206

October 2013

Monthly Newsletter
INTAL

Monthly Electronic Publication

IDB Inter-American Development Bank

Table of contents

Analysis Column

FINPYME ExportPlus helps SMEs boost export capacity 7

Integration Blocs

The Caribbean

Caribbean addresses priority growth issues at 2013 High Level Forum 13

Central America

Costa Rica and El Salvador: Association Agreement with EU enters into force 14

El Salvador and Trinidad & Tobago agree to negotiate Partial Scope Agreement 15

CAFTA: Costa Rica calls for consultations with El Salvador over non-application of tariff preferences 16

Andean Community

Reengineering the Andean Integration System 17

Colombia signs FTA with Israel 18

Peru to promote competitiveness of small and medium farming exports with IDB support 19

Mercosur

IDB supports internationalization of Uruguayan ICT SMEs 20

New Brazilian antidumping regime 21

UNASUR

Chile takes up COSIPLAN Presidency 22

Regional And Global Overview

Agriculture ahead of the Bali Conference 25

MERCOSUR and the Pacific Alliance 28

Recent developments in the Pacific Alliance 30

Integration and Trade Sector

Advanced Course on the GATS and the Trade in Services for Latin America 33

Despite deceleration of global growth, South-South trade remains a strategic option 35

Seminario explora los beneficios derivados de la internacionalización de las pequeñas y medianas empresas (only in Spanish) 36

Other IDB Activities

BID, OEA y varios gobiernos se unen para lanzar concurso para jóvenes periodistas (only in Spanish) 39

INTAL Documentation Center

Reviews

Stezano, Federico. Políticas para la inserción de las microempresas y las pequeñas y medianas empresas en cadenas globales de valor en América Latina. Estudios y Perspectivas Series. Mexico: ECLAC, August 2013 [62 pages]. 43

Bibliographic alert

.... 45

Monthly Highlights

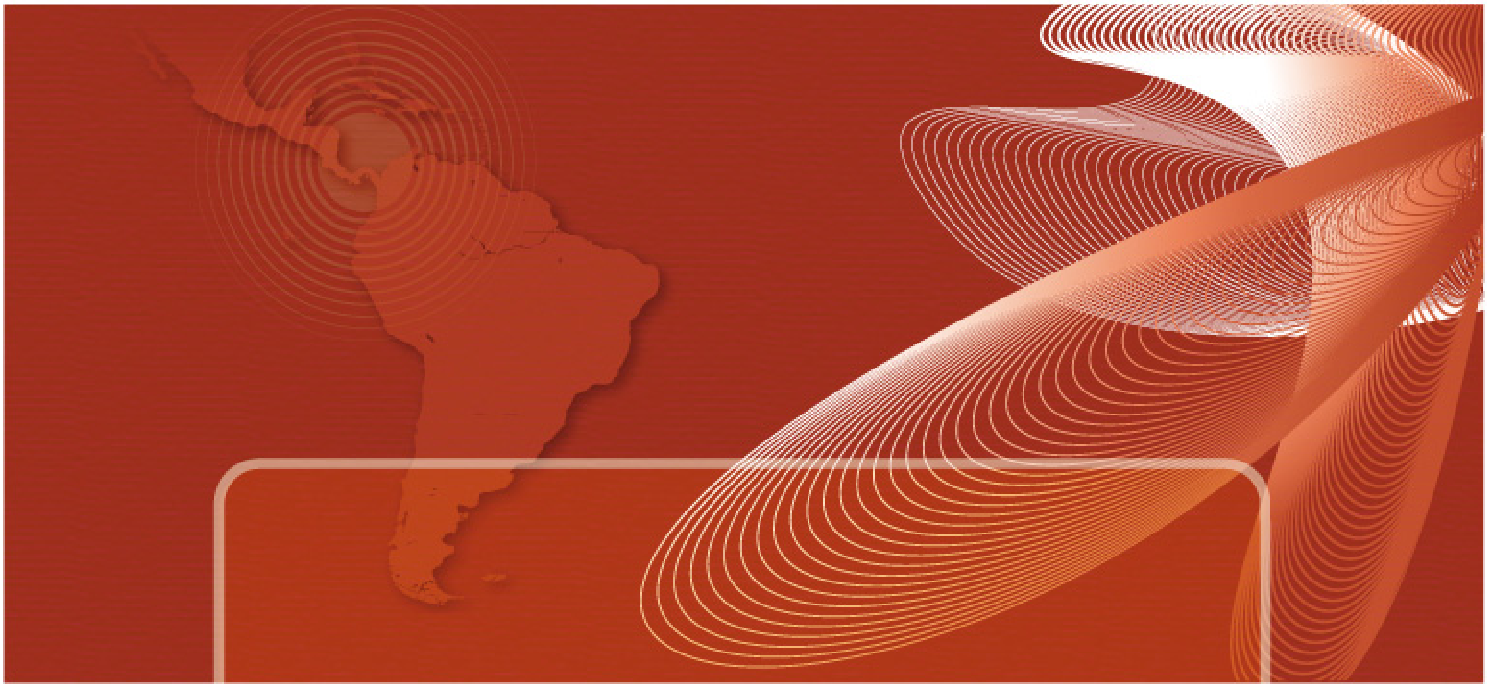
*Brandi, C. (2013). Successful trade promotion: Lessons from emerging economies. London: ODI. 46

*Trade and Development Report, 2013 : Adjusting to the Changing Dynamics of the World Economy. (2013). New York: UNCTAD. 48

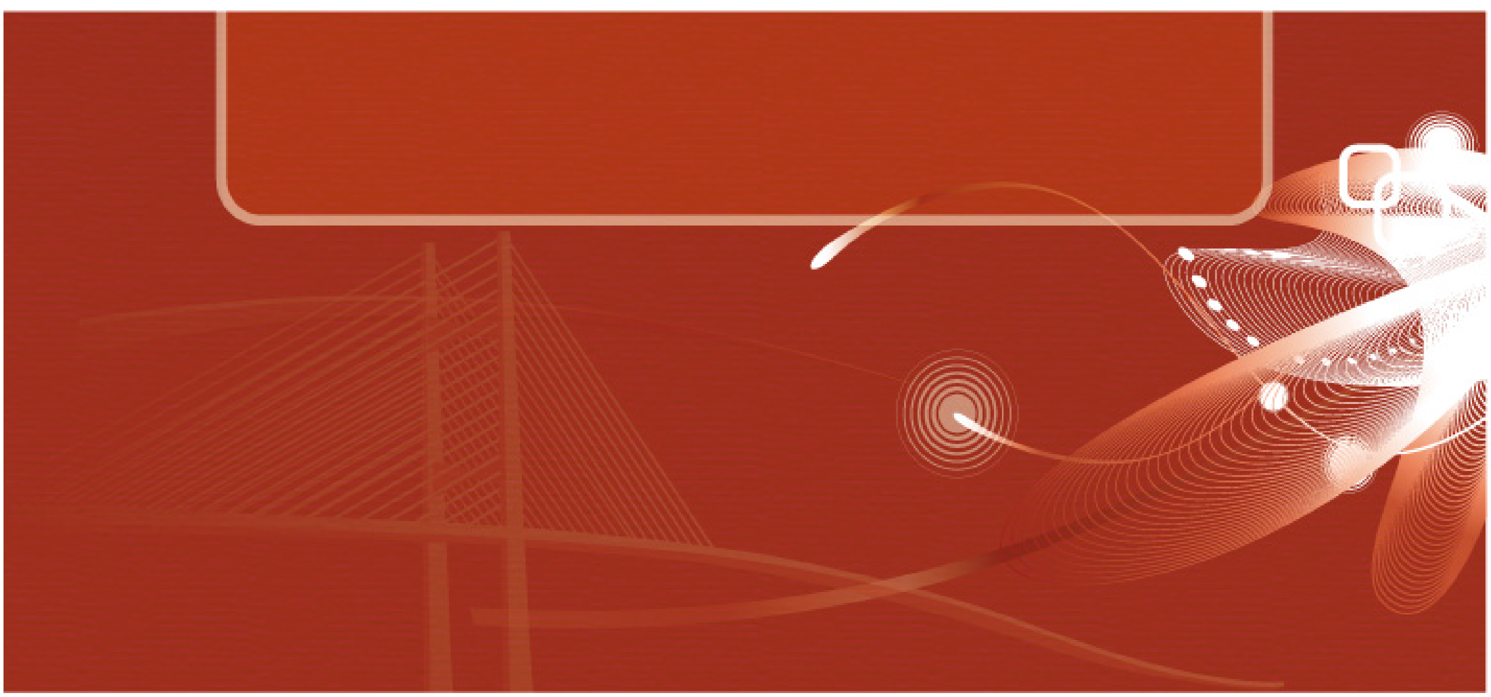
*Llisterri, J. and García-Alba, J. (2010). High-growth SMEs in Latin America's service sector: Six case studies. (2010). In: High-Growth Enterprises : What Governments Can Do to Make a Difference. Paris: OECD. 51

Editorial Staff

.... 53



Analysis Column



FINPYME ExportPlus helps SMEs boost export capacity

As shown in recent issues of the *INTAL Monthly Newsletter*, SMEs in Latin America and the Caribbean face different obstacles on the road to positioning in international markets. Their share in external markets is far lower than small enterprises in Europe or East Asia (ECLAC, 2012).
This is due in part to the environment they operate in, as evidenced in their heterogeneous production structures, the educational level of the labor force, and the business climate of the region's countries. Whereas, in developed countries, these companies can be some of the largest providers or specialize in the production of differentiated goods and services, the region's SMEs position themselves in standardized, low knowledge-intensive areas of production, often compete with large-scale production, and find it difficult to comply with the quality requirements or production volumes needed to supply larger companies (ECLAC, 2012).
SMEs' limitations in the region include poor access to skilled human resources, financing (due to a lack of guarantees and technical-administrative resources), and information and communication technologies (ICTs). These restrictions damage the management of companies and affect their productivity and competitiveness; because of such obstacles, potentially viable projects are beyond their scope.
To overcome backwardness in SMEs' production and exports specific support tools and services directed at business management, training, and technical advice are needed. The IDB Group has made part of this agenda its own, contributing technical assistance and direct financing. Innovative Financing for SMEs (FINPYME) is an initiative of the Inter-American Investment Corporation (IIC) aimed at providing technical assistance to SMEs, improving their access to financing, and boosting their competitiveness. FINPYME has a practical approach to enable SMEs to negotiate various challenges[1] in the areas of management, planning, and strategy, opening doors to medium and long-term financing. IIC too seeks to mobilize resources from other institutions through syndicated loans and supports lending institutions that target SMEs in the region.
The different FINPYME programs give an idea of the initiative's spectrum of action:

- FINPYME *Diagnostics*: identifies and assists in key management areas to improve firms' competitive position.
- FINPYME *Family Business*: promotes good management practice in family businesses.
- FINPYME *Integrity*: promotes business ethics.
- *GREENPYME*: encourages rational energy use by investing in clean technologies.
- FINPYME *Credit*: provides competitive financing.
- FINPYME *Technical Assistance*: provides consulting services in areas ranging from environmental regulation to financial, technical, and market analysis.

