185

January 2012

Monthly Newsletter INTAL

Monthly Electronic Publication

Inter-American Development Bank

Table of contents

Integration Blocs

Central America

The SICA Summit and the pillars of Central American integration

Headed by Climate Change and Integrated Disaster Risk Management, the other four axes of the relaunch of the Central American Integration System (SICA) are the Regional Democratic Security, Social Integration, Economic Integration, and Institutional Strengthening.
Held in San Salvador, El Salvador, December 16, the 38th SICA Ordinary Summit assessed the breakthroughs made in each of these pillars, which were summarized in the Joint Declaration and Action Plan, both of which were presented at the meeting.
The major breakthroughs in Climate Change and Integrated Disaster Risk Management were the adoption and implementation of the Regional Strategy on Climate Change (ERCC), the Central American Integral Disaster Risk Management Policy (PCGIR), and the creation of the PCGIR Consultative Forum. In this area, the Action Plan calls for continuing the implementation of the PCGIR, approving the creation of a fund for this policy, coordinating common positions for international forums and agreements, and strengthening food security.
There was also a meeting of the Consultative Group for the Reconstruction and Transformation of Central America, which focused on the consequences of Tropical Depression Twelve-E (see below).
Significant progress was also made on issues of democratic security, including the International Conference on Citizen Security in support of the Central American Security Strategy, which decided the priority projects to be implemented and the means of financing, in which the Inter-American Development Bank (IDB) is actively involved, lending technical and financial support. As one of the steps, there was a call to continue the negotiations with the Friendly Countries and International Organizations Group. Instructions were also given to form a financial management team for the Strategy.[1]
The Action Plan encourages specific actions for Social Integration, with particular emphasis on children, health, sports, food security, culture, and migration.
The Declaration highlights the rise of intraregional trade as one of the symptoms of greater economic integration. The current year presents challenges in the integration of micro, small and

medium enterprises (MSMEs) (a field where the development of a regional strategy and the implementation of a program to promote entrepreneurial initiatives was instructed), the operation of the Payments Interconnection System (SIP), and the development and efficient use of renewable energy.
The outstanding issues in this area are the signing of the Partnership Agreement with the European Union, the establishment of the Customs Union, and Panama's incorporation into the system. Institutional Strengthening will be sought through the realignment of legal harmonization and the standardization of regulations within SICA bodies.

Related articles

- IDB/INTAL. "IDB supports Regional Security Strategy in Central America," in *INTAL Monthly Newsletter No. 174*, February 2011.
- IDB/INTAL. "Security and integration: the Summit of Regional Citizen Security in Central America," in *INTAL Monthly Newsletter No. 179*, July 2011.
- IDB/INTAL. "Progress in implementing the Security Strategy," in *INTAL Monthly Newsletter No. 180*, August 2011.
- IDB/INTAL. "43rd Meeting of the Central American Security Commission," in *INTAL Monthly Newsletter No. 181*, September 2011.
- IDB/INTAL. "Forum on the Central America Security strategy," in *INTAL Monthly Newsletter No. 182*, October 2011.

Consultative Group for the Reconstruction and Transformation of Central America

Also, at the summit, the presidents held the Meeting of the Consultative Group for the Reconstruction and Transformation of Central America, with the participation of representatives of friendly countries and international organizations. The Group was formed on October 25, 2011, with a mandate to present national and regional rehabilitation initiatives.
The meeting was held with the aim of analyzing the consequences of Tropical Depression Twelve-E, which affected the isthmus in October 2011, causing numerous deaths, great destruction of infrastructure, and significant losses in agricultural output. According to the Declaration, the meeting discussed the subregion's strategic framework for coping with natural disasters and climate change, and called for technical and financial support from the international community. According to a report carried out by ECLAC with support from IDB, the region needs US$4.2 billion for sustainable reconstruction that will withstand the growing risks of disasters.

Related articles

- IDB/INTAL. "Cooperation over heavy rains in Central America," in *INTAL Monthly Newsletter No. 183*, November 2011.

[1] For more information on this issue, see *Related articles* section.

Growth of Central American integration payment systems

Around 50 banks already belonged Central America's Payments Interconnection System (SIP) by late 2011. In operation since February that year, this system allows transfers between the Isthmus's countries to be made in real time and at low cost, and extremely safely.

The SIP's legal framework is governed by the Treaty on Payment and Securities Settlement Systems in Central America and the Dominican Republic, which has been in force since 2008.

The initiative joins existing mechanisms in the region designed to simplify and reduce transaction costs. However, it should be remembered that the Agreement on Reciprocal Payments and Credits (CCR) of the Latin American Integration Association (LAIA) and the Local Currency Payment System (SML) between Argentina and Brazil differ to the SIP in several respects.

First, these systems are restricted to trade-related transfers, whereas the Central American system incorporates all kinds of transactions, including remittances. Second, the Central American system uses the US dollar, whereas the others use local currencies. Finally, whereas the other initiatives are specifically aimed at facilitating trade, the Bank of Guatemala highlights the fact that the importance of the SIP lies in promoting the modernization of national payment systems, helping to eliminate restrictions, and widening access to transboundary payments.

The SIP works as follows: if a person or entity in any of the Central American member countries wishes to perform a money transfer to another country in the Isthmus, they must order the operation in their country's participating financial institution. The payment can be made in local currency at the relevant US dollar rate, or directly in dollars. The local entity sends the operation to the local Central Bank, which transfers it to the Institutional Manager of the SIP (currently the Central Bank of Dominican Republic). Then the Manager transfers the payment to the country of destination's Central Bank, which then transfers it to the relevant commercial bank (which must also belong to the SIP). Finally, the payment is credited to the recipient's account, with the choice of US dollars or local currency (again, at the current rate of exchange). Although local currency may intervene in the initial and end operations, the intermediary chain of payments is in US dollars.

Transactions take no more than two hours and their cost is US$5, regardless of the amount of the transaction. According to one newspaper article, transfer used to cost at least US$35 before the launch of the SIP, and their value rose in proportion with the amount transferred.

Participating in the SIP are the central banks and financial institutions (the latter on a voluntary basis) of El Salvador, Guatemala, Honduras, Nicaragua, and Dominican Republic.[1] Costa Rica has yet to adjust its regulations in order to perform any operations.

Related articles

- IDB/INTAL, "2011 Central America Action Plan: Second Round," in *INTAL Monthly Newsletter No. 177*, May 2011.

[1] In Guatemala, Nicaragua and Dominican Republic, all banks belong to the SIP, while only some do in El Salvador and Honduras.

Positive results toward Customs Union

The third and final round of talks of the Central American Customs Union for the second half of 2011 was held in San Salvador, El Salvador, November 28 through December 2. It should be remembered that the member countries of the Central American Economic Integration Subsystem (SIECA) established a negotiating mechanism in mid-2010 consisting of three half-yearly rounds of talks. These include roundtable discussions on specific issues, with the ultimate aim of eliminating obstacles to the formation of a Customs Union.

The recent meeting brought together the Technical Groups on Tariffs, Customs IT, Customs Regulations, and Registration. The main breakthroughs were in the last group, which finalized seven Central American Technical Regulations (RTCAs).

Also, the Council of Ministers for Economic Integration (COMIECO), authorized tariff reduction on the import of 24 food inputs not produced in the region, reviewed the progress of Panama's membership, and assessed the work of the Technical Groups.

More details on the progress made in the Technical Groups and at the COMIECO meeting are available at the following links: [1]; [2].

Related articles

- IDB/INTAL, "Panama an observer at the Customs Union Round," in *INTAL Monthly Newsletter No. 183*, November 2011.
- IDB/INTAL, "Priorities for Central American integration in the second semester of 2011," in *INTAL Monthly Newsletter No. 180*, August 2011.
- IDB/INTAL, "Trade Negotiations in Central America," in *INTAL Monthly Newsletter No. 172*, December 2010.
- IDB/INTAL, "The Isthmus makes steady progress in intra-Central American integration: the 2011 Action Plan," in *INTAL Monthly Newsletter No. 175*, March2011.

Andean Community

CAN countries analyze Andean integration

An Andean Integration Meeting was held December 7, at the facilities of the General Secretariat of the Andean Community of Nations (CAN) in Lima, Peru, to discuss issues relating to subregional integration. Several meetings were held in parallel. In terms of the economy and trade, there was the 108th Regular Session of the CAN Commission, the 7th Meeting of the Andean Export Promotion Committee, the Meeting of the Andean Micro, Small, and Medium Enterprise Committee, and the Development Banks Meeting.

During the 108th Meeting of the Commission, Foreign Trade Ministers approved several community rules relating to trade, public, animal, and environmental health, and tourism. Among others, a strategic plan to facilitate trade was approved. This provides for the formation of a community customs risk management handbook and the development of a database. Guidelines were also laid down for a tourism statistics information system at community level.

During the parallel meetings of the Andean Export Promotion Committee and CAN Development Banking Sector, the countries committed themselves to work together to strengthen the regional productive sector, in particular, where micro, small and medium enterprises (MSMEs) and outreach to third markets were concerned.

The subregional seminar, “Strengthening of the employability and protection of labor rights,” highlighted the progress made in connection with the Community Decision No. 545 (the Andean labor migration instrument). The seminar was held December 15 and was organized by the Ministry of Labor and Employment Promotion in coordination with the CAN General Secretariat, the International Labor Organization (ILO), and the International Migration Organization. Established in 2003, Decision 545 creates the Andean Labor Integration Instrument with the aim of all Andean workers enjoying the same labor rights within the region’s countries. The meeting underlined the positive experience of Peru, the first Andean country to implement the Decision as of 2006, since when it has achieved steady progress in the national treatment of citizens from the other Andean countries with employment contracts.

For more information, see the following links: [1]; [2]; [3].

