194

October 2012

# Monthly Newsletter INTAL

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IDB Inter-American Development Bank

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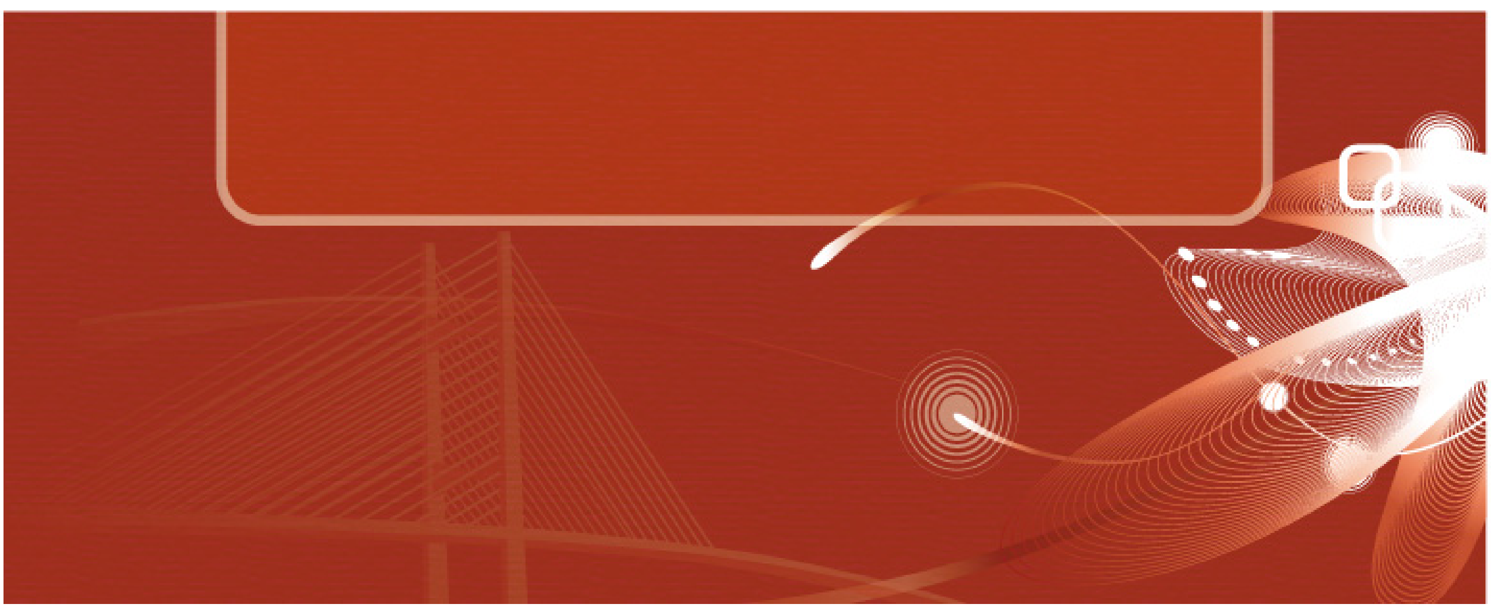
# Integration Blocs



## The Caribbean

# IDB Group encourages SME development in the region

The Multilateral Investment Fund (MIF), a member of the IDB Group, held the "XV Inter-American Forum on Microenterprise (Foromic 2012)," in collaboration with the Barbados Government. Foromic is the leading forum on financing for micro, small and medium enterprises (SMEs), and small farmers. This year, the focus of discussions was on the development of innovative solutions to boost entrepreneurship in Latin America and the Caribbean. The event was held in Barbados, the first English-speaking Caribbean country to host the Forum.

The Foromic Agenda consisted of three days, dealing with issues relating to the support and financing of micro, small, and medium enterprises, green finance, savings products for low-income populations, and, in particular, financing opportunities for Caribbean SMEs and entrepreneurs.

The *first* day of the Forum was given over to Barbados and the Caribbean, and to the development opportunities of their small enterprises and microfinance, entrepreneurship among young people and women, and new renewable energy-related enterprises.

The *second* day focused on the latest breakthroughs in microfinance and innovative financing models for SMEs, the highlight being the presentation of the Report *Global Microscope 2012*[1] conducted by The Economist magazine's Economist Intelligence Unit (EIU) with the support of the Multilateral Investment Fund (MIF), the Development Bank of Latin America (CAF), and the Dutch Foreign Ministry.

The document reflects the fact that Latin America has continued to improve its microfinance environment, especially Peru and Bolivia, which are the leading countries in the region having successfully positioned themselves among the top places in the overall 55-country classification.

IDB's Integration and Trade Sector was in charge of the presentation session of its Information System on Trade and Integration "INTrade-BID," a modern market access tool for Latin American and Caribbean exporters (especially SMEs) that provides updated information on various aspects of the legal framework, regulations, rules of origin, preferential tariffs, and trade flows, among other areas, for a wide range of countries.

The third day focused on the issue of impact investing as an opportunity for the Caribbean. The last plenary session, chaired by Julie T. Katzman, Executive Vice President of IDB, discussed "Supply and Demand Side Assessment of Impact Investment within the Caribbean,"[2] a report produced by the MIF and the "Compete Caribbean" program.[3]

At the opening of the conference, IDB President, Luis Alberto Moreno, gave a clear call to encourage the development of SMEs so that the region can continue to make progress in its efforts to reduce poverty. He also underlined the lack of financing as the main obstacle that SME's face when it comes to growing and expanding.

In line with President Moreno's message, the Integration and Trade Sector, as part of its institutional strengthening program for the region, is running a virtual course on "Promotion of the Use of e-Commerce among Latin American SMEs," October 15-December 16 this year.

### CARIB-CAP II

Preceding the FOROMIC, the "Caribbean Microfinance Forum IV" held September 30 was the appropriate framework for the launch of the institutional strengthening project "Caribbean Microfinance Capacity Building II."

CARIB-CAP II is the second phase of a US$2.7 million MIF technical cooperation program, which aims to provide training in the area of management, marketing, and product and financial tool design for fifteen institutions in Bahamas, Belize, Guyana, Jamaica, Suriname, Saint Lucia, and Trinidad & Tobago, in order to contribute to the development of the Caribbean's microfinance industry. This year, the forum revolved around the theme "Building high efficiency monetary financial institutions; Increasing financial access for the poor."

During its first phase, CARIB-CAP I, US$3 million in non-reimbursable funds were earmarked for training, product development, and strengthening the "Caribbean Microfinance Alliance," a network of microfinance institutions, in order to develop a business environment that would encourage loans to microenterprises.

The videos of all FOROMIC sessions can be viewed here.

[1] *Global microscope on the microfinance business environment 2012*. Caracas: EIU.
[2] Inter-American Development Bank, IDB. (2011). *Supply and Demand Side Assessment of Impact Investment within the Caribbean*. Washington, D.C.
[3] "Compete Caribbean" is a technical assistance program targeting development of the Caribbean's private sector. With US$40 million resources, it is jointly financed by IDB, la Canadian International Development Agency (CIDA), and the UK Department for International Development (DFID).

# UN Secretary General guarantees greater cooperation with CARICOM

The High Level Meeting on Scaling Up Nutrition of the 67th Regular Session of the General Assembly of the Organization of the United Nations (UN) took place in New York, September 27. Against this background, the countries of the Caribbean Community and Common Market (CARICOM) expressed their concern over the impact of the global economic crisis on the region, and emphasized the need for targeted assistance and special attention to small islands and low-lying countries, which are hard hit by climate change and issues relating to health and sustainable development.
UN Secretary General, Ban Ki-Moon , acknowledged the individual challenges faced by the Caribbean, and undertook to continue raising awareness among G8 and G20 members regarding this situation and the need for cooperation tailored to the region's needs.