Last, the FINPYME *ExportPlus* program seeks to increase SMEs' export capacity and is part the Aid for Trade initiative of the World Trade Organization (WTO). To increase the internationalization of SMEs in the region this program disseminates knowledge on how to export to different markets, and provides group and individual technical assistance on key issues that affect their ability to meet international standards. This component of FINPYME is aimed at diversifying markets and products. Why is the internationalization of these firms beneficial? Because participating in external markets can, among other things, induce a virtuous circle with potential benefits, such as technology transfer and skills acquisition in accordance with international practices.
In this area, IIC works in collaboration with local agents and partners in each country, such as business associations, universities, and chambers of commerce. This work is based on three pillars:

- Certifications related to quality standards enabling access to export markets;
- Operational Processes that seek improvements to the firm's production facilities, offering new technologies and processes with benefits to productivity and the products or services offered.
- Management Training that endows companies with the tools to compete in the global market.

FINPYME *ExportPlus* was launched as a pilot project in Guatemala in 2009 and has spread to other countries in Central America (Costa Rica, El Salvador, Nicaragua, and Panama), the Caribbean (Dominican Republic, Bahamas, Barbados, Haiti, Jamaica, Guyana, Suriname and Belize), and South America (Bolivia). Since its inception, the program has served over 2,300 SMEs in the region (Table 1).

Table 1: Number of companies benefiting from the FINPYME ExportPlus program workshop

May 2009-June 2013

Central America	**1,402**
Guatemala	615
Nicaragua	364
Dominican Republic	206
El Salvador	136
Costa Rica	81
Caribbean	**888**
Haiti	219
Suriname	210
Guyana	173
Barbados	127
Jamaica	66
Bahamas	91
Belize	2
South America	**13**
Bolivia	13
Total	**2,303**

Source: Inter-American Investment Corporation (IIC)

Between 2009 and 2013, FINPYME *ExportPlus* has carried out 47 activities in this country, mainly in the agrifood, wood, leather, handicrafts, and pharmaceutical sectors, and has supported 615 businesses by providing individual and group technical assistance, and consulting services. One notable result of the program is that most participants (86%) have implemented the actions recommended in the training sessions, and about half have increased their export capacity, either with increased volumes or by diversifying their markets. Moreover, 90% of the participants would be willing to invest in similar activities.

Between 2010 and 2013, various activities were held in other countries in **Central America and the Caribbean**: managerial capacity building (workshops on technical export, trading strategies, competitiveness and export logistics, business opportunities, cost and financial management), streamlining processes in specific areas (wood in El Salvador, coffee in Dominican Republic, leather in Nicaragua, the food industry in Haiti, tourism in Suriname), and developing agricultural certification. In 2013, activities were held to improve processes in specific sectors of the food industry in **Bolivia**.
Some of the achievements by participating companies make for interesting case studies:

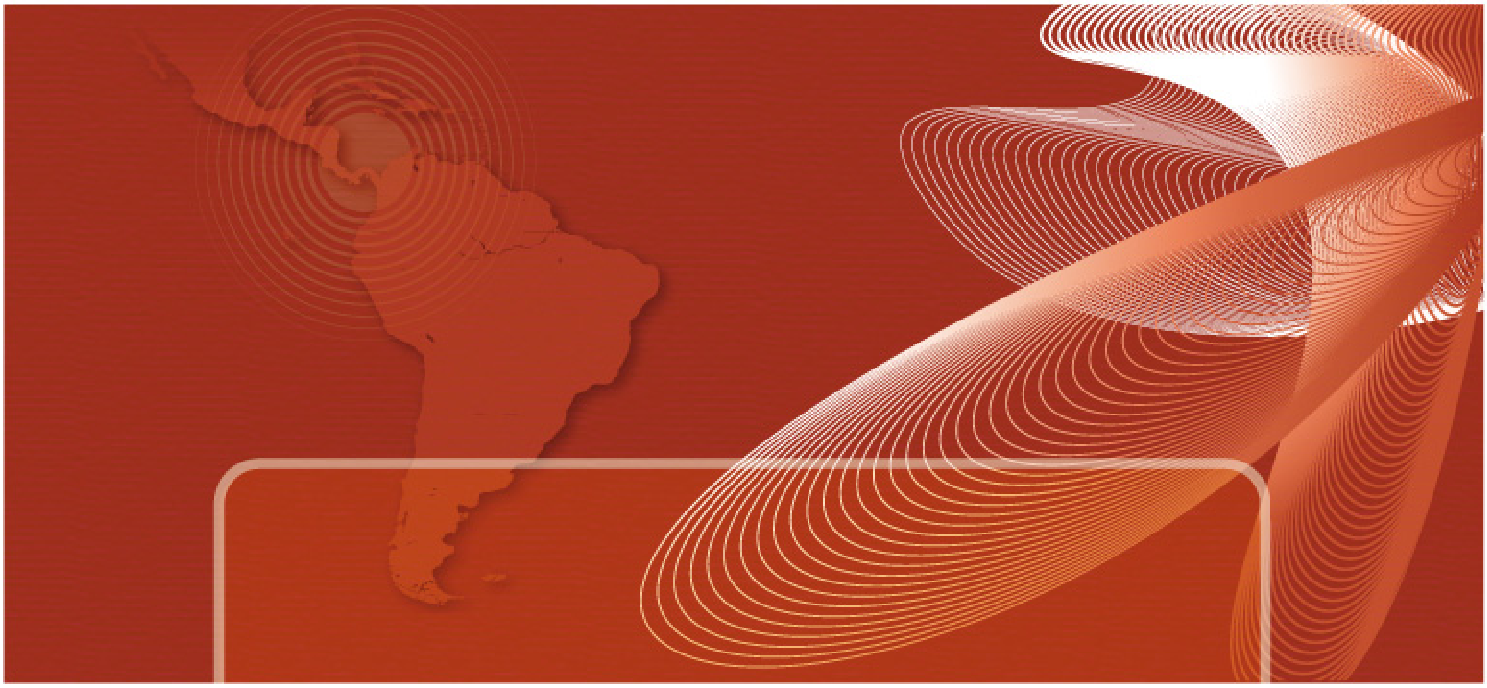
- *Berling S.A.* is a family-run Haitian company producing rum and liqueurs, which suffered major damage during the 2010 earthquake. It received technical assistance in planning the transition to a larger, more modern production line, as well as in developing a business strategy aimed at achieving its export targets. Under the program, Berling increased its production capacity of 5 bottles per minute to 40 bottles per minute. It now exports to Europe and is expected soon to be exporting to United States.
- *Marie Sharp's is* Belizean company making jams, fruit juices, and hot sauces. Its owner attended the *Seoul Food Expo* in 2012 and closed several deals there.
- *Café Antigüeño* is a Guatemalan gourmet coffee distribution company, which received support in development strategies to enter high-end international markets, dramatically increasing its exports.

Given its importance, IIC is to continue implementing and expanding FINPYME programs, including FINPYME *ExportPlus.* The encouraging results of the program are due to the companies' interest in expanding their markets and the knowledge transfer tools that IIC provides them with in order to achieve this.

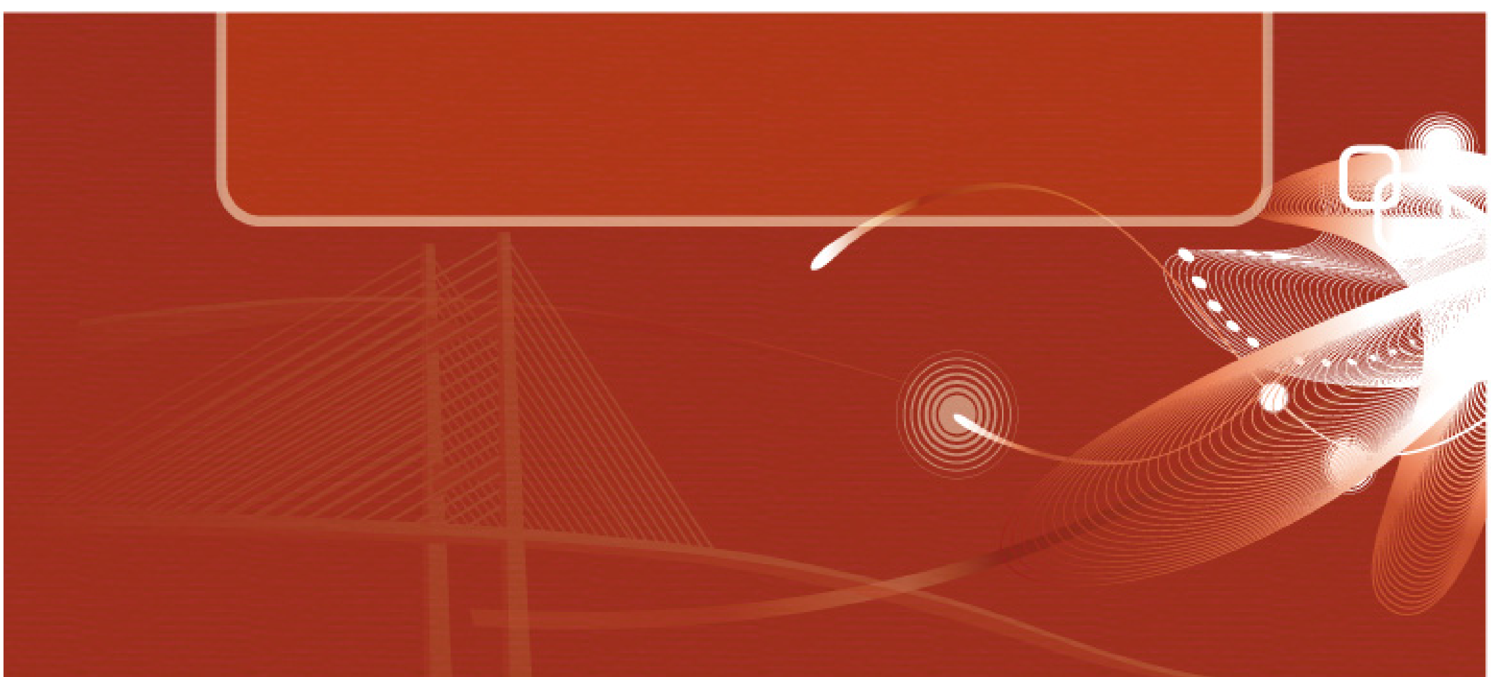
Bibliography:

- Economic Commission for Latin America and the Caribbean (ECLAC*). Economic Outlook for Latin America 2013. SME Policies for Structural Change*. Washington: OECD; ECLAC, 2012.
- **FINPYME Program:**
  - www.finpyme.org
  - *FINPYME ExportPlus, OECD WTO Aid for Trade Case Stories.*
  - *FINPYME: a program to improve the capacity of SMEs to compete in the global economy Development Impact Honors IDB Group.*
  - Video: *IIC FINPYME Caribbean May 2013.*

[1] We are grateful to Jorge Roldán, David Levy, and Paula Urban (IIC) for their contributions to the writing of this article.



