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THE FRACTURE

The fracture

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There was a packed auditorium for the presentation of the new book *Pasado y presente de la búsqueda de equidad social en América Latina [The Fracture. The Quest for Social Equality in Latin America, Past and Present]* (link in Spanish), a sign of the growing public interest in inequality. Despite the progress of the last decade, Latin America continues to be one of the most unequal regions on earth.

This compilation of articles edited by John Williamson (Harvard) and Luis Bértola (University of Montevideo) reveals the multifaceted nature of inequality through rigorous scientific research and detailed statistics. This initiative is part of the joint work between the Institute for the Integration of Latin America (INTAL) and the IDB's Social Sector, which are spreading creative ideas through the node i+i (regional integration+ social inclusion) initiative (link in Spanish) to ensure that regional integration translates into greater well-being and equality.

The 20 or so articles by different experts examined fundamental aspects of the social outlook for Latin America, including the drop in poverty over the last decade, the proliferation of social aid programs, the growth of the middle class, and the widening of access to basic education and health services. However, 175 million people in the region are still living in poverty and inequalities of both income and opportunities persist. Informal employment remains one of the Latin America's defining features: some 55% of employment is informal or precarious, and this figure climbs above 60% in some countries. The income gap between formal and informal workers increases at retirement ages and the lack of incentives around formal employment leads to low pension rates: only half of the active population saves for retirement. In short, the authors agree that significant progress has been made but the challenges ahead are still enormous.

At the presentation of the book in Buenos Aires on December 13, 2016, INTAL director Gustavo Beliz argued that "the issue that has brought us together today is an essential part of the cutthroat reality of life in Latin America." He reminded the audience that over the last 15 years, extreme poverty has dropped in the region, partly due to social aid programs and conditional cash transfers, but also largely because of the upswing in the economic cycle and the commodities boom, which points to how fragile this improvement is.

According to Mr. Beliz, growing automation and use of robots in productive processes means that the prospects for the region are very complex. "We need to generate quality jobs and address the

discontent that many of our societies are currently expressing," he added. Only two out of every ten Latin Americans believe that their governments work for the good of the people. Some 73% of people believe that their country's government is working to benefit only a select few, and support for democracy stands at just 54%, a ten-year low. However, Mr. Beliz went on to say that "some 73% of the population are in favor of regional integration. This is an invitation for us to find new answers to the classic problems of development."

The next speaker was Mexico's ambassador to Argentina, Fernando Castro Trenti, who described *The Fracture* as "a monumental undertaking that emphasizes a single core issue: the loss of confidence in our societies." He argued that inequality leads to disappointment, and disappointment to hopelessness. "We need to prevent people from losing faith in the future at all costs, especially young people. We can't let hopelessness triumph," Mr. Castro Trenti said, before praising the fact that the book "provides answers to some very big questions."

The final speaker on the first panel at the presentation was Jorge Fontevecchia, the CEO of Perfil Network, who called on those present to criticize preconceived ideas. "Latin America is not the only part of the world that is experiencing this fracture: inequality is a global phenomenon that is also affecting developed countries, which is why we need global answers." Mr. Fontevecchia argued that technology had managed to alter patterns of time and space. "We're often overcome by nostalgia, but the jobs that have vanished are not coming back, so it's time for us to create new ones," he argued.

The presentation took place in the auditorium at the bookstore run by Fondo de Cultura Económica, which published the book. The main presentation was given by Héctor Salazar, manager of the IDB's Social Sector, who gave a detailed description of the evolution of inequality in the region on all fronts, including income level, education, gender, aid programs, and so on.

He underlined that while GDP per capita has grown 5% over the last decade, the Gini coefficient has dropped by 7 points, from 0.56 to 0.49 on average, and the middle class has doubled. Some 33% of adults in the region are included in conditional cash transfer programs, which operate in 15 countries. "By spending less than 1% of GDP from the budget, these programs have managed to increase levels of well-being substantially," Mr. Salazar said, arguing that we now need to expand the progress made in recent years to make these improvements permanent. The drop in inequality rates are explained by improvements in employment income (which accounts for 54% of this decrease), social aid programs (21%), the expansion of pension coverage (9%), and demographic changes—that is, a larger working-age population (4%).

During the closing panel, Luis Bértola, one of the book's editors, said that *The Fracture* is part of a new trend in economic history toward analyses that combine theory with a rigorous quest for

empirical information. “The book leaves no issue connected to inequality unexamined, from human development indices to gender inequality,” he said.

Mr. Bértola argued that the hypothesis that inequality is the result of the region’s colonial past can be discouraging because “it is difficult to change 500 years of history.” Instead, he leans more toward an alternative hypothesis, which identifies inequality in the region with the first globalization (1870 onward), when Latin America was unable to grow at the rate of developed countries. “This inequality can be addressed through structural reform,” he argued, saying it was essential to pay close attention to “the distribution of natural resources in our region as this is far from homogenous.”

“We need to set aside simplistic explanations that attempt to explain everything through a mere handful of factors and we mustn’t lose sight of history,” he said, suggesting the need for further research in this field that analyzes the role of political volatility.

Ecuador’s ambassador to Argentina, Gloria Vidal Illingworth, who is also an expert on education policy, added that “this book is truly phenomenal because it looks at our social debts and goes beyond mere good intentions to provide concrete answers.”

Ms. Vidal Illingworth explained that we need to look to global best practices as a source of inspiration but “we need to seek out our own paths and avoid going on quests to far-off places for something we can find close to hand.” She also argued in favor of solving historical problems such as the fact that teachers are the worst paid of all state employees.

The education expert advised those at the event to access big data and obtain very specific information before implementing policies that may affect millions of people. She also suggested debating ideas with all of society. “We are up against the challenge of educating complete human beings who are capable of adapting and looking at problems from a multidisciplinary, socially committed perspective.”

Gabriel Kessler, a researcher at Argentina’s National Scientific and Technical Research Council (CONICET), said that the reduction in the Gini coefficient may not necessarily indicate improvements to equality as other aspects need to be considered, such as access to health and education services. “The book proves that all of the different fronts of inequality are important,” he said, adding that the richest 1% of the population accounts for 25% of income. “If we don’t increase social spending with an eye on the long term, inequality will continue to grow. That’s why conditional cash transfer programs are a good thing. They contribute to social harmony and cost very little.”

At the end of the event, Gustavo Beliz invited those present to set out along the road forged by *The Fracture* and carry out studies based on “science with a conscience,” in which social

aspects, especially mechanisms to close the inequality gap, play a key role in the design of regional integration and development policies.

Latin American's Views on Equality

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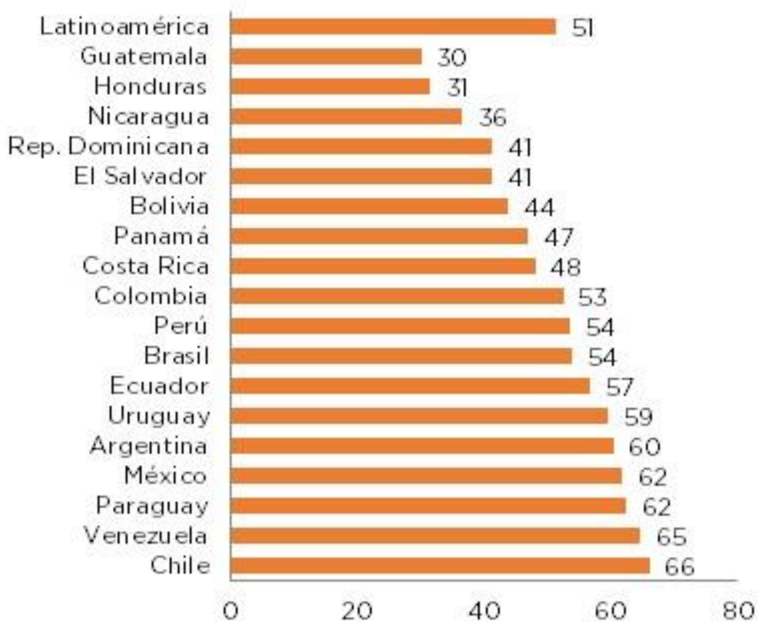
Social policies are the top priority for Latin Americans (link in Spanish), according to the report The DNA of Regional Integration. Some 51% of respondents in the region argued that improvements to equality and social inclusion and the struggle against poverty are the most important issue for development. This figure climbs as high as 66% in Chile, 65% in Venezuela, and 62% in Paraguay while in five Central American countries (Guatemala, Honduras, Nicaragua, the Dominican Republic, and El Salvador), these values are well below average, ranging from 30% to 41%.

THE IMPORTANCE OF SOCIAL INCLUSION FOR DEVELOPMENT

Which of the following topics are most important for development in your country? Responses for social policies, social inclusion, and poverty.



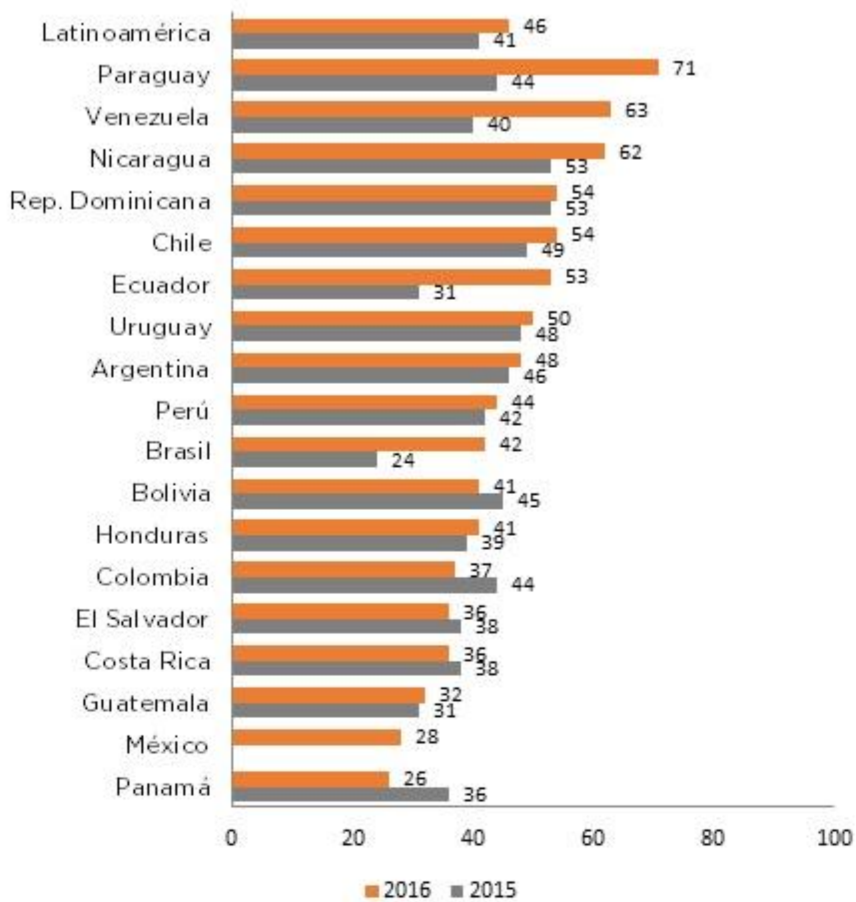
Source: INTAL based on Latinobarómetro 2016 data.

Informal employment is a serious problem in Latin America, which is one of the most unequal regions on earth. When asked about their willingness to pay more for products that respect workers' rights, 46% of Latin Americans said they agreed, an increase on the 41% of 2015. The

countries that are most willing to pay more for products that are manufactured in compliance with labor laws are Paraguay (71%), Venezuela (63%), and Nicaragua (62%).

Willingness to Pay to Ensure That Workers' Rights Are Respected

Imagine that your country signs an integration agreement with other countries in the region (Latin America and the Caribbean). Would you agree or disagree on the need to include commitments relating to the rights of local and foreign workers, even if this implied paying approximately 20% more for products? "Strongly agree" and "agree" are the only responses shown.

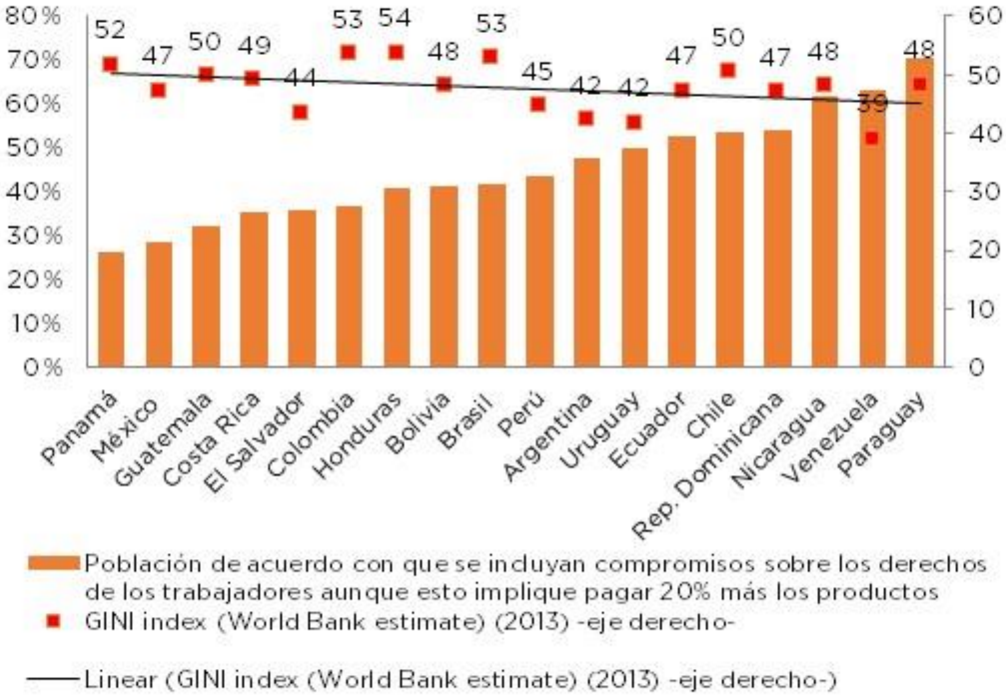


Source: INTAL based on Latinobarómetro 2016.