Peru and Venezuela strengthen bilateral relations

In a ceremony at the Venezuela's José Antonio Páez hydroelectric plant, January 7, 2012, the presidents of Peru, Ollanta Humala, and Venezuela, Hugo Chávez, signed nine agreements seeking to strengthen bilateral relations. The leaders signed cooperation agreements in the social field, and on hydrocarbons and petrochemicals, disaster risk prevention, migration regularization, the marketing of tractors and farm implements, and productive complementation.
The countries also signed a **Partial Scope Agreement at the meeting, to promote trade by granting reciprocal tariff preferences for imports originating in both countries**. In the Joint Communiqué, the leaders stressed the agreement's importance to boost economic relations by deepening productive complementarity between the countries and increasing participation by small and medium enterprises (SMEs). It should be remembered that this agreement replaces the preferences the two countries granted each other in the framework of the Andean Community of Nations (CAN), which expired last April, when Venezuela left the bloc.[1]

For more information, click here.

Related articles

- IDB/INTAL, "Colombia and Peru's negotiations with Venezuela," in *INTAL Monthly Newsletter No. 184*, December 2011.
- IDB/INTAL, "Peru and Colombia renew tariff preferences to Venezuela," in *INTAL Monthly Newsletter No. 183*, November 2011.

[1] See IDB/INTAL, "Andean countries renegotiate preferences with Venezuela on exit from CAN," in *INTAL Monthly Newsletter No. 176,* April 2011.

MERCOSUR

External context behind temporary exceptions to Common External Tariff

The **42nd Summit of MERCOSUR Heads of State** and the **9th Extraordinary Meeting of the Common Market Council** were held in Montevideo, Uruguay, December 20.

In the context of the international crisis, the MERCOSUR Presidents adopted a mechanism to generate new exceptions from the Common External Tariff (CET) for certain goods. Decision No. 39/11 lays down “specific actions in the area of tariffs for reasons of trade imbalances arising from the international economic situation.” As a transitional measure, the Decision authorizes States Parties to raise import tax aliquots above CET levels for extrazone goods. It should be noted that this does not constitute a general increase in the CET, but is an optional tool, only affecting the country that decides to adopt it, not the others. The aliquots may not exceed the ceiling consolidated by the States Party in the World Trade Organization (WTO), i.e. 35%. Nor may they exceed the amount of 100 tariff positions in the MERCOSUR Common Nomenclature (NCM) in each member country. It ultimately extends the list of exceptions to the CET in force (100 positions for Argentina and Brazil, 649 for Paraguay and 225 for Uruguay), but, instead of reducing the aliquot, the mechanism allows an increase. The agreed mechanism enables each country to submit a list of proposed tariff positions and the partners will have 15 days to give their consent. Once approved, the changes can last up to 12 months and may be extended by the same length of time.

The measure has backed by the older partners, who are seeking to protect their markets from sharp rises in imports from extrazone countries. The smaller partners, Paraguay and Uruguay, who are less concerned about limiting extrabloc imports, made the reduction of non-tariff measures within the bloc a condition for their support for the decision.

Act No. 01/11 was also signed, in which the delegations announced the creation of a High-level Dialogue Group to promote the incorporation of new full members in the regional bloc, as a fundamental step toward consolidation of MERCOSUR and the strengthening of the South American integration process.

At the **42nd Summit of MERCOSUR Heads of State**, Uruguay handed the Pro Tempore Presidency to Argentina, and the countries issued a Joint Communiqué.

In terms of the **external agenda**, a Free Trade Agreement (FTA) with the State of Palestine was signed and the need was stressed to further the extraregional negotiating agenda, in particular with the European Union, Canada, the European Free Trade Association (EFTA), and Japan. The need for early completion of Venezuela's accession as a full member of MERCOSUR was also ratified, and the importance of setting up an Ad Hoc Group to define the terms of Ecuador's accession was stressed.

In terms of the **internal agenda**, they expressed their satisfaction with the work of the MERCOSUR Productive Integration Group, particularly in the sea, air, and wind power sectors. On the Customs Union Consolidation Program, they highlighted the progress made in the draft regulations of the first stage of elimination of double-levying of the CET and the distribution of the customs revenue, reiterating the need to set compensation for Paraguay due to its being a landlocked country highly dependent on customs revenue.

The States Parties and Associated States issued a Joint Communiqué expressing their support for measures to increase trading between South American countries, based on cooperation, complementarity, and integration of production chains.

The **42nd Regular Meeting of the Common Market Council** was held December 19, from which came Act No. 02/11 and numerous rules. The resolutions agreed had previously been discussed at the 17th Extraordinary Meeting of the MERCOSUR Trade Commission in Montevideo, December 15.

The recent publication of the *Informe MERCOSUR Nº 16* is extremely useful to contextualize the recent Summit. Chapter 2 describes the trade flows in the bloc's countries, focusing particularly on intraregional trade. It draws attention to the growth of intrazone trade (pp. 37-38) and the significant increase in imports from Asia (pp. 38-40), while also including a section on trade bundling in the bloc's smaller economies (pp. 51-59). Chapter 3 takes an in-depth look at negotiations on the Domestic Agenda and, in particular, the trade agenda (pp. 62-91).

Related articles

- IDB/INTAL. *Informe MERCOSUR No 16*. Serie Informes Subregionales de Integración. Buenos Aires, December 2011.

UNASUR

IDB ratifies support for UNASUR regional initiatives

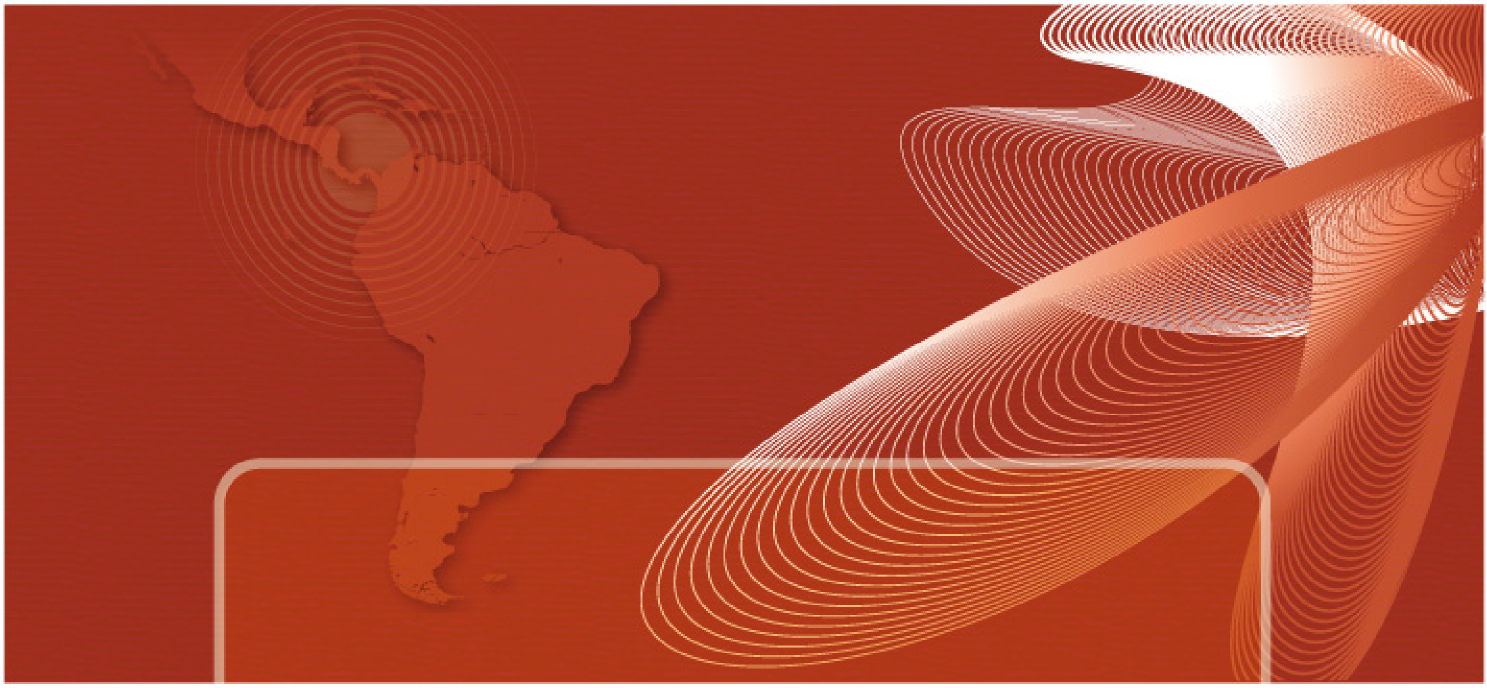
The President of the Inter-American Development Bank (IDB), Luis Alberto Moreno, met in Quito, Ecuador, December 19, with the General Secretariat of the UNASUR, Maria Emma Mejia, to confirm the institution's pledge to help finance the Integration Priority Project Agenda (API), recently adopted in Brasilia, Brazil.

The API is a group of 31 strategic, high-impact projects for physical integration and regional socioeconomic development developed by UNASUR's South American Infrastructure and Planning Council (COSIPLAN). This includes 88 infrastructure works relating to ports, logistics centers, border centers, waterways, railroads, roads, bridges, tunnels, power transmission lines, airports, gas pipelines, and multimodal transport systems, to be implemented over a ten-year period. COSIPLAN's objective is to promote connectivity in the region via the construction and efficient operation of infrastructure, while applying sustainable social and economic development criteria, preserving the environment and a balance of ecosystems, recognizing and continuing the achievements and progress of the Initiative for the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). COSIPLAN's statute and regulations include IIRSA as its technical infrastructure forum. In this way, IDB, CAF, and FONPLATA will continue to work and participate directly in the region's physical development, the way they have been doing since IIRSA was created a decade ago.[1]

