

INTAL CONNECTION

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NUMBER

238 June, 2016

INN-TEGRATION



Integration Ideas

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What future technological breakthroughs will have exponential impacts and cause ongoing changes to traditional forms of global trade? What challenges do new technologies pose for integration within the region and with the world?

The *INTAL Winter Colloquium* ([link in Spanish](#)) took place on June 30, 2016. The event was organized by the [Institute for the Integration of Latin America and the Caribbean \(INTAL\)](#), part of the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), together with Argentina's Ministry of Production and the Inter-American Dialogue. A range of experts from the region took part in the event and shared their experiences designing policies that stimulate creativity, enhance public-private partnerships, and overcome the challenges that technological innovation poses.



Those present were welcomed to the event by INTAL director **Gustavo Beliz**, who invited the audience to rethink regional and local integration by “learning, unlearning, and relearning” the classic concept of integration, given that we are living through a time of exponential integration that is essentially tied to innovation. Likewise, he underlined that export diversification is fundamental to

creating high-quality jobs and laying the foundations for sustainable development. Proactive,

Carefully planned trade policies are becoming increasingly necessary if we are to increase productivity and competitiveness and reach new markets.

New technologies play a key role in that mission. Production techniques change, bringing about genuine transformations in the way that countries relate to one another on the basis of global value chains that are increasingly complex and sophisticated. Glocal (global + local) phenomena come together to form a new kind of integration, blurring borders as the world becomes more interconnected. This requires new types of institutions that combine forces to create a common agenda that makes this process governable. “It’s about inn-tegration, which combines innovation and integration,” Mr. Beliz concluded, before underlining the impact that certain new technologies are having on production and trade, notably artificial intelligence and robotics, 3D printing and digital manufacturing, nanotechnology, big data, and the Internet of Things.



The next speaker was **Noah Mamet**, US ambassador to Argentina, who praised INTAL’s initiative to discuss productive transformation in Latin America and noted that Argentina and the United States agree on the importance of small businesses and microenterprises to developing their economies. He argued that human capital is a key component in investment decisions and

that Argentina and Latin America as a whole are resource-rich in this regard. He also noted that Buenos Aires could become the tech hub for the region. Mr. Mamet also focused on the enormous development potential for clean technology in the region as a whole, and Argentina in particular. This sector could boost innovative, environmentally friendly economic growth.

Michael Shifter, the president of the Inter-American Dialogue (IAD), observed that a productive transformation is needed to enable Latin America to move beyond its dependence on commodities. To achieve this, there needs to be a transition towards greater technological innovation based on existing natural and human resources. The state and high-quality education play fundamental roles in achieving this goal, which would require improving the quality of public policies. Likewise, Mr. Shifter pointed out that the region needs to bridge the divides within it and generate common policies that allow it to develop and increase the wellbeing of its citizens.



The last speaker on this first panel, **Marcos Peña**, Argentina's chief of staff, focused on the profound changes that have been taking place in the ways that people communicate following the boom in new media and social networks. He highlighted the importance of a transformation that would include policies and institutions, arguing that integration and working together are an opportunity to substantially reduce inequality and eradicate poverty. He concluded by arguing that we need to understand that new technologies and innovation can help create fairer, more balanced societies.

Also at the event was [Rafael Salazar](#), program director for MIT Innovators Under 35, who described the breakthrough technologies that will have the greatest impact on our lives in the next few years ([see separate article](#)).

The third panel discussed global trends and future scenarios for Latin America. The first speaker was **Sergio Bitar**, former Chilean minister of mining, education, and public works, senior partner at the Inter-American Dialogue, and director of the Global Trends and Future Scenarios project. Mr. Bitar argued that Latin American countries need to build their capacity to reflect on strategic issues. To do this, he argued that it is not enough to focus only on matters within their own borders, as the future will depend on the ability to anticipate global issues, look ahead, and move beyond the short term. He suggested that considerable foresight would be necessary for this. In other words, countries need to explore plausible future scenarios and detect global trends and the main processes driving change by using interdisciplinary analysis and qualitative methods and consulting experts who can help comprehend complex phenomena and how different systems interact. In short, they need to explore possible scenarios so as to identify the areas in the region where changes will take place.

At the same time, he presented a plausible group of strategic objectives for Latin America. These included the strengthening of democracy, productive transformation, social inclusion to reduce poverty and inequality, Latin American cooperation and integration, and issues related to climate change, such as food security, disaster prevention, food exports, and access to water.

Finally, he stressed Latin America's strong points and weaknesses given this outlook of rapid change. The region's advantages include the fact that it is democratic, peaceful, and abundant in natural resources. The weaknesses he pointed to include its low productivity and the growing gap with Asia, high levels of inequality, limited regional integration, inefficient state administration, low

educational quality, and a lack of instruments for foresight analysis which would be needed to start a democratic discussion of countries' strategic objectives.



Federica Gómez Decker, integration and trade specialist at the IDB, described Latin America and the Caribbean's share in the global trade in services and argued that the region needs to take advantage of the opportunities this sector can offer, such as diversifying its export supply into more knowledge- and technology-intensive sectors and integrating effectively into global value

chains. Her presentation focused on Uruguay's experience in this regard and on the lessons the country learned in the process. In this sense, she stressed the importance of actively working to improve the country's regulatory framework so as to foster better conditions in the business environment for global service companies, as well as developing the government's capacity to serve the sector. She outlined the challenges ahead: overcoming systematic statistical limitations, the scalability of operations and human capital, adapting the regulatory framework, and getting to know the sector better.



During the last panel discussion, **Lucio Castro**, Argentina's secretary of productive transformation, reflected on the state of the Argentine economy today and described the current international context. Mr. Castro stressed that Argentina needs a production plan that sets out a long-term strategy. He argued that the way to end poverty is by generating quality jobs. In this regard, he

argued that what are needed are, first, cross-cutting policies that seek to ensure adequate energy supplies, improve transportation and logistics, reduce the tax burden on companies, and provide incentives for investment and exports; second, access to long-term financing at reasonable rates; and third, a suitable regulatory framework. This would require the private and public sectors working

together on restructuring and retraining so as to capture the potential competitiveness of the economy by reducing sector-level flaws and obstacles.

Mr. Castro's presentation was commented on by **Jorge Forteza**, professor of competitiveness for companies, regions, and countries at the University of San Andrés, and **Alejandro Díaz**, CEO of the American Chamber of Commerce (AmCham). Mr. Forteza argued that new technologies give Latin America the chance to escape the middle-income trap and that the challenge is transforming the low tech into high tech. He said that achieving this would require changing the production model and rethinking the drivers for future growth. He underlined the need to add technology to the agriculture, life sciences, mining, and energy sectors, and to specialized manufacturing, knowledge-based services, tourism, and infrastructure. Mr. Díaz drew attention to factors that favor productive transformation. Among these were the role of institutions, the reconstruction of a national sense of identity, the need to redefine the role of the state through clear rules of play that favor formal job creation, the role of the business owner as the main creator of high-quality jobs, and the importance of business owners thinking collectively and intensifying the interaction between the public and private sectors.

Gustavo Crespi, lead specialist in science and technology at the IDB's Competitiveness, Technology, and Innovation Division, presented certain aspects of the book *La innovación y la nueva economía de servicios en América Latina y el Caribe: Retos e implicaciones de política* [Innovation and the new service economy in Latin America and the Caribbean: challenges and policy implications], (<https://publications.iadb.org/handle/11319/7273?locale-attribute=es> [link in Spanish]), published by the IDB in October 2015. He pointed out that the fact that the region's productivity levels are low and are continuing to decline is due to the service sector, which employs 60% of Latin Americans. In this sense, Mr. Crespi outlined three paths to increasing productivity: reallocating resources to more productive service companies, increasing the productivity of service companies by improving static efficiency in resource allocation, and, finally, generating new knowledge-intensive services. Natural resources have the potential to transform these services into a platform for innovation and structural change in Latin America and the Caribbean through the development of knowledge-intensive service companies.

He went on to describe the factors that underlie the success of such service firms, like adapting technologies to the specific context they will be used in, the construction of formal and informal networks with suppliers and users within the value chain and with players in the world of science, the availability of human capital, involvement in global knowledge networks, R&D levels above 10% of

sales, and the protection of intellectual property. In contrast, he argued that the factors that limit the success of this type of firm are problems with information asymmetry, resistance to change among those seeking solutions, poor technological infrastructure, limited levels of advanced human capital, and limited understanding among policy makers of what these sectors need. In Mr. Crespi's opinion, "services are here to stay," and so improving their efficiency is vital, given their aggregate impact on productivity. Likewise, competitiveness and regulatory policies are key to improving resource allocation within the sector, which also requires active, focused public policies to promote innovation. The region has an opportunity to develop these new knowledge-intensive service sectors using its natural resources as a jumping-off.

Mr. Crespi's presentation was followed by comments from **Julissa Reynoso**, former US ambassador to Uruguay, and **Sergio Kaufman**, president of Accenture. Ms. Reynoso focused on the role of a smart pro-innovation policy in the United States. She underlined that many of today's leading tech firms received financial support from the government when they were still small businesses, as has the complex US science and technology development network through institutions such as the National Science Foundation. Mr. Kaufman presented Accenture's experience with innovation and new technologies. He reported that in Argentina his firm is producing 25 robots per month. He argued that Latin America and the Caribbean cannot compete on costs with other competitors such as India, which is why it is seeking a technological breakthrough that will set the region apart and attract clients. This would generate a second wave of jobs, namely for robot developers. He commented on the difficulties in planning these processes due to the speed at which technological changes are taking place.



The closing words came from **Francisco Cabrera**, Argentina's minister of production, who gave an overview of the status of productive transformation in Argentina and highlighted the renewed interest in investing in the country. Mr. Cabrera claimed that the most serious problem is the demand for formal employment, and he stated his belief that investment is the structural solution that will

enable quality job creation. He suggested that this would require better credit terms and working

towards lower tax burdens, while also aiming for greater regional integration and coordination with Pacific Alliance countries. He also announced that Argentina is negotiating an automotive export agreement with Colombia.

Those taking part in the event at INTAL-Lab agreed that a regional agenda for productive innovation is needed as a pillar for development and growth with social inclusion. They also agreed that it is essential to incorporate new technologies into regional production processes and value chains so as to increase competitiveness both in traditional sectors connected to natural resources and in services and renewable energies.

Which regional infrastructure projects have been concluded?

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Latin America is bringing people closer together. *Infrastructure works are a fundamental part of integration and are a priority on government agendas in South America.* A total of 115 of the 600 infrastructure and regional connectivity projects that make up the [COSIPLAN Project Portfolio](#) have been successfully concluded. This has implied an investment of over US\$ 26 billion by the countries in the region.[1] Information on each of these projects is available on the [COSIPLAN Project Information System](#), an open-access database that is continually updated by the countries of South America.

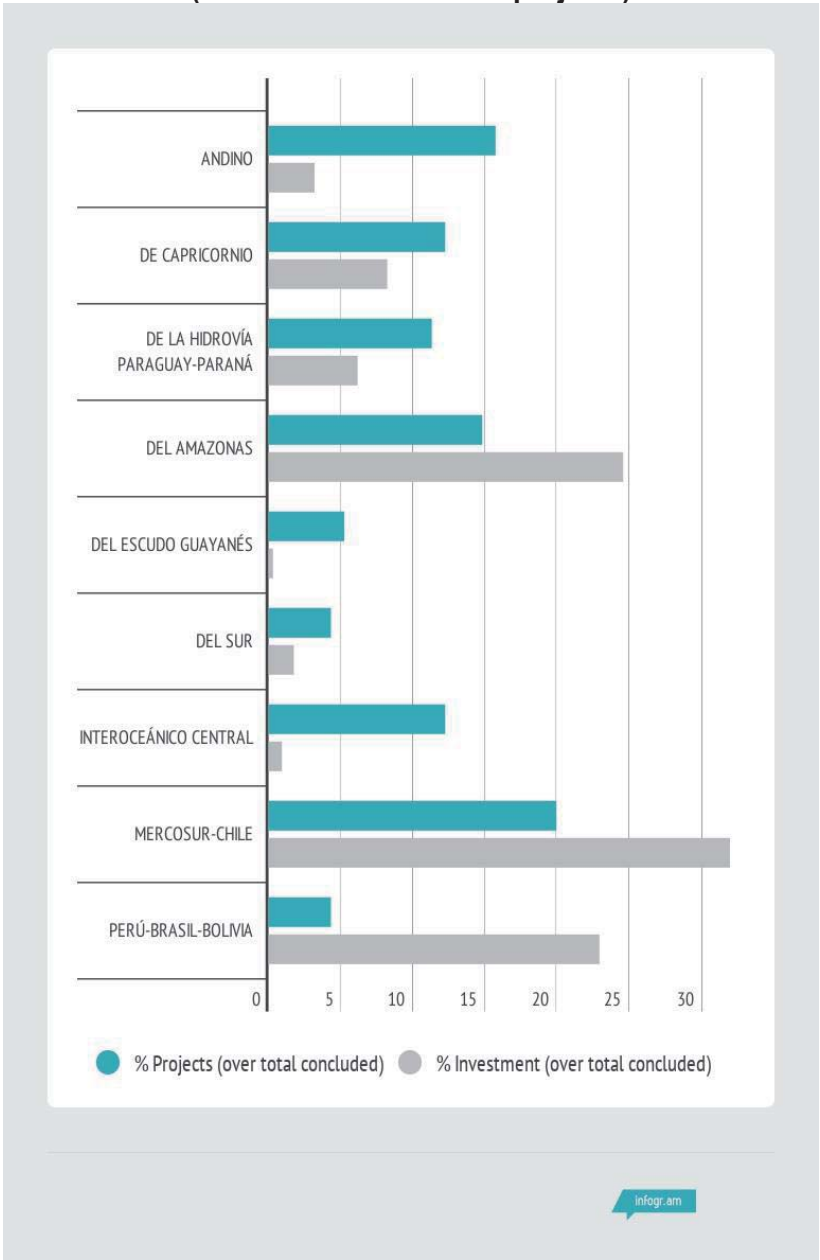
INTAL, as the secretariat for the [COSIPLAN/IIRSA](#) Technical Coordination Committee, has been providing support to the countries during the process of setting up the COSIPLAN Project Portfolio, updating it, and sharing the information within it. INTAL's role includes the development, programming, and maintenance of the system. One of its focal points is providing quality information on concluded projects so as to make the outcomes and benefits of physical integration available to citizens.