Once again, the countries of Central America were among the least willing to pay to respect rules of trade that safeguarded workers' rights during the production phase. In comparison with the 2015 survey, there was a significant increase in Brazil, where the willingness to pay more for products that respect workers' rights based on integration agreements went from 24% to 42% (a 75% increase).

There was also a negative correlation between income distribution as measured by the Gini coefficient and willingness to pay more for products that respect workers' rights. This year, the relationship grew even stronger as the correlation between the two variables went from -0.20 in 2015 to -0.36. In other words, the most unequal countries are the least willing to pay more to improve equality. This negative relationship therefore implies that social inequality comes hand-in-hand with less demand for labor rights, which makes reducing this inequality even harder.

Willingness to Pay to Respect Workers' Rights and Gini Coefficient

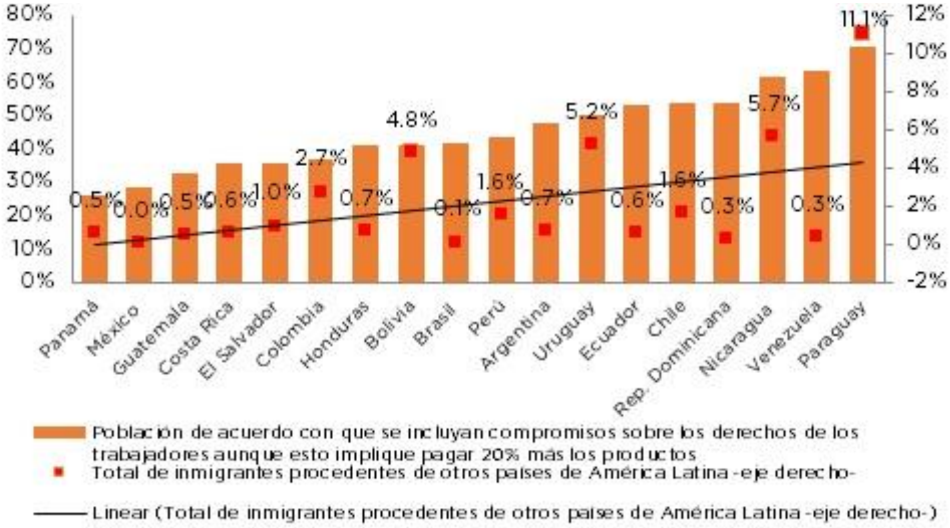


Source: INTAL based on Latinobarómetro 2016.

INTEGRATION AND SOCIAL MOBILITY

Migration and the movement of people are playing an increasingly prominent role in the integration agenda. Are inhabitants of the countries that send the most migrants abroad in favor of paying more for products that defend workers' rights? With a positive correlation of 0.56, the trend points to the fact that the countries that are most willing to pay more for products that respect workers' rights are also those that have sent a higher percentage of migrants to other countries in the region. This is true for Paraguay and Nicaragua, whereas countries such as Mexico, Panama, or Guatemala, which express only limited willingness to pay more for products that respect workers' rights, also have smaller migratory flows.

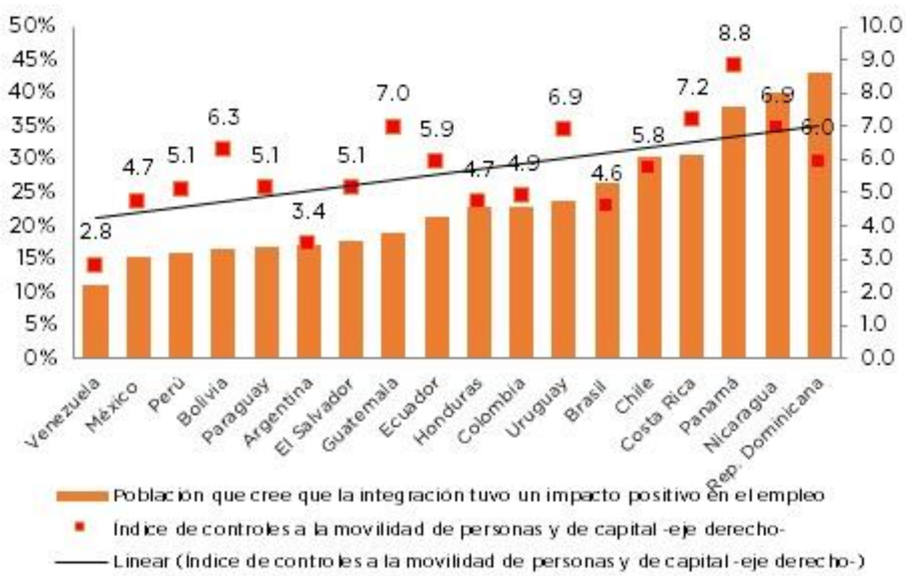
Willingness to Pay to Respect Workers' Rights and Total Immigrants from Other Countries in the Region



Source: INTAL based on Latinobarómetro 2016.

Another way of looking at this phenomenon is to analyze whether there is an empirical relationship between the percentage of the population that claims that integration has had a positive impact on employment in their country and an alternative measure of the movement of people.[1] After doing so, the correlation increased to 0.62, and those countries with least restrictions on the movement of capital and people were found to also be those that believe that integration has had a positive impact on employment.

The Positive Impact of Integration on Employment and the Movement of Capital and People

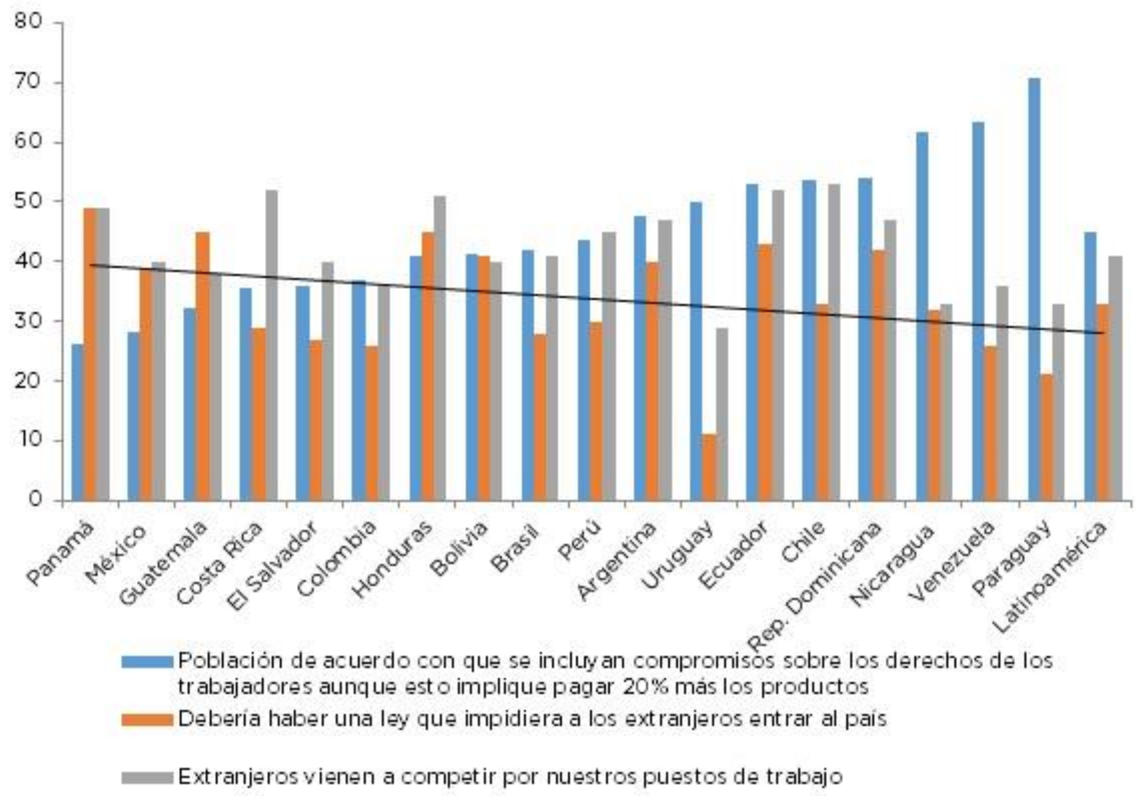


Source: INTAL based on Latinobarómetro 2016.

This result is particularly significant given that it disproves the idea that openness to immigration translates into fewer jobs for the local population. On the contrary, there is a positive correlation between openness to flows of people and capital and the belief that this type of policy has a positive impact on employment.

If willingness to pay more for products that respect labor laws is cross-referenced with tolerance for immigrants, the inverse relationship can be observed: that is, willingness to pay more correlates with less tolerance for immigration. There is a correlation of -0.41 between this and agreement with there being an anti-immigration law, and one of -0.28 with agreement with the idea that foreigners come to compete for local jobs.[2]

Willingness to Pay to Respect Workers' Rights and Immigration-Related Issues



Source: INTAL based on Latinobarómetro 2015 y 2016.

EXTRACT FROM THE REPORT THE DNA OF REGIONAL INTEGRATION

[1] We address the composition of the index of the movement of people and capital in the Methodological Annex of THE DNA OF REGIONAL INTEGRATION.

[2] Data from the chapter on immigration-related matters from the 2015 survey were used. The question was: "What impact do you think is caused by citizens of other countries coming to live in your country? Do you strongly agree, agree, neither agree nor disagree, disagree, or strongly disagree with these two statements: 1) Immigrants come to compete for our jobs, and 2) There should be a law to stop immigrants from entering the country? *Only "strongly agree" and "agree" are included here.

Latin America and China: New Paths, New Approaches Needed

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A recent international conference, "China's New Phase: Implications for Latin America" (link in Spanish), held at the University of Chile, [1] brought together 20 specialists to tackle a packed program (link in Spanish) at a unique moment in the history of China's relations with the region. The event revolved around four major topics:

- China's position in the new normal for global trade.
- China's new growth pattern and its potential effects on Latin America and the Caribbean.
- Ties with China and their effect on relations with the region's traditional trade partners.
- The downturn in the economies of China and Latin America and the Caribbean.

1. **China and the New Normal for Global Trade**

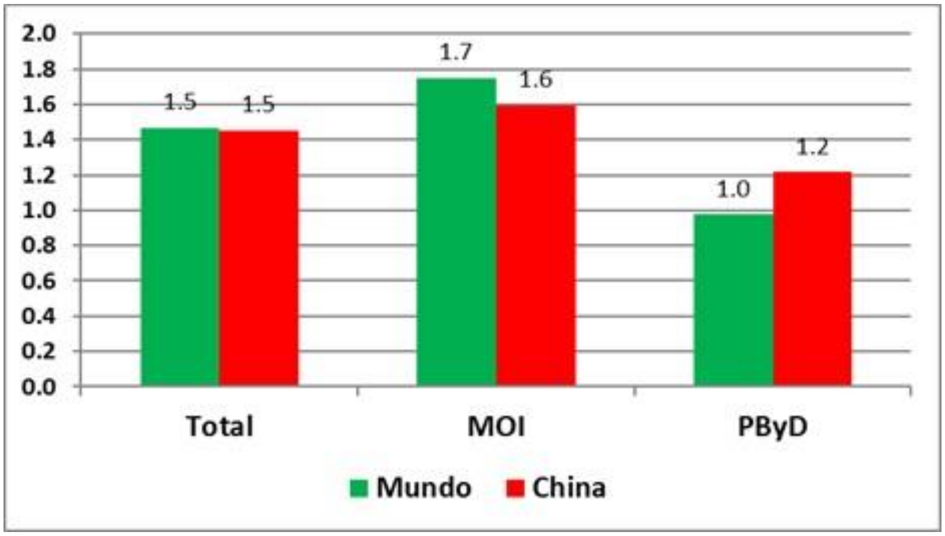
This topic was covered by IDB/INTAL senior economist Alejandro Ramos Martínez during the opening panel. He underlined two specific aspects of the evolution of China's demand as a driver for global trade in the context of the new normal. He began by pointing out that China's share in global trade peaked in 2013 (at 9.2% and 9.8% at current prices and constant prices, respectively) before flattening out. This is significant because it constitutes an interruption to the constant growth of China's share in global trade, which was not even affected by the 2008–2009 crisis. Although it is too early to argue that this is irreversible, it is a significant factor in the postcrisis period as it points to the cooling of one of the driving forces behind the dynamism of global trade over the last two decades.

Mr. Ramos Martínez then presented an indicator of the evolution of the "import intensity"[2] for China and global trade, comparing the situation before and after the crisis with data that was disaggregated by product type: industrial manufactures and commodities and commodity derivatives. During the period before the crisis (1996–2008), this indicator showed that China's import intensity was similar to the global average. As the country did not have an above-average propensity to import, the dramatic expansion of its foreign purchases essentially depended on how fast its GDP was growing. By type of goods, China's import intensity for manufactures was similar to the global average, while that of commodities was above average. This was to be expected given its deficit in raw materials and its growth strategy, which is partly based on domestic saving and infrastructure expansion.

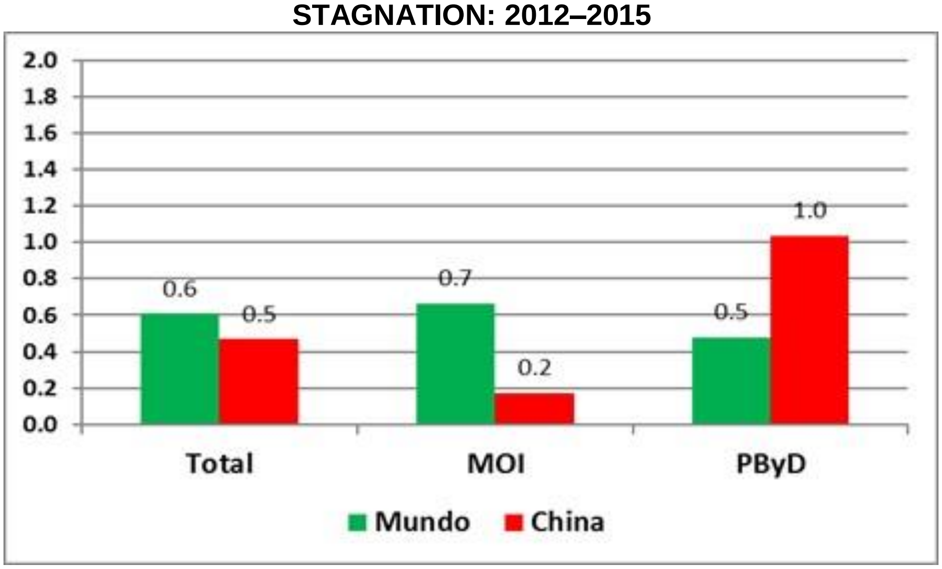
IMPORT INTENSITY FOR GLOBAL TRADE AND CHINA

(Coefficients)

BOOM: 1996–2008



STAGNATION: 2012–2015



Source: IDB/INTAL with data from the Netherlands Bureau for Economic Policy Analysis (CPB), China Customs, and the IMF.

