INTAL CONNECTION

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ECO INTEGRATION

ECO-INTEGRATION

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Guided by Pope Francis's encyclical *Laudato Si'*, Nobel laureates and global experts have offered up ideas to bring us closer to a regional form of eco-integration which prioritizes the social and environmental aspects of development.

The book Eco-Integration in Latin America was launched on April 7, 2017, in the auditorium of the Santa Catalina Convent in Buenos Aires. The speakers at the event included INTAL director Gustavo Beliz; Monsignor Marcelo Sánchez Sorondo, chancellor of the Pontifical Academy of Sciences; and Patricia Espinosa, executive secretary of the United Nations Framework Convention on Climate Change.

As he welcomed those present to the event, Mr. Beliz argued that we need to move away from a technocratic paradigm and toward a value-based form of science, where innovation and technological progress are placed in the service of care for the environment and social inclusion. He argued that it was time to turn our backs on the belief that everything has a price but nothing is of value.

“Latin America is the most unequal region on earth, a situation that we should be striving to end. The encyclical is not just an appeal to our rustic sensitivities, it is a powerful call for us to start a new conversation that involves everyone,” Mr. Beliz said.

Monsignor Sánchez Sorondo then discussed how ecological conversion encompasses social justice and spiritual responsibility and is a call for immediate action. He also remarked that *Laudato Si'* brings together not only faith and reason, but also philosophical knowledge and scientific knowledge.

“It has been proven that poor countries suffer the effects of climate change the most and that environmental degradation is making it even harder for people to overcome poverty,” he said .

Patricia Espinosa then remarked that the papal encyclical had been hugely influential and had helped close the Paris Agreement on Climate Change and the United Nations Sustainable Development Goals. “It is fundamental that economic interests be subject to a moral imperative. Each and every one of us needs to contribute in our own small way to reducing environmental pollution and ensuring a safe future for the generations to come,” she concluded.

The other speakers who took part in the presentation were Sergio Elguezabal, a journalist who specializes in environmental issues; Juan Carr, the founder of Red Solidaria; Cristina Calvo, an academic at the University of Buenos Aires; and Antonio Brailovsky, an environmental history expert.

The speakers praised INTAL's initiative in bringing together global authorities such as Nobel laureates Eric Maskin and Paul Crutzen, Lord Nicholas Stern, lead author of the acclaimed Stern Review, and other high-profile academics from Latin America and the world who analyzed how the current environmental crisis would affect regional integration, inspired by the ecological message of *Laudato Si'*.

Their rigorous in-depth essays span a wide range of issues: the creation of a new environmental governance, green transportation, sustainable global value chains, the balance between state regulation and private-sector creativity, sustainable productive and export diversification, imaginative ways of overcoming poverty, the impact of global warming on agriculture, migration, family farming, smart physical infrastructure, renewable energy, new forms of slavery, the construction of sustainable cities, green job promotion, universal access to water as a basic human right, and many other issues that concern the future of the region.

INTAL's new book puts forward creative ideas, analyzes the challenges to governance that the new environmental context is posing, describes sustainable trade models, examines the impact of climate change, and points to bridges toward an integral ecology in which humanism is the driving force for civilization.

The book illustrates how meeting the commitments that countries made at the Paris and Marrakesh summits will require different nations to work together to bring global warming to a halt. It attempts to develop a polyhedral notion of integral ecology that builds bridges between politics, economics, culture, and the social sector.

Over the course of its nearly 400 pages, the publication makes it clear that the natural riches of Latin America, which is home to 40% of the world's biodiversity, are an enormous opportunity and a great responsibility: the region needs to protect the planet while finding ways to reduce the inequalities that have long characterized it. To take just one of the many concrete examples in the book, a temperature rise of 3°C would cause a 7-percentage-point increase in poverty, due to the impact of drought and flooding on agricultural output.

Through this publication, INTAL, which is part of the IDB's Integration and Trade Sector, is contributing to building a regional agenda which seeks to create forms of consensus that will move past ideological barriers and create a solid work plan for the entire region with the aim of achieving egalitarian sustainable development.

Governance and the Environment

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Download Eco-integration here.

The study by David Corderi Novoa in Eco-Integration in Latin America analyzes the benefits of general environmental protection policies and the effects that these may have on competitiveness. The author also presents measurements of the region's natural capital and its relative environmental performance.

Business prestige, water and energy savings, lower operating costs, better financial conditions, and the possibility of accessing new markets are just some of the advantages of sustainable development strategies.

Environmental deterioration entails real economic costs for countries. The Country Environmental Analyses (CEAs) carried out by the World Bank for Colombia, Mexico, and Peru conservatively estimate the costs associated with environmental degradation processes that could be prevented locally, such as damage to people's health, loss of productivity due to soil erosion, and the costs of repairing specific environmental liabilities. The results of these studies suggest that the economic costs of environmental degradation represent approximately 3% of GDP (World Bank 2006, 2007). These environmental costs imply a slowdown in real economic growth but are not reflected in national accounts, which makes it hard for governments to prioritize public investment decisions in relation to them.

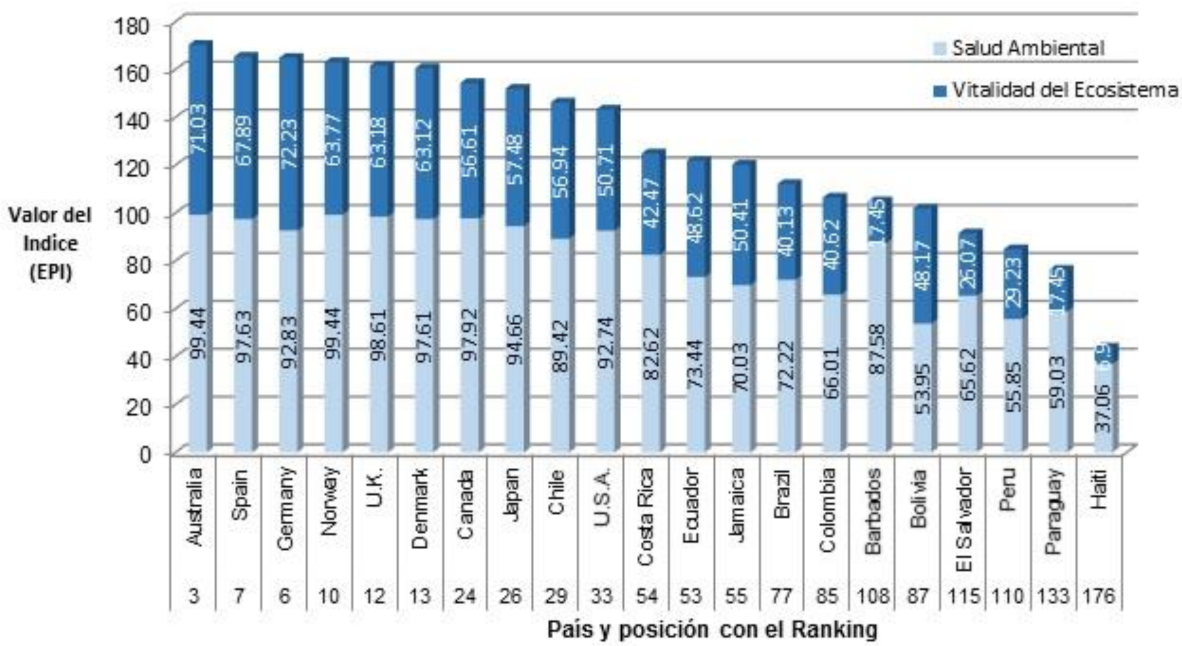
As well as having a negative effect on economic growth, environmental performance is an important factor in defining countries' competitiveness. In this sense, a growing number of studies have concluded that the relationship between companies, the environment, and natural capital could entail opportunities for creating value and making firms more competitive (Porter and Linde 1995, Esty and Winston 2009). Specific studies report, for example, benefits that include reducing operational costs through water and energy savings (Berchicci and King 2007); improving business reputation and market access (TEEB 2012); and accessing better financing conditions(Hanson et al. 2008, TEEB 2010, Houdet et al. 2012).

Given the importance of the environment to countries' economic growth and competitiveness, understanding the role of environmental governance[1] is a necessary condition for improving environmental performance. Esty and Porter (2005) found that environmental performance is directly related to the development of the regulatory regime, institutional capacity, and the social and economic context in which these operate. Similarly, other studies highlight the importance of governance for the effective administration of environmental performance (Larson et al. 2006, Mahon et al. 2011, Mazur 2011, Wever et al. 2012, Castro et al. 2015).

A review of LAC's environmental performance reveals existing empirical evidence on levels of environmental pollution and the state of the natural resources and ecosystem services that make up the region's natural capital.

LAC is rich in natural capital. The region accounts for 40% of the planet's biodiversity (Bovarnick et al. 2010) and supports 11 of its 14 terrestrial biomes (Blackman et al. 2014), 6 of the world's 17 megadiverse countries, and 7 of the 25 biodiversity hotspots (UNEP 2010a). It is estimated that the region contains almost 9 million km² of natural forests, including a quarter (37,000 km²) of the world's mangrove forests (FAO 2010, Siikamäki et al. 2012). Likewise, more than 30% of the world's available freshwater and approximately 40% of its water resources are located in LAC (UNEP 2010a). The region also contains 700 million hectares of potential arable land, 570 million hectares of grasslands, and over 800 million hectares of native forests (Bovarnick et al. 2010). [1] Environmental governance refers to the institutional, regulatory, and legal framework and the instruments used to apply this framework.

Figure 1. Countries' Environmental Performances



Source: Environmental Performance Index. 2014

LAC's abundance of natural capital contrasts starkly with the process of environmental deterioration and the growing threats to its sustainability, which are partly due to the region's demographic and economic growth, which are causing ever-greater exploitation of its natural resources. The Environmental Performance Index (EPI) (Yale University 2014) reveals that the position of LAC countries is relatively low in relation to those that are considered benchmarks for good environmental performance. Figure 1 compares selected countries in terms of environmental health and ecosystem vitality and shows a clear, significant gap between countries in the region and benchmark countries. Environmental performances vary greatly among LAC countries, which is also the case in Asia: countries like Singapore and South Korea performed relatively well while countries like China, India, and Vietnam ranked among the worst performers.

(See the complete article in the book Eco-Integration in Latin America).

The Environmental Impact of Free Trade Agreements

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See the complete article in the book Eco-Integration in Latin America.

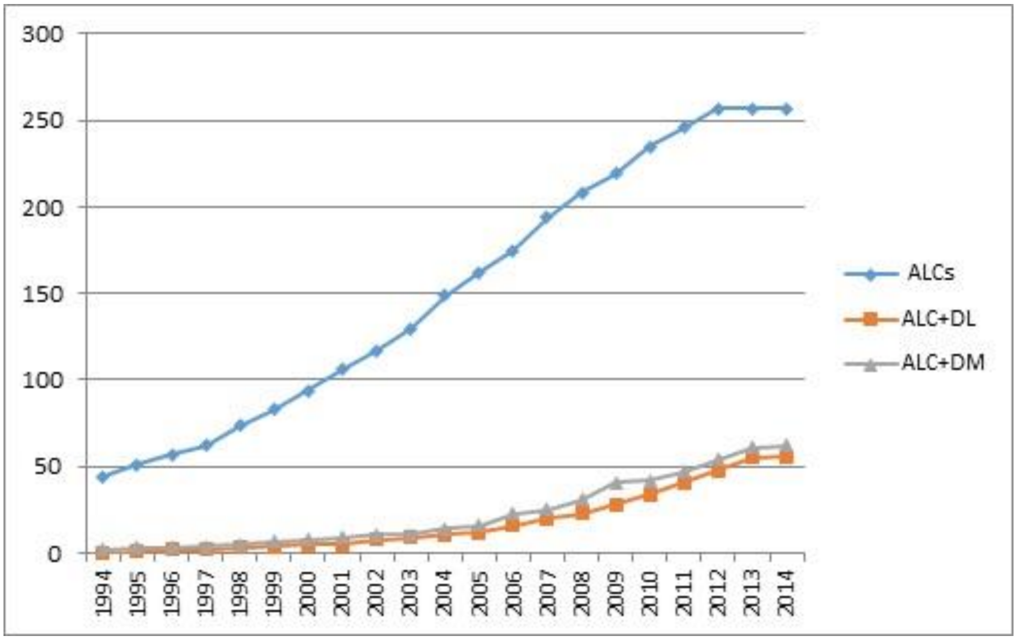
An article by Inmaculada Martínez-Zarzoso in Eco-Integration in Latin America analyzes the environmental provisions (EPs) included in free trade agreements (FTAs), especially those signed by countries in the Americas over the last few decades.

From the mid-1990s and early 2000s, a growing number of FTAs and economic integration agreements (EIAs) have included environmental aspects in the agreement text, or have been accompanied by a separate environmental agreement, as was the case in the North American Free Trade Agreement (NAFTA). The main objective for including EPs tends to be preventing the elimination of barriers to trade and the resulting increase in trade from having a negative effect on environmental quality in signatory countries.

From the start of the 1990s, the interaction between global trade and environmental quality has been widely recognized within studies on international economics and international relations and has been taken into account in a broad sense during the negotiation of both FTAs and EIAs. As early as 1992, in the Rio+20 agreement, environmental protection was considered necessary for guaranteeing the sustainability of countries' economic growth. Likewise, there have been regional environmental cooperation agreements between the US and Central America since the mid-1990s that are not necessarily linked to trade.

At the same time, the number of trade agreements that have entered into force in the last two decades has grown considerably, reaching a total of over 250 FTAs by 2016, a growing number of which include devices that extend into other areas, such as the environment and labor protection. Figure 1 shows the cumulative number of FTAs that have been signed since the mid-1990s, and the number of FTAs that include EPs or parallel environmental agreements. The cumulative figures for 2014 indicate that approximately 25% of agreements include EPs. Figure 1 also shows the number of agreements that include labor provisions, so as to compare the relative importance of environmental and labor-related content. Approximately 21% of FTAs touch on issues related to labor rights or social protection. The number of more inclusive agreements has grown, especially since 2005. Since 2007, the Organisation for Economic Co-operation and Development (OECD) has periodically reviewed how environmental issues have been handled in FTAs (OECD, 2007) and has compiled an inventory of FTAs with EPs. In the studies it is currently carrying out, the OECD is promoting econometric analysis to evaluate whether the inclusion of EPs in FTAs reduces emissions and improves environmental quality in signatory countries.