For more information, click on link to UN Press Release and CARICOM Secretariat Press Release.

# Central America

## Modernization of Costa Rica-Panama border control

Advisors from the Inter-American Development Bank (IDB) met with representatives of Panama and Costa Rica, September 20, to study the preliminary proposals for modernizing the Paso Canoas border control.[1] According to Costa Rica's Trade Ministry, 75% of trade between the two countries passed through this crossing.[2]

The two countries began to work on the initiative in early 2011. To date, they have reached agreement on the implementation program and the action plan, through which IDB was requested to carry out studies to standardize import, export, and transit processes in Paso Canoas. The proposal's final reports will be available by the end of the year.

The creation of an Integrated Control Center is expected to facilitate one-stop border controls, and so cut transaction costs. The proposal comes under IDB's system of International Transit of Goods (TIM), whose goal is to improve the efficiency of trade infrastructure in Central America.

IDB maintains several initiatives related to trade facilitation through the improvement of the freight transport. These include, on the one hand, the virtual course "The TIM as a Tool to Improve the Control of Transit of Goods in Mesoamerica," which is part of the IDB Integration and Trade Sector's institutional strengthening program for the region, to be carried out between October 15 and November 25.

On the other hand, as part of IDB's Regional Public Goods (RPG) Initiative, the Mesoamerican Observatory on Freight Transport and Logistics was launched in October and will function in the framework of the Mesoamerica Project. It will aim to generate quality information and statistics to facilitate the development of public policies to increase Mesoamerican competitiveness. The Observatory's job will be to measure and compare countries' logistics performance, to develop regional databases, and provide training to improve Mesoamerican countries' performance in this sector.

The Mesoamerican Observatory joins a network of observatories supported by IDB across Peru, Colombia, Paraguay, and Uruguay, and feeding the Freight Transport and Logistics Regional Observatory, which covers Latin America and the Caribbean.

More information at the following links: [1]; [2]

[1] Paso Canoas is an international town shared by Puntarenas Province in Costa Rica and Chiriquí Province in western Panama.
[2] 2010 data.

# Central America approaches Andean countries

## Major progress in Costa Rica-Colombia FTA negotiations

The second round of negotiations with Colombia was held in San José, Costa Rica, September 24-28, with a view to signing a Free Trade Agreement (FTA).
As mentioned in *INTAL Monthly Newsletter No. 192*, Costa Rica's agreement Peru was used as the basic text,[1] which made it possible to significantly speed up the negotiations. In the round in question six chapters were closed; in addition to the eleven completed at the first meeting, they form 17 of the 22 chapters comprising the Agreement.
The second round agreed chapters on customs cooperation, e-commerce, government procurement, investment, temporary entry of business persons, and exceptions. A commitment was also expressed to hold an exchange of improved offers prior to the next round—scheduled for October 22-25 in Colombia—to discuss market access.
According to Costa Rica's Foreign Trade Ministry, this agreement would allow the country to become a full member of the Pacific Alliance, the bloc of countries comprised of Mexico, Peru, Colombia, and Chile.

Click here for the detailed negotiations on each chapter.

More information here.

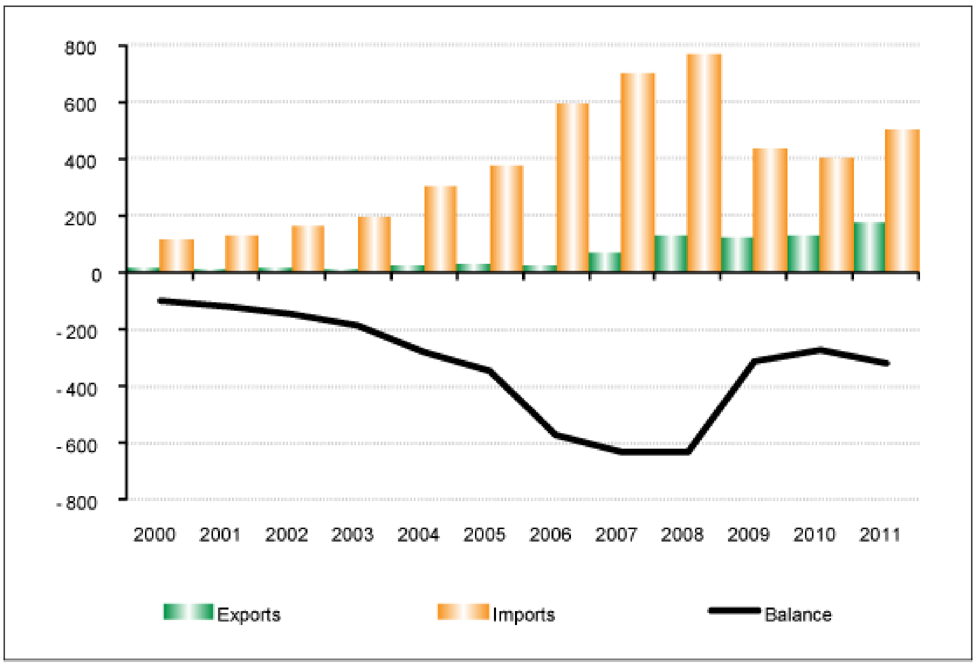
## Nicaragua-Chile FTA comes into force

The Bilateral Chile-Nicaragua Protocol comes into effect October 19, thus completing the FTA signed between Central America and Chile in 1999.
Negotiations had been launched in 1998 at the 2nd Americas Summit and culminated after six rounds at the end of 1999. However, tariff relief programs and origin regimes were subject to bilateral negotiations between the governments of Chile and individual Central American countries. The effective implementation of the FTA depends on the signing and enforcement of the subsequent bilateral protocols: Costa Rica and El Salvador were the first in 2002, followed by Honduras in 2008, and Guatemala in 2009.[2]
Nicaragua signed the corresponding bilateral protocol in February 2011, thus completing the series of documents signed between Chile and Central America. The signing of the act of exchange of instruments of ratification between Chile and Nicaragua took place last 24 September; the FTA will come into force 30 days after that.
According to Chile's Foreign Ministry, Chile and Nicaragua traded US$27.9 million in 2011, with a favorable trade balance to Chile of US$2.6 million. In the period January-July 2012, trade was US$16.7 million, heralding an increase of about 20% by the end of the year.
Trade between Central America and Chile in 2011 was US$678.3 million. Between 2001 and 2008,

imports rose sixfold, while exports represented 17 times the value of seven years earlier. However, purchases far outweighed sales: the trade deficit with Chile in 2011 stood at US$320.3 million.

Graph 1: Evolution of Central American trade with Chile, 2000-2011

In millions of US$




Source: SIECA.

In 2011, 70% of Central American exports to Chile were explained by cane or beet sugar shipments. The rest of sales were composed mainly of paper and rubber. Purchases, for their part, were slightly more diversified: 20.7% were copper wires, followed by petroleum oils (6.4%), wood (5.2%), and medicines (5.2%).

The Nicaraguan economy is the least relevant of the Central American countries for Chile in trade terms. The isthmus's main exporter to Chile is Guatemala (60.7% in 2011), and Costa Rica is the largest purchaser from that origin (50.7% in 2011).

[1] See *INTAL Monthly Newsletter No. 177*, "Costa Rica and Panama close negotiations with Peru," May 2011.
[2] See Legal Instruments of Integration.

