

# INTAL CONNECTION

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## REGIONAL INTEGRATION 4.0



## Integration Ideas

### Regional Integration 4.0

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Increasingly rapid technological changes are bringing about a metamorphosis in global trade. How can we guide these changes to ensure they improve the lives of Latin Americans? **Increasingly complex and sophisticated global value chains are blurring the boundary between goods and services.** New forms of leadership and new ways of connecting are emerging, and information is being updated every second, placing great pressure on our ability to make good decisions. Infinite possibilities are opening up for production, but new threats are looming for education, the world of work, and social inclusion. How can we build a form of governance that coordinates these efforts and builds a shared regional agenda that will take us toward a form of integration that is enhanced by innovation?

The Institute for the Integration of Latin America and the Caribbean (**INTAL**), part of the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB), held its annual flagship event on October 5, 2016, at the Auditorio Buenos Aires: Regional Integration 4.0: The Next Technological Frontiers and New Global Convergences. The event was covered by *La Nación* newspaper.



The event was divided up into three panels, each of which was followed by brief presentations called INTAL Flashes, in which IDB experts introduced the community to the new instruments and tools that INTAL is offering. Some 790 people attended the conference and another 1,000 watched it live via streaming. All the presentations are available on the [INTAL website \(link in Spanish\)](#).

During the event, IDB/INTAL held three workshops with players from both the public and private sectors. These focused on public-private partnerships for the transformation of production patterns, behavioral science and its impact on public policies, and digital transformations in business. Another workshop on participatory research on technology and work was held the day before the conference, October 4, at the University of Buenos Aires's School of Economic Sciences.

### **The New Name for Integration: Integration Plus Innovation**

In his welcome message, IDB President **Luis Alberto** Moreno, stressed that the future of regional integration will imply a paradigm shift in how we approach international free trade agreements. This change is essential if Latin Americans are to live better, and should take into account both the conditions for global governance and scientific and technological advances. Mr. Moreno argued that innovation is what will allow the region to make the leap forward in productivity and export diversification that it needs.

**Antoni Esteve** **de** **ordal**, manager of the IDB's Integration and Trade Sector, who called upon the audience to reflect on the future of trade and regional integration in Latin America and the Caribbean while bearing in mind the effects of technological progress such as big data and the Internet of Things, which are shaping a new stage in the industrial revolution. He also underlined that new platforms for online buying and selling and e-commerce are breathing new life into the integration mechanisms between countries, together with the expansion of transnational global value chains, which are becoming increasingly complicated and sophisticated as companies constantly seek new markets, aiming to increase their productivity beyond national borders.

During his opening speech, INTAL director **Gustavo Beliz** invited those present to rethink integration by looking at the components that have traditionally been associated with it—infrastructure, innovation, communication, and governance—from the fresh perspective of new technologies, with the aim of contributing to social inclusion and improving Latin Americans' lives. He drew attention to the Latin American agricultural sector's leap in productivity over the last 20 years, which enabled it to increase its share in the global agroindustrial complex to 12% in 2016 through the use of drones, nanotechnology, and precision agriculture. However, Mr. Beliz also said that there has been stagnation in the productivity curve since 2006, which shows that there is still much work to be done. He also discussed other examples of new technologies such as artificial meat and cattle cloning and how these might impact the MERCOSUR's US\$9 billion in beef exports.

He also showed how new technologies are affecting other sectors, such as the automotive industry, with the manufacturing of self-driving cars and nonconventional fuels, which are ushering in the postpetroleum era. He also highlighted the importance of the development of physical infrastructure in Latin America and the resulting 400% increase in financing needs over the last 12 years. Mr. Beliz explained that for each day of delay in customs, exports of perishable goods can drop by up to 7%. In this regard, he pointed out that the region only invests 3.5% of its GDP in infrastructure, while developing countries spend almost double that share.

He also discussed the region's high levels of export concentration—just 43 products explain 75% of Latin American exports—and Latin Americans' positive perceptions of economic integration (77% of people are in favor), based on the survey results provided by INTAL/Latinobarómetro, a new regional public good. However, he underlined that this integration needs to be of a high quality, something that the region's citizens also perceive: 66% of them point to access to technology as the most positive aspect of integration.

### **New Skills, New Convergences**

The first panel was chaired by Mario Sánchez, senior social protection economist at the IDB. The first speaker was Facundo Manes, a physician and the chancellor of Favaloro University, who stressed the importance of promoting the development of human capital as a country's main form of wealth. Mr. Manes argued that human capital is only partly predefined by the gene pool and that the way this is expressed will depend on the interplay between biological factors and interaction with the environment. This is why human capital can be developed, strengthened, and built upon, but can also deteriorate or weaken, depending on how it is stimulated and the dynamics between people and their social contexts.

Mr. Manes looked at some figures for Argentina, including the fact that 32.2% of the country's population are living in poverty, a statistic which is made worse by the fact that most of these people are under the age of 14. With regard to education, he mentioned that a high percentage of elementary and secondary school students do not reach minimum learning levels. He also drew attention to some good news: the "demographic window of opportunity" that suggests that Argentina should strive to become a rich country by 2035, based on the fact that its population has more young, working-age people than elderly ones. Mr. Manes also stressed how important it is for public health policy interventions to take place on multiple levels: adequate nutrition, healthy surroundings, quality education, and social and emotional stimuli.

The next speaker was **Simon Ruda**, director of internal affairs, security, and international development at the British Behavioural Insights Team. He discussed the application of behavioral science to public policy making, that is, how the analysis of human behavior can help design better policies. This method combines psychology, ethnography, behavioral economics, and public policy making. He described four such experiences relating to the following policy objectives: i) increasing tax revenues; ii) reducing unemployment by helping people seek work more effectively; iii) ensuring that the police force represents the population it serves by incorporating officers from minority groups; and iv) helping the police to deal with telephone calls by reducing the number of inappropriate requests they receive.

Mr. Ruda presented some results of the application of behavioral science to public policy making, including a GBP330 million increase in revenue for the British Treasury in a single year and 5% less people needing social security benefits.

**Mariano Sigman**, director of the Fundamentals of Applied Neuroscience Program at Torcuato Di Tella University and the Integrative Neuroscience Laboratory at the University of Buenos Aires, analyzed the decisions that define us as individuals, the way we take collective decisions, and the way we reach consensus. He spoke of the importance of achieving “symphonic integration,” an idea that Mr. Beliz also alluded to, and which Mr. Sigman used to discuss to the notion that each of us has information which is complementary and synergistic with the information that others have. He also discussed two situations in 2016 that involved collective decisions with major consequences for both the countries involved and for international integration processes: the Brexit vote for the United Kingdom to leave the EU and the referendum in Colombia on the peace agreements with the FARC. He also argued that cooperation is essential for us to be able to leverage this information. After getting the audience to take part in various experiments, he finished by dwelling on the importance of discussing our common problems, even in very polarized societies, so as to reach consensus.

The first panel ended with a dialogue between Mario Sánchez and **Juan Carr**, creator of the NGO Red Solidaria, who discussed the conclusions and ideas presented by the other three speakers. Mr. Carr also focused on the use of technology for acts of solidarity and stressed how generous the citizens of Latin America are. However, he argued that it is time for some of the young people who are changing the world through their social initiatives to “step into the public sphere,” that is, to get involved in politics, because politics is the most sublime form of solidarity.”

The first INTAL Flash looked at the voice of Latin Americans and was presented by **Marta Lagos**, the director of Latinobarómetro, who introduced some of the results of the 2016 survey on how Latin Americans perceive democracy and integration. Her copresenter was **Marita Carballo**, president of Voices!, who announced the partnership between INTAL and the World Values Survey and presented the global cultural map.

## **Big Data, Big Integration**

The first presentation for the second panel came from **Colin Maclay**, director of the Digital Initiative at Harvard Business School and the Annenberg Innovation Lab at the University of Southern California, who discussed the progress of the Internet of Things (IoT). He argued that new technologies alone are not going to fix the world's problems but they will be part of the solution. He added that they entail as many opportunities as they do risks. He underlined the importance of focusing first on the problem that needs to be solved and on what we want to achieve before thinking about developing a new technology.

Mr. Maclay also stressed that the IoT captures and creates value, but the mechanisms that it uses to do so are not like those of the past. Instead, they are multifaceted markets, data platforms, and service providers. He said that these are changing the way business is done and that markets are currently in transition. He gave examples of this, including Netflix, which went from providing a physical service (DVD rental) to a digital one; Uber and Airbnb, which connect physical assets; and Waze and Big Belly, which generate data from what's happening on the streets. In a similar fashion, the IoT allows us to increase transparency, obtain real-time data, and control the integrity of data throughout the supply chain, including for end-users.

He finished by pointing to the importance of maintaining a positive outlook on the future, one that focuses first and foremost on thinking about what we want to achieve with new technologies, the need to create a digital data culture and establish clear policies around data access property rights, and on using technology in our favor.



**Facundo Alvaredo**, CONICET researcher and codirector of the World Wealth and Income Database, the world's largest income database, gave a presentation on how to build a megadatabase to measure and study income and wealth inequality. He pointed out that Latin America has yet to make a major investment in improving statistics and that the region's governments need to make rapid progress toward providing such data. Mr. Alvaredo also argued that inequality is currently a major issue at the global level, yet there is a surprising lack of public policy initiatives to this end. As an example, he presented the share of the richest 10% of the population in the income distribution of various countries. While in France this group currently represents around one-third of the country's total income and half of it in the United States, in South Africa the ratio is even more unequal as it is as high as two-thirds of the total. In Latin America, he said that some results are obtained from surveys but these do not capture part of countries' incomes, which makes it difficult to interpret and present this data.