Integration Blocs



Caribbean addresses priority growth issues at 2013 High Level Forum

The Prime Ministers, senior officials and governors of the central banks of the CARICOM member countries, and representatives of international financial institutions gathered in Nassau, Bahamas, September 19-20, for the 2013 High Level Caribbean Forum: Building Growth into the Caribbean Sustainability Agenda, sponsored by the International Monetary Fund (IMF) and the Government of the Bahamas, along with the Caribbean Development Bank (CBD), the Inter-American Development Bank (IDB), the International Finance Corporation (IFC), and the World Bank.
The High Level Forum, a platform to promote dialog among decision makers, focused on the challenges of growth and debt which the region is tackling through a prioritized action agenda. The Forum followed up the topics covered in its previous edition in Port of Spain, Trinidad, in 2012. The policies and reforms needed to reestablish growth were already the focus of the Caribbean Growth Forum in Nassau, Bahamas, last June. On the strength of these discussions, the High Level Forum established four working groups aimed at finding solutions in the following areas: private sector competitiveness, sustainability and growth policies, strategies for the protection of vulnerable groups, and debt management. The Growth Forum is currently preparing a proposal to set up an Economic Commission responsible for drawing up a “growth agenda” for the Caribbean that covers the topics prioritized in these dialog areas.

See Melgarejo K., Mercer-Blackman V., & D’Acosta M. (2013). *Policy Benchmarking for Productivity and Growth: Review and Proposed Framework for the Caribbean*. Technical Note 578. Washington: IDB.

More information at the following links: [1]; [2]; [3]; [4].

Costa Rica and El Salvador: Association Agreement with EU enters into force

The EU-Central America Association Agreement (EU-CAAA) was signed in July 2012 after four years of negotiations, and came into force for Honduras, Nicaragua, and Panama August 1, 2013.
Costa Rica and El Salvador had not achieved the approval of the European Council due to Italy's opposition to the registration of certain geographical indications.
Both countries have held negotiations over the past few months, leading to the Italian objections and the ratification of the EU-CAAA for its entry into force October 1 last.

More information at the following links: [1]; [2]; [3]; [4]; [5].

El Salvador and Trinidad & Tobago agree to negotiate Partial Scope Agreement

The first round of negotiations is tabled for October, in San Salvador.
The Framework Agreement approaches the negotiation on three fronts: first, a Partial Scope Agreement including topics such as market access, rules of origin, sanitary and phytosanitary measures, technical barriers to trade, trade defense, dispute settlement, and institutional arrangements; second, an Agreement on the Mutual Promotion and Protection of Investments, and last, a Cooperation Agreement to promote tourism in both countries.

The negotiations are expected to be concluded by early 2014.

CAFTA: Costa Rica calls for consultations with El Salvador over non-application of tariff preferences

The Costa Rican government requested consultations with El Salvador under the Central America Free Trade Agreement-Dominican Republic (DR-CAFTA), which both countries belong to.
It should be remembered that DR-CAFTA involves commitments from all members on the topics in the agreement, including tariff liberalization. In this context, Costa Rica claims that El Salvador has only provided preferential tariff treatment for products originating in United States and not other countries.

For more information, click here.

Reengineering the Andean Integration System

The 37th extended meeting of the Andean Council of Foreign Ministers and the CAN Commission was held at the end of September, with Peru taking over the bloc's *Pro Tempore* Presidency (PPT). The meeting decided to form a High Level Group to review CAN's institutional framework, the legal acquis, and dispute settlement system. The reengineering of the Andean Integration System seeks to adapt the process to the changes in the international context. The High Level Group will be composed of the member countries' Deputy Foreign and Trade Ministers. The reforms envisaged include the pursuit of convergence between the main South American blocs (CAN, MERCOSUR, and the Union of South American Nations (UNASUR)) and the preparation of a Protocol to facilitate the Andean Parliament's exit from the Andean Integration System.

Colombia signs FTA with Israel

Colombia has signed a free trade agreement (FTA) with Israel, the first with a Middle East country. Talks had begun in 2012 and lasted five negotiating rounds.
The FTA gives Colombian products access to a market of 7.9 million inhabitants, with a *per capita* income of US$32.212 per annum.
In addition to the elimination of tariff and non-tariff barriers on trade in goods, the agreement includes commitments on trade in services, cooperation, investment, and public procurement.
Bilateral trade has expanded rapidly over the last decade, and the Andean country has a surplus balance. In 2012, Colombian exports to Israel totaled US$526 million, and imports, US$160 million. While coal represents 94.3% of shipments from Colombia to the Israeli market, purchases from this country are more highly diversified: over two thirds are machinery and equipment, followed by chemicals and textiles.

Related articles:

- IDB-INTAL. "Colombia and Peru in 2012: Progress in external trade agenda," in: *INTAL Monthly Newsletter No. 197*, January 2013.
- IDB-INTAL. "Colombia-Israel FTA negotiations conclude," in: *INTAL Monthly Newsletter No. 203*, July 2013.

Peru to promote competitiveness of small and medium farming exports with IDB support

Peru is to boost the competitiveness of small and medium-scale farmers with the help of a US$25 million loan from the Inter-American Development Bank (IDB). This will seek to increase productivity and exports through a series of agricultural policy reforms, including the development of clusters and agricultural value chains, as well as the consolidation of operational management and environmental practices in the AGROIDEAS rewards program. Over the next three years, the program is expected to benefit more than 43,000 farmers.

For more information, click here.

Mercosur

IDB supports internationalization of Uruguayan ICT SMEs

Uruguay is to promote the internationalization of small and medium enterprises (SMEs) in information and communication technologies (ICTs) through the tool known as ProTIC. This is part of the Program to Support Global Export Services, implemented by Uruguay XXI with the support of the Inter-American Development Bank (IDB).
Uruguay exports ICT services to more than 40 countries, and they have tripled over the last decade, totaling US$300 million in 2012. 9 out of 10 firms in the sector are estimated to be SMEs.

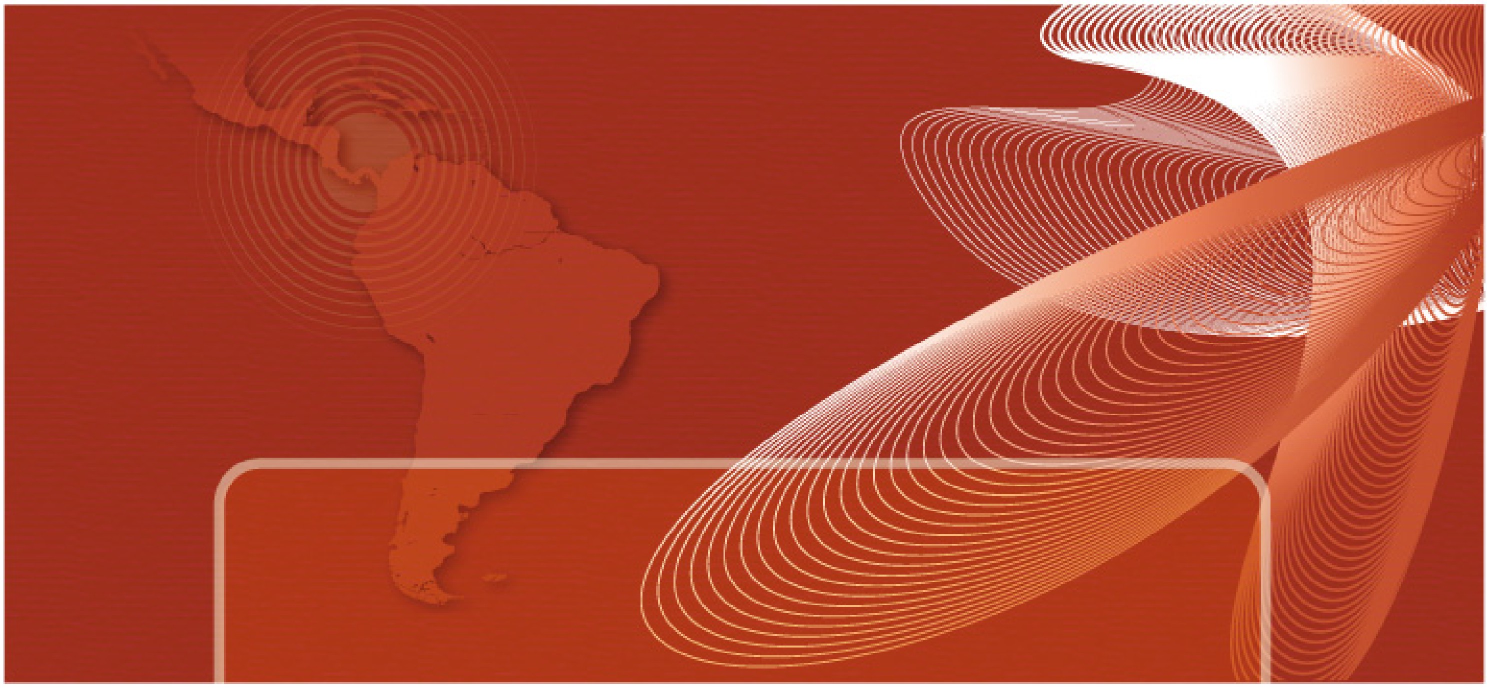
New Brazilian antidumping regime

A new antidumping investigation regime came into force in Brazil in October. The main changes include the obligation to make the preliminary determination: a provisional conclusion about the existence of dumping, damage to local production, and the causal link between the two. This should take 120 days, half as long as before the reform. In the event of a positive determination, provisional antidumping duties may be applied for the duration of the investigation.
The new legislation also sets a maximum 60-day term for the analysis of a request. This may be extended should additional information be required.

