-valorem tariffs (specific or compound), seasonal duties, and tariff peaks and escalation, which mainly affect the agricultural sector.

The average MFN tariff is 6.4% (which includes the ad-valorem equivalents [AVEs] of non-ad-valorem tariffs). However, the average tariff rate for agricultural products is significantly higher (14.4%) than that for non-agricultural products (4.3%).

Furthermore, 10.6% of tariff lines are subject to non-ad-valorem tariffs, which mainly affect agricultural products (46.5 of tariff lines in the sector). A quarter of all tariff lines are duty-free, while 8.5% are subject to MFN tariffs that are higher than 15%, which is considered to be a tariff peak. On average, non-ad-valorem tariffs continue to lead to higher levels of protection than ad-valorem ones. Ad-valorem tariffs stand at between 0% and 75%; however, if non-ad-valorem tariffs are also taken into account, AVEs may reach 635.4%. All cases of AVEs greater than 100% correspond to agricultural products and are applied to products including whey (635.4%), prepared or preserved poultry meat (288.9% and 143.2%, respectively), prepared or preserved mushrooms and truffles

(183.5% and 159.5%, respectively), live poultry (156.4%), isoglucose (119.7%), and grape juice (116.2%).



Source: WTO Trade Policy Review: European Union, May 2015.

Furthermore, imports of agricultural products are subject to complex tariff structures, such as entry prices and the Meursing Table. Applying these entry prices is a price control measure that is used for certain fruits and vegetables (tomatoes, cucumbers, courgettes, artichokes, citrus fruits, grapes, apples, apricots, peaches, plums, and cherries, among others). For some products, entry prices (seasonal tariffs) vary throughout the year, and are higher during the European growing season and lower outside of this. This system works such that when the import price for a product is greater than the entry price calculated by the EU, an ad-valorem tariff is applied. In contrast, when the customs valuation is lower than the entry price, in addition to the ad-valorem tariff, a specific tariff is applied that varies according to the import price. This measure makes EU products more competitive than those from outside the bloc.

In turn, the Meursing Table consists of applying import duties that vary depending on product composition. These tariffs are determined by the product's fat, protein, starch, and sugar content, which translates into over 20,000 possible tariff combinations and makes it extremely difficult for exporters to determine the tariff that the EU importer should pay.

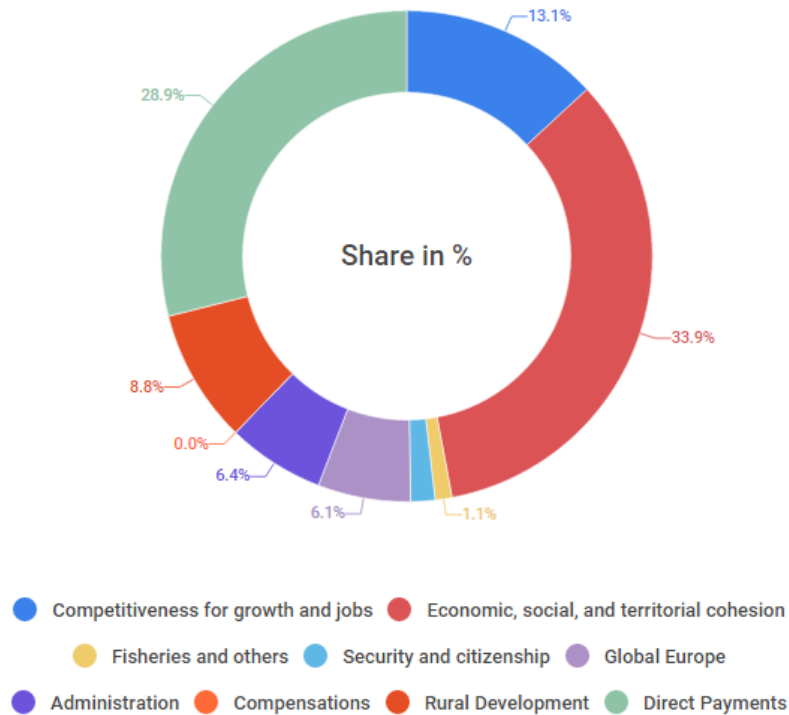
Finally, the EU grants tariff quotas to agricultural products that it produces insufficient quantities of. This measure contemplates total or partial exemption from customs duties that are applicable to goods imported in limited quantities, or the application of specific tariffs. Some 5% of total tariff lines (both agricultural and non-agricultural) are affected by this measure. Tariff quotas allow European companies to obtain such products at a lower cost while the measure is in force, which improves their competitiveness.

### **Subsidies**

The EU's Common Agricultural Policy (CAP) was created to abolish national mechanisms of intervention that were incompatible with the common market and make them applicable at the EU level. By so doing, agricultural products were included in the free movement of goods. Intervention in the agricultural sector is justified by systemic imbalances between supply and demand, and thus by the extreme volatility of prices and incomes (European Parliament).



## Multiannual Financial Framework of the EU, 2014–2020: Planned Commitments



Source: Common Agricultural Policy of the EU, European Commission.

Through the CAP, the EU promotes production and exports. The new Multiannual Financial Framework (2014–2020) establishes a total budget of €373.17 billion at 2011 prices, equivalent to 38.9% of the 28-member bloc's global commitment appropriations. The regulation of agricultural markets and direct payments represent 28.9% of the total planned commitments, while rural development measures represent 8.8%. In this way, the planned agro-rural budget for 2020 stands at €49 billion, the equivalent of 34.9% of the total budget. This assistance, which is implemented during the primary phase of the production process, is transferred to final food prices, which helps keep end prices down and hinders the entry of competitors from outside the EU. At the same time, the modification of conditions of competition in third-party markets affects external sales from other countries that compete with EU exporters. Some of the products from Latin America and the Caribbean that are affected by EU domestic support are cereals, oilseeds, beef and veal, and milk and milk products (Argentina's Ministry of Foreign Affairs and Worship, 2013).

## **Trade Defense Policies**

Trade defense measures are one of the EU's key instruments. The European Community is one of the main users of this type of tool. At the end of 2014, the EU had 108 antidumping measures in force and 14 countervailing measures which affected 27 trading partners. One example of this type of measure is the antidumping duty that the EU established for biodiesel from Argentina. For more information, see the recent article [Ruling on Biodiesel in Favor of Argentina](#) in INTAL Connection 235.

## **Sanitary and Phytosanitary Measures**

To have the right to export live animals or animal products to the EU, the relevant authority in the exporting country needs to have been formally recognized by the European Commission as being capable of carrying out reliable inspections and controls throughout the production chain, covering all aspects related to hygiene, animal welfare, and public health. In the case of certain food products that may pose a risk to public health (such as meat and fishery products), the European Commission must approve of the exporter country's waste control program, the measures it takes to prevent salmonella in poultry and poultry products, and other requirements, depending on the animal or product in question.

In contrast, almost all plant products from most countries do not require prior approval or notification, although they must comply with food safety and customs inspection standards.

Regarding Pesticide Residues in Human Food and Animal Feed, the EU applies the "precautionary principle," which in some cases can be a barrier to trade.

## **Technical Standards and Trade**

In addition to tariff barriers, certain other standards and technical rules of trade are becoming increasingly important. These measures can be adopted by governments in order to "protect human, animal or plant life or health," provided that they do not lead to arbitrary or unjustifiable discrimination (GATT Article XX and specific WTO agreements).

To protect consumer rights, products imported into the EU must fulfill specific requirements. The main such requirements are product safety, technical standardization, packaging, and labeling. There are different regulations that limit the use of traditional terms for wine products (such as "premium," "reserve," or "matured"), the regime for recording, evaluating, authorizing, and restricting certain chemical additives (REACH), and some animal welfare standards, which complicate trade in these products.

Furthermore, the EU reserves the right to the special safeguards for agriculture (SSG) mechanism contained in Article 5 of the WTO's Agreement on Agriculture for 539 tariff lines, which represent over 25% of its agricultural lines. This measure contemplates products such as fruits and vegetables, poultry products, sugar, meats, milk products, and cereals.

### **Environmental Measures**

The environmental measures that affect trade enjoy a high level of legitimacy but, at the same time, their use may be more discretionary. Examples of this type of measure include environmental labeling in general, and decisions related to the European biofuels market.

Likewise, a product's environmental footprint contemplates not only greenhouse gas emissions—known as the “carbon footprint”—but also impacts on biodiversity, natural resources, and the use and management of water, among other factors. The EU is developing a methodology to calculate this—the Product Environmental Footprint (PEF)—which includes the carbon footprint, and is carrying out pilot tests for Product Environmental Footprint Category Rules (PEFCRs), in which mainly European companies and producer organizations are taking part. The results of this process will lead to valid product rules for the environmental footprint of EU products to be used throughout the bloc. This will undoubtedly affect exports of food products to the EU (CEI, 2016).

### **Conclusions**

Historically, tariffs on agricultural products in the EU have been higher than on industrial goods, and although the gap has been narrowing, it remains high.

When it comes to analyzing European agricultural policy, it is essential to bear in mind the fact that the bloc applies both tariff and non-tariff measures (sanitary and phytosanitary and environmental measures, technical barriers, and antidumping and countervailing measures, among others). As described in this article, the latter give the greatest degrees of freedom when they are applied.

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# Inspiring Activities

## INTAL-WTO Training: Multilateral Agreement and Negotiations on Agriculture

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How important is the most recent progress on agricultural negotiations at the WTO? How might a new context for the sector impact the region in the aftermath of the Nairobi agreement? High-profile experts and government officials from the region took part in a workshop where they analyzed the prospects for the agricultural sector in Latin America and the Caribbean.



The **Regional Workshop: The WTO Agreement on Agriculture and Agricultural Negotiations** took place on April 26–28 at the INTAL-Lab in Buenos Aires, the space for the co-creation of innovative ideas run by the Institute for the Integration of Latin America and the Caribbean (INTAL).

