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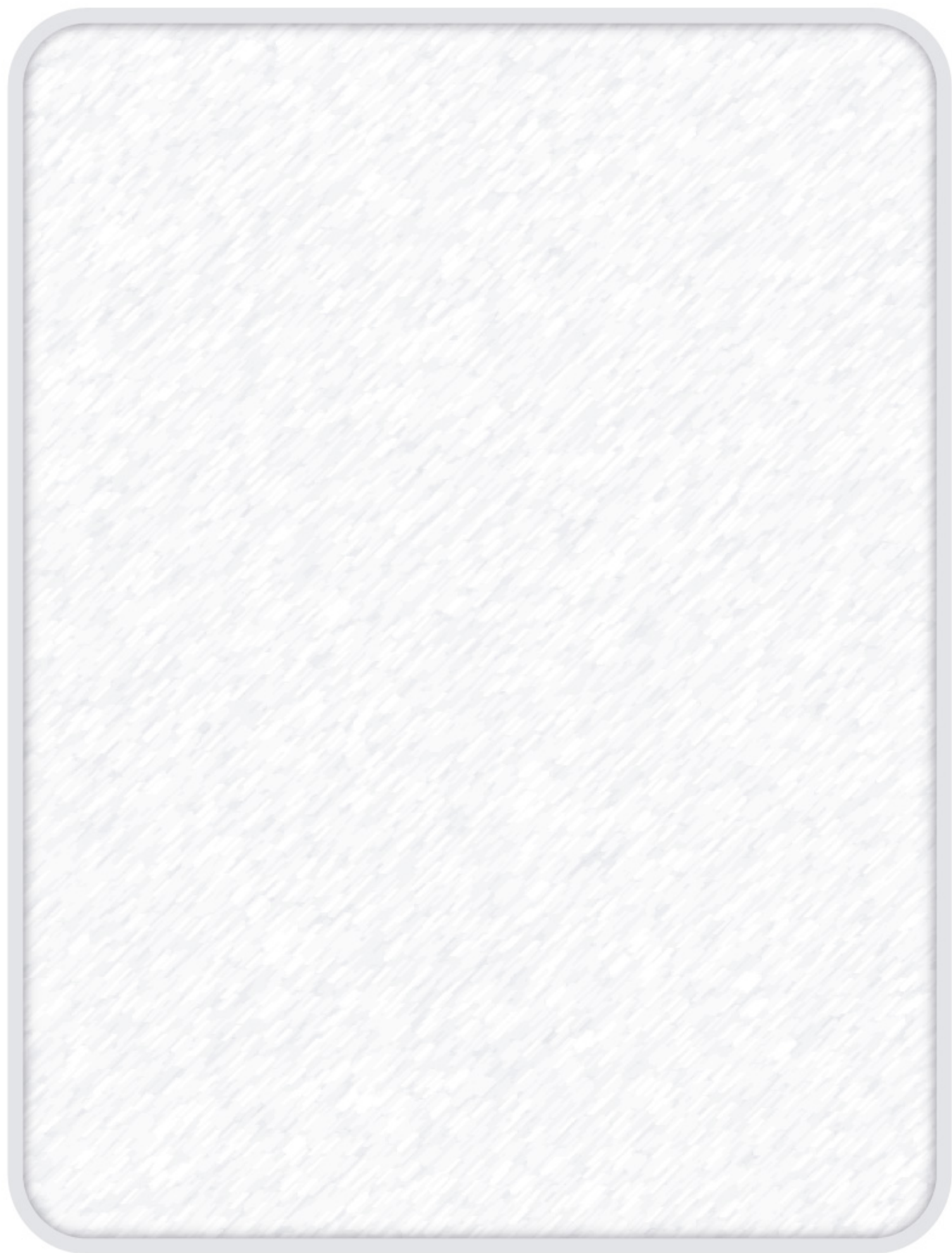


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Analysis Column





Sanitary and Phytosanitary Measures: challenges for Latin America

The [IDB-WTO Regional Workshop on Sanitary and Phytosanitary Measures \(SPS\) for Latin America](#) was held in Montevideo, Uruguay, November 17-20.[1] The course was organized by the Inter-American Development Bank (IDB) through its Integration and Trade Sector (INT) and Institute for the Integration of Latin America and the Caribbean (INTAL), in conjunction with the World Trade Organization (WTO).

The activity enabled [government officials](#) in the region (from ministries of trade and agriculture, and health agencies) to deepen their knowledge of and undertake practical exercises on the SPS Agreement, the elements of Trade Facilitation in the Agreement, the work of the “Three Sisters” Organizations (the International Plant Protection Convention (IPPC), the Codex Alimentarius Commission (CAC), and the World Organization for Animal Health (OIE), and on available SPS financing and technical assistance mechanisms (see course [program](#)).

SPS Agreement and Committee at the WTO

In the first part of the workshop, WTO officials highlighted aspects of the SPS Agreement and the work of the SPS Committee. The SPS Agreement within the framework of the WTO has the dual purpose of protecting the health of people and animals, and of preserving plants, while, at the same time, avoiding unnecessary obstacles to international trade.

The Agreement’s principles include:

- Scientific underpinning of the measures.
- Not unjustifiable discrimination between domestic and foreign origin.
- Harmonization with “Three Sisters” international standards:
 - The Codex Alimentarius (CODEX) for food safety;
 - The International Plant Protection Convention (IPPC) of the Food and Agriculture Organization (FAO) for plant health;
 - The World Organization for Animal Health (OIE).
- *Equivalence*: achieving the same levels of protection with different measures.
- *Regionalization*: recognizing pest- or disease-free zones, which may cover part or all of one or several countries.
- *Transparency*: requiring the notification of new measures affecting trade.

The SPS Committee aims to enforce the application of the Agreement, and is the forum for consultations and negotiations on specific measures affecting trade. Countries can raise specific trade concerns with the Committee, in which decisions are made by consensus. On the other hand, there is the growing role of private standards, which, unlike government-adopted SPS, are drawn up by private actors, such as supermarket chains. While they can promote good agricultural practices, they pose challenges for the agrifood exporting countries, since a great variety of rules is created: rules that are more prescriptive than official, and have limited transparency and consultation processes.

The state of quarantine services in Latin America

During the course, [Oscar Camacho](#) presented the results of a 2013 IDB-financed study that set out to evaluate performance and identify opportunities for improving animal and plant control agencies in 18 Latin American countries, particularly where border quarantine management in was concerned. The study's recommendations include:

- Implementation of processes to achieve enhanced efficiency in controls, while maintaining border-crossing facilitation;
- Coordination with other border control authorities, especially customs;
- Public-private cooperation.

[Camacho](#) also presented Chile's experience in relation to animal and plant border controls.

Links between the Trade Facilitation Agreement and the SPS Agreement

The workshop dealt with the links between the SPS Agreement and the Trade Facilitation Agreement (TFA). The SPS Agreement provides a multilateral framework of principles and rules to guide the development, adoption, and enforcement of SPS potentially affecting international trade. The TFA, for its part, seeks to reduce the transaction costs associated with international trade by simplifying customs procedures so that goods can cross borders more efficiently. Here, the two Agreements are linked by the fact that the application of SPS can result in higher transaction costs and delays to international trade. First, the TFA stipulates that members must proceed to the lifting of perishable goods within the shortest possible time period,[2] which could undermine members' right to adopt SPS measures. Second, the TFA imposes an obligation to promptly publish restrictions or prohibitions on imports, exports, or transit;[3] whereas in SPS, provisions over transparency are the order of the day. Possible conflicts between the two are dealt with in the TFA's Final Provisions, which establish that "nothing in this Agreement shall be construed as diminishing the rights and obligations of Members under the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures." [4]

Support for agricultural trade facilitation

During the course, the institutions set out their specific SPS activities.

- The WTO carries out technical assistance activities for members, in order to strengthen the knowledge and capacity to participate in the work of the SPS Committee, as well as to understand, better implement, and enjoy the provisions of the Agreement.
- The [Standards and Trade Development Facility \(STDF\)](#) is a joint initiative aimed at providing aid and funds to developing countries in order to strengthen their capacity to implement international sanitary and phytosanitary standards, guidelines, and recommendations, and so improve their situation with regard to the health of people and animals, and the conservation of plants, and to be able to access markets and stay in them.

- IDB conducts many SPS capacity-building initiatives in LAC (see [video](#) interview with Juliana Salles Almeida).[5] Indeed, the course in question is part of the “Trade and Integration Training Program” of IDB’s Integration and Trade Sector (INT), which holds workshops by IDB and WTO experts that are aimed at public officials in the region, on this occasion also in conjunction with the “Three Sisters” Organizations.[6] IDB also provides loans and technical cooperations with national and regional SPS components, as well as research and publications on the subject. Furthermore, within its INTradeBID database system, it has developed [an SPS module](#) that includes: (i) the aspects covered in the SPS Chapter of the agreements involving LAC countries; (ii) the specific trade concerns sent to the WTO’s SPS Committee and involving countries in the region; (iii) private standards; (iv) guidelines for exporting, and; (v) the causes behind the region’s exports being turned back at the border by United States, the EU, and Australia.

Related articles

- IDB-INTAL. “[Seminar on sanitary and phytosanitary standards for Latin American countries](#),” in: *INTAL Monthly Newsletter No. 142*, May 2008.
- IDB-INTAL. “[Sanitary and Phytosanitary Measures: Opportunities and challenges for LAC](#),” in: *INTAL Monthly Newsletter No. 213*, May 2014.

[1] This article was prepared by Rosario Campos, with the collaboration of Veronica Toscani.

[2] Article 7, Paragraph 9.

[3] Article 1.

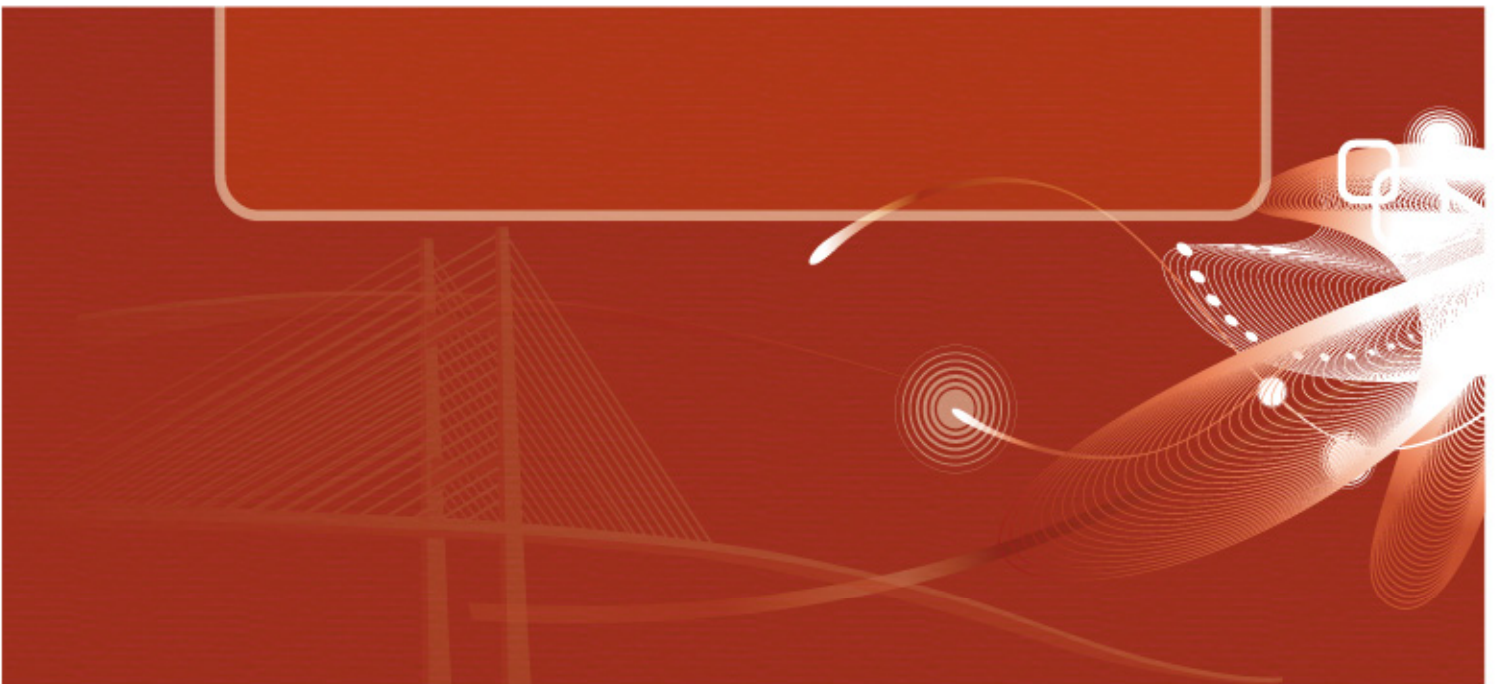
[4] Paragraph 6.

[5] See [presentation](#) Juliana Salles de Almeida.

[6] These courses were also held in Chile in 2012, Barbados in 2011, Peru in 2010, and Paraguay in 2008.



Integration Blocs







Pacific Alliance

Pacific Alliance attends COP-20

The [Twentieth Session of the Conference of the Parties of the United Nations Framework Convention on Climate Change \(COP 20\)](#) and the 10th session of the Conference of the Meeting of the Parties to the Kyoto Protocol (CMP10) took place in Lima, Peru, December 9-10, 2014. The presidents of all four Pacific Alliance (PA) countries presented the [Declaration](#) on climate change, highlighting the PA's determination to adopt measures to mitigate and adapt to climate change and to sustainable development, through the exchange of experiences, technical collaboration, and technology transfer and integration.