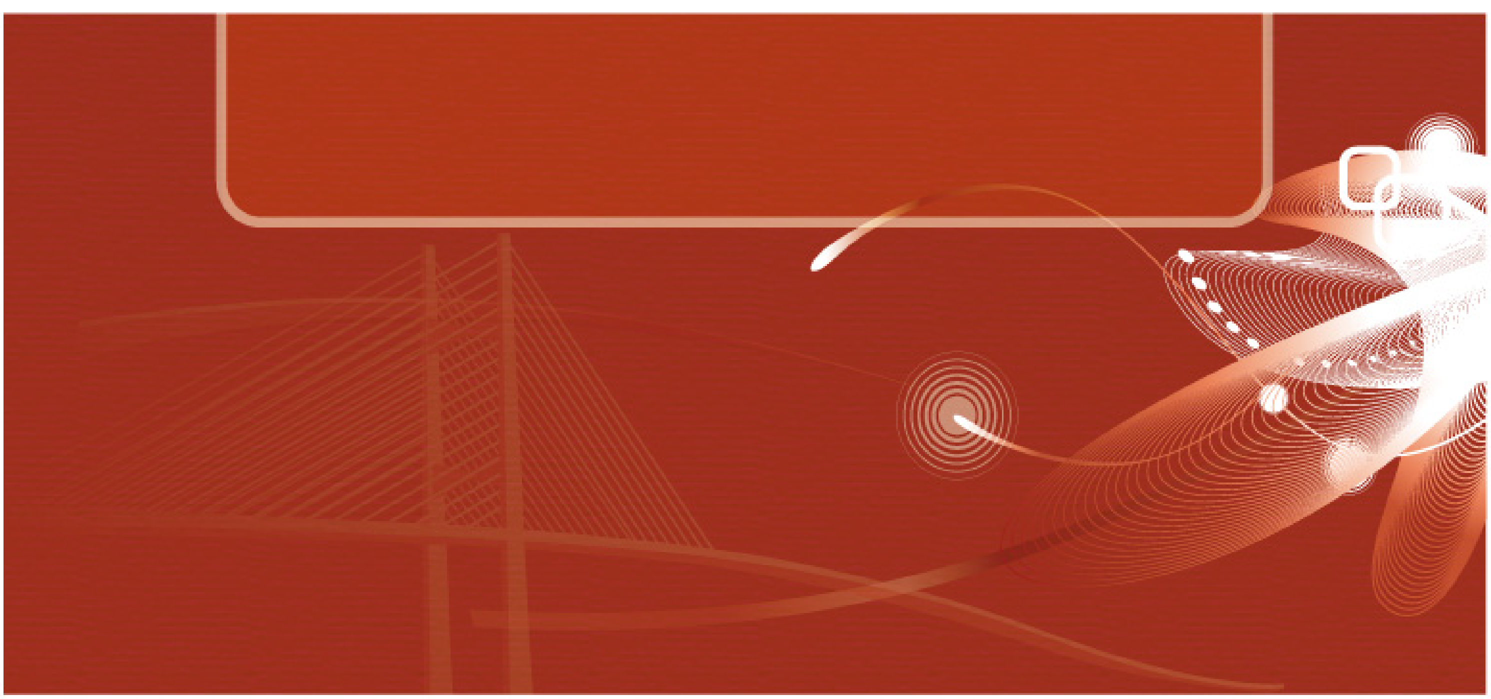
Chile takes up COSIPLAN Presidency

The member countries of the Union of South American Nations (UNASUR) handed Chile the *Pro Tempore* Presidency (PPT) of the South American Infrastructure and Planning Council (COSIPLAN) for a one-year term. The Chilean Ministry of Public Works is to coordinate the PPT and will be responsible for leading the work of this authority, whose main objective is to implement infrastructure integration of South America.
Chile officially took up the PPT in a series of meetings scheduled in the 2013 Work Plan and held September 24-27 in Santiago de Chile, Chile: the Executive Technical Group (GTE) on Strategic Environmental and Social Evaluation (EASE); the GTE on Infrastructure Risk and Disaster Prevention and Management; the 1st Meeting of the Working Group on Rail Integration; and the GTE on Trade Integration through Postal Services.
COSIPLAN's next ministerial meeting is tabled for November 29, in Santiago de Chile, Chile. The agenda is to analyze and evaluate the activities carried out in 2013, and to approve the Work Plan 2014.

To view the distribution of the Sectoral Councils' presidencies and other authorities click here.



Regional And Global Overview



Agriculture ahead of the Bali Conference

Agricultural trade will be one of the key issues at the next Conference of the World Trade Organization (WTO) in Bali, Indonesia, in December this year; two other topics, trade facilitation and the treatment of the least developed countries, have already been reviewed in the *INTAL Monthly Newsletter*.[1] Among the wide variety of aspects in the regulation of agricultural trade, a package with just a handful of topics is being negotiated with a view to an agreement in Bali: the implementation of tariff quotas (as part of market access topics),[2] the build-up of food stocks (one of the points in the domestic support chapter),[3] and export subsidies (WTO, 2013a). Before describing them, it is as well to give some background to this important area of multilateral regulations.

The WTO Agreement on Agriculture negotiations, held in the framework of the Uruguay Round (1986-1994), achieved some tariff reductions, the removal of certain import restrictions, and the trimming of certain trade distorting subsidies. These achievements were partial, with significant subsidies and barriers to agricultural trade remaining in place.[4] Fresh agriculture negotiations began in 2000 and were included in the Doha Development Agenda a year later.

It should be borne in mind that the agriculture negotiations reflect the interests of different groups of countries, determined in part by their production structures and also by social factors. Indeed, coalitions have formed in the WTO, in which countries with similar interests coordinate their positions. So, on the one hand, there is the G 20[5] made up primarily of developing economies: large agricultural producers with offensive interests in this area of negotiation. Its objectives include the implementation of ambitious reforms to the Agriculture Agreement so that the developed countries (another actor in the negotiation) will reduce policies supporting the sector and introduce greater trade liberalization in these goods. On the other hand, there is the G-33, a group that represents developing economies with large populations and small farmers. These countries have a more defensive outlook and are seeking more controlled opening of their agricultural markets, mindful of the sector's sensitivity, with often high levels of poverty and social vulnerability. The G-33[6] also negotiates on the basis of arguments related to the countries' food security.

Of these three potential areas, the one with fewest issues to resolve before December would be the implementation of *tariff quotas.* The G-20 suggests changing the way quotas are distributed in order to prevent allocation acting as a barrier to trade. Some countries administer these quotas (including methods for their allocation to importers or exporters) in cumbersome way, which may make it difficult for exporters to gain access to these markets. The G-20 has suggested, on the one hand, the WTO Secretariat should gather information on the use of quotas to increase transparency and predictability in applying them and, on the other, the inclusion of special treatment for developing countries. The points of view regarding this last issue, about which observations by some members have emerged, still remain to be resolved (WTO, 2012).

In the area of domestic support, the *build-up of food stocks* as a food security policy is perhaps the most controversial topic on the road to Bali. The Agreement on Agriculture permits the implementation of these policies by developing countries if purchases are made at market prices, i.e. classified as green box.[7] However, if the acquisition is made at administered prices,[8] domestic support is considered to fall within the amber box, on which there are commitments to

progressive reduction,[9] monitored by the Aggregate Measurement of Support (AMS).[10] The commitments were established with benchmark food prices for a period (1986-1988) when they were depressed due to the oversupply of agricultural products in international markets; a very different scene to the present, where the problems are associated with volatility and high prices. At that time, government purchases and the drawing up of inventories acted as a price support for many farmers who would otherwise have stopped producing. However, the upturn in agricultural prices in the last decade has complicated the application of procurement for the build-up of stocks at administered prices (WTO, 2013b) by raising the AMS. So, while the current high prices guarantee a greater space for cost effective production—which would reduce the need for aid—the presence of highly vulnerable farmers, food security arguments, and expectations of falling prices are probably still behind the granting of this kind of domestic support. Against this backdrop, the G-33 has suggested that the Agreement be modified in such a way that purchases at administered prices from a vulnerable segment of farmers (low-income producers with depleted resources) should not be subject to reduction commitments (ICTSC, 2013c), thus avoiding non-compliance with the commitments of the Uruguay Round.

Among the options that could materialize in Bali is the implementation of a waiver, or a ministerial declaration to endorse exceptions. While there is rather more consensus over the transparency that has to accompany this flexibilization, which would be achieved through regular notifications and the provision of additional information, there is still no agreement over the duration and coverage (in terms of products) of the exceptions to this kind of internal support. Some developed countries have voiced their concern about the proposal, arguing that changing a green box provision to permit domestic support at administered prices, when one of the conditions for classification in this box is precisely not to grant such support, may open up cracks in the WTO agreements (ICTSD, 2013a).

Last, there is unanimity about the fact that all forms of *export subsidy* are distorting and must be eliminated completely;[11] as early as 2005, in the framework of the Hong Kong Conference, the countries had pledged their commitment to eliminate them by the end of 2013. Yet two months ahead of the Bali Conference it is clear that the agreement will not be kept. Faced with this situation, the WTO's G-20 had proposed the alternative that the developed countries should commit to cutting export subsidies by half by the end of 2013 and to limiting the return of export credits to 540 days (WTO, 2013a & 2013b). Some members—including the developed economies that apply this kind of subsidy—opposed the proposal, arguing that it endangers the outcome of Bali, as it could not be accepted without a consensus that includes other issues in the reform of the Agriculture Agreement.

Bibliography:

- International Centre for Trade and Sustainable Development (ICTSD). 2013a. "WTO Members Push On With Bali Preparations, Ahead of April," in: *Bridges Weekly*, Volume 17, Issue 10. March 20.
- -----. 2013b. "Lamy: July the "Last Petrol Stop" on the Road to Bali," in: *Bridges Weekly*, Volume 17, Issue 20. June 6.
- -----. 2013c. "G-33 proposal: early agreement on elements of the draft Doha accord to address food security." Informational Note. September.

- World Trade Organization (WTO). 2004a. "Market access: tariffs and tariff quotas." Agriculture Negotiations: Backgrounder. December 1.
- -----. 2004b. "Domestic support: Amber, Blue and Green Boxes." Agriculture Negotiations: Backgrounder. December 1.
- -----. 2008. "Unofficial guide to the 6 December 2008 'revised draft modalities'." Agriculture: Negotiations. December 9.
- -----. 2012. "Chair reports no 'no' but also no 'yes' for farm talks proposal." Agriculture Negotiations: Informal Meeting. November 16.
- -----. 2013a. "Farm talks chair outlines shape of what might be possible for Bali meeting." Agriculture Negotiations: Informal Meeting. October 11.
- -----. 2013b. "Chair updates on farm issues proposed for Bali meeting: talks continue on key differences." Agriculture Negotiations: Informal Meeting. May 23.

[1] These issues were discussed in the issues of June ("WTO: Looking ahead to the Bali Conference"), August ("Trade facilitation at the upcoming Bali Conference"), and September ("Least developed countries ahead of the Bali Conference").
[2] Tariff quotas are trade measures involving the levying of two different tariffs, depending on whether the quantities imported are below (within the quota) or above (beyond the quota) of a quantitative limitation. Tariffs tend to be lower within the quota and higher beyond the quota. As a result of the Uruguay Round, all non-tariff barriers had to be eliminated or converted to tariffs. Given that, in some cases, the equivalent tariff calculated was too high, thus making it an obstacle to market access, a system of tariff quotas was created to maintain the existing levels of access for imports and provide opportunities for minimum access (WTO, 2004a).
[3] Domestic support is for agriculture subsidies.
[4] Many reached no agreement on several issues, and any tariff reduction or domestic support commitments were made on the basis of averages or notional amounts, which did not subsequently lead to the trade liberalization expected.
[5] Not to be confused with the Group of Twenty Finance Ministers and Central Bank Governors (G-20). The group participating in the WTO negotiations contains Latin American countries such as: Argentina, Bolivia, Brazil, Chile, Guatemala, Mexico, Paraguay, Peru, Uruguay, and Venezuela.
[6] Latin American and Caribbean countries participating in this group include: Antigua & Barbuda, Barbados, Belize, Bolivia, Cuba, Dominica, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Peru, Dominican Republic, St. Kitts & Nevis, Saint Vincent & the Grenadines, St. Lucia, Suriname, Trinidad & Tobago, and Venezuela.
[7] In WTO terminology, subsidies in general are identified by "boxes" If they do not distort trade or do so only minimally, then they are classified in the green box and therefore permitted; if they are deemed to distort production and trade, then they are in the amber box and have to be reduced. There is also a blue box for subsidies that are tied to programs that limit production. (WTO, 2004b).
[8] Administered prices, also known as support prices, are prices that are above market prices. It therefore implies that the producer is paid a higher price for his output than he would get by placing the goods at the market price.
[9] Paragraph 3, Annex 2 of the Agreement on Agriculture.
[10] The AMS is a formula based on what annual subsidies in the period 1986-88. On the basis of these numbers, the member countries made commitments to reduce domestic support that has distorting effects (Article 6 of the Agreement on Agriculture).
[11] Unlike export subsidies on industrial products, subsidies on certain agricultural products with fixed limits are allowed.

