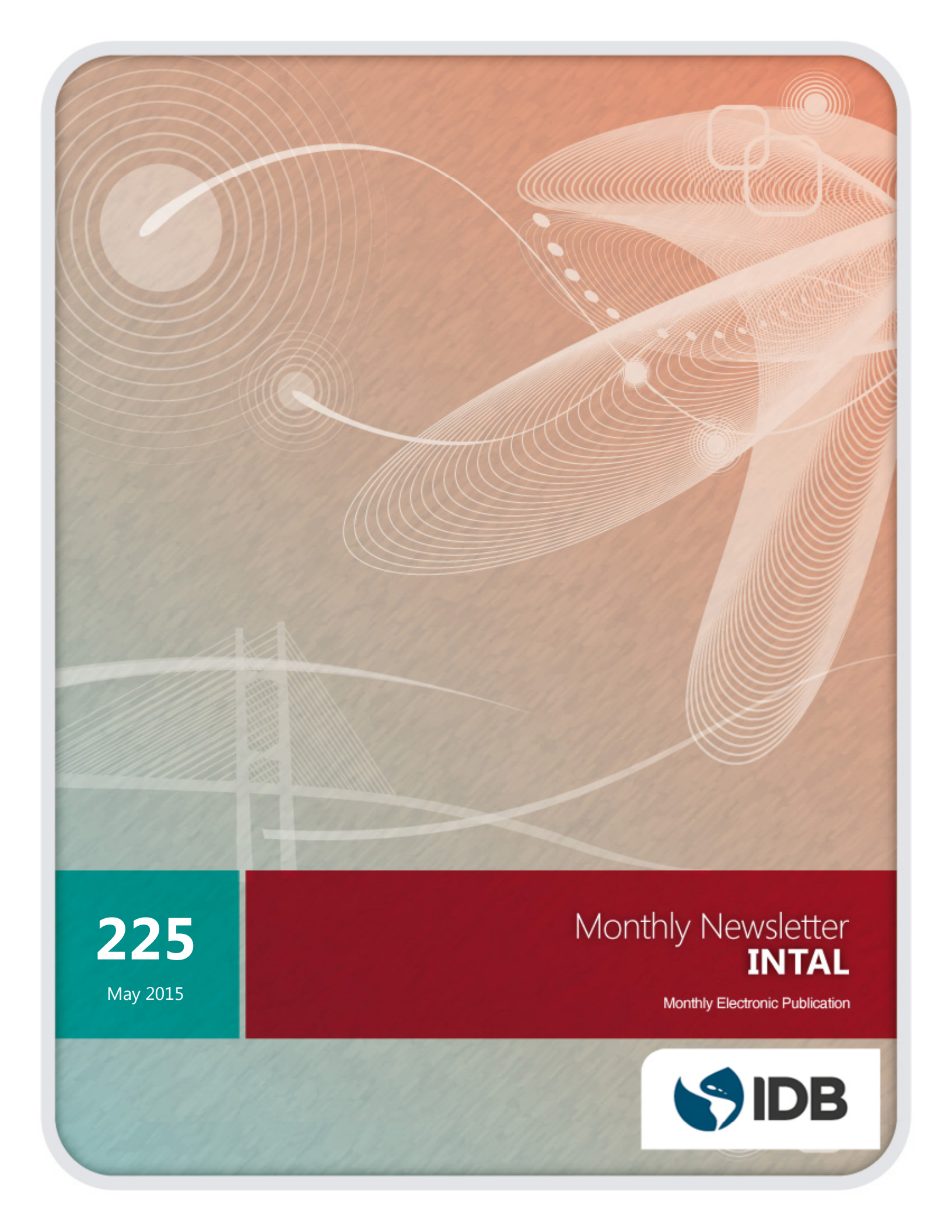