Officials from the PA countries also took part in a workshop in Lima, November 27-28, to design the first phase of a project to implement public policies in the area of [sustainable production and consumption \(SCP\)](#). This will seek, in particular, to promote sustainable public procurement and stimulate productive sectors with cleaner production processes.



The Caribbean

CARICOM-Cuba Summit

The Fifth Summit of the Caribbean Community and Common Market (CARICOM)-Cuba was held in Havana, Cuba, December 8. The meeting was attended by Heads of Government and Ministers from Antigua & Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Grenada, Guyana, Haiti, Jamaica, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname, and Trinidad & Tobago. In the final [Declaration](#), the parties expressed their commitment to continue strengthening cooperation in health, education, and climate change, and to improving air and maritime infrastructure to enhance connectivity among the countries. They also drew attention to the importance of working together to further economic and political integration in the framework of the Community of Latin American and Caribbean States (CELAC).

The Summit has been held every 3 years since 2002, with the goal of contributing toward the countries' sustainable development and addressing their vulnerabilities as Small Island Developing States (SIDS), in particular in the environmental and economic spheres.




Central America

Arbitration tribunal rules on Costa Rica-El Salvador dispute

The Arbitration Tribunal formed to resolve the dispute lodged by Costa Rica against El Salvador over the nonapplication of tariff preferences within the framework of the United States-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) issued its ruling in November. However, the resolution of this difference between the two States—the first to be processed under CAFTA-DR—gave rise to different interpretations of the decision by each of the parties. According to the [Costa Rican Ministry of Foreign Trade](#), the Arbitration Tribunal ruled that Costa Rican exports covered under CAFTA-DR must receive the tariff preferences set out in that instrument at the time of entering the Salvadoran market. However, according to the [Salvadoran government](#), the Arbitration Group's decision has found that there is nothing that might lead to the conclusion that all the obligations contained in the Agreement should have the same scope in trade relations among all the Parties.

The resolution of this difference is important when one considers that El Salvador is Costa Rica's ninth largest export destination, with 3% of total external sales; Costa Rica is the seventh most important country for Salvadoran purchases, with 3% of total imports. Some of the Costa Rican products affected are tuna, tires, and concentrated juices. In the case of tuna, 13% of Costa Rica's total exports is destined for El Salvador; in the case of tires, this percentage is 4%, and in that of juices just 1%.[1] On the Salvadoran side, Costa Rica is the main supplier of tuna, with 80% of imports coming from that economy, while, in the cases of tires and juices, Costa Rica's supply accounts respectively for 12% and 4% of each market. Some of these products are manufactured under the free zone regime, with El Salvador applying between 10% and 15% of tariffs.

The dispute began late in 2013, when the Costa Rican government requested that consultations with El Salvador be held, claiming that this country was not applying the preferences granted in CAFTA-DR to imports from Costa Rica. In April 2014, the establishment of the Arbitration Panel was requested; in the following months, the parties exchanged written submissions. The countries will have to work together from now on to implement the Arbitration Tribunal's decision.



Related articles

- IDB-INTAL. [“CAFTA: Costa Rica calls for consultations with El Salvador over non-application of tariff preferences,”](#) in: *INTAL Monthly Newsletter No. 206*, October 2013.
- IDB-INTAL. [“CAFTA-DR: arbitration panel to define difference over application of certain tariffs by El Salvador on Costa Rica,”](#) in: *INTAL Monthly Newsletter No. 210*, February 2014.
- IDB-INTAL. [“CAFTA: dispute settlement process initiated by Costa Rica,”](#) in: *INTAL Monthly Newsletter No. 213*, May 2014.

[1] Data for 2013: subheading 160414 was taken for tuna, heading 2009 for juices, and 4011 and 4012 for tires. Source: DATAINTAL.

Advances in Central American economic integration in 2014

There were several meetings in December regarding the institutional framework of the Central American integration scheme, in order to review the progress made over the year and to set new targets for 2015.

In the area of economic integration, [Guatemala took over the Pro Tempore Presidency of the Council of Ministers for Central American Economic Integration \(COMIECO\)](#), which it will now hold from January to June 2015. The handover was performed at the meeting in Managua, Nicaragua, after the third round of the Central American Customs Union (CACU).


There was also the work plan for the forthcoming year, including such topics as the strengthening of the Customs Union, regional trade facilitation, the improvement of the regional regulatory framework, and the completion of Panama's incorporation in the Central American Economic Integration Subsystem (SIECA). Further progress was made on pending issues from the implementation of the Association Agreement with the European Union, and work was done coordinating and connecting both the subsystem's sectoral and cross-sectoral councils, and the public and private sectors.

The COMIECO meeting also validated the proposal for common procedures for formalities at border posts in the framework of the regional trade facilitation initiative, developed with the support of the Inter-American Development Bank (IDB). This includes five measures: anticipated procedures, streamlining and coordination of immigration controls, plant and animal health e-certification, border-crossing registration by radio frequency devices, and border camera and video surveillance. The Council also approved regulations to harmonize technical provisions facilitating trade in goods within the region, as well as endorsing tariff liberalization and amendments.

Last, it discussed the draft operating budget for the Secretariat for Central American Economic Integration (SIECA) for 2015.

Moving on, there was the [Meeting of the SICA's Council of Foreign Ministers](#) to review the progress of the integration process ahead of the [Forty-Forth Ordinary Meeting of Heads of State and Government of the Central American Integration System \(SICA\)](#).

Last, the Summit of SICA Heads of State was held in Placencia, Belize, December 17, attended by the leaders of Belize, Honduras, Panama, and Dominican Republic, and by the foreign ministers of Costa Rica and El Salvador, and Nicaragua's Minister for Development, Industry, and Trade. The meeting addressed issues relating to the five priority pillars: social integration, economic integration, institutional strengthening, democratic security, and integrated risk management and climate change.



[Other relevant topics](#) were Central America's relationship with the Caribbean countries, regarding which a review of the action plan with the Caribbean Community and Common Market (CARICOM) and the Association of Caribbean States (ACS) in such areas as the environment, climate change, business and trade promotion and exchanges, and sea transport connectivity. The handover of the SICA *Pro Tempore* Presidency to Guatemala also took place. Guatemala will hold the office from January to June 2015.

More information at the following links: [\[1\]](#); [\[2\]](#).



Panama and Cuba amend Partial Scope Agreement

In November, [Panama and Cuba concluded negotiations for the First Protocol Modifying the Partial Scope Agreement \(PSA\)](#), in force since 2009.

The Protocol expands and deepens disciplines in the areas of market access, rules of origin, intellectual property, and copyright. Cuba has also granted Panama new preferences on 73 tariff lines, as well as improvements in a further 31 in agricultural and industrial products, while Panama has made fresh concessions to Cuba in 200 tariff lines and has improved existing preferences on 39 existing ones. The rules of origin for the new preferences, which the Panamanian government considers of great importance because of their flexibility, were also negotiated, in particular for products such as cheese, sausages, and juice.

In 2013, Panama exported US\$2.5 million to and imported US\$658.000 from Cuba. The main exports included cereal-based preparations, meat and edible meat offal, fish or shellfish and preparations thereof, and plastics. Imports from the Cuban market were composed of pharmaceuticals, gunpowder and explosives, pyrotechnic articles and matches, alcoholic beverages and vinegar, etc.

International Seminar: “MERCOSUR: Integration Scenarios”—Executive Summary

To present its [MERCOSUR Report No. 19](#), the Institute for the Integration of Latin America and the Caribbean (INTAL) of the Inter-American Development Bank (IDB) called for a broad debate on various aspects of the reality—present and future—of one of Latin America’s main integration processes.

With this, INTAL inaugurated a new way of disseminating this publication, making the most of the opportunity to lead the discussion on such important and diverse aspects as the MERCOSUR-European Union (EU) negotiation, relations with the Pacific Alliance and China, the impacts of the initiatives to form mega-agreements regarding MERCOSUR, the stagnation of multilateral negotiations, and so on.

In addition to the presentations by specialists and academics, the [Seminar](#) enjoyed an important and much-needed political view of the process, expressed by the presence of the MERCOSUR High Representative General (ARGM), officials and diplomats from Argentina, Brazil, Chile, and Uruguay, and the Head of the EU’s Delegation in Argentina.

Promoted and opened by *Gustavo Beliz* (INTAL Director) and *Antoni Estevadeordal* (IDB Integration and Trade Manager), the event called together a very broad cross-section of the public, made up of diplomats, specialists, academics, private sector representatives, students, and so on, leaving no doubt as to the importance ascribed to the debate over regionalism and its prospects in the country.

The main themes of the various discussions are outlined below.

Introductory panel

[Antoni Esteve](#)*deorda*l (Integration and Trade Manager, IDB)

Over the past 20 years, three fundamental changes have been seen in the development of global production and trade: (a) a sharp shift in the flow and pattern of international trade; (b) a growing fragmentation of global production; (c) changes in trade organization and/or architecture.

During the past two decades, trade has become increasingly important to the performance of the global economy, representing 15% of global output in 1990, but approximately 25% in 2013. No small part of this leap has been to do with the developing countries' increasingly important role in trade flows: in 1990, these countries accounted for slightly less than 19% of total trade; by 2013, they were responsible for 40% of global trade flows. An important fact in this sense is the greater relevance assumed in recent years by so-called South-South trade, which currently accounts for 18% of world trade.

Against this background of sharp shifts in global trade flows, trade in intermediate goods accounts for two thirds of the world total. To put it another way, production fragmentation has led to trade in parts and components growing in prominence, with multinationals and intrafirm trade responsible for no less than 40% of world exports.

Although this production fragmentation is associated with increasing integration of emerging countries in global value chains (GVCs), this process does not include all developing economies equally, the share of Latin American firms in this trend being very limited.

As a result of these developments, the regulation of these new trade flows and patterns has come increasingly to be based on bilateral and/or subregional agreements. Indeed, between 50% and 60% of global trade occurs under agreements of this type, thus lessening the relative importance of multilateral arrangements and disciplines.

How has Latin America adapted to these changes?

In line with the international trend, the region's degree of openness and international insertion has grown significantly in the past twenty years, Latin America's share in world trade standing at about 7%. Intraregional trade represents approximately 20% of the regional total, reflecting some degree –albeit not so significant– of complementation and/or articulation of regional value chains although, as mentioned above, the share in GVCs is limited.

In terms of trade regulation, while the Latin American countries have moved toward consolidating regional schemes over the last twenty years, at present the regulatory aspects (“software”) and physical connectivity (“hardware”) of such schemes are seemingly not aligned.

Looking ahead, at the global level, the recent development of mega-agreements appears to have opened up a space for a degree of convergence in the multiple integration schemes at the global level. The question is whether this convergence will eventually reduce cost overruns resulting from the “spaghetti bowl.”

The speaker also highlighted how unevenly spread this trend still is, there being no agreements between some of the major players in world trade, as between United States and Japan, for example, or trade between the BRICS countries (Brazil, Russia, India, China, and South Africa).

MERCOSUR overview and outlook

Speakers: Alejandro Ramos (INTAL Senior Economist) and [Ivan Ramalho](#) (MERCOSUR High Representative-General). *Moderator:* Ricardo Markwald (Director of the Foreign Trade Studies Center Foundation, FUNCEX, Brazil).

[Alejandro Ramos](#) presented the main conclusions of [MERCOSUR Report No. 19](#). In a context of weak and unsynchronized economic recovery of the developed countries, deceleration in the growth of emerging countries, and stagnation of world trade since 2011, MERCOSUR's economy is entering a phase of very weak stagnation or decline. This phenomenon obviously affects intrazone trade, while there is a strong correlation between trade within MERCOSUR and the regional economic cycle.

The bloc's internal agenda over the last year has been marked by this shift in the macroeconomic scenario, but also by changes in MERCOSUR's internal organization, with the reinstatement of Paraguay and the start of Bolivia's accession process, and the unprecedented one-year duration of Venezuela's Pro Tempore Presidency.

Paraguay's reincorporation posed a challenge for MERCOSUR in terms of finding a speedy and positive solution to the legal framework derived from the rules approved by the integrative machinery in the landlocked country's absence.

These difficulties aside, there was some progress over the period in the revision of the Public Procurement Protocol, productive integration, deployment of a MERCOSUR single license plate, the strengthening of the MERCOSUR Structural Convergence Fund (FOCEM), and elsewhere.

There was also some progress to be seen in bilateral negotiations among the partners, particularly in the postponement for a year of the Automotive Agreement between Argentina and Brazil, and the consensus to move forward on a new five-year regime.

Last, as regards the external agenda, the last year has mainly been marked by the negotiations with the EU, an exercise that has required a major political effort from the MERCOSUR countries to reach a community-wide offer, and that is now awaiting a reply from their European counterpart in order to continue with the negotiations.

[Ivan Ramalho](#) (ARGM) characterized MERCOSUR as an area suitable for the development of intraindustrial trade, investments, and a set of social policies aimed at achieving a more egalitarian society. In this regard, he reviewed the main achievements of the past twenty years' integration process and possible areas for deepening. He noted the increased share of intra-MERCOSUR trade in manufacturing as compared to bloc's exports to the rest of the world, the pan-South American dimension it has acquired since Venezuela and Bolivia's accession, and the incorporation of Guyana and Suriname as associated states, social progress, and other relevant aspects.

Last, the panel's moderator, *Ricardo Markwald*, noted the potential difficulties for MERCOSUR'S internal agenda posed by the growth of membership, and recalled that a not insubstantial factor in the steps to be taken in the integrative process will be the renewal of governmental authorities in 2015, first in Brazil and Uruguay, and then in Argentina at the end of the year.