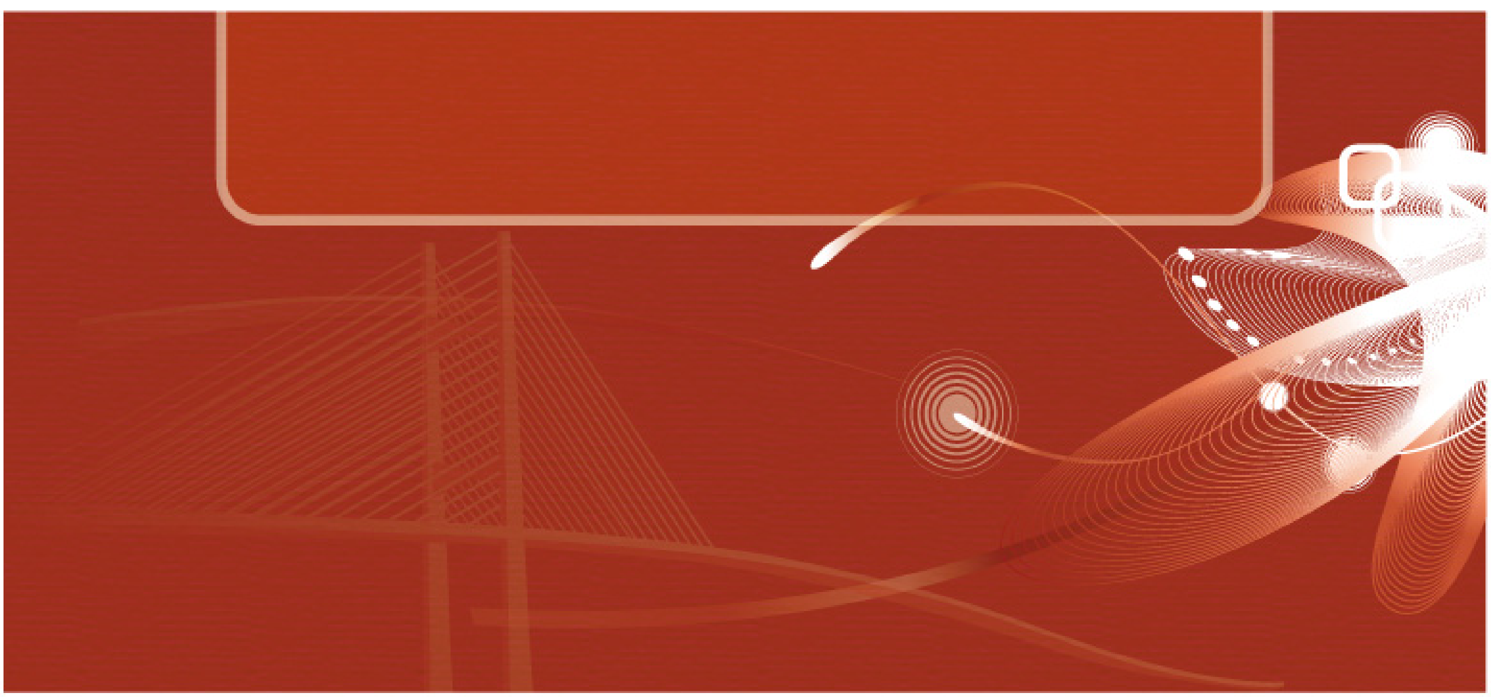
The meeting between Moreno and Mejía looked at possible funding mechanisms to complete the 31 projects over the next ten years, which will require an investment estimated at US$13.6527 billion. The UNASUR Secretary General reported that, in February, 2012, there will be a South American ministerial meeting to design the funding strategy.

For more information, see the following article, available at UNASUR's new website: http://www.unasursg.org.

[1] See IDB/INTAL, "UNASUR and infrastructure," in *INTAL Monthly Newsletter No. 184,* December 2011.



Regional And Global Overview



Russia and Least Developed Countries head WTO Conference

The accession of Russia, the recognition of certain needs of the least developed countries (LDCs), and the extension of the Government Procurement Agreement (GPA) were the main agreements reached at the 8th Ministerial Conference of the World Trade Organization (WTO).
The meeting was held in Geneva, Switzerland, December 15 through 17, 2011, and the agenda was organized at a plenary session and three day-long workshops entitled "The Importance of the Multilateral Trading System and the WTO", "Trade and Development," and "The Doha Development Agenda."
It should be recalled that the Ministerial Conference is empowered to take decisions in connection with any of the Multilateral Trade Agreements, and constitutes the WTO's supreme decision-making body. The Conference meets every two years and is made up of all the Organization's member countries.

Russia's accession

One of the main outcomes of the 8th Ministerial Conference was the adoption of the Protocol on Russia's Accession to the WTO, a process that was completed after 18 years of negotiations.
Once Russia notifies the Organization about its Parliament's ratification of the Protocol, it will become a fully-fledged member of the WTO. From that moment on, Russia will apply the provisions within the set deadlines.
The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) would be observed without resorting to a period of transition, while the process of tariff reduction and elimination will take place over a maximum of eight years, although a third of the items are to be amended at the time of accession. Russia has undertaken to reduce its tariffs on many products (dairy products, cereals, oilseeds and their derivatives, chemicals, automobiles, electrical machinery, wood and paper products, and sugar). This will take the average maximum tariff for agricultural products from 13.2% to 10.8%, and manufactured products from 9.5% to 7.3%, while the total average maximum tariff will be 7.8%. Quantitative restrictions on imports will also be removed and import licensing for products such as alcohol, pharmaceuticals, and encryption technology goods will be dispensed with.
In services, the commitments will allow the installation of foreign companies in the areas of insurance, banking, distribution and so on.
In order to adapt to multilateral trade rules Russia has embarked on a process of change in its national legislation. Of the wide variety of areas, the ones with the greatest impact are related to industrial subsidy programs, which must be eliminated or processed in order to adapt to WTO rules; agricultural subsidies, where there is a commitment to gradually bring these down; sanitary and phytosanitary measures, which should be in accordance with international standards; and technical regulations and procedures related to the Agreement on Technical Barriers to Trade. These adaptations take on special importance in the field of farming and fuels, which comprise Russia's main exports.

As a member of the WTO, Russia is also committed to periodic revisions of its laws. Its accession will also encourage greater transparency through the commitment to publish all the laws and regulations on cargoes and transit of goods, customs duties, and other levies.

The generic gains Russia is expected to obtain with its admission to the WTO include improved quality of goods and greater dynamism in the business climate, as well as more predictability and stability, the possibility of resorting to the dispute settlement mechanism, facilities for circumventing restrictions on trade, and the creation of new opportunities.

A World Bank study[1] says that Russia will reap substantive gains from joining the WTO; however, it also explains that the benefits will not come mainly from market access, but from the internal reforms that Russia has made and still has to follow through on. Russia is already the world's twelfth largest exporter of goods and accounted for 2.6 % of total external sales out in 2010. That year, its shipments abroad totaled US$400.132 billion, while its purchases stood at US$248.738 billion, putting it in eighteenth place as a global importer.

Another important finding of the study is that the WTO's demands for accepting Russian access were not excessive in comparison to those faced by the most recent countries to be admitted. In particular, the report shows that average bound tariffs for Russia were lower than in other newly acceded countries (not counting the least developed countries (LDCs)), setting aside any doubts about additional obstacles for this country on entry to the WTO.

The 8th Ministerial Conference also approved Samoa's entry to the WTO (in the LDC group) and Montenegro, after 13 and 7 years of negotiations respectively.

Need recognition for Least Developed Countries

Article XIX of the General Agreement on Trade in Services (GATS) requires the granting of special treatment for LDCs in negotiations on trade in services. As a result of this mandate, WTO Ministers approved a waiver to permit preferential treatment of LDC service suppliers. This exemption, which will last 15 years as of the date of adoption, allows members to provide preferences for LDCs on a voluntary basis, without extending them to the other members, but without the option of discriminating within the group: i.e. the preferences granted to an LDC are extended to any other member of this set of nations.

There were also two decisions that seek to simplify the conditions faced by LDCs in the processes of accession and adaptation to multilateral trade agreements. On the one hand, Ministers instructed the LDC Subcommittee to make recommendations to enhance technical assistance and capacity building to help LDCs in joining the WTO and integrating into the multilateral trading system by July 2012 at the latest. On the other hand, they called on the TRIPS Council to consider extending the period of adaptation to the agreement, which expires in July 2013, for LDCs.

Widening of government procurement agreement

The first government procurement negotiations took place in the framework of the General Agreement on Tariffs and Trade (GATT) and date from 1981. After the creation of the WTO, the current GPA came into force in 1996 and the negotiations to improve the text of the agreement, extend its scope, and eliminate more and more discriminatory measures and so expand market access started the following year.

The agreement covers the purchase of capital goods, services, and infrastructure by government

authorities, aspiring to greater openness to international competition in government procurement. At the 8th Ministerial Conference, the GPA members closed the negotiations after agreeing the widening of the agreement's scope to other public bodies, additional goods and services, and new provisions on transparency. The WTO believes that these improvements will have an annual impact of US$100 billion in new market access opportunities.

Participation in the agreement being voluntary, only 42 of the 150 odd members of the WTO currently belong to the GPA and nine countries, including China, are in the process of accession. The importance of the agreement lies in the fact that public procurement accounts for about 20% of Gross Domestic Product (GDP) in most countries. For example, in the case of China, its entry into the GPA would involve the opening of a market of nearly US$1 billion a year.

New key questions raised by some members

At the close of the 8th Ministerial Conference, the WTO's Director General, Pascal Lamy, highlighted the existence of "worrying signs of economic retraction and isolation," emphasizing that the "WTO is part of the solution to the crisis." In the face of these judgments, the members agreed to take a stand against protectionism against the background of the current international crisis, advocating the maintenance of the status quo, and agreed to maintain the levels of the Aid for Trade program at the 2006-2008 average, at least.

Also, in accordance with the Statement by Sr. Olusegun Olutoyin Aganga, Chair of the Ministerial Conference, Nigeria's Minister of Trade and Investment, between the plenary session and the working sessions, Ministers outlined the most relevant aspects that, according to their points of view, must be addressed by the WTO.