The session was attended by government officials from the ministries of agriculture, the economy and trade, and foreign relations from thirteen Latin American countries: Argentina, Costa Rica, Chile, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

The workshop was organized by IDB/INTAL in association with the World Trade Organization (WTO) Secretariat and with the support of Argentina's Ministry of Agroindustry. It enabled the officials who took part to improve their understanding of the current regulations contained in the WTO Agreement on Agriculture, including obligations regarding notifications, and the fundamental issues that are being negotiated in matters of agriculture within the Doha Round.

The workshop was presented by INTAL director Gustavo Beliz, who stressed how important it is for INTAL to support and promote technical assistance on topical issues that are hugely important to countries in the region, as is the case with agriculture agreements. **Marisa Bircher**, Secretary for Agroindustrial Markets at Argentina's Ministry of Agroindustry, then referred to the active multilateral agenda that Argentina has ahead of it, and the issues on this agenda that are shared by other countries in the region, especially fellow MERCOSUR members.

The representatives from the WTO Secretariat, **Ulla Kask**, Counsellor at the Agriculture Division, and **Marie-Bel Martínez-Hommel**, Economic Affairs Officer at the Agriculture Division, gave a number of presentations and led the workshop. They began by introducing the Agreement on Agriculture and multilateral negotiations within the WTO framework. They observed that the objective of the Agreement on Agriculture is to establish an equitable, market-oriented trade system by reducing domestic support, eliminating export subsidies, and applying special and differential treatment. Likewise, they mentioned that Article 20 of the agreement laid out an agenda that had been "included" as the result of the reform process. However, following the failure of the revised draft modalities document, after the Ministerial Conference in Geneva in December 2011 the negotiation strategy was changed to an "early harvest" type. Up until that point, the rule that had guided negotiations had been "nothing is agreed until everything is agreed." However, after Geneva, the priority became making headway on the points on which there was agreement.

They went on to present the rules and commitments in force for the three pillars of the Agreement on Agriculture: market access, domestic support, and export competition/subsidies. They also discussed the results of the Bali Ministerial Declaration in matters of tariff quotas, general services, and food security, as well as those of the Ministerial Conference in Nairobi.

Finally, they discussed issues that are currently being negotiated. In this regard, they stressed that the main challenge facing negotiations is finding a common track to continue the negotiating process, as some countries want to conclude the Doha Round on the basis of the mandate agreed there, while others would prefer to negotiate on different terms because they argue that the world has changed greatly and so have each country's domestic policies. Among the more specific issues that they mentioned, Ms Kask and Ms Martínez-Hommel indicated that it was not yet clear whether or not the special agricultural safeguard mechanisms (SSGs) would be eliminated as a result of negotiations, nor whether the tiered formula that is in the revised draft modalities document (2008) would be maintained or modified.

**Gustavo Idígoras**, Director of the Center for Agrifoods Studies at the University of Lomas de Zamora, gave a presentation on the opportunities for relaunching the MERCOSUR's international economic negotiations, putting forward an "aggressive" foreign relations agenda that promotes effective access to markets of interest for the bloc's agroindustry sector. He indicated that in an international context in which countries are carrying out multiple economic negotiations with blocs and groups of countries in different parts of the world, with more than 60 trade negotiations currently on the table, the MERCOSUR is standing on the sidelines and not taking part in any of these. Nor is the MERCOSUR party to any of the so-called mega-agreements that are at advanced stages of negotiation, as is the case with the Trans-Pacific Partnership (TPP).

He highlighted that the top priority for the MERCOSUR's new international agenda should be redoubling efforts to reach a trade agreement with the EU, emphasizing that the MERCOSUR should be the bloc to take the initiative in this regard. At the same time, he argued that it was reasonable to reach out to markets such as Japan, the United States, China, and Russia, so as to lay the groundwork for commercial negotiations.

With regard to non-traditional markets, Mr Idígoras argued that it would make sense for the MERCOSUR to start formal conversations with the countries of the MAGREB, the Southern African Customs Union (SACU), the Pacific Alliance (PA), and the countries of the Gulf Cooperation Council, given that these are markets with high rates of import growth, limited capacity for self-sufficiency, and low relative industrial competitiveness.

Finally, he stressed that these priority markets present opportunities for trade that will have favorable impacts on job creation, influx of currency and investments, and that do not entail any real risks in terms of substituting local production with imported products.

**César Falconi**, lead agriculture specialist at the IDB's Environment, Rural Development and Disaster Risk Management Division presented the regional perspective on food security via videoconferencing. He underlined four aspects of food security: food supply, the capacity to purchase food, the use of food (the availability of safe, nutritious food), and food stability, which contemplates how vulnerable homes are to the risks associated with food security.

In his opinion, Latin America and the Caribbean is comparatively food secure, however, the situation varies considerably within the region, in that levels of food security in some countries are similar to those of certain African countries, with 9% of the region's population currently experiencing hunger.

He outlined the main challenges facing the region in terms of food security. The first of these is maintaining food supply, given low productivity levels, the trade policies that may affect consumers, the high cost of logistics, and food waste. The second challenge is connected to the limited capacity of the poor to purchase food. To address this, he advocated for the need to move forward with programs to promote food production and on social protection programs. The third challenge he addressed is the low quality of the food being consumed. In this regard, he stressed the need for programs that promote access to safe drinking water, food safety, and programs to reduce obesity.

Finally, he mentioned that the goal of promoting food security in Latin America and the Caribbean requires a multisectoral framework, that is, coordinated strategies between public and private institutions, and a system to monitor and evaluate food security-related interventions.

**Paolo De Salvo**, rural development specialist at the IDB's Environment, Rural Development and Disaster Risk Management Division, presented the [Agrimonitor](#) platform, developed by the IDB in 2014. Agrimonitor is a country-level database that provides free public access to information on countries in Latin America and the Caribbean. It enables users to track agricultural policies and to assess and measure the composition of support to agriculture, through indicators related to magnitudes and composition of support help.

Agrimonitor follows the OECD framework in order to allow comparability between countries, based on supply/demand interactions among farmers, consumers, and taxpayers in the economy in order to measure incentives (or disincentives) to the agricultural sector and assess their underlying factors. The structure of the OECD support estimate can be divided into three main categories: support via market prices (Market Price Support, MPS), support to the producer (Producer Support Estimate, PSE), and support via general services (General Services Support Estimate, GSSE).

The last presentation at the workshop was given by [Maximiliano Moreno](#), Director of Multilateral Negotiations at Argentina's Ministry of Agroindustry, who discussed the results of the Ministerial Conference in Nairobi from Argentina's perspective. He argued that Argentina will benefit from the elimination of export subsidies by no longer having to compete with subsidized products in foreign markets. However, he claimed that Argentina does not need to modify its agricultural policy in the wake of these changes, as these prohibited subsidies have been gradually reduced over the last 15 years and are now practically non-existent in both the United States and the European Union. He highlighted the fact that the elimination of export subsidies is a historic form of redress for the agricultural sector; however, this still suffers from significant distortion.

Mr Moreno pointed out the importance of taking advantage of the current context, following events in Nairobi, to ensure low levels of application of Amber Box measures.

Finally, he underlined that after Nairobi, the agricultural agenda consists of whether or not to reassert the work of the Doha Round and to continue moving forward on the two remaining pillars of the Agreement on Agriculture: market access and domestic support.

### **INTAL and Integration Capacity Building**

Providing **support for cooperation and regional and global integration** is one of the IDB's strategic priorities, which is why it has increased its support for this goal since the Ninth General Capital Increase, which was passed by member countries in 2012.

In this sense, the IDB's investment in global and regional integration covers the following areas: the implementation of regional agreements; export promotion and investment attraction; trade facilitation and security; economic infrastructure; institutional strengthening; regional public goods; and capacity building.<sup>r</sup>

The IDB promotes the latter, which has been included as one of the non-financial instruments in the IDB's [Integration Strategy](#), the aim of which is to increase the competitive global integration of Latin America and the Caribbean.

In this context, based on its solid trajectory as a supplier of knowledge-based goods for the region, INTAL has been joining forces with the WTO for almost 20 years to implement a shared technical assistance program for trade negotiators from Latin America and the Caribbean.

The institutional strengthening that has resulted from this training program will allow countries to be better prepared when they take part in modern integration initiatives; to effectively negotiate and implement multilateral, regional, and bilateral trade and investment agreements; and to take on the challenges of the new regional and global integration agenda with greater confidence.

# Seven New Steps Towards Physical Integration in South America

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Identifying priority projects, consolidating integration hubs, and providing training in transportation and logistics are just some of the main points that make up the region's 2016 bid to move forward towards greater physical integration.

The [29th Meeting of the IIRSA Technical Forum](#) and the [14th Meeting of the COSIPLAN Coordinating Committee](#) took place on April 6 and 7, 2016, in Montevideo. The aim of the meetings was to continue to expand work on infrastructure integration during the year. They were attended by representatives from UNASUR member countries and coordinators from the Institute for the Integration of Latin America and the Caribbean (INTAL), the technical secretariat for IIRSA.<sup>[1]</sup> The



initiatives that form part of the [Work Plan 2016 \(link in Spanish\)](#) are based on the [Strategic Action Plan \(PAE\) 2012–2022](#), which was approved by the presidents of South America in 2012.