MERCOSUR facing the crisis of multilateralism and the rise of the mega-agreement

Speakers: Vera Thorstensen (Coordinator of the Global Trade and Investment Center of the Getulio Vargas Foundation, FGV, Brazil) and Demian Dalle (Director of the Center for International Economics, CEI, Argentina). *Moderator:* Ricardo Rozemberg (Researcher of the IDEAs Center, National University of San Martín, UNSAM, Argentina).

In line with the arguments raised in the initial session by Antoni Estevadeordal, [Vera Thorstensen](#) drew attention to three major changes in the international arena from the perspective of how they will impact MERCOSUR: the proliferation of mega-agreements and the subsequent definition of rules, the fragmentation of production and the generation of GVCs, and the effects of the misalignment of exchange rates at the global level and its relationship with import duties.

In relation to the first point, the speaker presented various results from an impact study of the outcomes of these mega-agreements for MERCOSUR countries. Such agreements could positively influence member countries and negatively countries that remain outside them. The most sensitive for the MERCOSUR economies is the Transatlantic Trade and Investment Partnership (TTIP) between United States and the EU, particularly because of the market losses it may imply for the region's agribusiness. In the other cases, the effects of trade diversion do not look so significant, considering that these agreements mainly signify the convergence of other preexisting ones. This is true of both the Trans-Pacific Partnership (TPP) Agreement and of the Regional Comprehensive Economic Partnership (RCEP) Agreement. But this scenario poses a fundamental threat to MERCOSUR in terms of the new rules emerging from these agreements, which may define the future of world trade in various segments of interest to the region: for example, issues arising from technical standards, and/or the regulation of trade and agricultural production.

The second point analyzed related to GVCs, where Latin America has weak participation. Where it does participate, insertion is achieved on the basis of lower value added links. On this point, Ms. Thorstensen suggested that the trend toward production fragmentation has not favored more active global insertion in the MERCOSUR economies.

Last, she showed the results of a study showing the greater relevance of currency misalignments when it comes to defining countries' competitiveness in relation to the tariff protection schemes. From this angle, the discussion of tariffs at the multilateral and/or regional levels, and the need to include in the international rules some exchange rate convergence scheme to adjust competitiveness in the different economies, look to be of rather less importance.

[Demian Dalle](#) spoke about the political economy of the decision-making process at the multilateral level and appealed to the growing importance of emerging countries as an obstacle to the imposition of decisions in this context.

In this sense, he emphasized that the problem of the lack of agreements in the context of the World Trade Organization (WTO) has much to do with the inability of developed countries to strike unbalanced agreements, the way they did in the past. He also highlighted the difficulty faced by emerging countries trying to achieve common positions in different areas.

An overview of MERCOSUR-EU relations

Speakers: [Adrián Makuc](#) (Professor at the National University of Tres de Febrero, UNTREF, Argentina) and Alfonso Díez Torres (Head of the EU delegation in Argentina). *Moderator:* Alvaro Ons (Executive Secretary of the Interministerial Commission for Foreign Trade Affairs, CIACEX, Uruguay)

The presentation by [Adrián Makuc](#) focused on the possibility of closing an agreement between MERCOSUR and the EU after twenty years of negotiations. In a rapid review of the milestones in the dynamics of this process, he examined the negotiations with the EU in the light of what happened with United States. Initially, MERCOSUR's logic in negotiations with the major world powers took the form of a simultaneous process that would allow a scenario of competition between the two by offering the MERCOSUR countries better conditions. On the other hand, the interest in MERCOSUR of one of the major powers triggered the interest of the other in order to prevent the other party dominating in the subregion. Consequently, the parallel launch of both the MERCOSUR-EU negotiations with the Free Trade Area of the Americas (FTAA) in the mid 1990s and its more or less simultaneous suspension a decade later appeared perfectly logical.

Since the relaunch of the biregional negotiations in 2010, progress has been made primarily in consolidating regulatory frameworks in order to move on to the possibility of outlining the respective offers of goods and services. However, in contrast with the previous dynamic, the talks during 2010-2014 have not been combined with a parallel discussion between MERCOSUR and United States. The biregional negotiation has therefore advanced without great pressure or competition from the other power. This might explain why, even after MERCOSUR made public the completion of the production of a joint offer in the area of goods and services around mid-2014, the EU was in no hurry to define its own offer to the South American bloc. Apart from the presence or absence of United States in this negotiating interplay, the biregional dynamics of the last twenty years has also seen changes in the number of members of the EU and MERCOSUR (a phenomenon that, at least in principle, complicates any agreement), a greater presence from China in both the international and Latin American contexts, and the worsening international business climate, due primarily to the financial crisis that broke in 2008 and is still impacting European countries.

Ambassador *Alfonso Díez Torres* introduced the importance of **biregional** cooperation as a salient aspect in relations between the two regions. His presentation was based on a reappraisal of development models aimed primarily at export growth. He stressed that a MERCOSUR-EU agreement could constitute a development opportunity for MERCOSUR countries based on the industrialization provided by the market expansion entailed by the agreement.

MERCOSUR and integration processes in LAC

Speakers: Paulina Nazal (Director of Multilateral Economic Affairs at the Ministry of Foreign Affairs, Chile), Pablo Trucco (Researcher in International Relations at the Latin American Social Sciences Faculty, FLACSO, Argentina), and Jeremy Harris (Economist specializing in integration and trade, IDB)



In a panel covering aspects as varied as the current situation of the Pacific Alliance, production integration in MERCOSUR, and rules of origin in Latin America, [Paulina Nazal](#) opened by presenting the recent negotiating dynamics of the Pacific Alliance. She defined this integration process as a broad, open, flexible and nontraditional agreement, comprising Chile, Colombia, Mexico, and Peru in order to establish an integrative framework in the region that will serve as a platform for access to Asia-Pacific. Since its creation in 2011, the countries of the Pacific Alliance have moved forward in, among other relevant aspects, various initiatives relating to trade disciplines, procurement regulations, financial services, market access openings (tariff and nontariff), securities markets integration, and joint visas for third countries. She felt that the initiative goes further than the construction of a trade agreement, incorporating relevant aspects to do with the economic and social development of the countries that comprise it.

Regarding the link with MERCOSUR, Ms. Nazal identified cumulation of origin, trade facilitation, movement of people, regulatory cooperation, infrastructure, tourism, SMEs, and others as potential areas for convergence.

[Pablo Trucco](#) introduced the theme of the trans-Latins and their importance for production integration in Latin America. He stressed that many countries in the region see the internationalization of their companies as strategic and promote it accordingly in various ways. He mentioned the case of Brazil, where the support of the National Economic and Social Development Bank (BNDES) plays a key role, while Chile and Mexico, with a growing number of internationalized companies, emerged as examples of countries that reach out to the world without any great public stimulus.

Given the enhanced presence and activity of trans-Latins companies in Latin America, different actions of specialization and/or production complementation could come into play, on the way to generating and/or consolidating regional value chains. He felt that MERCOSUR should take this phenomenon into account and work accordingly on a joint basis to expedite these actions. Last, he emphasized the role of franchises in the region as a mechanism for production integration of SMEs, citing success stories in various different sectors. This modality of internationalization is the one most frequently adopted by Argentine firms.

To bring the panel to a close, [Jeremy Harris](#) introduced the problem of rules of origin in Latin America's integration processes. He referred to global trends in trade and highlighted the proliferation of regional trade agreements (RTAs) over the past two decades (and the "spaghetti bowl" in rules of origin involving cost overruns), the phenomenon of production fragmentation, which requires the elimination of more trade barriers, and the growing convergence of these RTAs, both as a result of recent initiatives to form mega-agreements and of greater coordination among existing RTAs.

In terms of rules of origin in the Southern Cone, he noted the existence of 14 different superimposed regimes in the subregion, with different coverage of products, specific rules, and disparities in cumulation of origin. Logically speaking, this phenomenon involves trade cost overruns, which often are so significant that companies prefer not to use the tariff preferences arising from an RTA because the tariff proves less expensive than the certificate of origin. He therefore claims that there is a bias in favor of large firms, which have greater knowledge and capacity to deal with the problem of origin, and consequently make more use of the benefits arising from trade preferences.

In production fragmentation, the possibility of accumulating origin among the countries of an RTA can facilitate the formation of regional value chains. On the other hand, when the rules of origin are different, cumulation is less feasible and obstructs regional production integration.

Challenges and opportunities in relations with China

Speakers: Andrés López (Executive Director of Red Mercosur and Director of the Research Centre for Transformation, CENIT, Argentina) and Enrique Dussel Peters (Professor at the Autonomous University of Mexico, UNAM). *Moderator:* Fernando Masi (Director of the Center for Analysis and Diffusion of the Paraguayan Economy, CADEP, Paraguay).

[*Andrés López*](#) stressed the growing importance of China in the region over the past few years, which has led it to become one of Latin America's major trading partners. He stressed that the pattern of trade is North-South, i.e. the region exports low value added natural resources and imports industrial manufactures from China. At any rate, the last few years have seen the emergence—albeit still in their infancy and extremely limited—of new exports of Latin American goods and services to the Asian giant.

The question, in any case, is how can the region advance in natural resource-intensive GVCs, including not just food but mining and fuels as well. And, in this sense, what role can China play in the transformation of regional production. In this respect, he considered Chinese investments in Latin America to be one potential source for technological cooperation and/or knowledge exchange; similarly, he highlighted the possible role of joint business ventures between the two regions.

[*Enrique Dussel Peters*](#) called for more attention from the various different analysis and decision-making bodies in Latin America and the Caribbean to various aspects of Chinese economy and policy. He felt that the problems of low value added in Latin America's exports to China are bound up, to an extent, with its own supply-side constraints and not just with determining trade factors on the Asian country's side.


He stressed the omnipresence and coherence of the Chinese public sector at various different levels, a phenomenon that clearly affects production, given the relevance of provincial or national companies in China's production system. He emphasized the growing role of Chinese investment abroad, which has put the country third in the world as an exporter of productive capital, particularly raw materials, water, and energy.

Closing panel

Speakers: Everton Vieira Vargas (Brazilian Ambassador to Argentina), Marcelo Díaz Díaz (Chilean Ambassador), Guillermo José Pomi Barriola (Uruguayan Ambassador) and Carlos Bianco (Argentine Secretary of International Economic Relations).

The *Brazilian and Uruguayan Ambassadors* to Argentina presented a defense of the integrative framework. However, while the Brazilian representative emphasized the need to move toward an inclusive MERCOSUR, the Uruguayan Ambassador mentioned some of the problems faced in this framework by a small economy such as Uruguay.

The [*Chilean Ambassador*](#) highlighted the need to aim toward convergence among the various different trading blocks in Latin America, a process that would entail further development of production integration, energy, transport, and science and technology across the region's countries.



Such “convergence of divergence” would preserve the identities, subtle nuances, and different speeds displayed by the different countries in the region, where more open economies coexist with more closed ones, where some are more industrialized and others more commodity-based, but where they converge in the interest, vocation, and need to move forward toward the goal of economic and social development. In this context, he emphasized the importance of meetings between the Pacific Alliance and MERCOSUR as a means of advancing the coordination of interests in the region.

Last, *Carlos Bianco* spoke about MERCOSUR’s recent agenda, and specifically that of Argentina’s Pro Tempore Presidency in the second semester of 2014, stressing four core aspects: first, the institutional agenda, dominated by the treatment of Community legislation adopted during Paraguay’s suspension, the adherence of Venezuela to MERCOSUR regulations, and the incorporation of Bolivia in the process’s regulatory frameworks; second, he valued the region’s structural convergence initiatives, a phenomenon reflected in the period through the evaluation of the FOCEM and proposals to increase its capitalization and renewal for ten years; third, he emphasized the importance of regional production integration and urged a common strategy to be defined in that direction; last, he maintained that the solution to the region’s problems is a bigger and better MERCOSUR with a consolidated common market, integrated regional value chains, more reciprocal interdependence, and regulated insertion in a complicated outlook for the global economy.

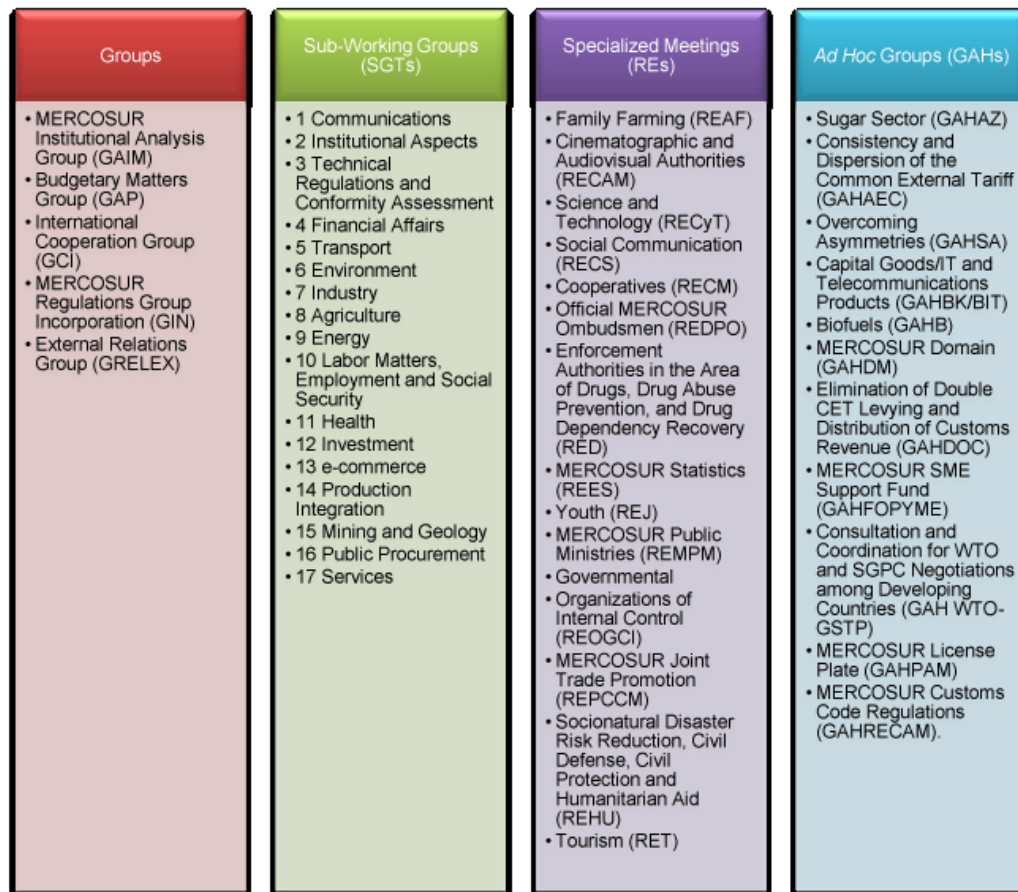


Forty-Seventh MERCOSUR Summit

The Summit of MERCOSUR Heads and Heads of State was held in Paraná, Argentina, December 16. The Summit's host handed the *pro tempore* presidency of the bloc to Brazil, which it will hold for the first half of 2015. There were also the meetings of Foreign Ministers, the [Common Market Group \(GMC\)](#), the [MERCOSUR Trade Commission \(CCM\)](#), and social MERCOSUR, among others. At the [Forty-Seventh Ordinary Meeting of the Common Market Council \(CMC\)](#), decisions were adopted of relevance for the bloc's internal and external agendas alike. On the one hand, agreement was reached over the **institutional reorganization of the GMC**, which will have four types of component (Diagram 1):

- *Groups*: responsible for exercising specific powers for the operation of the GMC;
- *Sub-Working Groups (SGTs)*: permanent technical negotiating space for policy coordination and/or common policy-making;
- *Ad Hoc Groups (GAHs)*: fulfilling a specific mandate for a specified period;
- *Specialized Meetings (REs)*: permanent policy-making bodies linked to integration or assisting the GMC on specific topics.