Note: "Intensity" is the ratio between the average annual growth rate of real imports and that of global and China's GDPs during the periods in question; the reference years for the growth rates are, respectively, 1995 and 2011; IM: industrial manufactures, C&D: commodities and derivatives.

During the recent stagnation in trade, China's import intensity has shrunk, particularly in flows of manufactures. Although its demand for commodities is less vibrant than during the boom years, it remains above the global average. In other words, the cooling of China's external demand seems to be mainly connected to flows of manufactures, not commodities. This implies that commodity-exporting countries in Latin America and the Caribbean have continued to benefit from the dynamism of the Chinese market, although to a lesser extent than during the boom period. Furthermore, the weakening of Chinese manufacture imports may be linked to a certain erosion of value chains caused by the incipient relocation of these industries to developed countries and the maturing of China's own production capacity as it transitions out of being an importer of parts and components it can now manufacture itself.[3]

2. China's New Growth Pattern and Latin America and the Caribbean

This topic was presented by Sergio Cesarín (University of Tres de Febrero, Argentina), Wu Guoping (Institute of Latin American Studies at Southwest University of Science and Technology, China), Andrea Pellandra (ECLAC), and Álvaro Echeverría (Hong Kong Trade Development Council).

Their presentations looked at China's current stage as a necessary "transition within a transition" after its previous development path came close to being unsustainable. This was based on extensive growth and revolved around high levels of investment in infrastructure and the intensive use of energy and raw materials, and could be exposed to demographic pressure. In contrast, the 13th Five-Year Plan (2016–2020) foresees a "moderately prosperous" economy based on ecologically sustainable, high-tech development, the restructuring of various sectors, with a greater share of end consumption and services and the spread of the middle-class and social protection networks. This new path foresees the continuity of China's urbanization and agricultural modernization processes and the coordinated development of urban and rural areas such that the entire population can enjoy the benefits of development.

This new scenario implies that for Latin America and the Caribbean will be able to consolidate their economic achievements, although there are significant innovation-related challenges ahead if the relationship is to grow. The impacts of this shift in China's growth on Latin America can be classified into two main areas: the region's productive structure and its policy agenda. Regarding the former, the Chinese economy's role as a stimulus for commodity-exporting countries will continue, although possibly to a lesser extent, while remaining significant. In terms of demand, the foreseeable increase in China's consumption of domestically produced goods offers new, albeit complex, possibilities for diversifying export baskets, including services and tourism. This

will enable denser productive linkages through FDI and technological cooperation, but it will require greater coordination efforts than traditional linkages. This needs to be compatible with China's new development strategy, which continues the country's trend toward openness and foresees increased participation in global governance and cooperation.

Rising salaries in China may allow countries that compete with it in the manufactures market, such as Mexico and Central America, to continue to be competitive, particularly in third-country markets. This may also be true to a certain extent for industrial activities in the larger South American countries.

The new outlook is particularly challenging for the policy agenda in that it demands higher levels of processing, foresight, and coordination. Latin America's potential for enriching its export sector by placing products with greater value added in the Chinese market will imply a strategic effort in which increased regional cooperation (such as between the Pacific Alliance and the MERCOSUR) could boost countries' negotiating capacity. The region needs to redouble its export promotion efforts vis-à-vis a Chinese economy whose growth is beginning to be less extensive but of a greater quality and depth.

3. China, Latin America and the Caribbean, and Their Traditional Trade Partners

Walter Sánchez (University of Chile), Francisco Urdinez (University of São Paulo), and Detlef Nolte (German Institute of Global and Area Studies) discussed the strength and tensions in the triangular relationship between Latin America and the Caribbean, their traditional Western trade partners, and China.

The big question in this discussion revolved around the significance and implications of China's rise as a major global economic player. In recent years, the status quo has entailed global forces converging in a context of diversity. Although a single power has continued to dominate, this has been subject to competition from China and other nations, including the countries of the global South. There are no guarantees as to the stability of this scenario in that the effects of reduced global economic growth are being felt, as are dysfunctional aspects of various developed countries' political systems. Latin America and the Caribbean's room for negotiation could hypothetically grow as the countries of the region manage to consolidate a deeper diplomatic agenda.

The triangular relationship between Latin America and the Caribbean, the West, and China can be understood in three different ways, although there is not yet any clear evidence as to which will prevail. Chinese diplomacy could choose to develop this relationship by (i) questioning the hegemony of the West or (ii) maintaining a passive position vis-à-vis relations that would be

essentially determined by economic advantages; or (iii) Latin American and Caribbean diplomacy could seek to develop the region's ties with China as a diversified mechanism with a focus on economic goals. Furthermore, the growth of LAC–China relations could be interpreted as an incipient substitution for the region's link with the European Union. This would seem to be supported by the decreasing importance of the EU in terms of LAC's trade in goods and the consolidation of these same flows with China. However, analyzing the situation in terms of FDI reveals a different state of affairs. The notion of China as a "substitute" for trade with the EU overlooks the fact that the EU itself has been deepening its economic ties with China. In other words, the situation is more one of growing complementarity that is dominated by economic interests that provide positive feedback for one another.

4. **The Slowdown in China and Latin America and the Caribbean: Different Universes**

Francisco Luis Corsi (São Paulo State University), Leonardo Stanley (Center for the Study of the State and Society, Argentina), Alberto Cañas (Prochile), Gustavo Bittencourt (University of the Republic of Uruguay), Ignacio Bartesaghi (Catholic University of Uruguay), and José Luis León (Metropolitan Autonomous University at Xochimilco, Mexico), explored multiple implications that China's new growth rate may have on the region.

The downturn in China's growth and the phenomena associated with this (reduced imports and a weakening of commodity markets) have impacted economies whose trade ties focus on such goods. However, the effects of these phenomena vary greatly. Brazil's exports to China have been seriously affected, although its current recession cannot be explained solely by this factor, as prior conditions relating to the country's macroeconomic situation also play a part. The scale of Brazil's economy, the lack of depth in its foreign relations, and the difficulties it has experienced in establishing itself in a competitive position are reflected in the concentration of its commodity exports to China. Argentina is also up against the challenge of growing its export basket to China while needing to perfect its policies for attracting FDI, which it needs to develop infrastructure. In a context marked by the weakening of its copper exports to China, Chile has benefited from its diversification strategy and added more products to its export supply driven by the impetus of its preferential trade agreement and solid export promotion policies. A long-term projection of Uruguay's commodity-centered exports shows that restrictions on supply will play a greater role than limitations on demand. This reinforces the need to further diversify the export basket to take advantage of the dynamism and size of the Chinese market. The multiple forms and levels of integration and cooperation that China offers should constitute an opportunity for the countries of Latin America to develop a creative diplomacy that will allow both parties to leverage the mutual

benefits of this relationship. However, Mexico has shown that this is no small task: positive results cannot be expected from merely letting relations coast along. China seems to be predisposed to develop a diplomatic agenda that would build relations leading to extensive benefits for all involved. Evidence for this includes President Xi Jinping's recent visit to Ecuador, Peru, and Chile and his presence at the APEC meeting—his third Latin American tour in three years—and the publication of a second document on China's policy toward Latin America and the Caribbean. It therefore seems both opportune and necessary to make a profound effort to create new approaches that will sustain what has been the biggest news for foreign trade in Latin America and the Caribbean in many decades: China's emergence as a major player in global trade and FDI.

[1] The event was sponsored by the Institute of International Studies at the University of Chile, the Konrad Adenauer Foundation's Regional Program for Social Policy in Latin America, and the Hong Kong Trade Development Council; and organized by the China and Latin American Network: Multidisciplinary Approaches (REDCAEM).

[2] The indicator "normalizes" the average growth rate for real imports with the GDP growth rate; that is, it is an arithmetical estimation of import elasticities.

[3] See China's Technological Metamorphosis and Global Trade in INTAL Connection no. 239, July 2016.

MERCOSUR: The state of affairs and future prospects

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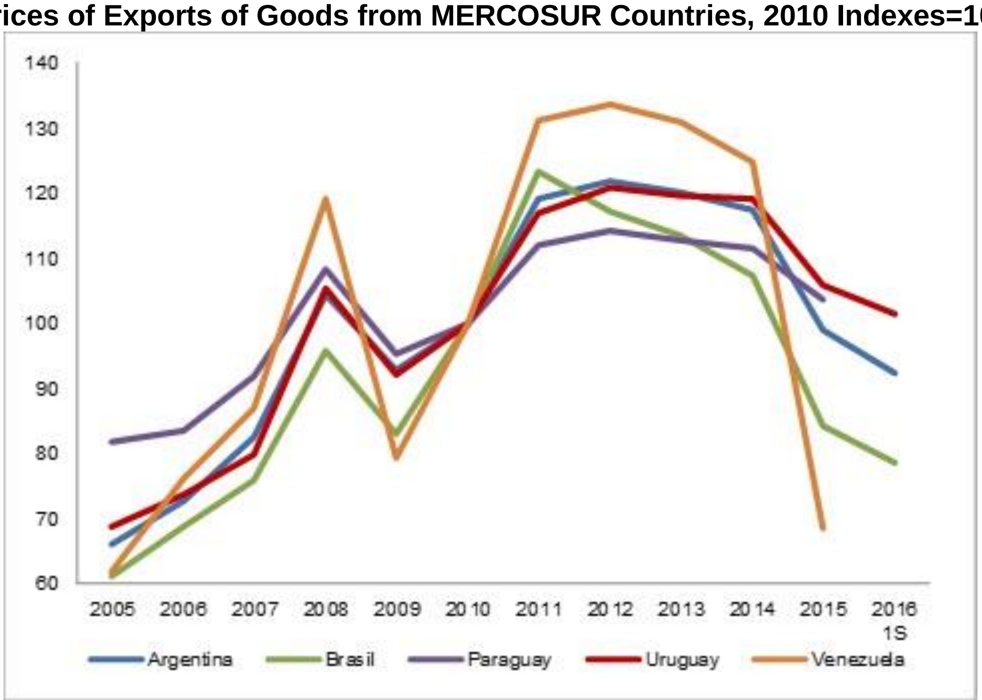
Between mid-2015 and mid-2016, the international context was characterized by low growth in the world's largest economies and the downturn in global trade, which had negative repercussions for MERCOSUR member countries. Other factors of uncertainty included the possibility of the United Kingdom leaving the European Union and domestic political problems in the region, particularly in Brazil and Venezuela.

Trade was affected by weakened demand from developing countries, including China—the main importer of MERCOSUR commodity exports—and other countries within the region. There was intense deflationary pressure on trade flows, mainly to the commodities sector which makes up a large part of MERCOSUR countries' export basket. The prices of these goods contracted sharply in 2015 and although this trend was tempered slightly at the start of 2016, the bloc's macroeconomic situation deteriorated over the course of the year. Trade within the bloc was seriously affected by these reduced activity rates, including a severe, prolonged recession in Brazil.

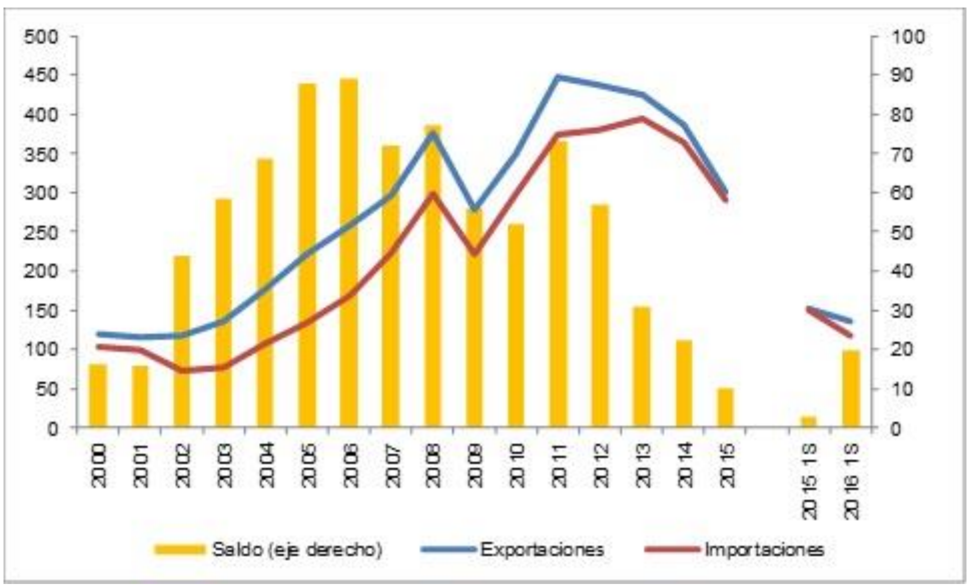
Prices of Exports of Goods from MERCOSUR Countries, 2010 Indexes=100



Source: Prepared in-house using data from INDEC, MDIC, BCP, BCU, and BCV

The combined effect of weak global demand and the cooling of the region's economy created a sort of perfect storm that weakened the bloc's trade flows both between members and to markets outside the region. There was a widespread contraction of exports and imports of goods in 2015, and although the downturn in exports was less marked in the first half of 2016, imports continued to plummet. This led to an improvement in the current account for the balance of payments, but the underlying dynamic was in keeping with the recessionary factors that pushed down trade and investment. The ongoing downturn in exports is part of a trend that stretches back to 2012, whereas imports began to weaken in 2014, putting pressure on the balance of payments and currency markets. Exports of services had stagnated since 2011 before dropping in 2015. The MERCOSUR's unfavorable macroeconomic circumstances meant that FDI flows were also meager.

Total MERCOSUR Trade.
In billions of US$.