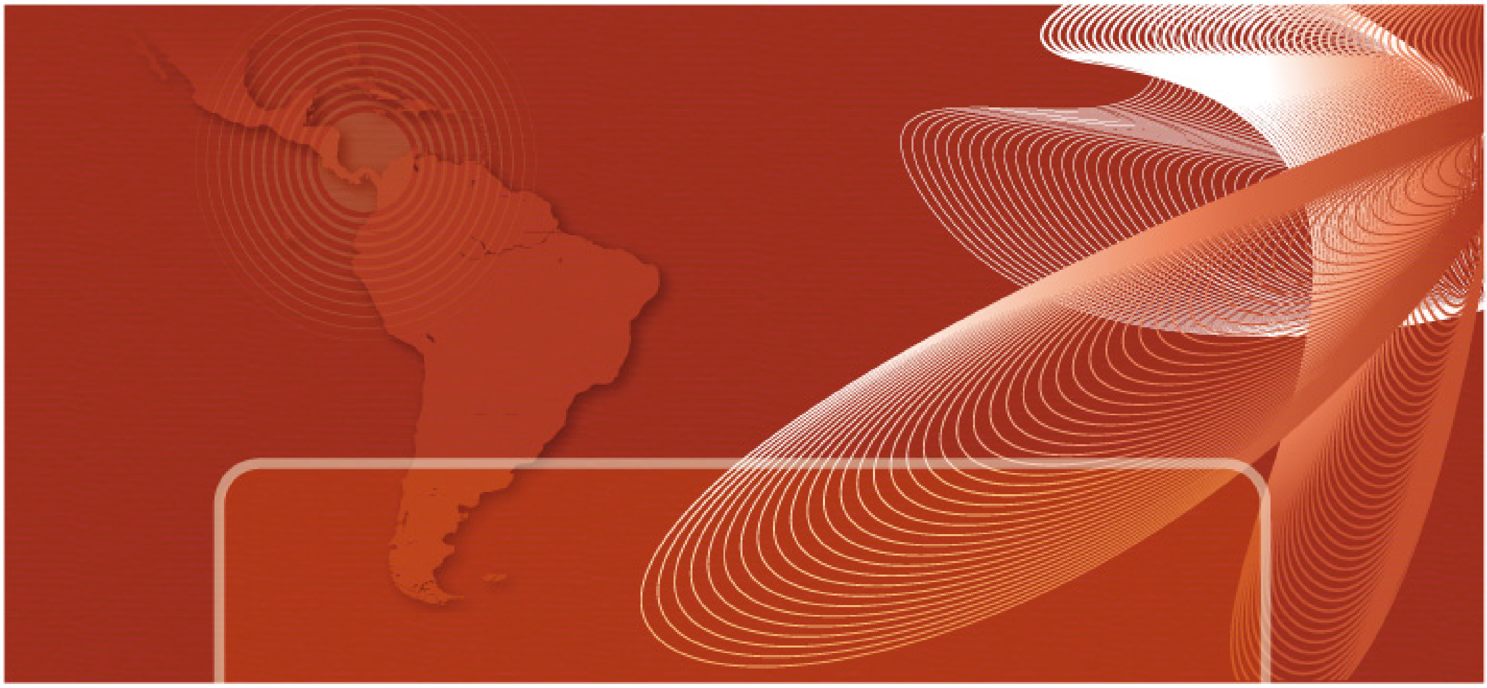
Some countries requested the inclusion of discussions on climate change, energy, food security, trade and exchange rates, and competition and investment in the WTO's regular bodies in order to maintain the organization's credibility and relevance. Other Ministers expressed reservations about these arguments, fearing the postponement of unresolved issues. However, it should be noted that a seminar on exchange rates and trade has been scheduled in the plans for the first quarter of 2012. A degree of concern about the proliferation of regional trade agreements and their role vis-à-vis the multilateral trading system was also conveyed.

In relation to the Doha Round, various different proposals emerged for reaching tentative or definitive short-term agreements, but with no convergence between positions. There are still difficulties between the parties over reaching an agreement.[2]

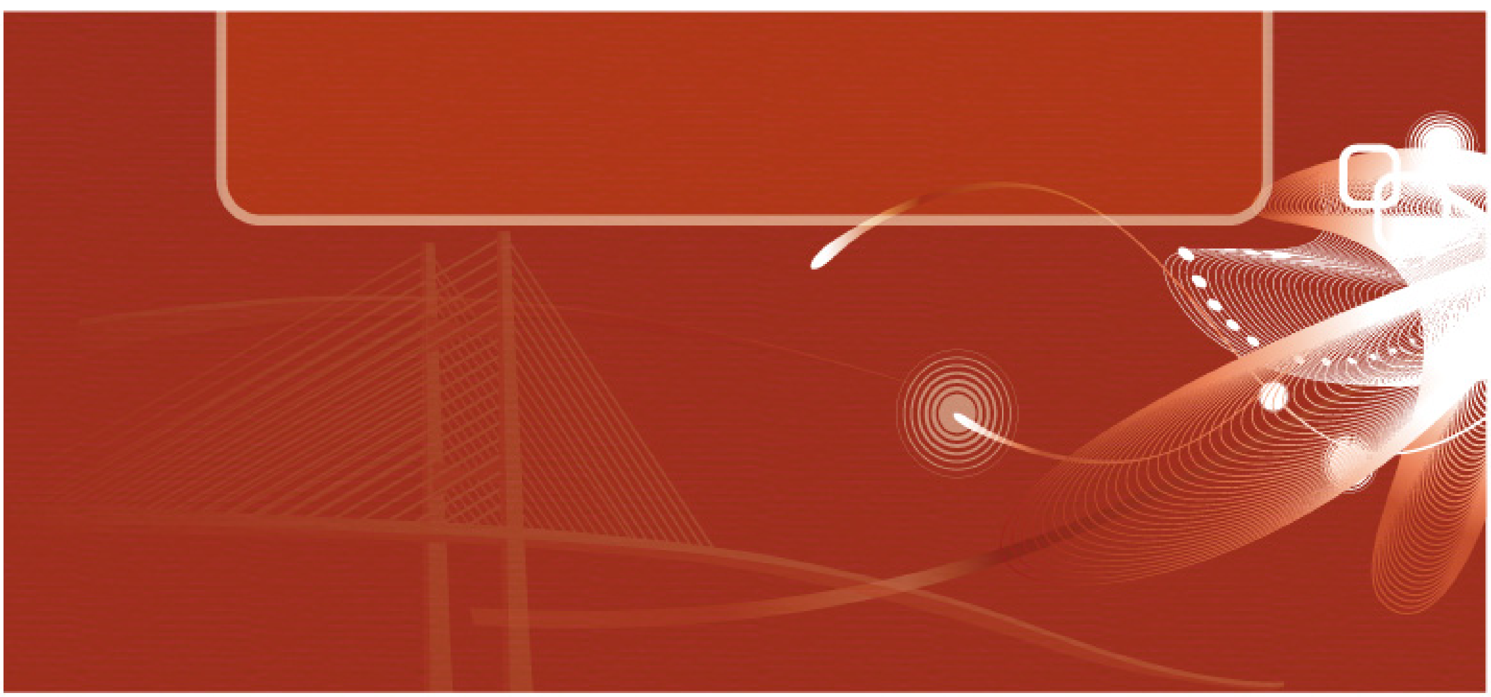
The official documents from the Ministerial Conference are available here.

[1] Tarr, David. 2007. "Russian WTO Accession: What Has Been Accomplished, What Can be Expected," Policy Research Working Paper 4428. World Bank. December.

[2] See IDB/INTAL, "Why can't the Doha Round find closure?," in *INTAL Monthly Newsletter No. 177,* May 2011.



IDB-INTAL Activities



IDB promotes trade security and facilitation

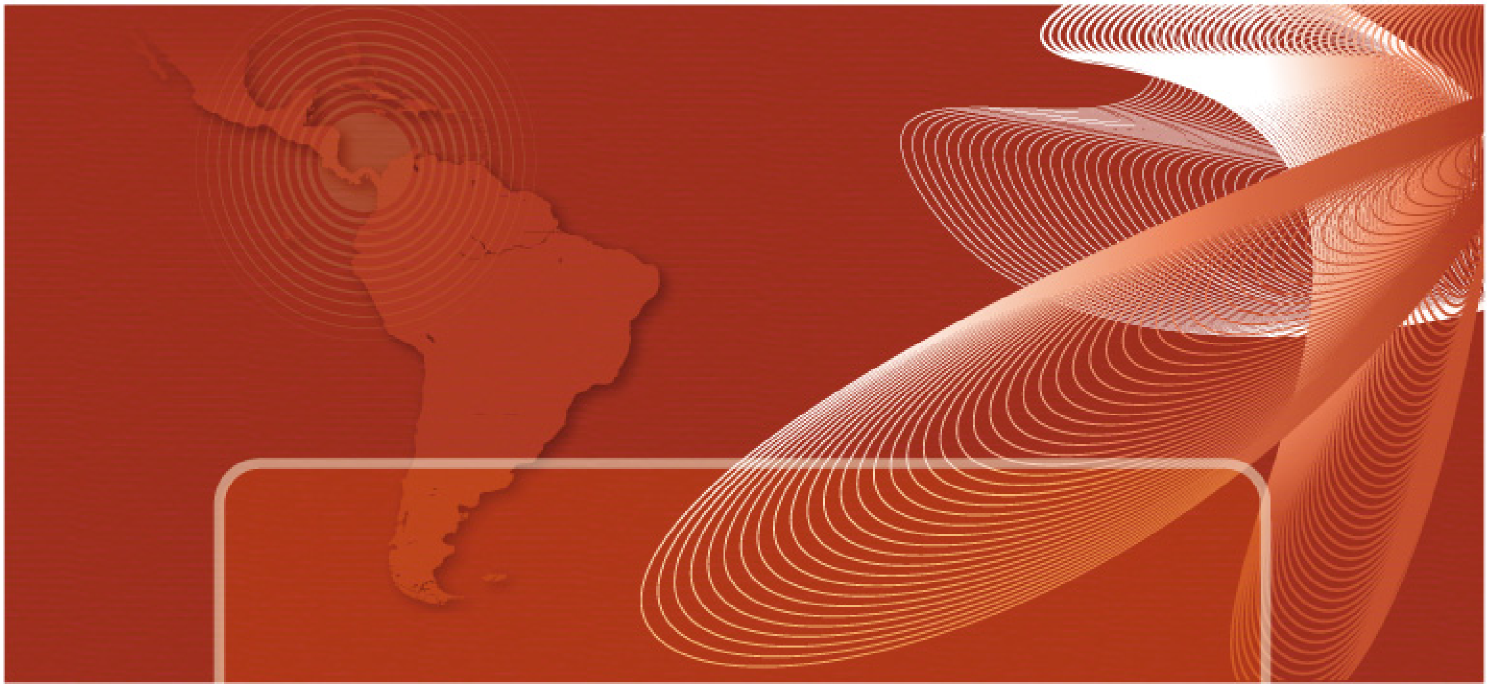
The Trade and Integration Network's Regional Policy Dialogue Meeting, "Regional and Global Integration in Latin America: Trade Security and Facilitation in Integration Corridors," was held at the headquarters of the Inter-American Development Bank (IDB) in Washington D.C., December 8 and 9. This was an initiative by the Inter-American Development Bank (IDB) to bring together high-level trade and integration officials, and customs directors to discuss trade security and facilitation in Latin America and the Caribbean.