The second panel finished with a conversation between **Andrés Freire**, minister of modernization, innovation, and technology for the City of Buenos Aires; **Marcos Galperín**, CEO and founder of MercadoLibre, the leading e-commerce platform in Latin America; and **Walter Sosa Escudero**, director of the undergraduate program in economics at the University of San Andrés; and was chaired by **Gloria Vidal Illingworth**, Ecuadorian ambassador to Argentina. Mr. Freire described some of the big data–related initiatives that are currently underway in the City of Buenos Aires, mainly in connection with tourism and developing tools for citizen engagement. Mr. Galperín went on to claim that big data is the basis on which artificial intelligence is built and that it democratizes access to an increasingly large volume of information. In connection to this, he said that MercadoLibre is working on algorithms for offering credit to SMEs that sell online. Mr. Sosa Escudero suggested that the challenge of big data is transforming huge quantities of unsystematized raw data into useful information that can improve people's lives.

During the second INTAL Flash, **Alejandro Ramos Martínez**, senior economist at INTAL, gave a preview of the IDB's forthcoming *2016 Trade and Integration Monitor*, which analyzes the current state of affairs of trade and integration in Latin America and the Caribbean. The report underlines how since mid-2014, global trade has been going through a contraction phase that led to the region's exports dropping 15% in 2015 and 8.5% in 2016. As a consequence, the region is facing the challenge of export diversification in terms of both products and markets, incorporating higher levels of innovation in its production processes.

## **New Technologies, New Jobs**

The first speaker on the final panel was **Charles Sabel**, professor of law and social sciences at Columbia University. He argued that the task of governments is to open up markets but, at the same time, they need to have serious policies to drive the sectors of the future, which will be linked to knowledge and new technologies. Doing so will enable Latin American nations to make the transition from being middle- to high-income countries.

He highlighted the importance of learning from past mistakes to prevent them from happening in the future and make the production process more robust, higher quality, and more efficient. He stressed the role of independent suppliers and drew attention to three characteristics that are shared by all the productive sectors: i) the shift from integrated production to global value chains; ii) global production instead of local production; and iii) short teaching and learning cycles.

He also pointed out that the main problems of development and learning have to do with solving difficulties in coordination, which requires collaboration between the public and private sectors and among private firms. This should be a necessary condition for entering competitive markets and learning what leads to success. He finished his presentation by arguing that ensuring a brilliant future for the region depends on learning to do things right and also with making that learning available to everyone.

The next presentation was from **Martin Rhisiart**, director of the Centre for Research in Futures and Innovation at the South Wales Business School and was based on studies that analyze the labor market in the United Kingdom. Among other factors, these studies predict that demographic changes in the United Kingdom will increase the working-age population by one-third over the next 15 years. In the same timeframe, the impact of new technologies will lead to 30% of jobs being automated. Mr. Rhisiart argued that these technologies have the potential to accentuate and accelerate the distance between those who are better placed to absorb new forms of growth and those who are not.

He discussed some of the conclusions that these studies had reached on the impact that technological disruptions have on labor activities, which they affect very rapidly by creating new jobs and making others obsolete. New technologies and knowledge of these accentuate comparative labor advantages. He commented on trends toward the automation of knowledge and pointed out the transcendental role that governments will need to play in the years ahead as many jobs start to disappear, creating a need for policies that guarantee smooth transitions within labor markets. For example, while the demand for librarians and travel agents has dropped by nearly 45%, the need for programmers and big data experts has multiplied.

The conversation that closed the third panel was chaired by **Gabriel Casaburi**, lead specialist at the IDB's Competitiveness, Technology, and Innovation Division. The three speakers who took part were **Peter Harris**, chairman of the Productivity Commission of Australia; **Fernando Isabella**, director of planning at the Planning and Budget Office of Uruguay; **Fernando Castro Trenti**, Mexican ambassador to Argentina; **José Antonio Viera-Gallo**, Chilean ambassador to Argentina; **Piero Ghezzi Solís**, former minister of production of Peru. These experts shared their opinions on the future of the labor market and the challenge of organization and production in Latin America. They also discussed their experiences of how these challenges are being tackled in their countries of origin.

The last INTAL Flash was presented by **Alejandra Radl** and **Ignacio Estévez**, trade and integration specialists at INTAL/IDB. They introduced the South American Infrastructure and Planning Council (COSIPLAN) Project Information System (SIP), a tool to support the planning and analysis of integration infrastructure in South America. This instrument is testing mechanisms to overcome one of the failings of public investment in the region as it aims to make Latin America's physical integration initiatives more transparent. The tool shows how 90 integration works will be completed in the next five years and added to the list of 128 that are already complete, representing over US\$28 billion.

The closing panel was chaired by **Félix Peña**, director of the International Trade Institute at the ICBC Foundation, Argentina, and of the master's program in international trade relations at the National University of Tres de Febrero (UNTREF). The other speakers included **Lino Barañao**, Argentina's minister of science, technology, and productive innovation, and **Lucio Castro**, secretary of productive transformation at Argentina's Ministry of Production.

Mr. Barañao stressed that Argentina needs to offer innovative alternatives, sell its skills, and move toward knowledge-based integration. He argued that what determines a nation's wealth has shifted toward the sustainable use of the environment and knowledge. He called upon the audience to think about how Latin American countries fit into this context and how they could come together as a supranational body.

Mr. Barañao also underlined the fact that Argentina has excellent researchers in key areas of the technological revolution that we are experiencing. Its productive transformation is taking place on the basis of three multiuse technologies which basic research is a major component of: biotechnology, information and communication technology, and nanotechnology. However, he said that there are few technology-based companies with the capacity to absorb inventions and ideas. Argentina thus needs to increase domestic and foreign investment in research and development. Mr. Barañao stress that Argentina offers very attractive opportunities in relation to biotechnology, an area in which he believes the country could emerge as a global leader. Finally, he suggested that shared regional networks could be established to enable Latin American researchers to connect with one another. The newly created Latin American Center for Interdisciplinary Training (CELFI) is one example of this.

Mr. Castro then described the international backdrop against which Argentina's process of productive transformation is unfolding, notably the entry of nearly 800 million people into the global labor market, particularly in Asian countries, and a phenomenal technological shift that tends to be referred to as the fourth industrial revolution. He highlighted the importance of providing Argentines with the skills they need to take on a world that is being swept by technological change. Mr. Castro said that half of the companies in Argentina cannot find skilled technicians and operators, which demonstrates the country's shortcomings in matters of education and how they affect the demands of the labor market. As a consequence, Argentina's economic cabinet is carrying out a national production plan that aims to generate high-quality jobs that will improve the country's competitiveness.

The conclusions reached during this inspiring day included the need for a new form of governance that that will coordinate efforts and construct a regional agenda; rethinking the concept of integration in a world where new technologies that are already changing people's lives are being adopted increasingly quickly; developing mental capital as the region's main source of wealth; working collectively and seeking consensus; and generating a culture of innovation and entrepreneurship that will help the region diversify its exports, increase productivity, and create sustainable jobs, thus guaranteeing social inclusion.

## Behavioral Economics and International Trade

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Can the study of the brain and human behavior make trade and integration policies more efficient? How can small changes in behavior trigger enormous gains in integration processes?

The contributions of neuroscience to new areas of knowledge and the applications of this are attracting ever more more attention, fundamentally in connection with trade, cooperation, behavioral economics, and international negotiations. The rapid changes we are witnessing every day require a strategic vision that takes intangible factors such as human capital into account, as these are key to any negotiation.

The current international trade context is dominated by an intricate set of treaties known as the Spaghetti Bowl. Moving beyond these and including positive new factors for development will require a strategic outlook that also emphasizes the intangible aspects of any negotiation. The study of behavior has helped economics make surprising advances in this regard.



One of the most significant studies in the field is Camerer et al. (2005). The authors argue that the brain controls all human behavior and that economic decisions are no exception. This includes decisions on what form of integration we choose and who we trade with. Fehr and Rangel (2015) explain how the use of neuroscientists' tools can shed light on decision-making processes and the propensity to interact and establish partnerships and strategic alliances. In a similar vein, Hsu and Yoon (2015) analyze consumer behavior from a neuroscientific perspective, linking shopping patterns to behavioral factors that have to do with attention and memory. Wong and Yazdanifard (2015) describe the importance of neuroscience as a leadership-building tool.

These issues are highly significant when it comes to strengthening relations between the different countries in the region and they were covered in detail at INTAL's flagship event by two high-profile international experts. **Facundo Manes**, physician and chancellor of Favaloro University, and **Simon Ruda**, director of internal affairs, security, and international development at the Behavioural Insights Team, a British organization, shared the panel entitled "New Skills, New Convergences."

### **Why Is Mental Capital Important and How Can We Foster the Development of It?**

Mr. Manes's presentation focused on the importance of mental capital as a country's main resource and source of wealth, in contrast to natural and financial resources, which he argued no longer occupied center stage. Mental capital comprises the emotional, cognitive, and social resources that a person uses to function in society, develop their potential, adapt to their surroundings, and interact with others and with the environment. He stressed that, at present, countries are categorized as being rich or poor based on the knowledge their inhabitants possess, and to possess knowledge, they must first have mental capital.