The concluded projects are distributed throughout the nine [Integration and Development Hubs](#). Some 20% of these projects are in the MERCOSUR–Chile Hub (23 projects), which represent 32% of investment expenditure. The total investment expenditure in the MERCOSUR–Chile, Amazon,

and Peru–Brazil–Bolivia hubs represents 80% of the total disbursed to complete the works in question.

**CONCLUDED PROJECTS BY INTEGRATION AND DEVELOPMENT HUB
(In % of investment and projects)**



The country with the greatest number of concluded projects is Brazil, with a total of 28 projects for an investment of US\$ 13 billion, around 50% of total expenditure. Although there are similar numbers of

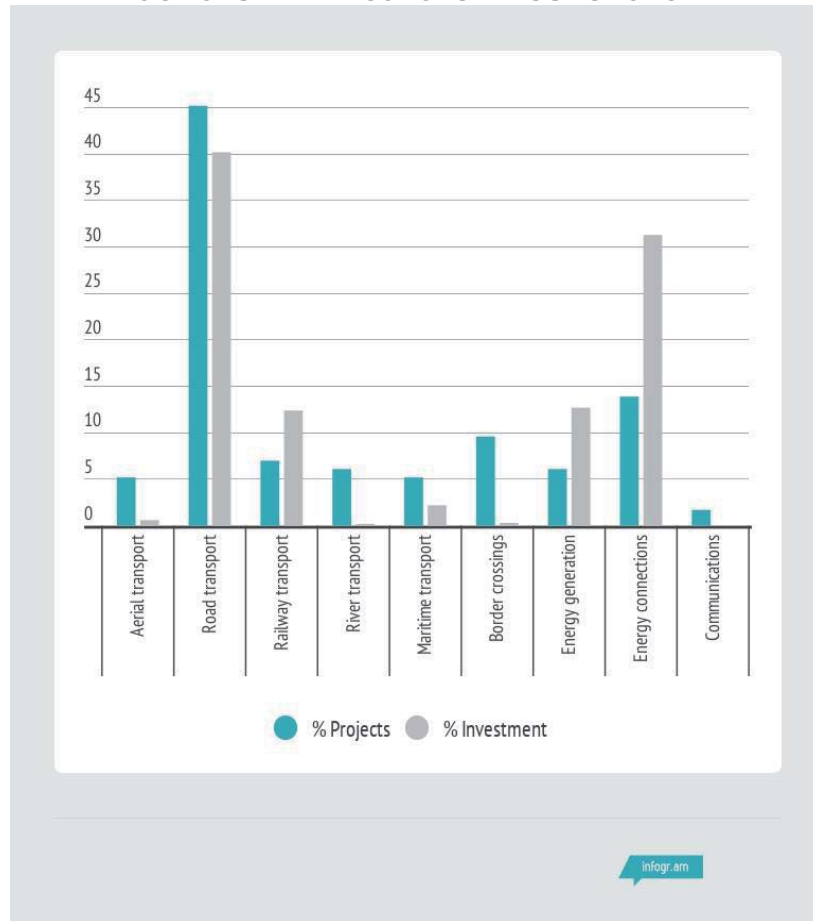
concluded projects in Argentina and Chile (21 and 20, respectively), investment expenditure is at 22% for Argentina and 3.5% for Chile.

CONCLUDED PROJECTS BY COUNTRY



Approximately half of the concluded projects (45%) are roads, which include 15 paving works, 25 rehabilitation or expansion works on existing roads, 7 bridges, and 5 beltways. Investment in these projects represents 40% of the total expenditure. Concluded energy interconnection works accounted for nearly 14% of concluded projects, although these required over 30% of the total expenditure.

CONCLUDED PROJECTS BY SUBSECTOR



Some 82% of concluded works were financed with public funds. The public sector contributed 65% of the sum invested. The private sector financed 11% of projects, all of which are transportation-related, and its share of total investment was also 11%. Public-private initiatives financed 7% of projects, but they contributed 23% of total investment.

The vast majority of concluded projects are national (83%). These investments are important to regional physical integration in terms of how they contribute to transnational connectivity.

A few interesting examples of this now follow.

Connectivity between Ecuador and Peru

Projects from the Amazon Hub and the Andean Hub are involved in this connectivity initiative which includes seven concluded projects and two at a highly advanced stage.

The concluded road projects consolidate the coastal road corridor, raising transportation standards and facilitating access to border crossings. It should be stressed that the main Binational Border

Service Center (CEBAF) Road Corridor No. 1 (Huaquillas–Aguas Verdes) is already operational and is facilitating trade in goods and the movement of persons between both countries.

CONCLUDED PROJECTS FOR CONNECTIVITY BETWEEN ECUADOR AND PERU

COD.	PROJECTS	AMOUNT INVESTED (US\$ MILL.)	COUNTRIES	SUBSECTOR
AMA46	IMPROVEMENT OF THE GUAYAQUIL–EL TRIUNFO–LA TRONCAL–ZHUD–EL TAMBO–CAÑAR–AZOGUES–PAUTE–AMALUZA–MÉNDEZ ROAD AND IMPROVEMENT AND EXPANSION OF THE MÉNDEZ–PUERTO MORONA ROAD	140.0	EC	ROAD
AMA47	IMPROVEMENT OF THE PUERTO BOLÍVAR–SANTA ROSA–BALSAS–CHAGUARPAMBA–LOJA–ZAMORA–YANTZAZA–EL PANGUI–GUALAQUIZA–GRAL LEÓNIDAS PLAZA–MÉNDEZ ROAD	167.7	EC	ROAD
AMA48	IMPROVEMENT OF THE PUERTO BOLÍVAR–PASAJE–SANTA ISABEL–GIRÓN–CUENCA–PAUTE–AMALUZA–MÉNDEZ–PUERTO MORONA ROAD	26.8	EC	ROAD
AND21	BINATIONAL BORDER SERVICE CENTER (CEBAF) ROAD CORRIDOR NO. 1	15.9	EC/PE	BORDER CROSSINGS
AND26	PUERTO INCA–HUAQUILLAS ROAD AND HUAQUILLAS–AGUAS VERDES INTERNATIONAL BRIDGE, HUAQUILLAS BYPASS	85.8	EC/PE	ROAD
AND88	SULLANA–EL ALAMOR ROAD	29.5	PE	ROAD
AND89	SULLANA–MACARA–LOJA ROAD	48.4	PE	ROAD
TOTAL INVESTMENT		1,352.8		

Connectivity between Argentina and Chile and between Paraguay and Bolivia

This connectivity initiative involves ten concluded projects from Group 1 of the Capricorn Hub in Argentina and Chile, where connectivity has been enhanced, while also indirectly influencing integration in Bolivia and Paraguay. These projects are strategically important to the development of areas that have been marginalized at the socio-economic level, and their implementation is contributing to achieving the group’s strategic goal. The initiative is multisectoral, as road, rail, sea, air, and energy interconnection works have been completed.

The Access Roads to the Paso de Jama Border Crossing Anchor Project and the Integrated (One-Stop) Border Control have been concluded. Both this border crossing and National Road no. 81 in Argentina are important for overland trade between Paraguay and Chile. Major ports on the Pacific Ocean complete this multimodal network.

CONCLUDED PROJECTS FOR CONNECTIVITY BETWEEN ARGENTINA AND CHILE

COD.	PROJECTS	AMOUNT INVESTED (US\$ MILL.)	COUNTRIES	SUBSECTOR
CAP01	ACCESS ROADS TO PASO DE JAMA BORDER CROSSING (NATIONAL ROUTE NO. 52– INTERSECTION WITH NATIONAL ROUTE NO. 9– BORDER WITH CHILE)	54.0	AR	ROAD
CAP02	IMPLEMENTATION OF INTEGRATED (ONE-STOP) BORDER CONTROL AT PASO DE JAMA BORDER CROSSING	4.0	AR/CH	BORDER CROSSINGS
CAP03	ELECTRICITY INTERCONNECTION BETWEEN THE NORTHWESTERN AND NORTHEASTERN REGIONS OF ARGENTINA	725.0	AR	ENERGY INTERCONNECTION
CAP06	PAVING OF NATIONAL ROUTE NO. 81 BETWEEN LAS LOMITAS AND THE INTERSECTION WITH NATIONAL ROUTE NO. 34	100.0	AR	ROAD
CAP08	ENLARGEMENT OF THE MEJILLONES PORT COMPLEX (PHASE I)	120.0	CH	SEA
CAP09	UPGRADING WORKS AT ANTOFAGASTA PORT	18.0	CH	SEA
CAP46	CONCESSION OF ANTOFAGASTA EXPRESSWAY	370.0	CH	ROAD
CAP80	MEJILLONES PORT COMPLEX	80.0	CH	SEA
CAP88	ANTOFAGASTA AIRPORT	28.0	CH	AIR
CAP91	BIOCEANIC RAILWAY CORRIDOR, CHILEAN SECTION (ANTOFAGASTA – SOCOMPA)	0.0	CH	RAIL
	TOTAL INVESTMENT	1,499.0		

Connectivity between Argentina, Brazil, and Uruguay

These links include projects from the MERCOSUR–Chile Hub and the Paraguay–Paraná Waterway Hub, with a total of seven concluded projects. Two related connectivity initiatives are involved: connectivity between Uruguay and Brazil and between Uruguay and Argentina. A further ten projects are at an advanced stage, and when they have been concluded they will contribute to achieving the strategic objectives of these groups.

The Upgrading Works for the Río Branco–Montevideo–Colonia–Nueva Palmira Road Corridor Anchor Project has also been concluded. This set includes all transportation subsectors so as to optimize the multimodal network that connects the territory in question.

CONCLUDED PROJECTS FOR CONNECTIVITY BETWEEN ARGENTINA, BRAZIL, AND URUGUAY

COD.	PROJECTS	AMOUNT INVESTED (US\$ MILL.)	COUNTRIES	SUBSECTOR
MCC115	REHABILITATION OF THE RIVERA–SANTANA DO LIVRAMENTO–CACEQUI RAILWAY SECTION	5.0	BR/UY	RAIL
MCC139	FIBER OPTIC CABLE BETWEEN BRAZIL AND URUGUAY	0.0	BR/UY	COMMUNIC INTERCONN
MCC19	UPGRADING WORKS FOR THE RÍO BRANCO–MONTEVIDEO–COLONIA–NUEVA PALMIRA ROAD CORRIDOR: ROUTES NO. 1, 11, 8, 17, 18, AND 26, ROUTES NO. 23 AND 12	253.5	UY	ROAD
MCC26	PUNTAS DEL TIGRE COMBINED CYCLE THERMAL POWER PLANT	170.0	UY	ENERGY GENERATION
MCC86	EXPANSION OF COLONIA PORT (DOCKS, DREDGING, AND INCLUSION OF NEW AREAS)	14.0	UY	SEA
HPP94	IMPROVEMENTS TO ACCESS ROADS AND INFRASTRUCTURE AT NUEVA PALMIRA PORT	10.0	UY	SEA
HPP95	REHABILITATION OF PAYSANDÚ PORT, ACCESS ROADS, AND STORAGE AREA	6.0	UY	SEA
TOTAL INVESTMENT		458.5		

Connectivity between Argentina, Brazil, and Paraguay

The projects listed here include projects from the Paraguay–Paraná Waterway Hub and the MERCOSUR–Chile Hub, representing a total of ten concluded projects and a further nine projects on which significant progress has been made. These projects are some of the most important forms of connectivity for overland trade within the hub. The Upgrading of National Route No. 14 to a Four-Lane Road between Paso de los Libres and Gualeguaychú has been concluded.