The first day of the meeting focused on the key aspects of the available trade facilitation policies and instruments to promote transboundary flows. It also covered the rationalization of customs regulations and procedures, and the advantages of regional cooperation and policy coordination in the framework of integration corridors, and there was a presentation of the new Sector Strategy to Support Competitive Global and Regional Integration, recently approved by IDB's Governors in the framework of the Ninth Capital Increase.[1]

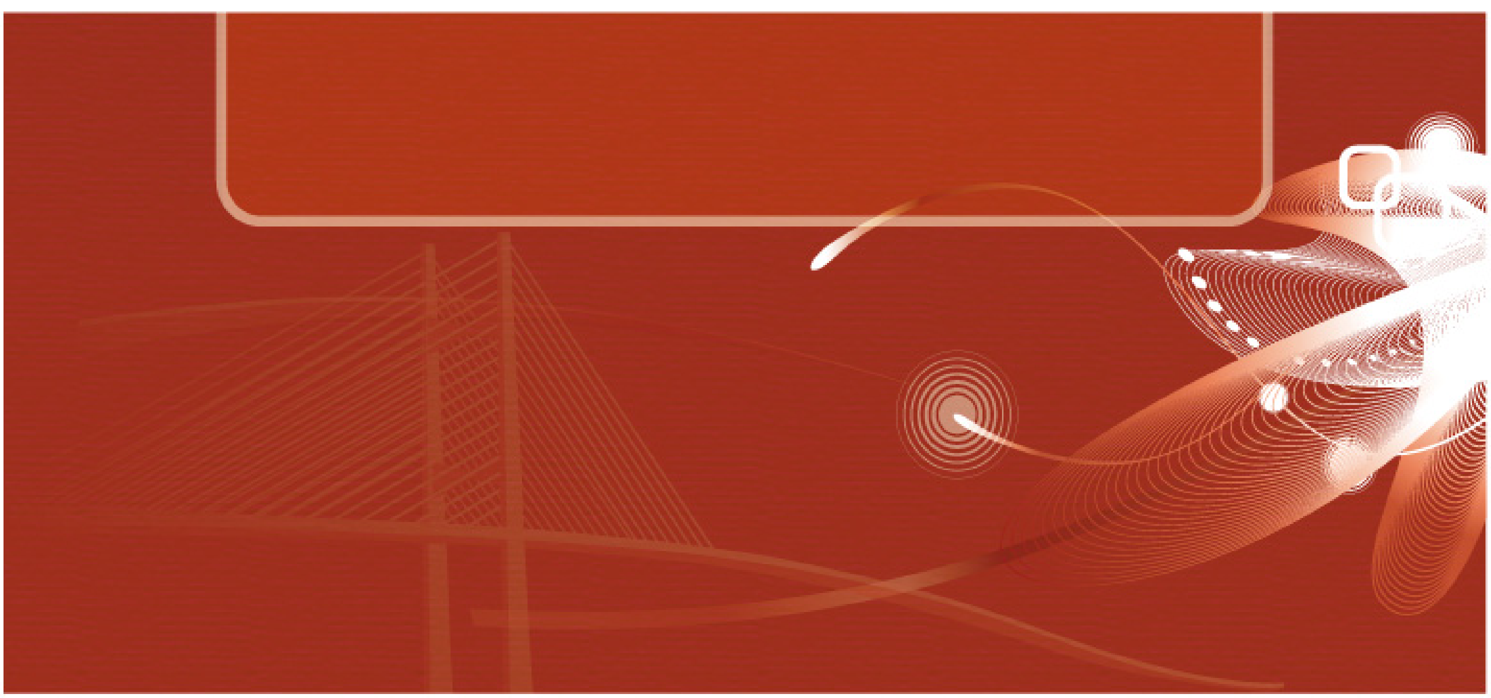
The second day was taken up with working visits to the Port of Baltimore to see customs establishments, the port authority, inspection and container examination facilities, and so on.

To access the meeting's agenda and related documents, please click here.

[1] See IDB/INTAL. "IDB Board of Governors Annual Meeting," in *INTAL Monthly Newsletter No. 176*, April 2011.



IDB-INTAL Publications



MERCOSUR Report No. 16 (Only in Spanish and Portuguese)

Executive Summary

MERCOSUR Report No. 16 (July 2010-June 2011) analyzes the macroeconomic outlook and trade flows of the Southern Common Market (MERCOSUR) countries, as well as the main aspects of the bloc's integration process, in terms both of its internal and external agendas.

Macroeconomic Outlook and Global Scenario: According to preliminary estimates, year-on-year (YOY) global GDP will rise 4.0% in 2011, a deceleration of 1.1 percentage point on the previous year. The slowdown that began in the second semester of 2010 continued in the first semester of 2011, while the fiscal policies of core economies, such as United States and the Eurozone – veered toward restrictive positions, under pressure from growing deficits, and the sovereign debt crisis in several European countries. Similarly, there has been no resolution of the difficulties in major segments of the international financial system. According to the above projections, the GDP of the developed countries will grow just 1.6% in 2011. The emerging countries, on the other hand, should grow 6.4% in 2011, driven by Asia, which continues to be the most dynamic region. Last, by the end of 2010, world trade volumes recovered their 2008 levels, but then slowed, while prices are still below their pre-crisis highs.

The deterioration of the balance of trade in goods continues to represent a deterioration of the current account for MERCOSUR's full members. There was a surplus in the capital and financial accounts in all countries during 2010; only in Argentina was there a negative result in the first part of 2011. The GDP of MERCOSUR's full members recovered quickly in 2010 after the crisis of 2009, driven by internal demand, particularly due to private consumption and investment, while the contribution of net exports was negative. Except for Venezuela, which saw renewed growth, the forecast for the economies in 2011 is one of slowdown. The swift recovery of MERCOSUR countries' activity over 2010 made possible the gradual withdrawal of the expansionary policies that had been implemented the previous year to tackle the international crisis, while maintaining the anticyclical nature of the measures. Employment and poverty indicators improved over 2010 and the first semester of 2011, with the exception of Venezuela.

Evolution of trade and FDI: MERCOSUR's trade flows reached a record US$537.448 billion in 2010. The higher growth rate of imports (42.4%) with respect to exports (29.5%) led to a US$25.186 billion reduction of the trade surplus. In the first semester of 2011, exports kept up the previous year's pace of expansion (29.9% YOY), while imports slowed to 31.8% YOY.

Due to the increase in MERCOSUR's external sales being greater than that in world imports, the bloc's share of global external purchases rose to 1.82% in 2010, a trend that continued in the first semester of 2011. The level of MERCOSUR's intrazone trade at current prices (i.e. the countries' total exports to the other three partners) in relation to the bloc's total exports stood at 15.7% in 2010 and has continued to show a slow but steady increase since the low of 2002. The intrazone trade reached a US$44.077 billion high in 2010 and was just over US$25 billion in the first semester of 2011.

MERCOSUR's trade with all regions of the world expanded in 2010, with Asia standing out as the most dynamic market for the bloc's sales, in addition to being the main source of extrazone imports. This region, which in 2002 was behind the European Union and the North American Free

Trade Agreement (NAFTA), is now MERCOSUR's main trading partner, accounting for around a third of the bloc's extrazone trade. While trade with the countries of the Latin American Integration Association (LAIA) represents a low proportion of the total, it accounts for a good deal of the positive result of the bloc's balance of goods. External sales to NAFTA and the EU expanded less than imports from these origins, thus expanding the bloc's trade deficit with the former and reducing its surplus with the latter. While the momentum of foreign sales in Argentina and Brazil in 2010 was brought about by export prices rather than quantities, for the smaller partners the impact of the growth of *quantum* exported was greater than the effect of prices.

In trade with Venezuela, MERCOSUR's external sales to the destination grew faster than its total imports. In turn, the bloc's purchases from its trading partner grew faster than total Venezuelan sales in 2010. While Brazil continues to be the bloc's main exporter to Venezuela, its sales in the first semester of 2011 were up just 0.4% YOY, whereas Argentina's exports grew 27.0% YOY.

Income from FDI to MERCOSUR set a new record, of US$58.189 billion in 2010, just above the historic high of 2008. Preliminary data to the first semester of 2011 suggest that FDI amounted to almost US$36.077 billion, with the momentum coming from Brazil, as the bloc's biggest recipient of FDI.

This first chapter includes a section on the trade ties and productive development of the bloc's smaller economies—Paraguay and Uruguay—and analyzes their insertion in the period 1992-2008.

The Internal Agenda: The Brazilian and Paraguayan *Pro Tempore* Presidencies (PPT) did not keep up the previous period's pace of progress, although there was some progress in issues such as productive integration, the elimination of the double levying of the Common External Tariff (CET), and the distribution of customs revenue. The Customs Union Consolidation Program was approved at the end of 2010, with a series of programmatic commitments and a task schedule for the trade agenda looking ahead as far as 2019. The Macroeconomic Monitoring Group (GMM) made progress in harmonizing statistics. A Working Group was also set up to develop a Common Automotive Policy proposal, and another was set up to develop and exchange information on incentive measures. MERCOSUR's Productive Integration Group (GIP) was also instructed to examine alternatives for cooperation entailing preferential terms for technical assistance, training and/or financing to micro, small, and medium enterprises involved in productive integration between the States Party.

In tariffs, an High-Level *Ad Hoc* Group was set up, with the mission to oversee work on the first phase of the elimination of the double levying of the CET and the distribution of customs revenue. The High-Level Group to Examine the Consistency and Dispersion of the Current Structure of the CET (GANAEC) was instructed to submit a proposal for a comprehensive revision of the CET to the Common Market Group (GMC) by 2014 for the entire sample, with the exception of capital goods, and information technology and telecommunications goods, which are analyzed in a specific *Ad Hoc* Group. The deadlines for the National Lists of Exceptions to the CET were also revised.