Diagram 1: New structure of the Common Market Group (GMC)



Source: Own translation. Based on CMC Decision No. 24/14.

In other business, approval was given to the regulations of the MERCOSUR Fund for Guarantees to Micro, Small and Medium Enterprises, the guidelines of the bloc's communications policy, and the 2015 budgets for several organizations.

In **production development**, there was the creation of the MERCOSUR Production Strengthening Mechanism (MFP), whose objective is to promote integration, complementarity, and competitiveness through the implementation of Production Strengthening Projects (PFPs) in strategic sectors due to their ability to generate positive externalities, promote public-private partnerships, develop infant industries and strengthen existing ones, and to facilitate technology transfer, innovation, and human capital development. The MFP is to consist of a Management Board, SGT No. 14, and the relevant GAH on a case-by-case basis.



It is important to note that MERCOSUR has recently been behind initiatives to consolidate **production integration (IP)**: the SGT No. 7 plan to develop regional service providers in the capital goods sector for the oil and gas industry, agricultural machinery, mining, and auto parts; the creation of the first sectoral IP program (toys); the IP sectoral and territorial project supported by the Spanish Agency for International Development Cooperation (AECID) and the approval of a new project for 2015; the creation of the Montevideo Associativity Center; and two sectoral meetings of IP and the MERCOSUR Business Forum.

In terms of **trade instruments**, it was agreed to put back the special import arrangements and exceptions to the common external tariff (CET) to June 30, 2015. Among recent breakthroughs in **trade facilitation and customs** are the Intra-MERCOSUR Pilot Program of Customs Security in the Supply Chain of Goods, which has given rise to bilateral agreements for Uruguay with Argentina and Brazil to enhance the efficiency of customs controls, as well as regional works toward the implementation of the International Customs Transit Computerized System (SINTIA), and the Program to Strengthen Customs Risk Management in MERCOSUR.

The Summit agreed the **MERCOSUR Science, Technology, and Innovation** Framework Program (2015-2019) to promote the general dissemination and access of knowledge, the social function of science, technology, and innovation (STI), the optimization of production chains, the strengthening of links between companies and universities, human capital STI training, intra- and extraregional cooperation, sustainable and strategic development, the recognition of asymmetries, and the exchange of experiences.

In terms of **migration**, the Recife Agreement's Complementation Agreement was approved, whose main objective is to regulate integrated migration controls through simultaneous compatible and similar procedures in order to improve the movement of people across the border.

In the framework of the **MERCOSUR Structural Convergence Fund (FOCEM)**, the "Construction of the Avenida Costanera Norte, Asunción—2nd stage (11,522km)" project was approved.

Regarding the expansion of the bloc, work was continued to incorporate **Bolivia** as a full member.

In terms of relations with **Associated States**, the accession of Colombia, Ecuador, and Peru to various agreements on specific topics (education, cooperation and legal assistance, democratic commitment, residence) was accepted. Also approved were the guidelines for **MERCOSUR-UNASUR complementation and articulation**, whose objective is to coordinate the activities, schedules, and policies of the two integration processes in common areas.

In the extraregional agenda, there were two **agreements with Lebanon and Tunisia** respectively, seeking to strengthen MERCOSUR's trade links with these countries and to lay the foundations for the future creation of a free trade area. Consensus was also reached over the text of a memorandum of economic and trade cooperation with the Eurasian Economic Commission, which will be signed after the entry into force of the **Eurasian Economic Union (EEU)** (January 1, 2015). This integration process involves Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan.

As shown in Table 1, MERCOSUR has limited trade flows with Lebanon and Tunisia (less than 0.1% of its exports). Due to the size of Russia, the EEU has a population of 184 million inhabitants and annual trade with the South American bloc of US\$9.6 billion (1.2% of total MERCOSUR trade).

MERCOSUR's trade balance with the EEU and the two Middle-Eastern countries is in surplus, with imports from the three partners being mainly composed of fertilizers. Exports to these destinations include agricultural products, especially meat, sugar, oilseeds, and so on.

Table 1: Lebanon, Tunisia, and Eurasian Economic Union: selected indicators

2013 data

Description	Lebanon	Tunisia	Eurasian Economic Union
Population (millions)	4.5	10.9	184.1
GDP (billions of US\$)	45.0	47.0	2,416.1
Per capita GDP (US\$)	10,078	4,317	13,123
MERCOSUR EXPORTS TO DESTINATION			
Value (millions of US\$)	456	616	5,099
Main products	Livestock, meat, food industry offal, coffee	Cereals, oilseeds, sugars, fats and oils	Meat, sugar, oilseeds
MERCOSUR IMPORTS FROM SOURCE			
Value (millions of US\$)	40	172	4,510
Main products	Fertilizers	Fertilizers	Fertilizers, fuel

Source: Based on IMF, DATAINTAL, and COMTRADE data.


The presidents of the MERCOSUR countries reiterated their intention to exchange with the European Union liberalization offers on trade in goods, services, investment, and government procurement. They also committed to devising a joint strategy ahead of the Twenty-First Conference of the Parties (COP-21) of the United Nations Framework Convention on **Climate Change**.

Similarly, the CMC has delegated to the GMC the power to approve **international cooperation** programs to support MERCOSUR and to sign agreements relating to technical cooperation agreements.

Advances in physical integration in UNASUR: the Fifth COSIPLAN Ministers Meeting

The South American countries have asserted the importance of “having more infrastructure that is more fit-for-purpose for the integration of the South American territory and will strengthen its competitive complementarity to achieve better international insertion.”[1] This was the main result of the [Fifth Ordinary Meeting of COSIPLAN Ministers](#) of the Union of South American Nations (UNASUR) in Montevideo, Uruguay, December 4. The meeting, held annually since 2010, was chaired by the Uruguayan Minister of Transport and Public Works, whose country currently holds the COSIPLAN Pro Tempore Presidency. The activity was preceded by IIRSA’s [Twenty-Fifth Meeting of National Coordinators](#) and the [Tenth Meeting of the COSIPLAN Coordinating Committee](#). The results of this series of meetings fall into four main categories:

1. They highlighted the countries’ enhanced proactiveness in coordinating specific issues within the Work Plan ensures continuity in the Strategic Action Plan 2012-2022 (PAE)[2] actions prioritized by COSIPLAN, and commits the active participation of all countries through the national technical teams, while promoting horizontal cooperation and the exchange of experiences.[3]
2. They reiterated the need (i) to continue exploring new sources of funding for pre-investment studies aimed at integration infrastructure projects, while considering the possibility of constituting a specific fund for this purpose; and (ii) to expand sources of financing for the implementation of COSIPLAN projects through the participation of national and regional public financial institutions.
3. They emphasized the importance of coordinating strategic actions between the various UNASUR councils and bodies in order to join up activities and initiatives. In this context, they emphasized the importance of interacting with the Financial Integration Working Group (GTIF) of the Council of Economy and Finance, the High Level Group on Disaster Risk Management, and the South American Defense Council.

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4. They highlighted the importance of continued dialog and interaction with the various social actors initiated over the present year, and of promoting citizen participation in the application of methodologies to be used for territorial planning in the projects of the COSIPLAN Portfolio.

The ministers meeting adopted the [Work Plan 2015](#), reflecting the priority actions for the coming year, and reviewed the work carried out by the Council in 2014. It adopted a set of documents that collate the results and progress in PAE actions prioritized in 2014.

In the framework of [IIRSA](#), COSIPLAN Technical Forum, the results were reported in three work areas, as compiled in the [COSIPLAN-IIRSA Activity Report 2014](#) approved by the ministers:

- COSIPLAN Projects: Project Portfolio, Integration Priority Project Agenda (API), and Project Information System (SIP).
- Planning Methodologies and Tools.
- Sectoral Integration Processes.

Also analyzed were the actions undertaken in the framework of the [COSIPLAN Work Groups](#) in the field of Financing Mechanisms and Guarantees, Rail Integration, Telecommunications, and the Geographic Information System (SIG) and the COSIPLAN Website.

The activities carried out during 2014 reflect intense work in the framework of the Council. There was a meeting at ministerial level, four work plan coordination meetings, fifteen technical meetings, two publications on the progress of projects (see below), and seven technical documents and publicity materials.

In summary, officials at the Fifth Meeting of COSIPLAN Ministers highlighted the importance of the work done and reiterated their determination to continue with efforts toward effective territorial connectivity in the framework of UNASUR's commitment to South American physical integration.

COSIPLAN-IIRSA advances in 2014

1. COSIPLAN Projects

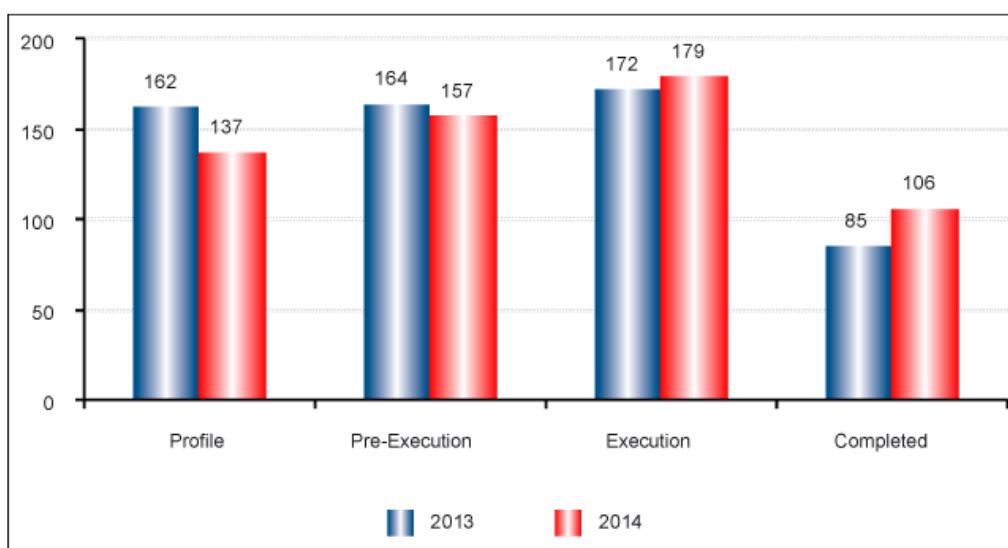
The meeting approved the [COSIPLAN Project Portfolio Report 2014](#). Among other things, this publication discusses the Portfolio's current status and the project's progress over 2013 and 2014. The Portfolio consists of 579 infrastructure integration projects in the transport, energy, and communications sectors, organized into 48 Project Groups and 9 Integration and Development Hubs, with an estimated overall investment of US\$163.325 billion.[4] Almost 90% of the Portfolio's projects and two thirds of the investment correspond to transport projects, while energy projects account for 9.3% of projects and 33.5% of investment. Communications projects represent just 1.6% of the estimated investment. Road and rail transport projects absorb more than 80% of total investments in this sector.

The projects' primary source of financing is the public sector (almost 80%). The private sector represents 12.8%, while public/private partnerships account for the rest.

In terms of lifecycle, 179 projects are at the implementation stage, with an estimated investment of almost 45% of the Portfolio's total value; 137 are at the profile stage (12.5% of the Portfolio's value); 157 projects are in pre-execution (31.1%); and 106 projects are completed (12.4%).

Figure 1: Evolution of Portfolio Project numbers by stage in lifecycle.

2013 and 2014.