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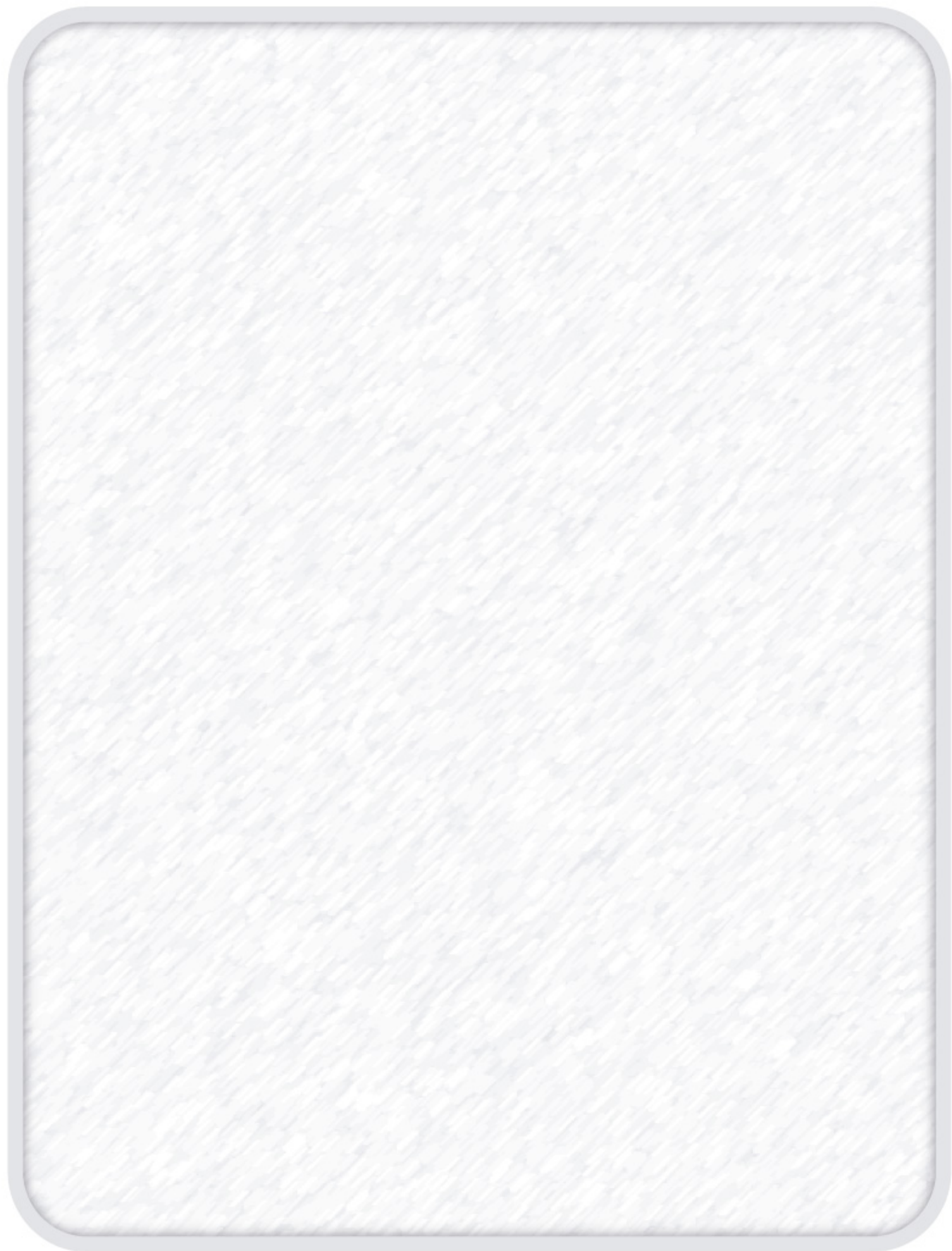