Mr. Manes argued that human capital is only partly predefined by the gene pool and that the way this is expressed will depend on the interplay between biological factors and interaction with the environment. Human capital can be developed, strengthened, and built upon, but it can also deteriorate or be weakened, depending on how it is stimulated and the dynamics of the interactions between people and their social contexts.

He also maintained that few people have access to this creative world that is in a constant state of flux. He mentioned the problem of malnutrition and the need to improve education in Latin America, particularly in Argentina, to open up the possibilities that children and young people have of accessing this world, which is overflowing with new technology.

The factors that point to the importance of mental capital are: i) it reflects a country's wealth in the 21st century; (ii) it determines people's quality of life and the way they are able to contribute to society; (iii) it addresses the mental biases that limit the impact of public policies; (iv) it helps increase levels of independence and wellbeing; v) it has an impact on urgent problems such as poverty and violence.

#### *How Can We Intervene in Mental Capital?*

Mr. Manes discussed the research he has been working on with other scientists in Buenos Aires Province to help build mental capital among the province's inhabitants, a project he later hopes to extend to the rest of Argentina.

He argued that such interventions need to be multidimensional and include adequate nutrition, healthy surroundings, and access to high-quality education. They must intervene in a multidimensional fashion, which includes adequate nutrition, healthy surroundings, access to quality education, and the development of social and emotional stimuli. He also revealed that new programs are going to be added to those already taking place in Buenos Aires Province so as to involve all sectors of society in stimulating mental capital.

He concluded by saying that mental capital needs to become a new paradigm that unites Argentines the way that democracy does.

#### **The Analysis of Human Behavior as a Public Policy Tool**

Simon Ruda discussed the application of behavioral science to public policy, that is, how the analysis of human behavior can help design better policies. Mr. Ruda is part of a team of behavioral scientists from different backgrounds who work together to create policy recommendations for different sectors of government using the knowledge of human behavior that is currently being generated.



He argued that behavioral insights are the product of a combination of psychology, ethnography, behavioral economics, and public policy. Knowing how people actually act in real life helps us design better policies. This interplay between these two factors is something that is happening not just in Europe but throughout the world.

He finished his presentation by giving some examples of the work that he and his team of researchers have done to help meet specific policy objectives such as: i) increasing tax revenues by getting people to make good on all debts; ii) reducing unemployment by helping people seek work more effectively; iii) ensuring that the police represents the population that it serves by increasing the success rate of applicants from a minority background; and iv) helping the police to handle telephone calls faster by reducing the number of inappropriate requests they receive.

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## New Technologies and the Future of Employment

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How are new technologies impacting the world of work and how will this change in the future? What challenges do technological advances pose? Which jobs are most likely to be replaced by machines? What types of work will be most in demand in the future?

As part of its annual flagship event, the Institute for the Integration of Latin America and the Caribbean (**INTAL**), part of the Integration and Trade Sector (INT) of the Inter-American Development Bank (IDB), organized workshops with different stakeholders from the social sector on October 4, 2016.

One of the workshops took place at the University of Buenos Aires's School of Economic Sciences (FCE/UBA). The main topic of discussion was the impact of new technologies on the labor market and the challenges that lie ahead.

The speakers for the opening panel were **Gustavo Beliz**, director of INTAL, **Catalino Nuñez**, director general of the FCE/UBA School of Postgraduate Studies, and **Miguel Angel Gutiérrez**, director of the Latin American Center of Global Future Studies (CELGYP).

Mr. Beliz highlighted the key role that new technologies are playing in the transformation of production processes and in regional integration at both the global and local levels. He underlined that export diversification is fundamental to creating high-quality jobs and achieving sustainable development and social inclusion. Mr. Nuñez said that the FCE/UBA School of Postgraduate Studies, which he is director of, is open to conducting research on this issue and building ideas that allow these new technologies to be applied.

Mr. Gutierrez argued that participatory foresight is a core aspect of the agenda for the next two generations. He presented a study carried out by The Millennium Project, one of the sponsors of the event, which analyzes the major challenges of the new millennium in terms of the future of work and technology in 2050.

The next speaker was the coordinator of the Uruguayan Node of the Millennium Project, **Lydia Garrido**, who presented experiences from around the world and argued that new cultural and social forms are emerging in connection with new technology, as are environmental issues and scientific advances. She stressed how important it was to build an agenda based on input from diverse forms of knowledge as the future “will require knowledge cocreation, in other words, bringing together different areas of knowledge.” She also presented some of the results of regional studies on the future of employment that stress that robotics is the technology that will replace the most jobs between now and 2030. She reported that two-thirds of people in the US predict that by 2050, robots and computers will be doing most of the work that humans currently carry out.

Other conclusions reached by these studies suggest that new technologies will increase the number of jobs related to leisure, recreation, and the healthcare industries and will accelerate human creativity.

She was followed by **Martin Rhisiart**, director of the Centre for Research in Futures and Innovation at the South Wales Business School, who presented the results of different studies that analyze the labor market in the United Kingdom. He argued that the emergence of new technologies brings about rapid changes in the labor market through the creation of some jobs and the disappearance of others. Indeed, these studies predict that the impact of new technologies over the next 15 years will lead to 30% of jobs being automated.

He also discussed some of the main messages of these studies: (i) the use and knowledge of new technologies generates comparative advantages; (ii) technology can cross over into any environment, even the most traditional ones; (iii) it is important to incorporate innovation through partnerships and alliances, processes he referred to as interconnectivity and collaboration; iv) greater individual responsibility, linked to the need for training; and (v) people with intermediate skill or knowledge levels will have problems finding jobs.

**Miguel Ponte**, secretary of employment at Argentina's Ministry of Labor, Employment, and Social Security, began his presentation by highlighting the need for policy makers to understand their starting point, in social terms, and the composition and structure of the labor market. Specific agendas and sector can then be established and public policies can be designed that take the impacts of new technology on work and the organization of society into account. He pointed out that there are 6 million working-age people in Argentina who do not have jobs, arguing that the social impact of this needs to be tackled through active public policies that integrate these people into the labor market and society. Other interesting figures he presented in relation to the structure of Argentina's labor market include the fact that 82% of the employed population work in the private sector. Some 25% of those workers are self-employed, while 70% (just over 9 million workers) are employees, one-third of whom work cash-in-hand and are not registered.

Mr. Ponte also stressed that preparing workers will be a core part of tackling the challenges that lie ahead. He also asked where technology will be in the future: in educational institutions, in research facilities, online, or in organizations and private companies? In connection to this notion of preparing workers, he highlighted the link with the virtual world and the duality of the education and training system at both the secondary and university levels, in terms of professional training and as an initial point of contact with organizational culture. He also underlined that the current internship system needs to be opened up to allow better internship opportunities to be developed.

**Omar Perotti**, Chairman of the Science and Technology Committee at Argentina's Senate, said that the impact of technology on work raises a lot of questions and that the outlook is uncertain. He argued that the key to success lies in "how much of the future we need to put into the present," and that there needs to be a shared vision for society that makes them feel that they are part of this change. "People need to be prepared for the fact that they might need to change jobs several times in their lives." All these challenges require intervention on the part of the state as a facilitator and guarantor. The state will need to play an active, dynamic role and be able to anticipate change so as to create programs that will allow it to make the most of Argentina's human resources.

Other speakers at this workshop included **Father Guillermo Marcó**, of the university chaplaincy; **Roberto Bonetti**, deputy secretary general of the City of Buenos Aires branch of the Metal Workers' Labor Union (UOM); **Oscar Tangelson**, director of the Institute of Production, the Economy, and Work at the National University of Lanús. Those who took part in the sector panel included **Dr. Julio Bello**, president of the Argentine Public Health Association; **Lorenzo Basso**, president of UBATEC; **Ricardo Auer**, president of INTI's Saber Como Foundation; and **Fernando Villela**, director of the Department of Bioeconomy, Public Policies, and Foresight at the UBA's School of Agronomy, among others.

Other players from the public and private sector took part in other workshops. Charles Sabel of Columbia University exchanged ideas with officials from Argentina's Ministry of Production on public-private partnerships for the transformation of production patterns. Another event brought Simon Ruda of the Behavioural Insights Team together with public- and private-sector representatives from the healthcare sector. Colin Maclay from the University of Southern California held his workshop with Digital House. For more information, visit <http://www19.iadb.org/intal/integracionregional/> (link in Spanish)

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# 5 RESOURCES ABOUT INNOVATION

				
EVENT	INTERVIEW	ARTICLE	PUBLICATION	BID BLOG "BEYOND BORDERS"
INNOVATION CONFERENCE	COLIN MACLAY	INN-TEGRATION WITH DOUBLE N AS INNOVATION	TREND REPORT 2016	HOW WILL NEW TECHNOLOGIES IMPACT INTEGRATION IN LATIN AMERICA?
CALIFORNIA, USA	REGIONAL INTEGRATION 4.0	INTAL CONNECTION 241	WEBMEDIA GROUP	CARLOS D'ELIA

## Inspiring Activities

### The Winner of the INTALENT Competition Attends Demand Solutions

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Demand Solutions is an entrepreneurial mecca and it turns out to be one of the best places in the world to be if you are an entrepreneur yourself, which is why we took Linguoo there.

My name is Emanuel Vilte Ferrero and I am the director of the Linguoo project, a start-up that has received prizes from MIT, UNESCO, Google, and now the Inter-American Development Bank's Institute for the Integration of Latin America and the Caribbean (INTAL). Linguoo is a smart, inclusive mobile platform that allows users to listen to online articles from the best digital media thanks to a global community of narrators who read articles in English and Spanish from anywhere on earth. We inform and inspire more than 35,000 listeners in 92 countries in the world.