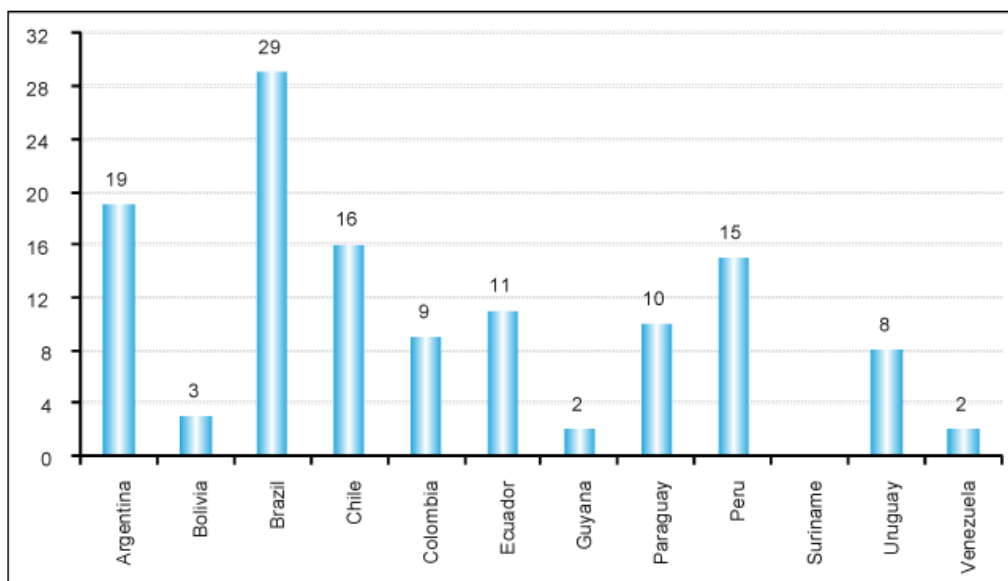


Source: Based on COSIPLAN SIP data to September 18, 2014.

Project lifecycles display the following phenomena:

- Projects at the profile stage fell from 162 to 137 owing to the review of projects that had been at this stage since 2008 and had displayed no progress, as well as to an increase in the number of projects ongoing.
- The number of completed projects rose from 85 in 2013 to 106 in 2014, with more than two thirds of investment concentrated in the MERCOSUR-Chile and Peru-Brazil-Bolivia Hubs.

Figure 2: Completed projects by country.



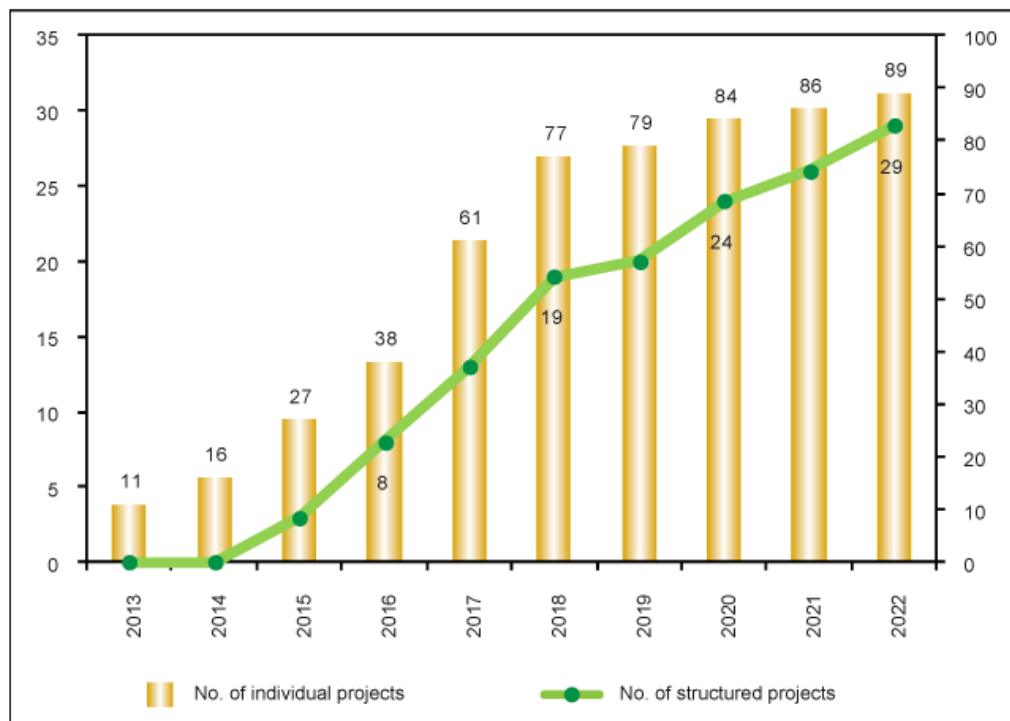
Source: Based on COSIPLAN SIP data to September 18, 2014.

Similarly, with the evolution of these projects, the [Integration Priority Project Agenda \(API\) Progress Report 2014](#) was approved. The API consists of 100 strategic individual projects with high impact for physical integration and regional socioeconomic development. These are grouped into 31 interdependent projects, with an estimated investment of US\$21.173 billion (13% of the COSIPLAN Project Portfolio's total value). 97% of the API individual projects come under the transport sector, representing an estimated investment of 91.3% of the total, while the remaining 3% are in the energy sector. Almost three quarters of the API's estimated investment is financed by the public sector. The picture is completed by the private sector, through various contractual commitments (15%) and public-private partnerships (10.7%).

The lifecycles of API projects display the following features:[5]

- 36% of projects showed progress over the last year: 15 projects reported progress between substages and 21 projects moved on to the next stage.
- It is estimated that, 61% of API projects will be complete by 2018, and more than 90% by the Agenda's long-term horizon in 2022.

Figure 3: Cumulative estimate of API completion by year



Source: Based on the data of the SIP COSIPLAN as of September 18 of 2014

Notable among the work carried out in 2014 were the countries' efforts to improve the quality and homogeneity of information of the projects in the Portfolio and the API, as well as putting their progress and results across more clearly. In this context, one of the measures realized was the incorporation of specific descriptors by sector, sub-sector, and type of work, making it possible to clearly identify each individual project's goals and report any relevant technical features on an aggregate basis. The work began with individual projects in the API, resulting in the following configuration:

Table 1. Technical features of API structured projects.

1 freight and passenger airport	8,950.1km of waterways in 14 rivers and 2 lakes
6,245.23km of roads	6 river ports
7 Key bridges and 148 bridges complementary	4 sea ports
2 binational tunnels and 20 tunnels complementary	6 logistics hubs
2 beltways	13 border crossings
7,342.4km of railways	1 1,500km main gas pipeline
	2 500kV transmission lines; 644km

Source: Based on COSIPLAN SIP data to September 18, 2014.

2. Planning methodologies and tools

In order to deepen and enrich the process of sustainable infrastructure planning in South America, the PAE envisages the development of various planning methodologies and tools. Work was done during 2014 on the development, refinement, and implementation of the following three:

- **Territorial Integration Program (PTI) for the Agua Negra (Argentina-Chile) Binational Tunnel API Project:** binational workshops were held to reach agreement over the PTI's objective and area of action, draw up the national teams, and develop the Participation Plan for key players. The Work Plan was defined for the PTI tabled to run between December 2014 and August 2015, which makes provision for two binational workshops and the drafting of specific documents. PTIs will help to maximize the impact of infrastructure in the development of the territories involved, while taking into account economic, social, and environmental aspects and identifying any complementary actions that will form part of an implementation plan.[6]
- **Disaster Risk Management and Prevention in Infrastructure:** the User Manual was produced for the "Methodology to incorporate DRM in COSIPLAN-IIRSA Regional Integration Infrastructure Projects," and it was agreed to pilot it in the Central Interoceanic Hub Project Group, where there is a zone of seismic silence. The Methodology provides clear procedures to prevent or reduce the effects of disasters affecting infrastructure, and establishes recovery plans for connectivity and public infrastructure.[7]
- **COSIPLAN's Project Information System:** functional and design adjustments were made to incorporate improvements and upgrades in: (i) ordering of the project files' information fields; (ii) specific descriptors by sector, subsector, and type of work; (iii) performance indicators for completed projects; (iv) application of the Project Monitoring System (SMP) to the Project Portfolio; and (v) API progress indicators.

3. Sectoral Integration Processes

Sectoral Integration Processes are designed to identify the regulatory and institutional obstacles that stand in the way of developing basic infrastructure in the region and to propose actions to overcome them. In 2014, the COSIPLAN made progress in four PSIs:

- **Freight Transport and Logistics:** a regional workshop was held to present a “Proposal for a Training Program in Freight Transport and Logistics Policy Design and Management” for policy design and management officials in the public sector. This PSI seeks to coordinate integration infrastructure investments with logistics and freight transport in its different modes in order to boost the competitiveness of the region’s economies.[8]
- **Air Integration:** a regional workshop was held and an integration study was carried out on air transport in Latin America and the Caribbean, as well as case studies of air freight terminals in UNASUR members’ airports. This PSI is aimed at promoting connectivity in the region’s economies through freight and passengers air transport.[9]
- **Integration and Border Facilitation:** there was a meeting of the Technical Group Executive. Similarly, the institutions of the Technical Coordination Committee (CCT) of IIRSA–IDB, CAF, and FONPLATA—continued to provide support to countries and pairs of countries for the development and maintenance of border crossings and border integration projects through national programs or at specific crossings. This PSI seeks to make borders spaces of integration and development, thus facilitating the movement of goods and people in the region, and planning the territory by taking into consideration economic, social, and environmental aspects.[10]
- **Trade Integration through Postal Services:** there was a meeting of the Technical Group Executive and an *Exporta Fácil* Project monitoring visit to Uruguay, and indicators were defined for the result of the COSIPLAN-IIRSA Exports through Postal Services Program. This program encourages the participation of micro, small and medium enterprises in the international market through the implementation of an export and import system that makes use of the postal logistics platform. Countries having implemented the project are Brazil, Colombia, Ecuador, Peru, and Uruguay.[11]

IDB-INTAL’s contribution

In its role as the Secretariat of COSIPLAN-IIRSA’s Technical Coordination Committee, IDB -INTAL has, over the past 14 years, been actively involved as a facilitator of dialog among South American countries in the field of physical integration. The Institute’s commitment to the integration of Latin America and the Caribbean is reflected in its technical and operational support to actions prioritized by the countries as a whole in their annual Work Plans. IDB-INTAL has made significant contributions in the development and dissemination of technical studies, the identification of lines of action, and the holding of many meetings and workshops, which have helped to build up a common and shared vision of the South American territory.

[1] See the third paragraph of the [Declaration by the Ministers of the South American Infrastructure and Planning Council](#).

[2] See [Strategic Action Plan 2012-2022 \(PAE\)](#).

[3] The coordination of topics in the Work Plan was distributed as follows: Argentina: Geographic Information System (GIS), COSIPLAN Webpage, and Border Crossings in conjunction with Chile; Brazil: Financing Mechanisms and Guarantees, Ports and Waterways, Air Integration, and Trade Integration by Postal Delivery in conjunction with Peru; Chile: Infrastructure Risk and Disaster Management and Border Crossings in conjunction with Argentina; Paraguay: Telecommunications; Peru: Freight Forwarding and Logistics, and Trade Integration by Postal Delivery in conjunction with Brazil.

[4] Source: [COSIPLAN Proyecto Information System \(SIP\)](#) (September 18, 2014).

[5] Source: SIP Permanent Monitoring System (September 18, 2014).

[6] See [Argentina-Chile Workshop: Agua Negra Binational Tunnel PTI](#) (November 13-14, Buenos Aires).

[7] See [ETG Meeting on Risk and Disaster Prevention and Management in Infrastructure](#) (October 14, Buenos Aires).

[8] See [Workshop on Freight Transport and Logistics](#) (August 5-6, Lima).

[9] See [Workshop on Air Integration](#) (September 10-11, Rio de Janeiro).

[10] See [ETG Meeting on Cross-Border Integration and Facilitation](#) (October 16-17, Buenos Aires).

[11] See [ETG Meeting on Trade Integration through Postal Services](#) (September 18-19, Montevideo).



Extraordinary Meeting of UNASUR Heads of State

The Extraordinary Meeting of the Council of Heads of State and Government of UNASUR was held in Quito, Ecuador, December 4-5, 2014. A [Statement](#) was issued, drawing attention to the opening of the UNASUR General Secretariat's new headquarters in the Néstor Kirchner Building. Uruguay took up the *Pro Tempore* Presidency from Suriname for the period 2014-2015.



Regional And Global Overview





Moderate results at Lima Climate Summit

In the framework of the Twentieth Session of the Conference of the Parties of the United Nations Framework Convention on Climate Change (COP 20) in Lima, Peru, December 1-12, the international community discussed countries' commitments to combat climate change. The event was attended by more than 14,000 people, representatives of governments and civil society, and entrepreneurs from 195 countries.

Although the meeting did not achieve its initial objective of agreeing a draft text to replace the Kyoto Protocol at COP-21 in Paris in 2015, it did lay the groundwork for further negotiations next year. The final document, "[Lima call for climate action](#)," confirms the countries' intention to reach a new agreement in 2015 and establishes the following advances, among others:

- All the participating countries are to submit to the United Nations quantifiable emission reduction commitments over 2015.
- The Green Climate Fund (GCF) increased its capitalization, exceeding the US\$10,000 million mark.
- The Work Plan was approved, as was the Working Committee on "Loss and Damage" for countries most vulnerable to climate change.
- The National Adaptation Plans were strengthened. Developing countries that need it will be able to access funding.
- The Non-State Actor Zone for Climate Actions (NAZCA) portal was established for the exchange of information on climate management.
- Impetus for the program Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+) was provided in order to move toward implementing mechanisms for the reduction of emissions resulting from deforestation and for the conservation, sustainable management, and improvement of forest carbon stocks in developing countries.

A binding agreement for the parties will be sought in Paris in December 2015.