Regarding the works of customs union consolidation, the partners agreed on the need to reformulate the procedures for the preparation, review, incorporation, and validity of Technical Regulations, Conformity Assessment Procedures, and Sanitary and Phytosanitary Measures (SPS) approved in MERCOSUR.

At Paraguay's request, it was stipulated that the States Party are to submit a first set of initiatives designed to overcome the bloc's asymmetries and improve the smaller economies' competitive insertion. On the one hand, a report was compiled containing a regulatory diagnosis of the States Parties' Services Sectors, defining them on the basis of their relative sensitivities for liberalization; on the other hand, the scope of the Recruitment Protocol and Regulations will be reviewed, and a

document of general guidelines will be drafted for the negotiation of an instrument in investments. The new regulations of the MERCOSUR Structural Convergence Fund (FOCEM) entered into force and four new projects were approved.

In institutional matters, the post of MERCOSUR High Representative was created, and work continued on the criterion of citizen representation for the MERCOSUR Parliament (PARLASUR), whose budget was approved. In social matters, work continued on the MERCOSUR Strategic Social Action Plan (PEAS) and the progressive development of a MERCOSUR Citizenship Statute. The MERCOSUR Social Participation Support Unit was also set up.

Sector Disputes and Trade: MERCOSUR saw a resurgence of trade disputes and tensions, partly due to the lower external sales growth in relation to purchases from the rest of the world, which led to a drop in the partners' trade surpluses. There was an increase in trade protection measures, primarily in the two largest partners. This affected both extra- and intrabloc origins. The expansion of the sample of products subject to Non-Automatic Licensing (LNA) by Argentina mainly affected Brazil and China, but also to the smaller partners. The measure resulted in a conflict with Brazil and prompted claims by Uruguay. Brazil decided to apply LNA to its automobile imports, affecting imports from all origins. After lengthy negotiations, the largest partners reached an agreement to cap trade restrictions. The sectors that saw the main trade restriction measures were the automobiles, textiles, footwear, white-line goods, dairy products, and tires.

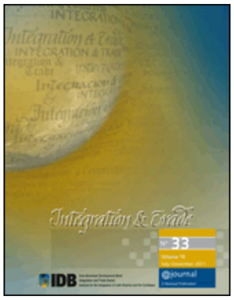
Anyway, MERCOSUR's concern over China's growing share in its manufacturing imports continued to prompt some convergence of interests and encouraged the use of other trade defense instruments by all the bloc's partners.

The External Agenda: Based on a proposal by Paraguay, it was agreed to prioritize the external agenda, relying on analyses and feasibility studies of the potential benefits expected from various negotiations, including trade agreements, cooperation agreements, and political ties. Negotiations with the European Union continued during the period and some progress was made in the regulatory and normative texts, although there was no specific exchange of offers, and dialogue was resumed with Canada to assess the possibility of forming a free trade area (FTA).

In parallel with the negotiating fronts opened up with developed countries, MERCOSUR saw some progress in various different formats of understanding with the developing countries, even though many of these have not yet progressed beyond the very limited framework or preference agreements stage. The MERCOSUR-Egypt agreement was ratified by the partner countries, with the exception of Argentina, and the agreement with Israel came into force. The negotiating rounds with Jordan analyzed tariff reduction offers without reaching consensus over the formation of an FTA. A Memorandum for political dialogue and cooperation was signed with Turkey, as was a Framework Agreement for the creation of an FTA with the Syria, which has not yet been ratified by Uruguay and Paraguay. The Framework Agreement on Trade entered into force between MERCOSUR and Morocco, and a Framework Agreement on Trade and Economic Cooperation was signed with the Palestine Liberation Organization.

The MERCOSUR countries took an active part in UNASUR, the highlights of which included several actions by the South American Economy and Finance Council and the technical work for the 2012-2022 Strategic Plan of the South American Infrastructure and Planning Council (COSIPLAN) and its technical forum, IIRSA. The countries also took part in the formulation of the Community of Latin American and Caribbean States (CELAC) and held regular meetings with the LAIA countries.

Call for Papers: Integration & Trade Journal Nº 34

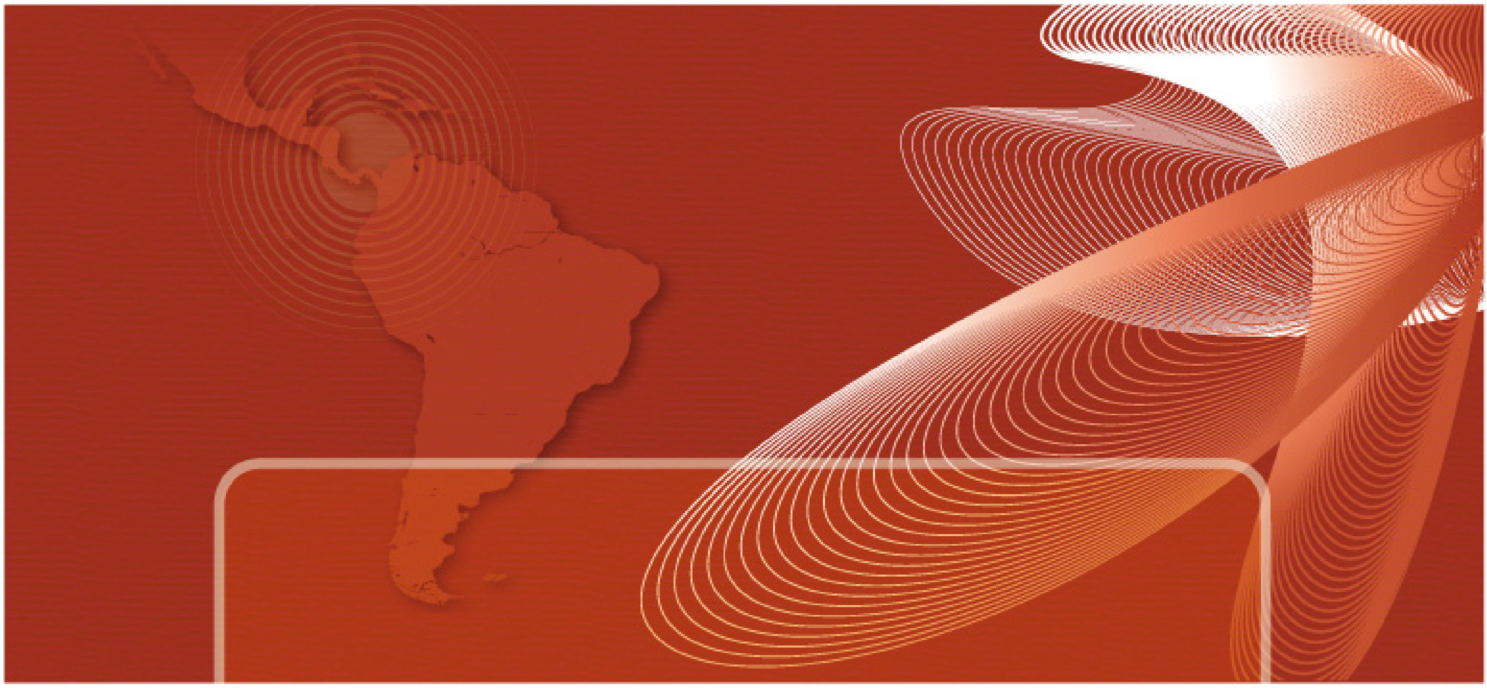


Physical Integration In Latin America and The Caribbean

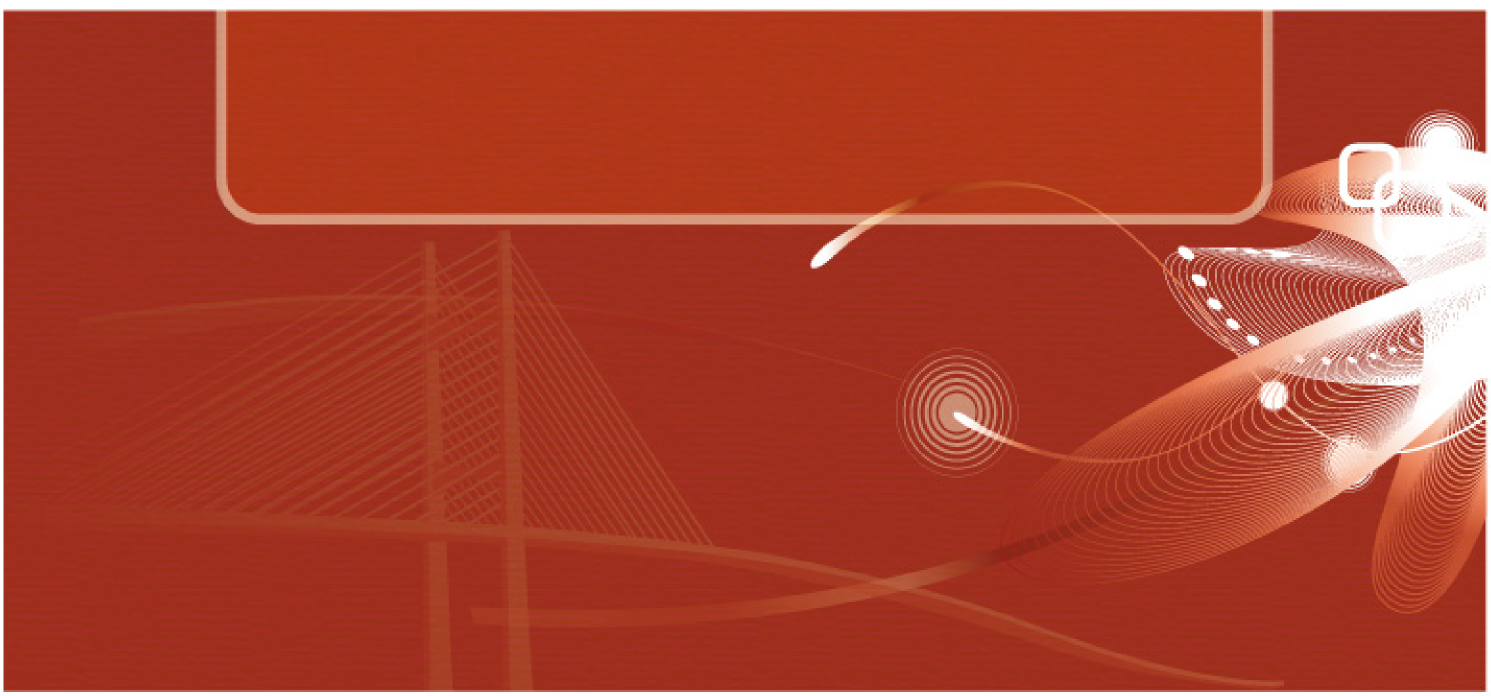
The development of infrastructure with a regional outlook to improve physical connectivity in its various different modalities is today a key aspect for the regional integration and global competitiveness of Latin America and the Caribbean (LAC). There is unequivocal empirical evidence to show that transport costs have a greater impact than tariffs for the region's countries.[1] LAC has made comparatively more progress in reforming its external trade and investment regimes than in improving and streamlining its infrastructure services. The availability of energy, communications, and transport networks in its various different modes, including logistic facilities, are essential to consolidate a more solid insertion of the region's countries in global trade and investment flows.