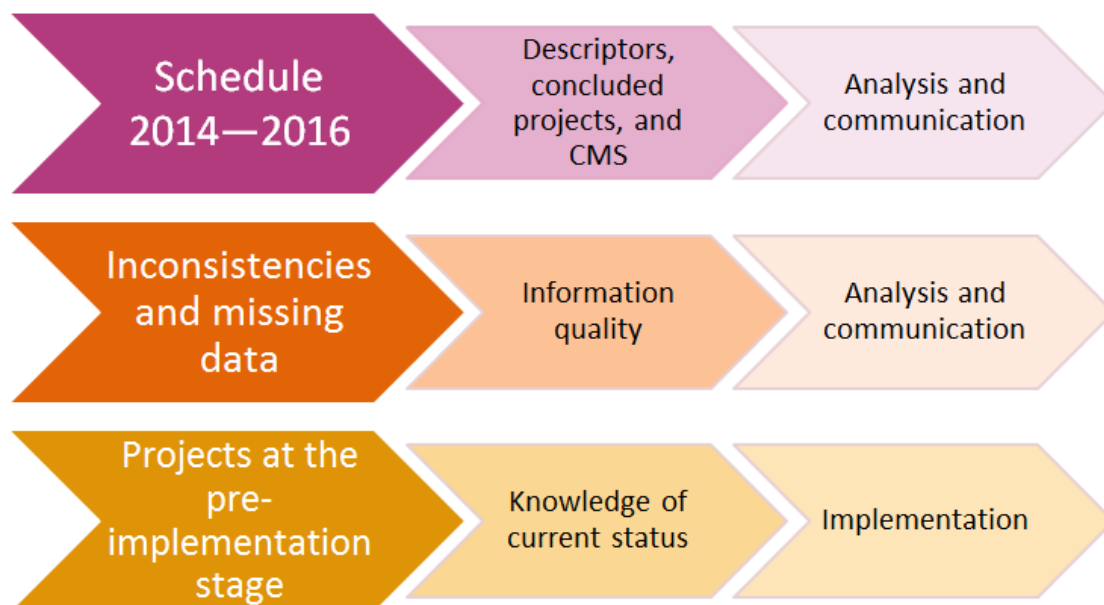
## **29th Meeting of COSIPLAN/IIRSA National Coordinators**

### **COSIPLAN Project Portfolio and the Integration Priority Project Agenda (API)**

One of the major achievements in IIRSA's strategy to improve physical integration in South America has been compiling and maintaining the [COSIPLAN Project Portfolio](#). This portfolio is made up of a set of transportation, energy, and communication projects that promote regional integration and socio-economic development. In 2011, the [Integration Priority Project Agenda \(API\)](#) was created in order to focus on the implementation of connectivity networks. The API currently includes 31 structured projects made up of 103 individual projects that are part of the portfolio.

### ***Objectives of the 2016 Updating Exercise***

During the meeting, the countries agreed on the objectives of the 2016 updating exercise, and established the following focus areas: i) filling in the 2014–2016 schedule, including descriptors and a continuous monitoring system (CMS) for all portfolio projects at the pre-implementation and implementation stages, and the module containing information on concluded projects; ii) filling in any empty fields and solving any inconsistencies in the information in individual project records; and iii) providing detailed information on projects at the pre-implementation stage, including a detailed status report and identifying any factors hindering implementation.



The [Project Information System \(SIP\)](#) is the support tool for planning and analyzing integration infrastructure and contains systematized information on COSIPLAN projects. As part of this exercise, countries will complete the records on each project in the SIP[2] with up-to-date, high-quality information that will be used during the virtual meetings for each Integration and Development Hub so as to be able to provide status reports and help implement the projects in question.

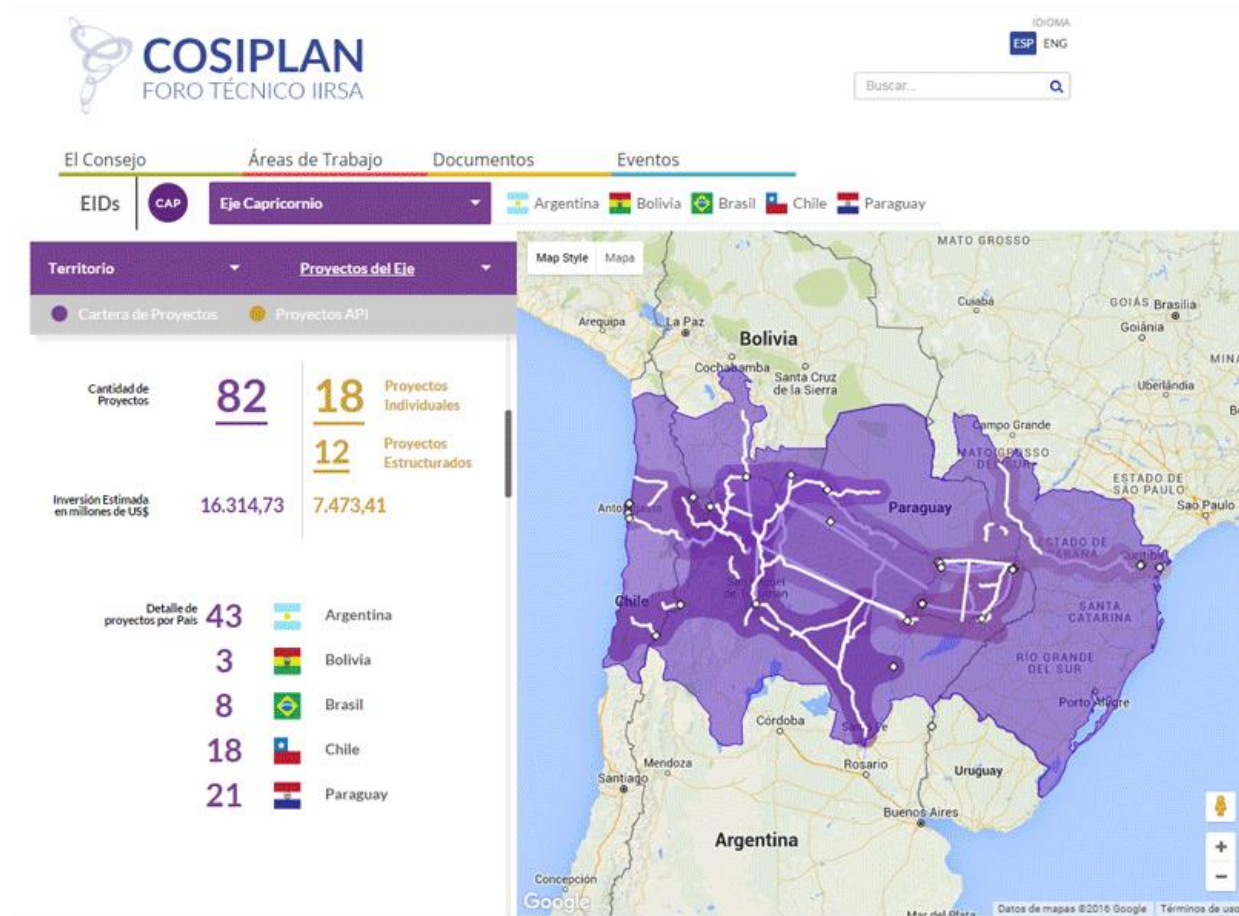
### Meeting Calendar by Integration and Development Hub

| DATE                  | HUBS   |
|-----------------------|--|
| Tuesday May 3, 2016   | Andean Hub   |
| Thursday May 5, 2016  | MERCOSUR–Chile Hub                                   |
| Tuesday May 10, 2016  | Amazon Hub   |
| Thursday May 12, 2016 | Paraguay–Paraná Waterway Hub                         |
| Tuesday May 17, 2016  | Central Interoceanic Hub and Peru–Brazil–Bolivia Hub |
| Friday May 20, 2016   | Capricorn Hub and Southern Hub                       |
| Tuesday May 24, 2016  | Guianese Shield Hub                                  |

### Integration and Development Hubs

During the meeting, the [New Integration and Development Hub Site](#) was presented, which is now online on the COSIPLAN/IIRSA website. The new site is logically organized and user-friendly, and includes innovative aspects such as the use of interactive maps and direct linkages with the SIP. It introduces the features of the territory; economic, social, and environmental aspects; and includes existing infrastructure in each hub, as well as the projects in the portfolio for each hub. *An Integration and Development Hub is a multinational area of land that contains certain natural resources, human settlements, production areas, and logistics services. This area is articulated through transportation, energy, and communications infrastructure which facilitates flows of goods and services, people, and information both within the area itself and to and from the rest of the world.*

## Integration and Development Hubs



### Territorial Integration Program (PTI) for the Agua Negra Binational Tunnel

Argentina and Chile presented the [Agua Negra Binational Tunnel PTI\[3\]](#) and the work plan for 2016. Representatives from the two countries commented on the progress that has already been made and the work which is underway in 2016, led by the National Coordinators from the two countries with the support of the Technical Coordination Committee. *The PTI identified a set of actions that would lead to improvements in physical connectivity between the provinces of San Juan and La Rioja in Argentina and the Coquimbo Region in Chile, which are the areas that are directly influenced by the tunnel project. It would also foster the protection of cultural heritage and biodiversity, and would boost productive economic activities including mining, industry, and tourism.* The two countries announced that their goal is to move from the planning stage of the PTI to the implementation stage through an Action Plan (PA). The PA is a fundamental tool for managing a

PTI and for putting the planning process into action. It is made up of plans, programs, projects, and the actions and activities associated with each of these.

- **Territorial Integration Program for Multimodal Transportation in the Laguna Merín and Lagoa dos Patos System**

Brazil and Uruguay expressed their interest in making headway on the drafting of a PTI for the Laguna Merín–Lagoa dos Patos waterway. These lakes are connected by a canal which is only navigable by craft with a relatively shallow draft but which could be used for cargo transportation and for fishing and tourism-related activities. To consolidate this use of the waterway, investment in infrastructure would be required, basically the dredging of Laguna Merín and the San Gonzalo canal, which links the former to Lagoa dos Patos. Between 2013 and 2014, the [Strategic Environmental and Social Evaluation Methodology \(EASE\) \(link in Spanish\)\[4\]](#) was applied to the two lakes in the framework of the COSIPLAN work plan. This highlighted the potential for productive local and regional development in the lake's areas of direct influence. This logistics platform could be used as a foundation for promoting tourism and the production of goods, among other activities, thus generating a positive impact on the area. The next activity will be a videoconference to present the working methodology and the expected results on the basis of the Agua Negra Binational Tunnel experience, and to make headway on the development of a work plan.