Figure 1. Cumulative Number of FTAs by Date of Entry into Force



Note: LP=labor provisions; EP=environmental provisions. Source: Compiled by the author, based on WTO data (RTA Gateway).

It is worth noting that, to date, very few quantitative studies have attempted an ex-post assessment of the effectiveness of these EPs. In the academic sphere, there have been two empirical studies based on econometric models (Ghosh and Yamarik, 2006; Baghdadi, Martínez-Zarzoso, and Zitouna, 2013), but only the latter distinguishes between FTAs with and without EPs, while the former evaluates the general effects of FTAs on the environment and uses emissions data from 1990. Ghosh and Yamarik's (2006) main findings show that signing FTAs reduces pollution, but this effect is indirect and derives from the positive effect of increased trade on per capita income, which in turn effects environmental quality. In contrast, they found no evidence of a direct effect between signing FTAs and emission reductions. Baghdadi et al. (2013) do distinguish between agreements with and without EPs between 1980 and 2008 and obtained evidence for the existence of a direct effect of signing FTAs on the reduction of CO_2 emissions, but only for FTAs with EPs and not for those that do not include environmental aspects.[1]

This study was based on a methodology that is widely accepted in economics to identify whether an effect is causal rather than merely indicating a positive correlation without pinpointing causality. It uses instrumental variables and a fixed effects estimator (panel data). At the initial stage, trade was estimated using a gravitational equation in which bilateral trade was explained using geographical determinants, and a growth model was used to estimate per capita income, in line with Baghdadi et al. (2013). During the second stage, the equation for determinants of emissions was estimated using panel data and fixed effects, and the predictions obtained during the first stage for trade and per capita income were incorporated. This combined use of instrumental techniques and variables made it easier to identify causality.[2]

[1] An early version of this paper titled "Is the Road to Regional Integration Paved with Pollution Convergence?" was presented at the 10th Annual Conference of the Euro-Latin Study Network on Integration and Trade (ELSNIT), which was sponsored by the IDB. http://events.iadb.org/calendar/eventDetail.aspx?lang=es&id=3735. This study focuses exclusively on the effects of FTAs with EPs on the convergence of CO_2 emissions (and not the effect on emissions levels by country) between 1980 and 2008 and does not consider other pollutants.

[2] The methodological use of these techniques is explained in detail in Baghdadi et al. (2013).

Sustainable Global Value Chains

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See the complete article in the book Eco-Integration in Latin America

This extract from the article by Arancha González, executive director of the International Trade Centre, in the book Eco-Integration in Latin America specifically sets out to explore the role of positive and negative incentives in good environmental practices.

By 2030, the world's population is estimated to reach 8.3 billion (Bruinsma, 2003: 4). The United Nations (UN) 2030 Agenda for Sustainable Development[1], adopted in September 2015[2] builds a universal plan of action to ensure that all of these people, the majority of whom reside in the developing world, can live free from the scourge of extreme poverty. Ending poverty will be impossible if climate change continues unabated, and the Paris Agreement reached in December 2016 sets a framework for countries to take action on curbing greenhouse gas emissions.

Promoting sustainable and inclusive growth as a means to eradicate poverty is at the heart of the 2030 Agenda. Committing the world's governments and people to the ambitious goal of ending poverty by 2030 sends an important signal of zero tolerance.

Trade, as an engine for inclusive economic growth and sustainable development, is key to achieving this objective. Indeed, this is why it has been recognized as a key "means of implementation" for the 2030 Agenda. As we will see below, trade also can play a useful role in reducing emissions and creating economic incentives for environmental conservation.

History shows that the countries that have been able to sustain high growth rates over a generation or more—the kind of sustained rapid growth that outlasts commodity price cycles and substantially reduces poverty—all "fully exploited the global economy," using it as a source of demand, ideas, and technology (World Bank, 2008). The 2013 edition of the *United Nations Human Development Report* showed that virtually every country that had achieved strong gains in human development indicators between 1990 and 2012 had also registered relatively strong trade performances, measured by high or increasing shares of trade to output, and a large number of trading partners. Meanwhile, many of the worst laggards on the human development index actually saw their trade integration decline (UNDP, 2013).

It is therefore only right that trade is mentioned explicitly under Sustainable Development Goal (SDG) 17 (global partnership for sustainable development). In addition, expanding participation in global trade for value added goods and services will be a critical tool to achieve other SDGs, such as gender equality (Goal 5); economic growth and decent work (Goal 8); responsible consumption and production (Goal 12); and combating climate change (Goal 13), and to leverage synergies among these different objectives. In other words, trade is a lever to achieve wider economic and social goals.

Trade agreements moved "behind the border" decades ago, establishing parameters designed to ensure that an array of traditionally domestic measures, ranging from health and safety standards to technical regulations for products, do not serve as pretexts for discriminatory protectionism.

Broader sustainability awareness in the trade sphere has grown steadily. Already in 1989, the Grand Anse Declaration in which Caribbean Community leaders pledged to build a regional common market recognized the economic threat posed by environmental fragility.[3]"Preserving the environment" figures among the overarching goals of Mercosur's 1991 founding Treaty of Asunción. The preamble to the 1994 Marrakesh Agreement establishing the World Trade Organization (WTO) placed sustainable development—rather than a narrow focus on imports and exports—at the heart of the new institution's objectives.[4]

The SDGs reflect calls for the promotion of a strong multilateral trading system and for meaningful trade opening. But more importantly, they create a space for a new generation of trade agreements that seek to more effectively entrench trade as a means to achieve inclusive, sustainable development, economic growth, and job creation. In other words, to better build and connect to international value chains, increase the participation of small and medium-sized enterprises (SMEs) in international trade, expand the diffusion of environmentally friendly technologies, foster women's economic empowerment, increase youth employment, and promote the protection of biodiversity.

Trade and the Environment

The relationship between trade and environmental concerns is multifaceted. The standard framework for thinking about how trade opening impacts the environment breaks the effects down into three categories: scale, composition, and technique. "Scale" refers to the notion that other things being equal, if trade opening spurs greater growth it will lead to greater resource consumption and energy use. The other two categories address the fact that things are rarely equal. "Composition" refers to the liberalization-induced reallocation of resources within a country's economy toward sectors in which it has a comparative advantage. The implications here vary: for example, if the expanding sectors are less energy-intensive, the country's emissions could fall (though if they are more energy-intensive, emissions could rise, in the absence of countervailing domestic policies). Finally, "technique" effects refer to how market opening can reduce the cost of environmentally-efficient technologies, thus paving the way for more efficient resource use and lower levels of pollution.[5]

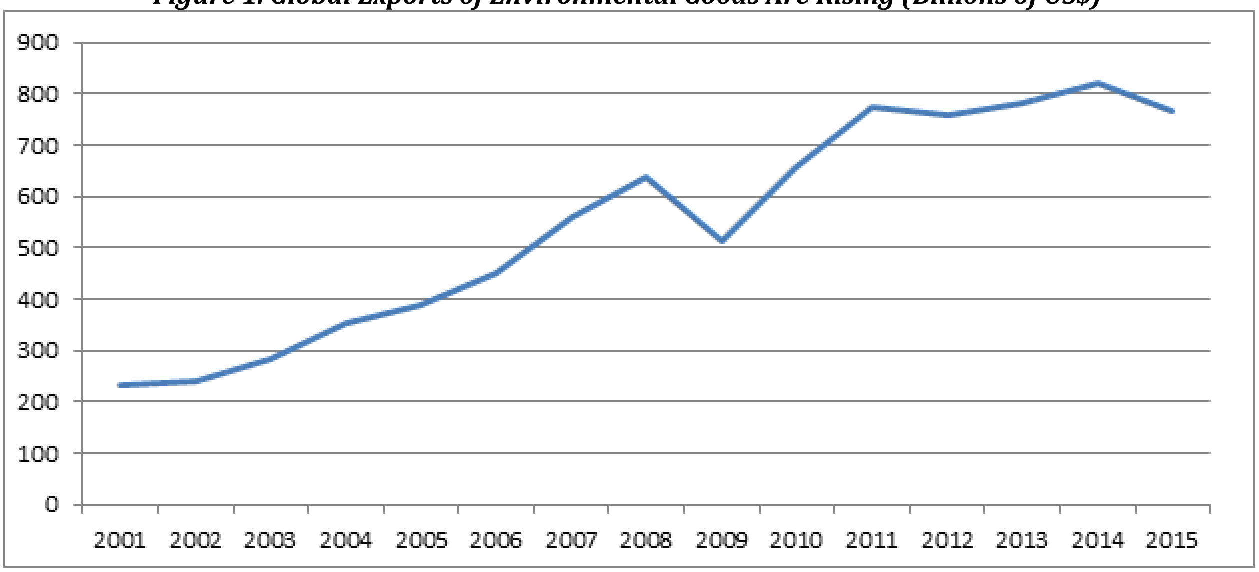
Trade policy has focused primarily on demand-side aspects of these "technique" effects, but supply-side action to improve sustainability practices across the is growing in prominence.

Trade in Environmental Goods and Services

Environmental goods and services are broadly defined as those that "measure, prevent, limit, minimize or correct environmental damage to water, air, soil, as well as problems related to waste, noise, and ecosystems" (OECD, 2014: 88). Trade policy can help meet governmental and private commitments on environmental protection, such as countries' Paris Agreement pledges, by lowering the cost of environmental goods and services. For example, reducing tariffs and other trade barriers for solar panels would encourage their uptake.

It is estimated that the global market for environmental products and services has reached the US$866 billion mark and will increase to US$1.9 trillion in 2020.[6] As can be seen in figure 1, taken from the International Trade Centre (ITC) Trade Map, global exports of environmental goods have risen in the past years—despite the short-lived 2008-09 decline during the global financial crisis (ITC, 2014). The market for such goods and services offers tremendous opportunities for developing countries as suppliers; as consumers, it makes it possible for them to leapfrog polluting technologies and move directly into more environmentally sensitive activities.

Figure 1. Global Exports of Environmental Goods Are Rising (Billions of US$)



Source: ITC Trade Map 2016, using the OECD classification for environmental goods

In Barbados, a small island developing state (SIDS), for example, disseminating the use of solar water heaters has done more than just address the island's environmental concerns and heavy dependency on fossil fuels. It has also given rise to a flourishing new industry. Barbados has capitalized on its over 3,000 hours of sunshine per year and is now saving its inhabitants over 100,000 MWh of energy annually with over 50,000 solar water heater installations (Bugler, 2012). As Barbados shows, trading in environmental goods and services can reduce the impact of climate change while creating economic growth opportunities.

Tackling Nontariff Barriers

The effect of pro-environment trade policies can be multiplied by amending unnecessary nontariff measures (NTMs) that may be obstructing trade in environmental goods and services. These include duplicative requirements on testing and product certification, unnecessary taxes, charges and quantity control measures (ITC, 2013b).

Evidence also shows that overcoming NTMs in export markets can have a substantial impact. For example, exporters in Peru expected sales to the United States of oil extracted from *sacha inchi*, a protein-rich traditional plant, to jump from US$500,000 annually to US$2.5 million in 2015, after it won a key US food safety approval known as Generally Recognized as Safe (GRAS), enabling its use as an ingredient in everything from granola bars to mayonnaise (ITC, 2013b: 55 et seq.). Increased sales of biodiversity-based products like *sacha inchi*, which is cultivated and harvested in Peru's Amazon region, give local communities both income gains and an incentive to conserve and protect fragile ecosystems.

Addressing NTMs often has a strong regional dimension. The ITC's business surveys of exporters in Latin American and Caribbean countries reveal that the bulk of NTMs impeding their trade operations originate either at home, that is, within the country itself, or from within the region (ITC, 2013c). ITC data confirms that exporting SMEs in LAC countries are particularly affected by widely varying buyers' demands on quality. Many of these SMEs lack information about the necessary standards and related compliance requirements, and lack access to certification processes (ITC, 2013a). The ITC's Trade and Environment Programme has provided SMEs in Latin America with tailored technical assistance to overcome governmental NTMs like GRAS, access market information, and meet private voluntary standards like organic and fair trade.

[1] See *Agenda 2030: Sustainable Development Goals,* United Nations Global Compact https://www.unglobalcompact.org/what-is-gc/our-work/sustainable-development/sdgs.

[2] See Sustainable Development Goals, United Nations (UN), http://www.un.org/sustainabledevelopment/.

[3] CARICOM. 1989. "Grand Anse Declaration and Work Programme for the Advancement of The Integration Movement".

[4]WTO Agreement: Marrakesh Agreement Establishing the World Trade Organization https://www.wto.org/english/docs_e/legal_e/04-wto_e.htm.

[5] "The Impact of Trade Opening on Climate Change," WTO, https://www.wto.org/english/tratop_e/envir_e/climate_impact_e.htm.

[6] See ITC (2014) referring to EBI (2012) and Blazejczak, Braun, and Edler (2009).

Argentina Takes on the Pro-Tempore Presidency of COSIPLAN and Expresses Its Commitment to Deepening Regional Integration

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Three days of intense work on COSIPLAN took place at INTAL-LAB between April 18 and 20, 2017, as part of the 30th Meeting of the IIRSA Technical Forum (link in Spanish) and the 15th Meeting of the Coordinating Committee (link in Spanish). Representatives from every country in South America were involved in the activities, which demonstrates the region's governments interest in this work process, which has operated continuously for 17 years, and their support for it.

The sessions were opened by high-ranking authorities from within the Argentine government, including the minister of the interior, public works, and housing, who led the technical work. Also present were representatives from the Ministry of Foreign Relations, which took on the pro-temporary presidency of UNASUR.

Mr. Frigerio stressed how important his government thinks it is to plan public investment, as this is a necessary but insufficient condition for promoting development and intensifying the integration process. He also commented on the difficulties that 11 provinces in Argentina are currently experiencing due to serious flooding. He explained that these were an example of the growing numbers of natural disasters caused by climate change and said that they demonstrate the importance of planning infrastructure works that can stand up to such extreme events.