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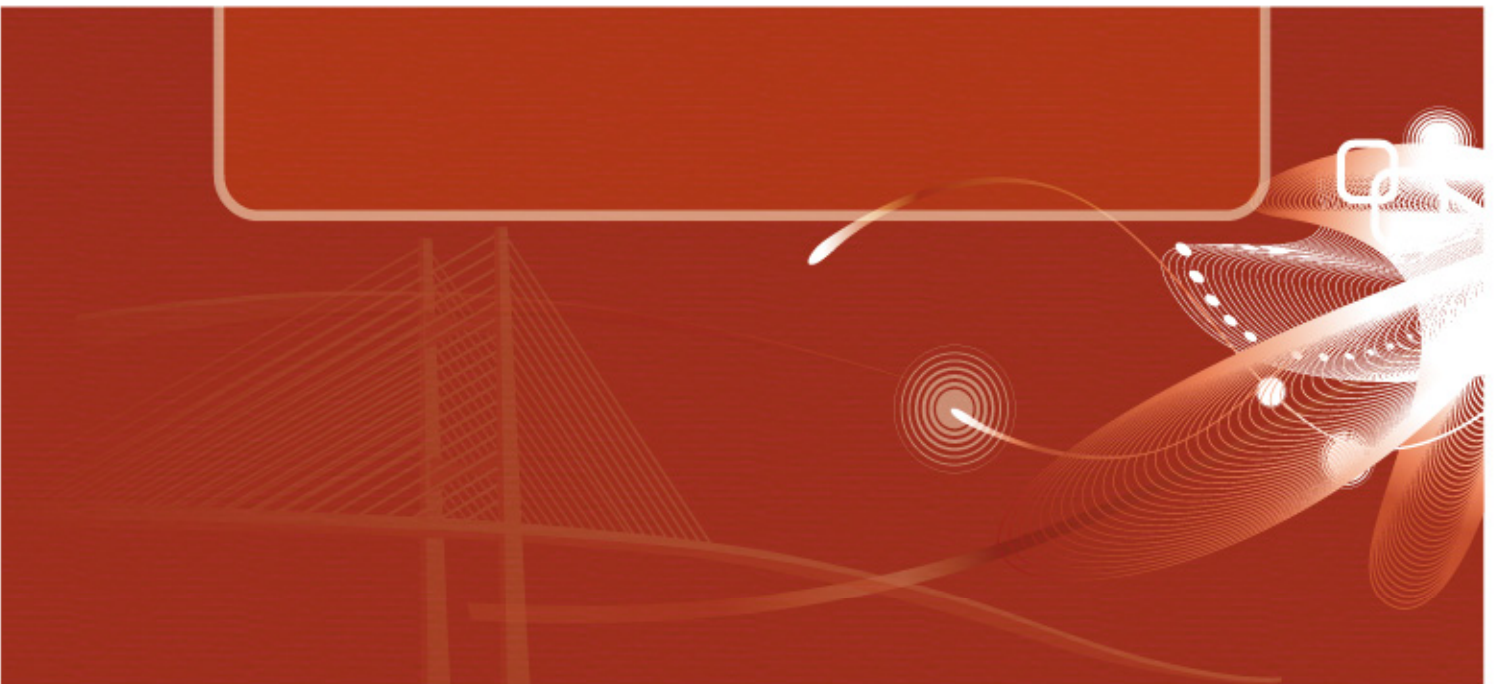
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Analysis Column





INTAL turns 50. The Changing Energy Economy: New Global and Regional Trends

As part of its 50th Anniversary activities during 2015, the Institute for the Integration of Latin America and the Caribbean (INTAL), in conjunction with the Buenos Aires Interdisciplinary Institute for Political Economy of Buenos Aires (IIEP-BAIRES) of the University of Buenos Aires (UBA), has organized a series of four international seminars for 2015 under the heading “Productive Potential and Regional Export Performance: Policies and Business Strategy for External Positioning.”[1] The second of these international seminars, “The Changing Energy Economy: New Global and Regional Trends,” was held at the UBA’s Faculty of Economic Sciences ([agenda](#)), May 13. The seminar was attended by leading academics, experts, and public and international officials. The seminar was inaugurated by INTAL’s Director, Gustavo Beliz, and IIEP-BAIRES’s Deputy Director, Adrián Ramos.