MERCOSUR and the Pacific Alliance

The series of events in MERCOSUR's domestic agenda over the last year, including the suspension of Paraguay, the incorporation of Venezuela, and the signing of the Bolivian Protocol of Accession, seem to be at odds with its slower progress in negotiations with the rest of the world. However, two topics on the bloc's external agenda emerge as a focus of attention: the creation of the Pacific Alliance (PA) and the negotiations for an association agreement with the European Union (EU), both areas to be addressed in depth in the forthcoming *MERCOSUR Report No. 18*.

The PA has been the main focus of the region's integration since 2011 and has often been the subject of comparison with MERCOSUR. Particularly notable has been the contrast in the dynamics of external negotiations between the two blocs. The PA has shown itself to be highly active, seeking to consolidate its position as an area of free movement of goods and services with the objective of economic integration and worldwide outreach. Its member countries have numerous free trade agreements with third countries and are seeking to enhance the flow of trade, investment, and cooperation with Asia-Pacific through the Alliance's external relations.

MERCOSUR, on the other hand, in its external negotiations toward major markets outside the region, notably with Europe, has made no significant progress despite the length of such talks. The EU and MERCOSUR recently decided that both parties must carry out the respective internal preparatory work to design the offers to be exchanged by the last quarter of 2013 at the latest, but differences among MERCOSUR partners have delayed progress: Brazil and Uruguay are looking to move toward a short-term agreement while Argentina is seeking a balanced negotiation that will allow it to keep its domestic policy tools.

The contrast in results between the two blocs is down to a number of factors that do not lend themselves to a linear reading. First, the frameworks defining the two blocs are not the same: while the PA is a free trade association, MERCOSUR was designed as a customs union. In this case, provided the Treaty of Asunción is upheld, negotiating with third markets is a response to a common trade strategy, not to mention the possibility of applying a "variable geometry with different speeds" for each of the members when it comes to a possible agreement with the EU. Second, it must be remembered that the potential expansion of the PA's trade with Asia-Pacific relies on an array of trade agreements (FTAs) that predate its formation. In other words, in the case of the PA, opting to make FTAs a key piece of its foreign trade strategy precedes the formation of this agreement. Third, and more generally, the PA and MERCOSUR display marked differences in their economic structures: while the PA countries have already experienced deep trade openness, MERCOSUR has not followed suit. What is more, the southern bloc's huge advantage in agriculture is also one of the sectors that meets with most resistance from Europe.

Where the relationship between the two blocs is concerned, whereas MERCOSUR accounts for just 4.3% of PA countries' sales, there are synergies within the region. As shown in Table 1, the PA countries sell higher added value products to MERCOSUR than they position in the rest of the world. The PA's external sales to the South American bloc feature machinery and transport equipment (27.0% of the total, due mainly to Mexican motor vehicle exports), manufactured goods (22.7%), and chemicals (19.5%). Its exports to the rest of the world also feature machinery and transport equipment (37.5% of the total, due mainly to Mexican sales to United States), as well as fuels and lubricants. With two thirds of exports from the PA originating in Mexico, it is largely this

country that sets the bloc's export pattern, which, in this respect, displays great heterogeneity. MERCOSUR (with the exception of Venezuela, whose exports consist mainly of oil and have no differential pattern according to destination) also sells higher value added products to the PA than to the rest of the world (Table 1). From the MERCOSUR perspective, the importance of integration with the PA (which absorbs 7.9% of the sales of the bloc) deserves to be emphasized, not just in terms of trade flows, but also of physical infrastructure. In this sense, in the framework of UNASUR's COSIPLAN, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) is responsible for various projects to facilitate access for MERCOSUR countries to the Pacific coast, via Chile and Peru. Furthermore, the smallest MERCOSUR partners, Uruguay and Paraguay, are PA Observer States, and the bloc has also expressed interest in being accepted as an observer.

Table 1: Pacific Alliance and MERCOSUR Exports by destination

2012

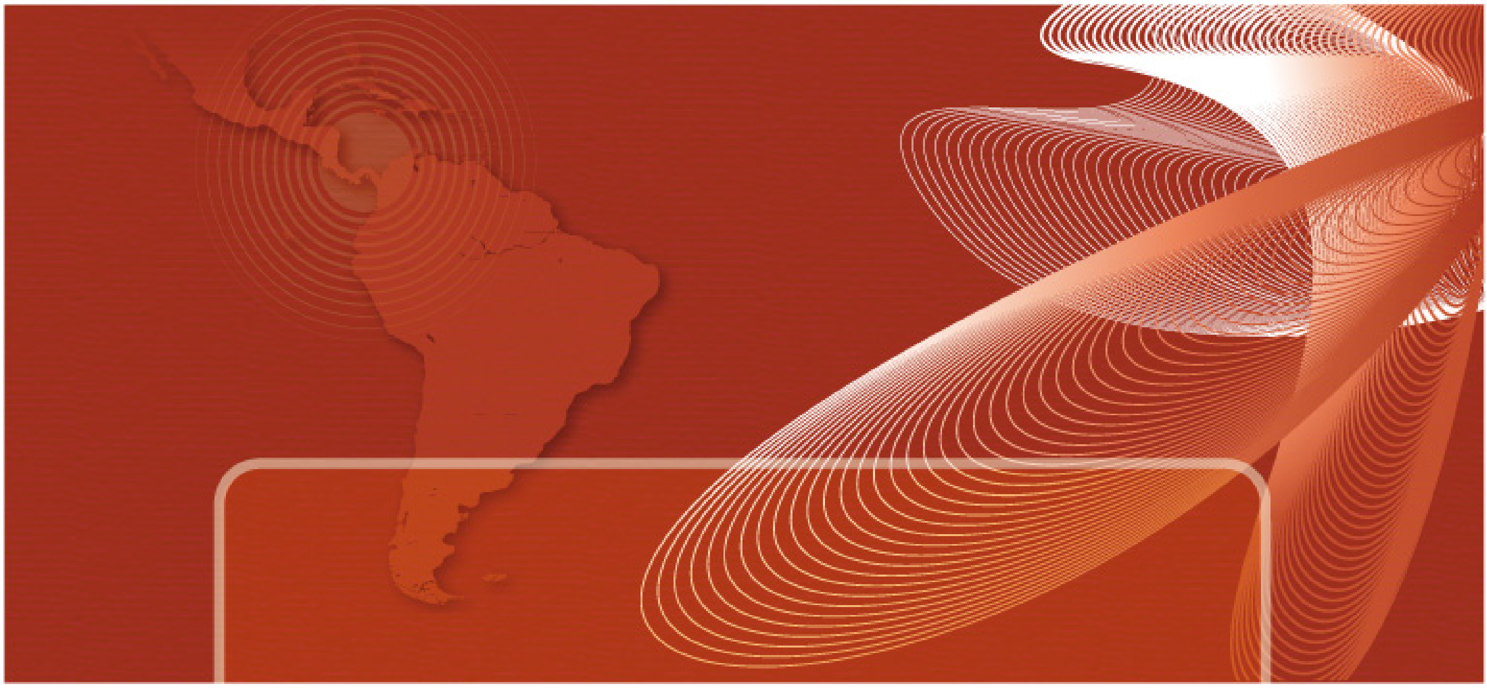
2012	PA Exports		MERCOSUR Exports[1/]	
Sections SITC Rev. 3	MERCOSUR	Rest of the World	PA	Rest of the World
Food Products	9.2%	7.4%	24.3%	27.3%
Beverages & Tobacco	0.9%	1.0%	0.4%	1.5%
Non-Edible Raw Materials	6.2%	8.9%	2.8%	23.3%
Fuels & Lubricants	7.4%	18.1%	10.3%	9.9%
Oils & Fats	0.3%	0.2%	3.3%	2.4%
Chemicals	19.5%	3.6%	12.1%	6.3%
Manufactured Goods	22.7%	11.5%	14.8%	9.3%
Machinery & Transport Equipment	27.0%	37.5%	28.9%	14.1%
Miscellaneous Manufactured Goods	6.5%	6.6%	2.9%	1.8%
Others	0.3%	5.1%	0.1%	4.1%
	100.0%	100.0%	100.0%	100.0%
Total depending on the destination	4.3%	95.7%	7.9%	92.1%

Note: 1/ Not including Venezuela. Source: COMTRADE.

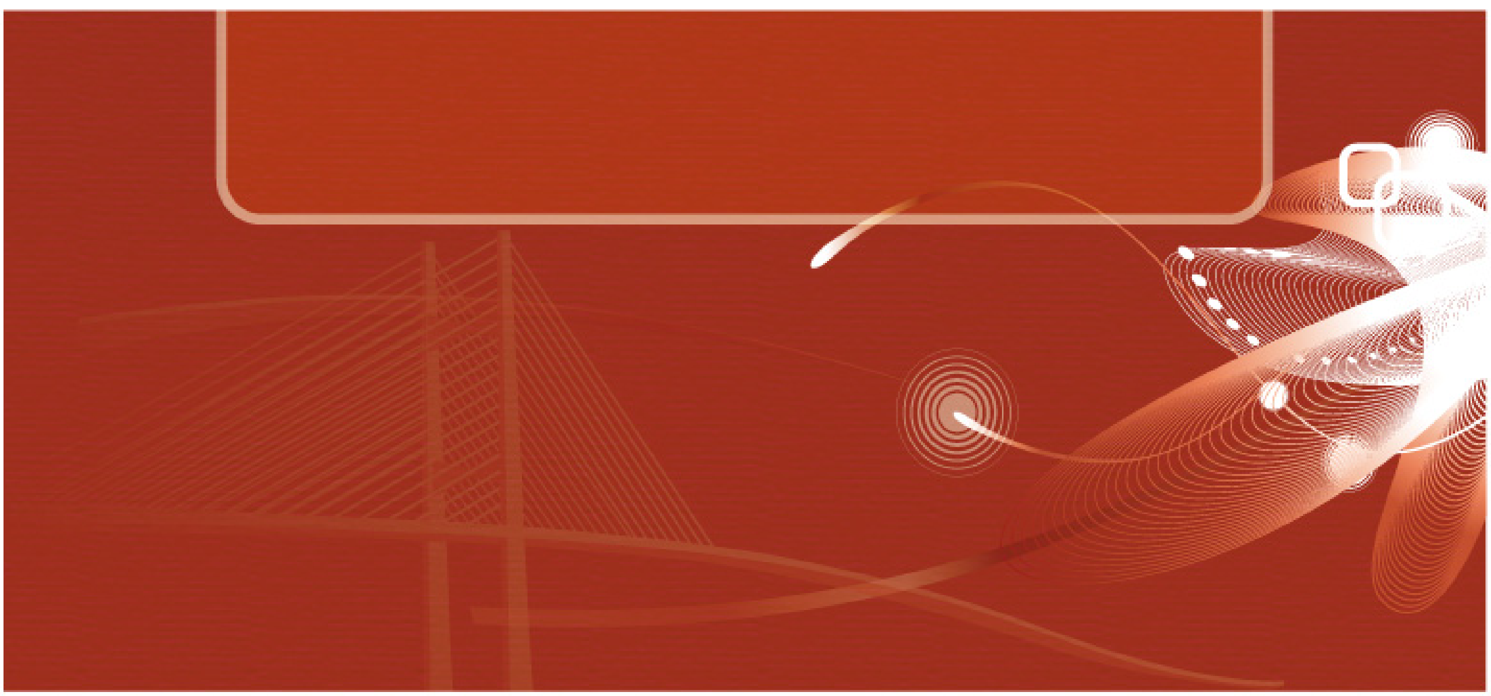
Chapter 5 of *MERCOSUR Report No.18* looks in detail at recent developments in MERCOSUR's external negotiations, both outside and within the region.