Mr. Frigerio underlined Argentina's commitment to prioritizing integration projects that will truly contribute to connecting South Americans and stressed the enormous responsibility that comes with publicizing transparent information on these works. He underlined the efforts that multinational organizations have been making to support COSIPLAN's work and finance its projects while also mentioning the need to include the private sector in this process by setting down clear rules and transparent procedures to encourage its involvement.


UNASUR
COSIPLAN
PRESIDENCIA
2017-2018

COSIPLAN Steps up the Pace on its Technical Work

COSIPLAN's Strategic Action Plan 2012-2022 (link in Spanish) (PAE)[1] establishes that the priority integration projects that make up the Integration Priority Project Agenda (API) are to be evaluated and reviewed every five years. The first review exercise was part of the meetings held at the 30th IIRSA Technical Forum.

The API was created in 2011 by the countries of UNASUR as part of COSIPLAN. It was based on the Infrastructure Project Portfolio and aimed to promote high-priority connections for countries in the region through an action plan for the following 10 years (2012–2022).

The API includes 31 structured projects made up of 103 individual projects for a total investment of US$20.15 billion. The PAE established that this priority agenda should be evaluated and reviewed every five years.

Over any five-year period, the sociopolitical configurations of Latin America and the Caribbean and the world tend to shift. In the last five years, the region has experienced many natural disasters, unfavorable changes in global trade, and the restructuring of alliances as part of the process of intensifying integration, among other issues. All this has consequences for the region's governments when they come to define their plans and priorities, including investments in infrastructure within their borders and for integrating with neighboring countries.

Consequently, the API review is essential for validating, analyzing, and bringing these priorities in line with the current political and economic dynamics so that COSIPLAN can plan and implement those works that make the most efficient use of resources and produce the greatest benefits for South American citizens.

This process will take place throughout 2017, based on a schedule that includes various work areas. Since January, in its role as the Secretariat of the COSIPLAN CCT, INTAL has been carrying out a diagnostic exercise as a first step in this review process, using information from various sources.[2]

To achieve this target, once all the information had been collected, it was organized using a matrix to analyze the progress on each structured project, taking into account the expected finish dates for each of the individual projects that make up the larger structural projects. The next step was communicating with the national coordinating committees to gather the missing information and validate other data to obtain a complete, up-to-date diagnostic on each API project to be presented at the meeting in April 2017.

The diagnostic process identified **three main sets of projects:**

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    - First, a group made up of problem-free projects on which significant progress has been made and which will be complete before 2022;
    - Second, a group that includes projects with some difficulties but which remain feasible priorities, although more time may be needed for them to be completed;
    - Finally, projects with serious difficulties which have not been prioritized by government investment plans, which means it is unlikely that they will be implemented, at least in the form in which they are structured in the API.

Based on these results, the pro-temporary presidency drafted the following **proposal**, with the support of the Secretariat for the CCT:

- Create two groups of projects within the API:
    - The first will be made up of projects with a firm finish date prior to 2022: **API 2022.**
    - The second includes projects which are expected to be concluded by 2027: **API 2027.**
- The structured projects that cannot be included in either of these two categories are no longer considered priorities and will be analyzed again in the 2022 API review. The individual projects that make up these larger API projects will remain in the portfolio unless the countries suggest otherwise. The API 2017 report will detail the factors hindering the implementation of these structured projects.

The individual projects that remain in the **API 2022** or **API 2027** groups must meet the following requirements:

- **No project can be at the profile stage[3]**
- Projects at the **pre-implementation** stage cannot still be at the same substage as when they were first included in the API (2011).
- Projects at the **pre-implementation** stage cannot include studies from before 2013
- The **continuous monitoring system** is compulsory for all projects

Any new API projects that countries wish to create must comply with the four criteria set out by the countries when the API was created in 2011:

- CRITERION 1: The project must be part of the COSIPLAN Project Portfolio and be a priority for the government, which must be committed to implementing it.
- CRITERION 2: Feasibility studies must be available for the project or the country must have assigned resources within the budget to begin implementing these.
- CRITERION 3: The project must consolidate connectivity networks with regional scope; there are cross-border synergies.

- CRITERION 4: There is an opportunity or need to develop a program of complementary initiatives for the effective provision of services and the sustainable development of the territory, depending on the features and forms of each project.

All the delegations present at the meeting approved the review proposal. Following this, an initial evaluation round was held for the 31 structured API projects, during which those present discussed difficulties, questions, and any information needed to fully evaluate the projects in question.

The next review exercise will take place between May and June 2017, this time via videoconferencing for each hub, with the aim of creating a space for dialogue in which to update projects on the COSIPLAN Project Portfolio. At these meetings, which the technical officials involved in the API projects play an active part in, the countries will continue their discussions and categorize their projects into the three groups discussed above.

The results of the review process will be formally presented at the next API review meeting, to be held on July 11, 2017, in Montevideo. The updated version of the Integration Priority Project Agenda will be presented for the approval of the COSIPLAN ministers at the meeting to be held in December 2017 in the city of Buenos Aires.

JANUARY–MARCH	APRIL *(IN-PERSON ACTIVITY)*	MAY–JUNE *(VIDEOCONFERENCE FOR EACH HUB)*	JULY *(IN-PERSON ACTIVITY)*	DECEMBER *(COSIPLAN MINISTERS)*
Project analysis and diagnostics	Presentation of the review proposal Review the 31 projects with the countries Proposal of new API projects	Project review by hub and outline of API 2020 and API 2027 Configuration and technical justification of new API projects	Presentation of the API following hub meetings Consensus around the configuration of API 2020 and API 2027 Content of the Buenos Aires Declaration of Ministers on the review of API 2017	Approval of API 2020 and API 2027

In conclusion, the mid-term API evaluation and review exercise is highly relevant. The UNASUR countries are analyzing and planning South America's integration infrastructure priorities with an eye on the future. This undertaking shows their renewed commitment to a better connected, more competitive South America with the firm aim of improving the social and economic development of the region's inhabitants.

[1] COSIPLAN's operations are based on the articulation of its different work areas through an Annual Work Plan approved by the Council of Ministers. The Annual Work Plan is drafted in collaborative fashion by the Coordinating Committee, the Work Groups, and the IIRSA Technical Forum. The aim of the Work Plan is to comply with the objectives set out in the Strategic Action Plan (PAE) for 2012–2022.

[2] The Project Information System; the API reports for between 2011 and 2016 (link in Spanish); communications with national coordinating committees; the API diagnostics carried out by the countries in 2015 regarding the difficulties of implementing each project; the final report from the consultant Bernardo Figueiredo on the multinational API projects; and information available online on API projects with out-of-date information.

[3] Four stages in the life-cycle of COSIPLAN projects were established: profile, pre-implementation, implementation, and concluded projects. For more information, see the online version of Chapter 4 of the 2016 Project Portfolio Report (link in Spanish).

Integration Ideas

Mexico: Opportunities for the Latin American Agriculture Sector?

Mexico's role in trade negotiations has increased in recent months. There is a possibility of the North American Free Trade Agreement (NAFTA) being renegotiated. At the same time, Mexico has made headway on different negotiations with countries in South America, especially Argentina and Brazil. Agricultural trade is proving to be a major focus of this process.

Mexico currently has 20 trade agreements in force with 52 countries, 13 of which are bilateral (table 1).[1] The largest economy in Latin America, it has agreements in force with nearly every country in the region, with the exception of the Caribbean countries, including Belize, Guyana, and Suriname. Existing bilateral agreements with Chile, Colombia, and Peru have been complemented by the provisions agreed on by the Pacific Alliance. Likewise, earlier agreements between Central American economies have been replaced by a single document that governs Mexico's trade relations with all of these countries. Mexico has a framework agreement with the MERCOSUR that contemplates negotiations to create a free trade area. Until this happens, trade is only being regulated through partial scope bilateral agreements, and only Uruguay has achieved greater market access to Mexico through a free trade agreement (FTA). Bolivia and Panama also have FTAs with Mexico, while there are partial scope agreements in force with Cuba and Ecuador.

However, the agreement that has been most important for Mexico lies beyond Latin America: NAFTA, its historic treaty with Canada and the United States, which has been in force since 1994. Mexico also has FTAs with Israel, Japan, and almost every country in Europe. Its agreements with Japan and the European Union include issues that go beyond the scope of trade, which is why they are known as association agreements.

Table 1. Mexican Trade Agreements Currently in Force

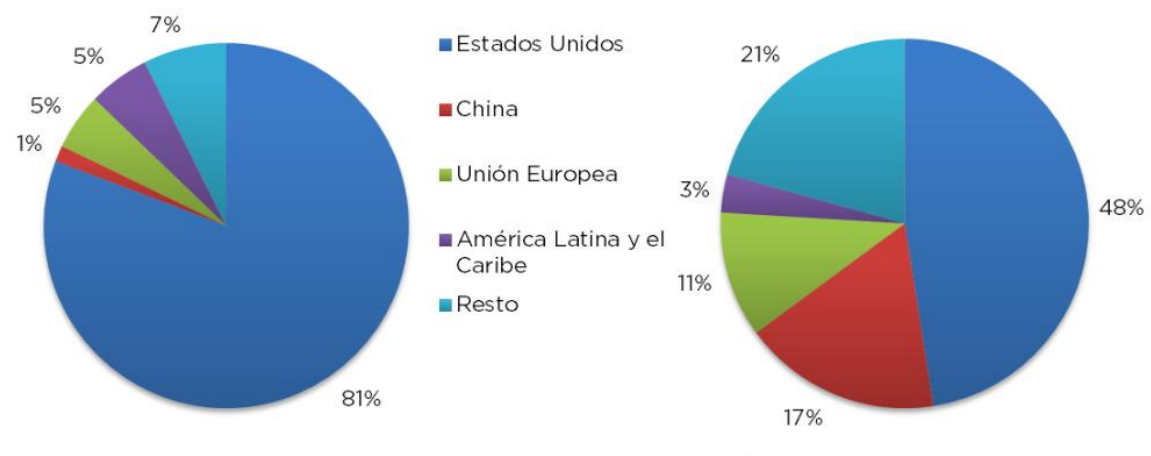
Países / Bloques	Alcance y tipo de acuerdo	Fecha de entrada en vigor
Con países de América Latina y el Caribe		
Alianza del Pacífico (Chile, Colombia y Perú) - *	Regional - Protocolo Adicional al Acuerdo Marco de establecimiento de una Zona de Libre Comercio	mayo 2016
Chile	Bilateral - AAP.CE N°41 Tratado de Libre Comercio	agosto 1999
Colombia	Bilateral - AAP.CE Nº 33 Octavo Protocolo Adicional Tratado de Libre Comercio	agosto 2011
Perú	Bilateral - AAP.CE N°67 Acuerdo de Integración Comercial	febrero 2012
Centroamérica (Costa Rica, El Salvador, Guatemala, Honduras y Nicaragua) **	Regional - Tratado de Libre Comercio	septiembre 2012 (NIC y SLV); enero 2013 (HND); julio 2013 (CRI); septiembre 2013 (GTM).
MERCOSUR (Argentina, Brasil, Paraguay y Uruguay)	Regional - AAP.CE N°54 Acuerdo Marco	enero 2006
MERCOSUR	Regional - AAP.CE N°55 - Acuerdo sobre el sector automotor	enero 2003
Argentina	Bilateral - AAP.CE N°6	enero 2007
Brasil	Bilateral - AAP.CE N°53	mayo 2003
Paraguay	Bilateral - AAP.R N°38	julio 1994
Uruguay	Bilateral - AAP.CE N°60 Tratado de Libre Comercio	julio 2004
Bolivia	Bilateral - AAP.CE N°66 Tratado de Libre Comercio	junio 2010
Cuba	Bilateral - AAP.CE N°51	junio 2001
Ecuador	Bilateral - AAP.R N°29	agosto 1987
Panamá	Bilateral - Tratado de Libre Comercio	julio 2015
Con países de fuera de América Latina y el Caribe		
Tratado de Libre Comercio de América del Norte (TLCAN) (Canadá - Estados Unidos)	Regional - Tratado de Libre Comercio	enero 1994
Unión Europea	Regional - Acuerdo de Asociación Económica, Concertación Política y Cooperación	octubre 2000
Asociación Europea de Libre Comercio (AELC) (Islandia, Liechtenstein, Noruega y Suiza)	Regional - Tratado de Libre Comercio	julio 2001
Israel	Bilateral - Tratado de Libre Comercio	julio 2001
Japón	Bilateral - Acuerdo para el Fortalecimiento de la Asociación Económica	abril 2005

* Those aspects of the bilateral agreements between parties that are not affected by the Pacific Alliance Protocol remain in force. ** Outcome of the convergence of the bilateral treaties that Mexico had with Costa Rica, Nicaragua, and the Northern Triangle countries. Source: IDB/INTAL with data from INTradeBID, SICE-OAS, and ALADI.

Despite all these treaties, Mexico's international trade flows are highly concentrated: between 2014 and 2016, 81% of its exports went to the US and 41% of its imports came from there (figure 1). China is Mexico's second-largest supplier (17% of total imports) but it is the destination market for only 1% of its exports. Just 3% of Mexico's imports come from Latin America and the Caribbean while 5% of its exports go there.

Figure 1. Mexico's Trade Flows, by Main Trade Partners

Percentage of the total, average for 2014–2016



Source: IDB/INTAL using DataINTAL data.

Given this context, possible modifications to the preferential ties between Mexico and the United States could create opportunities for some sectors in Latin America and the Caribbean. The greatest potential would seem to be for agricultural products, given the competitiveness of the exports of several Latin American countries in the sector. Between 2014 and 2016, 6% of Mexico's imports were agricultural products.[2] In that period, it established itself as a market worth approximately US$25 billion per year, equivalent to around 15% of total exports for the agriculture sector in the rest of Latin America and the Caribbean (excluding Mexico).

Grains, meats, and oilseeds and oleaginous fruits make up nearly half of Mexico's agricultural imports (figure 2). The main grains it imports are corn, wheat, and rice; meat imports are relatively balanced between pork, poultry, and beef; soybeans account for almost half of all imports of oilseeds and oleaginous fruits, with rapeseed and vegetable seeds for sowing representing a smaller share.