# Steps toward trade rule harmonization continue

In July, Nicaragua took over the *Pro Tempore* Presidency of the Central American Economic Integration Subsystem (SIECA), which it will hold until December this year.
Following the mechanism to cover a six-month Action Plan, the Central American countries continue to eliminate differences in relation to their trade rules in the overarching goal to establish a customs union. Although this Plan was recently approved by the Council of Ministers for Economic Integration (COMIECO) at the end of September, the negotiating groups have been working since August.
The first planned negotiating round was held in Managua, Nicaragua, August 20-24. The main results include the approval of regulations on the labeling of distilled alcoholic beverages and the registering of biological pesticides.
From the second round of talks, October 8-12, emerged harmonized regulations on dairy products, and on good manufacturing practice for animal foods and distilled alcoholic beverages. The procedure for the import tariff duty reimbursement mechanism—a commitment established in the negotiation for the European Union Partnership Agreement—was finalized, and created the International Transit Committee, created to facilitate intraregional trade.

The third round is to be held in Nicaragua, December 3-7.

In early October, SIECA published the Central American Integration Status Report. The document, which provides an extremely thorough overview of various aspects of the process, is composed of six sections: institutional framework, extrazone trade, regional trade, customs union, Panama's incorporation, and Central America's insertion in the world.
The revision of the treaties and protocols that form part of the bloc's institutional and legal framework and explain the SIECA's institutional organization should be noted. The section on trade shows the evolution of Central America's trade with the world (excluding maquila) between 2005 and 2011, and highlights the 10.1% annual average growth in that period. However, it asserts that the trade balance is in deficit and that this result has deepened. Total trade with the world in 2011 stood at US$81.145 billion and the deficit was US$26.005 billion.

# Andean Community

## IDB supports Andean electrical interconnection

Ministers and senior officials from the energy sectors of Chile, Colombia, Ecuador, Peru, and Bolivia (as an observer) signed a commitment during the Meeting of the Council of Ministers for the Andean Electrical Interconnection System (SINEA) in Santiago, Chile, September 27, to move forward in an ambitious electrical interconnection project.
In the Santiago Declaration, the countries ratified their interest in deepening and expanding the exchange of electrical energy through a more integrated and efficient market. SINEA accordingly seeks to support the process of Andean regional electrical integration in a framework of legal security, complementarity in the use of resources, and economic benefit for the parties involved.
Through technical cooperation "Support to the studies of Electrical Interconnection Andean," IDB is providing support to SINEA with a US$1.5 million contribution in two years. The technical cooperation program has three basic goals:

1. To establish the principles and guidelines for the necessary regulatory harmonization of the countries involved in the initiative;
2. To identify and evaluate possible sustainable alternatives of Andean Electrical Interconnection; and
3. To analyze the alternatives of Andean Electrical Interconnection in terms of costs, timeframes, and socioenvironmental requirements.

The support program includes the creation of an Integration Roadmap containing clear commitments, a schedule for activities, and the definition of roles and responsibilities.
A similar initiative is under way in the Central American isthmus with the Central American Electrical Interconnection System (SIEPAC).
This project involves joining up all the electrical systems of the isthmus, including Mexico via Guatemala, and Colombia through Panama. IDB has granted funding to cover 51% of the budget of

SIEPAC's electrical infrastructure (US$253.5 million) and has offered US$17.9 million in technical assistance for the development of the Regional Electrical Market (MER) .
In these initiatives, IDB seeks to increase the efficiency of the electricity sector and the use of renewable energy sources via regional integration schemes. With the enabling of energy exchange come expectations of improved quality and security of supply, the reduction of generation costs, and in the use, effectiveness and efficiency of transmission equipment and generating plants.

**Related articles**

- IDB/INTAL. "Mesoamerica Project: electrical interconnections," in: *INTAL Monthly Newsletter No. 178*, June 2011.
- IDB/INTAL. "Andean Countries seek to further regional electricity interconnection," in: *INTAL Monthly Newsletter No. 184*, December 2011.
- IDB/INTAL. "Andean physical and environmental integration," in: *INTAL Monthly Newsletter No. 180*, August 2011.

# Andean initiatives in trade negotiations with Asia

As mentioned in previous *INTAL Monthly Newsletters*, the Andean countries have actively been stepping up trade with Asia in recent years.

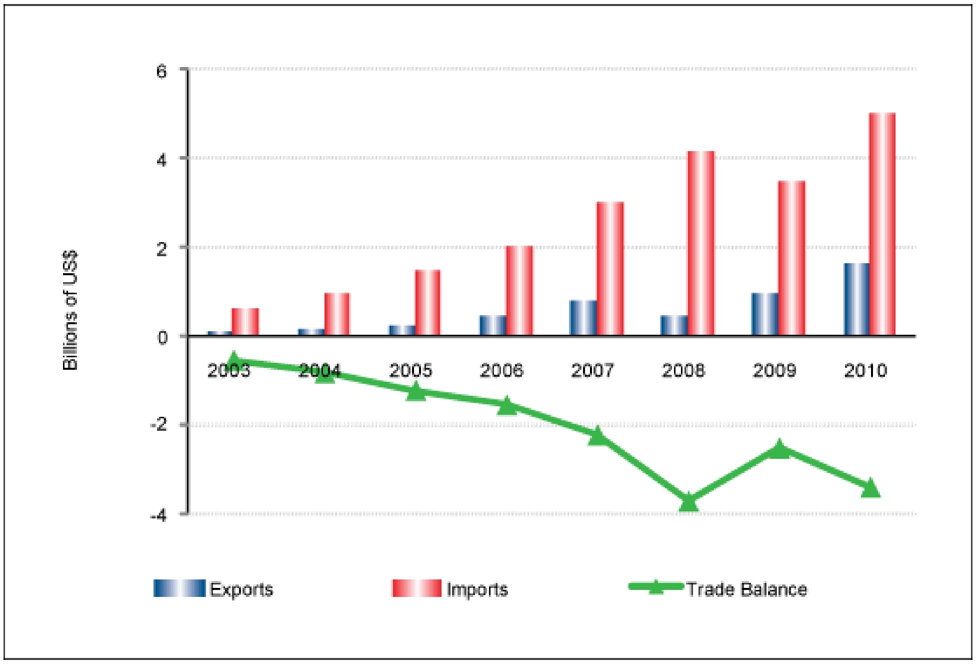
China's Trade Minister, Chen Deming, visited Colombia at the start of October, for the 8th Meeting of the Joint Economic and Trade Commission and a joint Business Forum. During the visit, the two countries agreed to launch a study to assess the feasibility of negotiating a trade agreement. This was the first time in twelve years that a Chinese Trade Minister has visited Colombia.

Colombia and China have signed a temporary Agreement on Reciprocal Protection and Promotion of Investments (ARPPI), which seeks to establish a fair and transparent legal framework to promote bilateral investment.

In trade, Graph 1 shows the dynamism of Colombian imports from China, much higher than the South American country's sales to the Asian behemoth. The pattern of trade is typically intersectoral: the main exports to China are minerals and petroleum products, while imports are concentrated in machinery and equipment, metallurgy, and basic chemistry.