### **Disaster Risk Management Methodology for Project Group 5 of the Central Interoceanic Hub**

The main objective of the Disaster Risk Management Methodology is to define clear procedures to identify critical (or vulnerable) infrastructure and measures to reduce the damage caused by catastrophic events (earthquakes, floods, landslides, and tsunamis) that may affect infrastructure in South America.

Project Group 5 of the Central Interoceanic Hub is a geographic area that is particularly vulnerable to risks from seismic activity and tsunamis. This is why the locations selected for the first pilot application of the [Methodology for Disaster and Risk Prevention and Management \(DRM\) in Regional Integration Infrastructure Projects](#) within the framework of COSIPLAN are the south of Peru and north of Chile.

Chile and Peru began the pilot application of this methodology in 2015, with technical support from the IDB, and held a [Binational Workshop in Arica, Chile](#), in March 2016. During the meeting, representatives from the Chile and Peru commented on the results of the workshop, which was attended by around 65 professionals from the two countries.[5]

The next steps for this project are: i) to present the results of the pilot application at the meeting to be held in Lima in June 2016; ii) to move forward with the development and application of general analysis software for the infrastructure in each COSIPLAN Project Group; iii) to finish estimating and characterizing the natural hazards and areas of vulnerability for each of the 10 projects selected for the pilot program; and iv) to identify risk reduction measures in problematic infrastructure.

### **Online Course on Freight Transportation and Logistics**

*COSIPLAN considers logistics to be a core strategic issue if the region is to move towards a systemic vision of infrastructure and transportation. To achieve this, South America needs to strengthen logistics in each country and the region as a whole; make a concerted effort to promote public policies that approach these issues in an integrated fashion; and analyze convergence alternatives in the sphere of infrastructure and transportation services.*

In 2015, the [Training Program in the Making and Management of Freight Transport and Logistics Policies](#) was developed and implemented. The program received support from the IDB through the Integration and Trade Sector (INT), the Institute for the Integration of Latin America and the Caribbean (INTAL), and the Transport Division of the Infrastructure and Environment Sector. COSIPLAN was actively involved in the design process, which was led by Peru's National Coordinator, the Ministry of Transportation and Communications.

During the meeting, the representative from Peru presented the main results from the first session of the online course. Some 37 government officials (88% of those enrolled) were certified as having completed the course, which was given an overall rating of 8.8/10 by participants. Enrollment has been opened for the second session of the course, which will take place between May 2 and June 26, 2016. Its aim is to continue training officials from the various public-sector agencies in UNASUR countries that are involved in the making of public policies, plans, programs, and projects in the freight logistics sector.

### **Trade Integration through Postal Services for MSMEs**

*Trade integration through postal services is a tool that contributes to regional integration by fostering the integration of MSMEs into the global market. It seeks to facilitate the internationalization of firms in remote locations through a simplified import/export process using the logistics platform of the postal service.* The progress made thus far and the activities currently underway as part of the work plan were presented at the meeting. The plan is being coordinated by Brazil and Peru, whose representatives led the discussion on the implementation of the Exporta Fácil program in Paraguay. Officials from Brazil, Ecuador, Peru, and Uruguay also took part in the discussion. They also

commented on the support that is being provided to Chile and other countries via virtual meetings. They mentioned the need to further develop linkages with projects and activities run by other institutions such as the Universal Postal Union (UPU), the Postal Union of the Americas, Spain, and Portugal (UPAEP), the World Trade Organization (WTO), and the World Customs Organization (WCO). Information videos were screened on Exporta Fácil as well as on examples of MSMEs that had successfully and continuously exported their products to a range of destination markets using the system. These videos will soon be available on the COSIPLAN/IIRSA website, as part of the relaunch of the [Trade Integration through Postal Services](#) site.

[1] Participaron delegaciones de Argentina, Bolivia, Brasil, Chile, Colombia, Ecuador, Guyana, Paraguay, Perú, y Uruguay, representantes de la Secretaría General de la UNASUR, representantes de Asociaciones Civiles y del Comité de Coordinación Técnica de IIRSA.

[2] Para más información véase <http://iirsa.org/Page/Detail?menuItem=105>.

[3] Es la construcción de un túnel doble en la frontera entre Chile y Argentina, en el paso de Agua Negra. El camino actual no es apto para el transporte de carga, y sólo es transitable entre los meses de noviembre y comienzo de abril, el Paso Internacional de Agua Negra permanece cerrado durante siete meses del año. Conformar un importante eje de integración regional fomentando el turismo y el comercio internacional entre todos los países que conforman el Eje Mercosur – Chile.

[4] La Metodología de Evaluación Ambiental y Social con Enfoque Estratégico (EASE) tiene como objetivo identificar acciones complementarias para potenciar, desde el punto de vista social, ambiental y cultural, los efectos positivos de los proyectos y minimizar sus impactos negativos. Para más información véase <http://iirsa.org/Page/Detail?menuItem=73>.

[5] Para más información véase *Conexión INTALN° 235*.



# Talent Mobility

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The Minister of Foreign Affairs, Susana Malcorra, the former Minister of Foreign Affairs Adalberto Rodríguez Giavarini, EU Ambassador José Salafranca, and Juan Procaccini, Director of the Investment Agency, took part in the closing discussion panel.

The Director of the Institute for the Integration of Latin America and the Caribbean (INTAL), Gustavo Beliz, took part in the event organized by the Spanish Chamber of Commerce in the Republic of Argentina and the Fundación Iberoamericana Empresarial (FIE), which took place on April 25 and 26, 2016, in Buenos Aires.

The event was opened by the President of Argentina, Mauricio Macri, Spain's Secretary of State for International Cooperation and Latin America, Jesús Gracia; the Argentine Ambassador to Spain, Ramón Puerta; and the Ibero-American Secretary General, Rebeca Grynspan.



In the discussion panel he took part in with Argentina's Minister of Labor, Jorge Triaca, Mr Beliz analyzed the need for tools to move talent between countries, such as visa facilitation for businesspeople, work permits, agreements on Social Security contributions, and incentives for internationalizing start-ups.

In this regard, he underlined the contribution made by the Inter-American Development Bank (IDB), particularly through the [ConnectAmericas](#) platform, as a way for entrepreneurs and businesspeople to exchange ideas and experiences and facilitate travel. He also recalled fruitful prior experiences in this regard both in the MERCOSUR and the Pacific Alliance, and also between China and different economies in the region.

Others who discussed the importance of increasing the mobility of business talent included the Vice President of Técnicas Reunidas, Manuel Alabart; the Assistant Director-General of Banco Santander, Alejandra Kindeland; the Director-General of Endeavor Argentina, Gabriela Macagni; the Country Manager for Egon Zehnder, Marcelo Grimoldi; and the Director of International Institutional Relations for Planeta, Rogelio Pla.

The focus of the second panel was the Latin American Community and the Digital Economy. Participants included Argentina's Secretary of Entrepreneurs and SMEs, Mariano Mayer; the Director of the Global Strategy for Public Affairs at Telefónica, Trinidad Jiménez; the Executive President of BBVA-Francés, Martín Zarich; the Director-Representative of CAF in Argentina, Rubén Ramírez; Gustavo Giay, Partner at Marval, O'Farrell & Mairal; and the Director-General for the Americas and Spain at Indra, José Cabello.

# INTALENT. Creativity + Integration

- Inspiring Activities
- n236

June 8, 2016, is the deadline for entries for [INTALENT](#), the competition that recognizes technologically based innovative talent to promote the development of the [Orange Economy](#) throughout Latin America and the Caribbean.

The initiative seeks to showcase projects with the potential to generate wealth and contribute to improving the lives of Latin Americans and Caribbeans through their achievements in relation to intellectual property.

The competition is particularly interested in ventures which have an impact on commerce and regional integration by intensifying trade relations between the various markets in the region. Particular attention will be paid to innovative technology-based projects in the fields listed below, which have been defined as priority areas by the competition organizers:

- [International Commerce](#)
- [Intraregional Commerce](#)
- [Regional Trade Agreements](#)
- [One-Stop Schemes for Foreign Electronic Commerce](#)
- [Customs Transit](#)
- [Integrated Border Management](#)
- [Energy Integration](#)
- [Internationalization of SMEs](#)
- [Export Promotion](#)
- [Logistics](#)
- [Modernization of Border Crossings](#)

INTALENT is organized by the [Institute for the Integration of Latin America and the Caribbean \(INTAL\)](#), part of the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB), in partnership with the *MIT Technology Review en español* and with the support of Argentina's Ministry of Culture.



The first prize is US\$10,000 and a trip to Emtech 2016, an emerging technologies event organized by the *MIT Technology Review*, where the winner will spend a week within the Boston entrepreneurial ecosystem.



The second prize is a trip to the United States to attend Demand Solutions: Ideas for Improving Lives, a competition organized by the IDB that brings together the most innovative startups in the creative and cultural industries in Latin America and the Caribbean.

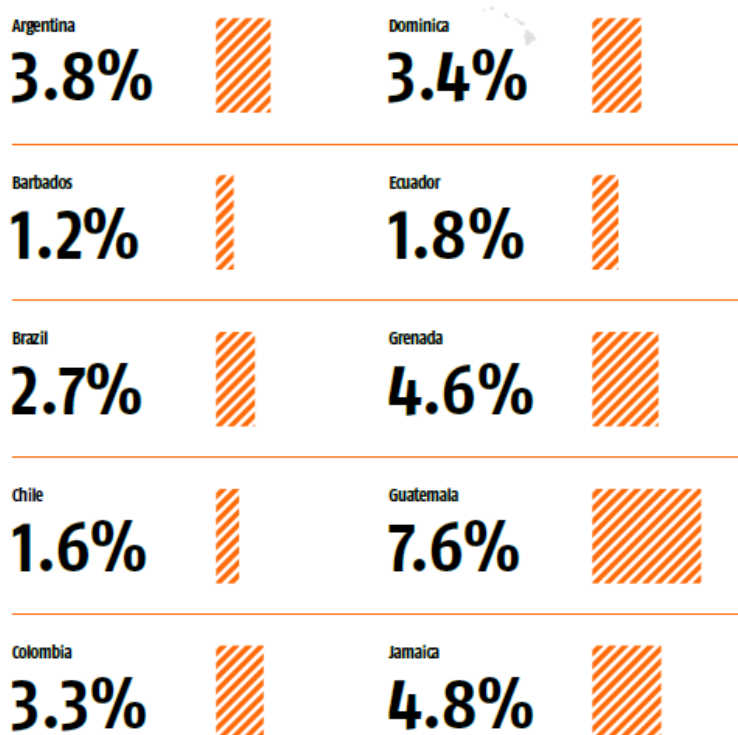


There is also a special category with a prize of US\$2000 for the best photograph on climate change.