Table 2. Mexico's Imports of Agricultural Products

Percentage of total agricultural imports, average for 2014–2016

Capítulos SA		Participación en total importaciones 2014-2016
10	Cereales	17%
2	Carne y despojos comestibles	16%
12	Semillas y frutos oleaginosos	13%
4	Leche y productos lácteos; huevos de ave; miel natural	7%
23	Residuos y desperdicios de las industrias alimentarias	7%
21	Preparaciones alimenticias diversas	5%
15	Grasas y aceites animales o vegetales	5%
22	Bebidas, líquidos alcohólicos y vinagre	4%
8	Frutas y frutos comestibles	4%
17	Azúcares y artículos de confitería	3%
20	Preparaciones de hortalizas, frutas	3%
3	Pescados y crustáceos, moluscos y demás	3%
Resto		13%
Total		100%

Note: Classified by Harmonized System (HS) chapter; names are abbreviated. Source: IDB/INTAL using DataINTAL data.

The US is the main supplier of Mexico's agricultural product markets: between 2014 and 2016, 72% of Mexico's agricultural imports came from the US (table 3). The other member of NAFTA, Canada, represents 7% of imports. Only 7 of the top 16 suppliers are from Latin America, which accounts for just 7% of Mexico's total agricultural imports.

Chile is the country in the region with the largest share in Mexico's agricultural imports (2%): its main exports are fish and poultry, preserved fruit, grapes, and wines. Salmon, the main fish Chile exports, is tariff-free; other types of fish are subject to a tariff elimination schedule which will be complete by 2020. Preserved fruit are tariff-free, as are wines. Chile's grape exports to Mexico are subject to a tariff elimination schedule that began in 2014 and will be complete in 2025 and which establishes different tariff reductions for four periods of the year.[3]

Mexico imports vegetable oils, wines, malt extract, and maize from **Argentina**, none of which are subject to preferential treatment and thus are subject to most-favored-nation tariffs. Its imports from **Brazil** are mainly made up of poultry meat, coffee, soybeans, maize, and pepper; only the latter enjoys a preferential tariff.

Mexico imports palm oil and coconut oil from **Costa Rica** and **Guatemala**, both tariff-free; soybeans from **Paraguay**, which are subject to tariffs; and rice, cheeses, food preparations, and soybeans from **Uruguay**. Although many of Uruguay's exports to Mexico are duty-free, one of its main products, soybeans, is not.

Table 3. Imports of Agricultural Products from Mexico, By Main Supplier

As a percentage of total agricultural imports, average for 2014–2016

Socio	Participación en las importaciones agropecuarias 2014-2016
Estados Unidos	**72%**
Canadá	**7%**
Chile	2%
China	**2%**
España	**1%**
Brasil	1%
Guatemala	1%
Francia	**1%**
Nueva Zelanda	**1%**
Gran Bretaña	**1%**
Países Bajos	**1%**
Vietnam	**1%**
Argentina	1%
Uruguay	1%
Costa Rica	1%
Paraguay	1%
Resto	**7%**
Total	**100%**

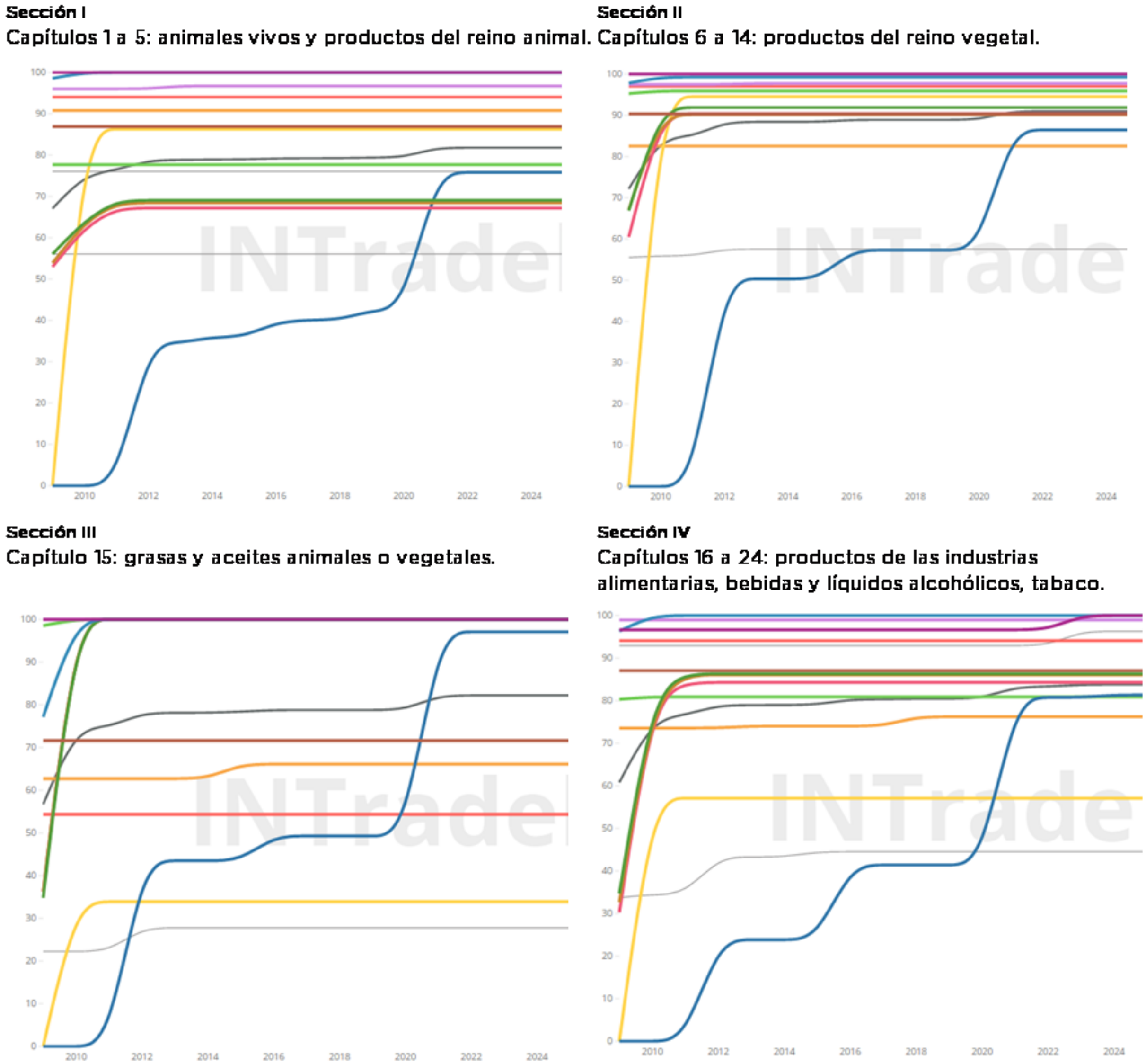
Source: IDB/INTAL using DataINTAL data.

The Mexican agriculture sector's levels of protection go some way to explaining the country's supply structure: while a significant percentage of product lines from most Latin American countries are still subject to tariffs, almost all agricultural products from Canada and the US have duty-free access to the Mexican market. For Canada, the exceptions to this are in Section I of the HS (live animals and animal products), in which tariffs still apply to 25% of tariff lines; for the US, they are in Section IV (prepared foodstuffs, beverages and spirits, tobacco), in which tariffs apply to 4% of tariff lines.

The liberalization of agricultural trade between Mexico and other Latin American countries varies greatly. In terms of trade with countries with which Mexico has significant agreements, only in the cases of Chile, Colombia, and Nicaragua have more than 90% of tariff lines been liberalized in the respective sections of the HS (figure 2). Section II of the HS (vegetable products) has the largest share of tariff-free lines included in all agreements; at the other extreme is Section III (animal or vegetable fats and oils), which has the lowest liberalization levels in terms of the percentage of duty-free tariff lines.

Figure 2. Tariff Elimination Schedule for Agricultural Products Granted by Mexico, Selected Agreements

As a percentage of tariff lines, 2010-2024

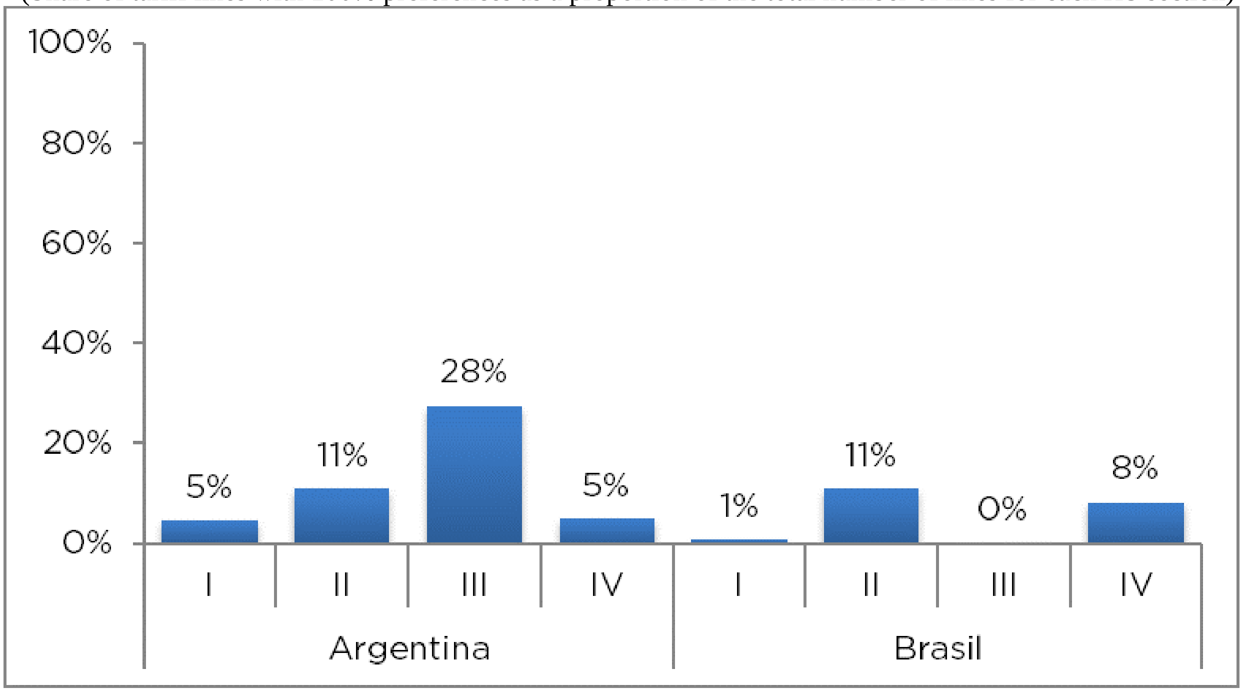


Source: INTradeBID

For Argentina and Brazil, with which Mexico has no significant agreements, a detailed analysis of the instruments currently in force reveals that the levels of liberalization within agricultural trade are especially low (figure 3).

Figure 3: Degree of Liberalization of Agricultural Trade between Mexico and Argentina and Brazil

(Share of tariff lines with 100% preferences as a proportion of the total number of lines for each HS section)



Note: Corresponds to Partial Scope ECA No. 6 (Mexico–Argentina) and Partial Scope ECA No. 53 (Mexico–Brazil). Source: IDB/INTAL using ALADI data.

In terms of agricultural trade, the agreements between Mexico and Brazil and Argentina that are currently in force are not very deep. The highest indicator is in Section III (animal or vegetable fats and oils) for **Argentina**, just 28% of whose tariff lines are duty-free. In Section IV (prepared foodstuffs), which contains more processed goods, just 5% of Argentina's lines are tariff-free, while 8% of Brazil's are. In the Mexico–Argentina agreement, the tariff elimination schedule ended in 2010, while Mexico granted preferences for imports from Brazil in 2003. Since then, there has been no progress on the liberalization process in the sector. This standstill is significant in that both Argentina and Brazil have globally competitive agriculture sectors and are seeking to diversify their agricultural markets and products.

A more detailed exploration reveals that the main agricultural goods that Mexico imports from its NAFTA partners are duty-free, while these products pay tariffs if they are from Latin America. Maize, for example, is only tariff-free for Bolivia and Paraguay; the remaining economies in Latin American and the Caribbean face substantial tariffs (20%, on average). The average tariff on wheat is 15%, while for rice it ranges between 9% and 20%, except for Argentina, Chile, Colombia, and Uruguay, which have a 100% preference for some varieties. Both pork and beef are subject to average tariffs of 20% while for poultry, these are between 80% and

100%. Only Bolivia, Chile, and Uruguay have obtained preferential access to some types of pork and poultry products. Within oilseeds and oleaginous fruits, the average tariff on soybeans (the main product in this heading) is 15%. In addition to these restrictions, the high relative shipping costs for these products from the southern hemisphere must presumably be taken into account.

Given the current scenario in which most of Mexico's agricultural imports come from just a handful of trade partners, negotiations with Latin American countries, particularly Argentina and Brazil, would open up opportunities for both sides: on the one hand, it would reduce Mexico's risk of depending on the US agriculture sector, and, on the other, it would expand destination markets for the other countries in Latin America, whose exports are currently highly concentrated in the Asian market. It would also add a significant missing link to the Latin American integration process.

The data shows that tariffs on some products (such as poultry) are extremely high. They are also significant for other products in which the region is already active as an exporter and for which it has comparative advantages (maize, wheat, soy, etc.). Expanding existing agreements by adding new products to the list of preferences and committing to further reducing tariffs would be a step toward renegotiating existing agreements. Other integration factors should also be considered, including taking advantage of the benefits that a trade agreement could bring in terms of customs facilitation, the reduction of technical barriers to trade, the standardization of sanitary measures and controls, and electronic trade platforms.

[1]Some of these regional agreements include countries with which Mexico also has bilateral agreements.

[2] Defined as the products included in chapters 1 to 24 of the Harmonized System

[3] Tariffs were eliminated immediately for exports between October 1 and April 14 and between June 1 and June 30; they will be eliminated over a 10-year period for exports between July 1 and September 30; and over 12 years between April 14 and May 31. Grapes are harvested in the southern hemisphere between February and April.