Gustavo Beliz pointed out that INTAL’s anniversary activities are an opportunity to develop and promote debate about the past fifty years in Latin America and the Caribbean (LAC), while looking ahead to the main challenges facing the region. Referring to the document, “[Energy: Fueling the Americas' growth](#),” prepared by the Trade and Integration Sector of the Inter-American Development Bank (IDB) and presented as part of IDB’s Americas Business Dialogue in Panama in April 2015, he stressed the energy potential of LAC: while the region accounts for just 8.5% of the world population and 8.7% of world GDP, it produces 20.4% of the world’s hydroelectric power, 13.2% of its crude oil, and 6.6% of its natural gas. Against such a background, the document notes

the main opportunities and challenges that lie ahead. On the one hand, it will be necessary to double installed electricity generation capacity by 2030 in order to keep up with population growth and improved living conditions. On the other hand, there is a need to increase efficiency, diversify the energy matrix, deepen regional integration (as with the Central American Electrical Interconnection System, SIEPAC), and achieve financial sustainability, and environmental and social sustainability. He stressed that the United Nations General Assembly has declared the period 2014-2024 as the Decade of Sustainable Energy For All.[2]

He also pointed to the linkage between these processes and technological advances, foreshadowing a major event to mark INTAL's 50th anniversary, to be held in Buenos Aires, Wednesday October 7, focusing on disruptive technologies and exponential change, and their impact on LAC.

Adrián Ramos in turn stressed INTAL's role in moving forward regional economic thinking, and the debate about development and integration issues in the region. He pointed out that the energy sector is key for LAC economies' export potential and drew attention to its linkage with a central issue in economic history: the external constraint limiting growth.

After the opening remarks came the seminar's first panel, with Paul Isbell of the Center for Transatlantic Relations, Johns Hopkins University, Washington, D.C.; Helder Queiroz Pinto Jr., Director of the National Agency of Petroleum, Natural Gas, and Biofuels (ANP), from the Federal University of Rio de Janeiro, Brazil; and Nicolás Gadano of the Center for the Implementation of Public Policies Promoting Equity and Growth, (CIPPEC), Buenos Aires.



The panel was moderated by **Fernando Navajas** (UBA), who gave a brief introduction, noting the scope of the subject of energy and the significance of structural change as a factor that hampers forecasting. He pointed out that the current situation, characterized as it is by falling oil prices, is highly unusual, and forces us to think about the disruption in energy markets stemming from technological change and the consequent broadening of the supply base.



First to speak was **Paul Isbell**, who focused on a discussion of changes and transformations in the global energy sector. His [presentation](#) “The Atlantic Energy Renaissance in a Time of Shifting Prices” reflects a new approach to common data, remapping the world into three major regions:

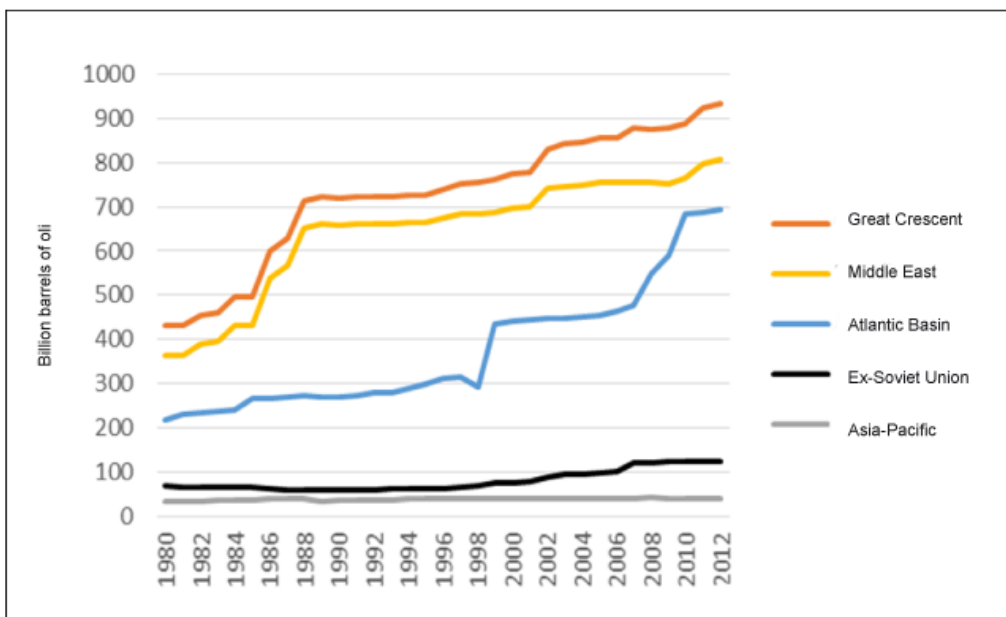
- *The Atlantic Basin*: North America, Europe, Africa, and LAC;
- *Asia Pacific*: the East;
- *The Great Crescent*: the Middle East, Central Asia, and Russia.

Based on global projections,[3] he noted that there could be a shift in the balance of the global energy mix by around 2040/2050, with fossil fuels losing ground and accounting for a quarter of global energy. In this group, natural gas will partially displace oil, eventually accounting for 85% of trade in energy.

Among the factors explaining the current drop in energy prices, he pointed to what he terms the “Atlantic Renaissance”. This traditionally energy-importing region has, since the 1990s, been undergoing a structural change in its energy supply, the result of which is a significant increase in resources, proven reserves, and production. He also underlined the fact that the Atlantic Basin is gaining relevance as a provider of energy for Asia-Pacific, a trend that will continue into the future. The “Atlantic Renaissance” is not only a phenomenon of the North Atlantic, which historically has seen the highest demand for energy, but of the South Atlantic too, where there has been great dynamism at the margin, that is to say, an increased contribution to supply growth. The Atlantic has thus substantially increased the gas and, to a lesser extent, the oil supply. As Figure 1 shows, the increase of proven reserves in the Atlantic Basin has led to a closing of the gap with the Great Crescent (primarily the Middle East). This explains why more than 70% of the growth in oil production between 2015 and 2035 should come from the Atlantic Basin, to satisfy both local demand and that of the Asia-Pacific region.

Figure 1: Proven oil reserves by major region

Oil in billions of barrels



Source: Presentation by Paul Isbell.

Where gas is concerned, conventional reserves belong mainly to the Great Crescent. However, the Atlantic Basin holds more than 70% of shale gas reserves, suggesting greater potential for this region in the years ahead. Ten years ago, Asia-Pacific was expected to be the driver of demand, with supply coming from the Middle East. Three factors, however, explain why current projections are very different:

1. A major hike in the supply and output of *non-conventional* (shale and tight) hydrocarbons, [4] mainly in United States.
2. *Offshore* (oil and gas) development: The Atlantic Basin has the potential to lead this sector. More than 60% of world offshore oil production takes place in the Atlantic Basin, representing more than 95% of deep offshore production.[5] Offshore development explains most of the increase in production, while onshore development is either stagnant or in decline. The future of fossil fuels at the margin is offshore. It is a similar picture for gas, although there is more competition from Asia and Australia, and most notably from the South Atlantic. Most investments also occur in the Atlantic Basin, with strong participation from the South.