CONCLUDED PROJECTS FOR CONNECTIVITY BETWEEN ARGENTINA, BRAZIL, AND PARAGUAY

COD.	PROJECTS	AMOUNT INVESTED (US\$ MILL.)	COUNTRIES	SUBSECTOR
HPP107	ENCARNACIÓN PORT	11.8	PY	RIVER
HPP73	ACCESS ROADS TO ENCARNACIÓN	26.0	PY	ROAD
HPP77	DIVERSION OF THE AGUAPEY STREAM	64.0	PY	RIVER
MCC01	UPGRADING OF NATIONAL ROUTE NO. 14 TO A FOUR-LANE ROAD BETWEEN PASO DE LOS LIBRES AND GUALEGUAYCHÚ	780.0	AR	ROAD
MCC02	CONSTRUCTION AND IMPLEMENTATION OF INTEGRATED CARGO CONTROL FACILITIES IN PASO DE LOS LIBRES	10.0	AR	BORDER CROSSINGS
MCC04	COMPLETION OF THE UPGRADING OF THE ROAD SECTION BETWEEN BELO HORIZONTE AND SÃO PAULO (BR-381/SP/MG) TO A FOUR-LANE ROAD	1,300.0	BR	ROAD
MCC12	CONSTRUCTION OF THE SÃO PAULO RING ROAD (SOUTHERN SECTION)	2,700.0	BR	ROAD
MCC13	CONSTRUCTION AND PAVING OF ROUTE NO. BR-282/SC BETWEEN FLORIANÓPOLIS AND THE BORDER WITH ARGENTINA	100.0	BR	ROAD
MCC14	CONSTRUCTION OF THE ROAD SECTION BETWEEN SANTA MARÍA AND ROSARIO DO SUL (BR-158/RS)	30.0	BR	ROAD
MCC84	ENCARNACIÓN AIRPORT	12.0	PY	AIR
TOTAL INVESTMENT		5,033.8		

The information reported here is a reflection of the efforts UNASUR countries have made to boost the integration of South America through infrastructure works. By the end of 2016, it is estimated that at least another 27 works could be finalized, which would consolidate connectivity, bring people together, and expand the opportunities available to them.

[1] At the time of writing, countries were in the process of updating the projects that make up the COSIPLAN Project Portfolio. The values reported here are based on [COSIPLAN Project Portfolio 2015 \(Buenos Aires, December 2015\)](#) (link in Spanish).

The MERCOSUR and the Pacific Alliance. A Turning Point?

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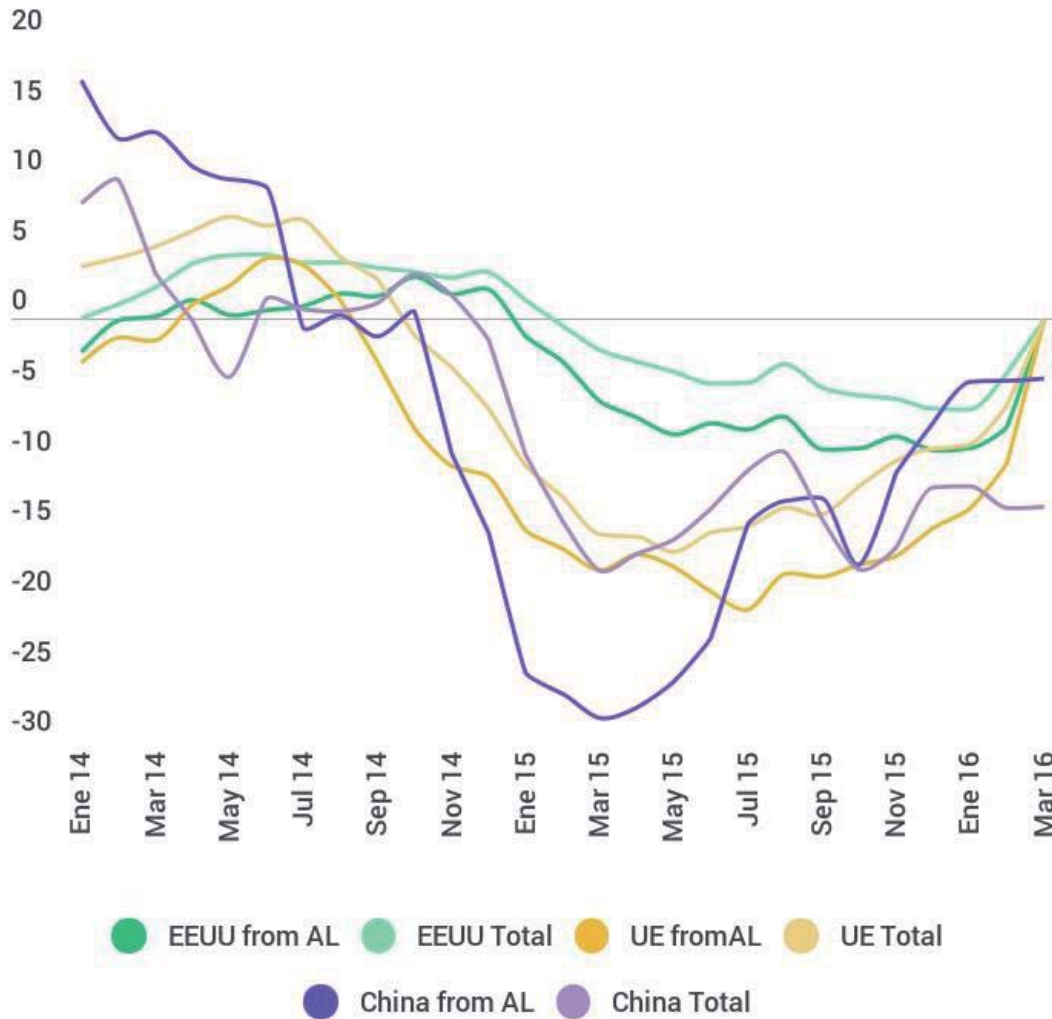
The MERCOSUR and the Pacific Alliance (PA) first began to seek ways to approach one another almost two years ago, in November 2014, at an Informative Ministerial Meeting at which authorities from the two blocs began to exchange ideas on the right path for developing the relationship between them.[1] However, there have been few achievements since then. In early 2015, Brazil—which then held the *pro-tempore* presidency of the MERCOSUR—developed an Action Plan which it sent to the PA in which it envisioned an intensification of the agreements that the MERCOSUR had already signed with Chile, Colombia, and Peru, although no reference was made to relations with Mexico. More recently, in May 2016, a biregional meeting of deputy ministers was held to prepare for a technical meeting which will tackle different issues relating to trade facilitation and promotion.

A Dam to Hold Back the Flood of Uncertainty

Relations between the two blocs cannot be considered independently of the unfavorable circumstances affecting both the global economy and the external sector of Latin American countries. The recent IDB publication *Trade Trend Estimates for Latin America and the Caribbean*[2] indicates that the value of exports from the region as a whole fell by 9% in the first quarter of 2016. Although this figure represents a less intense downturn than in 2015 (-15%), the outlook is still bleak for this key sector for the economies of Latin America and the Caribbean (LAC). More recent indicators show that the value of total goods imports on the part of LAC's main trading partners is still falling, and has done so since the second half of 2014. In turn, the reduction in purchases from the region is even steeper than the average fall in imports. In other words, the outlook for extraregional demand is far from encouraging. This is true for all countries in the PA and the MERCOSUR, although to different degrees.

Figure 1. Imports of goods to the United States, the European Union, and China from Latin America and the World

(Quarterly moving average of the year-on-year growth rate, percentage, 2014–2016)

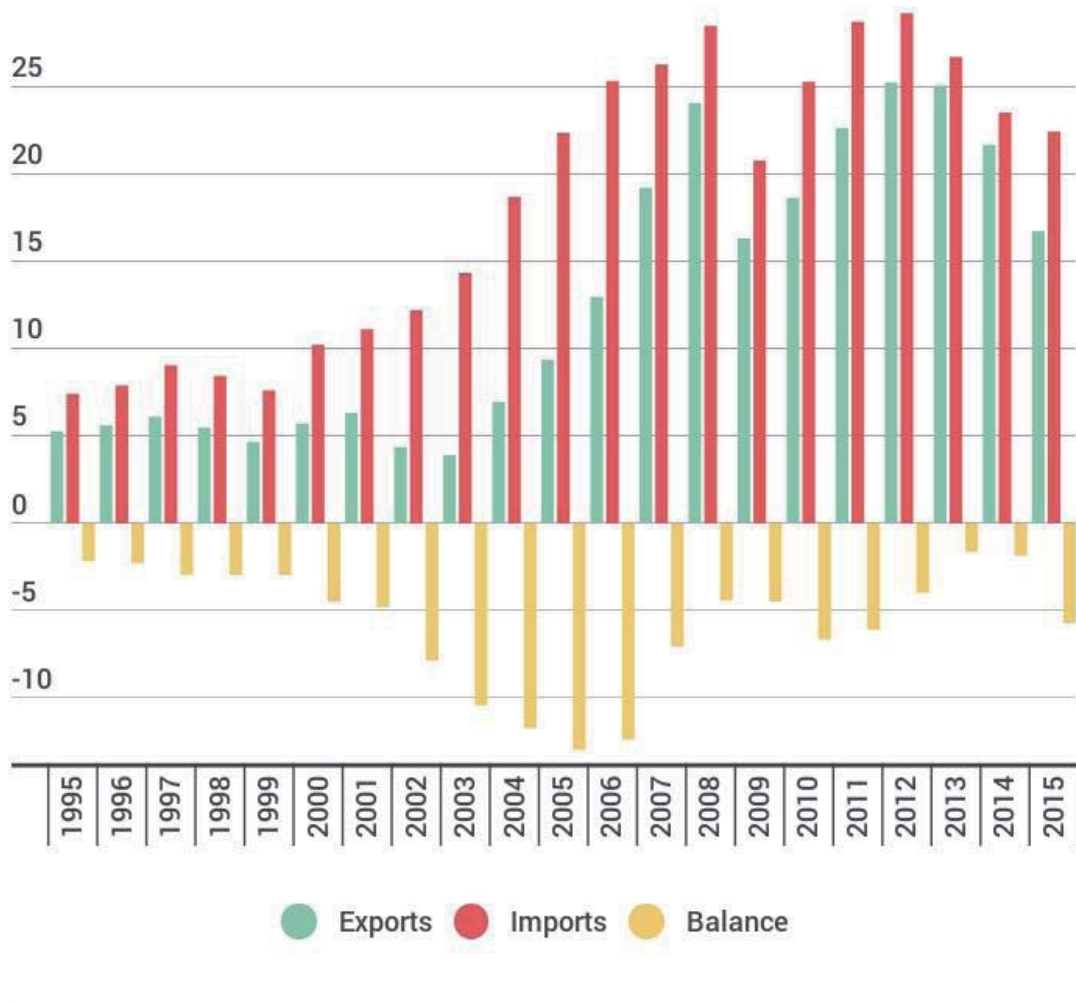


Source: IDB (2016). In addition to the restrictions caused by the dynamics of global trade, another factor affecting LAC exports is the persistence of uncertainty that can be traced back to the shock caused by the global financial crisis of 2008–2009. First, China’s transition toward a growth model that is based less on exports and that is probably expanding at a slower rate has shaken the global

economy and has had repercussions in LAC. In particular, there have been outbursts of stock market exchange rate volatility and downward trends and instability in commodity markets. At the same time, the United States' financial recovery continues to be marked by elements of instability that are reflected in the weakening of its role as the main driver of the global economy. More recently, the already uneven outlook for macroeconomic performance in European Union countries became yet more uncertain following the result of the referendum that determined that the United Kingdom would be leaving the bloc in the near future. In this context, moves for rapprochement between the Pacific Alliance and the MERCOSUR will need to find fresh impetus as they seek to build a dam that will contain—albeit partially—the flood of uncertainty that is seeping through the region as a result of the international context. It is in countries' interests to consolidate trade, integration, and cooperation ties so as to transform some of the negative trends caused by extraregional matters into a mutually beneficial outcome. Developing agendas that seek to address specific issues affecting the regional linkages between PA and MERCOSUR countries could be a turning point in this relationship. It is not a matter of grand or ambitious institutional designs but is rather one of focusing on specific issues but in such a way as to potentially consolidate agreements that will lead to the strengthening and diversification of export sectors. *Aspects of the Current Relationship and the Missing Links* Trade (exports plus imports) between PA and MERCOSUR countries has been hit hard by the slump in international trade flows. In 2015, trade between the two blocs stood at just under US\$40 billion after three consecutive years of downturn—an average annual reduction of 10%. Before this, when the economic cycle was in a growth phase, it had increased steadily up to 2008, when it reached a total of US\$52.5 billion, which entailed an average annual growth of 13% between 1995 and 2008. The initial rebound following the financial crisis led to these flows recovering between 2010 and 2012, when they reached levels that were similar to the peak before the 2008–2009 crisis, although this dynamism rapidly faded. This is unsurprising given that intraregional trade in LAC tends to correlate with extraregional dynamics. In this case, weak demand from partners outside the region increasingly came to affect regional trade flows.