The MERCOSUR Establishes Permanent Coordination Platform to Focus on Innovation and Trade

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MERCOSUR Futures (publication in Spanish)

The MERCOSUR launched a new coordination mechanism at the first meeting of the MERCOSUR Council of Ministers of Industry, Trade, and Services (link in Spanish), held on April 5, 2017. The initiative is groundbreaking in several regards. First, it is a permanent space: the next meeting will be held in Buenos Aires in June 2017, before the MERCOSUR presidential summit. Second, the council's work seeks to improve trade flows, productive development, job creation, investment, and the internationalization of small and medium-sized enterprises. Third, in relation to trade, it aims to develop greater regulatory consistency within the block and reduce technical barriers. The council celebrated the success of the negotiations for the Protocol of Cooperation and Intra-MERCOSUR Investment Facilitation , which was signed by the foreign ministers of the member countries two days later. This instrument will stimulate growth and job creation. A press release for the meeting described the MERCOSUR as a platform for global competitiveness and a space in which to "develop industry 4.0, e-commerce, and the internationalization of SMEs," said Argentina's minister of production, Francisco Cabrera.

This approach, which focuses on global competitiveness and productive development, fully endorses the major topics of a recent INTAL publication, *MERCOSUR Futures (publication in Spanish)*, presented by INTAL director Gustavo Beliz at the latest Ministerial Council meeting. The publication is made up of 13 studies from integration specialists who examine the outlook for the region in the context of the tough conditions that currently characterize global trade. It sets out guidelines for a positive MERCOSUR agenda on trade, investment, and functional cooperation. One of the bloc's strategic objectives is to focus on innovation and productive development in a wide range of sectors and types of enterprise. It is hoped that this approach will help the region get in step with the dizzying pace of technological change that is sweeping the global economy.

As well as Mr. Beliz, speakers included Félix Peña, a noted expert on the MERCOSUR, who began by describing some the current trends toward questioning the multilateral rules of trade and megaregional initiatives. According to Mr. Peña, although this uncertainty around the governance of global trade may strengthen integration in the region, the bloc needs to redesign its working methods to make the negotiating process more efficient. There is also a need for concrete route maps and more regular meetings. In this sense, he suggested the bloc explore the use of regional integration "sherpas" like those that have played such a successful part in preparing for the G20 summits.

Policies with the Wind behind Them

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The development and adoption of clean energy, particularly from renewable sources, is on the rise as a strategy to mitigate greenhouse gas emissions. Wind power is one of the resources that countries in Latin America have turned to in order to diversify their energy mix and make their energy supply more sustainable.

According to recent data from the Global Wind Energy Council (GWEC), investments in the clean energy sector reached US$329 billion globally in 2015, a 4% increase on the previous year. By the end of that year, the new global wind power capacity was 432.9 GW, with a cumulative market growth of over 17%, largely driven by new installations in China.

The GWEC is optimistic about the prospects in Latin America and the Caribbean. After the Paris Agreement at the 2015 United Nations Climate Change Conference (COP 21), "the demand for clean energy, bolstered by concerns for energy security and diversity of supply, is promoting the growth of wind power," says a GWEC report. According to this document, the region will reach 30 GW of installed wind power capacity by 2020. In 2015, for the fourth year in a row, the Latin American market installed around 1 GW of new capacity.

The region is certainly diversifying its energy matrix by adding renewable energy sources such as solar, wind, and biomass. Uruguay began the process in 2005. At that point, "we were 15 years behind: there was no investment in the electricity sector and we were very vulnerable due to our dependence on hydropower and petroleum imports," says Olga Otegui, national director for energy at Uruguay's Ministry of Industry, Energy, and Mining. Uruguay worked on several fronts to turn this situation around: it explored energy development based on its own renewable resources; the local regulatory framework was adjusted to include new sources of renewable energy in the electricity mix; the environmental regulations that underlie renewable energy were studied in detail; and the country stimulated investment financing for this new sector by providing banks with information and developing different instruments to promote energy efficiency. The state "decided to hold annual energy generation tenders and committed to guaranteeing an energy purchase price with 20-year contracts. It also worked to develop synergies with suppliers of inputs and local components," Ms. Otegui said.

Just over 10 years after this policy was adopted, in 2016, 22% of Uruguay's energy supply came from wind power. By the end of this year, it is estimated that the country will have a total installed capacity of 1,500 MW and more than 20 wind farms in operation. "We have also managed to bring down petroleum imports, which used to account for 60% of our energy imports but now only represent 37%," Ms. Otegui said.

Now the challenges are about maintaining and optimizing what has already been built. One of the core focuses is generating new types of demand for renewable energy, such as transportation, in the form of electric taxi and bus fleets. “We are carrying out a pilot program with a fleet of six electric taxis,” said Ms. Otegui. “We have a good supply of renewable energy so what we need to guarantee is demand.”

In Mexico, wind power represents 4.5% of the country’s installed capacity and 3.05% of its electricity generation. According to Mexico’s Ministry of Energy, the country is aiming for 20% of its electricity to be based on clean energy by 2018, with a growth of 30% for 2022 and 35% for 2024. During the first half of 2016, some 432 MW of wind-based electricity went online, “which represents a 15.68% increase,” according to a report from the ministry.

In late 2012, Mexico began to reform its energy sector to allow private investment to play a part in electricity generation. It developed different incentives and requirements for clean energy consumption among large-scale users. “Through the reform, the government has committed to holding energy auctions every year, which brings a sense of certainty and predictability to the process of attracting investment in this sector,” said Héctor Treviño, managing director of the Mexico Wind Power Association (Amdee). He described the outlook as “promising.”

At the end of 2016, the Mexican wind power sector had an installed capacity of 3,400 MW, which is generated at wind farms in 10 different states, “while in 2018, we anticipate hitting the 6,000 MW mark through wind farms in 14 states,” Mr. Treviño said. “The projection for 2020 is to reach 12,000 MW and 50 wind farms with different capacities spread out over 17 states. These 12,000 MW will generate 45,000 direct and indirect jobs.”

In Argentina, Law 27.191 on clean energy also establishes demand targets: by the end of 2017, 8% of electricity should come from renewable sources. “Some 63.3% of Argentina’s electric energy matrix comes from thermoelectric energy, followed by hydropower, which accounts for another third,” says a report from the National Department of Sectoral Policies. “Although the share of alternative energies in Argentina’s energy mix is currently low, it is on the rise, with nuclear energy accounting for 4.8% and wind and solar for 0.4% of the total. Renewable energies currently contribute 1.9% of the total electricity consumed in the country.”

The Renovar Program has already organized two tenders. “This program awards supply contracts for the generation of electricity from renewable sources and has tendered 1,472.9 MW of wind power and 916.2 MW of photovoltaic solar power,” the report continues. Some 22 wind power projects and 22 solar projects have been tendered throughout the country.”

According to Rubén Fabrizio, managing director of Argentina’s Wind Cluster, which groups the entire wind industry value chain (such as local manufacturers of components, towers, generators, and blades), “until recently, all work on this had been postponed—despite Argentina’s potential, things were at a virtual standstill.” He says that now “purchases are beginning to be made as part of the first of the two auctions. Argentina could export its own technology to other countries in Latin America,” Mr. Fabrizio added. “But that would be a medium-term undertaking, once sustained local demand has been established. In this way, the manufacturing industry could generate scale, develop, and improve its production techniques. After that, it could start exporting: for example, we could sell machinery, such as towers or generators, or even aspire to installing turnkey wind farms. The opportunities there, because now there is a regulatory framework that anticipates sustained growth in the demand for alternative energies over a 10-year period."

The Wind Power Database indicates that Argentina now has 24 wind farms in operation. The largest of these is Parque Arauco, in La Rioja province, which opened in 2011. It currently has a capacity of around 100 MW and expects to increase this to 400 MW.

Impact on Employment

The interviewees agreed that wind power generates most jobs during the construction phase of the farms. "This is a labor-intensive industry with highly skilled jobs that pay above average salaries, like any other activity that produces capital goods," said Mr. Fabrizio. "The statistics from Europe suggest that between 14 and 18 jobs are created in the industry for each installed megawatt."

Ms. Otegui largely agreed: "most employment is generated during the construction phase, which tends to take a year to a year and a half. Building a 15 MW wind farm would generate 900 to 1,000 jobs, including both direct and indirect employment. But actually operating the park only requires 20 people for the entire duration of the contract."

Mr. Treviño said that Amdee hopes to develop a cluster of energy suppliers in Mexico made up of both international manufacturing companies and Mexican firms. He said that for each 100 MW, around 40 direct jobs and 300 indirect ones are created. "Energy auctions make the sector more predictable. We are working with the Ministry of the Economy and ProMéxico to create a local value chain by developing companies and training people."

By creating jobs and improving capacities that support economic growth, efforts to adopt clean energy may have a positive impact on the region's productive matrix.

[V1]Soledad, estas cifras están bien? El informe del GWEC dice "Overall, we expect just under 25 GW of new installations in the region in the period out to 2021."

[V2]Soledad, el original decía 2012 pero creo que querían decir 2022.

How Can the Efficiency of Latin America's Integration Process Be Improved in the New Global Context?

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What lessons and best practices could be drawn from regional trade agreements around services, e-commerce, value chains, agriculture, investment, manufacturing, and industrial policy? What are the main areas for improvement in Latin America's negotiations on these issues? In the new global context, what mechanisms and approaches are being tested out within national and regional policies? How might these initiatives contribute to developing constructive regional agreements within Latin America and the world?

These are some of the questions that were discussed at the High-Level Dialogue held at INTAL-LAB (link in Spanish) on April 4, 2017. A high-profile group of government officials met with representatives from the private sector and academics as part of the work being carried out by the Integration and Trade Sector at the Inter-American Development Bank (IDB) and the International Centre for Trade and Sustainable Development (ICTSD).

Reflecting on the challenges facing regionalism in the current global context is essential given the upcoming WTO Ministerial Conference (December 2017) and the 2018 G20 Summit, both of which will be held in Buenos Aires, Argentina.

The opening words came from INTAL director **Gustavo Beliz**, who moderated the event. **Miguel Braun**, Argentina's secretary of trade, and **Shunko Rojas**, the undersecretary for foreign trade, were the next to speak. Mr. Braun underlined the importance of the upcoming WTO Ministerial Conference and the G20 Summit. He argued for the need to articulate a positive, productive global agenda, adding that Argentina is at a point where it needs to forge closer ties with the world: the countries with which it has trade agreements account for just 10% of global GDP.

The internationalization strategy that authorities have put forward includes an ambitious agenda of new agreements, notably negotiations between the MERCOSUR and the European Union and the intensification of existing agreements. The proposed strategy contemplates the need to implement different measures to increase the efficiency of these existing agreements, which the recent signing of the MERCOSUR Investment Agreement is a good example of. Argentina's regional strategy does not end with the MERCOSUR, as it is supporting the integration efforts of the Pacific Alliance, which is negotiating with developed countries outside the region, including Japan, Korea, and Canada, and with emerging countries in Asia and Africa.

Mr. Braun highlighted the progress made on trade facilitation through the implementation of single windows for foreign trade (VUCEs), a project which the IDB provided support for; the modification of electric safety standards[1] and the surety insurance project.

Ricardo Meléndez Ortiz, chief executive officer of the ICTSD, discussed the E-15 Initiative, which brings together numerous global experts and institutions to analyze key issues and make recommendations that will help governments, private companies, and civil society put the trade and investment system on the path to long-term sustainability. Working with the IDB's Integration and Trade Sector, the E-15 Initiative has created the RTA

Exchange platform, a global database of regional agreements which functions as a space for developing dialogue to promote sustainable, inclusive development that responds to global challenges.

According to Meléndez Ortiz, there is consensus within the WTO that non-multilateral agreements are an important part of a globally integrated trade and investment system. Although he drew attention to the problems of articulating bilateral agreements with the multilateral system, he pointed out that over the last 10 years, many of the former have gone far beyond the scope of the latter, expanding their coverage to include issues such as investment, e-commerce, competition rules, and other aspects of integration that are essential to the global economy.

He underlined that the WTO Ministerial Conference and the G20 Summit are the two most important governability events in the world and thus offer Argentina, in particular, and the region as a whole a unique opportunity for setting out their vision and advancing their strategic agenda.

The uncertainty around the new US administration's trade policy continues to perplex observers and, for now, makes it difficult to anticipate what the future might hold. However, Mr. Braun thought it plausible that what lies ahead is not a revival of old-fashioned forms of protectionism in the US, but rather a new offensive trade agenda which aims to open markets via nontraditional paths. This process would begin with the use of bilateral agreements in certain markets and continue with the extreme application of trade defense mechanisms such as antidumping and safeguards. All these changes should be seen as an opportunity.

In relation to Brexit, he drew attention to the declaration that British prime minister Theresa May made in January 2017 at the Davos summit. In essence, her message was that Great Britain would deepen its tradition of free trade and would seek to promote greater integration.

One consequence of Brexit and the US withdrawal from the TPP will be an upturn in bilateral and plurilateral negotiations. This redefinition of trade agreements is something that will undoubtedly affect Latin America in some way–for example, in its negotiations with Europe. The global context is thus forcing the region to generate new alliances and other integration arrangements. More bilateral and regional negotiations are thus to be expected.

In relation to the G20 Summit, Mr. Meléndez Ortiz argued that between 2008 and 2015, the group dealt with trade in a reactive fashion: the focus was on macroeconomic coordination, yet its analysis of the trade issue was marginal. Instead, what prevailed was the monitoring and oversight of the protectionist measures implemented in reaction to the financial crisis. This outlook changed in 2015 when China took over the presidency of the G20 and decided to connect and analyze the issues of trade and investment in aggregate form, for which it created a Working Group and drafted investment principles for sustainable development.

One point that was stressed was the effect of the recent disagreement among G20 finance ministers at the meeting in Baden-Baden in March 2017. This may prompt the need to review two issues at the upcoming international trade forums: What is protectionism and what is it not? What is fair and what is not within the rules of trade?

It was agreed at the Nairobi Summit that there is no consensus on the end of the Doha Round. However, this constitutes an “agreement to disagree,” which simply reveals the difficulties that WTO members face in moving forward. This may also be a stimulus to advance toward plurilateral negotiations.