Source: Prepared in-house using data from INDEC, MDIC, BCP, BCU, and BCV

A Sluggish Regional Agenda

Macroeconomic difficulties both inside and outside the bloc and the political turmoil within it were not fertile ground for developing the institutional integration agenda. Paraguay's pro-tempore presidency in the second half of 2015 began in a context of fierce trade-related tensions which

was handled via an initiative to identify trade barriers between MERCOSUR member countries. This conflict came at a time of particular sluggishness in negotiations and a lack of consensus around major unresolved regulatory matters that ranged from trade in services to government procurement. In late 2015, the change of administration in Argentina brought an end to some of the tension around the trade in goods within the bloc. Uruguay's pro-tempore presidency during the first half of 2016 was mainly characterized by a quest for flexibility in foreign relations. However, these new perspectives have not generated a strategic vision for the bloc, as much of its negotiating energy was taken up by another source of discord, namely Venezuela's status and its pro-tempore presidency in the second half of 2016, which was eventually covered by the founding members.

Core Areas of Bilateral Negotiation

The shortfalls in the institutional development of the MERCOSUR was partially offset by activities around negotiations and bilateral cooperation. In this sense, a four-year agreement on trade in the automotive sector between Argentina and Brazil was a major achievement in bilateral trade. Even though it is not at the core of the MERCOSUR agreement, the trade ties between the two countries are among the most important within the bloc. The timeframe for this agreement is longer than usual, which brings the sector a sense of stability. Similarly, progress in trade facilitation and coordination between the larger economies in the bloc have smoothed the road for trade between countries. Different cooperation initiatives around physical integration, energy, and air and land transportation are also strengthening ties between members.

The MERCOSUR and the World

The most noteworthy aspects of MERCOSUR institutional life during the period in question was an incipient shift in the bloc's orientation toward the rest of the world. After many years in which, for a range of reasons, the foreign agenda had been placed on the backburner, various such initiatives emerged in the first half of 2016. Indeed, the pro-temporary presidencies of Paraguay and Uruguay placed particular emphasis on the MERCOSUR's foreign agenda, which was well received by Argentina.

After long delays in negotiations, there was a new exchange of offers between the MERCOSUR and the European Union in May 2016. At the same time, there were small advances in the process of rapprochement with the Pacific Alliance, which were reinforced by bilateral negotiations, often around very specific technical issues. The potential for convergence between these two blocs

was enhanced by the growing uncertainty around global integration processes (the stagnation of the WTO Doha Round) and negotiations for so-called mega-agreements.

The outcome of the referendum on the United Kingdom leaving the European Union and possible shifts in the United States' global integration strategy following the change of administration there open up a range of possibilities around the future shape that MERCOSUR foreign relations will take. It is thus essential for the bloc to consolidate integration processes within Latin America and the Caribbean and to look at this agenda from a pragmatic, positive, and multifaceted perspective.

Renewed commitment to infrastructure integration

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On November 29, 2016, COSIPLAN delegates met via videoconference to decide on the 2017 Work Plan, which was presented and discussed during the meeting after being drafted by Argentina based on contributions from the countries that coordinate the different project areas and with the help of the COSIPLAN Technical Coordination Committee (CCT). Argentina will hold the pro-tempore presidency of COSIPLAN for a year starting in April 2017.

The COSIPLAN annual work plans are based on the Strategic Action Plan 2012–2022 (PAE), which was designed and approved in 2011 to orient the body's initiatives towards integrating the regional infrastructure of UNASUR member countries.

AREA	COORDINATING COUNTRY
COSIPLAN WEBSITE	ARGENTINA
GEOGRAPHIC INFORMATION SYSTEM (GIS)	ARGENTINA
TELECOMMUNICATIONS	PARAGUAY
DISASTER RISK MANAGEMENT	CHILE
FREIGHT TRANSPORTATION AND LOGISTICS	PERU
RAIL INTEGRATION	URUGUAY
PORTS AND WATERWAYS	BRAZIL
AIR INTEGRATION	BRAZIL
PLANNING FOR BORDER INTEGRATION AND DEVELOPMENT	ARGENTINA AND CHILE
TRADE INTEGRATION THROUGH POSTAL SERVICES	BRAZIL AND PERU
FINANCING MECHANISMS AND GUARANTEES	BRAZIL

The following section outlines the main activities planned for 2017.

Mid-Term Review of the PAE

COSIPLAN defined the PAE for 2012–2022, in compliance with the Declaration of the Presidents of South America at the 5th Ordinary Meeting of the Council of Heads of State and Government of the UNASUR.

The founding document for the PAE is the Founding Treaty of the UNASUR and the COSIPLAN Statute and Regulations. COSIPLAN aims to implement methodologies and tools to carry out and conclude the projects that make up its portfolio; include mechanisms for social engagement; focus on financing projects with high socio-economic impact in the region; perfect follow-up and assessment tools; and move toward making regulatory and institutional frameworks compatible with one another.

The plan is the result of a process of discussion and consensus reached by COSIPLAN members during 2011. It was approved by the ministers present at the 2nd COSIPLAN Ordinary Meeting (Brasilia, November 2011) and ratified by the member country presidents at the 6th Meeting of the Council of Heads of State and Government of the UNASUR (Lima, November 2012).

When the UNASUR member countries defined the PAE, they included a mid-term review five years after its entry into force, bearing in mind the evolution of the integration process. **In 2017, the aim is to evaluate progress on the COSIPLAN objectives, taking into account the initiatives that have been implemented to achieve each one.** The review will also analyze the projects that have been completed and compliance with scheduling. Based on this diagnostic work and a process of participative dialogue, the necessary adjustments will be made for the remainder of the 10-year plan.

Mid-Term Review of the API

In 2010, the UNASUR presidents entrusted COSIPLAN with the task of identifying and selecting a set of high-impact works for the integration and development of South America. The outcome of this is the Integration Priority Project Agenda (API). The API's objective is to "promote regional connectivity through the construction of physical integration infrastructure, based on the criteria for sustainable social and economic development while protecting the environment and ecosystem balance."

This agenda is made up of structured projects. These projects include one or more smaller projects from the COSIPLAN Project Portfolio, which the API refers to as "individual projects." Structured projects consolidate networks for physical connectivity with regional scope and are distributed throughout the different Integration and Development Hubs.

Like the PAE, the API was approved in 2012 by the presidents of South America. The API is reviewed and updated annually by the countries of South America and is one of COSIPLAN's main initiatives toward integrating the region's infrastructure.

A review process will be carried out in 2017 to assess progress on API projects and whether the priority level assigned to them remains valid. To do so, the countries will work together to analyze the 31 structured projects that make up the API and update them where necessary to ensure the different initiatives are implemented.

Network of Experts on Freight Transportation and Logistics

The crosscutting nature of the logistics sector demands that policymakers take a multisectoral and multidisciplinary approach. The organizations that take part in COSIPLAN include government bodies working on transportation, infrastructure, and planning, and other stakeholders in the areas of trade, production, and customs at both the national and subnational levels. It has also become essential to involve the private sector due to its role as a logistics operator and source of freight.

The objective of COSIPLAN's Network of Freight Logistics Experts (REXLOG) is to continually advise the council on its decisions and the shapingCOSIPLAN of public policies, plans, projects, and regional initiatives so as to promote the development of national and regional logistics systems.

Work will begin in the first quarter of 2017 using a flexible work scheme that will enable all countries to be actively involved, including the government officials who were trained via the COSIPLAN online course with support from the IDB.The aim of this approach is to expand the range of institutions that are involved, facilitate exchanges of experience and best practices, and create a suitable environment for promoting shared solutions.

The technological tool that will be used to provide support for this dialogue and exchange of information among participants is the Communities of Practice platform run by the IDB's Integration and Trade Sector. It was also decided that the entire network would meet in person once a year to review their progress and put forward new issues.

The network will operate on the basis of working subgroups that focus on specific topics. The following three topics have been identified for the first stage:

- strategic logistics chains
- data collection methodologies and observatories
- the harmonization and unification of concepts.

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

There is an implementation plan for this PTI that is made up of a subset of plans, programs, and projects that Chile and Argentina have identified as complimenting the benefits the construction

of the tunnel will bring. It will be implemented during the construction of the tunnel, which is estimated will take 10 years. The implementation plan is made up of 100 actions and activities (AAs):

31 Intrinsic AAs: these are new actions or activities that were identified as being relevant and complementary to the tunnel project during the process of drafting the PTI.

69 Concurrent Planning AAs: these are actions or activities that are already part of government plans or programs and which were identified as being relevant or complementary to the tunnel during the process of drafting the PTI. Their inclusion in the PTI raises their value.

These actions and activities are organized into Strategic Hubs and Crosscutting Factors, which allow the territorial dynamic of the PTI Action Area to be explained and described, taking the implementation of the tunnel into account.

Over the course of 2016, the countries carried out collaborative work to consolidate the scope of the implementation plan and establish who is responsible for gathering information, managing, and following up on each of these AAs. They also discussed new initiatives presented by the countries to be included in the implementation plan.

In 2017, regular online meetings will be held to follow up on the implementation of the AAs in each area. This will constitute a dynamic way for those responsible for Intrinsic Binational Actions to work together to guarantee that these are effectively developed over the next few years. To support the process of implementing these different initiatives, the information available for each will be systematized to facilitate monitoring and follow-up.

Planning for Border Integration and Development

Borders have been a focus of IIRSA’s work since its beginnings and currently form part of COSIPLAN’s mandate. The objective is to convert border regions into spaces for integration and development, facilitating the movement of goods and people and planning land-use taking economic, social, and environmental issues into account.

As a result of the work that has already been undertaken, it was agreed that an **online platform containing basic information on each border area** would be established by 2017, including the data collected through the surveys on border integration that were completed in 2016. This information will be uploaded and updated by each country so as to put forward integration and development plans for the border areas.

Those involved also pointed out the importance of designing a **mobile app with information on cross-border traffic and necessary documentation to facilitate cross-border controls and traffic** for different sorts of users (private individuals, freight transportation, and passenger transportation).

After many years work on this issue, the countries involved acknowledged how challenging it is to get all institutions involved in border matters actively and continually involved. For this reason, they agreed to set up a **Network of Border Leaders** to help develop and comply with these initiatives.

Calendar of Activities for 2017

To optimize time, resources, and use the new technologies available, many of the planned meetings will be held online. The following section includes a preliminary calendar of COSIPLAN activities for 2017.

DATE	PLACE	ACTIVITY
March 8	Videoconference	Special PTP 2011–2017 meeting on the PAE review
March 14	Videoconference	GIS WG
March 16	Videoconference	GTE on Freight Transportation and Logistics
March 21 and 22	San Juan, Argentina	Agua Negra Binational Tunnel PTI
March 28	Videoconference	API Project 3: Northeastern Access to the Amazon River Project
March 30	Videoconference	API Project 17: Improvement of Navigation Conditions on the Rivers of the Plata Basin
April 18	Buenos Aires, Argentina	30th Meeting of the IIRSA Technical Forum
April 19 (morning)	Buenos Aires, Argentina	Mid-Term Review of the API
April 19 (afternoon)	Buenos Aires, Argentina	Mid-Term Review of the API
April 19 and 20	Buenos Aires, Argentina	15th Meeting of COSIPLAN Coordinating Committee
April 26	Videoconference	Agua Negra Binational Tunnel PTI
May 3	Videoconference	Multimodal Transportation in the Laguna Merín and Lagoa dos Patos System PTI
May 9	Videoconference	GTE on the Updating of the Project Portfolio and API: Amazon Hub
May 16	Videoconference	GTE on the Updating of the Project Portfolio and API: Central Interoceanic Hub and Peru-Brazil-Bolivia Hub

May 17 and 18	Buenos Aires, Argentina	GIS WG
May 23	Videoconference	GTE on the Updating of the Project Portfolio and API: MERCOSUR–Chile Hub
May 30	Videoconference	GTE on the Updating of the Project Portfolio and API: Paraguay–Paraná Waterway Hub
June 6	Videoconference	GTE on the Updating of the Project Portfolio and API: Capricorn Hub and Southern Hub
June 13	Videoconference	GTE on the Updating of the Project Portfolio and API: Andean Hub
June 15	Videoconference	GTE on the Updating of the Project Portfolio and API: Guianese Shield Hub
June 22	Georgetown, Guyana	GTE on Air Transport Integration
June 27	Videoconference	Agua Negra Binational Tunnel PTI
July 5	Videoconference	Multimodal Transportation in the Laguna Merín and Lagoa dos Patos System PTI
July 11	Montevideo, Uruguay	Mid-Term Review of the API
July 12	Montevideo, Uruguay	Mid-Term Review of the API
July 13	Montevideo, Uruguay	Rail Integration WG
August 9 and 10	La Serena, Chile	Agua Negra Binational Tunnel PTI
August 23	Buenos Aires, Argentina	GIS WG
August 24	Buenos Aires, Argentina	GTE on Border Integration Planning
September 12 and 13	Lima, Peru	GTE on Freight Transportation and Logistics
October 18 and 19	Rio de Janeiro, Brazil	GTE on Trade Integration through Postal Services
December 5	Buenos Aires, Argentina	31st Meeting of the IIRSA Technical Forum

December 6	Buenos Aires, Argentina	16th Meeting of COSIPLAN Coordinating Committee
December 7	Buenos Aires, Argentina	8th Ordinary Meeting of COSIPLAN Ministers

Innovation and the new production paradigm

- Inspiring Activities
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How is Latin America preparing for global changes in society and institutions? Can science, technology, and innovation (STI) policies really bring about structural changes in Latin America? Are we prepared for the challenges posed by technological changes in the world of work? How will this affect education in our region?

The Interdisciplinary Center for Studies on Science, Technology, and Innovation (CIECTI) organized an international seminar titled “STI as the Core of New Production Paradigms: Current Challenges for Development in the Knowledge Society,” which took place on November 29 and 30, 2016, in the Cultural Center for Science at the City of Buenos Aires’s Science and Technology Hub.

The event was opened by **Lino Barañao**, Argentina’s minister of science, technology, and productive innovation, and **Gustavo Lugones**, president of the executive committee of CIECTI.