Related articles

- IDB-INTAL. "[Climate Change in Durban: agreements on key issues](#)," in: *INTAL Monthly Newsletter No. 184*, December 2011.
- IDB-INTAL. "[Climate change: fears over COP 18](#)," in: *INTAL Monthly Newsletter No. 195*, November 2012.
- IDB-INTAL. "[Climate Summit: Latin American countries redouble efforts to combat climate change](#)," in: *INTAL Monthly Newsletter No. 218*, October 2014.

Education, Innovation, and Culture: main themes of the Ibero-American Summit

The Twenty-Fourth Ibero-American Summit of Heads of State and Government was held in Veracruz, Mexico, December 8-9. The event was attended by Philip VI of Spain, the Spanish Prime Minister Mariano Rajoy, the Ibero-American Secretary General Rebeca Grynspan, and Latin American 17 Heads of State and Government, including Mexican President Enrique Peña Nieto in his capacity as the Conference's *Pro Tempore* Secretary.

The central theme of the event was “[Ibero-America in the 21st Century: Education, Innovation and Culture](#)” and aimed to think about the policies needed to enable countries to move forward along the path to greater productivity and less inequality. This requires narrowing deficits in infrastructure and logistics, supporting small and medium enterprises, and investing wholeheartedly in science, technology, and innovation.

The items approved in the [Declaration of Veracruz](#) include:

- Promoting a partnership for academic mobility, or “Ibero-American Erasmus,” of students, teachers and researchers to prevent and mitigate the brain drain.
- Creating the Paulo Freire Formation Program for the mobility of students and teachers of education and pedagogy.
- Strengthening the mobility of researchers in Latin America.
- Supporting the new Ibero-American Plan for Lifelong Literacy and Learning 2015-2021.
- Supporting Ibero-American cultural industries.
- Moving forward in the design of an Ibero-American Agenda for Cooperation in Science and Technology.
- Strengthening regional collaboration in the field of e-government.

The next Ibero-American Summit is to be held in Colombia in 2016.

Related articles

- IDB-INTAL. “[Physical integration: CELAC and Ibero-American Summit priorities](#),” in: *INTAL Monthly Newsletter No. 195*, November 2012.
- IDB-INTAL. “[23rd Ibero-American Summit: reform proposals](#),” in: *INTAL Monthly Newsletter No. 207*, November 2013.



Panama files dispute against Colombia with WTO over textile tariffs

The first hearing of the Arbitration Panel requested by Panama in the World Trade Organization (WTO) was held November 25-26. The hearing examined the joint tariff imposed by Colombia on exports of textiles, clothing, and footwear. According to the [Panamanian government's complaint](#), the tariff is illegal under the country's multilateral commitments. The tariff was applied for one year, in 2012, and later extended for a further two.

Panama is a major supplier of these products in the Colombian market: 40% of total footwear imports in 2013 were from the Central American country, while, in the case of textiles and clothing, the share was 7%. This group of products accounts for a third of Colombia's total purchases from Panama.[1]

The [dispute settlement process](#) could eventually lead to a ruling from the Arbitration Panel by the middle of next year, according to established procedures.

[1] Data from Chapters 50 to 63 of the Harmonized System were used to measure the share of textiles and clothing, and from Chapters 64 to 67 for footwear. Source: DATAINTAL.



US and Cuba normalize relations

Marking a turning point in hemispheric policy, United States and Cuba announced the normalization of diplomatic relations and the strengthening of economic ties, December 17. The [decision](#) was announced simultaneously by US President Barack Obama and Cuban President Raúl Castro. The key points of the announcement were:

- The restoration of diplomatic relations, frozen since 1961.
- The reopening of the respective embassies in both countries.
- The governments are to work together on common issues, such as migration, drug trafficking, trafficking in persons, and environmental protection.
- The US President will attend the Summit of the Americas in Panama in 2015, to which the Cuban Government has also been invited. The Summit's central theme will be "Prosperity with Equity: The Challenge of Cooperation in the Americas."
- The Secretary of State has been tasked with the immediate launch of a review of Cuba's listing since 1982 as a state sponsor of terrorism.
- Negotiations among United States, Cuba, and Mexico will be held to discuss the unresolved maritime boundary in the Gulf of Mexico.
- Efforts will be made to improve the Cuban population's access to communications, which currently have only about 5% internet penetration, while communications services are limited and expensive. Exports from United States to Cuba will be allowed for consumer devices relating to communications, software, applications, hardware, and services, and for articles to establish and update systems relating to the communications.
- Restrictions on financial transactions between the two countries will be eased.
- US citizens traveling to United States from Cuba will be able to take in US\$400 in Cuban goods, up to US\$100 of which may be a combination of tobacco products and alcohol.
- A broadening of the range of exports of certain goods from United States to Cuba will be authorized, including materials for the construction of private residences, goods to be used by the Cuban private sector, and agricultural equipment for small farmers.
- The upper limit allowed for remittances to Cuba is to be raised from US\$500 to US\$2000.
- Facilitation of increased travel to Cuba from United States.

Ahead is the prospect of the US Congress repealing the laws that established the long-standing economic and trade embargo against Cuba.

RCEP: Sixth round of talks

The [Sixth Meeting of the Regional Comprehensive Economic Partnership Trade Negotiating Committee \(RCEP TNC\)](#) took place in Greater Noida, India, in the first week of November. The negotiations were launched in late 2012 and got under way in May 2013, with the aim of unifying under a single agreement the bilateral free trade agreements (FTAs) between the countries of the Association of Southeast Asian Nations (ASEAN) and six other countries in the region (Australia, New Zealand, China, Japan, South Korea, and India) and of moving forward in topics not yet covered in these agreements.

This group of countries represents approximately 30% of GDP and world trade, and close to half of the population. Intraregional trade is also of great importance for the group, accounting for 40% of its total exports.

The topics discussed in the sixth round were focused on the liberalization of goods, services, and investments markets. According to [Australia's Department of Foreign Affairs and Trade](#), negotiators are working to close the gap in levels of ambition of market access.

The aim is to conclude the negotiations by the end of 2015. The next round will be held in Thailand, February 9-13.

Related articles

- IDB-INTAL. "[Negotiating scenarios in the major economies](#)," in: *INTAL Monthly Newsletter No. 201*, May 2013.
- IDB-INTAL. "[Mega-agreement negotiations: how will they influence Latin America?](#)," in: *INTAL Monthly Newsletter No. 204*, August 2013.



Impact assessment





Assessing the impact of Latin American innovation policies

The aim of this article is to provide a commentary on two IDB works assessing the impacts of innovation policies in Latin America. For an overview of the subject, there is an article in [*INTAL Monthly Newsletter No. 216*](#) explaining the objective and methodologies used in impact assessment.


On the one hand, there is the study by Castillo, Maffioli, Rojo, & Stucchi (2014), which assesses the impact of the Argentine Technology Fund (FONTAR) program, including a consideration of spillover effects. The program provides financial support through reimbursable or nonreimbursable funds to companies investing in innovation, research and development (R&D), or technological modernization.

The study tracks the mobility of workers in companies that have benefited from the program and of others not participating in it but indirectly affected by it through the dissemination of knowledge. (The channel of the spillover is skilled workers who go from being employees of the first to the second, taking with them knowledge acquired during the program's implementation.) To do this the study uses the company's tax ID to build up panel data by merging databases from the program and from the sample of employees registered. The period analyzed is 2002-2010 and includes comments from before and after the program's implementation. The database includes information of employee numbers and wages by company, export volumes, and other performance indicators. The methodology to estimate the program's causal effect consists of a combination of a fixed effects model^[1] and propensity score matching: companies with similar characteristics are identified prior to the program's implementation in order to measure the evolution of the group of beneficiary companies the indirect beneficiaries, and the control group. To do this the probability of participating in the program is estimated on the basis of observable characteristics.

Among the notable results of the exercise is the fact that the program had positive and significant impacts on employment, real wages, and the probability of exporting for both direct and indirect beneficiaries—albeit to a lesser extent in the case of the latter. The study has found that the impact is not immediate, but occurs between three and six years after the program's implementation in direct beneficiary firms, and between one and three years from the worker's recruitment in indirect beneficiary companies.

The work by Monge-González & Rodríguez-Alvarez (2013), on the other hand, assesses the impact of two productive development programs that seek to enhance the performance of SMEs in Costa Rica: "PROPYME," aimed at enhancing SMEs' capacity for innovation through nonreimbursable funds; and "CR Provee"—Costa Rica Provides—whose goal is to improve SMEs' technological capabilities in order to increase backward linkages with multinational companies operating in the country.

The study uses panel data for each program that cover the period 2001-2011, including observations before and after the programs' implementation. Like the first study, the methodology for estimating the programs' causal effect is a combination of a fixed effects model and propensity score matching. A group of companies is identified that is similar in every way to the beneficiaries, with the exception that they are not taking part in the program. This then acts as a control group.



The exercise found that both programs individually have positive and significant impacts on the participating companies' demand for employment and the likelihood of exporting. "CR Provee" also has positive impacts on real average wages. Companies that took part in both programs simultaneously had average wages higher than those participating in the second program only. This is evidence of a complementarity across the two programs.

In summary, through the improved performance of the beneficiary firms—in terms of their international insertion as well—both these studies provide evidence of the effectiveness of three innovation programs implemented in countries in the region. On the one hand, by pointing out underinvestment in innovative activities as a market failure, they set out a justification for public intervention. Private investment in innovation, in particular, may be below the social optimum if innovative companies do not fully enjoy the benefits of their investment, and others can obtain knowledge for free. On the other hand, they enable improvements in policy design and implementation. In this sense, both works argue that the scope and the budgets for these programs should be expanded, on the basis of the externalities and the dynamic effects they generate.

Bibliography

Monge-González R., & Rodríguez-Álvarez J. A. 2013. "[Impact Evaluation of Innovation and Linkage Development Programs in Costa Rica: The Cases of PROPYME and CR Provee](#)." IDB Working Paper 461. December.

Castillo V., Maffioli A., Rojo S., & Stucchi R. 2014. "[Knowledge Spillovers of Innovation Policy through Labor Mobility: An Impact Evaluation of the FONTAR Program in Argentina](#)." IDB Working Paper 488. February.

[1] If not there are no unobserved factors affecting both the program's outcome and participation, the fixed effects model enables the program's average impact to be estimated because it controls by using unobserved factors that are fixed in time (i.e. features of the company that do not vary over time).



Integration and Trade Sector





“Latin American Inequality in the Long Run”: Contributions of the Regional Conference

This article sets forth the main contributions of the Conference “Latin American inequality in the long run,” held in INTAL. Analyses of specific questions linked to the evolution of inequality in Latin America will be published in the January and February editions of the INTAL Monthly Newsletter.

The Regional Conference “[Latin American Inequality in the Long Run](#)” was held December 3-5, 2014, in the Auditorium of the Institute for the Integration of Latin America and the Caribbean (INTAL) in Buenos Aires, Argentina, organized by IDB, the World Bank, and ECLAC. During the three days, leading-edge specialists from various different countries discussed the long-term trends of inequality in the region. The Conference went into the history of Latin America in particular depth in order to understand the structural causes for persistent problems, identifying continuities and hiatuses between inequalities past and present.

Major themes in the discussion on inequality in the region

The Conference on December 3 was open to the public and was given over to presenting the general state of the breakthroughs and challenges remaining where inequality in the region is concerned. After welcoming remarks by *Gustavo Beliz* (Director of IDB-INTAL), *Luis Bertola* (University of the Republic (Udelar), Uruguay) presented an overview of inequality in Latin America from a historical perspective. Next, *Jeffrey G. Williamson* (Harvard and Wisconsin Universities, USA) offered his particular perspective on the beginnings of the region’s high levels of inequality, which he locates at the start of the twentieth century, counter to other stances that date its origin to colonial times. *Héctor Salazar Sánchez* (IDB Social Sector Manager) highlighted the main trends of the last two decades in terms of growth, inequity, inequality, and social policy, while flagging up the challenges that lie ahead. Next, *Augusto de la Torre* (Chief Economist for Latin America and the Caribbean at the World Bank) focused his presentation on current explanations for the fall in income inequality, seen by the region in the last decade. The day’s events closed with a joint presentation by *Antonio Prado* (Deputy Assistant Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC)) and *Verónica Amarante* (Director of ECLAC’s Montevideo Office). Their exposition hinged on ECLAC’s proposal regarding the need for a series of pacts among the Latin American and Caribbean (LAC) countries in order to move forward in eliminating the causes of structural inequality.

The distribution of income and wealth: factors and measures of inequality

December 4 was given over to a discussion of the distribution of income and wealth within the nations and to a study of inequality at the regional level. The first table, moderated by *Paolo Giordano* (IDB), was on “Income and wealth distribution.” *Rolf Lüders* and *Cristian Cuevas* (Pontifical Catholic University of Chile) gave a long-term econometric analysis of income distribution in Chile. *Javier Rodríguez Weber* (UDELAR, Uruguay) talked about the evolution of Uruguayan income inequality since 1850, while *Jorge Gelman* (University of Buenos Aires, Argentina) spoke on income distribution and wealth in Buenos Aires from the colonial period until the end of the nineteenth century, based on work with *Daniel Santilli*. In the panel’s last presentation, *Soledad Giardili* (University College London, United Kingdom) gave a presentation about the impact of affirmative action policies on human capital cumulation initiatives in Brazil, based on work with *Alejandra Irigoien* (London School of Economics, United Kingdom) and *Neil Kendrick* (University College London, United Kingdom).

The second table, moderated by *Julián Messina Granovsky* (WB), addressed the same subject. *Martin Andersson* and *Andrés Palacio* (Lund University, Sweden) studied the fall in Latin American income inequality in relation to the recent changes in commodity prices and terms of trade at the global level. *Raymundo Campos Vázquez* (Colmex) presented the results of work with *Luis Felipe López-Calva* (IBRD) and *Nora Lustig* (Tulane University, United States) spoke about the decline in the relative wages of workers with tertiary education in today’s Mexico. Last, *Armando Razo* (Indiana University, United States) analyzed the impact of increased political competition in Mexico on levels of municipal social spending.