Mr. Meléndez Ortiz argued that in the run-up to the Ministerial Conference in Buenos Aires, the focus should be on promoting certain issues that are key to the multilateral system, such as updating the trade facilitation package, which would also imply agreements around services, e-commerce, investment, the content of agricultural goods, and so on. Other issues on the agenda include updating fishing subsidies and agreeing on procedures that will spearhead the WTO’s work on the digital economy.

Finally, he remarked that there are beginning to be signs of new growth in trade and the global economy, including specific indicators for the US and the stabilization of commodity prices. In Mr. Meléndez Ortiz’s opinion, the future relationship between employment and technological change is the main issue moving forward, and this is particularly true in Latin America’s middle-income economies, which are starting to be threatened by strategies and economies that revolve around low labor costs and by those that are seeking to increase their productivity through technological change.

Felix Peña asked three questions, the answers to which may shape the current context. What ideas and proposals can Latin America bring to the two summits that will be held in Buenos Aires? How can the global environment contribute to an intelligent redesign in the region? What role might Argentina and the region play in building bridges toward integration? From now on, Latin America and the Caribbean need to view global and regional affairs in more complex terms, looking at them from a multidimensional, multilevel, and dynamic perspective. The answers to these questions could shape an appropriate agenda for the two events.

Víctor do Prado argued that the keys for Argentina and the region in the run-up to the WTO Ministerial Conference and the G20 Summit are understanding the current state of global affairs and events at the WTO in a context which has changed enormously in a short time. For the conference to be successful, "we need to forget what most people have already forgotten." What he meant by this is that most WTO members do not want any more rounds of negotiation or single undertakings, and even "special and differential treatment" is becoming marginal.

Moving forward, the focus should be on developing a Ministerial Conference where "new seeds are sown," as was the case at the Singapore Ministerial Conference, where the seed of trade facilitation was sown, which is beginning to bear fruit. In this sense, he argued that events in Buenos Aires should unfold as follows: first, there needs to be a political declaration that reasserts principles that are true for all members; and second, that declaration should come hand-in-hand with other topical issues such as e-commerce, fishing, investment facilitation, services, and SMEs. By doing so, the conference will "sow new mandates" for the future. Mr. Do Prado also insisted that Latin America has to better project two fundamental features which are often overlooked even within its own borders: the fact that it is a conflict-free region that is characterized by multiculturalism.

He further noted that discussions of issues related to e-commerce are long overdue within the WTO. However, he said that work is underway to remedy this through 11 proposals that different member countries have put forward. He also expressed his surprise that e-commerce is discussed much more in Argentina than in other countries. Another source of surprise for him ha been how the focus on agricultural negotiations in the private sphere seems to be shifting from the traditional perspective, which targeted subventions and the agroindustry trade-off, toward a new vision that emphasizes the sustainability and environmental impact of agriculture.

He ended by saying that the challenge of articulating plurilateral agreements with bilateral ones is a topic of discussion at the WTO.

Pedro Less Andrade, Google's director of public policy and government affairs for Latin America argued that e-commerce needs to be regionalized to maximize its benefits for different stakeholders. A start-up that is successful in one country cannot grow enough if it continues to operate solely within that country's borders—instead, it needs to move beyond these and become a regional success story. Mr. Less Andrade said that the greatest public policy difficulties facing online companies, especially start-ups, are related to adapting the different regulatory frameworks in each country. The core focuses for the sector are privacy, the role of intermediaries, platforms, means of payment, and tax issues. He ended by underlining that e-commerce is an opportunity to create synergies between the international and local levels.

Gonzalo Navarro, executive director of the Latin American Internet Association (ALAI), argued that we need to understand the nature of the internet, how it works, and the business models that operate through it. In other words, e-commerce is not the same as traditional forms of trade: although the two may have similar ends (the delivery of a service or good), their underlying logics are different. It is essential to understand the cross-border and technical matters at stake to be able to know when and where to regulate.

Pablo García, president of the Bank of Investment and Foreign Trade (BICE) argued that the potential for achieving positive outcomes at the Ministerial Conference will depend on the emergence of new global and regional rulemakers, which there is currently a shortage of. He was also skeptical vis-à-vis the possibility of progress on multilateral negotiations. Consequently, he underlined the need to take a pragmatic approach to the meeting at the end of the year by focusing on concrete issues such as trade in services and trade facilitation, and said the region should seek flexibility that will allow the bilateral, regional, and multilateral spheres to coexist.

This High-Level Dialogue provided a space not only for an exchange of strategic ideas around the two upcoming events, but also for positive interactions between government officials, private-sector representatives, and academics and researchers. The presence of international analysts also helped establish what aims should be paramount during these negotiations.

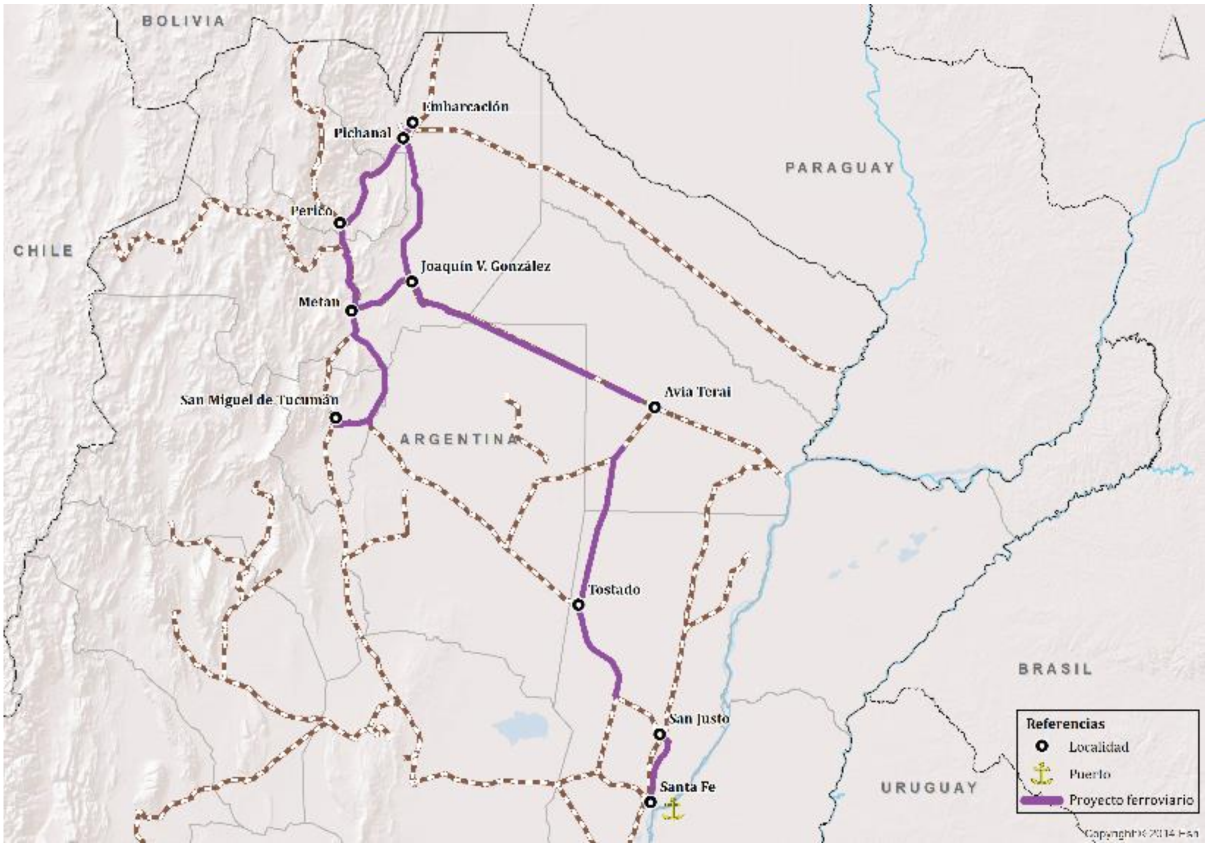
[1] Resolution E 207/2017 was published on March 20, 2017. Through it, Argentina's Secretariat of Trade introduced significant changes to the technical regulations on low-voltage electrical equipment traded within the country, specifically in relation to certification standards that ensure products comply with essential safety standards (http://servicios.infoleg.gob.ar/infolegInternet/verNorma.do?id=272858 [link in Spanish]).

Belgrano Freight Railway Will Reduce Logistical Costs in the North of Argentina

- Inspiring Activities
- n248

The Belgrano Freight Railway stretches from Retiro station in the Autonomous City of Buenos Aires through a total of 14 Argentine provinces: Buenos Aires, Santa Fe, Córdoba, San Luis, Mendoza, San Juan, La Rioja, Catamarca, Tucumán, Santiago del Estero, Chaco, Formosa, Salta, and Jujuy.

The rail network even connects with two neighboring countries: one of its branches links with Chile through the Socompa border crossing in Salta province, continuing to the port of Antofagasta on the Pacific. There are two alternative connections with Bolivia, neither of which are currently operating. The first is through La Quiaca in Jujuy province, the second through Salvador Mazza in Salta province.



The planned refurbishment work involves the replacement of 1593 km of track over the next four years and the addition of 1000 wagons and 30 locomotives. These works will be implemented as part of the Argentine government's Belgrano Plan. This is a group of public policies for transportation, infrastructure, production, health, employment, housing, and education for the provinces in the north of Argentina, which are relatively less developed than their southern counterparts.

The rail replacement works will take place in three stages. Various of the projects that the process entails are included in the COSIPLAN/IIRSA Project Portfolio, which INTAL functions as the technical secretariat for.

The total investment anticipated is US$2.47 billion, to be financed mainly by the Republic of China through the China Development Bank (CDB) and the China Machinery Engineering Corporation (CMEC).

The challenge is about much more than just renewing rail infrastructure, adding rolling stock, and reaching optimal operation levels. This change in the freight transportation matrix needs to be supported by appropriate policies and investments in other forms of transportation in the context of a holistic modernization of freight logistics in Argentina. The aim is for rail to go back to playing a greater role within the transportation matrix so as to revert the loss of competitiveness and greater energy consumption that comes with road transportation, given the distances and types of products that are transported.

In the 1980s, the Belgrano Freight Railway moved as much as 4.5 million tons of freight per year. In 2015, by which point several stretches were already being replaced, this figure was only 800,000 tons. It currently transports products such as petroleum, containers, grains and oilseeds, timber, manufactures, railway materials, minerals, construction materials in general, and other freight.

The work on the first stage covers 535 km, the first 160 km of which are already operational while the remainder have already been put out to tender. The sections in question are Santurce-Tostado-Chorotis-Las Breñas; Pampa del Infierno-Los Frentones; and Los Pirpintos-Los Tigres-Taco Pozo in Santa Fe, Chaco, and Santiago del Estero province.

The second section is 500 km long and was put out to tender in September 2016. It includes the Coronda-Santo Tomé and Laguna Paiva-Naré sections, both in Santa Fe province, and Talavera-Pichanal-Embarcación-Chalicán, between Salta and Jujuy.

It is expected that the final section, which is 558 km long, will be put out to tender in the first quarter of 2017. This will include refurbishing the Tucumán-Metán-Joaquín V. González and Metán-Chalicán sections in Tucumán, Salta, and Jujuy provinces. Work on all three stages will be complete by 2019.

These works are expected to generate 23,000 jobs, including both direct and indirect employment. The project implies major logistical work, including the transportation of more than 2 million sleepers, 170,000 tons of rail, and 5 million tons of ballast stone.

Agreements to Expand Colombia's Trade in Manufactures with Argentina and Brazil

- Inspiring Activities
- n248

On April 7, 2017, Colombia, Argentina, and Brazil signed two memoranda of understanding which will expand trade in a group of manufactures between them. The success of these negotiations is part of the renewed enthusiasm around talks between the MERCOSUR and Pacific Alliance. The agreements are particularly important because they promote activity in sectors beyond mere commodities, which make up much of these countries' export supply.

These agreements essentially anticipate the establishment of duty-free export quotas for manufactured goods, including products from the automotive industry in all three countries. For example, Argentina and Colombia agreed on the duty-free trade of a quota that will increase gradually over the four years following its entry into force, until it reaches a total of 42,000 vehicles. Brazil's memorandum of understanding with Colombia ratifies an earlier agreement from October 2015 that sought to boost bilateral trade in vehicles. Outside the automotive sector, the agreement between Argentina and Colombia establishes quotas for other products, such as agrochemicals and plastics.

For the moment, the general framework for preferential trade between these two countries is Economic Complementarity Agreement (ECA) No. 59, which was signed in 2004, has been in force since 2005, and covers the MERCOSUR countries and the Andean Community. The original aim of ECA 59 was to establish a free trade area through a trade liberalization program that included gradual, automatic reductions in bilateral tariffs over a 15-year period. This was to be completed by January 1, 2018, by which point around 87% of goods would be totally tariff-free.

Automotive Trade between Argentina and Colombia

Given the context in which these agreements are emerging, it is worth getting a sense of the scale of trade flows between these countries within the automotive sector (figures 1 and 2).

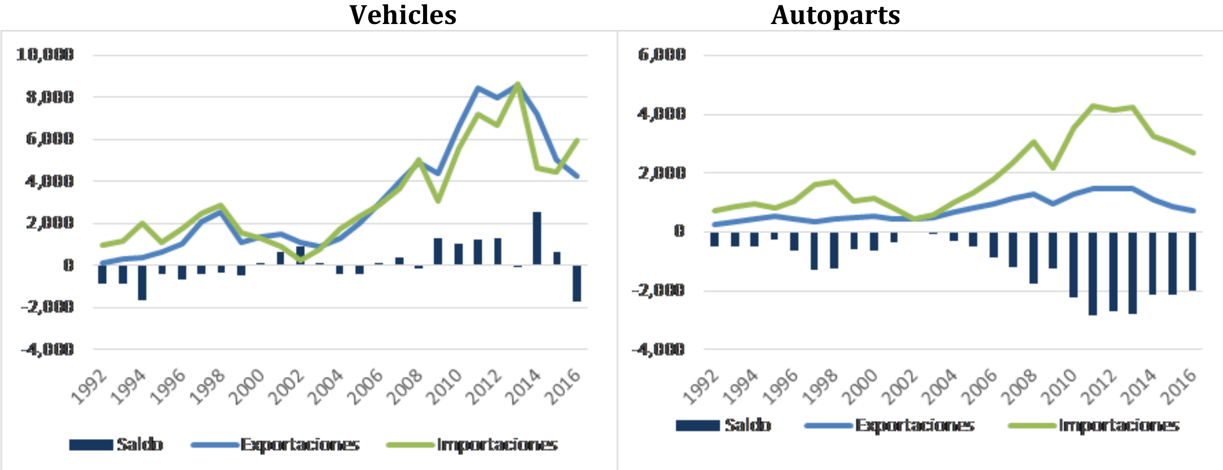
The net balance of trade for Colombia's automotive industry is negative, as it depends largely on imports of vehicles, autoparts, and accessories to supply the local market. Argentina's balance of trade in motor vehicles is generally positive—although this was not the case in 2016, when it had a deficit of over US$1.7 billion, largely due to the economic crisis in Brazil—and an ongoing negative balance in autoparts.