Recent developments in the Pacific Alliance

There have been several recent developments of note in the Pacific Alliance (PA). The presidents of Chile, Colombia, Mexico, and Peru promoted the PA to investors at the First Business Summit, in New York, USA, September 25, in the framework of the United Nations General Assembly. Elsewhere, the PA has awakened interest from various partners: Panama in particular is seeking to formalize membership requirements. The new States Parties have to have a valid free trade agreement (FTA) with each of the Parties, and Panama accordingly signed an FTA with Colombia. The second round of talks toward an FTA with Mexico was held in September.



Integration and Trade Sector



Advanced Course on the GATS and the Trade in Services for Latin America

The "Advanced Regional Seminar on the GATS and the Trade in Services for Latin America" was held in Montevideo, Uruguay, September 2-4, organized by the Inter-American Development Bank (IDB), through its Institute for the Integration of Latin America and the Caribbean (INTAL) and Integration and Trade Sector (INT), in association with the World Trade Organization (WTO) and the Latin American Integration Association (LAIA).

This training activity aimed to contribute to strengthening the negotiating capacity of Latin American countries in the area of trade in services, with particular emphasis on the General Agreement on Trade in Services (GATS).

The course was led by experts from the WTO's Trade in Services Division and IDB's Integration and Trade Sector, and was directed toward government officials from Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay, and Venezuela.

The activity offered participants theoretical and applied knowledge covering issues such as the principles, disciplines, and general obligations of the GATS, its application to the service and telecommunications sectors, the ongoing negotiations on rules in the GATS, its relationship with economic integration agreements in services, and the current status and prospects of the negotiations on services in the framework of the Doha Development Agenda. The agenda also included work-oriented and practical workshops focusing on drawing up and interpreting lists of specific commitments in services. It were also analyzed the characteristics and determining factors of the global trade in services, and the opportunities and challenges represented by this area for Latin America.

WTO Advanced Dispute Settlement Course

The "WTO Advanced Dispute Settlement Course" was held at the Rio Branco Institute in Brasilia, Brazil, October 8-11, organized by the Secretariat of the World Trade Organization (WTO) and the Inter-American Development Bank (IDB), through its Institute for the Integration of Latin America and the Caribbean (INTAL) and Integration and Trade Sector (INT), in collaboration with the Advisory Center on WTO Law (ACWL), the International Center for Trade and Sustainable Development (ICTSD), and the Brazilian Government.

The activity consisted of two mutually complementary components. The first part consisted of the "WTO Advanced Dispute Settlement Course," covering the theoretical side of the WTO dispute settlement system, as well as practical aspects on how to conduct consultations, procedures before panels and the Appellate Body, and the implementation stage.

The second part consisted of "Regional Dialogue on Managing Trade Disputes: The Latin American Experience," which called on regional and international high level experts, and provided a space for developing countries to exchange experiences in order to identify good practices related to trade dispute management. The Regional Dialog focused on actions to be taken by national institutions when a country is participating in the WTO dispute settlement system, such as coordination between government agencies and private sector participation. A round table was held as part of the Regional Dialog agenda, with the participation of prominent jurists of the region, to review Latin American countries' experience in using the WTO dispute settlement mechanism.

Despite deceleration of global growth, South-South trade remains a strategic option

IDB publishes Trade and Integration Monitor 2013 that documents the growing importance for Latin America and Caribbean of South-South trade (link).

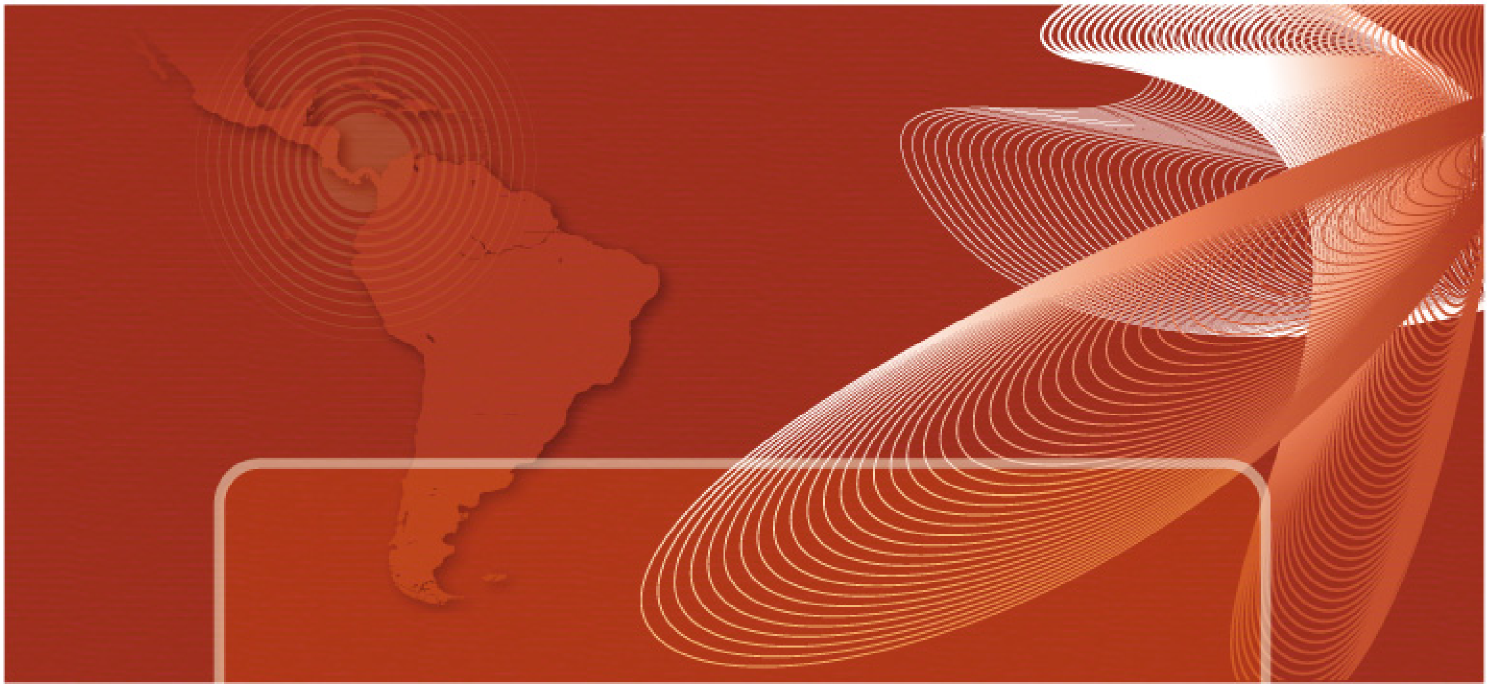
Seminario explora los beneficios derivados de la internacionalización de las pequeñas y medianas empresas (only in Spanish)

Evento en Barcelona, organizado por el BID y el IBEI, destaca la importancia de promover el crecimiento de las empresas mediante la expansión a otros horizontes (link).

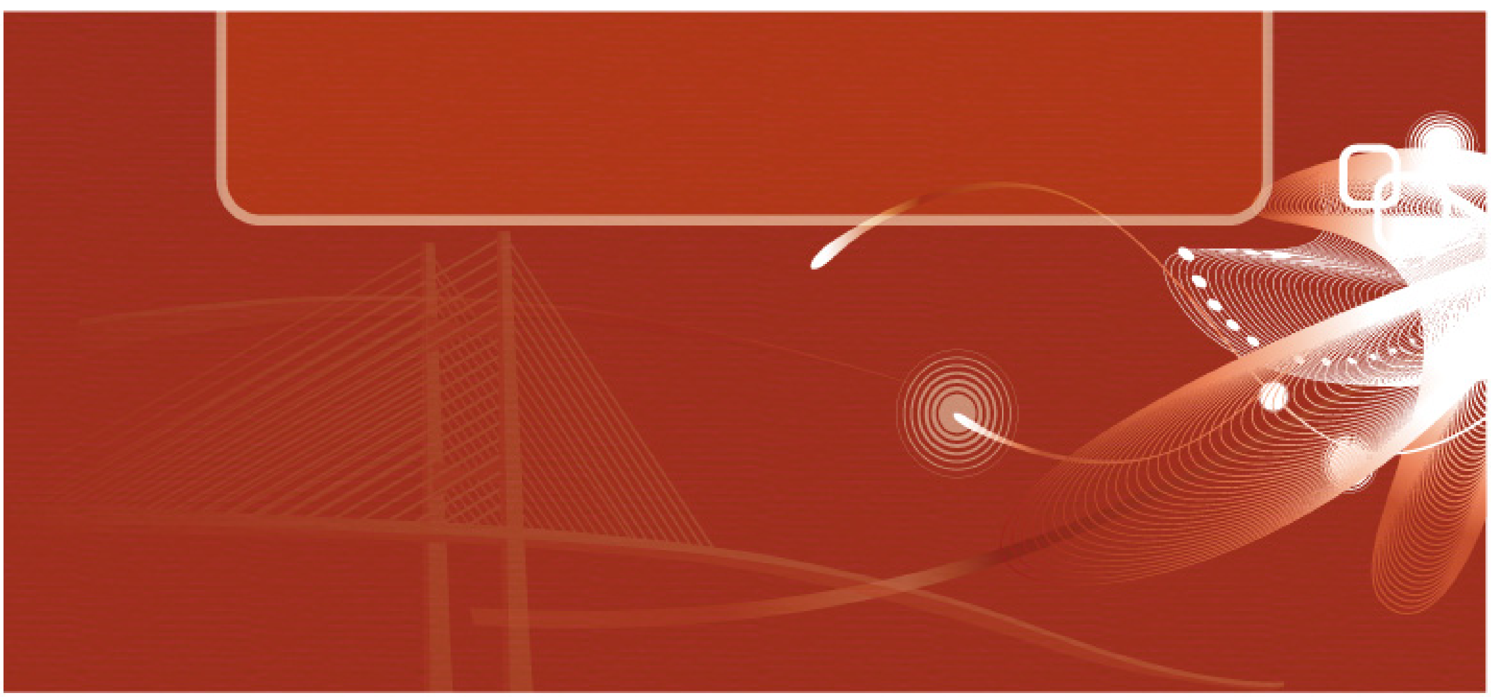
Other IDB Activities

BID, OEA y varios gobiernos se unen para lanzar concurso para jóvenes periodistas (only in Spanish)

El Banco Interamericano de Desarrollo (BID) junto a los gobiernos de Argentina, Brasil, Colombia, Uruguay y Costa Rica, y el Campus Virtual de la Organización de Estados Americanos (OEA), lanzaron el "Premio GOBIERNO 2.0" para estudiantes, jóvenes periodistas y blogueros (link).