Graph 1: Colombia's trade with China

In billions of US$



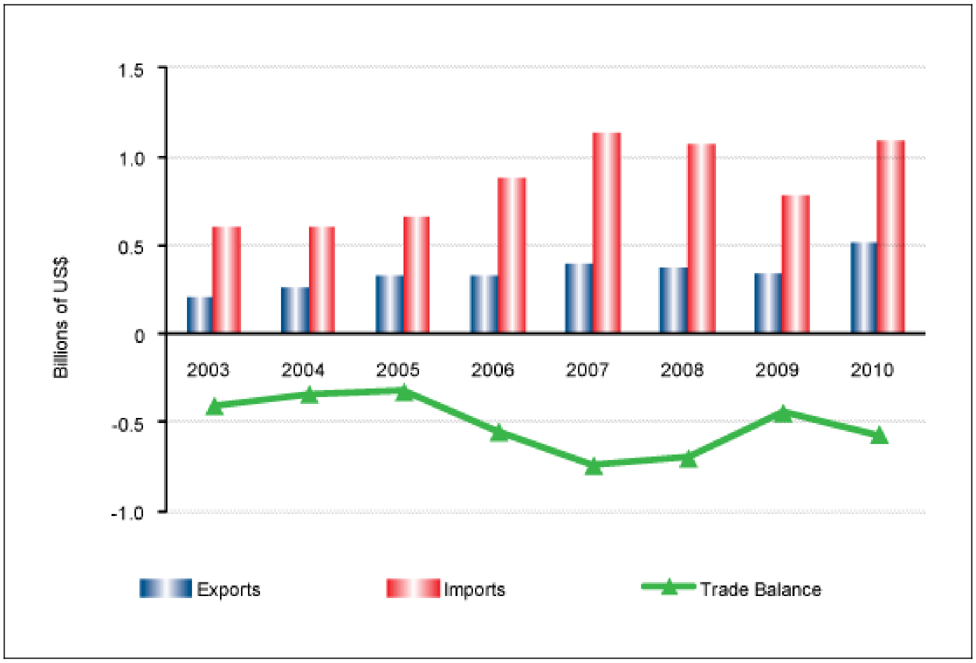

Source: Colombian Ministry of Trade, Industry, and Tourism.

Also, Colombia's Trade Minister, Díaz Granados announced the start of negotiations toward a Free Trade Agreement (FTA) with Japan, the timetable for which will be decided in the coming weeks. The agreement seeks to increase agricultural and food exports while, at the same time, encouraging Japanese investment in manufacturing and services.

Graph 2 shows the evolution of bilateral trade between Colombia and Japan. While Colombian exports are mainly focused on agricultural products (e.g. coffee and tea) and minerals, Japan exports capital goods and industrial inputs.

Graph 2: Colombia's trade with Japan

In billions of US$




Source: Colombian Ministry of Trade, Industry, and Tourism.

Elsewhere, during the Leaders' Summit of the Asia-Pacific Economic Cooperation (APEC) Forum in Russia, September 8-9, Peru's Foreign Trade and Tourism Minister, José Luis Silva Martinot, announced that his country has raised the subject of starting discussions toward an FTA with Indonesia.

## Related articles

- IDB/INTAL. "APEC countries seek integration for growth," in: *INTAL Monthly Newsletter No. 193*, September 2012.
- IDB/INTAL. "New dimensions in Asia-Latin America ties," in: *INTAL Monthly Newsletter No.187*, March 2012.

# CAN launches Amazon conservation campaign

In the framework of the BioCAN Program, the countries of the Andean Community of Nations (CAN) have launched the "Our Amazon" campaign to raise awareness about the importance of conservation of the Amazon and to promote its sustainable use. Given that 60% of Andean territory is Amazon, CAN is seeking to foster a sense of belonging in the region's citizens. The campaign, which consists of a television spot, and various cultural and educational activities, aims to disseminate and publicize the biological and cultural wealth of the Amazon region in the Andean countries.

**Related articles**

- IDB/INTAL. "CAN countries agree measures to curb deforestation," in: *INTAL Monthly Newsletter No. 193*, September 2012.

More information here.

# MERCOSUR

## Trade and stimulus measures for motor vehicles, computer equipment, and tourism

As part of the Bigger Brazil Plan,[1] Brazil issued a decree, October 4, regulating the Program for Technological Innovation Incentives and Strengthening of the Motor Vehicle Productive Chain (Inovar-Auto), with effect as of January 1, 2013. This scheme seeks to achieve goals in safety and energy efficiency, and the increased competitiveness of Brazil's auto industry, primarily through tax credits for the industrial products tax (IPI). On the one hand, the rule provides that companies producing in Brazil have to meet, among others, certain investment requirements in research and development, engineering, basic industrial technology, and supplier development. On the other hand, importing companies that meet certain requirements will receive tax credits equivalent to a proportion of their spending on strategic inputs, which can be used to pay the IPI. They can thus avoid the tax's additional aliquot of 30 percentage points (p.p.), implemented in September of 2011.[2] The requirements include importing more economical vehicles, carrying out spending nationwide research and development, engineering, supplier development, and so on.

Regarding the *Inovar-Auto* program's impact beyond the bloc, the European Union and Australia submitted consultations to the Trade-Related Investment Measures (TRIMS) Committee of the World Trade Organization (WTO), September 20. In their submission, the EU and Australia noted that the measure seemed to be incompatible with WTO rules, including those laid down in Paragraph 4 of Article III of the GATT, and Paragraph 1 of Article 2 of the TRIMS Agreement, by granting less favorable treatment to imported than to domestic products.

It is important to remember that the changes in regulation in Brazil will also impact companies providing located within MERCOSUR. The automotive industry is one of the most relevant sectors of intra-MERCOSUR trade, representing almost a third of the total in 2011. Together with sugar, it is one of the two activities excluded from intraregional free trade. Trade in automobile sector products is governed by bilateral agreements aimed at promoting integration and regional specialization through a system of tariff quotas and rules of origin based on regional content.[3]

Also, the automotive complex recorded the highest levels of the common external tariff (CET) (which taxes imports originating in the rest of the world), thus encouraging intrabloc trade. Against this background, the regional market has especial relevance for MERCOSUR auto exports, being the destination of 57.9% of Brazilian shipments, over three-quarters of Argentina's, 88% of Uruguay's, and 92% of Paraguay's (Table 1).

Table 1: Automotive exports in MERCOSURa/

Value in billions of dollars and percentage share. 2011 data.

| Country/Bloc | Automotive sector's share of total exports to MERCOSUR | MERCOSUR's share of automotive sector's total exports | Value |
|---|---|---|---|
| Argentina | 35.1% | 75.9% | 7.754 |
| Brazil | 33.6% | 57.9% | 9.366 |
| Paraguay | 0.1% | 92.0% | 0.0018 |
| Uruguay | 4.9% | 88.0% | 0.0932 |
| MERCOSUR | 31.5% | 65.0% | 17.215 |

Note: a/ ISIC 3410, 3420, and 3430. Source: Based on COMTRADE and BCU data.

As part of the redefinition of Brazil's automotive policy, it should be remembered that the bloc's largest partner and Uruguay recently renewed their bilateral automotive agreement, which seeks to preserve the fluidity of trade between the two countries.

**Other measures affecting trade in goods and services**

In addition to the provisions relating to the automotive sector, the MERCOSUR countries recently adopted other relevant trade measures, described below.
On the one hand, Brazil decided to increase import tariffs on IT and telecommunications goods (ITGs) in Brazil. The increase affects three categories of products: uninterrupted power supply (UPS) equipment (14%-20%), memory cards (0%-16%), and printed circuit boards (10%-12%). It should be noted that this measure falls under Decision 57/10, whereby, until 2015, MERCOSUR members may apply different aliquots to the common external tariff (CET) on ITG imports, regardless of each country's general list of exceptions to the CET.
MERCOSUR largest economy is also seeking to foster local industrial production through government procurement. With that in mind, in federal government tenders a 14% to 17% preference margin will be awarded for trucks, vans, and road equipment produced in Brazil. This is



in addition to the 8% to 25% preferences already existing in other headings like clothing, footwear, backhoe loaders, graders, pharmaceuticals, and biological products. It should be noted that, one of Argentina's major claims regarding Brazil is the participation of MERCOSUR suppliers in Brazilian tenders on an equal footing to local bidders.