The smell of opportunity filled the air from the moment I arrived in Washington. When I came out of the Metro at L'Enfant Plaza I passed two entrepreneurs who were talking about how they were going to raise capital and how much equity they needed to give their investors. I decided to walk across the huge park that stretches between the Capitol and the Washington Monument. I passed the Smithsonian then stopped at the National Air and Space Museum to see how other entrepreneurs had begun to conquer the sky from scratch.

After an hour wandering the exhibits on the Wright brothers, checking out the Skylab space station, and imagining what might be next, I headed for the IDB building, where I found a large crowd of people waiting outside the doors. "The thing is, Demand Solutions is like the TED for the entrepreneurial community and international organizations," said another attendee who was anxiously waiting to discover new ideas and hear about the experiences of speakers who could prove that even in this part of the world, anything is possible.

Inside the doors, the entrepreneurial flora and fauna of Latin America was milling around in all its glory. Fueled by canapés, wine, and cold cuts, they shared their experiences, projects, and anecdotes, and discussed the region's opportunities for growth within the Orange Economy and the creative industries. Those present included Sebastián Vidal (director of Startup Chile and Parallel18), Elías Lopez (NYTimes en Español), Richard C. Blum (Blum Capital Partners, a massive fund that finances social enterprise), Adrián Suar (Polka Producciones), Isabel Alvarez Rodriguez (who works on developing innovation and entrepreneurship at the IDB), Alice Loy (Creative Industries), and hundreds of other personalities, all working together like bees in a hive to slowly build this enormous opportunity for Latin America through entrepreneurs who create new industries, jobs, and technologies.

After some networking came the presentation of IDB president Luis Alberto Moreno, who interviewed Richard C. Blum, a US investor who works through social enterprises and education policies to combat poverty in Nepal, India, and other parts of Asia.

The main speakers then began to give their presentations. During the breaks that followed each one, participants made straight for the networking space. Entrepreneurs made their pitches, mentors gave advice, and investors handed out their cards. Most of us were from Latin America and we celebrated our identity and shared our ideas, inspiration, and culture.

Esteban Quispe, who built a Wall-E replica out of trash, was the celebrity entrepreneur that everyone wanted to hear to understand how you can make a difference even if you grow up in poverty, provided you have the necessary willpower and grit. The next presentation came from Keiichi Matsuda, a multimedia designer who screened videos of a futuristic dystopia that is stuffed with virtual and augmented reality but in which humans are overwhelmed by imagery and advertising. The future he showed is a world on steroids sponsored by Coca Cola, McDonalds, and Monsanto. Humans can't adapt to it and become another product in a system that enslaves them, covers up reality with false promises, and makes it even less human.



The following presentation was about marketing and how to tell stories that help to send messages of change in places where poverty or gender inequality are facts of life. There wasn't a dry eye in the room when they screened an ad of an Indian father who walked for miles on his hands to keep a promise to Ganesha because his son had turned 5 and hadn't died of malnutrition like his brothers had before reaching that age. Thanks to this ad, the company had managed to get thousands of donors to help improve life in that community.

Other amazing speakers and entrepreneurs went on to tell stories of tenacity, creativity, and success, before it was finally time for the prize-winning startups chosen by INTAL and the IDB to take the stage. They each had two minutes to explain why they deserved to win the US\$30,000, US\$15,000, and US\$7,000 in prize money to scale up their projects. Each presenter gave their all. Although only three went away with the big prizes, all of these projects found funding and support from the IDB and other organizations through the workshops at the event. And they are all now connected to this enormous network of entrepreneurial policy executives and initiatives that strengthen creative culture. In other words, just taking part in the event was in a major prize in itself.

The event continued in true Latin American style, with more networking. There was also more support from business accelerators (Parallel18, Creative Startups, etc.) and media partnerships with companies like El País and the New York Times. To paraphrase Hemingway, Washington was a moveable feast. An orange feast, because orange is the color of the fourth-most lucrative economy in the world, that of the cultural industries, which brings together art, the media, and software in order to change the world.

It was an amazing experience for everyone, but especially for the entrepreneurs who attended. All the same, as we were told, the hard work is only just beginning. After this explosion of opportunities, the time came for us to return to our countries and act on the instructions we had received. No more sitting back and relaxing; instead, we need to get out there and spread our enthusiasm. Whether or not this continues depends on you, the entrepreneurs, the nonconformists, the ones who notice the bugs in the system. It is up to you to create employment, improve education, reduce social inequality, and to take the cultural richness that characterizes our region into the stratosphere so that we can build the new Silicon Valley and create Latinwood. We need to be the driving force that breathes life into this new world that is emerging from the integration of the Americas and the Caribbean. It is a force of nature: colorful, unstoppable, selfless, decent, and, above all, enterprising.

## Regional Workshop on E-Commerce and Development

- [Inspiring Activities](#)
- [n242](#)

The Institute for the Integration of Latin America and the Caribbean (IDB/INTAL) and the [World Trade Organization \(WTO\)](#) organized a workshop in Asunción on October 19 and 20, 2016, with the support of the Paraguayan government. The objective of the [Regional Workshop on E-Commerce and Its Role in Development in Latin America \(link in Spanish\)](#) was to bring together representatives from the governments and private sectors of the countries in the region and representatives from multilateral organizations to debate concrete initiatives to support e-commerce through policies and regulations at the national, regional, and multilateral levels.

Constructing a digital economy could open up a range of opportunities for more inclusive forms of trade. It could allow developing countries to take great strides towards industrialization and help small businesses to access the global market. However, the growth of the digital economy is hampered by obstacles such as access to financing and regulatory barriers to trade, so the region is facing a twofold challenge. First, we need to develop infrastructure that allows us to bridge the digital divide, such as through access to broadband and high-quality mobile internet services. Second, we need to find a way to promote legislation that facilitates e-commerce.

To analyze these and other issues, IDB/INTAL and the WTO invited specialists and leading experts from the [World Bank](#), [UNCTAD](#), the [International Trade Center \(ITC\)](#), high-level representatives from Latin American chambers of e-commerce and companies such as [Google](#) and [DHL](#), and Paraguayan government experts on the matter.

Those at the opening event included Ambassador Rigoberto Gauto, deputy minister of economic relations and integration at Paraguay's Ministry of Foreign Relations; Eduardo Almeida, the [IDB's representative in Paraguay](#); and Hans-Peter Werner and Raúl Torres, counselors at the WTO's Development Division.

The first day of the workshop examined the WTO's e-commerce initiatives and analyzed recent member proposals and the preparations for the [Sixth Global Review Aid-For-Trade Monitoring Exercise](#), "Promoting Productivity," which will take place in July 2017. Other points of discussion included Latin America's involvement in e-commerce and the tools available on the IDB's [ConnectAmericas](#) platform, the first social business network created to promote international trade and investment. Those present also discussed the logistics and transportation challenges facing the region's exporters and explored possible trade facilitation solutions that could contribute to reducing the costs of accessing export markets.

During the second day, presentations focused on different visions of e-commerce as a path to a more inclusive form of trade and development for the countries in the region, and consequently as a channel for SMEs to play a greater role in export activity. Another point of discussion was the region's existing regulatory framework for data and consumer protection.

#### Recommendations from the Private Sector

One of the outcomes of this regional workshop was the drafting of a document (see box) which lists recommendations from the private sector and its expectations regarding working with the public sector in relation to capacity building; regulation and infrastructure; public policies; facilitation; and forms of payment that enable e-commerce management.

#### Regional Workshop on E-Commerce

##### RECOMMENDATIONS FROM THE PRIVATE SECTOR

#### **1. Capacity Building**

- Organize annual public/private digital economy forums in Latin America that include customs officials, consumer protection organizations, intellectual property experts, and other organizations that play a role in the value chain for the digital ecosystem.
- Promote Codes of Good Practice.
- Raise awareness among government officials of capacities that are linked to the digital economy and cross-border e-commerce.
- Promote active training policies for human capital.
- Promote active training and awareness-raising policies on the digital economy for MSMEs and entrepreneurs.
- Facilitate the creation and maintenance of metrics and statistics on the regional digital economy.
- Create a unified database on tariffs and documentation to promote cross-border e-commerce.

## **2. Regulation and Infrastructure**

- Promote national telecommunications development plans as a way of promoting the digital economy (access, affordability, inclusion, and universality).
- Promote the use of new technologies to improve network efficiency.
- Promote the elimination of barriers to establishing new networks.
- Promote access to and mainstreaming of new technologies to foster the digital economy and the use of telecommunications infrastructure.
- Increase aid for trade flows by building infrastructure that improves connectivity.

## **3. Public Policies**

- Limit the liability of intermediaries.
- Technological Neutrality
  - Network interoperability (for transactions).
  - Free and equal access to contents, goods, and services.
- Content Neutrality
  - Principle of functional equivalence (equitable treatment for online and offline operations).
  - Creation of national digital economy committees with private sector involvement.
- No forced localization of servers and data (legal data residency).
- Encourage the population to use intra- and cross-border e-commerce.
- Standardize consumer defense and personal data protection norms.
- Improve the digital economy value chain through tax incentives.
- Promote the digital economy and industries operating within it through tax incentives.