Between 2012 and 2016, Argentina recorded annual average exports of motor vehicles of more than US$6.6 billion. The difficulties that Brazil is currently experiencing are revealed in the drop in Argentina's external sales over three consecutive years. This makes the new agreement with Colombia particularly attractive, as it opens up a new market within the region. Over the same period, Colombia's exports reached an annual average of nearly US$500 million. In other words, there is a major difference in the scale of export flows between the two countries. Argentina has remained an important supplier for the huge Brazilian market and also has a relatively large domestic market.

Figure 1.

Evolution of Argentina's Total Trade in Motor Vehicles and Autoparts. Millions of US$

Vehicles **Autoparts**



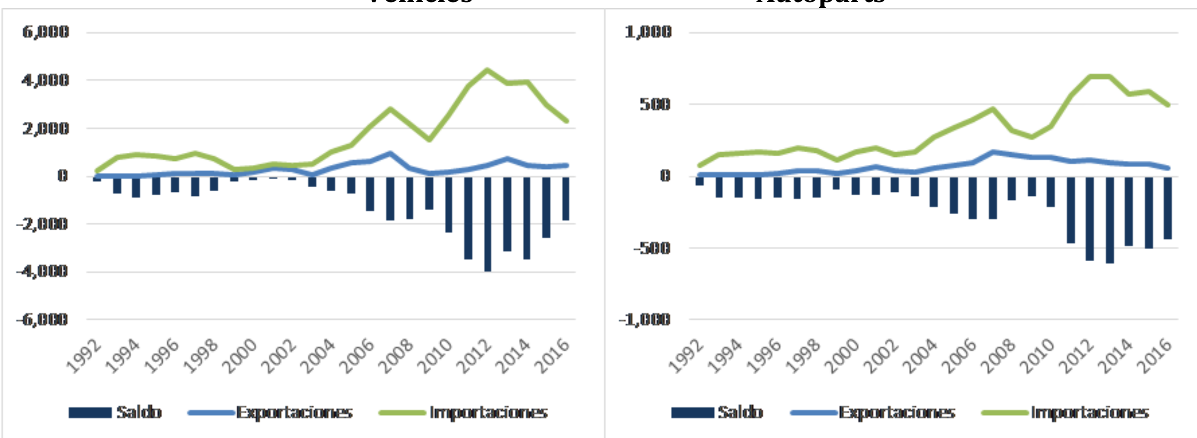
Nota: Autos comprende las partidas 8702, 8703, 8704 y 8705 del Sistema Armonizado; autopartes se conforma de las partidas 8706, 8708 y 8708. Fuente: INTRADE

On the import side, the difference between the two industries is much smaller. Between 2012 and 2016, Argentina's imports of motor vehicles averaged US$6 billion, while Colombia's imports totaled US$3.5 billion, a ratio of 1.8 to 1 in favor of Argentina. Over the same period, Argentina's exports of autoparts totaled around US$3.5 billion, while Colombia's were worth US$609 million.

Figure 2.

Evolution of Colombia's Total Trade in Motor Vehicles and Autoparts. Millions of US$

Vehicles **Autoparts**



Note: Vehicles include Harmonized System headings 8702, 8703, 8704, and 8705; autoparts include headings 8706, 8708, and 8708. The figure does not include imports for which Colombia itself is listed as the origin (in 2016, US$336 million in motor vehicles and US$175 million in auto-parts).Source: INTRADE

As these agreements benefit the opening up of MERCOSUR member countries' markets, they may be heralding the eventual creation of a wider South American automotive industry market.

As was mentioned above, Brazil has long been the main market for Argentina's automotive industry: nearly 7 out of every 10 motor vehicles that Argentina exports go to Brazil, and around 8 of every 10 of the vehicles it imports come from there. On a smaller scale, another major trade partner has been Mexico, although its automotive industry is largely oriented toward the US market.

Given this setup, it is unsurprising that Colombia's share in Argentina's vehicle exports has been relatively low to date, accounting for just US$102 million in 2016 (2% of the total) while its role as a vehicle supplier is practically nonexistent (figure 3).

Figure 3

Argentina's Trade in Motor Vehicles. 2016.

Exports			**Imports**		
	Millones de US$	**Part. %**		**Millones de US$**	**Part. %**
País de destino	**4,266**	**100**	**País de origen**	**5,986**	**100**
BRASIL	2,951	69	BRASIL	4,717	79
MÉXICO	242	6	MÉXICO	572	10
ESTADOS UNIDOS	197	5	BÉLGICA	149	2
CHILE	158	4	ALEMANIA	131	2
AUSTRALIA	122	3	REPÚBLICA DE COREA	91	2
COLOMBIA	102	2	ESTADOS UNIDOS	73	1
PERÚ	100	2	CHINA	49	1
PARAGUAY	75	2	URUGUAY	48	1
SUDÁFRICA	74	2	INDIA	47	1
ALEMANIA	66	2	ESPAÑA	21	0.4
OTROS	180	4	OTROS	88	1

Note: Vehicles include Harmonized System headings 8702, 8703, 8704, and 8705. Source: Prepared in-house using data from INTRADE

Colombia's trade in vehicles is more diversified (figure 4), although Mexico is the destination market for half its exports and the source of 3 out of every 10 of the vehicles it imports. Other major trade partners are Ecuador, as a destination market, and Japan, the United States, and the Republic of Korea as sources of imports.

Figure 4.

Colombia's Trade in Motor Vehicles. 2016.

Exports

País de destino	Millones de US$	Part. %
	477	100
MÉXICO	239	50
ECUADOR	135	28
CHILE	35	7
PERÚ	29	6
PANAMÁ	19	4
ZONA FRANCA	10	2
ESTADOS UNIDOS	3	1
COSTA RICA	1	0.3
GUATEMALA	1	0.3
EMIRATOS ÁRABES UNIDOS	1	0.2
OTROS	3	1

Imports

País de origen	Millones de US$	Part. %
	2,314	100
MÉXICO	711	31
JAPÓN	258	11
ESTADOS UNIDOS	224	10
REPÚBLICA DE COREA	221	10
BRASIL	184	8
ALEMANIA	135	6
CHINA	120	5
ARGENTINA	104	4
ESPAÑA	76	3
REINO UNIDO	46	2
OTROS	236	10

Note: Vehicles include Harmonized System headings 8702, 8703, 8704, and 8705. The figure does not include imports for which Colombia itself is listed as the origin (US$336 million in motor vehicles in 2016). Source: Prepared in-house using data from INTRADE

In 2016, over 250,000 units were sold on the Colombian market. Nearly 36% of those sales were locally produced vehicles.[1] As was mentioned above, Mexico was the main source of imported motor vehicles, accounting for around 20% of these, followed by Korea (14%). Argentina barely reached a market share of 1.3% or just over 3300 vehicles. These figures reveal the potential for growth in Argentina's exports to Colombia following the recent agreement, which may also enable Colombia to export vehicles to the larger MERCOSUR economies.

[1] Colombian Association of Motor Vehicles

Inspiring Activities

Argentina and Mexico Seek to Expand Existing Agreements

As part of the second round of negotiations over Economic Complementarity Agreement (ECA) no. 6 between Argentina and Mexico, a meeting organized by Argentina–Mexico Chamber of Commerce took place on April 18, 2017, in Buenos Aires. It included a presentation from Mexico's deputy minister of foreign trade, Juan Carlos Baker Pineda, who was accompanied by his team. The first round of negotiations took place in November 2016 in Mexico City.

Mr. Baker Pineda underlined the need to expand and deepen ECA 6, which has been in force since 1987, so as to make it into a next-generation agreement that helps consolidate trade ties between the two countries. He explained that only 38% of bilateral trade currently falls within the framework of ECA 6.

He also highlighted how the numerous visits of high-ranking government officials over the last 12 months have breathed new life into bilateral relations, based on the certainty that "Argentina and Mexico need to have closer ties."

Another agreement that involves the two countries is ACE 55, which regulates trade between the MERCOSUR and Mexico in the automotive sector. Mr. Baker Pineda said that Mexico hopes to leave the current quota system for this sector behind and return to free trade.

He then addressed what a deepening of this agreement means.

First, it includes tariff aspects, in that some of the current preferences are still only partial and do not cover 100% of trade. He then argued that the starting point for the process of renegotiating preferences needs to be identifying what is being traded and what the levels of preference are, so as to then deepen these ties yet further.

This may also lead to the inclusion of products that are not part of the current agreement. It is worth noting that Mexico intends to include trade in the automotive sector in this negotiation package, in addition to any bilateral trade that is currently not covered by either of these agreements.

If the two countries wish to modernize the agreement in a way that reflects both of parties' ambitions and export capacities, then disciplines that will accompany these tariff agreements need to be included. The disciplines in question should be online platforms, technical barriers to trade (TBTs), sanitary and phytosanitary measures, and intellectual property.

Mr. Baker Pineda commented that the objectives that Argentine and Mexican authorities have established for this second round of negotiations are, first, "to identify where we are with each issue, what each party's expectations are, and to consolidate texts that reflect these." Second, "to define the parameters" that will be used to approach negotiations for each product, such as timeframes, the sectors to be included and excluded, and what preferences will be used.

He also mentioned that Mexico is currently negotiating on several different fronts: Argentina, Brazil, the European Union, and Asia. He made particular mention of negotiations with Japan toward deepening the bilateral agreement that has been in force between the two countries since 2005.

Mr. Baker Pineda also discussed Mexico's relations with the US. He said that Mexico is convinced that the North American Free Trade Agreement (NAFTA) has benefited all countries involved in it through the levels of trade that have been generated thanks to the elimination of tariff barriers. Mexico is undoubtedly open to discussing how to take on other countries' unfair trade practices, how to include online platforms in NAFTA. It is also willing to add provisions on state-owned enterprises, among other aspects that may contribute to an agenda for positive debate that will build on what has already been achieved.

NAFTA has become a national good and a source of certainty, predictability, and preparedness, in that it enables all Mexican producers and business owners to understand the conditions of access to any market that Mexico has an agreement with.

Mr. Baker Pineda acknowledged that one of Mexico's attractive aspects is its 30-year history as an open platform for international trade and he argued that it should continue along this path. He indicated that the country is seeking more platforms to join, more markets for its products, but also other places where it can obtain the goods it needs. These aims underlie the rationale for seeking new opportunities within existing agreements, such as the one that it has with Argentina.

Trade between Argentina and Mexico is relatively low (US$2.3 billion) and has been falling. However, there are major opportunities for both countries. The aim is to complete the entire negotiation process toward the end of 2017 or the beginning of 2018. How far the process goes "depends on the negotiations, but both parties want to move forward." Mr. Baker Pineda said that the targets for disciplines should be as ambitious as those for tariffs. He drew attention to the role of what is often known as "the room next door," in reference to the members of the business community who accompany the government during the negotiation process. Technical consultations with the private sector shed more light on each sector's needs and enrich the negotiating process being led by government officials.

Finally, he argued that Argentina and Mexico have a major opportunity ahead of them: that of leading the way to different possibilities that are opening up in various parts of the world. He described the active agenda that Argentina has ahead of it and the enthusiasm this is garnering in Mexico.

Connecting Voices

Toward an Integral Ecology

Monsignor Marcelo Sánchez Sorondo, chancellor of the Pontifical Academy of Sciences, commented on the key points of the papal encyclical *Laudato Si'* in an interview with *INTAL Connection*.

In another interview with INTAL Connection, Patricia Espinosa, executive secretary of the United Nations Framework Convention on Climate Change, explained the governance challenges that climate change entails.

Mexico Updates Its Trade Agreement with the European Union

- Central America and Mexico
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- Regional Panorama

Negotiating teams from Mexico and the European Union met in Brussels, Belgium, for this third round of negotiations, the objective of which was to fast-track the modernization of the **Free Trade Agreement between Mexico and the European Union (FTA EU–MX),** Mexico's Ministry of Trade stated (link in Spanish) in an official announcement.

The outcomes of the round include progress on the following issues: **market access for goods**, rules of origin, trade facilitation, competition, technical barriers to trade, sanitary and phytosanitary measures, intellectual property, public procurement, trade in services (including telecommunications, e-commerce), investment, regulatory improvements, trade and sustainable development, energy and raw materials, cooperation around small and medium-sized enterprises, and improvements in **trade** dispute procedures.

The fourth round will take place in Mexico City between June 26 and 30, 2017.

Signing of the Protocol of Cooperation and Intra-MERCOSUR Investment Facilitation

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- Regional Panorama
- Southern Cone

At the World Economic Forum meeting in Buenos Aires, the foreign ministers of the MERCOSUR countries signed (link in Spanish) the Protocol of Cooperation and Intra-MERCOSUR Investment Facilitation. An official press release in early April 2017 emphasized that negotiations (link in Spanish) around this instrument had been underway since March 2016 and that "it is the outcome of member countries' hard work over several rounds of negotiations, which sought to develop and adopt an instrument that would promote a transparent, agile, positive environment for investment in member countries."

The press release added that the protocol recognizes "the fundamental role of investment in promoting sustainable development, economic growth, poverty reduction, job creation, expanding production capacity, and human development." For this reason, "it is a key legal instrument that will stimulate intra-MERCOSUR investment."