On the other hand, **Uruguay** announced a series of receptive tourism stimulus measures for next summer: the return of up to 22% of value added tax (VAT) on tourist services rendered to non-resident individuals and paid for by credit and/or debit cards issued overseas; the return of 10.5% of rent on tourist properties to non-residents; the expansion of the number of border points where VAT can be returned to tourists; benefits in fuel freight; and the acquisition of mobile broadband equipment. These measures seek to promote the export of tourist services to Argentina, which could be affected by the exchange rate measures it has implemented in recent months.

### Related articles

- IDB/INTAL. "Tariff hike in response to unstable international scene," in: *INTAL Monthly Newsletter No. 192*, August 2012.
- IDB/INTAL. "More trade measures in MERCOSUR countries," in: *INTAL Monthly Newsletter No. 191*, July 2012.
- IDB/INTAL. "Trade measures stepped up in MERCOSUR," in: *INTAL Monthly Newsletter No. 190*, June 2012.
- IDB/INTAL. "Active trade policies in MERCOSUR countries in response to international slowdown," in: *INTAL Monthly Newsletter No. 188*, April 2012.
- IDB/INTAL. "Following up the internal and external agendas," in: *INTAL Monthly Newsletter No. 187*, March 2012.
- IDB/INTAL. External context behind temporary exceptions to Common External Tariff," in: *INTAL Monthly Newsletter No. 185*, January 2012.

[1] IDB/INTAL. ""Bigger Brazil" Plan to boost competitiveness," in: *INTAL Monthly Newsletter No. 180*, August 2011.

[2] IDB/NTAL. MERCOSUR activity focused on regional markets," in: *INTAL Monthly Newsletter No. 182*, October 2011.

[3] Rules of origin are rules that determine whether or not a product from a particular country is original and, therefore, establish whether or not a commodity can enjoy preferential treatment. In the case of the automotive trade in MERCOSUR, is not the change of tariff classification (though 4-digit level is the most common) that confers origin, but the percentage of regional content of the product's value.

# Regional And Global Overview



# WTO Public Forum 2012 considers the state of multilateralism

The World Trade Organization (WTO) held the Public Forum 2012, September 24-26, under the slogan "Is Multilateralism in Crisis?" Three central issues underlay this year's agenda, which was spread over 44 sessions:

1. **The formulation of new ways of addressing multilateral trade opening** through the identification of the challenges facing multilateralism today and of new ways of tackling both the issues in which it is possible to move forward (e.g. services and trade facilitation), and those that are still under discussion but that have been pushed out of the Doha Round negotiations. These include the need for continued progress toward a final reciprocal agreement on government procurement among 47 reciprocal members, moving forward in the talks on modernizing the WTO's Information Technology Agreement (ITA-II), and also continuing to analyze the issue of special and differential treatment for least developed (LDCs).
   On the other hand, the proliferation of regional trade agreements (RTAs) and preferential trade arrangements (PTAs) has highlighted the need to reinforce WTO rules and procedures so as to increase these agreements' compatibility and complementarity with the multilateral trading system.
2. **The need to address twenty-first century issues** and how the WTO will adapt to the challenges that are becoming increasingly significant, such as food security, trade in natural resources and its impact on the environment, the link between trade and employment, and the global value chains.
3. **The growing participation of non-State actors in strengthening the multilateral trading system**, and their possible role in monitoring the implementation of trade agreements.

In his opening speech, WTO Director-General Pascal Lamy recognized that, in a period, marked by the strong global economic crisis, "The rules of the game — whether in the trade sphere, in the economic sphere, in the environmental or food security spheres — and indeed across all areas of international policy making, are in need of adjustment."
On the question of whether multilateralism is in crisis, there was a presentation of *The Ashgate Research Companion to International Trade Policy*,[1] organized by the London School of Economics and Political Science, and Ashgate Policy. The study analyzes the most significant aspects of international trade policy in light of the global financial crisis, the impasse in the Doha Round, and the damage this has caused the WTO.
The central issue of the Forum was also discussed by Costa Rican Foreign Trade Minister, Anabel González, and President of the Mexican Federal Competition Commission, Eduardo Pérez Motta, in company with WTO spokesman, Josep Bosch. Please access the video of the debate.

The Doha Round has covered a decade of negotiations, and there is still no end in sight. In spite of this, in the WTO's report of the Doha Round to the General Council meeting, June 25 last, Pascal Lamy made it plain that "an all or nothing strategy" does not work. In his report on the General Council meeting of October 3-4, he consistently urged negotiators to start thinking creatively about how to reduce their differences and achieve progress in certain specific negotiating areas, making the most of the signs of momentum seen in recent months in the work of Doha.

Lamy's criterion of reaching some kind of agreement in Doha was shared and expressly supported by Yi Xiaozhun, the Chinese Ambassador to the WTO, in his speech of October 3. The Ambassador expressed his optimism about the distinct possibility of reaching tangible results in Doha, declaring that China, as the world's second largest economy, was against any proposal to declare the Doha Round over. Yi Xiaozhun made this statement in reference to the article "Goodbye Doha, hello Bali," which proposes the closure of negotiations and pick up on what is left in a "Global Recovery Round." This new round would seek to avoid free trade agreements—which countries have been turning to over the last decade—replacing the multilateral trading system.

Undoubtedly, US support is key to achieving successful negotiations in Doha, but the nature of the commitment adopted by China is also of vital importance to the WTO. A successful conclusion to the Doha Round would ensure that the emerging countries assume a position of decisive leadership for results to be obtained from this Round, which will undoubtedly be to the benefit of all developing countries. In particular, one would hope for leadership from China, India, and Brazil.

[1] Edited by Kenneth Heydon, London School of Economics, UK and Sciences-Po, France and Stephen Woolcock, London School of Economics, UK, 2012.

# IMF and World Bank Annual Meetings: Concern over slowdown and uncertainties

The 26th Annual Meeting of the International Monetary Fund (IMF) and World Bank (WB) took place in Tokyo, Japan, October 9-14. The "Global Policy Agenda" summarizes the main multilateral policy findings and recommendations and sets out an agenda for the IMF and its members. It also highlights concerns over the global slowdown in growth and the persistent uncertainty.
The Communiqué issued by the International Monetary and Financial Committee (IMFC) points out the need, on the one hand, for the advanced economies to carry out the necessary structural reforms and implement credible fiscal plans, and, on the other hand, for the emerging economies to retain political flexibility to absorb any adverse shocks and support growth.
World Bank president Jim Yong Kim called for redoubled efforts to end poverty. The Development Committee Communiqué affirmed the commitment to take strong measures to promote growth and development, to continue to support an open world economy, and to fulfill the promises of development assistance.

**Related articles**

- IDB/INTAL. "Annual Meeting of IMF and World Bank calls for support for growth," in: *INTAL Monthly Newsletter No.182*, October 2011.

# Trans-Pacific Partnership Agreement: Mexico and Canada join negotiations

The Office of the United States Trade Representative (USTR) announced, September 6, that Mexico and Canada will formally join the negotiating rounds for the Trans-Pacific Partnership Agreement (TPP).

The TPP has as its goal the creation of an economic integration area in the Asia-Pacific region. The countries participating in the negotiations seek to design an inclusive, high quality agreement that will lay the foundations of development and economic growth among its members.

The initiative was originally proposed by the countries forming part of the Trans-Pacific Strategic Economic Partnership Agreement, namely: Brunei Darussalam, Chile, New Zealand, and Singapore. These were later joined by United States, Australia, Peru, and Vietnam in 2008, and Malaysia, in 2010.

So far there have been fourteen rounds of negotiations, and twenty-nine chapters are under discussion, including issues related to market access, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, border services, telecommunications, and public sector purchasing. The thorniest negotiating issues are those relating to intellectual property rights and the role of State enterprises.