### **The Creative Economy and Development: an Increasingly Close Relationship**

The activities that make up what is known as the creative sector can boost income generation and job creation and drive exports while also fostering social inclusion, cultural diversity, and human development. Technology and intellectual property play an all-important role in this. In sum, it includes a set of knowledge- and ideas-based economic activities that are linked to a range of production chains and that are increasingly driving countries' external sectors by generating exports with high value added.[\[1\]](#)

## The Orange Economy's Contribution to the Economy of Latin America and the Caribbean In % of GDP



Source: Buitrago Restrepo, Pedro, and Duque Márquez, Iván. 2013. The Orange Economy. An Infinite Opportunity. IDB. October

There have been few attempts to measure the impact of the creative economy on the economy in general, and statistics on the matter are out of date. Using data from 2011, the creative economy contributed over US\$4 trillion to the global economy (6.1%), generated over US\$646 billion in exports, and over 144 million jobs.<sup>[2]</sup> These studies reveal how energetic this sector is in the 21st century and how quickly it has bounced back from the crises of the 2000s.

Latin America and the Caribbean is playing an interesting role in this equation. The creative economy is one of the most energetic sectors of the region's economy—indeed, it is the sector that has seen most growth in recent years. In 2011, it contributed around US\$175 billion to the regional economy, reaching more than US\$18 billion in exports, and employing at least 10.3 million people, according to data published by the IDB.<sup>[3]</sup> The growth in this sector is encouraging, even though imports are still twice as great as exports, which has been sending the balance of payments into the negative.

## The Contribution of Latin America and the Caribbean's Creative Economy to the Global Economy

The **Orange Economy's** contribution to Latin America and the Caribbean

Source: own elaboration with data from Oxford Economics (various) and World Bank.

to the economy (million dollars)

**\$174,757**

to employment (thousands of jobs)

**10,262**

value added per worker (thousand dollars a year)

**17.03**

Exports (million dollars)

**\$18,761**

Trade balance (exports minus imports)



**-\$9,933**

Imports (million dollars)

**\$28,694**

Balance of payments

(balance after including net payments/receipts by: informatics and information services, royalties and licenses for intellectual property) (million dollars)



**-\$16,547**

Source: Buitrago Restrepo, Pedro, and Duque Márquez, Iván. 2013. The Orange Economy. An Infinite Opportunity. IDB. October.

As can be seen, the numbers are still small, but the sector is experiencing continuous growth and will continue to do so at a considerable rate over the next few years, experts say. The fact that ideas bring wealth and growth is nothing new. The novelty lies in how we organize and act in relation to this idea. It is not about the what or the who, but about *how* we do things. Our competitive advantage has stopped revolving around natural resources and is instead shifting towards talent, know-how, and creativity.

As Richard Florida says in his article in the *Harvard Business Review*<sup>[4]</sup>, the challenges have little to do with cost efficiency or the strength of industries. Nor are they concerned with the threat represented by other more competitive regions. The key to growth will be our openness to new ideas, which will allow us to channel people's creative energy. Big ideas always come from people, they don't just fall from the sky. It's people who develop software, write books, compose music, think up a platform, or start a successful business.

These are the principles on which INTALENT is basing its search for the best innovators in creative industries in Latin America and the Caribbean.

### Who can take part in INTALENT?

Any creator or entrepreneur from one of the 26 IDB borrowing countries who has developed an original technology-based project with the potential to make an impact on trade and integration. This project must be associated with one or more of the areas that are part of the [Orange Economy](#).

INTAL and the *MIT Technology Review en español* will appoint a panel of judges made up of experts from different countries. [The panel includes businesspeople, technologists, and researchers from different universities](#). The jury's evaluation of these projects will be used by the organizers to select the winners.

For more information, see the competition website: <http://www.intalentlatam.com/>.



[1] UNCTAD. 2010. *Creative Economy. A Feasible Development Option*.

[2] Buitrago Restrepo, Pedro, and Duque Márquez, Iván. 2013. *The Orange Economy. An Infinite Opportunity*. IDB. October.

[3] Buitrago Restrepo, Pedro, and Duque Márquez, Iván. 2013. *The Orange Economy. An Infinite Opportunity*. IDB. October.

[4] Richard Florida, "America's Looming Creativity Crisis." *Harvard Business Review*. October 2004.



# Integration in Motion

## 10 answers on the new Pacific Nations' trade agreement

- Integration in Motion
- n236
- The SME Space



### 1.What is the TPP?

The Trans-Pacific Strategic Economic Partnership Agreement, known as TPP, is a multilateral free trade agreement with the objective of lowering trade tariffs among the 12 partner countries. It affects

several industries, such as the pharmaceutical, auto and textile industries. Additionally, it puts into effect labor and environmental regulations.

## **2. Who does it include?**

Negotiations began in 2010 under the leadership of the United States and Japan. The TPP concentrates 40% of the global economy and 11% of the population. In Latin America it includes Mexico, Peru and Chile; the other participating nations are Australia, Brunei, Canada, Malaysia, New Zealand, Singapore and Vietnam.

## **3. Why is it controversial?**

Controversy has spurred over the TPP due to the secret negotiations of the past five years and the threat perceived by a series of interest groups such as auto industry workers in Mexico, dairy farms in Canada, environmental organizations and groups demanding cheaper medicines.

## **4. What does it mean for the auto industry?**

The agreement in place to date with North America (NAFTA) provided that vehicles manufactured in Mexico, the United States and Canada should have at least 62% of their parts manufactured locally, which helped boost the Mexican economy. Now, these countries and Japan agreed to reduce this percentage to 45% for auto, motor and transmission exports; this makes it easier for Japan to purchase some of the pieces in the Asian markets.

## **5. And for the pharmaceutical industry?**

The TPP provides for extending the exclusivity periods for biological medicinal products, in other words, those derived from living organisms, and increases protection for medicinal products with regard to their intellectual property. This implies greater barriers for the manufacturing of generic products and a larger market for patented medicines, which are typically expensive. This could have a negative impact both on patients and treatment providers (public health systems) in the developing countries, since it could increase the price of pharmaceutical products.

## **6. What are the benefits for Mexico?**

Preferential access to some of the most important economies in the planet and to an exportable supply of over 150 billion dollars in the auto, electric, electronics, agribusiness, chemical, steel, perfume and cosmetics sector would be guaranteed; in addition to the consolidation of the markets in Chile and Peru, Mexico's priority trade partners in Latin America. The Mexican government argues that this will strengthen the integration of the production chains of Mexico, the United States and Canada, and that North America will become the most competitive region in the world. Critics ensure that this will probably put thousands of auto industry jobs at risk.

## **7. Why is Peru participating?**

Peru is part of the Asia-Pacific Economic Cooperation Forum (APEC), comprised by 21 economies of the Americas, Asia and Oceania. Being part of the TPP is a step forward in its quest to become more prominent in the Asia-Pacific region and to achieve leadership within the APEC, as a South American trade hub for the Asian continent. In contrast to the bilateral free trade agreement with the United States, this is a plurilateral agreement. According to the Peruvian government, Peru proposed, and the TPP incorporated, a chapter on Small and Medium Enterprises (SMEs) and another on Development.

#### **8.How does the TPP fit into the Chilean trade policy?**

This new framework will accelerate the tariff reductions established in agreements that had already been negotiated with partners such as Vietnam, Japan and Malaysia. There are several products that had been excluded both with respect to Malaysia and Japan that can now be covered. Additionally, a system of cumulation of origin will be established that will allow Chile, for example, to import cotton yarn from Peru, manufacture garments and export them to other TPP countries in compliance with the rule of origin.

#### **9.How might it be affected by domestic US Policy?**

The agreement faces uncertain approval by Congress amidst the presidential election campaign and it will not be put to the vote until the beginning of 2016, where a hard battle is expected that might continue well into the next government. Besides political opposition, several trade unions, consumer protection groups and environmental organizations have expressed their criticism. However, the agricultural sector has voiced the most enthusiastic support to the agreement and the National Association of Manufacturers –the largest group in the industry- has also praised it.

#### **10.What other countries may join?**

The universe of TPP members in Latin America could potentially include other nine countries in the region along the Pacific Ocean coastline: Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.



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# UN to Protect Marine Biodiversity

- Integration in Motion
- International Scenario
- n236

The United Nations is responsible for developing the substantive elements to be contained in the new international agreement that will regulate the conservation and sustainable use of marine biodiversity in all areas that lie outside national jurisdictions.

The UN has been analyzing this issue since 2003, but it was not until 2011 that progress was made on preliminary discussions, which determined the four factors that would be the basis for any new agreement. These are: area-based management tools, including for Marine Protected Areas, environmental impact assessments; marine genetic resources, including a regime for the sharing of benefits; and capacity building and the transfer of marine technology.

Once agreement had been reached on these four issues, which would thereafter be referred to as the “negotiation package,” a group of countries fostered the launching of a process to develop a new legally binding instrument in the framework of the [United Nations Convention on the Law of the Sea](#). After a long process, in June 2015 the United Nations General Assembly accepted that there are legal and implementation-related gaps in the current regime and decided to begin proceedings towards a new agreement.

The agreement will guarantee the conservation and sustainable use of marine ecosystems, while also sharing the marine genetic resources from these areas with the whole of humanity.