In the third round table, on the subject of income and wealth distribution, *Moramay López-Alonso* (Rice University, United States) presented the conclusions of a study coauthored with *Roberto Vélez Grajales* (Espinosa Yglesias Research Center (CEEY), Mexico) on changes in human height as an indicator of the development of equality levels in Mexico. *Leonardo Gasparini* (Center for Distributional, Labor and Social Studies (CEDLAS), Argentina) analyzed patterns in the evolution of monetary inequality in developing countries over the past 30 years, based on work with *Facundo Alvaredo* (National Scientific and Technical Research Council (CONICET), Argentina). The existence of a large class of “strugglers” just above the poverty line in Latin America was the main issue addressed by Christian Meyer (Center for Global Development, United States), who, in a videoconference, presented the results of an article coauthored with *Nancy Birdsall*. The debate was moderated by *Verónica Amarante* (ECLAC).

Regional inequity was the subject of the last panel of the day, moderated by *Augusto de la Torre* (WB). *Eustaquio Reis* (Institute of Applied Economic Research (IPEA), Brazil) analyzed the determining spatial factors in regional development patterns in Brazil between 1872 and 2000, while *Graciela Márquez* (Colmex) presented a “quasi human development index” (QHDI), demonstrating its variation over time in different regions of Mexico, based on work with *Cristobal Domínguez-Flores* and *Raymundo Campos Vázquez*. The last talk of the day, from *Miguel Székely* (CEES, Mexico), was aimed at answering the question of whether the recent drop in inequality levels in Latin America is due to long-term structural changes or circumstantial phenomena.

Aspects and determining factors in inequality

December 5 opened with a panel entitled “Education and Income Inequality.” *Pablo Astorga* (Barcelona Institute of International Studies (IBEI), Spain) spoke about the evolution of functional inequality in Latin America between 1900 and 2011. The relationship between economic inequality, political inequality, and the colonial legacy in Brazil was the theme addressed by Pedro Funari (University of São Paulo (USP), Brazil) in its presentation. Last, *José Peres-Cajías* (San Pablo Bolivian Catholic University, Bolivia) studied the impact of Bolivia’s 1952 revolution on educational inequality inherited from colonial times. The discussion was moderated by *Antonio Prado* (ECLAC). The second table of the day analyzed the impact of race, gender, and class on income distribution. *Enriqueta Camps* (Pompeu Fabra University (UPF), Barcelona) investigated the impact of race on the formation of human capital in Latin America in the nineteenth and twentieth centuries, based on work with *Stanley Engerman* (University of Rochester, United States). *Justin Bucciferro* (Eastern Washington University (EWU), United States) questioned whether greater racial equality in Brazil is a long-term trend or a recent phenomenon, while *Silvana Maubrigades* (UDELAR, Uruguay), presenting a study made in conjunction with *Maria Camou*, looked at the evolution of gender wage gaps in Latin America. *María Gómez-León* (Charles III University of Madrid, Spain) established a relationship between the size of the middle class, and economic and social progress in Brazil between 1839 and 1950, while, in the closing presentation of the table, *Diego Sánchez-Ancochea* (University of Oxford, United Kingdom) addressed the relationship between income inequality and the behavior of the elites in Chile. *Héctor Salazar Sánchez* (IDB) moderated the table. The last panel of the seminar, moderated by *Alejandro Ramos* (IDB-INTAL), looked at the question of taxes. *Leticia Arroyo Abad* (Middlebury College, United States) and *Peter Lindert* (University of California, United States) looked at the distributive incidence of fiscal policy and public expenditure over time in selected Latin American countries, while *Daniel Díaz Fuentes* (Cornell University, United States, and University of Cantabria, Spain) focused on the impact of fiscal policy on inequality in the subcontinent between 1960 and 2012, based on work with *Judith Clifton* and *Julio Revuelta*.

A fruitful meeting of economists and economic historians

There was a healthy exchange of questions and comments over the three days of the Conference, both among the exhibitors themselves and, on the first open day, between them and the audience. At the close of the event, organizers and participants alike highlighted the success of the novel practice of bringing together economic historians and economists to think about all trends in the evolution of inequality in Latin America.

To access the presentations, click [here](#).



IDB-INTAL organizes regional trade in services workshop for Caribbean countries

The [Regional Workshop on Trade in Services for Caribbean Countries](#), organized jointly by the Inter-American Development Bank (IDB) through the Institute for the Integration of Latin America and the Caribbean (INTAL) and the Bank's Integration and Trade Sector (INT), the World Trade Organization (WTO) and the Secretariat of the Caribbean Community and Common Market (CARICOM), was held in Port of Spain, Trinidad & Tobago, December 2-4.

The course's objective was to train officials from Caribbean countries in negotiations of the General Agreement on Trade in Services (GATS) and regional trade agreements (RTAs) that contain commitments in this area.

The workshop included a review of the key concepts in the GATS, the major trends in regulation of trade in services in both the Caribbean and the rest of the world, and the opportunities and challenges for the region that are provided by this area. It was stressed that a strategic agenda for these activities in the Caribbean should include issues of trade facilitation in global services, the promotion and diversification of tourism, the strengthening of connectivity for maritime and air transport, diversification of the energy matrix, and capacity-building. In these areas, regional integration can strategically contribute to reducing weaknesses at national level.

Officials also took part in simulations of each of the stages of the negotiation process on this topic.

The agenda and course materials are available [here](#).

Legal Instruments of Integration (IJI)

Observatory

Trend of the month

Between November and December 2014, overall regional trade policy was characterized by the activity in existing agreements. Bolivia's accession to MERCOSUR was a significant development, as were a series of improvements to agreements signed by Chile and other countries. In terms of new or advanced negotiations, there were new developments involving Ecuador and the Pacific Alliance.

360° view

Over the course of the month, a new agreement was reached and progress was made in 13 trade negotiations (2 new, 6 advanced, and 5 completed). There was also relevant activity in other ongoing agreements.

Cuba-Nicaragua

- The [Cuba-Nicaragua free trade agreement](#) entered into force December 10.

New negotiations

- Ecuador reported progress toward the signing of trade agreements with the European Free Trade Association (EFTA) and Japan.

Advanced negotiations

- The [Twenty-Sixth Meeting of the Pacific Alliance High Level Group](#): was held in Chile, October 10.
- MERCOSUR and the European Union (EU): the [47th Forty-Seventh MERCOSUR Summit debated](#) ongoing trade agreements with Asia and the EU.
- The Trans-Pacific Partnership Agreement (TPP): Late November and early December saw the latest [progress reports](#) being submitted.
- Colombia and Japan brought the [Ninth round of negotiations toward a trade agreement](#) forward to December 22.

Concluded negotiations

- Colombia-South Korea: [Congress approved the FTA with South Korea](#) at the first debate, December 3. The agreement with the Asian country makes this Colombia's very first agreement with the Asia-Pacific market.
- Colombia-Costa Rica: the [Senate approved the trade agreement with Costa Rica](#) at the second debate, November 5.
- Ecuador-EU: [The act to seal the process of legal review of the results of the trade negotiation between Ecuador and the EU](#) was signed December 12.

Trade agreements

- MERCOSUR-Bolivia: The Forty-Seventh MERCOSUR Summit agreed [Bolivia's entry to MERCOSUR](#) as a full member.
- Chile-Australia: The two countries signed an [agreement modifying the scope of their FTA's chapter on Public Procurement](#) December 11.
- Chile-Canada successfully concluded the negotiation of [the chapter on Technical Barriers to Trade](#) November 10.
- The [Twelfth Chile-EU Association Committee: Toward the modernization of the Association Agreement](#).
- Chile-India: The two countries [agree a major broadening of the trade agreement in force since 2007](#). The process of deepening will increase the scope of the agreement from its 474 products today to 2,800.
- Uruguay-Brazil: Agreement for [the signing of a local currency payment system](#).
- Mexico-MERCOSUR: [Argentine restrictions on Mexican automobiles end](#) in March 2015.

IJI is a compilation of normative texts, comments, and follow-up on the basic legal commitments of the various integration processes of Latin America and the Caribbean. To learn more about advances and developments in trade agreements and negotiations visit the [IJI website](#).



Latin American exports fell in 2014, according to IDB study

Exports from Latin America will drop by about 1.4 percent in 2014, the first decline in exports since the collapse of international commerce during the 2009 financial crisis, according to a study by the Inter-American Development Bank (IDB). The decline marks the third straight year of low performance in foreign trade, caused in part by low international commodities prices and weak international demand, according to the Latin American Trade Trends Estimates 2014. ([Link](#))






Other IDB Activities







IDB to launch new open data portal on development in Latin America and the Caribbean

The Inter-American Development Bank (IDB) announced it will launch in the first quarter of 2015 Numbers for Development, a free and open data portal focused on Latin American and Caribbean development indicators. The new portal will allow users to access and utilize a wealth of IDB data on topics ranging from social inclusion to global integration for 26 countries in the region. It will also offer users the opportunity to download datasets and create their own data visualizations. ([Link](#))



The IDB's Multilateral Investment Fund program EcoMicro wins United Nations climate solutions award

EcoMicro, a program that works with microfinance institutions to develop green financial products in Latin America and the Caribbean, has been awarded a 2014 UNFCCC Momentum for Change - Lighthouse Activity Award by the United Nations Framework Convention on Climate Change. EcoMicro, which is co-financed by the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank Group, and the Nordic Development Fund, will receive the award today during the UN's COP 20 Climate Change Conference in Lima. ([Link](#))



Young Latin American entrepreneurs celebrated for their innovative solutions to region's development challenges

“Demand Solutions – Ideas for Improving Quality of Life” at the Inter-American Development Bank links creative start-ups with investors, mentors and thought leaders. Sixteen young entrepreneurs from Latin America showcased their innovative products and services Dec. 2 at an international event in Washington, D.C. aimed at encouraging bold new solutions to the region's toughest development problems. ([Link](#))





INTAL Documentation Center







Reviews

La Alianza del Pacífico y el MERCOSUR: Hacia la convergencia en la diversidad. Santiago de Chile: ECLAC, November 2014 [80 pages].


This publication was prepared by the ECLAC for the seminar, “[Dialog on Regional Integration: Pacific Alliance and MERCOSUR](#),” held in Santiago de Chile, Chile, November 24, 2014. Its main objective is to explore a work agenda for the convergence of the two blocks.

The first chapter describes the international scenario facing Latin America and emphasizes the strengths and weaknesses of its international insertion. The research highlights the relative slowdown in the developed countries when compared to the dynamism prior to the global crisis of 2008-2009. The stagnation of the Euro Zone is having a negative impact on world trade and particularly on the region’s external demand.

The work highlights three major shifts in the global economy: first, the acceleration of scientific innovation and technological change, with significant impacts on production and international trade; second, the growing role of developing countries in world growth and in the foreign direct investment (FDI) flows, due to a large extent to the dynamism of Asia; third, the rising importance of international value chains and the impact of negotiations of mega-agreements in the region. The research describes some of the strengths of Latin America’s international insertion, such as the expansion of its middle class and regional consumer market, and its abundance of natural resources. It also points out two of the region’s major weaknesses: on the one hand, the stagnation of its export performance, characterized by high dependence on raw materials, the low number of exporting companies, the high concentration of shipments in a small number of firms, and high logistics costs; on the other hand, inadequate insertion in the knowledge economy.

The second chapter describes the main features of the Pacific Alliance (PA) and MERCOSUR. These blocs comprise the seven largest economies in the region and represent more than 80% of the population and exports, and more than 90% of Latin American GDP and FDI flows.

In the area of trade relations, the work emphasizes that the PA is responsible for half the region’s worldwide goods exports, while intra-MERCOSUR trade (13.9% in 2013) is larger than flows among the PA countries (3.5%). Both integration spaces are especially important as destinations for their members’ exports of high and medium technology manufacturing. Based on a variety of criteria, the



study finds that the most intense intraindustrial relations are Argentina-Brazil and Brazil-Mexico. It also describes trade in services, stressing that, while the travel heading predominates for the PA, other services are predominant in MERCOSUR, especially business services. In the area of FDI between the two blocs, the research highlights the role of the trans-Latins, mainly in response to market signals.


The third chapter offers insights into a possible work agenda between the PA and MERCOSUR, emphasizing that gradual convergence would entail benefits not just for its members, but would also constitute a historic opportunity to move toward an integration with regional scope.

Among potential benefits, the publication highlights the possibility of diversifying the region's productive and export structure, owing to the fact that intraregional trade is characterized by being more diversified and intensive in manufacturing, higher in technological content, more accessible to SMEs, and by creating more employment for extraregional trade. The work also emphasizes that this convergence would be likely to boost the competitiveness of regional value chains, which depends on the quality of integration infrastructure and regulatory convergence.

The study points out that, the two schemes' differences in approach to trade and tariffs aside, there is ample room to work together. In particular, it lists eleven elements in a possible work agenda:

1. *Trade facilitation*: designing and regionally implementing actions that each group has carried out, such as digitization of trade-associated procedures and interconnection of one-stop shops for foreign trade, harmonization or mutual recognition of technical, sanitary, and phytosanitary standards.
2. Cumulation of origin: moving toward a cumulation mechanism applicable to all members.
3. Mobility of people: facilitating mobility between the two blocs, according to the progress of each bloc.
4. Trade in services statistics: developing a comparative statistics system by partner, sector, and mode of supply.
5. Science, technology, innovation, and prospects: cooperation agreements to take advantage of economies of scale in science and technology.
6. Sustainability: promoting common development in environmentally sustainable use of natural resources.
7. Transport: strengthening integration in infrastructure in the framework of the South American Infrastructure and Planning Council (COSIPLAN) and dovetailing policy frameworks.
8. Energy: fostering electrical interconnection, and facilitating the exchange of gas and other energy sources.
9. Industrial policy: promoting cross-border production chains through support for the internationalization of small and medium enterprises.
10. Joint approach to Asia-Pacific: designing a link that has vision and appropriate policies to meet the challenge in a coordinated manner.
11. Tourism: facilitating the movement of tourists across borders and making Latin America a popular world tourist destination.