Figure 2. Evolution of Trade between the Pacific Alliance and the MERCOSUR

In millions of US\$



Source: INTRADE.

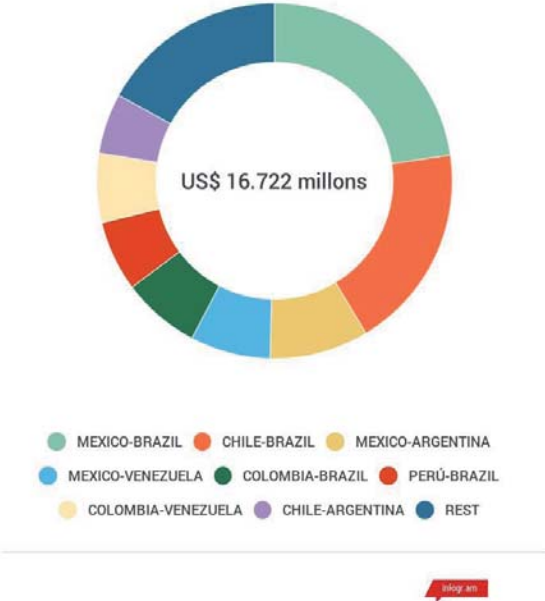
The balance of trade between PA countries and the MERCOSUR has traditionally been unfavorable for the former, although this deficit has shrunk in recent years. In 2015, it stood at US\$5.7 billion, the result of US\$16.7 billion in exports and US\$22.4 billion in imports. A decade ago, the deficit was close to US\$13 billion. In relative terms, trade between the two blocs seems limited. In 2015, the MERCOSUR was the destination market for 3.3% of PA exports and the origin of 4.1% of its imports.

Import levels were higher in 2005, when they reached 7.8%. This decrease is linked to the notable growth in China's share of PA imports, which went from 8% in 2005 to 18% in 2015. In terms of the main bilateral flows, the link between Mexico and Brazil [3] plays a leading role in regional trade, which is natural, given the two countries' sizes. However, it is interesting that there are other prominent bilateral flows. Some 22.7% of PA exports to the MERCOSUR are sales from Mexico to Brazil, while 20.6% of imports are Mexican purchases from Brazil. But this was not the greatest flow of PA imports from the MERCOSUR: in 2015, first place went to Chile's imports from Brazil (23.1%), and its imports from Argentina were also highly relevant (13.2%).

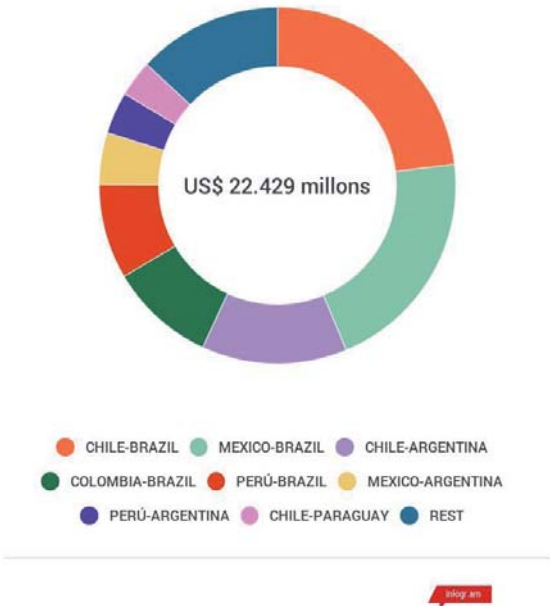
Figure 3. Main Bilateral Trade Flows Between the PA and the MERCOSUR. 2015

Share in %

Exports:



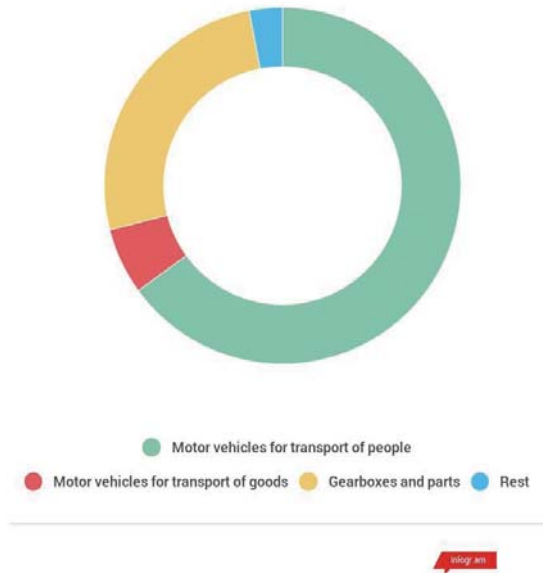
Imports:



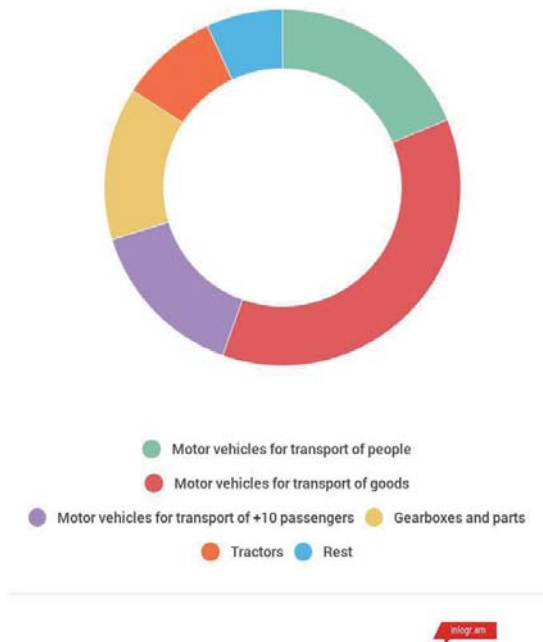
In addition to the scale effect of the commercial ties between Mexico and Brazil (and, to a lesser extent, between Mexico and Argentina), these cases include intra-industry trade in which the automotive sector—in which all three countries have a significant production base—plays a key role. The automotive industry alone accounts for 13% of PA exports to the MERCOSUR and 12% of its imports from there. However, it should be noted that, within the current network of relations, the ties between these countries is where there is least commitment to liberalization, which is due to the limited nature of the agreements reached so far, particularly in the case of Mexico and Brazil. This is an item on the convergence agenda that needs to be approached particularly delicately so as to reach balanced agreements that contribute to boosting productive development, competitiveness, and the innovation capacity of manufacturing sectors that are particularly significant for all three countries. Deepening ties between the PA and the MERCOSUR could help achieve better competitive positions for both blocs in relation to other markets, such as through each bloc specializing in a different area of the industry. At present, automotive trade between the two blocs is predominantly made up of final goods, although the share of auto parts and components is still significant.

Figure 4. Composition of Trade between the PA and the MERCOSUR for the Automotive Sector. 2015

Alianza del Pacífico imports to MERSOSUR:



Alianza del Pacífico imports from MERCOSUR



A form of trade that leverages “natural” complementarities or advantages such as geographical proximity may also have a role to play in bilateral relations, despite the serious obstacle posed by the lack of physical connectivity between the countries in the region. For example, copper and copper manufactures stand out within exports from the PA to the MERCOSUR (8.8% of total exports), with Chile’s external sales accounting for 77% of total exports in this direction (which mainly go to Brazil), as do fuels (7.2%), mainly through exports from Colombia, which Brazil is also a major buyer of. Reciprocally, Chile also buys significant quantities of fuel from Brazil. In this sense, one of the goals of increased market integration needs to be productive diversification. One sector that could become more important, particularly in South America, is the trade in goods of agricultural origin with more processed content. There is potential for such growth within the MERCOSUR itself, and this could become even greater within the PA as and when an agenda is developed.[4]The possibility of PA and MERCOSUR countries managing to diversify their productive and export structures is closely linked to future developments in their regional integration processes. As intraregional trade is markedly more diversified and manufacture-intensive and has greater technology content, it could be more accessible for small and medium-sized industries and could, therefore, create relatively more employment than trade with other regions.[5] Over a longer time frame, efforts toward productive integration and specialization within specific sectors could lead to “platform effects” that could then be expanded outside the region. *Looking Toward Future Agendas: A Partial Map* Looking forward, the relatively modest scale of trade between the MERCOSUR and the PA may not be such a significant indicator as it first seems. Given the current state of the global market, countries in the two blocs need to sustain higher rates of export growth at a time when several commodity markets are going through a recession. This is particularly affecting South American economies. A higher export growth rate also implies diversifying external sales, which is a challenge. Given this context, we need to pay more attention to the opportunities that regional agreements offer. Certain methodological factors need to be taken into account as these agendas are developed, two of which are worth mentioning:

1. Given the diverse conditions of the countries involved in terms of the general design of their international integration policies, the focus should be on limited areas with significant potential impact, rather than on seeking an institutional structure that “levels” all parties. Productive, efficient, made-to-measure agreements are better than general agreements with limited impact due to their being difficult to fulfill, given the asymmetries between trade partners.
2. Negotiation efforts need to involve synergy between the private and public sectors.

Negotiation efforts need to involve synergy between the private and public sectors.

An illustrative, albeit incomplete, map of the issues to be tackled would include: i) trade in goods and services; ii) cooperation in matters of trade, technology, and education; and iii) physical integration.

i) Trade in Goods and Services

Tariff restrictions and rules of origin

- Fast track tariff elimination (already at an advanced stage within South America) and start negotiating with Mexico.
- Harmonize rules of origin so as to create conditions to develop value chains.

Non-tariff issues

- Harmonize or recognize technical, sanitary, and phytosanitary standards in sectors where there is common interest and guarantee that they are effectively implemented.
- Extend the progress made within each bloc to trade between the two: trade facilitation, customs cooperation, single windows for foreign trade (VUCE).
- Improve dispute settlement tools.
- Implement a common agenda to create comparable, high-quality statistics (trade in goods and services, investment).

ii) Cooperation in Trade, Technology, and Education

- Seek a shared negotiation strategy with third-party markets such as China, starting with matters of common interest.
- Promote the region as a shared platform for export promotion, investment, and trade.
- Position the region in terms of the knowledge economy, innovation, and science and technology by increasing investment, in collaboration with the private sector, in research and development in sectors with export potential.
- Seek areas for educational standardization and the validation of degrees and qualifications, develop a mobility platform for academics, students, and businesspeople.

iii) Physical Integration

- Improve progress on cooperation in regional integration infrastructure, ensuring that the work of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA)[6] continues and, eventually, explore cooperation with the Mesoamerica Project, which Mexico is part of.
- Foster regional cooperation in planning and infrastructure through strategic alliances.

In short, future progress in matters of regional cooperation needs to lead to greater integration that will allow Latin American countries to diversify their exports, improve the complementarity between them, and operate as a platform for technological specialization and development that will also allow them to improve their integration into other markets. *References* ALADI, Latin American

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The Ten Technologies That Will Most Impact Our Lives

- [Integration Ideas](#)
- [n238](#)

The ***INTAL Colloquium: Glocal Future (link in Spanish)*** analyzed the impact of new technologies on production, trade, and integration in Latin America. At the event, which was organized by the [Institute for the Integration of Latin America and the Caribbean \(IDB/INTAL\)](#), , director of the *MIT Technology Review's* Innovators Under 35 program, presented the ten technologies that will most impact our lives in the next few years and outlined the consequences these may have for trade and integration.

According to [Salazar](#), the world is changing exponentially. In other words, cycles of change are taking place increasingly faster and over ever shorter periods of time. As a result, we need to rethink the consequences of this exponential model and the opportunities it brings.