It is said that the agreement will "open up new integration initiatives between member countries and also seeks to establish strategic investment-related associations between them that could bring far-reaching mutual benefits."

The protocol has solved a long-standing problem within the MERCOSUR. A mechanism that reduces investment uncertainty within the region is an essential prerequisite for expanding trade flows and taking full advantage of the wider MERCOSUR market.

China Increases Petroleum Imports from Brazil, the USA, and Canada

- Integration in Motion
- International Scenario
- n248

To meet growing demand, China needs to increase (link in Spanish) its crude oil **imports** from "the new frontier," an enormous oil field that starts in the Gulf of Mexico and which is shared by the United States, Canada, and various Latin American countries.

Sinopec, the largest buyer of crude oil in China, plans to receive more shipments from Brazil, the US, and Canada to help stabilize petroleum supplies as the Middle East increases its distillation capacity and Africa is experiencing interruptions in its production.

Shipments to China from the Americas reached an all-time high in March 2017, boosting the region's share in the Chinese market by 1.1 percentage points for the first quarter to reach nearly 14%.

For more details on the dynamics of the petroleum market and its impact on prices in Latin America, see the article "Commodity Prices: What Does Their Recovery Depend on?". There is a long-term overview of the evolution of trade in petroleum in chapter 4 of the Trade and Integration Monitor 2016.

Debates on Regional Trade Agreements at the WTO

- Integration in Motion
- International Scenario
- n248

Delegates from the European Union, Japan, and Australia compared current and future regional trade agreements (RTAs) with the provisions set out in the **WTO's** Trade Facilitation Agreement (TFA)**.** The aim of the exercise is to prove the reciprocal influence of **bilateral**, regional, and **multilateral trade** programs in this area.

The debate explored how far these members' RTAs overlapped with the provisions of the TFA and how far they different from them. They also discussed the recent developments in trade facilitation provisions included in RTAs and asked how the TFA could become the basis for chapters on customs and trade facilitation in future RTAs.

The 2014 edition of the Trade and Integration Monitor includes a comparison of the provisions in the TFA and a select group of LAC regional agreements.

The next meeting of the **Committee on RTAs** has been tentatively scheduled for June 29 and 30, 2017.

The Caribbean Community Steps up the Struggle against Climate Change

- Caribbean
- Integration in Motion
- n248
- Regional Panorama

The 22nd Ordinary Meeting of the Council of Ministers of the Association of Caribbean States (ACS) in Havana, Cuba. It was attended by the foreign ministers and other ministers of the ACS member countries, and those of Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Mexico, Venezuela, and Colombia.

The meeting focused on the priority issues of **tourism, transportation, the environment, trade, and natural disasters**. Activities consisted of assessing the state of implementation of the ACS's cooperation programs, identifying resources for the projects that are currently being implemented, and putting forward new proposals.

Cuba's minister of foreign relations, Bruno Rodríguez Parrila, insisted that it is fundamental for countries to envision a policy for tackling **climate change** together. The secretary general of the ACS, June Soomer, stated (link in Spanish) that "we need to fight to strengthen our **trade** ties, and we need to regroup to develop our strategies together. We need to take all of this on together, as states." She also stressed the importance of **women**'s commitment to **integration**.

High-Level Dialogue Brings Together Countries from Asia and the Pacific Alliance

- America
- Integration in Motion
- n248
- Regional Panorama

Ministers of foreign relations and trade from the **Pacific Alliance** (PA) countries met with their counterparts from Australia, Brunei Darussalam, Canada, China, Japan, Malaysia, New Zealand, the Republic of Korea, Singapore, the United States, and Vietnam in Viña del Mar, Chile, where they held the High-Level Dialogue on Integration Initiatives in the Asia-Pacific Region: Challenges and Opportunities (link in Spanish).

The officials present exchanged views on the current state of **international trade** and identified three possible working areas between the PA and the other countries that took part in the meeting which would move toward strengthening **economic integration** and **free trade**. The presidents of the PA countries had already committed to "favoring market openness (…) with a view to developing value chains between the four PA countries and with countries outside the bloc, particularly in the Asia-Pacific" at an online meeting (link in Spanish) on March 9, 2017.

"We believe that this is an important sign given the current uncertainty and we see it as a way of moving toward **regional integration**. We will get in touch with the countries in question in due course to discuss these free trade initiatives in more concrete terms. Once this process is complete, it will mean that any country that reaches a free trade agreement with the PA will be considered an 'associate country'," said Chile's minister of foreign relations, Heraldo Muñoz (link in Spanish), at the joint press conference that marked the end of the meeting. The PA will thus entail three membership categories: full member, associate member, and observer. Mexico's foreign minister, Luis Videgaray, said (link in Spanish) that the PA is willing to negotiate with other Asia-Pacific countries provided that certain parameters are respected: "The main criteria is very high trade standards that incorporate modern disciplines such as environmental protection, respect for workers' rights, and investment."

Integration in Motion

How to Conquer the Asian Market

- Integration in Motion
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- The SME Space

In a production from the *ConnectAmericas* team at the Inter-American Development Bank (IDB), Eduardo Cárdenas, founder and CEO of ASC Co. Ltd., presents some of the lessons he has learned doing business with the Asian market.

This webinar teaches you all about the opportunities that the fascinating continent of Asia holds for Latin America.

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Impact assessment.

Natural Capital and the Sustainability of Development

- Impact assessment.
- n248

The United Nations' 1987 publication ***Our Common Future*** defined **sustainable development** as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." The 2015 **Sustainable Development** Summit established a set of 17 goals and 169 targets for the 2030 Agenda for Sustainable **Development**.

A study by José María Fanelli of Red Sur, Development, Sustainability, and Natural Resources in South America: Conceptual Framework and Research Agenda (publication in Spanish) contributes to the analysis of what these goals and targets mean for **South America** with the aim of identifying a set of topics and questions that will prompt and feed into future research.

Mr. Fanelli's hypothesis is that to understand the role of natural resources in sustainable development today, we first need to focus on the issue of **sustainability** itself, which we can then approach from a multidimensional perspective that encompasses matters such as natural capital and macroeconomics. Any analysis of sustainability should be structured around the intertemporal allocation of natural resource endowments and other factors that play a part in sustainable development.

The focus of the document is analytical and its main objective is to identify issues and existing studies, be they theoretical or applied, that may be useful in structuring a research agenda on the connection between natural resources, development, and sustainability. The publication interprets sustainability as entailing not just the rational use of natural capital but also the unhampered advance of the **development** process.

It explores the ties between **sustainable development** and **natural resources** for middle-income economies with an abundance of these, as is the case for several countries in **South America**.

Fanelli, José María. Desarrollo, sostenibilidad y recursos naturales en América del Sur. Marco conceptual y agenda de investigación [Development, Sustainability, and Natural Resources in South America: Conceptual Framework and Research Agenda] (publication in Spanish). Red Sur, 2017.

Trade Integration in Latin America and the Caribbean

- n248
- Reading Material on Integration
- Reviews

Based on 12 analytical studies, the International Monetary Fund's cluster report Trade Integration in Latin America and the Caribbean examines the factors that determine **trade**, explores the potential for enhancing **trade integration** in Latin America and the Caribbean, and assesses the associated economic and social effects of this.

One novel aspect of this report is that, to "deepen understanding of the region's policy options and trade strategies, [it] also incorporates the views of LAC country authorities [and] provides an opportunity to examine the alignment of recommendations based on the analytical findings with the region's current trade policy priorities." However, it is worth pointing out that the surveys in question were conducted between mid- and late 2016 , "prior to the most recent developments in the global trade landscape."

Findings

"The report finds that LAC can reap important growth benefits from further trade **integration**. With **trade integration** below that of other regions, there is scope for LAC to increase trade as an engine of growth and help offset the weaker economic outlook without adversely affecting overall income **inequality**."

The report distinguishes between inter- and intraregional **integration**, arguing that although it would be possible to improve **trade integration** on both fronts, the current political momentum behind greater **trade** openness may provide particular impetus to **intraregional trade integration**.

Trade could be promoted through "a regional **trade** agreement, convergence of **trade** rules and regulatory standards, and measures to support trade facilitation."

Furthermore, "strategies to bolster the region's **interregional integration** could be centered on unilateral liberalization as a complement to existing efforts to expand LAC's network of **trade** agreements."

The report also stresses the importance of complementary policies, arguing that "continued regional efforts to strengthen infrastructure and human capital would be useful as part of a broad growth strategy." Such policies may also "enhance trade **integration**, including by facilitating participation in global value chains which may offer new opportunities for technology transfer, and are critical to diversifying and upgrading the complexity of LAC's exports."

Finally, the report argues that "strengthened social safety nets can help lessen adjustment costs linked to further **integration** and promote an equitable distribution of gains from **trade**."

Trade Integration in Latin America and the Caribbean. IMF, 2017.

Infographics on 581 Integration Projects

- n248
- Notable Publications
- Reading Material on Integration

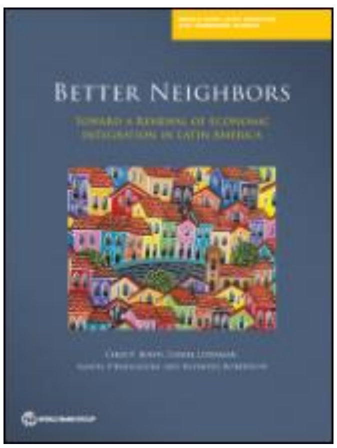
The publication contains relevant information on the COSIPLAN Project Portfolio (link in Spanish) and the Integration Priority Project Agenda (API) (link in Spanish), organized by the nine Integration and Development Hubs and 12 countries in South America.

It includes data on the number of projects, estimated investment, type of financing, the sector and subsector of each project, and what stage it is at in the project life-cycle, as well as a summary of the socio-economic and environmental characteristics of the Integration and Development Hubs.

Reading Material on Integration

INTAL-LIB recommends readings

- n248
- Notable Publications
- Reading Material on Integration
- Uncategorized



Better Neighbors: Toward a Renewal of Economic Integration in Latin America

Resumen: This book proposes a renewal of ‘Open Regionalism’ in Latin America and the Caribbean (LAC) aimed at achieving the region’s goals of high growth with stability. The LAC region experienced a growth spurt with equity during the first decade of the 21st Century. It is well understood that an unsustainable demand boom fueled by terms-of-trade improvements drove this growth acceleration episode, especially in South America. Unfortunately, terms of trade are no longer fueling growth, and the region’s policymakers are in search of new sources of growth with stability. With the experience of East Asia and the Pacific in mind, many policymakers in LAC are looking to international economic ties as a potential source of stable growth. The challenge highlighted in this book lies in designing an integration agenda comprising trade and factor market integration that is conducive to region-wide efficiency gains, which can help LAC enhance its global competitiveness. The forces of geography imply that pro-growth global integration cannot be achieved without building a strong neighborhood. Thus, this volume argues that LAC's regional economic integration agenda needs to go well beyond the current spaghetti bowl of preferential trading arrangements.

Los futuros del MERCOSUR: nuevos rumbos de la integración regional

Resumen: Este informe se pregunta cuál es el futuro del MERCOSUR tras cumplir sus primeros 25 años y qué debemos hacer para adaptarnos a la nueva era. "Los futuros del MERCOSUR" realiza un diagnóstico preciso de la situación del bloque regional y presenta ideas creativas para avanzar en un sendero de desarrollo sustentable que brinde opciones para fortalecer la integración en el presente escenario, en una convocatoria conjunta entre el Instituto para la Integración de América Latina y el Caribe (INTAL), del Sector de Integración y Comercio (INT) del BID, y la Red Sudamericana de Economía Aplicada.

Integration & Trade Journal: Volume 21: No. 41: March, 2017: Eco Integration in Latin America: Ideas Inspired by the Encyclical Laudato Si'

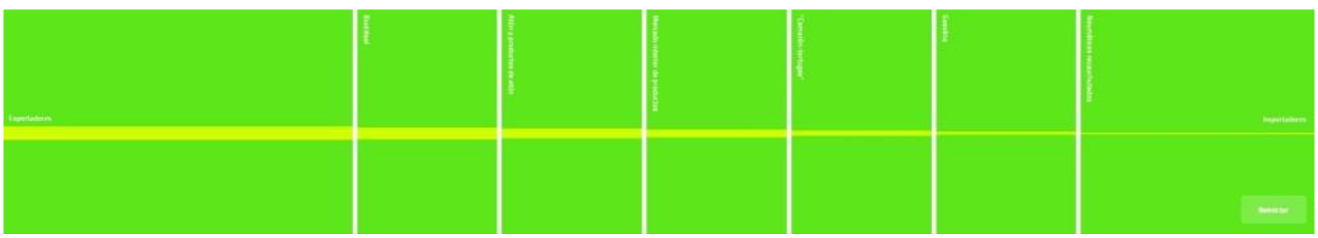
Resumen: Inspired by the encyclical Laudato Si', by Pope Francis, Nobel prizes and world experts pose concrete options for advancing in a regional eco-integration where social and environmental dimension of development are priorities. The commitments made to mitigate climate change at the Paris and Marrakesh summits require the cooperation of different nations in a joint effort to counteract global warming. Latin America has an enormous natural wealth that represents an opportunity, but also a great responsibility: to protect the planet and at the same time find ways to reduce the inequities that characterize the region. The new edition of IDB-INTAL Integration & Trade Journal offers creative measures, analyzes the governance challenges offered by the current scenario, describes sustainable models of trade, examines the impact of climate change and draws bridges to advance in an integral ecology where humanism became the engine of civilization.

Trade Thermometer

Green Barriers

- n248
- Trade Thermometer

In recent decades, trade experts in a range of international discussion forums have warned of the growing trend towards using environmental arguments to restrict trade ("green protectionism"). Although protecting the environment is a legitimate and desirable goal for the international community, countries in Latin America and the Caribbean should be watchful that such measures are not being used by their trade partners to justify protectionist measures that have a negative effect on LAC exports by giving them greater social legitimacy. The solution to the tension between trade and the environment does not lie in reducing environmental standards but in ensuring that these are used correctly to care for natural resources without distorting trade.



Editorial

Editorial Staff

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