Latin American countries such as [Costa Rica \(link in Spanish\)](#) took part in the meeting and underlined their interest in moving forward with the proposal.

The second Preparatory Committee session will take place between August 26 and September 9, 2016, and the UN Headquarters in New York.

# Brazil and Macao, China, Join Trade Facilitation Agreement

- Integration in Motion
- International Scenario
- n236

As part of the visit of the Director-General of the World Trade Organization (WTO), Roberto Azevêdo, to Brazil on March 29, 2016, Brazilian President Dilma Rousseff signed the Trade Facilitation Agreement, which simplifies the procedures for trade in goods between member countries, as well as access to information for developing countries and cooperation between customs organizations.

[Brazil](#) thus joined the 71 WTO members that had already signed. The agreement was negotiated during the 9th WTO Ministerial Conference, held in Bali in 2013, and will come into force once two-thirds of WTO members have deposited their formal instruments of acceptance.

Macao, China also deposited its instrument of acceptance of the trade facilitation agreement at the [WTO Secretariat](#) on April 11, 2016. In November 2014, Macao, China, submitted its Category A notification to the WTO indicating that it intended to implement all but four of the TFA provisions upon entry into force of the agreement.

The Trade Facilitation Agreement (TFA) is innovative for developing countries and the least developed countries because of the way it will be implemented. For the first time in WTO history, the obligation to implement the agreement is directly linked to the country's capacity to do so. Furthermore, the agreement establishes that assistance and support should be provided to help countries achieve this capacity.

The TFA contains provisions for expediting the movement, release, and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

At the request of developing and least-developed country members, the WTO [Trade Facilitation Agreement Facility](#) was created to help these countries receive the assistance they need to reap the full benefits of the Trade Facilitation Agreement, and to support the ultimate goal of full implementation of this new agreement by all members.

According to some estimates, the application of the WTO Trade Facilitation Agreement could increase global goods exports by US\$1 billion per year.



# Differences at the WTO over Markets for Non-Agricultural Goods

- Integration in Motion
- International Scenario
- n236

At an informal meeting held on April 11, 2016, in Switzerland in relation to non-agricultural market access, Swiss Ambassador Remigi Winzap [announced](#) that members are continuing to act constructively, despite their differences.

It is well known that there are differences between members over various topics: progress on plurilateral negotiations, flexibilities for developing countries, non-agricultural market access, and other Doha issues, particularly agriculture.

Some developed countries observed that although multilateral negotiations remain important, they cannot realistically lead to tariff reductions. In this sense, attention was drawn to the success of plurilateral initiatives, such as the recent expansion of the Information Technology Agreement and the ongoing negotiations for an Environmental Goods Agreement.

Furthermore, some developing countries said that these issues should be taken in balance with other Doha issues, including agriculture.

Members were invited to submit written input on possible ways forward. They were also guaranteed that they would remain in close contact with Director-General Roberto Azevêdo.

# Least Developed Countries Ask to Fast Track Implementation of Nairobi Package

- Integration in Motion
- International Scenario
- n236

As part of the Nairobi package, the Least Developed Countries (LDCs) delivered various [decisions](#) to make it easier for countries in the group to qualify for trade preferences and enjoy preferential treatment for the services they export for a longer period, as they have been seeing a drop in income from commodity exports and a major trade deficit.

“Current developments in the world economy pose significant challenges for LDCs,” said the chair of the sub-committee, Ambassador Roderick van Schreven (Netherlands). “LDCs face an increased need to diversify their exports.”

Meanwhile, the LDCs’ imports continue to grow, which is increasing their trade deficit and potentially endangering macroeconomic stability, the WTO Secretariat observed.

In addition to these discussions, the sub-committee considered a note from the Secretariat regarding following up on WTO decisions in favor of LDCs. It was also briefed on the key findings of a study on how issues relating to sanitary and phytosanitary standards are covered in diagnostic trade integration studies.

# Bolivia and Mexico Strengthen Bilateral Relations

- Andean Group
- Integration in Motion
- n236
- Regional Panorama

Bolivia's Deputy Minister of Foreign Affairs, Juan Carlos Alurralde, and Mexico's Deputy Minister for Latin America and the Caribbean, Socorro Flores Liera, met at [Bolivia's Ministry of Foreign Affairs \(link in Spanish\)](#) on April 4, 2016, in the context of the 5th Meeting of the Mexico–Bolivia Permanent Binational Committee.

At a joint press conference after signing the agreement, Mr Alurralde said that “this agreement extends, reflects, and builds on the already important relations between our two countries.”

The topics covered at the meeting included regional and multilateral political affairs, indigenous peoples, gender equality, the economy, trade and investment, scientific cooperation, security, and drug trafficking.

After their exchange, the two nations agreed on a shared work agenda for issues such as negotiation and cooperation, and the drafting of an action plan to monitor such matters.

Finally, Ms Flores Liera stated that a meeting is being set up between President Evo Morales and President Enrique Peña Nieto to further develop relations between the two countries.

# Ecuador and El Salvador Make Headway on Economic Complementarity Agreement

- Andean Group
- Integration in Motion
- n236
- Regional Panorama

On April 12, 2016, Ecuador and El Salvador began a [Round of Negotiations](#) to increase and diversify bilateral trade and achieve better conditions of access through tariff reductions.

Some of the Ecuadorian products that will benefit from this Partial Economic Complementarity Agreement are: white goods, processed foods, wood, construction materials and finishes, agroindustry products, and flowers.

“Our two countries are both committed to the challenge of continuing to work on our economies; and we both want to strengthen trade relations in the region,” said Luz Estrella Rodríguez, El Salvador’s Deputy Minister of the Economy, who led the delegation in conjunction with El Salvador’s ambassador in Quito, Walter Durán.

# Peru's Handicraft Sector Increases Competitiveness

- Andean Group
- Integration in Motion
- n236
- Regional Panorama

Peru's Ministry of Foreign Trade and Tourism (MINCETUR) has announced the approval of three [technical standards \(link in Spanish\)](#) that will benefit the country's handicraft sector to increase the quality and competitiveness of its products in the domestic and foreign markets.

The new regulations concern the production organization and process control procedures set out in the Manufacturing and Management Best Practices.

Magali Silva, Minister of Foreign Trade and Tourism, explained that the standards focus on three types of crafts: handmade ceramic tableware or kitchenware, decorative ceramics, fabrics woven on pedal or backstrap looms, and handmade jewelry or silver articles. She added that "the next step is promoting the implementation of the standards in the different parts of the country. Up to now, seven Peruvian technical standards have been implemented in more than 500 craft workshops in eight regions of the country." Peru has a notable handicraft sector that could boost its international integration.

# Paraguay and Japan Analyze Cooperation Projects

- Integration in Motion
- International Scenario
- n236

On April 14, 2016, Mr Loizaga met with the Japanese Ambassador to Paraguay, Yoshihisa Ueda, to continue talks on the issues broached during his official visit to Tokyo in March 2016.

The two officials conversed on [bilateral cooperation projects \(link in Spanish\)](#). “We have followed up on issues in the sphere of economic cooperation, because we have decided to continue work in order to achieve these projects,” Mr Ueda revealed. He added that in June 2016, a mission from the Japanese International Cooperation Agency (JICA) will visit Paraguay to carry out a transportation study on the Paraguay–Paraná Waterway.

# Uruguay and Chile Negotiate Trade Agreement

- Integration in Motion
- n236
- Regional Panorama
- Southern Cone

Uruguay and Chile took part in the [2nd Round of Negotiations \(link in Spanish\)](#) to continue expanding Economic Complementarity Agreement No. 35 between MERCOSUR and Chile, which has been in force since 1996. The 1st Round of Negotiations took place in February 2016 in Montevideo.

At the April 12 meeting in Santiago, representatives from the two countries addressed issues concerning trade in goods, rules of origin, trade in services, sanitary and phytosanitary measures, technical barriers to trade, cooperation, the environment, intellectual property, trade facilitation, labor rights, and gender. Their aim is to conclude negotiations by July 2016.



# Argentina Renews Ties with Spain

- Integration in Motion
- International Scenario
- n236

Argentina's Minister of Foreign Affairs, Susana Malcorra, met with her Spanish counterpart, José Manuel García-Margallo, in order to relaunch [bilateral agreements](#) that had been deferred. As well as continuing with the Political Forum, which had been dormant since 2011, the two ministers discussed shared economic issues, including reviving Spanish investments, which have waned in recent years, and fostering closer relations with the business community.

Ms Malcorra also proposed that Argentina host the next International Congress of the Spanish Language, to be held in 2018, and remarked on diplomatic issues such as the sovereignty dispute over the Malvinas Islands. Mr García-Margallo thanked the Argentine government for the decoration it awarded him in recognition of his contribution to relations between Argentina and Spain, and drew attention to the two countries' decision to relaunch their Strategic Association Plan. "On April 25 and 26 there will be a mixed economic forum, and we have also decided to organize meetings between our governments and firms from both countries," he revealed.

# Mexico and China Seek to Strengthen Commercial Ties

- Integration in Motion
- International Scenario
- n236

The 7th High-Level Meeting (HLM) between Mexico and China took place in April, led by Mexico's Ministry of the Economy and China's Ministry of Commerce.

During the [meeting \(link in Spanish\)](#), the two countries reviewed ways of increasing Mexican exports to China and boosting bilateral flows of investment in manufacturing.

The event included work on four strategic priorities: trade and investment promotion, cooperation on mining issues, cooperation on trade statistics, and trade remedies.

The Chinese delegation stressed that approximately 70% of China's total imports of heavy machinery equipment and from Latin America are Mexican manufactures.

Likewise, the reforms initiated by President Enrique Peña Nieto's administration have created opportunities for Chinese investors in strategic sectors such as manufacturing, infrastructure, and mining. China is the second largest capital exporter in the world, with outbound direct investment passing US\$123 billion in 2014.

At the meeting, Mexico expressed its concerns over China's production overcapacity in the steel industry. Deputy Minister Zhang commented that measures are being taken to deal with this situation.