For more information, see the following link.

[1] Moreira, Mauricio Mesquita; Volpe Martincus, Christian; Blyde, Juan S. *Unclogging the Arteries: the Impact of Transport Costs on Latin American and Caribbean Trade*. Washington: IDB, 2008.



INTAL Documentation Center



Reviews

MERCOSUR in South-South Agreements: In the middle of two models of regionalism. Celli, Umberto; Salles, Marcus; Tussie, Diana; Peixoto, Juliana. Buenos Aires: FLACSO, June 2011. [72 pages]

This work analyzes MERCOSUR as a case of regional integration in transition: from the 1990s, which focused on trade liberalization, to the current phase, which includes structural policies as a new integration pillar. It focuses on three issues: trade in services, investment, and asymmetries, and highlights the fact that, while excellent progress has been made in the last issue, it has been limited in the first two.

The report opens by analyzing the reasons for the proliferation of Regional Trade Agreements (RTAs) and identifies as a plausible explanation the fact that they can be negotiated faster than multilateral agreements. It underlines the fact that trade has intensified more through such agreements than through the most-favored-nation (MFN) principle and cites as proof the fact that the four largest RTAs (EU, NAFTA, MERCOSUR, and ASEAN) account for 65% of world exports and 70% of imports, with the implication that just a third of world trade is regulated by the MFN principle.

Against this background, the publication highlights two opposing perspectives. On the one hand, from the point of view of **open regionalism**, RTAs are seen as the building blocks of the multilateral trading system. Their geographical and thematic scope has, in recent years, expanded to include rules outside trade, such as environment, labor, investment, and competition (WTO-Plus). The opposing view points out that the proliferation of RTAs creates obstacles to the global trading system, which becomes discriminatory and more fragmented, based on bilateralism and regionalism. In other words, it ends up leading to the erosion of WTO disciplines and jeopardizing the effectiveness of the multilateral trading system. The paper highlights the problem known as the "spaghetti bowl," referring precisely to the complexity resulting from the multiplicity of trade agreements in force. In any event, the research suggests that RTAs should be viewed by developing countries as a means of achieving development and not as an end in themselves, and these countries should reserve the right to adopt trade measures even after signing them.

After describing the WTO's monitoring of RTAs, document analyzes if the MERCOSUR complies with

WTO rules in this area. The paper concludes that, 20 years after its creation, the bloc's examination has not ended, and there is, therefore, no official, final conclusion from the WTO over the legality of the agreement under RTA rules. The authors cite as proof the lack of any definitive official statements regarding MERCOSUR's agreement with WTO rules through two cases: the safeguard measures imposed by Argentina on imports from the rest of the world, with the exception of MERCOSUR; and the Brazilian ban on recycled tire imports from the rest of the world, with the exception of MERCOSUR. However, the document points out that countries are generally reluctant to discuss the initiatives of other RTAs, since they can also be challenged for belonging to such an agreement.

The work goes on to explore the issue of **asymmetries**, arguing that at the heart of the debate lies the tension between developed and developing economies. Against this background, the paper highlights the "Enabling Clause" as the most important achievement in terms of managing asymmetries.

The research then proposes that South American integration has changed significantly in recent years: currently CAN and MERCOSUR coexist with a group of initiatives involving the subcontinent (e.g. LAIA), building regional institutions being a highly complex process.

The paper highlights the obstacles to MERCOSUR's progress, such as the difficulties of consolidating customs union, the loss of credibility due to the lack of internalization of commitments, and the multiplication of intersector conflicts that have reached no settlement via institutional channels. In terms of trade in **services**, it points out that the Montevideo Protocol essentially mirrors the General Agreement on Trade in Services (GATS), which favors developing countries with its flexibility and progressive liberalization via positive lists with specific commitments. The work highlights the fact that, unlike other blocs or countries, MERCOSUR has chosen to keep up its commitment to the multilateral trading system, for all that this seems to have shifted in recent years, with the MERCOSUR-India and MERCOSUR-SACU negotiations.

In investments, the publication points to a weakness in the lack of common rules on investment, the regulatory situation being highly complex and complicated, making it difficult for the bloc to negotiate agreements. The work suggests that, in this context, a balance is needed between attracting investment and preserving spaces for industrial development policies.

Last, the work describes the relaunch of the South American integration processes as a "**post-liberal regionalism**," and originates in the negative opinion regarding the results of 1990s reform processes. The negotiations therefore currently include issues outside the commercial, social, and political, and take into account the asymmetries in the trade dimension. According to the publication, inside MERCOSUR, the issue of asymmetries has evolved favorably, while programs have been created involving social and productive issues. Against this background, the research positively assesses both the FOCEM and the MERCOSUR SME Fund as productive complementation decisions. Also, the prioritization of infrastructure and energy issues in the framework of UNASUR is pointed to as an asset in the region.

Apart from being an interesting description of MERCOSUR against the backdrop of the proliferation of RTAs and its commitment to the multilateral trading system, the publication's contribution lies primarily in the analysis, on the one hand, of the breakthroughs in domestic asymmetry issues and, on the other, of the limited progress of negotiations in the disciplines of services and investments.

Bibliographic alert

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

Monthly Highlights

* Convergencia macroeconómica andina 2010 : Bolivia, Colombia, Ecuador, Perú. (2011). Lima: Secretaría de la CAN.

Título: Convergencia macroeconómica andina 2010 : Bolivia, Colombia, Ecuador, Perú
Otros responsables: Comunidad Andina, CAN
Edición: Lima: Secretaría de la CAN, Agosto 2011 [136 p.]
ISBN:978-612-4054-33-4
Temas:‹COMUNIDAD ANDINA, CAN›‹CONVERGENCIA›‹ESTADISTICAS›‹INDICADORES ECONOMICOS›‹INTEGRACION ECONOMICA›‹MACROECONOMIA›‹POLITICA MACROECONOMICA›
Geográficos:‹REGION ANDINA›‹BOLIVIA›‹COLOMBIA›‹PERU›‹ECUADOR›

Nota de contenido:

Subregión [p. 259]

Accesos al documento:
eHM CAN-CONV.MACRO.ANDINA [2011]
Documento Electrónico

texto completo. Si no pudo acceder haga click aqui

* Balance preliminar de las economías de América Latina y el Caribe 2011. (2011). Santiago de Chile: CEPAL.

Título: Balance preliminar de las economías de América Latina y el Caribe 2011
Otros responsables: Comisión Económica para América Latina y el Caribe, CEPAL
Edición: Santiago de Chile: CEPAL, Diciembre 2011 [128 p.]
Serie: Balance Preliminar de las Economías; 2011
Temas:<BALANZA DE PAGOS><POLITICA FISCAL><POLITICA MONETARIA><POLITICA CAMBIARIA><INDICADORES ECONOMICOS><ESTADISTICAS><POLITICA MACROECONOMICA><COYUNTURA ECONOMICA><PRODUCTO BRUTO INTERNO, PBI><CRECIMIENTO ECONOMICO>
Geográficos:<AMERICA LATINA><CARIBE>

Resumen: Después del fuerte repunte que alcanzó la economía de América Latina y el Caribe en 2010, al superar el impacto de la crisis económica y financiera de 2008-2009, la CEPAL estima que en 2011 la región volvió a crecer, pero a una tasa menor (4,3 por ciento), lo que implica una mejora de un 3,2 por ciento del PIB per cápita. A ello contribuyeron principalmente dos factores, a saber, el debilitamiento de la recuperación de la economía mundial y el enfriamiento de la demanda interna en el Brasil, la economía más grande de la región, propugnado por las autoridades para evitar un sobrecalentamiento a partir del fuerte crecimiento de 2010. Aun así, en la primera parte del año el entorno externo siguió relativamente favorable para la región, lo que se expresó en una elevada demanda de sus principales productos de exportación, mejoras de los términos de intercambio y el acceso en condiciones favorables a los mercados financieros internacionales. En este contexto, varios países lograron mejorar su desempeño con respecto a 2010, entre ellos algunos países exportadores de petróleo que se vieron beneficiados por altos precios internacionales o varios países centroamericanos y del Caribe que fueron favorecidos por un aumento de las exportaciones hacia los Estados Unidos y de las remesas enviadas por los trabajadores emigrados. En conjunto, los países sudamericanos crecieron un 4,6 por ciento, levemente más que los centroamericanos (4,1 por ciento), mientras el Caribe se expandió solo un 0,7 por ciento, debido principalmente a la contracción de Trinidad y Tabago, la mayor economía de la subregión. En la primera parte del año, la política macroeconómica enfrentó varios desafíos relacionados en parte con la evolución de los mercados internacionales. Los países reaccionaron a estos desafíos de diferente

manera, según sus características estructurales, la gravedad del impacto que sufrieron, los instrumentos disponibles y sus prioridades políticas. Así, las expectativas optimistas en cuanto a la evolución de la economía regional y los diferenciales de las tasas de interés respecto de las prevalecientes en los mercados financieros globales estimularon entradas de capital que contribuyeron a mantener los procesos de apreciación real de las monedas de la región. En algunos casos estos diferenciales de tasas aumentaron gracias a las políticas monetarias aplicadas para contener el impacto inflacionario del incremento de los precios internacionales, sobre todo de alimentos y combustibles. En este contexto algunos países también redujeron el estímulo fiscal, tratando al mismo tiempo de recuperar el espacio fiscal que se había contraído por las medidas implementadas para enfrentar la crisis de 2008-2009. Sin embargo, en el promedio regional, el resultado global de los gobiernos centrales mejoró 0,4 puntos porcentuales debido a los aumentos de los ingresos fiscales. Por otra parte, frente a las tendencias de desaceleración tanto de la economía mundial como la regional, a lo largo del año las preocupaciones por mantener un adecuado ritmo de crecimiento se hicieron cada vez más prioritarias para las políticas económicas, en especial dados el deterioro de la situación y las perspectivas de la zona del euro.