Mr. Barañao said that it was time to talk about what Argentina was going to do in the globalized economy of the future. He said that the country needed to offer innovative alternatives, sell its skills, and move toward knowledge-based integration. He stressed that what currently defines the wealth of nations has shifted toward the sustainable use of the environment and knowledge. In this sense, he said that Argentina has significant competitive advantages because it has irreplaceable assets that other countries do not have, such as ample sunlight, fertile land, drinking water, and, fundamentally, human resources.

He also said that all the investment the country has made in science, technology, innovation, and human resources in recent years has meant that Argentina’s academic supply far outstrips local enterprise’s capacity to absorb this. He thus argued that the country needs to seek more foreign investment and take advantage of the eagerness around innovative projects and human capital.

Mr. Lugones said that CIECTI’s mission is to contribute to the design, implementation, and evaluation of STI policies through interdisciplinary research and institutional and professional capacity-building. He called on those present to play an active part in the two-day seminar.

The Reconfiguration of Global Society and Institutions and Challenges for Development

The first panel at the event was moderated by **Alberto Quevedo**, director of the Latin American School of Social Sciences (FLACSO), and included **Boike Rehbein**, professor of society and

transformation in Asia and Africa at Humboldt University, Berlin, and **Fernando Calderón**, coordinator of the Innovation, Development, and Multiculturalism Program at the National University of San Martín (UNSAM).

Mr. Rehbein presented the relationship between social structure and the division of labor with a focus on the social composition of Germany. He also discussed Brazil, Laos, and Vietnam. The results of his research reveal that the capitalist transformation of society has led to very low rates of social mobility (changes in social class) in all these regions, but especially in Germany. He also underlined the huge global concentration of capital, particularly in the northern hemisphere (United States and Europe): just 0.05% of the global population possesses 35% of global wealth. He also pointed out that the dominant class in each country has connections to the state to preserve its position and leverage its domestic power. Mr. Rehbein concluded by saying that if the least developed countries are to develop, there needs to be a global political framework that works against the dominant classes in dominant states.

Globalization is a field of power and conflict, argued Mr. Calderón, and we live in a cycle of accumulation in which information is organized into networks. He argued that financial capitalism sparked the global crisis that is also affecting the political sphere and even calling democracy itself into question in some places. He stressed that science and technology are in a state of constant growth and that labor is becoming more specialized and differentiated. The challenges to Latin American development that he outlined include the need for a transformation of production patterns to improve equality and the need to rethink development to contemplate care for the environment.

STI and Structural Change in Latin America

The moderator for the second panel was **Fernando Porta**, director of the PhD program in economic development at the University of Quilmes. In this part of the event, high-profile academics specializing in the industrial sector debated Latin American development models and technology policies.

The first presentation was from **Gabriel Palma**, emeritus senior lecturer at the Faculty of Economics at Cambridge University and professor of economics at the University of Santiago. He focused on the productivity gap as the main indicator of economic and technological development. He compared the meager advances in productivity in Latin America with the rapid growth of Asian countries. Although in recent decades Latin American economies did grow at Asian rates at certain points, they were unable to sustain this over time. Therein lies the challenge that lies

ahead for the region, which needs to change cycle, shift gears, and re-engineer its economy to focus on industrialization.

Mr. Palma stressed that manufacturing is a good driver for development and generates a carryover effect on other sectors, such as services. He also referred to the middle-income trap that the region is stuck in: “we are under the misguided impression that by doing the same thing, but doing it better, we are going to climb up the income ladder.” He underlined that unlike any other region, Latin America has the capacity to create employment on par with GDP growth, however, most of this job creation is within service sectors, which have low long-term productivity rates.

He concluded by criticizing the historically low levels of private investment and argued that the state needs to play a more active role as a regulator. As an example of this, he said that in Latin America only 10% of what the richest 10% take away is returned in the form of investment in production, which is extremely low in international terms.

The next speaker, **Jorge Katz**, professor at the University of Chile, described two distinct phases in Latin American development. During the first stage, growth is internal, while during the second, it is guided by the market and thus is characterized by a process of deindustrialization when the industrial model wears out, which has led to the current return to a model based on comparative natural advantages. He argued that the lack of long-term industrial policies and the commoditization of the productive structure have been constants in Latin American history.

Mr. Katz pointed out that although natural resources open up a window of opportunity, the region needs to rethink its productive structure in terms of the new global demand for technological knowledge which is rooted in science-based industry.

Mariano Laplane, president of Brazil’s Center for Strategic Studies and Management Science (CGEE) closed the panel with his analysis of the recent development of Brazilian industry. He argued that although the share of manufactures in Brazil’s GDP went down between 2002 and 2012, there was significant absolute growth in manufacturing exports, which went from US$33 billion in 2002 to US$90.7 billion in 2012.

Despite this process of de-industrialization, around 3 million jobs were created in Brazil over that decade, and in 2014 the country was the fifth-largest industrial employer in the world. However, this did not lead to changes in the productive structure despite increased spending on research and development.

Mr. Laplane finished his presentation by arguing that Latin America needs to launch a re-industrialization strategy: “if we want to have more powerful and legitimate policies, we need to

think up STI strategies that are not about benefiting industry or scientists, but are instead about health, education, and improving people's quality of life."

The Future of Work and Technological Change: An Ongoing Debate

Miguel Lengyel, a researcher at FLACSO and the director of interinstitutional projects at CIECTI, moderated the third panel, which included **Fabio Bertranou**, director of the ILO's Subregional Office for the Southern Cone of Latin America; **Andrei Vazhnov**, academic director at the Baikal Institute; and **Laura Converso** and **Tomás Castagnino**, from Accenture Argentina.

Mr. Bertranou presented the Future of Work Initiative as part of the ILO's 2019 centenary activities and analyzed the current state of affairs in Latin America given the context of constant change that new technologies imply. He underlined that labor is not a commodity—instead, it is important because it is a mechanism for social inclusion and cohesion.

He argued that economies are not generating the quantity or quality of jobs they need to and stressed the importance of analyzing the impact of technological processes and digitalization on the organization of labor and production. He asked three questions about these processes: i) will more or fewer jobs be created than are lost because of these changes? ii) how will the quality and characteristics of the jobs that are destroyed balance out with those of the jobs that are created? and iii) what policy answers are needed to regulate work, training, and social protection?

He pointed out that the fragmentation of production is key to understanding today's processes. He referred to new ways of organizing production, including outsourcing and offshoring, through which labor-intensive tasks have been relocated to emerging economies while products are designed in advanced economies.

He drew attention to the growth in atypical or nonstandard forms of employment such as temporary work, part-time work, work through agencies, subcontracting, freelancing, and ambiguous labor relations. Mr. Bertranou argued that these new forms of employment are transforming traditional labor relations and creating changes in the ways that companies organize and manage their assets and resources (for example, companies that work with online platforms are outsourcing services) while affecting social protection, education, and pension systems.

He said that one of the risks that digitalization poses to labor conditions is that the friendly, flexible, "anytime, anywhere" model can easily become an "always, everywhere" type trap, which leads to negative effects on psychosocial health. Digitalization, globalization, and the development of global supply chains with limited social upgrading have further polarized labor and income.

Mr. Bertranou ended his presentation by focusing on the need to rethink the provision of skills, shifting "from elementary to comprehensive e-skills" and developing factors that will allow people to be successful in the age of information.

Andrei Vazhnov argued that the most important technologies are the ones that fade into people's daily lives. He claimed that the future is already upon us, but it is not fairly distributed. He said that the link between the Internet of Things and industrial activity will change not only the way that products are made, maintained, and sold, but will also affect the very nature of industry itself. The need for smart, online behavior to be included in all machinery and production processes will generate new competitive dynamics and oblige industrial companies to develop new knowledge in areas such as software and big data. He mentioned the online economy, citing Uber and Airbnb as two companies that have turned their respective industries on their head by eliminating spatial restrictions and cutting down on the delay between supply and demand.

Ms. Converso and Mr. Castagnino agreed with Mr. Vazhnov that "the future is here; it has already arrived." Their presentation revolved around the challenges and opportunities of artificial intelligence, which they hope will strengthen and help our societies. This new paradigm will require interpersonal skills, creativity, and teamwork with both people and machines.

They drew attention to how over the last 30 years, highly cognitive, nonroutine jobs are the only segment that has continued to grow rapidly. Firms at the technological frontier become more productive than the rest, particularly service providers and top performers. The most productive manufacturing firms increased their labor productivity by an average annual 3.5% between 2001 and 2009, while the remainder only did so by 0.5%.

Ms. Converso and Mr. Castagnino argued that in the digital age, physical assets are becoming less important and the highest earning firms are those with intangible assets: innovation, design, algorithms, and creativity. The digital economy provides an opportunity to strengthen human labor through automation, digital innovation, and the transformation of the labor environment.

It is estimated that spending on cognitive systems (artificial intelligence) in Latin America will have increased sevenfold by 2020, reaching US$358 million. The best-positioned workers are those whose educations, specializations, and experience complement the use of new technologies. During their closing words, they argued that the digital era is an opportunity although cultural changes will be needed to foster the more active involvement of all players in the economy.

The Internet of Things and Challenges for Education

Inés Dussel, researcher at the Department of Educational Research at the Center for Research and Advanced Studies at the National Polytechnic Institute of Mexico (CINVESTAV-IPN), gave

the first presentation of the final part of the program. She reflected on the latest technological advances in education and shared her concerns over the optimism around certain technologies. In connection with this, she argued that some perspectives on learning are reductionist.

She said that low levels of education and a lack of interest among students are two of the main problems that education is up against, and mentioned two technologies that may provide solutions to this: Clicker (a personal response system that is marketed as an effective tool to solve educational problems) and Q-sensor (which measures students' emotional involvement with teachers' educational strategies). However, she stressed that creativity should be at the core of educational development. She said that in Argentina over 65% of teachers have taken part in training courses on the use of technological devices in education. She also drew attention to some of the mass technology distribution programs that have been carried out in the region (Conectar Igualdad, Plan CEIBAL, and so on).

One of her final comments was that "classrooms are shrinking and expanding." They are shrinking because class time is being spent on things that have little to do with traditional education and there are more distractions, such as cell phones; but they are expanding because technologies, social networks, and the Internet are contributing to learning outside the school environment.

The next speaker was Columbia University professor **Nathan Holbert**, who presented the results of his research on the democratization of computer literacy, which he defined as the use of computers as a tool to understand and communicate with the world. He described New York State's CS4All initiative, an innovative computer science education program that provides equality, empowerment, and opportunities that maximize each student's innate potential to transform their community, their country, and the world. The program has a budget of US$81 million and has trained 4,775 public school teachers.

The final speaker was **Ángeles Soletic**, the director of Argentina's Center for Innovation in Technology and Education (CITEP), who asked how the digital world is changing the ways we teach and learn. The ways in which knowledge circulates through society have changed, and thus so must the way we teach. Ms. Soletic argued for the need to hybridize the knowledge acquired at universities.

She discussed three trends in new technologies that are beginning to affect university education: digital manufacturing, virtual reality, and the Internet of Things. She finished by pointing out the challenges that these technologies are posing and the need to transform learning accordingly: classrooms need to be connected with what is happening outside of them and they need to incorporate technology and tackle the risks that this may represent.

The closing words came from **Pablo Angelelli**, lead specialist at the Inter-American Development Bank's Competitiveness, Technology, and Innovation Division in Santiago de Chile, who argued that we need to increase the efficiency of public STI initiatives by creatively combining subsidies and loans with innovative public procurement policies, and **Ruth Ladenheim**, managing director of CIECTI, whose thanked those present for all their hard work in putting the seminar program together.

Integration Ideas

Regional exports and the downshift in global trade

- Integration Ideas
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On November 17, 2016, INTAL-Lab hosted the presentation of the Trade and Integration Monitor 2016, an annual report drafted by the team at INTrade, the IDB's information system on trade and integration. INTAL director **Gustavo Beliz** opened the event and other speakers included **Paolo Giordano**, principal economist at the IDB's Integration and Trade Sector, and **Alejandro Ramos Martínez**, INTAL's senior economist. The event closed with a conversation between two regional experts, **Gustavo Bittencourt**, a researcher and lecturer at the University of the Republic of Uruguay, and **Andrés López**, director of the Economics Department at the University of Buenos Aires, Argentina.

1. **Latin America and the Caribbean Vis-À-Vis the New Normal for Global Trade**

The Trade and Integration Monitor 2016 is made up of five chapters that analyze global trade trends, Latin American exports, exchange rate dynamics, and the evolution of the region's export performance, using indicators at constant prices which were estimated as a series that spans 1995 to 2015.

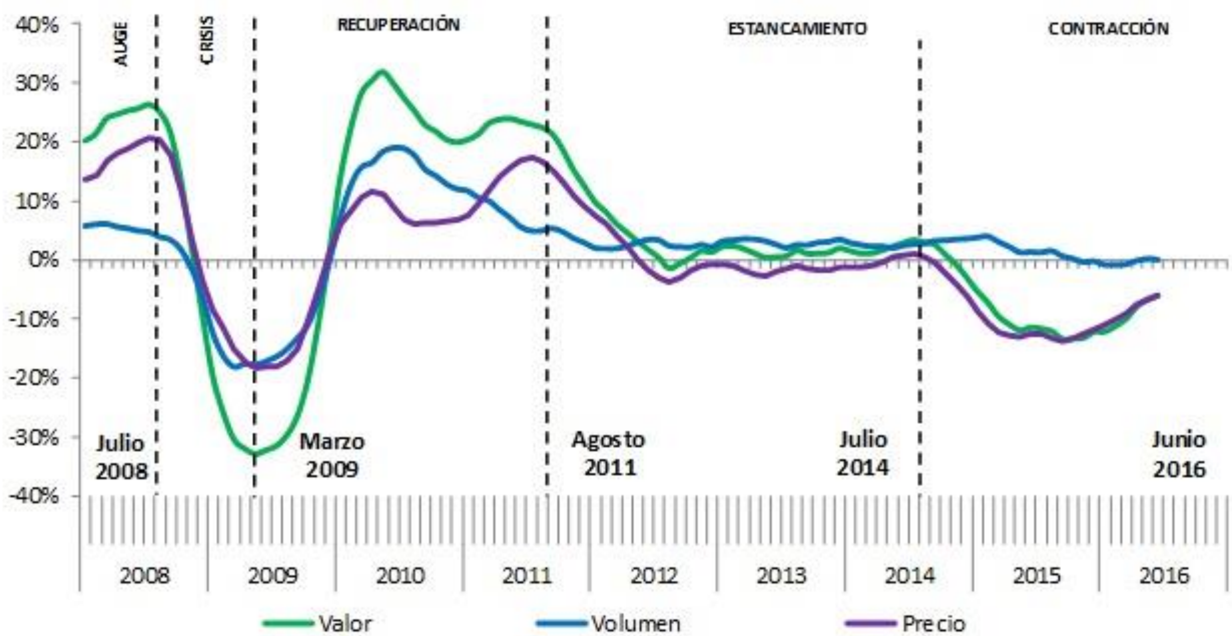
The Slowdown in Global Trade

The study shows that, from mid-2014 onward, global trade came out of a three-year stagnation and into a contraction period that reached its lowest point in 2015. The main factor behind this downturn was the intensification of existing deflationary pressure, which particularly impacted the prices of commodities and commodity derivatives. The report explains how part of this trend originated in the dollar's steady tendency to appreciate following the financial crisis, which in 2015 was bolstered by the specific behavior of some markets, including petroleum. It also points out that the tempering of these deflationary trends in 2016 was not accompanied by a recovery in export volumes due to weakened demand, especially from developing countries such as China. These factors combined to prevent there from being a strong reversal of the negative outlook in 2016.