Each year, the *MIT Technology Review* profiles ten breakthrough technologies. In 2016, the publication pointed out that the most profound changes are coming from the smallest things: bits, atoms, and cells. Within this first group, bits, the magazine singled out four technologies: i) conversational interfaces, a platform based on speech recognition; ii) robots that teach each other; iii) driverless cars (TESLA autopilot); and iv) Slack, a digital tool that allows you to follow the work of an entire corporation in real time.

Within the second group, atoms, [Salazar](#) presented v) power from the air, technologies that are creating devices that are powered by WiFi and other electromagnetic signals; vi) high-efficiency solar panels (SolarCity's Gigafactory); and vii) space rockets that can land and be reused (SpaceX). In the cells group, the breakthrough technologies selected were: viii) immune engineering, that is, genetically engineered immune cells that can save the lives of cancer patients and, in the future, those with other diseases; ix) precise gene editing in plants; and x) an app that allows you to share your own genetic code through a kind of online store so that the information you provide can be used for biological and medical research.

Mr. Salazar also presented the real impact that these technologies could have on trade and integration. For example, he explained that robotics entails the moral and ethical dilemma of how far

jobs can be digitized at the expense of employment and the labor force. Its application would lead to a reduction in costs and the relocation of firms.

Finally, he stressed the challenge of continuing to be relevant as entrepreneurs in a rapidly changing world. To this end, he underlined the need to create what he called “brave leaders.”

“All these changes will impact trade and integration. For example, petroleum-producing countries will have to adapt their foreign trade to transformations in the energy industry, and international transportation regulations will have to contemplate driverless trucks and boats,” he argued.

The president of Los Grobo Group and founder and director of Bioceres SA, **Gustavo Grobocopatel**, agreed that technological changes are taking place at high speed. From his point of view, new technologies are trying to capture and tame energy in order to create food supplies, improve people’s quality of life and health, and to provide entertainment, among other things. By capturing energy, plants function as “little factories,” an idea that calls into question the traditional difference between “agriculture” and “manufacturing.”

He claimed that technological convergence is bringing about an energy-based revolution because we are starting to see different ways of capturing energy that are more efficient and less costly, such as solar and wind power. Through these new technologies, we are starting to see some form of solution to the biggest problems facing humanity—such as food security, global warming, and poverty. The challenge, then, is how to put technology to work for humans, how to “harvest energy” to make it available for solving human problems.

From the IDB’s headquarters in Washington, **José Miguel Benavente**, head of the IDB’s Competitiveness, Technology, and Innovation Division, gave his opinion on new technologies. First, he looked at technology from the production side, an area where he claims that the challenge facing the IDB is identifying the role it can play in this process. Second, he considered the use of these technologies, namely the fact that they first tend to be created and adopted in developed countries, although they go on to be applied more broadly in countries where circumstances are similar to those of Latin America, which implies that the region needs to be prepared for them. Third, there is a strong divide between the tech and academic world, on the one hand, and the productive sector, on the other. These three approaches need to come together if humanity’s problems are to be solved.

The three experts agreed that technological breakthroughs no longer happen within academia but rather within the private sector, which takes concrete needs as a starting point for seeking novel ways of solving problems while moving toward productive transformation. This underscores the need to forge alliances between the public and private sectors that also include academia, so as to create synergies in investment and train a skilled labor force for production in the future.

Inspiring Activities

The Future of Disaster Risk Management

- [Inspiring Activities](#)
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South America is anticipating natural disasters by planning for them. On June 2 and 3, 2016, the [Executive Technical Group Meeting on Disaster Risk Management \(link in Spanish\)](#) took place in Lima, Peru, as part of the [COSIPLAN/IIRSA](#) Work Plan, which is coordinated by [INTAL](#). The meeting was attended by delegations from Argentina, Chile, Colombia, Ecuador, Peru, Uruguay, and Venezuela and representatives from the General Secretariat of UNASUR and the IIRSA Technical Coordination Committee. Also present were representatives from research centers in Chile and Peru and consultants who specialize in this field.

Pilot Study on Disaster Risk Management in Chile and Peru

The COSIPLAN countries have developed a [Methodology for Incorporating Disaster Risk Management \(DRM\) into Integration Infrastructure](#). The initiative is being coordinated by Chile and is receiving technical support from the IDB. Chile and Peru have complete a pilot project for this methodology in an area that is at risk from seismic activity and tsunamis. During the first day of the meeting, the results of the pilot project and the lessons learned from it were shared with the other UNASUR countries[1].

The five key points from the discussion of the methodology and the two countries' experiences applying it are as follows:

- The lack of specific information is a limiting factor, so on-the-ground information that would allow the methodology to be applied needs to be created or adapted. One alternative would be to take a deterministic approach as such methodologies could be applied locally and would generate the necessary information to bridge this gap.

- Infrastructure is increasingly operated by public–private partnerships. For this reason, infrastructure concession agreements should specify the level of risk that is acceptable to the state so as to guarantee that the infrastructure will function in the event of a disaster.
- Including the benefits of risk mitigation in the social and economic assessment stage of integration projects is fundamental, given how vulnerable infrastructure is when these events strike.
- The object of analysis for the methodology are the territories where projects from the COSIPLAN Project Portfolio are being developed. The methodology can be applied to evaluate different types of threats, countries, and infrastructure, including logistic systems.
- The DRM Methodology achieved its objectives. It would be important to add it as a tool to the design of [Territorial Integration Programs \(PTIs\)](#), as happened with the [Production Integration and Logistics \(IPrLg\)](#) and [Strategic Environmental and Social Evaluation \(EASE\)](#) methodologies.

National Experiences that Enrich Regional Policies

Over the course of the second day, the experiences of countries in the region were presented, with an emphasis on how they had prepared for and coped with different natural hazards.



Argentina: handling of the flood-related emergency the country is currently experiencing (2015–2016) due to the effects of the El Niño phenomenon.



Colombia: guidelines for risk management in rebuilding infrastructure, based on the flooding-related emergency caused by the La Niña phenomenon in 2010.



Chile: the experience of the Ministry of Public Works during the catastrophes of 2015, particularly in relation to the planning of the coastal area and protection infrastructure in response to the tsunamis and tidal surges that occurred that year.



Peru: prospective and corrective risk management components developed by the National Center for Estimates, Prevention, and Disaster Risk Reduction (CENEPRED) in the.

Particularly important was the perspective of two research centers in the region: Chile's National Research Center for Integrated Natural Disaster Management (CIGIDEN) and Peru's Japanese-

Peruvian Center of Seismic Investigations and Disaster Mitigation (CISMID). The most significant points they put forward were:

- There are simulation tools that predict the effects of a catastrophe on an urban area. These allow the user to measure not only the scale of the damage but also to design evacuation and emergency response tools.
- The traffic and evaluation routes selected for use in the event of a natural disaster need to be checked to ensure that their size and capacity would remain unchanged in an emergency of this type. This is due to the fact that the way public space is used on a daily basis could lead to such routes being blocked or limited, preventing them from being used as planned during an emergency.
- Breakthroughs in satellite data collection and classification have enabled experts to evaluate how earthquakes affect transportation routes with great precision.

Disaster Risk Management on the UNASUR/COSIPLAN Agenda

UNASUR's High-Level Working Group on Comprehensive Disaster Risk Management (GTAN/GIRD) is a permanent space for coordinating the different Sector Council initiatives relating to this matter. The states present set the goal of working towards adopting common mechanisms and protocols that would enable efficient management of humanitarian aid in the event of a disaster and common risk reduction policies, strategies, and tools.

As part of this initiative, COSIPLAN will make its experience in risk management and infrastructure planning and its Geographic Information System available to the group in order to help establish a strategy to leverage disaster-related cooperation.

The main outcomes of the second day of the meeting are directly linked to UNASUR's goal of building a coordinated common agenda:

- Promoting comprehensive disaster risk management in national and COSIPLAN planning processes as a defining feature of these. Among other things, this would allow the group to avoid building or redeveloping infrastructure or connectivity systems that are vulnerable to natural disasters.
- Systematically recording any action taken (i) during the planning process to incorporate comprehensive risk management; (ii) during the disaster itself to make infrastructure functional as quickly as possible; and (iii) during the reconstruction and redevelopment of affected infrastructure. The aim of these steps is to guarantee that such experience is transferable and

to encourage the institutionalization and standardization of these mechanisms at the national and regional levels.

- Promoting mechanisms to include citizens in comprehensive disaster risk management within UNASUR.
- Given that climate change is exacerbating natural disasters in the region, analyzing whether this issue should be included in the COSIPLAN agenda as part of its approach to disaster risk management or in other areas.

[1] See INTAL Connection no. 235, March 2016 ([link to the article](#))

Made in CHI-LAT

- [Inspiring Activities](#)
- [n238](#)

What lessons can we learn from China? How is China's growth and its "new normal" impacting Latin America? What are the main trends to come over the next few decades and how can we prepare for them?

On June 8, 2016, a seminar was held at INTAL-Lab that was organized by the Institute for the Integration of Latin America and the Caribbean (INTAL) ([link in Spanish](#)), part of the Integration and Trade Sector (INT) at the Inter-American Development Bank (IDB), together with the Center for Asian Legal and Political Studies at Austral University. The event included the presentation of the latest issue of the **Integration & Trade Journal**, "**Made in CHI-LAT**", which focused on identifying keys to renewing the convergence between Latin America and China.



The event was presented by INTAL director **Gustavo Beliz**, who stressed the need to seek a regional relationship with China that maintains current bilateral relations but also moves beyond these. Mr. Beliz argued that diversifying the regional export basket to China is essential to paving the way to greater social inclusion.

The next speaker was **Wang Liang**, commercial attaché at the Chinese Embassy in Argentina, who described recent bilateral relations and underlined that the convergence of bilateral interests has grown in recent years. He argued that China will continue to support development in Latin America and bilateral cooperation, while fostering more balanced trade. To achieve this, the two parties must continue to work together and seek new ideas that allow them to move forward.

The first panel—which was moderated by **Félix Peña**, director of the International Trade Institute at the ICBC Foundation—analyzed what Latin America and the Caribbean can do to add value to its exports. This process is connected to knowledge and technology transfers (specifically in relation to "smart foods"). **Eduardo Bianchi**, co-holder of the WTO–FLACSO Argentina Chair, and **Martín**

Piñeiro, director of the Committee on Agriculture at the Argentine Council for International Relations, presented their study “[The Future of Food](#) ”

Mr. Bianchi described the dynamics of Latin American exports to China and discussed both current and future demand from the latter and how it relates to its agricultural policy. He mentioned that food exports from the MERCOSUR to China have been extremely dynamic, which led to significant growth in China’s importance as a destination market for external sales of these products. All the same, these exports are highly concentrated. He also underlined that self-sufficiency in basic foods is a goal for the Chinese government even though only 13% of China’s total surface area is arable land. Similarly, China’s imports are concentrated in a handful of products (soybeans account for almost 40%). However, he underlined that increases in income and urbanization have led to changes in the Chinese diet, with increased consumption of processed foods such as noodles, crackers, confectionery, and convenience foods. This could start a trend toward demand for a more diversified range of foods. Indeed, Mr. Bianchi pointed out that in the future, consumption will center on animal proteins such as meat and dairy products.



Mr. Piñeiro put forward a set of ideas for making the most of the opportunities for commercial, productive, and technological integration with China. He highlighted three main areas for action: increasing the market share of products that are prominent in today’s export basket (basically commodities), starting to export—or increasing exports of—primary products or products with low value added that

are not yet being exported in significant quantities, and increasing exports of products with high value added so as to move beyond mere trade and begin productive integration.

Mr. Piñeiro argued that for the MERCOSUR to increase its share in the Chinese market, it needs to increase its production capacity, competitiveness, and the aggressiveness of its commercial activity. With regard to boosting exports with low value added that are not yet part of the export basket, he highlighted the importance of negotiating reciprocal sanitary agreements. Finally, in relation to external sales of products with high value added, he claimed that the region needs to reach agreements that contemplate trade and productive integration with China while moving toward an agreement that includes both trade-related issues and investment.

The subject of the second panel—which was moderated by **Carlos Moneta**, director of the Postgraduate Course in Economics and Business with the Asia Pacific and India at the National University of Tres de Febrero—were strategic aspects of the relationship between the MERCOSUR and China. **Eduardo Oviedo**, an independent researcher at Argentina’s National Scientific and Technical Research Council (CONICET) and full professor at the National University of Rosario, described how dialog and bilateral trade between the MERCOSUR and China has evolved since 1997. He discussed the stagnation in bilateral relations and the lack of a single course of action vis-à-vis China on the part of the MERCOSUR due to the fact that Paraguay recognizes the Republic of China, including Taiwan, as being the legitimate Chinese government, rather than considering Taiwan a province of the People’s Republic of China, as the other MERCOSUR countries do. He mentioned some of the opportunities and challenges facing the bloc and briefly described the New Silk Road and security circles in China.