As noted in *INTAL Monthly Newsletter No. 175*, The TPP's importance to Latin American countries taking part in the process differs widely. While Peru seeks to increase its trade with the rest of the parties, Chile, which already has free trade agreements with a number of countries (e.g. Australia, United States, Malaysia, and Peru, and is in talks with Vietnam), aims not only to participate in the area of free trade, but also to focus on faster customs procedure and regulatory consistency. Mexico, for its part, hopes to open up markets for agricultural products such as tequila, beer, meat, and fruit and vegetables, and to maximize its role in global supply chains.

**Related articles**

- IDB/INTAL. "Trans-Pacific Partnership Agreement decides negotiating model," in: *INTAL Monthly Newsletter No.184*, December 2011.
- IDB/INTAL. "5th round of talks toward a Trans-Pacific Partnership Agreement," in: *INTAL Monthly Newsletter No.175*, March 2011.

For more information, see below:

- International Centre for Trade and Sustainable Development. "Virginia Talks Yield Progress on TPP, Though Deadline Remains Elusive," in: *Bridges Weekly*, Vol. 16, No. 31, September 19, 2012.
- International Centre for Trade and Sustainable Development. "TPP: incorporación de México en la ronda de negociaciones," in: *Puentes Quincenal*, Vol. 9, No. 14, September 2012.
- Mexican Economy Secretariat. "México ingresa formalmente al TPP."

# 3rd Summit of South American-Arab countries

The 3rd Summit of Heads of State and Government of South America and Arab countries (ASPA) was held in Lima, Peru, October 1-2, alongside the meeting of the countries' Council of Foreign Ministers. In the Lima Declaration, the representatives expressed their support for peace, and condemned acts of terrorism. The countries also expressed their willingness to move forward jointly in the fight against poverty, infrastructure, economic growth, and trade between the two regions.

The Summit, whose *Pro Tempore* Presidency is held by Peru, is a forum for policy coordination among the two regions' countries, as well as a mechanism for cooperation in the economy, culture, and other areas relevant to these countries' sustainable development and contributions to world peace. The first Summit was held in Brasilia, Brazil, in 2005, and the second in Doha, Qatar, in 2009.



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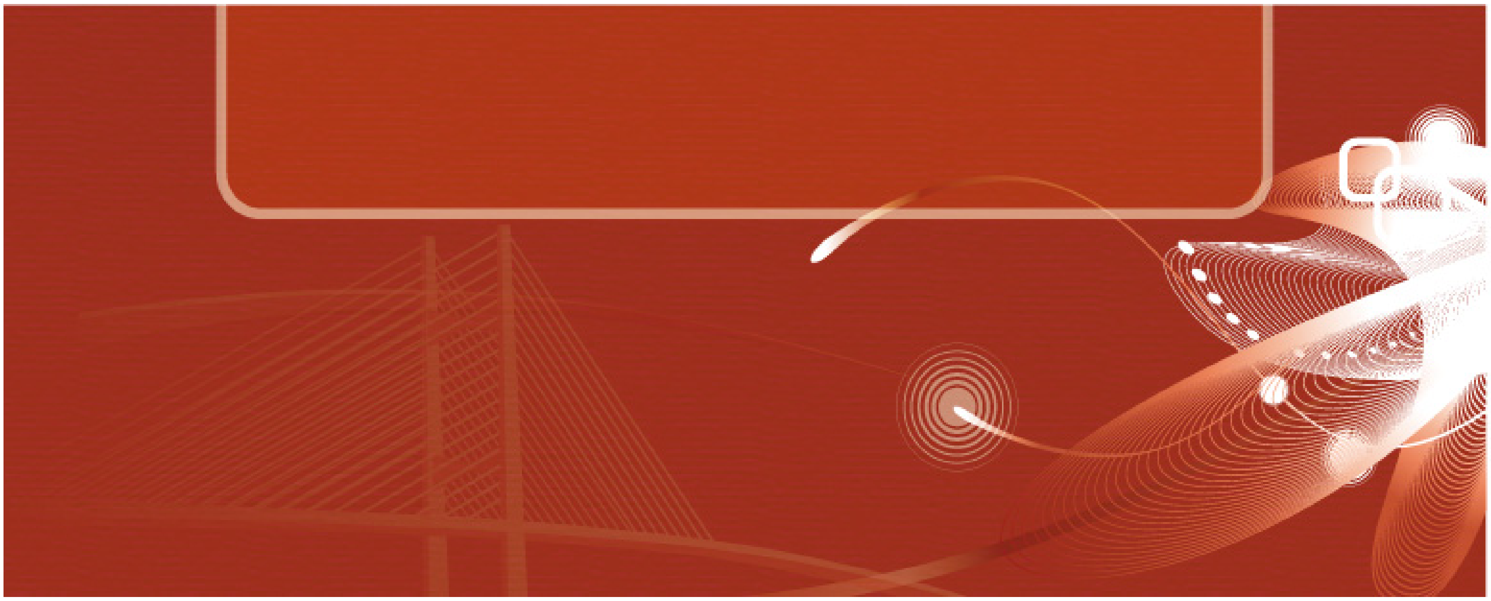
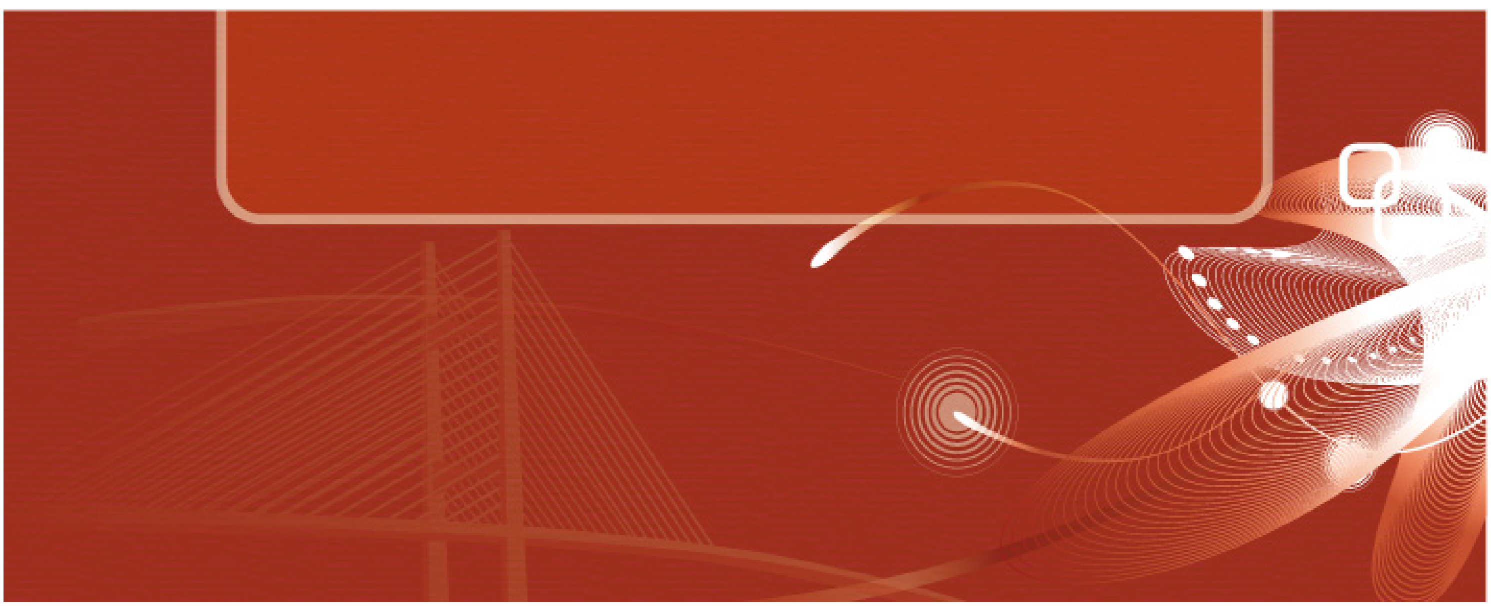


## Integration and Trade Sector

Check the latest issue of the Integration and Trade Sector Newsletter for more activities/events/publications (link)

# INTAL Documentation Center



# Reviews

## Panorama de la Inserción Internacional de América Latina y el Caribe 2011-2012: Crisis duradera en el centro y nuevas oportunidades para las economías en desarrollo. Economic Commission for Latin America and the Caribbean (ECLAC). Santiago de Chile: ECLAC, September 2012 [175 pp.].