INTAL Documentation Center



Reviews

Stezano, Federico. Políticas para la inserción de las microempresas y las pequeñas y medianas empresas en cadenas globales de valor en América Latina. Estudios y Perspectivas Series. Mexico: ECLAC, August 2013 [62 pages].

This work from the Economic Commission for Latin America and the Caribbean (ECLAC) sets forth a conceptual framework for positioning policies in global value chains (GVCs) and the internationalization of micro, small and medium enterprise (MSMEs) in the region, and in Central America in particular.

The first section lays out the major obstacles facing MSMEs when it comes to positioning themselves in international markets. It stresses that their export capacity is fairly limited due to low productivity, to their being geared mainly to the domestic market, and to the region's pattern of international positioning: the main export sectors (primary commodities and derivatives of natural resources) are dominated by large companies. As a result, there are just half as many exporting SMEs in Latin America and the Caribbean as in Europe and a third as many as in East Asia (OECD/ECLAC, 2012). The heterogeneity of this group of companies is reflected in a spectrum that ranges from self-employment microenterprises to those innovating business with higher productive efficiency and export capacity. This group is also lacking in human capital and strategic management capabilities, has to shoulder higher fixed costs to access external markets, and faces major obstacles when it comes to complying with technical norms (e.g. quality or phytosanitary standards).

The second section lists the major benefits to MSMEs brought by internationalization processes, which stimulate competitiveness and enable access to more complex new markets, new technologies, or cheaper inputs. Many of these are not final or direct exporters, but are indirectly involved in international trade by virtue of their integration in regional or global value chains. This enables them to be less dependent on the domestic market, to access knowledge transfer processes from large companies (which translates into learning and modernization), to adopt international standards, and to enjoy information (e.g. on trends in demand). In short, GVCs help to bridge the gap between large and small businesses.

The third section discusses the main policy instruments that facilitate the internationalization of MSMEs: (i) access to finance; (ii) innovation and technological modernization; (iii) the formation of production clusters and complexes; and (iv) access to markets. Regarding this last instrument, the main obstacles are linked to the lack of information on markets and business opportunities (marketing networks and overseas distribution) and the lack of human resources required for process management (which makes it difficult to apply structured management processes).
The fourth and last section puts down some thoughts on elements needed for Latin American, and particularly Central American, MSME internationalization policy design: first, the promotion of innovation processes in companies in order to boost their technological capabilities; second, institutional coordination to avoid any efforts being isolated; and third, facilitation of access to finance.
The study is completed by focusing on the lack of an integral vision of MSME policies in Latin America, which translates into poor coordination of programs and instruments, isolated from a comprehensive long-term strategy, and the absence of systematic assessment mechanisms to support feedback on the programs implemented.
The publication is a sound summary of other documents on the main problems hampering the internationalization of the region's SMEs and of the benefits brought by their positioning in GVCs. It is also an up-to-date overview of the various programs to boost the competitiveness of MSMEs, as summarized in different tables in the Annex, classified by objective (credit access, fostering technological innovation, partnerships and cooperation, trade facilitation). Its suggestions for better program design make it a source of reference for policy makers and leading figures in international organizations.

Bibliography:

- Organization for Economic Cooperation and Development/Economic Commission for Latin America and the Caribbean (OECD/ECLAC). 2012. *Economic Outlook for Latin America 2013. SME policies for structural change.* (LC/G. 2545). Santiago de Chile, Chile.

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

*Brandi, C. (2013). Successful trade promotion: Lessons from emerging economies. London: ODI.

Brandi, C. (2013). Successful trade promotion: Lessons from emerging economies. London: ODI.

Autor: Brandi, Clara
Título: Successful trade promotion : Lessons from emerging economies
Edición: London: ODI, June 2013 [67 p.]
Temas:<INFRAESTRUCTURA><FACILITACION DEL COMERCIO><RELACIONES COMERCIALES><PAISES EN DESARROLLO>
Geográficos:<CHINA><INDIA><BRASIL>

Resumen: This report reviews the cases of China, India and Brazil to describe which major activities they have implemented to improve their trade performance. The report puts the spotlight on support for trade-related infrastructure, trade facilitation and state-business relations because of their importance for trade performance. The high cost of trading in many emerging economies and developing countries is a major obstacle to the improvement of their trade performance. These costs are often the result of poor quality infrastructure and slow and cumbersome procedures at the border. Support for trade-related infrastructure such as roads, railways, ports, energy and telecommunication and, second, trade facilitation and the improvement of rules and procedures that govern how goods cross borders seek to address these binding constraints.

Nota de contenido:
Acknowledgements [p. ii]
Abbreviations [p. iii]
Executive summary [p. vi]

1: Introduction [p. 1]
2: Successful trade performance in emerging economies [p. 2]
  2.1: Trade performance in China, India and Brazil [p. 2]
  2.2: Introducing the framework for analysis [p. 3]
3: Country case: China [p. 10]
  3.1: Trade - related infrastructure in China [p. 10]
  3.2: Trade facilitation in China [p. 14]
  3.3: State û business relations in China [p. 18]
4: Country case: India [p. 20]
  4.1: Trade - related infrastructure in India [p. 20]
  4.2: Trade facilitation in India [p. 26]
  4.3: State û business relations in India [p. 28]
5: Country case: Brazil [p. 30]
  5.1: Trade - related infrastructure in Brazil [p. 30]
  5.2: Trade facilitation in Brazil [p. 33]
  5.3: State û business relations in Brazil [p. 35]
6: Lessons: what can we learn from emergin economies ? [p. 36]
  6.1: Lessons for trade - related infrastructure [p. 36]
  6.2: Lessons for trade facilitation [p. 40]
  6.3: Lessons for state û business relations [p. 44]
References [p. 47]

Accesos al documento:
E 339.1 / BRA-SUC / 2013

Documento Electrónico
texto completo. Si no pudo acceder haga click aqui

*Trade and Development Report, 2013 : Adjusting to the Changing Dynamics of the World Economy. (2013). New York: UNCTAD.

Título: Trade and Development Report, 2013 : Adjusting to the Changing Dynamics of the World Economy = Informe sobre el Comercio y el Desarrollo, 2013
Otros responsables: Conferencia de las Naciones Unidas sobre Comercio y Desarrollo, UNCTAD
Edición: New York: UNCTAD, 2013 [186 p.]
ISBN:978-92-1-056284-3
Serie: Trade and Development Report
Temas:<COMERCIO INTERNACIONAL><DESARROLLO ECONOMICO><SISTEMA FINANCIERO INTERNACIONAL><PAISES EN DESARROLLO><CRISIS><CRECIMIENTO ECONOMICO><COMMODITIES><PRECIOS>

Resumen: The Trade and Development Report 2013 notes that the current global economic and financial crisis reflects a structural shift of the world economy, and that adjusting to this structural shift requires fundamental changes to the prevailing growth strategies. The world economy cannot revert to pre-crisis growth, which was built on unsustainable global demand and financing patterns. Developed countries should act more decisively to address the fundamental causes of the crisis, and should move away from contractionary fiscal policies so as not to further undermine their already slow economic growth. Nevertheless, demand growth in developed countries is likely to remain weak for a protracted period of time. Thus, developing and transition economies whose development strategies have been overly dependent on exports should move towards a more balanced growth strategy. They should give greater weight to domestic and regional demand. Wage growth, employment creation and social transfers that favour lower- and middle-income households are crucial to this development strategy, because such households tend to spend a larger share of their income on consumption, particularly of locally or regionally produced goods and services. Also needed is an expansion of production capacities, and their adaptation to the new demand pattern. This will require the provision of reliable and long-term financing. Countries should rely increasingly on domestic sources for such financing, with central banks conducting a credit policy, so that commercial banks, development banks and specialized institutions effectively finance the real economy.

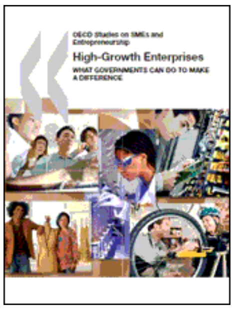
Nota de contenido:

Chapter I: Current Trends and Challenges in the World Economy [p. 1]
A: Recent trends in the world economy [p. 1]
1: Global growth [p. 1]
2: International trade [p. 4]
3: Recent trends in commodity prices [p. 8]
B: The structural nature of the latest crisis [p. 10]
1: An impossible return to the pre-crisis growth pattern [p. 11]
2: Roots of the crisis: the build-up of structural problems [p. 14]
C: Developing and transition economies are continuing to grow, but remain vulnerable [p. 21]
1: Growth performance since the early 1990s [p. 21]
2: Vulnerability to trade shocks [p. 25]
3: Vulnerability to financial instability [p. 29]
Notes [p. 32]
References [p. 35]
Annex to chapter I: Alternative Scenarios for the World Economy [p. 37]
Chapter II: Towards More Balanced Growth: A Greater Role for Domestic Demand in Development Strategies [p. 47]
A: Introduction [p. 47]
B: Global trade shocks and long-term trends: terms-of-trade and volume effects [p. 49]
1: Volume and price components of external trade shocks [p. 49]
2: Recent movements in the terms of trade [p. 50]
3: Factors affecting commodity prices: is a supercycle petering out? [p. 52]
4: Commodity prices: prospects [p. 59]
C: Volume effects on exporters of manufactures [p. 60]
D: Towards more domestic-demand-oriented growth strategies [p. 62]
1: Domestic-demand-oriented growth and balance of payments [p. 63]
2: Changes in the product composition of domestic demand [p. 67]
E: Policy implications [p. 70]
1: Policies to boost domestic demand [p. 72]
2: The role of the public sector in strengthening domestic demand [p. 80]
3: Policies for fostering domestic productivity growth and structural change [p. 84]
4: Conclusions [p. 87]
Notes [p. 89]
References [p. 91]
Annex to chapter II: Shifting Growth Strategies: Main Implications and Challenges [p. 95]
Chapter III: Financing the Real Economy [p. 103]
A: Introduction [p. 103]
B: Global trends in finance and their impacts on developing and transition

economies [p. 105]
1: Trends in cross-border capital movements and financial flows to developing countries [p. 105]
2: Capital flows, booms and busts in emerging market economies [p. 108]
C: The global crisis and the challenges ahead [p. 111]
1: The financial situation and monetary policies in developed countries [p. 111]
2: Impacts and policy responses in developing economies [p. 118]
D: Lessons and policy recommendations [p. 125]
1: The role and impact of financial markets: a reassessment [p. 125]
2: Countering financial instability [p. 127]
3: Orienting the financial sector towards serving the real economy [p. 132]
E: Summary and conclusions [p. 137]
Notes [p. 138]
References [p. 140]

Accesos al documento:
HM UNCTAD-TRADE.DEVEL.REP. [2013]
Documento Electrónico
English version (texto completo). Si no pudo acceder haga click aqui
Versión en español [Panorama general] (texto completo). Si no pudo acceder haga click aqui

*Llisterri, J. and García-Alba, J. (2010). High-growth SMEs in Latin America's service sector: Six case studies. (2010). In: High-Growth Enterprises : What Governments Can Do to Make a Difference. Paris: OECD.