The work concludes with a call for dialog and action from specialized institutions and business organizations, with specific suggestions for deep, wider-ranging integration.



The publication's value lies, on the one hand, in its comprehensive economic and commercial portrait of the PA and MERCOSUR, and the linkages between the two, taking into account intraindustry indicators and pointing out sectors with the potential for expansion. On the other, its contributions on the various different elements for convergence are also relevant, as is its account of the progress each group has made in the various areas. Though it may lie beyond the publication's scope, there is no macroeconomic analysis of countries, which would give a clearer picture of their relative performances and some of the determining factors for convergence. In short, the publication is valuable both to public officials responsible for closer cooperation between the two spaces and to academics and institutions addressing Latin American integration.

Economic Commission for Latin America and the Caribbean (ECLAC), 2014. [La Alianza del Pacífico y el MERCOSUR. Hacia la convergencia en la diversidad](#). Santiago de Chile: ECLAC. November.



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

* Giordano, P.; Michalczewsky, K. y Ramos, A. (2014).
Estimaciones de las tendencias comerciales América Latina
2014. Washington: BID.



Autor:Giordano, Paolo; Michalczewsky, Kathia; Ramos, Alejandro
Título:Estimaciones de las tendencias comerciales América Latina 2014 = Latin American trade trend estimates 2014
Otros responsables:Galeazzi, Clara; Harris, Jeremy; Iannuzzi, Patricia
Edición:Washington: BID, december 2014 [11 p.]
Serie:Estimaciones de las tendencias comerciales = Trade trend estimates
Temas:<COMERCIO INTRARREGIONAL><COMERCIO INTERNACIONAL><DESARROLLO ECONOMICO><CRECIMIENTO ECONOMICO><FACILITACION DEL COMERCIO><ACUERDOS REGIONALES DE COMERCIO><EXPORTACIONES><IMPORTACIONES>
Geográficos:<AMERICA LATINA>

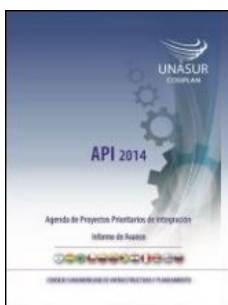
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HM INT-INTRADE.EST. [2014]
Documento Electrónico

[Versión en español](#). Si no pudo acceder haga click [aquí](#)

[English version](#). Si no pudo acceder haga click [aquí](#)

*** Iniciativa para la Integración de la Infraestructura Regional Suramericana, IIRSA. (2014). API : Agenda de Proyectos Prioritarios de Integración : Informe de avance 2014. Montevideo: IIRSA.**



Autor inst.: Iniciativa para la Integración de la Infraestructura Regional Suramericana, IIRSA

Título: API : Agenda de Proyectos Prioritarios de Integración : Informe de avance 2014

Edición: Montevideo: IIRSA, diciembre de 2014 [294 p.]

Temas: INICIATIVA PARA LA INTEGRACION DE LA INFRAESTRUCTURA REGIONAL SURAMERICANA, IIRSA<UNION DE NACIONES SURAMERICANAS, UNASUR><PROYECTOS DE INTEGRACION><INFRAESTRUCTURA><INTEGRACION FISICA>

Resumen: Este cuarto Informe de la Agenda de Proyectos Prioritarios de Integración (API), previsto en el Plan de Trabajo COSIPLAN IIRSA 2014, se encuentra destinado a la consideración del Consejo de Infraestructura y Planeamiento (COSIPLAN) de la UNASUR y a la ciudadanía. El Informe reseña los resultados del trabajo realizado por los países en la implementación de los proyectos estructurados, y presenta un balance general y la evolución de la API.

Nota de contenido:

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1: Número de proyectos y monto de inversión estimada [p. 19]

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4: Tipo de financiamiento [p. 34]

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D: Eje Andino [p. 67]

E: Eje de Capricornio [p. 101]

F: Eje del Escudo Guayanés [p. 159]



G: Eje de la Hidrovía Paraguay-Paraná [p. 179]
H: Eje Interoceánico Central [p. 205]
I: Eje MERCOSUR-Chile [p. 229]
J: Eje Perú-Brasil-Bolivia [p. 267]

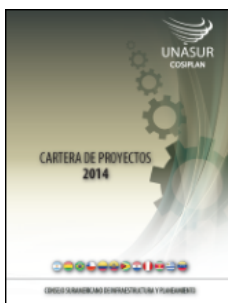
Accesos al documento:

624.1 / IIRSA-API / 2014

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* Cartera de Proyectos del COSIPLAN 2014. (2014). Buenos Aires: IIRSA.



Título: Cartera de Proyectos del COSIPLAN 2014

Edición: Buenos Aires: IIRSA, diciembre de 2014 [270 p.]

Temas: <INTEGRACION FISICA><CONSEJO SURAMERICANO DE INFRAESTRUCTURA Y PLANEAMIENTO, COSIPLAN><INICIATIVA PARA LA INTEGRACION DE LA INFRAESTRUCTURA REGIONAL SURAMERICANA, IIRSA><PROYECTOS DE INFRAESTRUCTURA>

Geográficos: <AMERICA DEL SUR>

Resumen: Este Cuarto Informe de la Cartera de Proyectos del COSIPLAN, previsto en el Plan de Trabajo COSIPLAN-IIRSA 2014, se encuentra destinado a la consideración del Consejo Suramericano de Infraestructura y Planeamiento (COSIPLAN) de la UNASUR y a la ciudadanía, y persigue un doble objetivo. Por un lado, reseña los resultados del trabajo realizado por los países durante el presente año en materia de planificación territorial. Por otro lado, presenta un balance general de la Cartera, incluyendo un detalle de la evolución de los proyectos.

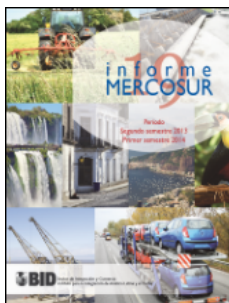
Accesos al documento:

332.135 / COS-CAR / 2014

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* Beliz, G., dir. y Ramos Martínez, A., coord. (2014). Informe MERCOSUR número 19 : Segundo semestre 2013 - Primer semestre 2014. Buenos Aires: INTAL.



Autor: Beliz, Gustavo, dir.; Ramos Martínez, Alejandro, coord.

Título: Informe MERCOSUR número 19 : Segundo semestre 2013 - Primer semestre 2014

Otros responsables: Campos, Rosario; Gayá, Romina; Michalczewsky, Kathia; Rozemberg, Ricardo; Makuc, Adrián; Svarzman, Gustavo; Mesquita Moreira, Mauricio; Instituto para la Integración de América Latina y el Caribe, INTAL

Edición: Buenos Aires: INTAL, noviembre de 2014 [141 p.]

Serie: Subregional Integration Report Series MERCOSUR = Informes Subregionales de Integración MERCOSUR = Série Informes Subregionais de Integração MERCOSUL; 19

Temas: <MACROECONOMIA><ECONOMIA INTERNACIONAL><INTEGRACION REGIONAL><INTEGRACION ECONOMICA><INTEGRACION PRODUCTIVA><NEGOCIACIONES COMERCIALES><RELACIONES COMERCIALES><ACCESO A LOS MERCADOS><ACUERDOS REGIONALES DE COMERCIO><COMERCIO INTERNACIONAL><COMERCIO INTRARREGIONAL><DESARROLLO ECONOMICO><ENERGIA><EXPORTACIONES><IMPORTACIONES><INVERSIONES><POLITICA COMERCIAL><REGIONALISMO><TRANSPORTES EN GENERAL><TRANSPORTE TERRESTRE><INVERSION EXTRANJERA DIRECTA, IED><MERCADO COMUN DEL SUR, MERCOSUR><BRICSALIANZA BOLIVARIANA PARA LAS AMERICAS, ALBA><CARIBBEAN COMMUNITY, CARICOM><UNION EUROPEA, UE><ARCO DEL PACIFICO>

JEL: E; E23; E3; E6; F; F1; F2; F3; F4; F5; F53; H54; O; O1; O11; O13; O2; O3; O54

Geográficos: <AMERICA LATINA><CARIBE>

Resumen: Desde 1996, el Instituto para la Integración de América Latina y el Caribe del BID (BID-INTAL) ha publicado la edición anual del Informe MERCOSUR, con el objeto de documentar los aspectos más importantes del desarrollo económico y comercial de esta entidad regional, haciendo un recuento ordenado de los principales aspectos de su evolución durante el período del estudio. Este Informe N° 19, corresponde al período comprendido entre el segundo semestre de 2013 y el primer semestre de 2014, y al igual que aquéllos que le precedieron, se inscribe dentro de un ámbito más amplio de actividades realizadas por el Banco Interamericano de Desarrollo (BID) orientadas a analizar y fortalecer los procesos de integración regional y multilateral de América Latina y el Caribe, como el

del Mercado Común del Sur (MERCOSUR), creado por el Tratado de Asunción y suscrito en 1991, que presentamos en esta oportunidad.

Nota general: Nota Técnica BID N° 719.

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* Giordano, P., coord. y Ramos, A., col. (2014). Trade and Integration Monitor 2014 : Facing Headwinds : Policies to support a trade recovery in the post-crisis era. Washington: BID.



Autor:Giordano, Paolo, coord.; Ramos, Alejandro, col.

Título:Trade and Integration Monitor 2014 : Facing Headwinds : Policies to support a trade recovery in the post-crisis era = Monitor de Comercio e Integración 2014 : Vientos Adversos : Políticas para relanzar el comercio en la post-crisis

Otros responsables:Estevadeordal, Antoni; Galeazzi, Clara; Harris, Jeremy; Iannuzzi, Patricia; Michalczewsky, Kathia; Curran, Linda; Campos, Rosario; Kobylnik, Andrea; Mazzella, Federico; De Oliveira, Mauro; Crotto, Manuel; Skinner, Martha; Osorio, Carolina; Mesquita Moreira, Mauricio; Ramos, Bárbara; Lucenti, Krista; Vodusek, Ziga

Edición:Washington: BID, october 2014 [71 p.]

Serie:Trade and Integration Monitor

Temas:<DESARROLLO ECONOMICO><COMERCIO INTERNACIONAL><INTEGRACION ECONOMICA><NEGOCIACIONES COMERCIALES><FACILITACION DEL COMERCIO><EXPORTACIONES><BALANZA DE PAGOS><PRECIOS>

Geográficos:<AMERICA LATINA><CARIBE>

Resumen:This report provides a detailed analysis of the principal characteristics of LAC's exports during the post-crisis period. The weak performance of the export sector stems from a combination of multiple variables operating in the global economy and whose future remains uncertain. In any case, the trends identified in this analysis represent a warning for the region and emphasize the need to support the recovery of the export sector. This is particularly true in the area of trade policies, where measures to remedy the situation do not rise to the magnitude of the challenges. The first section examines the principal characteristics of the slowdown in world and regional trade since the middle of 2011. The second section provides an overview of the region's trade performance between 2012 and 2013, as well as the trends in value and composition of the regional export basket in 2013, highlighting the key factors in each subregion and country. Additionally, it presents an analysis of the evolution of the terms of trade of the region, outlining the deterioration of the last two years, as well as the contributions of price and volume changes to the trajectory of foreign sales. The third section discusses recent developments in the trade policy sphere, with emphasis on the progress of multilateral and regional agreements on trade facilitation.

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- Methodological Annex 2 [p. 51]

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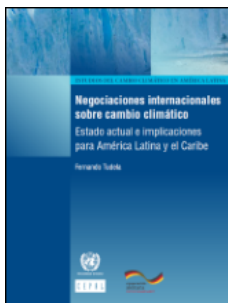
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* Tudela, F. (2014). Negociaciones internacionales sobre cambio climático: Estado actual e implicaciones para América Latina y el Caribe. Santiago de Chile: CEPAL.



Autor: Tudela, Fernando

Título: Negociaciones internacionales sobre cambio climático : Estado actual e implicaciones para América Latina y el Caribe

Edición: Santiago de Chile: CEPAL, noviembre de 2014 [115 p.]

Serie: Documento de Proyecto; 637

Temas: <CAMBIO CLIMATICO><POLITICA AMBIENTAL><DESARROLLO SOSTENIBLE>

Geográficos: <AMERICA LATINA><CARIBE>

Resumen: El presente documento intenta sistematizar información actualizada que pudiera contribuir a facilitar el posicionamiento de los países de la región de América Latina y el Caribe en las actuales negociaciones multilaterales sobre cambio climático, en particular aquellas relacionadas con la Plataforma de Durban. A partir de una descripción de la evolución de estas negociaciones, el documento describe los distintos Grupos en los que participan los países de la región, tanto aquellos enmarcados en la Convención como otros con incidencia en la negociación. Se caracteriza después la evolución de las emisiones de los países de la región, destacando las incertidumbres que afectan a aquellas provenientes de cambios en el uso del suelo.

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- Conferencia Iberoamericana. (2014). Declaración de Veracruz : “Educación, innovación y cultura en un mundo en transformación”. Veracruz: Conferencia Iberoamericana. [Link](#).
- Decision -/CP.20 : Lima call for climate action. (2014). Lima: United Nations. [Link](#).
- Further advancing the Durban Platform : Draft decision -/CP.XX : Proposal by the President. (2014). Lima: United Nations. [Link](#).



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