## **4. Facilitation**

- Free Data Transfer
- Effectively implement the trade facilitation agreement and review, update, and modernize customs policies.
- Standardize the de minimis threshold for import duties and charges, basing this calculation on the total tax rate for the good or service.
- Raise the threshold for simplified customs declarations.
- Promote more countries adhering to the WTO Information Technology Agreement.
- Simplify import and export processes.
- Promote the digitization of import and export processes.
- Promote a simple right of return and withdrawal program.
- Promote more efficient taxation and revenue collection programs.

## **5. Forms of Payment**

- Deregulate forms of payment to promote increased competition and reduce the costs of online transactions.
- Promote and facilitate financial inclusion on both the supply and demand sides.
  - Access to banking and financial services.
  - Digitize tax and tariff payments.
  - Increase the number of procedures and formalities that can be carried out online.
  - Encourage the use of electronic invoicing.
  - Mainstream the use of digital signatures and promote the recognition of these.
- Facilitate cross-border payments and exchanges.
- Promote updating of banking and financial regulations that currently pose barriers to intra-and cross-border e-commerce.

Representatives from the following countries took part in the event: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Uruguay; together with the e-commerce chambers of Argentina, Brazil, Colombia, Costa Rica, Ecuador, Nicaragua, Paraguay, and Uruguay.

Throughout the two days of the workshop, the WTO underlined the growth in e-commerce over the last decade and the constant increase in the number of internet users, which is changing the way people do business and the nature of commercial transactions. By reducing the costs of trade, e-commerce allows companies to access the global market, reach a wider network of buyers, and thus play a part in global trade, helping to make it truly inclusive and bring it in line with the objectives of sustainable development.

However, internet access is a necessary but insufficient condition for taking advantage of these increased opportunities. There are a series of economic and technological variables that prevent many people from accessing the benefits of e-commerce, particularly in developing countries. These include weak financial systems; payment systems that are underdeveloped or hard to access; low levels of consumer trust in online shopping; and legal and regulatory frameworks that are weak or unsuited to e-commerce. These obstacles are much bigger challenge for small companies, which is why we need to consider the connection between measures to support e-commerce and those that help SMEs participate in global trade.

## Why Take Part in Training on E-Commerce?

Global e-commerce is currently estimated at about US\$2 billion per year. By 2020, this figure will have doubled, with the greatest growth coming from cross-border trade.

As is shown in the table below, the most dynamic e-commerce sectors throughout the world are airline tickets and clothing and footwear. **In Latin America, 36% of airline tickets are sold online**, and these sales represent 59% of the total tickets sold in Asia-Pacific, 43% of the total in North America, 34% in Europe, and 39% in Africa and the Middle East.

It is also noteworthy that **28% of clothing and footwear sales in Latin America take place online**, in contrast to 57% in Asia-Pacific, 42% in North America, 34% in Europe, and 26% in Africa and the Middle East.

## ¿Qué se compra por Internet? Top 10

	Asia-Pacífico	Europa	Africa y Medio Oriente	Latinoamérica	Norte América
Vestido y calzado	57%	34%	26%	28%	42%
Equipos electrónicos	41%	25%	26%	29%	30%
Hoteles y tours	53%	33%	35%	32%	43%
Billetes aéreos	59%	34%	39%	36%	43%
Teléfonos celulares	44%	22%	28%	27%	22%
Billetes eventos	50%	33%	28%	31%	35%
Computadoras y partes	36%	23%	25%	20%	29%
Libros en papel	50%	30%	22%	24%	31%
Programas de computadora	33%	19%	27%	18%	27%
Libros electrónicos	43%	22%	29%	23%	35%

Fuente: OMC.

With regard to connectivity, at the global level, 4 million people have still never gone online, and of the almost 600 million inhabitants of Latin America, around 260 million do not use the internet.

In development terms, 47% of the global population has internet access. This percentage is as high as 81% in developed countries in comparison with 40% in developing countries, and drops to 15.2% in the least developed countries.

It is striking that mobile broadband internet access is cheaper than fixed-line access, especially in developing countries, where the price difference is up to 50% less.

### **The Challenges and Opportunities of E-Commerce and the Private Sector**

Traditional business models are being challenged by microscale business activities and new consumption patterns.

It is estimated that in the United States, global retail sales have reached US\$24 trillion. Global e-commerce sales in the US passed the US\$2 billion threshold in 2016, which represents 8.6% of total retail sales. It is expected that, for 2019, 12.8% of total retail sales will take place online<sup>[1]</sup>.

To integrate into the global market through e-commerce, SMEs need good access to efficient networks, reliable and safe transportation, and capacity building to get to know international regulations. SMEs aim to achieve global coverage by accessing foreign markets, but must often overcome language barriers and the impossibility of setting up their own supply chains and finding forms of representation before governments and international forums.

Successfully achieving this requires coordination between the different players that are involved; exporters, importers, shipping companies, customs and border agencies: the cooperation of customs and tax authorities, and the work of the WTO as the driver for this process.

### **E-Commerce in the Context of Multilateral Negotiations**

The shared INTAL/WTO training session aimed to bring countries up-to-date on the multilateral e-commerce regime. The WTO has a regulatory framework that divides trade into two main areas: trade in goods and trade in services. How e-commerce is classified will determine how it is regulated within the WTO.

The WTO was given its mandate to discuss e-commerce at the [Singapore Ministerial Conference in 1996](#). The WTO's definition of e-commerce is **"the production, distribution, marketing, sale or delivery of goods and services by electronic means."**

The issue was widely discussed at the WTO at the start of the 2000s, fundamentally within the Council for Trade in Services and the Committee on Trade and Development. Members' interest in the issue had been waning until very recently when talks restarted.

In 2013, the Bali Ministerial Declaration included a mandate for members to rekindle work on e-commerce, focusing on its intersection with development and stressing the need to improve access to the internet, information technologies and telecommunications, and public websites. The declaration urged members to consider the economic opportunities of development, paying particular attention to developing countries, the least developed countries, and those with the lowest connectivity levels. It also called on them to examine the opportunities that accessing e-commerce represents for SMEs and the difficulties they face in doing so. With this goal in mind, the declaration established that the General Council would hold periodic reviews and that the moratorium on tariffs and duties on e-commerce operations would be extended.

The 2015 Nairobi Declaration established that the work that began in 2013 would continue and that the General Council would hold biannual reviews. It also re-extended the moratorium on tariffs and duties.

In the final months of 2016, some WTO member countries have started to approach these issues with the intention of restarting discussions on e-commerce, aiming to obtain possible deliverables at either the next ministerial conference, which will be held in Buenos Aires at the end of 2017, or as part of a continuation of this negotiation process.

E-commerce is a crosscutting issue that affects different WTO areas<sup>[2]</sup>. It is a permanent item on the agenda of the [General Council](#), the WTO's highest-level decision-making body. The [Council for Trade in Services](#); [Council for Trade in Goods](#); [TRIPS Council](#)<sup>[3]</sup>; and the [Committee on Trade and Development](#) also have mandates on the matter. There is also a specific session on e-commerce within the General Council.

In the recent discussions that have taken place within different WTO bodies, the following conclusions were reached:



<b>Council for Trade in Services</b>	<ul style="list-style-type: none"> <li>• The electronic provision of services is covered by the <a href="#">General Agreement on Trade in Services (GATS)</a>, regardless of the form in which the service is provided.</li> <li>• Market liberalization in areas of interest for developing countries could facilitate access to technology and infrastructure in these locations.</li> <li>• The spread of e-commerce results in a reduction of restrictive practices, but the applicability of matters relating to competition safeguards and resource management need to be reviewed.</li> <li>• GATS Art. XIV is applied to any measure that restricts trade in services, provided this is no more restrictive than is necessary.</li> <li>• The medium through which a service is provided does not affect the commitments a country has made through the WTO in its list of services commitments.</li> <li>• The Annex on Telecommunications, one of the agreements connected to trade in services, applies to internet access and use.</li> <li>• GATS does not impose tariffs on the electronic delivery of a service but it is possible that tariffs could apply if what is delivered is a good, although there is currently a moratorium on this type of tariff.</li> <li>• All services are covered regardless of how they are delivered, even though some of these products may be classified as goods.</li> </ul>
<b>Council for Trade in Goods</b>	<ul style="list-style-type: none"> <li>• If an electronic delivery can qualify as a good, then it is subject to commitments under the GATT; tariffs can be applied; classifying it using the Harmonized System is not a simple process; and the <a href="#">Agreements on Customs Valuation and Import Licensing</a> and <a href="#">Technical Barriers to Trade (TBT)</a> may apply to it, as may the other WTO agreements that regulate trade in goods within the WTO.</li> <li>• The 1998 decision that established a moratorium on the application of customs duties to online transactions was renewed in 2015.</li> </ul>
<b>TRIPS Council</b>	<ul style="list-style-type: none"> <li>• The council examined issues of copyright and related rights; the protection and enforcement of trademarks and service marks; and new technologies and access to technology.</li> <li>• It addressed measures for fighting piracy and the fair use of a purchased good; internet service providers' responsibility for enforcing the protection of intellectual property rights; blocking sites that violate intellectual property rights; and the standards that could form part of regional agreements.</li> </ul>

<b>Committee on Trade and Development</b>	Matters to be examined: <ul style="list-style-type: none"> <li>• Effects of e-commerce on SMEs in developing countries and means for leveraging the benefits of this.</li> <li>• Challenges hindering developing countries from taking part in e-commerce as exporters of products delivered by electronic means; ways of improving these countries' shares in global trade; better access to infrastructure and technology transfers; movement of people; use of information technology in integrating developing countries into the multilateral trading system.</li> <li>• Consequences of the possible repercussions that e-commerce might have on traditional traders of physical goods in developing countries.</li> <li>• Financial consequences of e-commerce.</li> </ul>
<b>Information Technology Agreement</b>	<ul style="list-style-type: none"> <li>• Eliminating tariffs on information technology goods. This issue was covered by the Information Technology Agreement which, although multilateral (it was signed by 53 WTO members), is unusual in that it applies the most-favored nation principle. This agreement covers trade worth US\$1.3 trillion per year and aims to eliminate tariffs on 100% of the products covered by the agreement over the course of seven years, which would be equivalent to 10% of global trade.</li> </ul>

[1] Worldwide e-commerce retail sales, e-Marketer, December 2015, [www.eMarketer.com](http://www.eMarketer.com).