The postcrisis slowdown in global trade—“the new normal”—has been analyzed by a range of institutional and academic researchers. In addition to the global overview included in chapter 1, the *Trade and Integration Monitor* looks specifically at this situation in Latin America in chapter 4.

TRENDS IN GLOBAL TRADE IN GOODS: EVOLUTION OF VALUES, PRICES, AND VOLUMES

(Quarterly moving average of the year-on-year growth rate, percentage, July 2008–June 2016)



Source: IDB Integration and Trade Sector with data from the Netherlands Bureau of Economic Policy Analysis (CPB) and own calculations.

Note: The value of global trade is calculated as the average of global imports and exports, excluding trade flows between Eurozone countries. The value of LA exports is based on the authors’ own calculations.

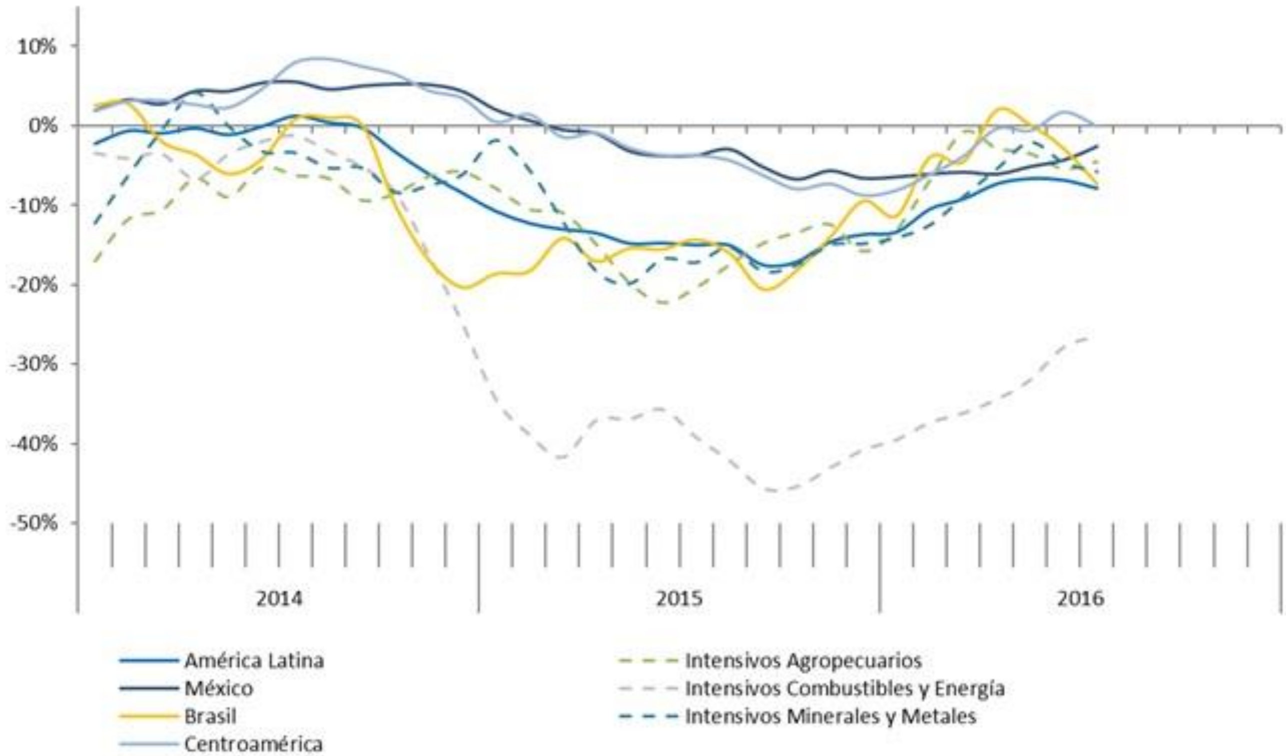
The Impact on Regional Exports

The study shows how fragile global trade’s state of health has been since mid-2014. This has had strong repercussions on foreign sales in the region: Latin America’s exports of goods shrunk at annualized rates of 15.0% in 2015 and 8.5% in the first seven months of 2016. This is unsurprising, given how large the share of commodities is within many Latin American countries’ export baskets. As mentioned above, commodity prices have been on a strong downward trend. In addition to this factor, which derives from the behavior of global economic variables, the

publication points to a second factor behind the slump in exports: many countries in the region are going through difficult macroeconomic times. In fact, the regional average reveals this to be the most severe recession in recent decades. The publication underlines that exports of services, which in previous years had made up for the slump in goods exports, also came down in 2015 (2.4%) for the first time since the 2009 financial crisis.

TRENDS IN THE VALUE OF LATIN AMERICAN GOODS EXPORTS, BY COUNTRY GROUP

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



Source: IDB Integration and Trade Sector with data from INTrade/DataINTAL and official sources.

The Realignment of Exchange Rates

One of the main effects of the negative performance of global trade and exports has been significant depreciations in the currencies of most countries in the region. However, rising price levels have also implied that real depreciations have been lower than nominal ones, thus mitigating the potential positive effect depreciations could have on foreign sales. The exchange rate dynamic has had very different effects on each country depending on who their main trading partners are. In countries whose main commercial tie is with Brazil, the notable drop in the

international value of the real has more than compensated for the depreciation of local currencies. This is an obstacle to Latin American countries diversifying their exports through the intraregional channel. The most significant real depreciations have been observed in comparison with the currencies of extraregional partners—one notable example is the Mexican peso against the dollar.

REAL BILATERAL EXCHANGE RATES OF SELECTED COUNTRIES WITH THEIR MAIN TRADING PARTNERS

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

Source: IDB Integration and Trade Sector with data from INTrade/DataINTAL, IMF, and official sources.

Notes: For each pair of countries, the exchange rate corresponds to the currency of the first relative to that of the second. The bars indicate the rate of variation of the exchange rate between July 2014 (diamond) and May 2016 (circle). A positive/negative rate indicates real depreciation/appreciation.

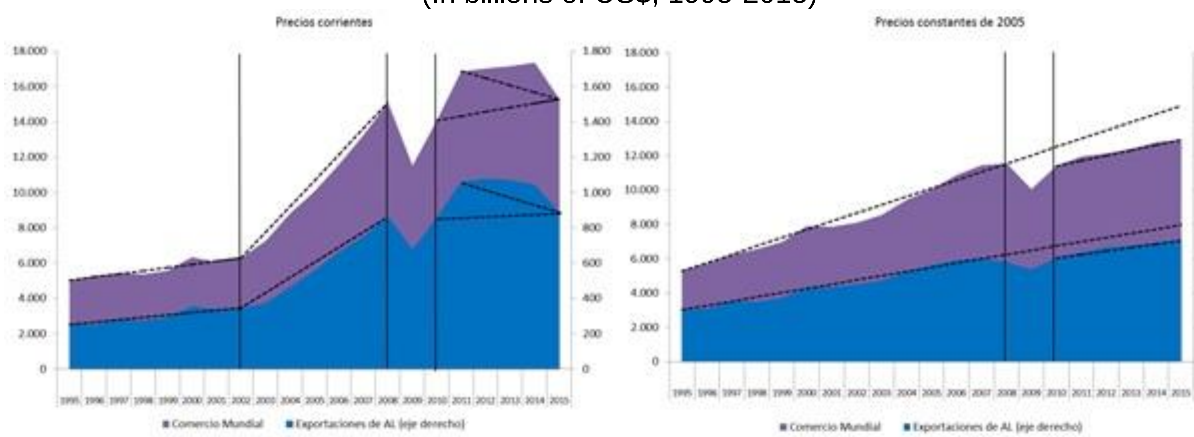
Specific econometric analysis reveals that depreciations in the region's exchange rates could stimulate exports, especially of manufactures, including those originating in agricultural and mining products. However, the study also stressed that a volatile exchange rate posed a risk to countries wanting to set out on a stable path to export diversification.

Long-Term Export Performance

The report's estimation of global trade and global exports at constant prices over the last two decades has revealed several significant facts. First, the effect of price fluctuations on the region's external sales has been greater than the global average, which was to be anticipated, given the behavior of commodity prices. Second, both variables measured at constant prices follow trajectories that are essentially linear, although in the case of global trade, there was a break in this trajectory following the 2008–2009 financial crisis. When measured using this indicator, global trade can be seen to have experienced a major downturn in the postcrisis period. The trajectory for Latin American exports has also been lower since this interruption, although their rate of growth, which was already lower than that of global trade before the crisis, has not changed substantially.

GLOBAL TRADE AND LATIN AMERICAN EXPORTS

(In billions of US$, 1995-2015)



Source: IDB Integration and Trade Sector with data from INTrade/DataINTAL, the Database for the Analysis of International Trade (BACI) at the Center for the Study of Prospective and International Information (CEPII), the US Bureau of Labor Statistics (BLS), COMTRADE, the CPB, and the United Nations Conference on Trade and Development (UNCTAD).

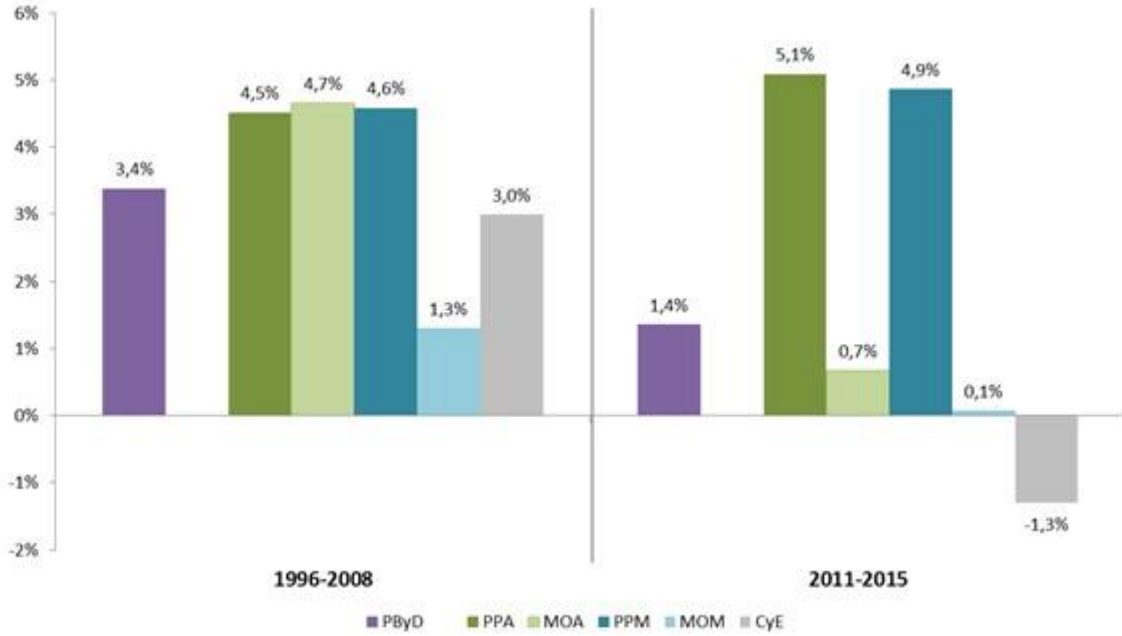
Note: Global trade is defined as imports and includes the flows between Eurozone countries.

Third, much of the region's export dynamism originated in the growth in manufactures of industrial origin, a phenomenon that was largely concentrated in the foreign sales of Mexico and Central America, which saw rates of change that were close to the global average before the financial crisis and higher after it. Likewise, the growth in real exports of commodities and derivatives has

remained below the global average, causing a shift in the composition of export baskets of these products toward less processed products.

LATIN AMERICAN EXPORTS OF COMMODITIES AND COMMODITY DERIVATIVES BY CATEGORY

(Average annual growth rate, percentage, constant 2005 prices, 1995–2015)



Source: IDB Integration and Trade Sector with data from INTrade/DataINTAL, BACI, BLS, COMTRADE, CPB, and UNCTAD.

Notes: AP: Agricultural Primary Products; MP: Mineral Primary Products; AM: Agricultural Manufactures; MM: Mineral Manufactures; IM: Industrial Manufactures; and F&E: Fuels and Energy. The growth rate for MMs in 2011–2015 excludes trade in gold. The reference years for the growth rates are 1995 and 2010.

Fourth, comparing real export flows with global trade flows reveals that the share of the region's exports in the global total has stagnated. In 1995, Latin America represented 5.7% of total trade, while in 2015 this share had dropped to 5.4%. However, if Mexico is left out of this calculation, the region's share of the global market dropped from 4% to 2.9% over the 10-year period mentioned above.

This part of the study concludes by pointing out that the end of the commodity price supercycle revealed different aspects of vulnerability in Latin America's commercial performance that went unnoticed during the boom years. It goes on to infer the importance of pursuing the diversification

agenda, particularly in those economies with a sizeable share of commodities in their export baskets.