The 7th High-Level Meeting between Mexico and China will serve to continue strengthening bilateral relations while paving the way for the meeting between the two countries' leaders at the G20 Summit in China later in 2016.

# El Salvador and Chile Commit to Synergies in Renewable Energies

- Central America and Mexico
- Integration in Motion
- n236
- Regional Panorama

On April 16, 2016, the forum entitled Investment Opportunities in the Renewable Energy Sector: Chile–El Salvador, set out to demonstrate El Salvador's investment potential in relation to renewable energy to Chilean government officials and members of the business community.

El Salvador's Deputy Minister of Cooperation for Development, Jaime Miranda Flamenco, opened the forum and [stated](#) (link in Spanish) that enormous efforts are being made to continually improve the country's business and investment climate, which is reflected in the sustained increases in foreign direct investment and exports recorded in 2015.

El Salvador's ambassador to Chile is working with the Chilean government and business community through its Department of Economics, Trade, and Tourism (CECT) to encourage Chilean businesspeople and investors to explore the country's potential as an ally and strategic partner. In so doing, they are seeking trade facilitation, the transfer of export-related knowledge and techniques, and cooperation activities for export promotion. The hope is to develop a fruitful business connection between these two Latin American countries in the field of renewable energy, which undoubtedly has great economic potential and could also significantly increase wellbeing at the global level.

# Costa Rica and Canada Renew Bilateral Ties

- Central America and Mexico
- Integration in Motion
- n236
- Regional Panorama

Alejandro Solano Ortiz, Costa Rica's Deputy Minister of Foreign Affairs, met with his Canadian counterpart, David Morrison, Assistant Deputy Minister for the Americas to renew relations, political dialogue, and cooperation between their two nations, [Costa Rica's Ministry of Foreign Affairs](#) (link in Spanish) announced.

The meeting took place on April 19, 2016, and included a review of the varied agenda of regional and multilateral matters that are of interest to the two countries, including the Organization of American States (OAS) and activities related to the Central American Integration System (SICA), the Pacific Alliance, the Organisation for Economic Co-operation and Development (OECD), and the Freedom Online Coalition.

Costa Rica and Canada also made public their willingness to continue working together to expand trade relations, promote investment, and exchange positions on visa issues.

The two delegations reiterated the importance of carrying out high-level visits and transforming such political consultations into reality in Canada in the short term.

They also restated their commitment to the negotiations on climate change within the United Nations Framework Convention on Climate Change (UNFCCC). Costa Rica expressed its interest in working with Canada to strengthen regional cooperation on climate change and environmental projects.

It is worth noting that Costa Rica has had an FTA with Canada since 2001.

# Meeting of Heads of Customs Administrations in Bolivia

- America
- Integration in Motion
- n236
- Regional Panorama

The [29th Conference of Heads of Customs Administrations in the Americas and the Caribbean \(link in Spanish\)](#) was held in Bolivia between April 18 and 22, 2016.

Attended by representatives from more than 25 countries, the meeting tackled issues such as the modernization of customs procedures, the fight against drug trafficking, information exchange, and technical cooperation and assistance between organizations.

At the same time, a meeting was held between heads of customs administrations and the private sector, as was the 37th Meeting of the Multilateral Agreement on Mutual Assistance for Directors General of Customs of Latin America, Spain and Portugal (COMALEP).

# **Agreement between MERCOSUR and Southern African Customs Union**

- Integration in Motion
- International Scenario
- n236

Following the completion of the ratification process in all state parties, the Preferential Trade Agreement between the MERCOSUR and the Southern African Customs Union (SACU) entered into force on April 1, 2016. The announcement was made official by Uruguay's Ministry of Foreign Affairs.

In 2002, SACU reformulated its Articles of Agreement so as to include the four remaining countries that make up the bloc at the negotiating table, rather than just South Africa. The long process entailed 12 rounds of negotiations, which partly reflects the difficulties arising from the fact that nine very different countries are involved in the process.

The Preferential Trade Agreement between the MERCOSUR and SACU (made up of South Africa, Namibia, Lesotho, Swaziland, and Botswana) was signed in April 2009, and was then subject to a ratification process by member countries.

It is a fixed preference agreement. SACU will grant the MERCOSUR preference on 1064 tariff lines defined in accordance with the 2007 edition of the WCO Harmonized System. Almost half of these lines (470) will be granted a 100% preference. The remaining preferences will be distributed as follows: 167 lines receive a 50% preference, 144 lines receive 25%, and 283 lines receive 10%.

# Connecting Voices

## Exclusive Videos on Multilateral Agreements and Agricultural Negotiations

- Connecting Voices
- n236

**Marisa Bircher**, Secretary for Agroindustrial Markets at Argentina's Ministry of Agroindustry, analyzes the current situation for the primary sector in Latin America and the Caribbean and its medium-term prospects. (video in Spanish)

**Gustavo Idígoras**, Director of the Center for Agrifoods Studies at the University of Lomas de Zamora, analyzes the state of affairs for the agricultural sector in the region and its development perspectives, as well as the potential outcomes of a MERCOSUR-EU agreement. (video in Spanish)

**Ulla Kask**, Counsellor at the Agriculture Division at the WTO Secretariat, underlines the advantages of multilateral negotiations in comparison with other types of agreement. (video in Spanish)

**Maximiliano Moreno**, from the National Directorate of International Agrifood Relations at Argentina's Ministry of Agroindustry, discusses the outlook on agricultural trade following the Nairobi agreement. (video in Spanish)

# Reading Material on Integration

## Alerta Bibliografico

- Bibliographical News
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- 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](#)



# Socio-Economic and Environmental Characteristics of the Central Interoceanic Hub

- n236
- Notable Publications
- Reading Material on Integration



The Central Interoceanic Hub includes territory from five South American countries: Bolivia, Brazil, Paraguay, Peru, and Chile. Its area of influence spans 2,642,262 km<sup>2</sup>, which represents 14.8% of the surface area of the continent of South America. It is inhabited by 100,150,032 people, 24.7% of the population of South America.

This [report \(link in Spanish\)](#) was created within the framework of the work carried out by UNASUR's South American Infrastructure and Planning Council (COSIPLAN). The document includes eight areas of analysis: area of influence, demographics, infrastructure, the economy, social aspects, environmental aspects, indigenous communities, and natural or physical hazards, thus providing a

comprehensive view of the characteristics of this hub and the challenges and opportunities ahead of it in terms of integration.

The infrastructure chapter includes an overview in the form of figures and reference maps for road, rail, port, airport, waterway, and energy-related infrastructure. The study in question is a valuable resource for understanding the different aspects of physical integration in this part of South America and the potential that these have.

# Maximizing the Opportunities of the Internet for International Trade

- n236
- Reading Material on Integration
- Reviews

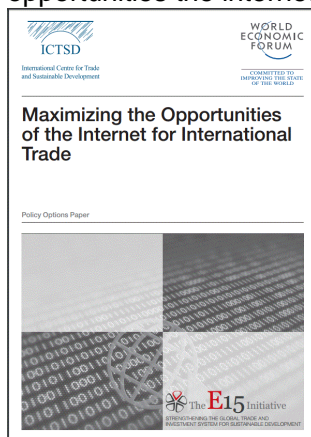
The study *Maximizing the Opportunities of the Internet for International Trade* emphasizes the impact of the development of the internet on the nature of international trade, and provides a general outlook on the regulatory importance of this.

The document begins by explaining how the internet is transforming the way that goods and services are produced, delivered, and consumed at the national and global levels.

The authors outline the framework for their recommendations, which includes clarifications on the nature of e-commerce and the benefits and growth in data traffic in the age of globalization. They also set out strategies for strengthening the potential benefits of these and describe the trade policies needed to take better advantage of digitization at the global level.

The policy options outlined in the report fall into four categories: maximizing and updating WTO standards; negotiating a digital trade agreement; expanding and deepening regulatory cooperation; and improving collaborative efforts between governments, the private sector, and NGOs.

It also contains recommendations on how policy makers and those involved in trade can take on existing limitations and help create an enabling environment to take better advantage of the opportunities the internet has to offer, with an emphasis on cross-border data flows.



Meltzer, J. (2016). *Maximizing the Opportunities of the Internet for International Trade*. Geneva: ICTSD; WEF.

# The Impact of Commodity Prices on the Economic Cycle

- Impact Assessment
- n236
- Reading Material on Integration

In recent years, the global economy has witnessed large fluctuations in the prices of commodities that are traded on international markets. These changes have been seen in different types of commodity, from agricultural products to fuels and metals. What macroeconomic consequences have these variations had for the small emerging market economies (EMEs) that export such goods?

The study "[Sharing a Ride on the Commodities Roller Coaster: Common Factors in Business Cycles of Emerging Economies \(IMF\)](#)," by Andrés Fernández, Andrés González, and Diego Rodríguez, shows how fluctuations in commodity prices are a significant factor in economic cycles in small EMEs. The authors document the way that these fluctuations correlate strongly with the economic cycle in such countries, and how they follow a common dynamic factor structure and coexist with other driving forces in the economic cycle.

The estimated model assigns to commodity shocks 42% of the variance in income. Another amplification mechanism in the economic cycle is the spillover effect from commodity prices to countries' risk premia.

The study considers the main ways in which fluctuations in the prices of these products affect the economic cycles of EMEs.

In their conclusions, the authors stress that although changes in relative prices have amplified the economic cycle of EMEs, there are cases in which these have cushioned the effects of other forces. This was the case in the aftermath of the global financial crisis when there was a rapid recovery in commodity prices, which helped counterbalance negative external and domestic shocks.

The authors also consider the optimal fiscal and monetary policies that should be implemented to counteract the effects of these cyclical phenomena.

# Trade Thermometer

## IDB presents new version of INTrade

- n236
- Trade Thermometer

The Inter-American Development Bank (IDB) developed a new version of [INTrade](#), an interactive information system that allows the detailed analysis of trade and integration in Latin America and the Caribbean.