[2] Market access issues that affect the facilitation of e-commerce; regulatory issues such as localization and data flow, privacy, and consumer protection; issues of physical and regulatory infrastructure; and human capital to help countries integrate into international trade.

[3] TRIPS: WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

## Widespread Support for Regional Integration in Latin America

- [Inspiring Activities](#)
- [n242](#)

After undertaking over 20,000 exclusive surveys in 18 countries in Latin America and the Caribbean, the initiative organized by the Institute for the Integration of Latin America and the Caribbean (INTAL) and Latinobarómetro is continuing to monitor public opinion on the issues that are most sensitive to public policy design so as to understand what Latin Americans think about them. These issues include democracy, regional integration, living conditions, infrastructure, nation branding, innovation, services, citizen security, and the environment, among others.

### SISTEMA PERMANENTE DE SEGUIMIENTO DE LOS PROCESOS DE INTEGRACIÓN (SEPI)

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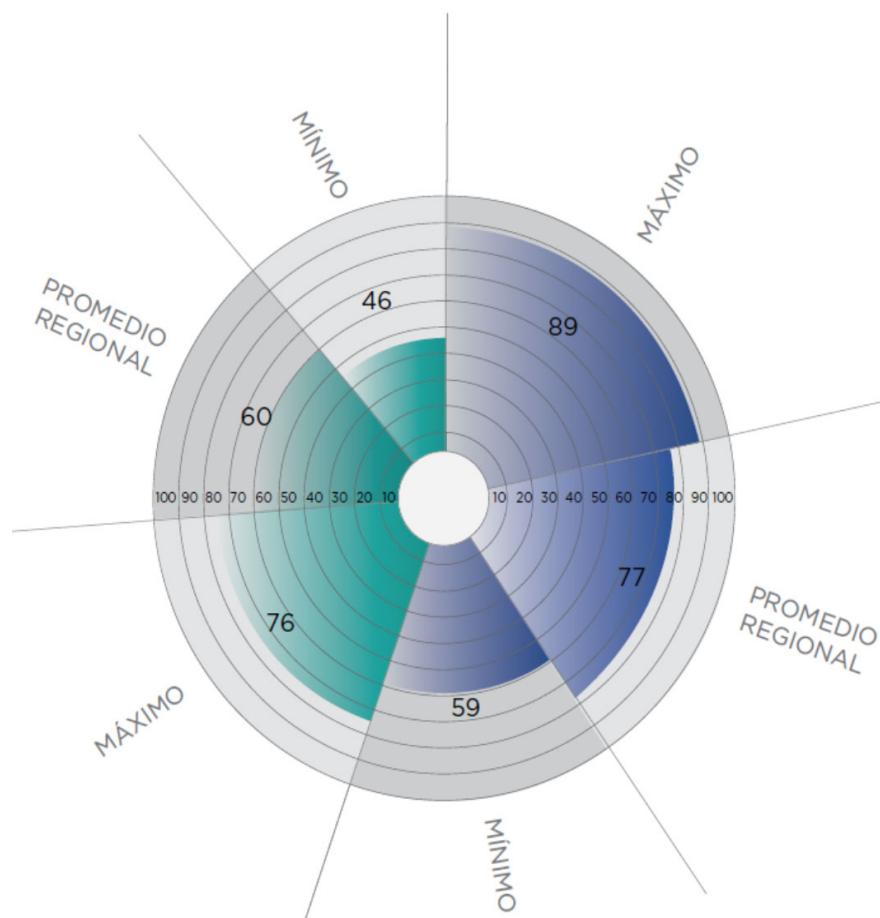


The [study](#), which was published in October 2016, crosses “hard data” on the region’s economies with people’s opinions to reveal patterns, analogies, and differences. Its findings include the fact that 77% of Latin Americans support economic integration and 60% support political integration, although this support is much broader in countries where there is greater export concentration, which reflects the fact that demand for integration is greatest precisely where it is needed the most.

### EL AMPLIO APOYO A LA INTEGRACIÓN.

Pregunta: ¿Está Ud. a favor o en contra de la integración de su país con los otros países de la región?

\* Respuestas en % para muy a favor y algo a favor.



The partnership between INTAL and Latinobarómetro includes a [visualization platform \(link in Spanish\)](#) for the community, which the initiative is inviting to rethink integration in broader terms. Traditional advantages and disadvantages may be compensated for both in people’s opinions and in reality by advantages and disadvantages concerning environmental, social, and technological factors or through improvements to logistics.

Among other factors, the study reveals how nation-branding strategies influence exports, how long it takes to become a favorite in a given market, and how far improvements to reputation actually affect exports. The dynamic map of integration covers multiple dimensions that range from which sectors are most likely to receive foreign investment to how willing people are to pay more for sustainable products.

In the upcoming issues of INTAL Connection, we will be presenting the results of the study in more detail and discussing its implications for the design of integration policy.

## Information System for Transparency in Public Works

- [Inspiring Activities](#)
- [n242](#)

The [COSIPLAN Project Information System \(SIP\)](#) is unique in the region. It contains official, high-quality data on the 581 integration projects that make up the COSIPLAN Project Portfolio, an online, open-access platform. This information is updated by South American government officials, who include their contact information in each record sheet so that those who wish to know more about the projects can get in touch with them.

***Visits to the SIP have increased by 30% per year and totaled more than 62,000 in the last year, over 80% of which came from within Latin America.***

But the most important aspect is what can be done with the information that is included in the system. The data can be downloaded to enable users to carry out different analyses or combine them with other indicators or information, thus providing support for the work of different types of users. Another feature of the tool is that it displays the location and layout of each of the projects, which are all georeferenced using Google Earth.

### **The Challenge of Integrating Strategic Information**

The countries in the region have been working together for more than 15 years. Through the SIP, they have managed to express their vision of a South American that is better connected and more integrated through infrastructure, with a view to working on economic, social, and environmental issues.

This technological platform demonstrates clearly that transparency is possible when building public works and that such transparency is a reality of life in today's South America.

## Integration in Motion

### Mexico Expands Its Economic Complementarity Agreement with Brazil

- [Central America and Mexico](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

Representatives from the governments of Mexico and Brazil met in Mexico City between September 27 and 29, 2016, to take part in the [5th Round of Negotiations \(link in Spanish\)](#) to expand and deepen Economic Complementarity Agreement No. 53 ([ECA 53](#)) between them. The Mexican delegation was headed by the deputy minister of foreign trade, Juan Carlos Baker, who was received by Paulo Estivallet, undersecretary general for Latin America and the Caribbean at Brazil's Ministry of Foreign Relations.

As part of the strategy to strengthen **intra regional trade** and promote productive chains, the meeting aimed to extend the preferential tariff universe within the trade agreement and to update and modernize the existing legal framework so that economic operators and agents can go about their trade activities with greater legal certainty. Other important issues on the agenda included: market access, services, trade facilitation, technical barriers to trade, sanitary and phytosanitary measures, public procurement, and regulatory coherence.

Representatives from the private sector also took part in the round of negotiations in the so-called room next door, where they were informed of the progress that was being made and where their opinions on the different matters under discussion were heard.

[Brazil and Mexico](#) are the [two largest economies \(link in Spanish\)](#) in Latin America. Together they account for 65% of the region's gross domestic product. In the 10 years leading up to 2014, the trade flow between them grew by 93.7%, reaching US\$9 billion in 2014.

## **G20 Summit: Agreements to Reactivate Growth**

- [America](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

On September 4 and 5, 2016, the G20 summit took place in Hangzhou, China. It was attended by member countries' heads of states and ministers of the economy and finance.

The main outcomes of the summit included the joint announcement by Chinese president Xi Jinping and his US counterpart Barack Obama that the two countries would be ratifying the Paris Agreement on climate change, which may encourage other countries to follow suit and thus speed up the entry into force of the agreement.

The UN secretary-general, Ban Ki-moon, who received the official ratification papers from President Obama and President Xi, stressed that this was a "historic step" in the fight against climate change.

As at the [last G20 summit](#), the refugee crisis was another major issue that those present agreed needs to be addressed in the short term.

They also acknowledged that global economic growth is still weaker than might be desired and cited other ongoing problems such as the volatility of financial markets, fluctuations in commodity prices, the downturn in trade and investment, and low job growth in some countries.

They also [announced](#) the decision to foster an innovative, interconnected, and inclusive economy to mark the start of a new era in global growth and sustainable development, taking into account the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and the Paris Agreement.

At the end of the summit, the package of policies and initiatives to be known as the Hangzhou Consensus was presented. These revolve around vision, innovation, the end of war, care for the environment, and social inclusion, among other topics.