2. **Discussion**

During the closing discussion of the event, both panelists focused mainly on the results included in the last chapter of the *2016 Trade and Integration Monitor.* **Gustavo Bittencourt** underlined the methodological contribution this study has made to the field by compiling information on international trade over the last 20 years at constant prices. He explained that the research enables us to better understand some of the factors that have shaped the current international outlook, especially the reduced dynamism in commodity markets. Mr. Bittencourt also expressed his interest in how the indicators included in the study shed light on how important the effect of export boom prices was before the crisis, from a long-term perspective, particularly for South American economies. He also said that breaking down real global demand for commodities by origin was particularly revealing as it demonstrated that the positive effect of China's entry into the market as an importer was more than offset by the slump in demand from other major importers. The final outcome implied significant losses in these categories within total global trade. Mr. Bittencourt underlined the need for a new international integration policy that is connected to a comprehensive development agenda that contemplates the transformation of production patterns, human resources, and certain types of infrastructure.

Andrés López pointed to the need to complement this research with indicators obtained using the global value chains methodology. He argued that the increased dynamism in flows of manufactures of industrial origin could be largely due to spatial decomposition schemes within production, which lead to a sort of "double counting" of flows of this type of product. The decline of such processes in recent years seems to at least partly explain the deceleration in global trade shown by the indicators used in the publication. Mr. López also warned that progress toward more automated technologies could cause further reductions in trade dynamism, causing a return to activities that had been displaced in developing countries by value chains schemes. He concluded by arguing the need for a strategic discussion to relaunch regional integration in the context of the new conditions for global trade.

Inspiring Activities

Collective intelligence on integration and trade

- Inspiring Activities
- n244

2016 Review

- Inspiring Activities
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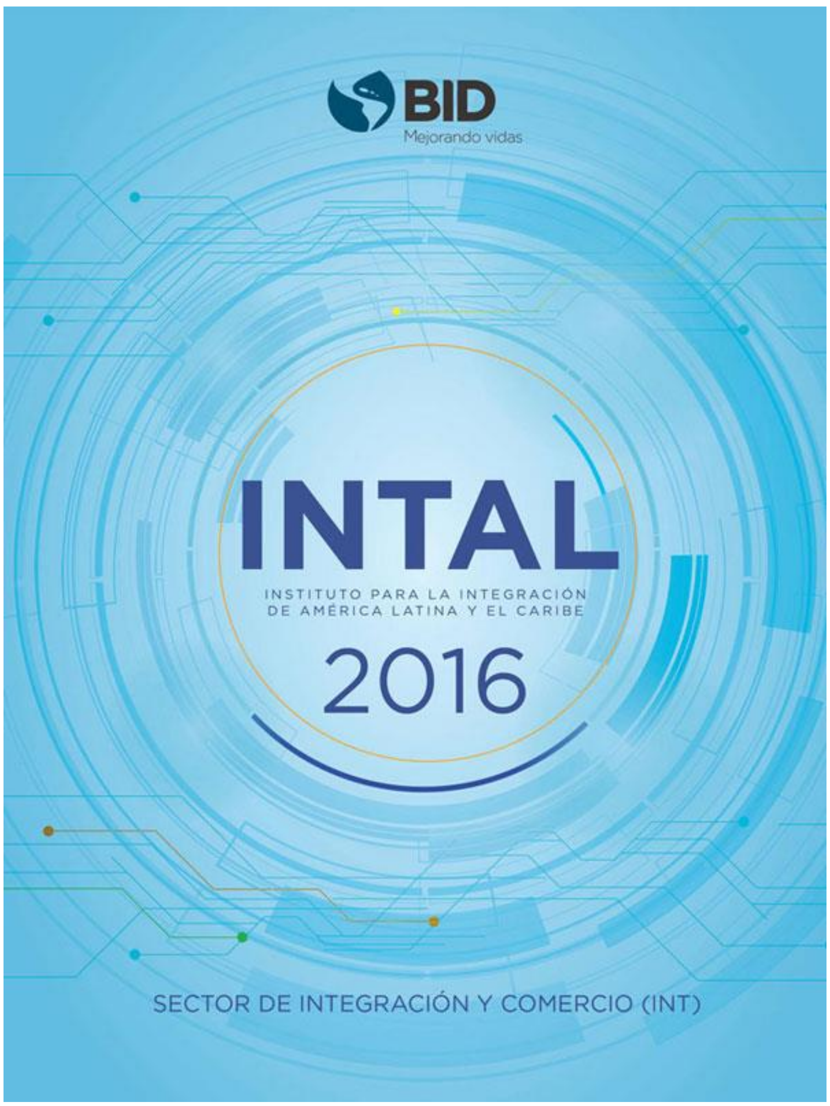
2016 Review

Brochure INTAL 2016



Downshifting

Trade and Integration Monitor 2016

Interview – Paolo Giordano

Interview – Andrés López

Interview – Gustavo Bittencourt

Connecting Voices

The fracture

PRESENTATION – BOOK ¨LA FRACTURA¨

Interview – Héctor Salazar Sánchez
Interview – Luis Bértola
Interview – Gabriel Kessler

Streamlining the single window system

- America
- Integration in Motion
- n244
- Regional Panorama

The **Pacific Alliance** is making headway on streamlining and facilitating **trade** between its member countries through the interoperability of the **single window for foreign trade (VUCE)** system.

Mexico’s Ministry of the Economy made public (link in Spanish) a **Free Trade** Committee decision which included four initiatives related to the electronic exchange of information on foreign trade:

The four initiatives that the four countries decided to adopt to strengthen integration are:

1. Recognizing the validity of electronically signed documents that may be exchanged between each country’s different **VUCEs** through an interoperability platform.
2. Recognizing the validity of electronic signatures on documents that are transmitted between **VUCEs** through the interoperability platform.
3. Guaranteeing that the electronic signatures used on electronic documents that are transmitted through the **VUCE** interoperability platform reflect the identity of the signatory and that the documents are authentic and complete.
4. Guaranteeing the confidentiality of information transmitted through the **VUCE** interoperability platform, as established in the legislation.

Unasur to create a dispute settlement center

- America
- Integration in Motion
- n244
- Regional Panorama

Experts from the **Union of South American Nations (UNASUR)** are drafting (link in Spanish) the founding treaty for the bloc's Investment Dispute Settlement Center.

Thus far, diplomatic representatives have made progress on areas such as the appellate procedure.

The initiative arose following certain countries' dissatisfaction with the outcomes of bilateral and transnational litigation processes under the umbrella of the various bilateral investment treaties (BITs).

Present at the meeting were experts from Argentina, Brazil, Peru, Venezuela, Uruguay, Bolivia, Chile, and Ecuador, who discussed topics such as the recognition and implementation of arbitration rulings.

Caribbean states consolidate their bilateral ties

- Caribbean
- Integration in Motion
- n244
- Regional Panorama

The secretary general of the Association of Caribbean States (ACS), June Soomer, made an official visit to Cuba, during which it was agreed that the 12th Ordinary Meeting of the ACS Ministerial Council would be held in Havana in March 2017.

As was covered in INTAL Connection no. 238, over the course of 2016, regional bodies have met to assess and expand **economic relations and cooperation initiatives.**

Cooperation-related ties have existed between the countries in the region for over four decades in areas such as health, education, the training of human resources, and energy.

Honduras and guatemala integrate customs facilities

- Central America and Mexico
- Integration in Motion
- n244
- Regional Panorama

The ministers of the economy of Guatemala and Honduras, Rubén Morales and Arnaldo Castillo, took part in the 13th Customs Union Round and made progress on creating **Integrated Customs Facilities (link in Spanish)** at El Florido and Agua Caliente (part of the Corinto customs facility). This decision is another step toward the creation of a customs union between the two countries, whose governments have been working toward this goal since 2014 (link in Spanish), for which a ministerial work area was established in 2015.

The union is expected to be fully implemented in the first quarter of 2017 and will benefit both countries (link in Spanish) through improvements to **infrastructure** (more ports and airports and thus more efficient transportation), the promotion of regional **electrical integration, trade facilitation**, the promotion of strategic sectors, and investment attraction, among other factors.

The priority objectives of the new integrated customs facilities include the completion of IT systems and the adaptation of existing basic infrastructure at posts within and near border crossing facilities.

On December 12, 2007, Guatemala and Honduras signed the Framework Agreement for the Establishment of the Central American Customs Union (link in Spanish), which followed on from the commitment they had made in 1993 by signing the **Protocol to the General Treaty on Central American Economic Integration (link in Spanish)**. Article 15 of this establishes that "the member states commit to forming a customs union between their territories to enable the free movement of goods regardless of their origin (…) Said customs union will be formed gradually and progressively based on programs that will be established by consensus to this effect."

Panama opens a new free trade zone

- Central America and Mexico
- Integration in Motion
- n244
- Regional Panorama

At Panama's Ministry of Trade and Industry (link in Spanish), the National Free Trade Zone Commission (link in Spanish) authorized the creation of a new free trade zone in Pacora, Panama province.

The new establishment will be run by Consorcio Industrial de las Américas, S.A. (COINLA) and will create 6000 jobs, including general labor personnel, mechanics, electricians, engineers, and other indirect jobs.

The minister for trade and industry, Augusto Arosemena, explained that COINLA plans to invest more than US$230 million to develop the free trade zone: US$50 million for the construction of infrastructure and a further US$180 million to develop business interests. Some 250 companies in the following areas are expected to establish operations in the zone: manufacturing, logistics services, business services, high-technology, and assembly.

According to Law 32 of April 5, 2011 (link in Spanish), which gave rise to the National Free Trade Zone Commission, "the immediate objective of the free trade zones is to provide optimum conditions in terms of operational efficiency and comparative advantages to guarantee high levels of competitiveness in international markets for those companies who establish operations in the zone."

The commission's approval of this new zone is another building block toward Panama's economic growth, as were the opening of the Panama Canal expansion in June 2016 and the new tariff decree.

The IDB is to finance the agua negra cross-border tunnel

- Integration in Motion
- n244
- Regional Panorama
- Southern Cone

The **Inter-American Development Bank** (IDB) has approved the Structuring Program for the Agua Negra International Cross-Border Tunnel (PETAN) through a US$40 million loan, which will allow the project to be put out to tender. The tunnel will connect San Juan province in Argentina with the Coquimbo region in Chile.

The PETAN will finance structuring and preparatory activities; provide support for the two countries' authorities, including legal, technical, and environmental counsel and institutional strengthening; and provide the final engineering designs for the tunnel, the entire construction of which will cost approximately US$1.5 billion.

Some 8,000 to 10,000 vehicles per year currently use the existing Agua Negra border crossing, which is not suitable for freight transportation. The crossing must also be closed during intense snowfall, that is, between May and October. The new project will allow freight vehicles to use the crossing, the length of which will be shortened by 40 km, increasing road safety and reducing travel times by three hours.

The project will contribute to the **integration** of transportation, energy, and telecommunications **infrastructure** between Argentina and Chile by providing a new alternative to Los Libertadores International Border Crossing (Cristo Redentor).

Integration in Motion

Argentina and Vietnam strengthen trade relations

- Integration in Motion
- n244
- Regional Panorama
- Southern Cone

On December 5, 2016, Argentina's deputy minister for foreign affairs, Carlos Foradori, received his Vietnamese counterpart, Dang Dinh Quy, for the 7th Meeting for Political Consultations between Argentina and Vietnam (link in Spanish). The two countries' foreign ministries had agreed on the encounter to review all aspects of **bilateral relations** and establish a work agenda for the coming years.

During the meeting, the two officials underlined how excellent relations between the two countries (link in Spanish) were and expressed their willingness to continue to strengthen and expand the areas of interest and cooperation that are shared by the new administrations in both countries.

Argentina expressed its interest in joining the Treaty of Amity and Cooperation in Southeast Asia established by the Association of Southeast Asian Nations (ASEAN) and expanding its involvement in the Forum for East Asia–Latin America Cooperation (FEALAC).

At the meeting the two officials also reviewed matters relating to **bilateral** trade, human rights, **regional integration**, South-South cooperation, immigration, and the promotion of culture. They paid particular attention to the results of the Vietnam–Argentina Intergovernmental Committee for Cooperation in Economic Matters, Trade, Science, and Technology (link in Spanish), which took place in Hanoi on December 1 and 2, 2016, and which both parties said were very positive.