INTrade, developed by IDB's Trade and Integration Sector, offers an intuitive, user friendly interface and data visualization tools aimed at facilitating the understanding of large amounts of information and statistics included in the system.

The free platform lets the private sector, public agencies, and analysts to:

- Identify the most attractive and dynamic markets for products of Latin America and the Caribbean (LAC), and the requirements applicable to any export product so that it may qualify for preferential tariffs;
- Get information on the trade agreements signed by any country of the region, its systems of preferential tariffs, and the tariff phase-out schedules;
- Evaluate the impact of existing trade policies with the historic database; and
- Identify restrictive policies that may be inhibiting LAC's export development.

INTrade information is organized in three modules:

- **Statistics and Indicators** – allows users navigate data for more than 5,300 products traded by the countries of the western hemisphere and their global trade partners, with 20-year time series and quarterly and annual data at the national tariff line level.
- **Market Access** – includes information on tariffs, tariffs under free trade agreements, the rules of origin that allow preferential access, and a large data base of border rejections for sanitary and phytosanitary infringements.
- **Legal Framework** – grants access to official documents for more than 150 trade and double-taxation agreements, with detailed summaries and chronology of negotiations, ratification, and

subsequent amendments, and a system of indexed texts that allow an analysis of the trade agreements using more than 500 key words.

INTrade data feed the publications “[Trade and Integration Monitor](#)” and “[Trade Trends](#)” that analyze the outlook for international trade and trade development in the region on an annual and biannual basis, respectively.

# Legal Instruments of Integration (IJI) Observatory

- n236
- Trade Thermometer

## **This month's trends**

Between March and April 2016, the global trade policy agenda continued to be defined by the effects that the signing of the Trans-Pacific Partnership (TPP) has been having on the map of trade agreements. At the regional level there was greater dynamism in bilateral regional agreements and integration and negotiation schemes in comparison with the previous period.

## **360° Panorama**

Over the course of the month progress was made on 25 existing agreements, three new agreements, and 16 trade negotiations (14 advanced processes and two new ones).

### *New Negotiations*

- Chile—Uruguay: [Chile and Uruguay complete second round of negotiations for an FTA that could be ready in July \(link in Spanish\)](#)
- Mexico—South Korea: [Mexico and South Korea seek to establish an FTA \(link in Spanish\)](#)

### *Advanced Negotiations*

- TPP: [In Montevideo, ALADI analyzes the impact of the TPP \(link in Spanish\)](#)
- Pacific Alliance: [Pacific Alliance countries seek to boost integration through labor mobility \(link in Spanish\)](#)
- CARIFORUM—EU: [CARICOM denounces EU list on tax jurisdictions as “unfair” \(link in Spanish\)](#)
- Chile—Indonesia: [Representatives from Chile and Indonesia meet to move forward on trade agreements \(link in Spanish\)](#)
- Colombia—Israel: [Colombia makes headway on the ratification of its free trade agreement with Israel \(link in Spanish\)](#)
- Colombia—Japan: [Delegations from Colombia and Japan confirm new progress towards trade agreement \(link in Spanish\)](#)
- Colombia—Panama: [Colombia and Panama finalize details of tax cooperation agreement \(link in Spanish\)](#)

- Community of Latin American and Caribbean States (CELAC): [Regional integration will move forward through CELAC \(link in Spanish\)](#)
- Ecuador–El Salvador: [El Salvador and Ecuador move towards trade agreement \(link in Spanish\)](#)
- MERCOSUR–EU: [EU and MERCOSUR to exchange offers for an FTA in May \(link in Spanish\)](#)

#### *New Agreements*

- Colombia–South Korea: [FTA with South Korea is now in place \(link in Spanish\)](#)
- Colombia–Costa Rica: [Constitutional Court approves FTA between Colombia and Costa Rica \(link in Spanish\)](#)
- MERCOSUR–SACU: [Trade agreement between MERCOSUR and southern African countries now in force \(link in Spanish\)](#)

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

- Association of Caribbean States (ACS): [Cuba to host the 7th Summit of the Association of Caribbean States \(link in Spanish\)](#)
- ALADI:
  - [ALADI meeting of government representatives ended with great challenges for the Latin America–Asia Pacific Observatory \(link in Spanish\)](#)
  - [MERCOSUR and ALADI join forces to favor regional integration \(link in Spanish\)](#)
- Chile–South Korea: [Korea's FTAs with Peru and Chile have been successful for trade \(link in Spanish\)](#)
- Colombia–Canada: [Canadian mining company Eco Oro complains of Colombia's alleged violations of FTA \(link in Spanish\)](#)
- Colombia–Mexico: [América Móvil to start legal actions in view of FTA with Colombia \(link in Spanish\)](#)
- Colombia–Northern Triangle (El Salvador, Guatemala, and Honduras): [Colombian president begins visit to Guatemala, El Salvador, and Honduras during which trade, investment, and security will be discussed \(link in Spanish\)](#)
- Peru–European Union: [Peru: EU supports Ecuador joining FTA but requests it follows WTO rules \(link in Spanish\)](#)
- Andean Community (CAN):
  - [Andean Community countries coordinate joint activities in favor of micro, small, and medium-sized enterprises \(link in Spanish\)](#)

- [Regulatory and planning authorities from CAN countries and Chile make headway on regional electrical interconnection \(link in Spanish\)](#)
- [Costa Rica–People's Republic of China: Costa Rica approves Investment Protection and Promotion agreement with China \(link in Spanish\)](#)
- [United States–Colombia: Mining company Cosigo files claim \(link in Spanish\)](#)
- [United States–Panama: Panama must endeavor to ensure FTA with USA meets objective \(link in Spanish\)](#)
- [Honduras–Canada: The Canadian market is open, we need to understand how to benefit from this. High demand for textiles and agricultural products \(link in Spanish\).](#)
- [MERCOSUR: Uruguay seeks to change MERCOSUR regulation in order to sign more FTAs. A change in the bloc's rules of play will be requested in order to allow members to negotiate bilateral agreements with third parties \(link in Spanish\).](#)
- [MERCOSUR–India: WTO examines MERCOSUR–India agreement on goods with a view to expanding it \(link in Spanish\)](#)
- [Mexico–Japan: Stringent measures restrict exports to Japan \(link in Spanish\)](#)
- [Mexico–Nicaragua: Forbes Mexico magazine draws attention to how Mexican firms are pursuing business with Nicaragua \(link in Spanish\)](#)
- [Mexico–EU: European Commission brings trade agreement with Mexico up to date \(link in Spanish\)](#)
- [Peru–South Korea: Korea's FTAs with Peru and Chile have been successful in terms of trade \(link in Spanish\)](#)
- [Dominican Republic, Central America–United States \(CAFTA–DR\): Ten year anniversary of the implementation of CAFTA-DR \(link in Spanish\)](#)
- [Central American Integration System \(SICA\): SIECA: Central American exports fell by 7.3% year-on-year in last quarter of 2015 \(link in Spanish\)](#)
- [North American Free Trade Agreement \(NAFTA\): NAFTA has made Mexico a competitive industrial country \(link in Spanish\)](#)
- [COSIPLAN, IIRSA: 29th Meeting of the IIRSA Technical Forum \(link in Spanish\)](#)
- [UNASUR: UNASUR to address regional economic situation and the Bank of the South \(link in Spanish\)](#)



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](#).

# Natural Resource Multilatinas

- n236
- Trade Thermometer

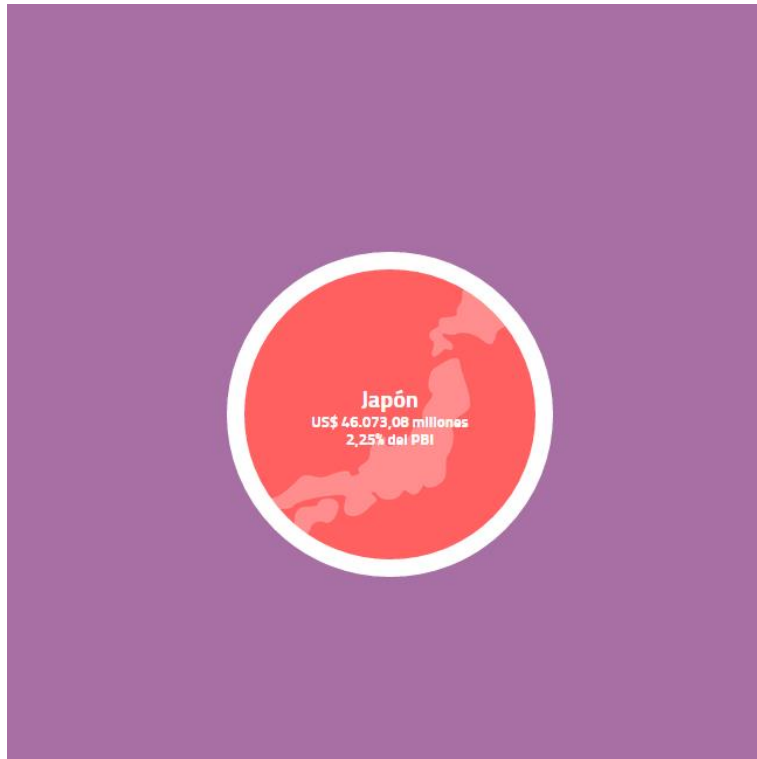
## Natural Resource Multilatinas

Foreign direct investment in emerging countries has grown significantly in recent years, and Latin American countries (especially Brazil and Mexico) have been major players in this process, giving rise to the so-called multilatina firms.



## Cercados

Durante más de medio siglo, muchos países –principalmente desarrollados- han implementado todo tipo de medidas tendientes a proteger y estimular su producción agropecuaria. Si bien se han reducido durante los últimos años, estas políticas siguen incluyendo importantes barreras de acceso a mercados y distintos tipos de subvenciones que no solamente impactan sobre las economías que las utilizan, sino también sobre consumidores y productores del resto del mundo.



# Editorial

- Editorial
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