- 
3. *Non-conventional renewable energy* development: More than 70% of installed capacity and renewable energy generation in 2015 is from the Atlantic Basin. In this area, projections are not as positive for this region as they are for fossil fuels; it implies a challenge with a great deal of potential nevertheless. Asia-Pacific has a growing share of renewable energy production, although the Atlantic Basin will remain the leader, with dynamism in the South. Biofuels are a case in point, with the Atlantic Basin representing more than 85% of production and more than 90% of trade.

The second [presentation](#), from **Helder Queiroz Pinto Jr.**, focused on the oil and natural gas industry, and on the challenges and prospects for integration in LAC, in particular in Brazil.

He first focused on the *changes in the key variables in the oil and gas industry*, pointing out that the fall in the oil price as of the second half of 2014 impacted demand and investment decisions, and generated new approaches within international trade. In particular, he drew attention to the change of stance of the Organization of Petroleum Exporting Countries (OPEC) (especially Saudi Arabia), which is no longer scaling back production to keep prices high, and also to United States's lower international demand as a result of the development of its shale (oil and gas) production. He also underlined the change in relative gas prices; this was striking, since it was expected to become a commodity, with price convergence in the three main markets (LNG/Japan, Henry Hub/United States, and NBP/UK).

Next, he concentrated on the impact on LAC of the changes in these variables, and also on *the region's major challenges and concerns in the face of the energy scenario*.

On the one hand, there has been significant variation in the costs of exploration (e.g. drill rental and exploration platforms), which should change in a context of low hydrocarbon prices. On the other hand, shale gas production costs are much higher, but should also come down.

On the other hand, the region is lagging behind in terms of an energy integration and coordination model. Whereas 15 years ago integration was being planned through infrastructure, mostly with major transmission lines and pipelines, today there is a greater number of reliquefaction units in exporting countries and regasification units in importing countries, and LNG plays a far more important role.

Although the integration-through-infrastructure model made less progress than expected, there are significant opportunities and complementarities to be exploited by LAC countries. For example, the speaker warned that there is no coordination or exchange of information, despite the existence of areas with geological resources involving more than one country, as for example, in the border region between Brazil and Uruguay. There are many opportunities, then, for regional cooperation in geological surveys and knowledge, technology, infrastructure, contracts, externalities (environmental regulation and social impacts), well productivity, logistics, cost structures, and so on.

Third, the speaker gave an overview of the industry in *Brazil*, highlighting the dynamism of Pre-Salt [6] production since it began in 2007, as well as its high productivity, which has surpassed all expectations. Here it should be noted that investment requirements are high because the resources lie in deep and ultra-deep waters, and logistical and environmental issues have also to be taken into account. Viewed in isolation, Brazilian Pre-Salt production involves 47 working wells and is the fourth largest oil-producing region in LAC, with 673,000 barrels per day and peaks of 800,000, after Venezuela, Brazil, and Colombia, similar to Argentina's output (Table 1).

Table 1: Oil production

In thousands of barrels per day

1°	Venezuela	2,623
2°	Brazil*	2,413
3°	Colombia	1,004
4°	Pre-Salt*	673
5°	Argentina	656
6°	Ecuador	527
7°	Trinidad & Tobago	118
8°	Peru	104

Note: * ANP - March 2015. Source: Presentation by Helder Queiroz Pinto Jr.

Non-conventional oil and gas production has great potential in Argentina, but also in Colombia, Mexico, Venezuela, and Brazil. Given that geological knowledge is limited, it is important to develop additional studies and to be mindful that there are differences between wells, which is why the US model is difficult to reproduce in the short and medium terms. We need to explore learning curves that are specific to local contexts.

In conclusion, the new oil prices are having both microeconomic impacts, such as revised investment plans, and macroeconomic impacts, through lower exports and on fiscal budgets. The new frontiers of hydrocarbons are seeing tougher inter-energy competition, and faster learning processes are required. There is also a need for the adaptation of energy policy instruments. In Brazil's case, experience has shown that investment cycles in the industry are long, and it is important to keep up exploratory activity. Dependency on external gas supply creates investment opportunities, but it requires expansion of the pipeline infrastructure for interconnection, transportation, and distribution. There is an alarming lack of a specific energy integration model in the countries of the region, which distances it from an objective of possible integration and expansion of complementarities.