Andean community approves use of electronic andean migration card

- Andean Group
- Integration in Motion
- n244
- Regional Panorama

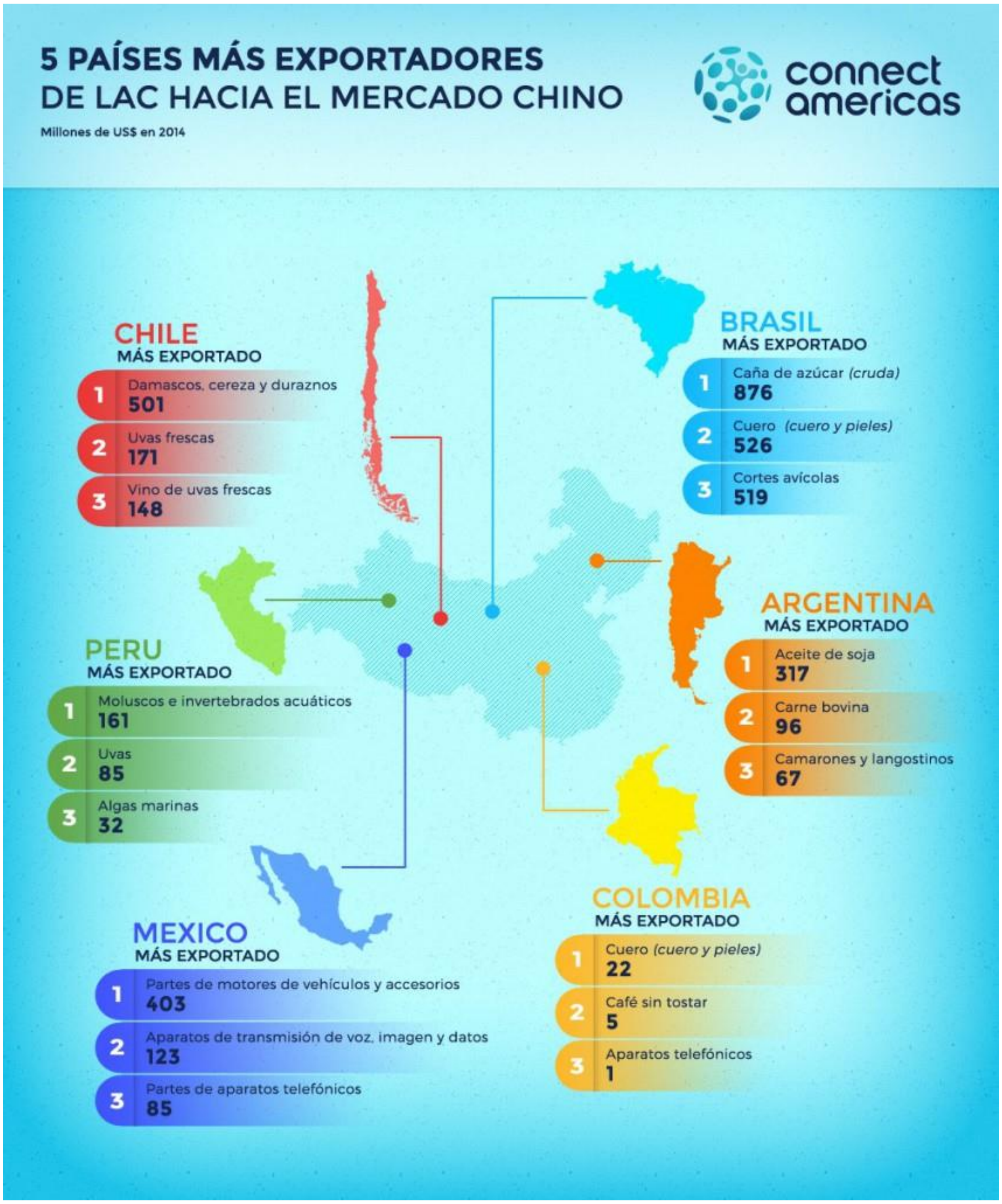
At the 17th Meeting of the Andean Committee of Immigration Authorities (CAAM), the members of the Andean Community (link in Spanish) (CAN) voted in favor of the use of the electronic Andean Migration Card (link in Spanish) (TAM).

The members of the committee, which Colombia is pro-tempore president of, had already expressed their interest in moving toward implementing the electronic TAM in October 2016 (link in Spanish) after the matter was tabled by Peru.

The TAM was adopted in 1996 under Agreement 397 (link in Spanish). The use of the electronic TAM is an innovative solution that will facilitate, simplify, and improve the efficiency of checks and controls of people traveling within Andean Community (link in Spanish)countries. Likewise, it will cut down on waiting times at airports and other immigration checkpoints. These benefits will increase the competitiveness of the region's airports and encourage driving holidays within the subregion.

Complementary relations with china

- Integration in Motion
- n244
- The SME Space



Trade relations between Latin America and China have expanded significantly based on comparative advantages: China is relatively lacking in natural resources and has a huge labor force, while in Latin America the situation is the other way around.

An exclusive document from **ConnectAmericas**, "**China: A Unique Opportunity for LAC Businesses (link in Spanish),**" describes the scope and nature of these relations in detail.

- Trade between the two parties increased almost ninefold since 2003 and reached US$255 billion in 2014. Bilateral trade grew at an average annual rate of 20% over that period, while Latin America's total trade with the rest of the world grew by 9%.
- Exports from Latin America and the Caribbean to China passed the US$85 billion mark in 2014 and have grown at a steady annual rate of 18% since 2003. Despite its distance from Latin America, China is the second largest export market for the region as a whole. Exports remain highly concentrated in the primary sector (which accounted for 52% of the total in 2014), although there are beginning to be some signs of diversification.
- Imports from China represent around two-thirds of total bilateral trade between the two parties and reached US$170 million in 2014 after growing at an average annual rate of 21% since 2003. Approximately 17% of Latin America's imports come from China. These are concentrated in the manufacturing sector (96%) and products with high technology content account for a particularly large share (40%).

For more information on the Chinese economy and the possibilities it holds for Latin America and the Caribbean, see "**China: A Unique Opportunity for LAC Businesses (link in Spanish)**."

Emissions permit trading in practice

- Impact Assessment
- n244
- Reading Material on Integration

A team of experts from the Partnership for Market Readiness (PMR), which is part of the World Bank, and the International Carbon Action Partnership (ICAP) has recently published Emissions Trading in Practice: A Handbook on Design and Implementation. The publication summarizes the work of more than 100 professionals and experts from four continents regarding the latest theoretical concepts and best practices in **emissions trading schemes** (ETS).

The resulting document is a guide to implementing **trade in emissions** and fills an important gap at a time in which many nations are considering implementing market instruments as part of their efforts to cut down emissions in response to the **Paris Agreement.**

The publication outlines the rationale for ETSs and establishes a 10-step process for designing ETSs in which each step implies a series of decisions or actions that will shape the main features of the policy in question.

This is based partly on conceptual analysis and partly on some of the most important practical lessons learned to date in the application of emissions trading systems throughout the world, including in the European Union, various provinces and cities in China, California and Quebec, New Zealand, Kazakhstan, the Republic of Korea, and Tokyo and Saitama.

The focus of such initiatives is shifting from the identification of **emissions reduction** paths through nationally determined contributions (NDCs) to crucial matters relating to how these emissions reductions should be reported within the future framework for international emissions accounting.

Experience to date has shown that if **ETSs** are well designed, they can be an effective, credible, and transparent tool for helping to achieve low-cost emissions reductions in ways that mobilize private-sector stakeholders. However, to maximize this effectiveness, any **ETS** needs to be designed in a way that is appropriate to its context.

ETS systems currently operate in four continents in jurisdictions that account for 40% of global GDP. New systems are currently being planned and implemented. These systems regulate 9% of global greenhouse gas (GHG) emissions, a figure that is hoped to double when China launches its national carbon emissions market in 2017 and because of the growing interest in **emissions trading** in North America.

Partnership for Market Readiness; International Carbon Action Partnership. 2016. Emissions Trading in Practice: A Handbook on Design and Implementation. Washington, DC: World Bank.

Trade Trend Estimates in Latin America and the Caribbean

- n244
- Reading Material on Integration
- Reviews

Trade Trends Estimates: Latin America and the Caribbean, a new report from the Inter-American Development Bank's Integration and Trade Sector, reveals that the value of exports from the region in 2016 will have continued to decline in most countries, but to a lesser extent than in previous years.

According to the research published in the report, exports from Latin America and the Caribbean shrunk by an estimated 6% in 2016, which points to a tempering of the severe 15% contraction of 2015.

It also suggests that the slump in commodity prices has continued to be the main factor behind the export performance of the region, which is rich in agricultural products, hydrocarbons, and metals. Slow growth in export volumes has not favored the recovery of external sales.

Is a return to growth in external sales to be expected in the near future?

The report highlights that an upturn in the global economy based on the economic expansion of the United States would help to shore up LAC's export performance, but the foreseeable appreciation of the dollar will continue regardless of the prices of the region's main export products.

It also points out that the combined impact of the evolution of prices and export volumes points to a varied outlook for LAC. There was a marked deceleration in the downturn in exports in South America, where the estimated contraction of 8% for 2016 is far below the 23% drop of 2015.

In Mesoamerica, foreign sales are expected to shrink by 3%, a rate similar to that of 2015. The rate of export decline has yet to slow in the Caribbean, which saw an estimated drop of 21% in 2016, similar to the 22% fall of 2015.

Could the downward trend be reversed?

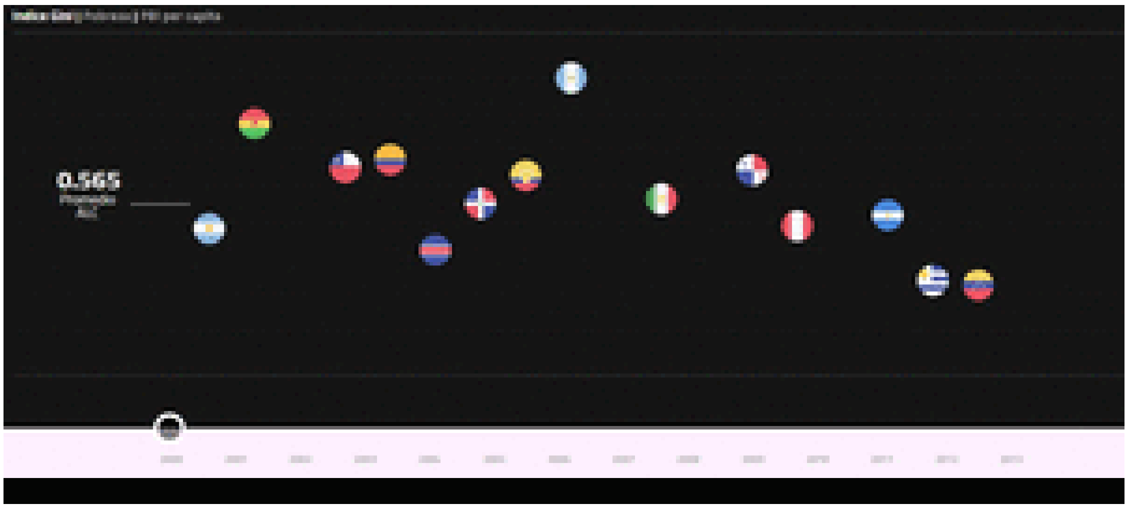
The authors argue that the possibility of a reversal in the current downward trend reverses depends on whether commodity prices continue to improve despite the foreseeable appreciation of the dollar, and whether the region returns to a path of growth by reigniting intraregional trade.

There are multiple possible outlooks: an acceleration in external demand, particularly from the United States and China, would bolster exports, while a return to protectionism would skew this forecast in the opposite direction.

The report concludes that LAC seems to have moved past the worst phase of the downturn in trade. However, whether this recovery is sustainable will depend fundamentally on the capacity of the region's economies to overcome the structural shortcomings that characterize their trade specialization and their excessive dependency on commodity exports.

Inequality

- n244
- Trade Thermometer



The social indicators for Latin America and the Caribbean have improved over the last decade, including income distribution, poverty, and others. This visualization looks at the factors underlying these positive improvements

Trade Thermometer

Legal instruments of integration (iji) observatory

This month's trends

Between late November and December 2016, the global trade policy agenda continued to be defined by the potential impact of the US presidential elections on the global trade map. Given this, the Regional Comprehensive Economic Partnership (RCEP) is beginning to counterbalance the Trans-Pacific Partnership (TPP). At the regional level, there was less dynamism within existing agreements and trade negotiations both within and outside the region. The most noteworthy exceptions to this are Mexico, Central America, Uruguay, and Ecuador, which are continuing to make progress on agreements and negotiation processes with partners both inside and outside the region. The Pacific Alliance was the integration scheme that made the most headway during this period, followed by the Central American Integration System (SICA).

360º Panorama

Over the course of the month, progress was made on 17 existing agreements and 5 trade negotiations (one new negotiation and four at an advanced stage).

New Negotiations

- Ecuador–European Free Trade Association (EFTA): Ecuador and the European Free Trade Association promote bilateral agreement (link in Spanish)

- Uruguay–China: Uruguay and China set 2018 for an FTA (link in Spanish)

Advanced Negotiations

- Trans-Pacific Partnership (TPP): Japan formally ratifies the Trans-Pacific Partnership Agreement (link in Spanish), Mexican Senate postpones ruling on TPP until February (link in Spanish)

- Central America–South Korea: Fine tuning the FTA between Central America and South Korea (link in Spanish)

- Colombia, Peru, Ecuador–EU: Commercial agreement between Ecuador and the European Union to enter into force in January 2017 (link in Spanish)

- Ecuador–EU: Ecuador's national assembly greenlights trade agreement with the European Union (link in Spanish)

- Uruguay–China: Uruguay seeks FTA with China (link in Spanish)

-

Selected news on trade agreements currently in force

- Bolivarian Alliance for the Peoples of Our America—People's Trade Agreement (ALBA–TCP) What are ALBA's aims, 12 years on? (link in Spanish)

- Pacific Alliance: Argentina and Chile foster MERCOSUR–Pacific Alliance meeting (link in Spanish), Initiatives to consolidate the Pacific Alliance (link in Spanish), Chile and Peru see the Pacific Alliance as a shield against protectionism (link in Spanish)

- Association of Caribbean States: Cuba and Caribbean States consolidate their bilateral ties (link in Spanish)

- Latin American Integration Association (ALADI): ALADI has a new database of statistics on international trade in services, ALADI argues for "greater fluency" in trade (link in Spanish)

- Central America–Dominican Republic: Dominican Republic and Central America renew their commitment to SICA (in Spanish)

- Chile–People's Republic of China: Chile and China sign 12 cooperation agreements (in Spanish)

- Colombia–Northern Triangle: Colombia's growing business interests in the Northern Triangle (link in Spanish)

- Honduras–Canada: Honduran companies encouraged to export to China (link in Spanish)

- Southern Common Market (MERCOSUR): Argentina, Brazil, and Uruguay agree to activate MERCOSUR dispute settlement mechanism (link in Spanish), Venezuela's suspension from MERCOSUR confirmed (link in Spanish)

- MERCOSUR–Chile: Argentina and Chile seek MERCOSUR–Pacific Alliance meeting (link in Spanish)

- Mexico–Israel: Israel sees opportunity to invest in four sectors in Mexico (link in Spanish)

- Mexico–EU: End of second round of negotiations to modernize FTA EU-MX (link in Spanish)

- Panama–Canada: Panama and Canada reach cooperation agreement (link in Spanish)

- Peru–People's Republic of China: Peru and China agree to a study to optimize bilateral FTA (link in Spanish)

- Central American Integration System (SICA): Streamlining trade, a key issue for SICA (link in Spanish), Costa Rica to take over pro-tempore presidency of SICA (link in Spanish), Honduras and Guatemala integrate their customs operations (link in Spanish)

North American Free Trade Agreement (NAFTA): Mexico still in favor of NAFTA (link in Spanish), Intense, asymmetrical trade between Mexico and the United States (link in Spanish)

- e México y Estados Unidos

Reading Material on Integration

Bibliographical News

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 aquí.

Editorial

Editorial Staff

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- n244

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