## The Ratification Threshold for the Paris Agreement Has Been Achieved

- [America](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

On October 5, 2016, 11 more countries ratified the [Paris Agreement](#), taking the total number above [the threshold of 55% of signatory countries \(link in Spanish\)](#) (which together also account for 55% of global greenhouse gas emissions) needed for this international agreement on climate change to enter into force on November 4, 2016. This was confirmed by [Patricia Espinosa \(link in Spanish\)](#), Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC). "Today is a truly historic day for everyone on earth. We have passed the two thresholds needed for the Paris Agreement on Climate Change to become a legal reality," she said.

The parties that deposited their instruments of ratification were: Austria, Bolivia, Canada, France, Germany, Hungary, Malta, Nepal, Portugal, Slovakia, and the European Union, in addition to the [187 countries that had already done so by September 21](#).

In Latin America, [the countries that have already ratified the agreement](#) are: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, [Peru](#), Surinam, Uruguay, and Venezuela. Those that have done so in the Caribbean are: Antigua and Barbuda, Bahamas, Barbados, Cuba, Dominica, Granada, Haiti, Jamaica, the Dominican Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, and Trinidad and Tobago.

After the agreement has entered into force, all signatory countries will be obliged to take the necessary measures to limit global temperature increases to less than 2°C above preindustrial-age temperatures and to strive for this increase to remain below 1.5°C.

The next key stage in the process will be successfully concluding negotiations around drafting the regulations for implementing the agreement. These regulations will be a global model for reporting and accounting for the climate policies and initiatives that countries undertake.

Measures must also be taken to ensure that the [US\\$100 billion that developed countries have promised developing countries](#) by 2020 are actually allocated.

Between November 7 and 18, 2016, the 22nd Conference of the Parties to the United Nations Framework Convention on Climate Change ([COP22](#)) will be held in the city of Marrakesh, Morocco. The first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA1) will be held at the event.

## Five Factors That Make the Chinese Market Attractive

- [Integration in Motion](#)
- [n242](#)
- [The SME Space](#)



- **Huge Population and Labor Force:** China is home to approximately 1.4 billion people, making it the most populous country in the world. This means that almost 1 out of every 5 people in the world live there. Its labor force stands at around 806.5 billion people and is the driver for its economic growth.
- **Economic Leadership:** The share of China's GDP in the global total has gone from 2.5% in 1980 to 17.2% in 2015.
- **The Role of Foreign Trade:** Foreign trade is encoded in the DNA of China's economy and represents 47% of its GDP. It is the world's largest exporter of goods and the second-largest importer.
- **Growing Middle Class:** Since 2015, China has had the largest middle class in the world, outstripping even that of the United States. The wealth of this middle class has increased six-fold this century, in comparison with an increase of 115% worldwide and 280% in India.
- **Increased Consumption:** China's consumption capacity has grown much faster than that of other countries in absolute terms. Between 2000 and 2010, it went from US\$650 billion to US\$1.4 trillion. The increase in household income and discretionary spending are two factors that have driven consumption in China, making it an attractive market.

If you would like to know more about the Chinese economy and the possibilities for Latin America and the Caribbean, why not download the ConnectAmericas document "[China: A Unique Opportunity for LAC Businesses](#)"?



## Uruguay Consolidates Trade and Cooperation Agreements with China

- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The president of Uruguay, Tabaré Vázquez, accompanied by ministers and representatives from the private sector, led an [official visit to China \(link in Spanish\)](#) seeking greater [economic](#), political, and cultural cooperation. Mr. Vázquez met with his Chinese counterpart, Xi Jinping; the prime minister, Li Keqiang; and the Chairman of the Standing Committee of the National People's Congress, Zhang Dejiang.

On October 14, 2016, Mr. Vázquez represented Uruguay at the opening ceremony of the business summit on trade relations between China and Latin America and the Caribbean ([China-LAC](#)). In 2017, Uruguay will host the next China-LAC Business Summit, so its minister of foreign relations, [Rodolfo Nin Novoa \(link in Spanish\)](#), presided over the handover ceremony.

On October 18, at the end of the official visit, the presidents of the two countries [confirmed \(link in Spanish\)](#) that they would be working together toward a strategic partnership with an agenda that includes matters relating to production, financial issues, and cooperation. They also agreed to begin the process of negotiating a bilateral free trade agreement. "In 2018, we will be celebrating the 30th anniversary of the reopening of diplomatic relations between our two countries and we have set that date as the deadline for signing our free trade agreement," [Mr. Vázquez said \(link in Spanish\)](#) at a press conference.

Uruguay's minister of livestock, agriculture, and fishing, Tabaré Aguerre, [said \(link in Spanish\)](#) that the aim of the mission was to get to know more about China's demand for foods it cannot produce and how it is modernizing its trade structure. Mr. Aguerre explained that Uruguay is working toward being able to export [tangerines, blueberries, maize, barley, and honey \(link in Spanish\)](#) to China. To be able to achieve this successfully, the country's [sanitary and phytosanitary measures \(link in Spanish\)](#) are being assessed and adjusted.

The minister of the economy and finance, [Danilo Astori \(link in Spanish\)](#), held meetings with businesspeople and representatives from the China Development Bank ([CDB](#)). At the end of his

presentation, which mainly focused on attracting investment in ports and railroads, the minister underlined that the response from the business community had been “overwhelmingly positive,” and he added that the CDB may play a role in **financing** these transactions. Astori also signed cooperation agreements on production and another relating to **customs**.

Uruguay’s minister of industry, energy, and mining, [Carolina Cosse \(link in Spanish\)](#), met with authorities from China’s Ministry of Industry and Information Technologies and the National Energy Administration. The officials agreed to create a working group on the **environment**, **renewable energy**, and energy efficiency. They also mentioned the possibility of relocating Chinese firms to Uruguay in sectors such as manufacturing, light industry, and household goods.

Mr. Vázquez and Mr. Xi signed a total of 16 cooperation agreements in different areas: public affairs, education, culture, defense, tourism, sports, agriculture, [forestry development \(link in Spanish\)](#), and technology.

## Argentina and Chile Make Progress on the Construction of the Agua Negra Tunnel

- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)
- [Southern Cone](#)

The Agua Negra Binational Tunnel Body ([EBITAN](#)) invited Argentina's minister of the treasury and public finance, Alfonso Prat-Gay, and minister of transportation, Guillermo Dietrich, to take part in a meeting in Santiago de Chile with Chile's minister of finance, Rodrigo Valdés, and minister of public works, Alberto Undurraga. [The aim of the meeting was to continue moving forward with construction of the tunnel](#), which will join the Argentine province of San Juan with the Chilean region of Coquimbo. The governor of San Juan, Sergio Uñac, and the Argentine ambassador to Chile, José Octavio Bordón, also took part in the meeting.

The authorities officially opened the Prequalification Process for the Design and Construction of the [International Tunnel](#), which interested parties can now enrol in. The project will be **financed** by the **Inter-American Development Bank (IDB)** for an estimated total of US\$1.6 billion.

Once it has been put out to tender and the contract has been awarded (which is estimated will take place around April 2017), [the project \(link in Spanish\)](#) will require 10 years of non-stop work. Two parallel tunnels will be built, one in each direction, with an estimated length of 13.9 km. These will improve freight traffic and reduce the current route between the two countries by 44 km. EBITAN authorities estimate that it will operate throughout the year, whereas cross-border traffic is currently interrupted during intense snowfall. Mr. Prat-Gay stressed that it is a “strategic project that will create employment and trade opportunities Argentina.”

In its role as the secretariat of the South American Infrastructure and Planning Council ([COSIPLAN](#)) of the Union of South American Nations ([UNASUR](#)), **IDB/INTAL** is coordinating the development of all the works and projects that form part of the Territorial Integration Program (PTI) [for the Agua Negra Tunnel](#), monitoring the implementation of the [work plan](#), providing advice and technical support with the help of a team of consultants, and facilitating dialogue between the teams from Argentina and Chile.

## Uruguay and Chile Sign a Free Trade Agreement

- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)
- [Southern Cone](#)

Chile's minister of foreign relations, Heraldo Muñoz, and his Uruguayan counterpart, Rodolfo Nin Novoa, [signed a free trade agreement \(FTA\) \(link in Spanish\)](#), to strengthen trade between the two countries.

After four rounds of negotiations, which began in [February 2016](#), and legal reviews of the texts, the two countries reached a full consensus on October 4 in Montevideo. "We are making history. We are two countries from the Global South that are deepening integration not just with words but with deeds," said Minister Muñoz after signing the agreement.

The **trade agreement (link in Spanish)** brings together aspects that had already been negotiated as part of the Economic Complementarity Agreement between Chile and the MERCOSUR ([ECA 35](#)), which has been in force since October 1, 1996. It also includes new issues such as e-commerce, the environment, labor regulations, gender, small and medium-sized enterprises (SMEs), cooperation, transparency, sanitary and phytosanitary measures, intellectual property, and trade in services.

The authorities in question described the agreement as a "next-generation FTA" because it includes a special chapter on [the role of women in international trade](#). The parties thus confirmed their commitment to effectively implementing legislation, policies, and best practices in relation to gender equality and equality in general. "We think it is one of the most innovative chapters in any agreement on free trade that has been signed at the global level, because it seeks to emphasize the role of women in the creation of economic growth, trade, and investment," said Mr. Muñoz.

The delegations committed to achieving high standards and adopting modern techniques for managing **e-commerce**, such as norms related to tracking computer equipment and provisions that seek to maintain a transparent flow of information.