Carlos Escudé, lead researcher at CONICET and director of the Center for Studies on Religion, the State, and Society (CERES), discussed the debate in the United States around the growing relationship between Latin America and China. Mr. Escudé provided evidence that the issue is being treated fluidly as part of the bilateral relations between the two countries, and that it does not constitute a significant source of friction. In this context, he concluded that the three parties need to work toward a form of cooperation that is beneficial to all.



Luciano Bolinaga, director of the Research Group on Asia and the Pacific (GEAP) at the Interamerican Open University, Rosario, focused on presenting China’s role in the MERCOSUR trading scheme. He asked two questions. First, is China contributing to the structural transformation of production in the MERCOSUR? And second, what are the implications of the trading scheme that China

has been developing for the MERCOSUR? In terms of bilateral negotiations, Dr. Bolinaga indicated that the power asymmetry in China’s favor is growing. A regional approach would be one way of mitigating this imbalance, despite the difficulties it may entail.

The specialists who took part in the third and final panel, which was moderated by Dr. Bolinaga, introduced the legal challenges involved in closing the gap between what were described as the “two

different worlds” that Latin America and China represent. **Marcos Jaramillo Contreras**, professor at the Law School of the Catholic University of Chile and director of the Center for Asian Studies (CEAUC), stressed how important it is for Latin American countries to get to know Chinese law, how it works, and how it has evolved. He said that various academics argue that China wishes to create a form of law that moves beyond Western law, as it believes that the time when the West can set global economic standards is coming to an end. As a result, he posited that Latin America and the Caribbean needs to acquire specialist knowledge and training in this field. He underlined the importance of the fact that the sources of law in China and the West are very different, and put forward the idea that a philosophical understanding of natural law could be a shared point of origin.

Juan Ignacio Stampalija, from Austral University, presented the investment protection treaties that Latin American countries have signed with China and the different stages that China’s bilateral treaties are at. He also stressed that China’s economic growth and role first as a recipient and then as a source of foreign direct investment (FDI) went hand-in-hand with the profound transformation of its legal system. In relation to the application of these treaties, he maintained that they are very broad, include a non-exhaustive list of protected investments, explicitly mention the granting of rights to natural resources, and, with the exception of some more modern agreements, exclude the issuing of government bonds.



Mr. Stampalija said that although China has numerous bilateral investment treaties (BITs) in Latin America, two of its largest investment destination markets, Brazil and Venezuela, are not covered by these. In turn, countries such as Argentina, Ecuador, and Uruguay do have BITs with China but these are out of date and need to be reviewed without delay. Finally, he stressed that the most modern BITs—such as

those China has signed with Chile, Colombia, and Mexico—are in line with some of the latest practices in the field, which makes them more balanced and precise than those with other countries.

During his closing words, **Pablo Ferrara**, former professor at Xiamen University, spoke of the Law of the Sea and the need for an understanding of this for the resolution of maritime disputes. He finished by describing the development of maritime areas is both China and Argentina.

The experts at the event agreed that there are enormous opportunities for cooperation between the two regions, particularly if they manage to overcome the cultural and institutional obstacles to deepening bilateral ties, transfer technology, and move toward a form of trade that goes beyond the mere exchange of agricultural products for manufactures by diversifying the export basket. They also concurred on the importance of [Made in CHI-LAT's](#) contribution to the analysis of relations between Latin America and China.

Integration in Motion

The Internet of Things and Corporate Management

- [Integration in Motion](#)
- [n238](#)
- [The SME Space](#)

SMEs Can Become More Efficient When Objects Are Interconnected

“The Internet of Things is going to have a huge impact on small and medium-sized enterprises (SMEs) because it can be applied to many areas, including production processes, communication, logistics, and security. What’s more, the cost of implementing it is relatively low,” said Daniel Sanhueza, brand consultant at Fixer, a Chilean marketing and digital communications firm.

In 2015 there were around 10 billion devices connected to the internet, and that number will have reached 34 billion by 2020, 24 billion of which are estimated will form part of IoT.

It is vital for SMEs to take advantage of the ways this technology can make their businesses more efficient, especially in terms of production processes. It’s also a way of setting themselves apart from the competition.

The range of products and services that IoT will include is still hard for us to imagine. These range from a sensor that manages crop irrigation depending on soil humidity to a smart backpack that can charge different devices and contains disks for storing multimedia material. Multifunctional robots and homes you can run from a smartphone are other examples.

Just about any object can be part of IoT as long it can include a miniature processor and a wireless internet connection. IoT can be used in two main ways: on the one hand, to provide practical solutions for companies to optimize certain processes, and on the other, as part of the objects people use in their daily lives.

A recent article in *The Pulse of IT* reviews the different areas in which SMEs can benefit from IoT. These include:

- **Retail trade:** IoT can help protect retailers from theft and can help with marketing, communications, and transactions, among other things. For example, it can be used to send personalized special offers to users’ phones or to anticipate products they might need to

replace or restock via sensors that let them know when they are running out of food or other supplies. Users can pay for things with their cell phones, and sensors help improve store security.

- **Industry:** Data connectivity in factories can help managers to supervise team performances in real time, assess the availability of inputs, control energy consumption, and improve the efficiency of supply and demand chains. This will enable manufacturers to compile data so as to adopt—or modify—production strategies increasingly quickly.
- **Health:** Some health providers such as dental clinics are taking advantage of IoT to cut costs, facilitate the work of their medical staff, and improve the quality of patient care. IoT helps firms make better decisions about resource allocation and improve patient experiences through data management. There is already software and an app that provide real-time information on drug delivery and measure sleep and physical activity.

The advance of IoT is bringing cultural and technological challenges for SMEs. Experts speak of a “third industrial revolution,” or at the very least a transition to a “new age of integration.” As with all changes, the key is thinking one step ahead so as to reap the benefits.

A report from the consulting firm [Gartner](#) argues that it will be start-ups that drive the acceptance, use, and growth of IoT by creating multiple niche applications and being at the forefront in identifying numerous innovative solutions.

Sanhueza suggests using these tools to benefit clients and the company but warns against confusing tools with strategies. “You need to identify the problem, then seek ways to solve it and see if IoT will be useful,” he added.

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- Gestión: “Internet de las cosas generará inversiones por US\$ 6.000 millones en todo el mundo [IoT will generate investments worth US\$6 billion worldwide]” (link in Spanish). Peru, 2016
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The First Global Treaty Against Illegal Fishing Comes Into Force

- [Integration in Motion](#)
- [International Scenario](#)
- [n238](#)

The document developed by the Food and Agriculture Organization ([FAO](#)) reached its activation threshold in June 2015 following the official adherence of 25 countries, which triggered a 30-day countdown to its entry into force.

The Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported, and Unregulated Fishing (PSMA) was adopted as an FAO agreement in 2009 and is the first ever binding international treaty to focus specifically on illegal fishing.

The states that are currently party to the [agreement](#) are: Australia, Barbados, Chile, Costa Rica, Cuba, Dominica, the European Union (as a member organization), Gabon, Guinea, Guyana, Iceland, Mauritius, Mozambique, Myanmar, New Zealand, Norway, Oman, Palau, Republic of Korea, Saint Kitts and Nevis, Seychelles, Somalia, South Africa, Sri Lanka, Sudan, Thailand, Tonga, the United States of America, Uruguay, and Vanuatu.

The parties are obliged to implement a number of measures in order to detect illegal fishing, prevent the offloading and sale of unlawfully caught fish, and ensure that information on vessels that use unscrupulous practices is shared globally.

These measures include requiring foreign fishing vessels request permission to enter ports sufficiently in advance. Catches may only be unloaded at designated ports that are properly equipped to carry out effective inspections.

If these inspections find evidence that the boats have been involved in illegal, unreported, and unregulated (IUU) fishing, they will be denied access to any port facilities and will be reported as offenders.

The OECD Evaluates Peru's Environmental Performance

- [Integration in Motion](#)
- [International Scenario](#)
- [n238](#)

The Environmental Performance Review program run by the provides independent analysis of each country's progress toward meeting their commitments to national and international environmental policies and also makes the appropriate recommendations regarding these policies.

The [Environmental Performance Review of Peru](#) was presented at a meeting held in Peru at the end of May 2016. The report was written by the OECD and ECLAC and listed the steps that Peru has been taking to achieve the Aichi Biodiversity Targets by establishing a correlation between its National Biological Diversity Strategy to 2021 and the goals of the Convention on Biological Diversity.

The aim of the report is to evaluate the progress the country has made toward achieving its environmental goals, to enrich and ensure that the necessary policy dialog continues, and to promote better accountability and deepen the awareness of all players involved in Peru's economic and social development.

The 66 recommendations included in this study target some of the country's main environmental challenges.

Peru is the fifth country that that OECD has reviewed in Latin America, after Mexico, Chile, Colombia, and Brazil.

Uruguay Consolidates its Ties with China

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The [18th Meeting of the Joint Committee on Economic and Commercial Affairs between Uruguay and China](#) took place on May 31 and June 1 at the Ministry of Commerce of the People's Republic of China. China's deputy minister of commerce, Zhang Xiangchen, met with Uruguay's undersecretary of foreign relations, José Luis Cancela.

During the two days of meetings, the officials reviewed the areas of bilateral trade between the two countries and highlighted how this has increased in recent years, as has the diversification of the export basket of Uruguayan goods to China. They agreed that economic relations between their two countries are currently very positive, which could lead to a comprehensive strategic partnership in the future, entailing shared policies and projects relating to investment, infrastructure, and energy.

Likewise, China also commented on the possibility of opening a branch of the China Council for the Promotion of International Trade (CCPIT) in Uruguay. They agreed that the next (19th) committee meeting would be held in Montevideo.

As part of his visit to China, Mr. Cancela also took part in the 7th International Infrastructure Investment and Construction Forum in Macao, where he officially presented the portfolio of investment projects in Uruguay to an auditorium of potential Chinese investors, including businesses, chambers of commerce, and other organizations.

Regional Strategic Plan Identifies Six Chains with Export Potential

- [Andean Group](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

Peru's minister of foreign trade and tourism, Magali Silva, presented the [Regional Strategic Export Plan \(PERX\) for La Libertad department \(link in Spanish\)](#) to an audience of government authorities and negotiators in the city of Trujillo. The plan was developed as part of the National Strategic Export Plan (PENX) 2025.

The minister explained that six production chains with export potential for the Andean Community had been identified—agroindustry, Andean products, apparel, leather and footwear, metal-mechanics, and services—and that PERX was developed with a focus on these. The process for [drafting the plan \(link in Spanish\)](#) drew on knowledge and advice from business people, representatives from organizations and business associations, and academics from leading universities in the region, as well as the Regional Executive Committee on Exports (CERX), the regional government of La Libertad, and the Ministry of Foreign Trade and Tourism (MINCETUR), which provided technical support.

PERX will help the region take advantage of its enormous export potential, as it has the second-largest amount of arable land in the county and managed to fully implement the previous strategic plan, which ran from 2003 to 2013, leading to a 127% increase in exports. Likewise, Peruvian government officials argue that it will help the region address the gaps that have been identified in its export competitiveness.

[PENX 2025](#), which is the umbrella plan for PERX, is a guide for the export sector and is made up of four main areas: internationalizing firms and diversifying markets; developing a diversified, competitive, and sustainable export supply; facilitating trade and the international logistics chain; and generating capacities for internationalization and consolidating an export culture.

Caribbean Seeks to Deepen Ties with Regional Trade Partners

- [Caribbean](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

On June 15 and 16, 2016, the [regional meeting to evaluate economic and cooperation relations between Central America, the Caribbean, and Mexico](#) took place at the headquarters for the Secretariat of the Caribbean Community (CARICOM) in Georgetown, Guyana. The meeting analyzed the trade, investment, and cooperation agreements currently in force between the regions in question, and evaluated potential partnerships that could be created to drive economic integration processes, taking into consideration the two blocs that group the countries in question: the Central American Integration System (SICA) and CARICOM.

The Permanent Secretariat of the Latin American and Caribbean Economic System (SELA), which focuses on the agreements and partnerships that have potential in these regions, given their geographic proximity and growing market for goods and services, presented three documents to the experts and public policy officials who attended the event: "[An Analysis of Trade Flows between the CARICOM and Latin America. Policy Recommendations for its Promotion, Stabilization, and Diversification](#)", "[An Analysis of Trade Flows between SICA and the Rest of Latin America and the Caribbean. Policy Recommendations for its Promotion, Stabilization, and Diversification \(link in Spanish\)](#)", and "[Assessment of the Economic and Cooperation Relations between Central America, the Caribbean and Mexico \(link in Spanish\)](#)."