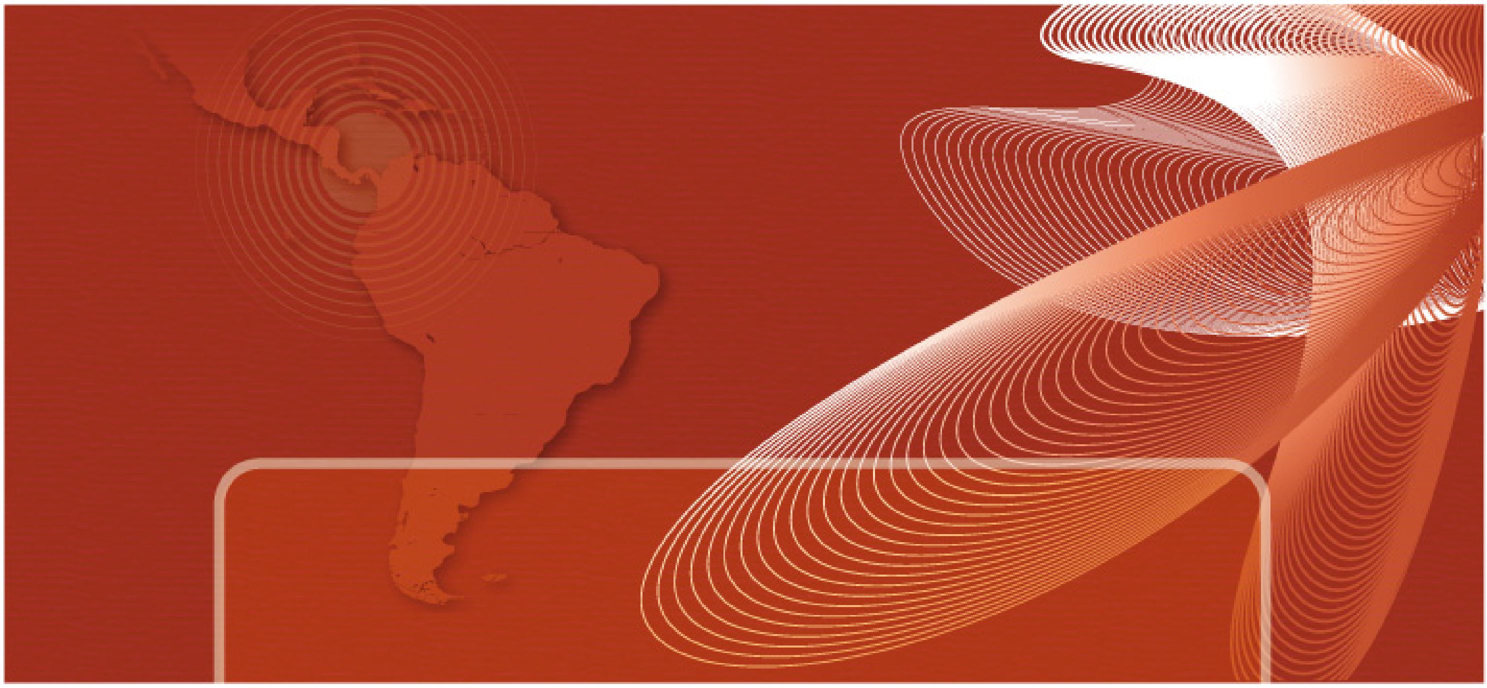


Llisterri, J. and García-Alba, J. (2010). High-growth SMEs in Latin America's service sector: Six case studies. (2010). In: High-Growth Enterprises : What Governments Can Do to Make a Difference. Paris: OECD.

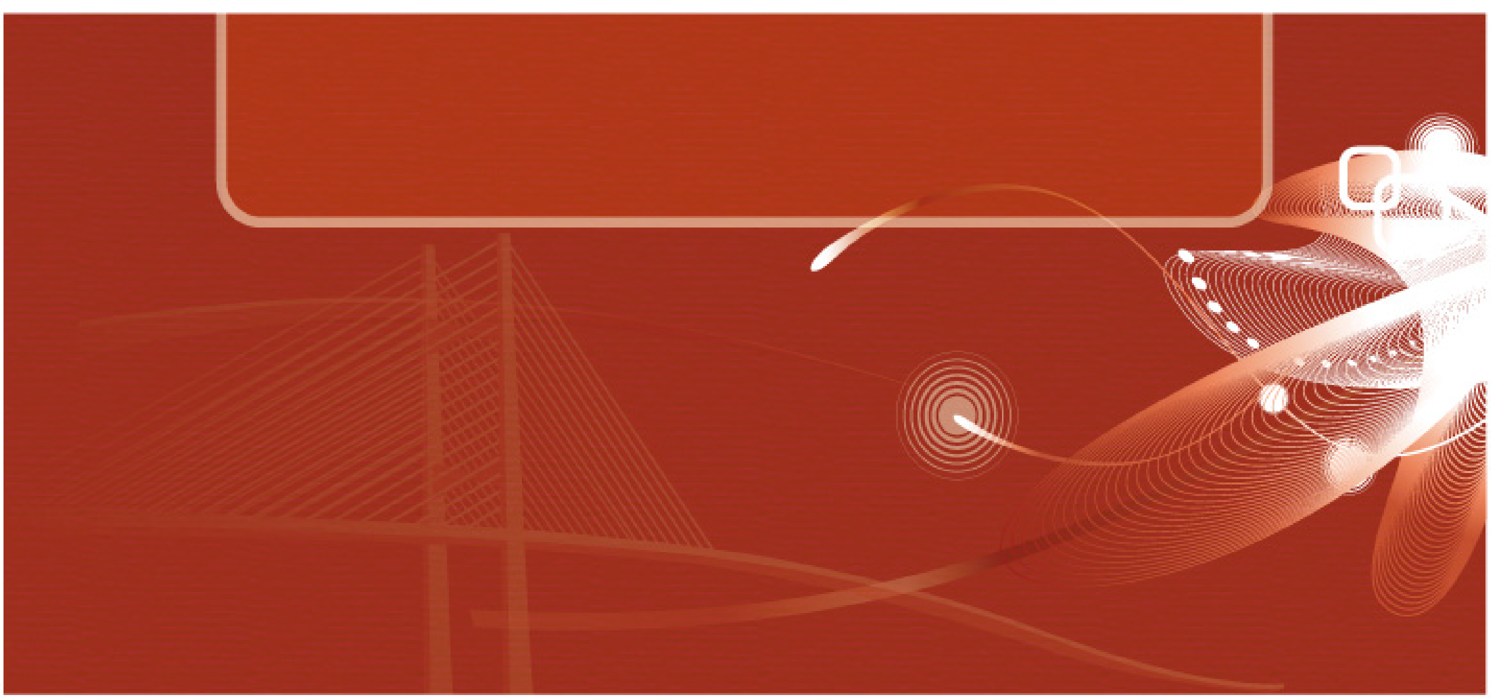
Título: High-Growth Enterprises : What Governments Can Do to Make a Difference
Otros responsables: Organization for Economic Co-operation and Development, OECD
Edición: Paris: OECD, 2010 [238 p.]
ISBN:978-92-64-04878-2
Serie:OECD Studies on SMEs and Entrepreneurship
Temas:<CRECIMIENTO ECONOMICO><MICROEMPRESAS, MIPYMES><CRISIS>
Geográficos:<AMERICA LATINA><BRASIL><CHILE><MEXICO>

Resumen: This document presents the findings of a study carried out by the OECD Working Party on SMEs and Entrepreneurship (WPSMEE). It aimed at improving the knowledge of the links between growth and innovation factors in small and medium-sized enterprises (SMEs) in order to inform policy design. The project was structured into two parts: the main body of the project focused on the relationship between growth, innovation and intellectual assets management in SMEs; and a project module analysed the financing for innovative and high-growth SMEs and also examined the availability of comparable data on business financing. The research involved: 1) Country studies prepared by research teams, investigating the link between high growth and a number of drivers, including innovation, business practices, networking, intellectual assets management and financing; 2) A policy survey among WPSMEE member countries and observers to collect information on government programmes that foster enterprise growth, in particular SMEs ...

Accesos al documento:
eH OCDE-SMES.ENTRE. [2010] Documento Electrónico



Editorial Staff



This Monthly Newsletter follows the alphabetical order of the contents of the Spanish version. It is published electronically and can be freely accessed at the IDB-INTAL homepage.

Steering Committee:
Antoni Estevadeordal
Graciela Schamis

Coordination:
Alejandro Ramos Martínez

Technical advisory:
Rosario Campos
Romina Gayá
Andrea Kobylnik
Kathia Michalczewsky
Carolina Osorio Duque
Pablo Palumbo
Verónica Toscani

Assistance to compilation:
Andrea Benítez
Enzo Di Muro
Eugenia Piasentini

Editing:
Susana Filippa
Pablo Palumbo
Julieta Tarquini

Web Editing:
Federico Mazzella
Pedro Grondona

R.P.I.: 5095067
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

Links to original information sources in this issue:

- Comunidad Andina. (19 de setiembre de 2013). DECISION 792 : Implementación de la Reingeniería del Sistema Andino de Integración. Lima: CAN. Link.
- UNASUR-CMRE. (29 de agosto de 2013). Resolución 9/2013: Distribución de las Presidencias de los Consejos Sectoriales y otras Instancias de UNASUR. Paramaribo: UNASUR. Link.
- The 2013 High Level Caribbean Forum: Building Growth into the Caribbean Sustainability Agenda. (September 19-20, 2013). Agenda. Nassau: International Monetary Fund. Link.
- Caribbean Growth Forum Regional Workshop. (June 24-25, 2013). Nassau: Compete Caribbean Program. Link.
- G-33 proposal: early agreement on elements of the draft Doha accord to address food security. (September 2013). Rome: ICTSD FAO. (Information Note). Link.
- Inter-American Investment Corporation. (February 2011). FINPYME Export Plus. Washington: IIC. Link.

INTAL

Institute for the Integration of Latin America and the Caribbean

IDB Inter-American Development Bank