Trade between Chile and Uruguay during 2015 totaled US\$348 million: Chilean exports to Uruguay were worth US\$148 million, while its imports added up to US\$199 million.

## Panama and the CARICOM Countries Sign an Immigration Information Exchange Agreement

- [Caribbean](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

As part of the [Conference of Defense Ministers of the Americas](#) which took place in Trinidad and Tobago, Panama and the CARICOM countries [signed \(link in Spanish\)](#) an information exchange agreement on security and immigration alerts on October 12, 2016. The document was signed by Panama's deputy minister of public safety, Jonattan Del Rosario, and the director of the regional security agency IMPACS CARICOM, Francis Forbes, representing the 15 member countries of the Caribbean Community.

[IMPACS CARICOM](#) is the **Caribbean Community** regional agency responsible for implementing public policies, mechanisms, and collective systems to respond to member states' **security** priorities.

IMPACS director Francis Forbes underlined the importance of this historic agreement for regional security, which is due to the [air connectivity \(link in Spanish\)](#) between **Panama** and the **Caribbean** and the rest of **Latin America**.

The agreement was witnessed by Trinidad and Tobago's minister of security Edmund Dillon, who was also president of the conference; Salvador Cienfuegos, Mexico's minister of defense and vice president of the conference; and the rest of the delegations taking part in the conference.

Negotiating the Advance Passenger Information Agreement between Panama and the Caribbean community countries was an initiative that arose during the official visit of Panamanian president Juan Carlos Varela to Barbados to take part in the Conference of the Heads of Government of the CARICOM states in July 2015.

## Colombia Starts Dialogue on Free Trade Agreement with China

- [Andean Group](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

China is to begin a viability study for a [free trade agreement \(link in Spanish\)](#) with Colombia as soon as possible, China's minister of foreign relations [announced \(link in Spanish\)](#) during a visit to Colombia in early October.

President Xi Jinping will also take part in a summit of the Asia-Pacific Economic Cooperation (APEC) forum in November 2016. He is expected to visit other Latin American countries as part of this trip.

According to Colombia's Ministry of Foreign Relations, China will hold closed meetings with Bogotá to begin substantive conversations around a viability study for a free trade agreement as soon as possible.

These issues were analyzed in issue no. 40 of the [Integration & Trade Journal, "Made In CHI-LAT,"](#) which highlighted that there were extensive opportunities for cooperation between China and Latin America, particularly if the two manage to overcome institutional barriers to deepening bilateral ties, transferring technology, and moving towards a form of trade that goes beyond the mere exchange of agricultural or mining commodities for manufactures by diversifying the export basket of Latin American countries, a process Colombia is actively undertaking.

## Pacific Alliance Promotes Trade with India

- [Andean Group](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

As part of an event organized by Chile's Ministry of Production, Peru, Colombia, and Mexico held a [seminar \(link in Spanish\)](#) in New Delhi in October 2016. Other countries including Argentina, Guatemala, and Costa Rica took part to share their experiences regarding trade relations with India.

A competition to support firms with export potential will be launched soon.

The other regional bloc with experience in trading with India is the MERCOSUR, which has an agreement that entered into force in 2009 and is currently being re-examined, as was described in earlier issues of [INTAL Connection](#). It is important to take the context of these negotiations into account, in particular the trend toward [mega-agreements](#).

India is currently a major **importer** of raw materials from the mining, agricultural, and fishing sectors.

The technical barriers and sanitary measures contained in India's legislation are some of the topics that were addressed during this first **Pacific Alliance** seminar. Chilean authorities have indicated that it will be followed by further workshops in other countries.

## 10th LAC-China Business Summit

- [America](#)
- [Integration in Motion](#)
- [n242](#)
- [Regional Panorama](#)

The LAC–China Business Summit took place on October 14 and 15, 2016, in Tangshan, China. It was jointly organized by the [Inter-American Development Bank \(IDB\)](#), the Government of Hebei Province, the China Council for the Promotion of **International Trade** (CCPIT), and the People's Bank of China.

The main aim of the event was to provide support for **small and medium-sized enterprises (SMEs)** from LAC looking to expand their **trade** ties with China.

At the summit, 462 Chinese companies and 160 LAC companies [held colloquiums on construction projects, clean energy](#), machinery, and financial support and **investment**, among other areas. Some 68 **cooperation agreements** were signed, including 21 business agreements, representing a contract value of over US\$17 billion.

Chinese **companies** confirmed their commitment to **cooperating** with firms from Uruguay, Peru, Mexico, Argentina, and Chile on space **technology**, smart agriculture, copper mining, industrial estates, and the shipping merchandise.

The next **Business** Summit will be held in Punta del Este, [Uruguay](#), in November 2017. The **IDB** channels its support for SMEs through [ConnectAmericas](#), the social **business** network for the Americas run by the **IDB's** Integration and Trade Sector.

[Trade](#) between China and LAC now stands at US\$250 billion after increasing by a factor of nine over the last decade. According to a [study by IDB/INTAL](#), China is LAC's second-largest trade partner. This link is expected to grow stronger in the medium to long term, despite the current slowdown in China's total imports.

## Reading Material on Integration

### Financial Integration in the Pacific Alliance

- [n242](#)
- [Reading Material on Integration](#)
- [Reviews](#)

The report [Financial Integration in the Pacific Alliance](#) addresses the current state of affairs in the Pacific Alliance by examining the bloc's history and taking a financial perspective. The report is the result of research carried out by the Inter-American Development Bank's Integration and Trade Sector (INT) and Capital Markets and Financial Institutions Division (CMF) in collaboration with the Woodrow Wilson International Center for Scholars.

The authors point out that the PA fits into the modern vision of "open regionalism," as it promotes trade and capital flows with other regions, particularly East Asia and the MERCOSUR, and it is still open to receiving new members.

The PA seeks to achieve free flows of goods, services, capitals, and workers (within Chile, Colombia, Mexico, and Peru, at present) and to strengthen cooperation in various areas. Since its beginnings in 2011, it has made significant headway toward these goals.

The report shows that significant financial integration already exists within the bloc and that there is a considerable degree of harmonization in relation to financial regulation, cooperation, and supervision. The bloc has also made a bold attempt to partially integrate the four countries' stock markets to create the Latin American Integrated Market, although the actual transactions made using this mechanism are still limited.

The document concludes that the increased integration of financial markets, especially capital markets, would bring member countries potential short- and long-term benefits.

After examining the challenges ahead, the report puts forward an action program for regulators which could eventually lead to the full integration of the bloc's capital markets through a single stock market.

Perry, Guillermo, and Auvert, Diego. 2016. [Financial Integration in the Pacific Alliance](#). Washington: IDB.

## **Bibliographical News**

- [Bibliographical News](#)
- [n242](#)
- [Reading Material on Integration](#)

This weekly alert disseminates information on the highlighted documents recently uploaded in the INTAL Documentation Center Data Base (CDI). It also provides links to open access bulletins and journals in Spanish, Portuguese and English. Click [here](#).



## Macroeconomics and Trade: The Region's New Challenges

- [Impact Assessment](#)
- [n242](#)
- [Reading Material on Integration](#)

The report [The Big Switch in Latin America : Restoring Growth through Trade](#), drafted by the World Bank's Office of the Chief Economist for Latin America and the Caribbean (LAC), examines the challenges facing the region as the global economy seems to be settling into a path of lower growth in which commodity prices are dropping.

The first chapter contains a general overview of the global economy and how this affects the short- and medium-term prospects for LAC.

The authors state that in 2016 the LAC economy will contract by 1.1%. In 2017, in contrast, an economic expansion of 1.8% is predicted for the region. However, this favorable prognosis is open to negative risks stemming from an uncertain global environment.

Many countries in the region have experienced significant depreciations which could, in principle, help LAC adjust to the new normal.

These changes are characterized by low commodity prices and lower growth in China, and mainly affect the countries of South America, although several countries in Central America and the Caribbean are facing pre-existing fiscal imbalances.

The weakness of exports is mainly connected to prices, while volumes have not been seen such significant impacts. However, export volumes of commodities have been the least affected by this process, which begs the question of whether commodity exports are the right way to achieve productivity gains.

Chapter 2 explores how LAC trade has responded to the recent depreciations and the role it could play in facilitating a recovery. It examines whether there are early signs of an export recovery and if the region's increased dependence on commodity exports could hamper its economic recovery.

The study's messages are mildly hopeful and focus on three sets of results. First, the changes in export volumes are mainly a response to the effects of weak global demand for imports.

Second, by concentrating on the extensive margin they have detected a certain rebound in volume growth during the downturn years, within which there is a group of better quality goods with relatively higher prices and in categories with greater potential for adding value, compared to the high growth years.

Third, they detect an export diversification process that has picked up strength during the downturn years in LAC countries due to more flexible exchange regimes.

Augusto de la Torre, Alain Ize, Daniel Lederman, Federico Bennett, and Martin Sasson. 2016. [The Big Switch in Latin America: Restoring Growth Through Trade](#). LAC Semiannual Report (October). Washington: World Bank.

## Trade Thermometer

### BIG DATA

- [n242](#)
- [Trade Thermometer](#)



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Over the next few years, it is estimated that the amount of data in the world will grow at an average annual rate of 40%, driven by the spread of online devices and the active use of social networks. Given that such varied information in such large volumes cannot be processed and examined using traditional tools, big data analysis offers enormous potential for increasing productivity, but it also poses major challenges.

## Editorial Staff

- [Editorial](#)
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