Finally, the parties committed to monitoring the matter and including it as a priority in their agendas.

Brazil and Paraguay Sign Air and Roadbuilding Agreements

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The governments of Brazil and Paraguay, represented by their ministers of foreign affairs, José Serra and Eladio Loizaga, signed two agreements relating to transportation and infrastructure.

On the one hand, over the Paraguay River to connect the cities of Porto Murtinho, Brazil, with Carmelo Peralta, Paraguay. A joint committee will be responsible for approving the projects and procedures needed to carry out the work in question and oversee construction and subsequent conservation and maintenance.

On the other hand, in relation to [air services](#), it was agreed that a concession would be granted to one company from each country to operate regular international services along specific routes and to determine the frequency and capacity of these.

The ministers also [discussed \(link in Spanish\)](#) investment promotion and trade ties with an emphasis on integrating production chains. They agreed to make progress on the prevention and combating of transnational crime, and to move forward with cooperation between legal entities and security forces.

Paraguay and France Discuss MERCOSUR–EU Agreement

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The president of Paraguay, Horacio Cartes, [met \(link in Spanish\)](#) with his French counterpart, François Hollande, to analyze bilateral relations and review the state of regional economic and political affairs.

Paraguay's minister of foreign affairs, Eladio Loizaga, described the meeting as “a success,” as President Cartes was able to describe to Mr. Hollande “the opportunities that our country can offer for a major business partnership” by promoting agreements and connections that target economic development and increased job creation, among other things. In this regard, Cartes also proposed that a wider committee be created to foster greater links between the public and private sectors in the two countries.

The two heads of state also spoke about the state of negotiations between the [European Union and the MERCOSUR \(link in Spanish\)](#). Cartes stressed his achievements during Paraguay's pro-tempore presidency of the MERCOSUR, during which [there was an exchange of offers between the two blocs](#). Hollande expressed his own desire to reach a balanced agreement that would benefit both parties.

The meeting between the two presidents was part of [OECD Week 2016](#), which included the OECD Forum, held between May 31 and June 1 in Paris, and the Ministerial Council Meeting, which took place on June 2. The focus was on increasing productivity to promote the inclusive and sustainable growth of the member economies.

Argentina Joins the Pacific Alliance as an Observer Country

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The [35th Meeting of the Pacific Alliance High-Level Group](#) took place in Mexico City on June 7, 2015. The [15th Meeting of the Council of Ministers](#) was held on the following day. The aim of the two meetings was to report on progress made on the provisions and agreements included in the 2015 [Paracas Declaration \(link in Spanish\)](#) and prepare for the 11th Pacific Alliance Summit, which was held between June 28 and July 1, 2015, in Puerto Varas (Chile).

At the meeting, Chile's minister of foreign affairs, Hernando Muñoz, announced that Argentina's application to join the bloc as an [observer country](#) had been approved.

Similar requests from the Czech Republic, Norway, Slovakia, Egypt, Ukraine, and Romania were also passed.

The [Pacific Alliance](#) was formed in April 2011 as a regional integration initiative between Chile, Colombia, Mexico, and Peru. Its aim is to create an integration area that will drive greater growth, development, and competitiveness for the economies that make it up, on the basis of the increasingly free movement of goods, services, capital, and persons. It is also seeking to become a platform for economic and commercial integration with the Asia Pacific region.

Official Opening of the Panama Canal Expansion

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

On June 26, 2016, President Juan Carlos Varela presided over the opening of the [Panama Canal Expansion](#), which now includes a third lane of traffic. This has doubled the canal's capacity, enabling ships that transport up to 14,000 containers to use it, whereas the maximum cargo was formerly 5,000. The new locks are 427 meters long, 55 meters wide, and 18.3 meters deep. The first ship to travel the newly expanded canal was COSCO Shipping Panama, which is almost 300 meters long and 48 meters wide.

Delegations from more than 70 countries took part in the opening ceremony and congratulated Panama on its handling of such a large infrastructure project, which will bring huge benefits for the global sea trade, given that between 35 and 40 ships use the canal each day. "The Panama Canal Expansion promises to make the ties of friendship that unite the world even closer. It symbolizes today's global community," Mr. Varela [said](#). "For we Panamanians, the canal is much more than a great work of engineering and technology: it is where East meets West and North meets South."

The president of the Inter-American Development Bank (IDB), Luis Alberto Moreno, described the work as the "largest infrastructure project in Latin America" and [stated \(link in Spanish\)](#) that "the canal expansion is a winning formula for the region as a whole. The increased volumes of trade that will result from the expansion will have a domino effect, especially in the Caribbean and the United States."

More than US\$5.2 billion was invested in the project, and it is expected that 6% of global sea trade will pass through the canal. Following the expansion, the canal is now fit to receive 98% of the world's cargo ships, and Panama expects to triple the income it receives from the canal each year, which currently stands at US\$1 billion.

Argentina and Brazil Extend Their Automotive Agreement

- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)
- [Southern Cone](#)

Argentina and Brazil have decided to extend their [bilateral agreement in automotive trade](#). The agreement, which expired at the end of June, regulates trade in this sector using the “flex” criterion, which establishes that trade flows will be tariff-free provided they remain within a certain range, with Brazil able to export up to USD150 worth of motor vehicles for every USD100 that Argentina exports. The negotiations are part of the [work scheme that had been agreed upon in February 2015 \(link in Spanish\)](#) when Brazil’s minister of development, industry, and foreign trade, Armando Monteiro, visited Argentina’s minister of production, Francisco Cabrera. At that point, the two ministers defined their priorities as being “productive integration, job creation, adding technological value, and access to new markets.”

The sector is currently going through a sales slump following the macroeconomic fluctuations in both economies.

Brazil’s output of cars and trucks could fall by 5.5% this year, according to a manufacturers’ association, while in Argentina car production was down 9.6% in May 2016 compared with the same month in 2015, according to the Argentine Automobile Manufacturers’ Association (ADEFA). Given this outlook, Mr. Cabrera confirmed that the agreement would “continue on the same terms, which is very positive for Argentina.”

Consolidation of the Customs Union between Guatemala and Honduras

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

On June 6, 2016, ministers and authorities from Guatemala and Honduras signed the documents that formally established the ministerial body that would be responsible for managing, implementing, and perfecting the customs union between the two countries.

This institution will define and adopt the general policies, directives, and legal instruments that will form the basis for the customs union. The ministerial body will be made up of Guatemala's minister of the economy, Rubén Morales Monroy, and Honduras's secretary of state for economic development, Arnaldo Castillo.

At the meeting, the operating regulations for the ministerial body and the regulations for the structure and investment fund were passed.

The customs union is governed by the Enabling Protocol for the Process of Deep Integration Toward the Free Movement of Legal Persons and Goods between the Republics of Guatemala and Honduras, which came fully into force on May 13, 2016.

Guatemala and Honduras have been working toward the implementation of a binational customs union since December 3, 2014, following a presidential mandate to do so and with technical and administrative support from [SIECA \(link in Spanish\)](#). The Enabling Protocol was passed by the congresses of Guatemala and Honduras on January 21, 2016, and December 8, 2015, respectively.

This union between Guatemala and Honduras has consolidated a customs area that includes 53% of the region's population (24.12 million) and 35% of its GDP (US\$72.78 billion). Furthermore, half of the region's sea freight goes through these two countries.

The IDB and SIECA Make Headway on Trade Facilitation

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

The Inter-American Development Bank (IDB) and the Secretariat for Central American Economic Integration (SIECA) [have signed a nonrefundable technical cooperation agreement \(link in Spanish\)](#) for US\$435,000 to foster the implementation of five short-term measures that were included in the Central American Trade Facilitation and Competitiveness Strategy with an Emphasis on Coordinated Border Management (ECFCC). [Soledad, cambié la ubicación del hipervínculo ya que lleva a una nota sobre la firma del convenio, no solo al sitio de la SIECA]

The Council of Ministers passed a schedule that set out an 18-month time frame for the implementation of the following five measures:

- Early declaration of goods
- Streamlining and coordination of immigration checks
- Electronic plant and animal health certificates
- Checks via radio frequency identification (RFID) devices
- Use of camera systems at border crossings

The ECFCC is the result of work carried out by the countries of Central America with technical support from SIECA and the United States Agency for International Development (USAID). The latter seeks to promote coordination between public- and private-sector agencies to improve the collection of duties, controls, and security and to facilitate the movement of goods and persons.

As was described in , the IDB has been providing different types of support for programs such as the and investments in the energy matrix and customs, among other key issues for integration in the region.

ALADI and SIECA Sign Cooperation Agreement

- [America](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

On May 19, 2016, the ALADI Committee of Representatives received the Secretary General of the Secretariat for Central American Economic Integration (SIECA), Carmen Gisela Vergara Mas, as part of the between ALADI and SIECA.

The cooperation agreement was signed by the two secretaries general and its main objective is reciprocal cooperation between the two institutions through the implementation of specific projects in areas of shared interest, fundamentally through statistics on trade and trade promotion, and to provide support for activities that benefit Latin American economic integration processes.

This cooperation agreement responds to the need to develop closer ties between the two organizations and bring them together. At the end of the meeting, authorities from both organizations and the Organization of American States (OAS) held a working meeting.

Mexico and Singapore Sign Investment Agreements

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n238](#)
- [Regional Panorama](#)

Mexico's minister of the economy, Gerardo Ruiz Mateos, and Singapore's minister of industry and commerce, Lim Hng Kiang, signed the agreement at the meeting of the Asia-Pacific Economic Cooperation mechanism (APEC), which was held in Singapore on June 12, 2016.

The agreement provides the business community in Mexico and Singapore with a legal framework that increases the security and certainty of investments.

Under an agreement on the reciprocal promotion and protection of investments (ARPPPI), signatory countries grant nondiscriminatory treatment to investors; provide compensation in the event of expropriation or nationalization; allow the free movement of capital and return on investment; and guarantee access to international arbitration to settle disputes.

Likewise, the two countries signed mechanisms to develop triangular cooperation projects that support Latin American development, particularly in relation to water resource management and urban planning.

A [joint press release \(link in Spanish\)](#) stated that the two nations would explore trade and investment opportunities in sectors such as energy, agroindustry, port and airport infrastructure, tourism, real estate, deep-sea mining, services, engineering and construction, and the aerospace industry.

Mexico and Singapore also expressed their interest in the fact that the TPP is seeking to strengthen and expand mutually beneficial ties between their economies and underlined how valuable the mechanism will be for promoting free trade and regional integration.

Bilateral trade between Mexico and Singapore exceeds US\$2 billion per year, which makes Singapore the fifth-largest importer of Mexican products in Asia, and Mexico the third-largest importer of Singaporean products in Latin America.

Connecting Voices

**Videos about the events: “Made in CHI-LAT” and
“FUTURO GLOCAL”**

- [Connecting Voices](#)
- [n238](#)

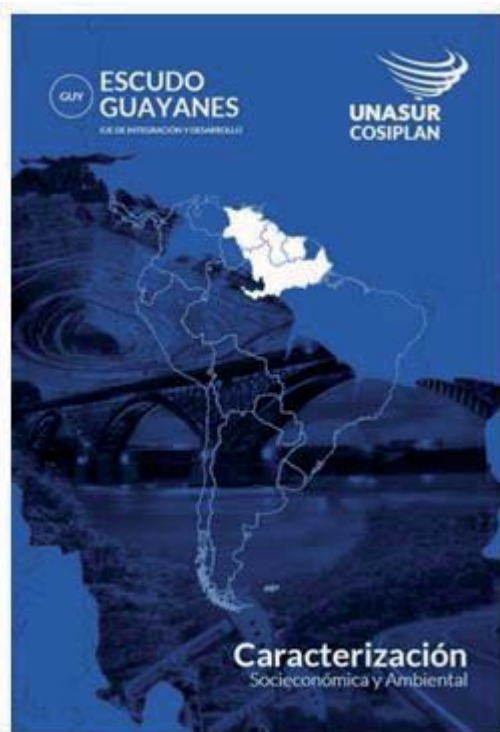
Short Video on INTAL Connection #238

- [Connecting Voices](#)
- [n238](#)

Reading Material on Integration

Socioeconomic and Environmental Characterization of the Guianese Shield Hub

- [n238](#)
- [Notable Publications](#)
- [Reading Material on Integration](#)



This hub includes areas of land in four South American countries: Brazil, Guyana, Suriname, and Venezuela. Its area of influence spans 1,603,643 sq km, which represents 9% of the surface area of South America. It is inhabited by 17,101,205 people, 4.2% of the continent's population.