Nota general: La presente publicación es el lanzamiento editorial del Balance Preliminar de las Economías de América Latina 2011. Es un Documento Informativo.

Nota de contenido:

· La balanza de bienes y servicios [p. 86]
· La balanza de rentas y de transferencias corrientes [p. 89]
· La cuenta de capital y financiera [p. 90]
Anexo estadístico [p. 97]

Accesos al documento:
eHM CEPAL-BAL.PRE.ECO 2011 [2011]
Documento Electrónico

texto completo. Si no pudo acceder haga click aqui

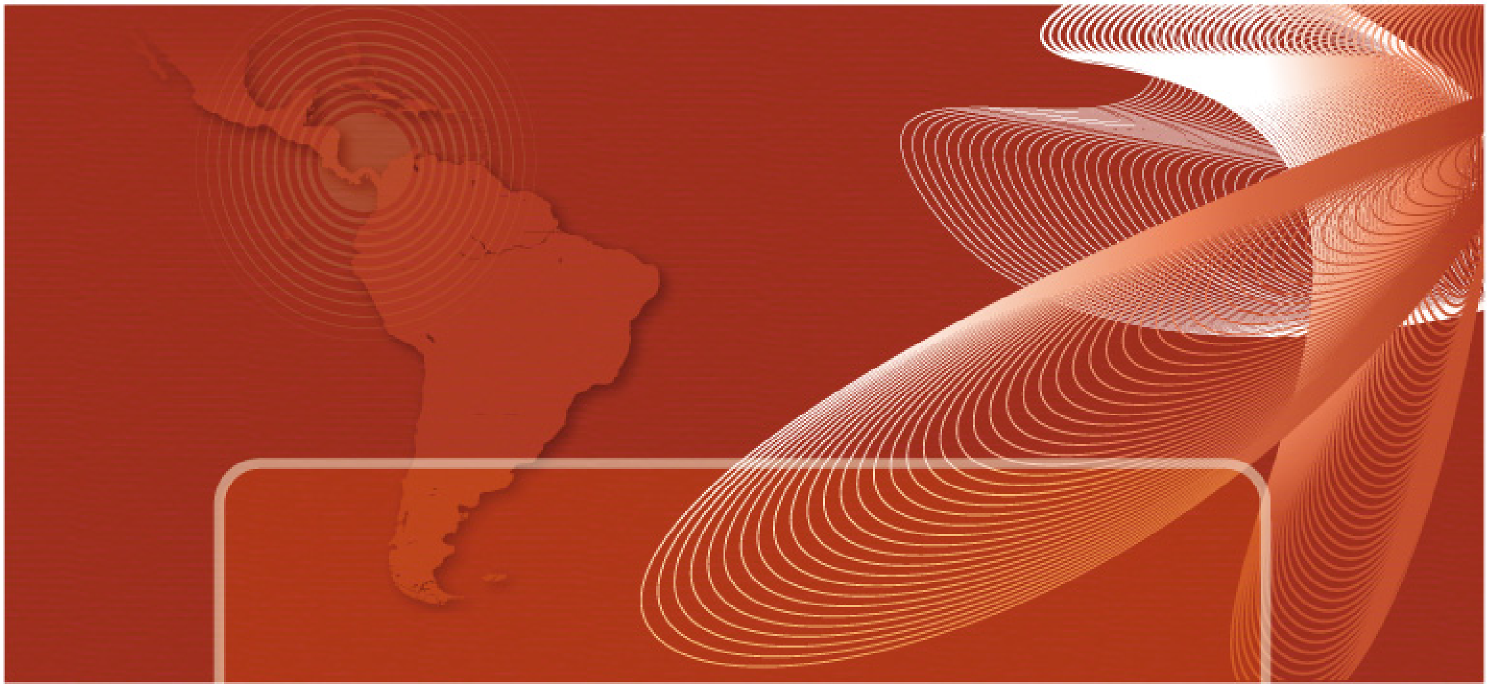
* Martin, W. y Mattoo, A. (2011). Unfinished Business? The WTO's Doha Agenda. Washington: CEPR.

Autor: Martin, Will; Mattoo, Aaditya
Título: Unfinished Business? The WTO's Doha Agenda
Edición: Washington: CEPR, 2011 [449 p.]
ISBN:978-1-907142-45-1
Temas:<POLITICA COMERCIAL INTERNACIONAL><FACILITACION DEL COMERCIO><POLITICA COMERCIAL><PROMOCION DE LAS EXPORTACIONES><PAISES EN DESARROLLO>

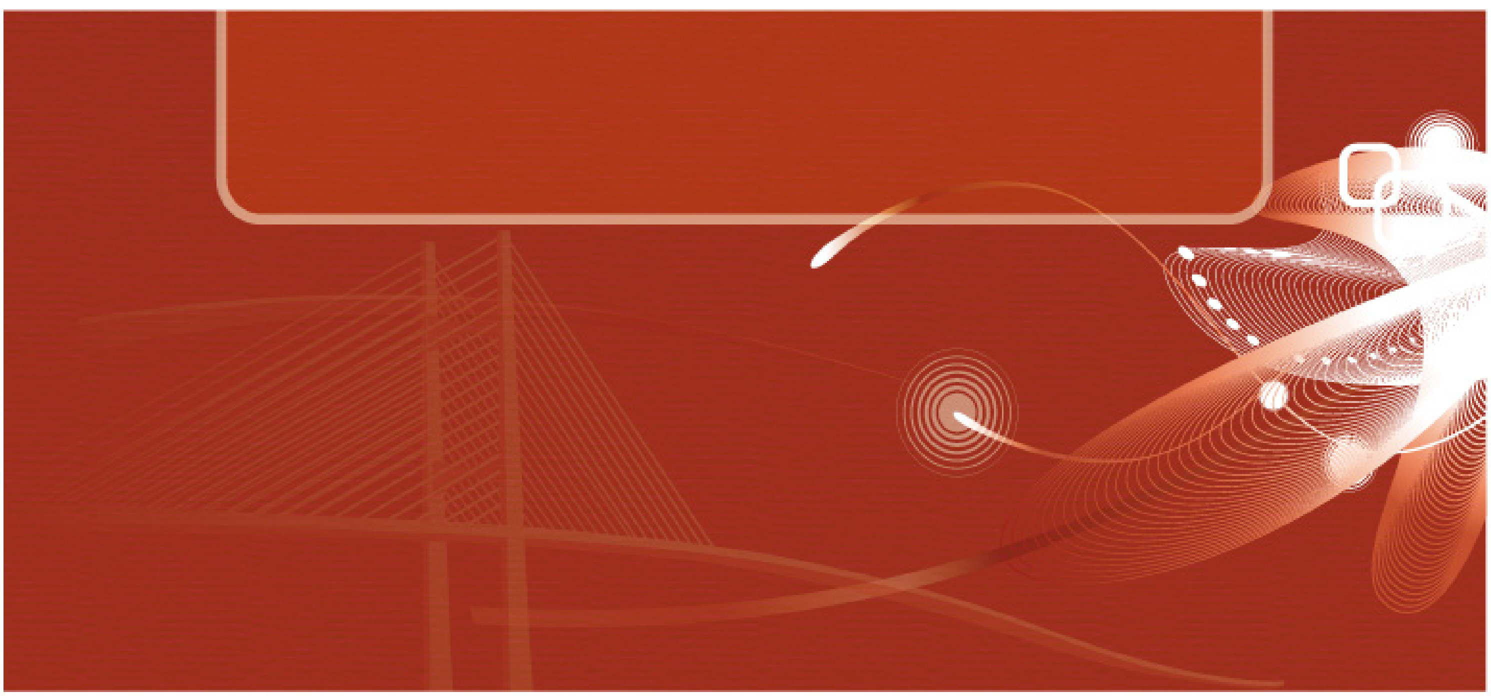
Resumen: The recent G20 communiqué on the Doha Development Agenda (DDA) marks a significant departure from past endorsements and exhortations (Bhagwati and Sutherland 2011). The communiqué acknowledges that "àit is clear that we will not complete the DDA if we continue to conduct negotiations as we have in the pastàwe need to pursue in 2012 fresh, credible approaches to furthering negotiations, including the issues of concern for Least Developed Countries and, where they can bear fruit, the remaining elements of the DDA mandate. We direct our ministers to work on such approaches at the upcoming ministerial meeting in Geneva and also to engage into discussions on challenges and opportunities to the multilateral trading system in a globalised economy and to report back by the Mexico Summit

Accesos al documento:
E 339.54 / WIL-UNF / 2011
Documento Electrónico

texto completo. Si no pudo acceder haga click aqui



Editorial Staff



R.P.I.: 836372
ISSN: 1027-2550

Information sources: Press releases and clippings from: LAIA; IDB; CARICOM; Andean Community; Euro-Lat; Group of 77; ACS; Group of Rio; MERCOSUR; PARLATINO; LAES; SG-SICA; SIECA. Official and International Agencies. INTAL Press.

IDB-INTAL ¦ Esmeralda 130, 11th & 16th floors ¦ (C1035ABD) Buenos Aires, Argentina

INTAL

Institute for the Integration of Latin America and the Caribbean

IDB Inter-American Development Bank