In its annual report on the international insertion of Latin America and the Caribbean (LAC), ECLAC examines the current international economic climate and its impact on the region in the short term, as well as certain trends of export specialization in the region and its main challenges in the long-term.

*Chapter 1* describes the slow recovery of the global economy by mid-2012, characterized by uncertainty and turbulence, whose main obstacle is the performance of the euro area; in addition to this picture is the slow improvement in United States and the slowdown in China.

*Chapter 2* discusses the sharp rise in commodity prices since 2000 and China's role in this boom. It also looks at the impact on Latin American and Caribbean exports, differentiating between South America and the rest of the region. ECLAC estimates show that—even in the worst case scenario—these products' prices in the next few years will above their historical averages, albeit lower than the high of mid-2008.

*Chapter 3*, on the one hand, describes recent developments in the region's trade, showing the slowdown between the third quarter of 2011 and the second quarter of 2012, as further evidenced in intraregional exports. It also looks at relevant events on the institutional side of economic integration over the past year, such as Venezuela's entry to the Southern Common Market (MERCOSUR), the formal constitution of the Pacific Alliance, moves to the establishment of a free trade area between Mexico and the Central American countries as a whole, and Panama's incorporation in the Central American Economic Integration Subsystem (SIECA). In addition, there is the start-up of the Community of Latin American and Caribbean States (CELAC) and the continued work of the Union of South American Nations (UNASUR) in promoting intraregional trade.

*Chapter 4* looks at the international insertion of Latin America and the Caribbean. In particular, it



describes the performance of regional exports through participation in value chains, export-oriented employment, and companies' participation in export activity.
The study primarily analyzes trade in intermediate goods[1] as an indicator of the fragmentation of production processes, which, in 2011, accounted for 10% of exports in the region. The work points out that this proportion is seen in both extraregional and intraregional trade, which implies that the preponderance of the region's manufacturing trade does not translate into more intraregional trade in intermediate goods.
This low share of intermediate goods in intraregional trade is a sign of low productive integration, which differs from what is happening in other economic groups such as ASEAN (where it stands at about 30%), NAFTA, or the European Union (20%-25%). The publication claims that only Mexico, Central America, and, to a lesser extent, the Caribbean occupy an important place in the region's export pattern in terms of global value chains (GVCs). They participate mainly through *maquiladoras* (bonded assembly plants) and export processing zones, whose output is mostly aimed at the US market.
Among the factors that explain the region's low share in GVCs are market access (trade barriers, restrictive rules of origin, etc.), and the logistics dimension, namely, higher transportation costs, costs associated with foreign trade operations, and the transport infrastructure deficit.
Second, it examines the employment—direct and indirect—generated by the export sector in a selection of Latin American countries[2] in 2005, which accounted for between 9% and 24% of total employment. The report argues that employment in the sector is concentrated in agriexporting activities (including food and beverages, and tobacco) and light industries (especially textiles and apparel, footwear, wood, pulp, and paper).
Third, it describes the evolution of the region's exporting companies. The proportion of firms engaged in exporting is very small: less than 2% of total firms in most countries, and less than 1% in many of them. Although large companies concentrate an extremely high proportion of the export value, they do not necessarily generate more employment. Another important feature is that internationalization among SMEs is relatively low, and their contribution is mainly an indirect one, via the provision of goods and services to large exporting companies, or the sale of their output to intermediaries which is then sold on in the international marketplace.
The work concludes with some strategic guidelines. On the one hand, it argues the importance of strengthening the regional market, given its ability to stimulate inclusive development and create dynamic competitive advantages. For this purpose, ECLAC contends that it is necessary to move forward in the infrastructure development, the reduction of asymmetries, and the processes of innovation and policies designed to enhance competitiveness. On the other hand, the document proposes a leap forward in quality, in the relationship with China in particular, and the Asia-Pacific region in general, through joint national efforts and the setting of a concerted regional agenda of priorities.
The work's main contribution is in picturing the region's international insertion in a long-term perspective in an unusual array of indicators. The analysis of GVCs gives a good approximation to the state of the region and draws attention to the need to implement policies that deepen intraregional trade in intermediate goods.

[1] Includes the products classified as "Parts of..." in Revision 2 of the Standard International Trade Classification (SITC), such as textiles (Sections 61 and 65), machinery and transportation equipment (Section 7), metal manufactures (Section 69), and other manufactures (Section 8).

[2] Argentina, Brazil, Chile, Colombia, Mexico, and Uruguay.

# 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

## * Montenegro, C.; Pereira, M. y Soloaga, I. (2011). El efecto de China en el comercio internacional de América Latina = China's effect on IMTIN America's international trade. International Research Journal of Finance and Economics, 38(2), p. 341-368.


**Autor:**Montenegro, Claudio E.; Pereira, Mariana; Soloaga, Isidro
**Título:**El efecto de China en el comercio internacional de América Latina = China's effect on IMTIN America's international trade
**Serie:**International Research Journal of Finance and Economics (2011) ; 38 (2) : p. 341-368
**Temas:**<COMERCIO INTERNACIONAL><RELACIONES COMERCIALES><MODELOS ECONOMETRICOS>
**Geográficos:**<AMERICA LATINA><CHINA>

**Resumen:**Haciendo uso de modelos gravitacionales, se analizan los flujos agregados de comercio con el fin de identificar los efectos de China sobre el comercio de América Latina. Entre las principales conclusiones se encuentran las siguientes: i) El crecimiento del mercado chino no fue desaprovechado por los países de América Latina; ii) A nivel agregado no se encontró que las importaciones que los socios comerciales latinoamericanos hacen de China hayan desplazado a las importaciones que éstos hacen de América Latina; iii) Sólo hay una asociación positiva entre importaciones de China y exportaciones a terceros mercados en el caso del Cono Sur.

**Accesos al documento:**
**eH Z ESTUDIOS.ECON. [2011] 38, 2 : p. 341-368**
Documento Electrónico

## * Romero Jiménez, M. (2012). Estudio sobre la cooperación en el Acuerdo Global México - Unión Europea. Santiago de Chile: CEPAL.