This [report](#) was drafted by the UNASUR's South American Infrastructure and Planning Council (COSIPLAN). The document includes eight factors for analysis: area of influence, demographics, infrastructure, economy, social aspects, environmental aspects, indigenous communities, and physical or natural hazards, thus providing a comprehensive overview of the characteristics of the hub and the challenges and the opportunities for integration that lie ahead.

The infrastructure chapter gives an overview of the road, rail, port, airport, and waterway infrastructure, and that of related areas such as energy generation, through numbers and maps.

Cultural Industries and Regional Integration

- [Impact Assessment](#)
- [n238](#)
- [Reading Material on Integration](#)

The publication “[The Cultural Industries as Tools for Latin American Integration \(link in Spanish\)](#)” is a collection of the presentations from the symposium by the same name that took place at the Conference on Cinema, Culture, and Latin American Integration between May 15 and 23, 2015.

The publication seeks to identify the importance and potential impact that the creative industries could have on regional integration, in line with the [INTALENT](#) competition that INTAL has launched with the MIT Technology Review.

The text has two main objectives: identifying the right path to help build stronger Latin American cultural industries, and finding a way to articulate with Latin America’s integration organizations.

It argues that we need to distinguish between two aspects of the cultural sphere. The first—and most important—of these has to do with belonging, the construction of meaning, and Latin American identity. The introduction to the publication argues that culture is fundamental to the construction of a sense of identity, so much so that until around 1960–1970, Latin American integration was essentially a political/cultural undertaking: the continent was then still very varied and asymmetrical, and it seemed that culture was the only front where progress towards integration could be made.

The cultural industries are increasingly influential within the global economy. Indeed, in the United States, they rank third or fourth in terms of revenue. They play an extremely important role in the productive matrix of certain countries.

“Paradoxically, the growth of the cultural industries has meant that the importance of other key industries, such as publishing, has faded. Publishing has become transnational and is highly concentrated. This transnationalization process has affected business, meanings, and circulation, and compensating for it through national strategies is proving very complex,” the report argues.

The cultural industries are closely tied to globalization, which means that they have been impacted significantly by the entertainment industry, the internet, satellite communication, digital communication, and the technological revolution.

In relation to the second issue the text examines, the difficulty of articulating regional cultural initiatives, certain interesting experiences are worth highlighting. IBERMEDIA is an initiative between Spain and Portugal which includes the Spanish-speaking population in the United States and Latin American audiences, which together constitute 700 million people, an extraordinarily large market.

Finally, the collection underlines the fact that regional integration organizations can contribute to this development strategy for the cultural industries by adding value to them and assessing the viability and short-term impact of generating conferences or roundtables for Latin America's cultural industries.

"Complementarity is essential in these industries, as are partnerships, coproductions, reciprocal knowledge, and exchanges," the text claims.

The Future of the Pacific Alliance

- [n238](#)
- [Reading Material on Integration](#)
- [Reviews](#)

A new publication aims to better understand the scope and limitations of the Pacific Alliance (PA). Produced in partnership with the Xavierian University and Santiago University, Cali, *The Pacific Alliance: an Outlook on Regional Projects and Global Transformations* ([link in Spanish](#)) analyzes the potential outlook for the regional bloc that includes Chile, Colombia, Mexico, and Peru.

First, the author describes the PA, its scope, the challenges it poses for the countries that are part of it, the need for complementarity with other cooperation schemes, and the potential for integration with global powers.

After briefly reviewing the key points of the PA, its objectives and institutional structure, the study compares the interests, challenges, and needs of each of the four countries.

The document also includes a section that focuses on the PA's place in the Latin American regional context, emphasizing points of convergence and those that set it apart, and paying particular attention to its relationship with Brazil.

It also addresses the relationship between the PA and other regional projects and global transformations. The author makes particular reference to the concept of integration that the PA has been implementing over the years, arguing that "what seemed to be a vision for the future is actually limited to cooperation between governments and businesses. Despite this, the leaders of the PA claim that the secret to their success lies precisely in the minimalist scope of their agreement which, being free of values, allows them to move forward more pragmatically."

At the end of each individual chapter and the study as a whole, the author outlines his main conclusions, the lessons to be learned, and the warning signs that governments, businesspeople, and other players need to bear in mind as a result of the experience and evidence he has pointed to.

[Pastrana Buelvas, Eduardo. La Alianza del Pacifico: de cara a los proyectos regionales y las transformaciones globales \[The Pacific Alliance: an outlook on regional projects and global transformations\] \(link in Spanish\). KAS, 2015.](#)

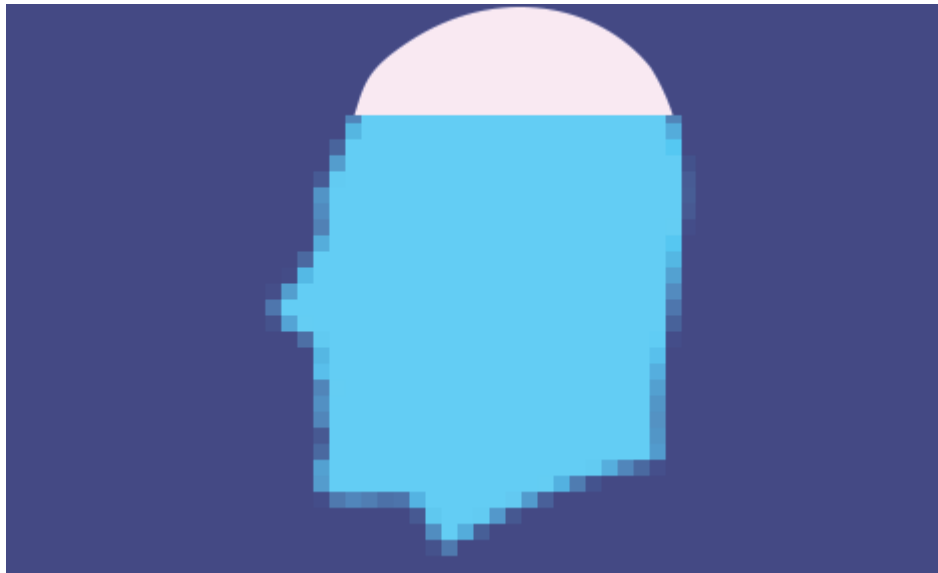
Trade Thermometer

Replaced by Robots?

- [n238](#)
- [Trade Thermometer](#)

INTAL Interactive contains 50 interactive infographics and fact sheets on different aspects of integration. We include some of these in each issue of INTAL Connection. You can also visualize them and download the databases at

Replaced by Robots?



Do It Yourself

Digital manufacturing is bridging the divide between goods and services.

Reloj
Pared, Habitación
Automóvil
Aparatos
Ropa
Helado
Sillas
Anillos
Órganos
Muñcos



Cerámica
Alimentos
Vidrio
Tejido humano
Metal
Plástico
Polímeros
Arena y pegame

Print

Legal Instruments of Integration (IJI) Observatory

- [n238](#)
- [Trade Thermometer](#)

This month's trends

Between the end of May and June 29, 2016, the regional trade policy agenda was marked by considerable activity within the Pacific Alliance, whose 11th Summit took place from June 29 to July 1 in Chile's Lake District, giving rise to expectations on the part of member countries and potential observer countries. Likewise, in comparison with the previous month, there was moderate activity in relation to regional agreements and integration schemes. The most noteworthy activity took place within the regional agreements of Mexico and Peru, and within major integration schemes such as the MERCOSUR, SICA, and SELA.

360° Panorama

Over the course of the month progress was made on 24 existing agreements, two new agreements, and five trade negotiations (five advanced, one recently begun, and three new).

New Negotiation

- Pacific Alliance–South Korea: [South Korea looks set to be a member of the Pacific Alliance \(link in Spanish\)](#)

Advanced Negotiations

- Colombia–South Korea: [FTA to enter into force in July \(link in Spanish\)](#)
- Ecuador–European Union: [Ecuador seeks to fast track trade agreements with the European Union \(link in Spanish\)](#)
- MERCOSUR–EU: [MERCOSUR–EU agreement: a cautious first step \(link in Spanish\)](#)
- Chile–Uruguay: [Chile and Uruguay move forward with negotiations towards a trade agreement \(link in Spanish\)](#)

New Agreements

- Pacific Alliance—Canada: [Pacific Alliance signs strategic trade agreement with Canada \(link in Spanish\)](#)
- Panama—Trinidad and Tobago: [Panama ratifies trade agreement with Trinidad and Tobago \(link in Spanish\)](#)

Selected news on trade agreements currently in force

- [Bolivarian Alliance for the Peoples of Our America—People’s Trade Agreement \(ALBA–TCP\) V Extraordinary Meeting of the ALBA–TCP Political Council \(statement\)](#)
- [Pacific Alliance:9th PA Summit: Pacific Alliance ministers open meeting with observer states in Puerto Varas \(link in Spanish\)](#), [4th Pacific Alliance Macro Business Roundtable: US\\$200 million in deals expected \(link in Spanish\)](#), [A good year for the Pacific Alliance \(link in Spanish\)](#), [The Pacific Alliance accepts Argentina as an observer country \(link in Spanish\)](#)
- [Argentina–Brazil Partial Scope ECA 14: Extension of automotive agreement between Brazil and Argentina targets bilateral free trade in 2020 \(link in Spanish\)](#)
- [Argentina–Mexico Partial Scope ECA 6: Mexico and Argentina make headway on agreements before Peña Nieto’s visit to Buenos Aires \(link in Spanish\)](#), [Argentina and Mexico have not yet settled their disputes at the WTO](#)
- [Association of Caribbean States \(ACS\): 7th Summit of Caribbean States \(Havana Declaration\) Plan of Action](#)
- [Latin American Integration Association \(ALADI\): ALADI and SIECA sign Cooperation Agreement \(link in Spanish\)](#)
- [Central America–Mexico: Guatemala increases investment in Mexico \(link in Spanish\)](#)
- [Central America—European Union: Central America and the European Union at the 3rd Meeting of Advisory Groups on the Association Agreement \(link in Spanish\)](#)
- [Chile–Peru: Chile and Peru sign major economic agreements \(link in Spanish\)](#)
- [Chile–European Union: Economic impact of Chile’s agreement with the European Union \(link in Spanish\)](#)
- [Colombia, Peru–European Union: European Parliament supports inclusion of Croatia in EU trade agreement with Peru and Colombia \(link in Spanish\)](#)
- [Andean Community \(CAN\): Ecuador to defend its safeguard measure at the World Trade Organization \(link in Spanish\)](#), [Committed to continuing to foster integration, the Andean Community celebrates 47th anniversary \(link in Spanish\)](#)
- [Amazonian Cooperation: The ACTO is granted international observer status by the Green Climate Fund \(link in Spanish\)](#)
- [Southern Common Market \(MERCOSUR\): GMC/Mercosur analyzes progress to overcome obstacles \(link in Spanish\)](#), [Uruguay seeks to make headway with the MERCOSUR on an FTA with China \(link in Spanish\)](#), [Changes in Brazil’s trade policy and impacts on the MERCOSUR \(link in Spanish\)](#)

- MERCOSUR–SACU: MERCOSUR agrees on tariff cuts with southern African countries ([link in Spanish](#))
- Mexico–European Free Trade Association (EFTA): Mexico seeks to increase investment flows with EFTA countries and China ([link in Spanish](#))
- Mexico–Japan: Mexico: fastest growing market for Japanese investment ([link in Spanish](#))
- Mexico–Peru: Mexico automotive market represents a US\$80 billion business opportunity for Peru ([link in Spanish](#))
- Mexico–European Union: Progress on Mexico–EU agreement ([link in Spanish](#)), Mexico–EU global agreement to be updated at “top speed” ([link in Spanish](#))
- Peru–United States of America: Peru and the USA sign antitrust cooperation agreement ([in Spanish](#))
- Peru–Japan: FTA Peru–Japan: downturn in trade for the first time in four years ([link in Spanish](#))
- Dominican Republic, Central America–United States of America (CAFTA–DR): CAFTA–DR: Central America and DR at a disadvantage in relation to trade with the USA ([link in Spanish](#)), DR victory at Arbitration Tribunal against the United States ([link in Spanish](#))
- Central American Integration System (SICA): Nicaragua reports trade barriers in Central America ([link in Spanish](#)), Guatemala and Honduras create ministerial body to implement customs union ([link in Spanish](#)), Countries address the need to cut trade costs and deepen integration as keys to invigorate the regional economy ([link in Spanish](#))
- Latin American Economic System (SELA): SELA and CARICOM assess economic and cooperation relations between Central America, the Caribbean and Mexico ([link in Spanish](#))

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R.P.I.: 5234654

ISSN: 1027-2550

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