**Autor:**Romero Jiménez, Máximo
**Título:**Estudio sobre la cooperación en el Acuerdo Global México - Unión Europea
**Otros responsables:**Marmolejo Henderson, Karla, colab.; Chávez Ramos, Edith, colab.
**Edición:**Santiago de Chile: CEPAL, Julio de 2012 [106 p.]
**Serie:**Documento de Proyecto; 489
**Temas:**<INTEGRACION REGIONAL><UNION EUROPEA, UE><COOPERACION INTERNACIONAL><COMPETITIVIDAD><DESARROLLO SOCIAL><COHESION SOCIAL><PEQUEÑAS Y MEDIANAS EMPRESAS, PYMES><COYUNTURA ECONOMICA><CRISIS>
**Geográficos:**<EUROPA><MEXICO>

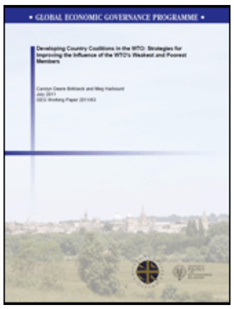
**Resumen:**La Unión Europea representa el bloque económico más importante del mundo. Actualmente está integrada por 27 países, entre los cuales se encuentran algunos que destacan por contar con los ingresos per cápita más altos a nivel mundial. Para México, la Unión Europea significa el segundo socio comercial más importante, solo después de los Estados Unidos, así como la segunda fuente de inversión, al tiempo que dicho bloque regional constituye su principal donante en materia de cooperación internacional1. Las relaciones de cooperación entre México y la Unión Europea, distantes todavía a mediados del siglo pasado, han experimentado una importante transformación en la medida en que ambos actores han implementado una serie de medidas de control, estabilidad e influencia macroeconómicas, incluso frente a los vaivenes de la economía mundial y las crisis financieras internacionales de las últimas décadas. De esta forma, ambas partes, han desarrollado diversas estrategias de inserción y competitividad en mercados mundiales, como la integración y ampliación regional, en el caso de la Unión Europea, y de la diversificación comercial con terceros países y bloques regionales, en el caso de México. A través del Acuerdo para Concertación Política, Asociación Económica y Cooperación, también conocido como "Acuerdo Global", México y la Unión Europea han consolidado mecanismos de vinculación cada vez más institucionalizados para la interlocución, negociación y cooperación entre ambas partes.

**Nota de contenido:**
**Resumen** [p. 7]

**Accesos al documento:**
**eHM CEPAL-DP 489 [2012]**
Documento Electrónico

texto completo. Si no pudo acceder haga click aqui

## * Deere Birkbeck, C. y Jones, E. (2012). Beyond the Eighth Ministerial Conference of the WTO: A Forward Looking Agenda for Development. Oxford: Oxford University.




**Autor:**Deere Birkbeck, Carolyn; Jones, Emily
**Título:**Beyond the Eighth Ministerial Conference of the WTO: A Forward Looking Agenda for Development
**Edición:**Oxford: Oxford University, May 2012 [31 p.]
**Serie:**GEG Working Papers; 69
**Temas:**<COMERCIO INTERNACIONAL><ACUERDOS COMERCIALES MULTILATERALES><NEGOCIACIONES COMERCIALES><PAISES EN DESARROLLO><COOPERACION PARA EL DESARROLLO><ORGANIZACION MUNDIAL DEL COMERCIO, OMC>

**Resumen:**The Eighth Ministerial Conference of the World Trade Organization (WTO) in Geneva, Switzerland, from 15 to 17 December 2011 offers a critical opportunity to generate fresh perspectives to strengthen the multilateral trading system and bring momentum back to trade talks in ways that secure development-friendly outcomes. Rather than being merely a routine exercise, the Ministerial Conference could be harnessed to take stock of where progress has been made and where it falls short on the development front, and to clarify what remains to be done for the poorest, smallest and most vulnerable WTO Members. Failure to address adequately the interests of the WTO's poorest and most vulnerable member states not only damages the development prospects of these countries, but also presents clear risks for the credibility of the multilateral trading system. The paper proceeds in four parts. Part 1 revisits the commitment of the international community to ensuring that the international trading system is tailored to meet the particular needs of developing countries. It highlights the risks and opportunities for developing countries at the forthcoming Ministerial. Part 2 briefly examines the characteristics of LDCs and SVEs and their recent economic and trade performance. Part 3 assesses the lessons learned regarding the strategies that poor and small, vulnerable countries have pursued, particularly the use of coalitions, to advance their interests. Part 4 reviews the state of play on key priorities for the WTO's poorest and smallest Members and sets out key areas for attention at the forthcoming Ministerial and beyond.

**Nota de contenido:**
**Part 1**: Poor and Small Countries: Trade and Development Perspectives
**Part 2**: LDCs and SVEs: Key Characteristics

**Part 3**: LDC and SVE Participation in the Multilateral Trading System
**Part 4**: Agenda for the Ministerial Conference and beyond
**Conclusions**

**Accesos al documento:**
**eHM GEG-DT 69 [2012]**
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## * Moura, P.; Granço, G.; Harfuch, L. y Nassar, A. (2012, july 20). Benchmark of cane-derived renewable jet fuel against major sustainability standards. - San Pablo : ICONE


**Autor:**Moura, Paula; Granço, Gabriel; Harfuch, Leila; Nassar, André M., coord.
**Título:**Benchmark of cane-derived renewable jet fuel against major sustainability standards
**Edición:**San Pablo: ICONE, July 20, 2012 [73 p.]
**Temas:**<BIOCOMBUSTIBLES><TRANSPORTE AEREO><RECURSOS ENERGETICOS><ESTUDIOS COMPARATIVOS>

**Accesos al documento:**
**E 620.9 / MOU-BEN / 2012**
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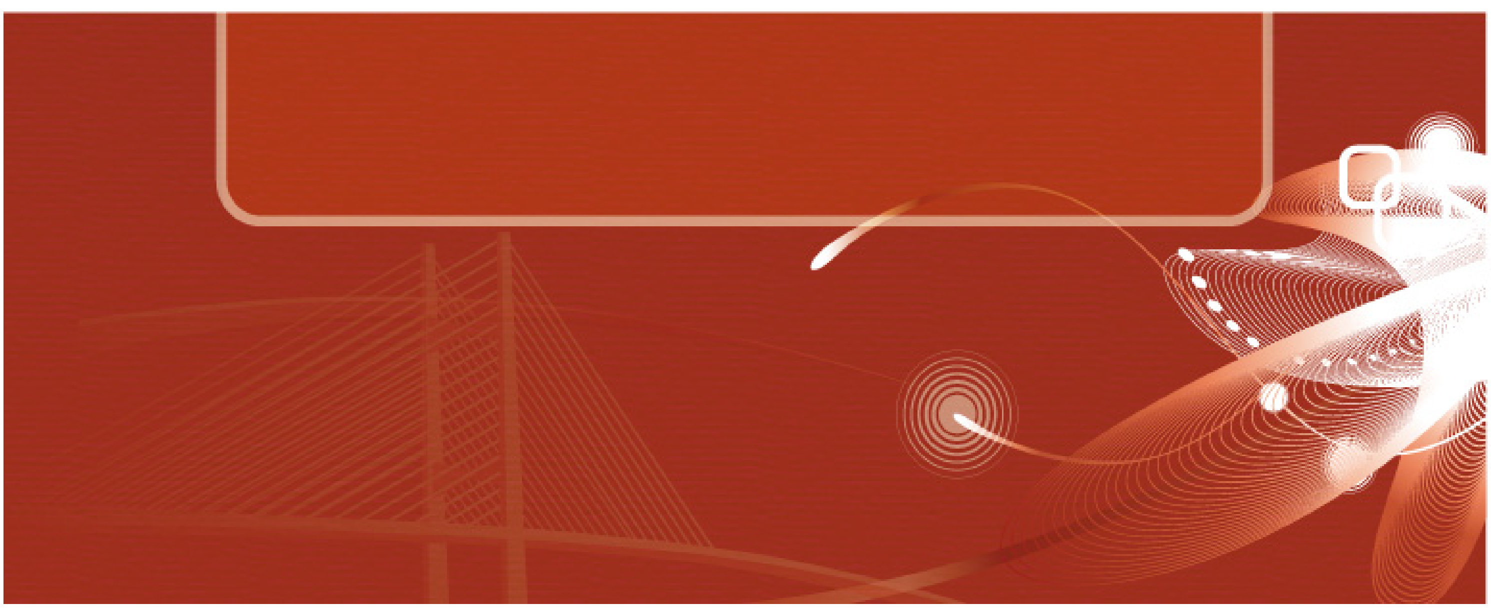

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