The third [presentation](#) was given by **Nicolás Gadano**, who focused first on the current state of energy in Argentina and then on the challenge of non-conventional resources.

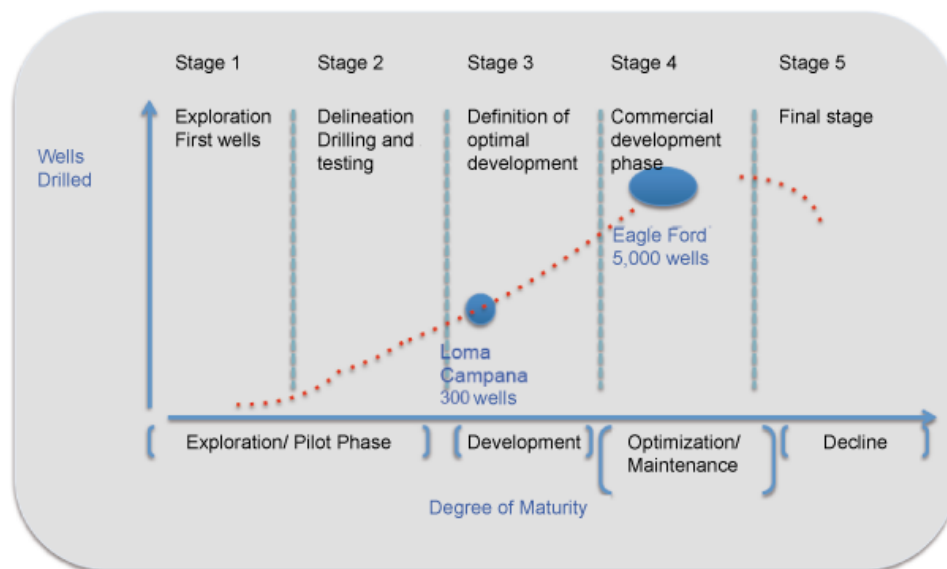
He stressed that, as a result of the combined effect of economic growth and low energy prices in the domestic market (through demand-side subsidies), energy consumption was up substantially between 2003 and 2008, bucking global trends, where higher fuel prices have led to more efficient energy use. In terms of primary sources, Argentina's energy matrix is remarkable for its strong bias toward natural gas (52%, as against 10% in Brazil, and less than a third in the rest of the region).[7]

This was a strategic decision for gasification, based on the discovery of the Loma de la Lata gas fields in the 1970s, and it led to a household gas distribution network, the gasification of transport, and other impacts.

In the last decade, the oil price in Argentina (Medanito) has been below the international benchmark. This gap peaked in 2008, but since then has begun to close. In 2015, for the first time, the reverse situation has been seen, with falling prices internationally and rising prices in the domestic market.[8]

Next, the speaker brought up the subject of non-conventional resources. In United States, the world leader in this sector, the technological revolution has made it technically and economically profitable to extract non-conventional resources that were already known about. Growth was extremely rapid and there was an overall gain in market share. The new context of low prices affects the prospects of this technology. However, shale's potential for Argentina is vast, not just because of the resources, but because of the industrial conditions: the resources are in Vaca Muerta in the Neuquena Basin, which is already producing conventional resources: the geology is known; there is infrastructure; the community is used to it; and, above all, there is a water supply that does not clash with other productive activities. To unlock the potential of these non-conventional resources, cost reduction in well construction will be key. Vaca Muerta covers Neuquén Province and has 300 production wells (compared to 5,000 at Eagle Ford), headed up by YPF in partnership with international companies (Diagram 1).

Diagram 1: The non-conventional exploitation cycle



Note: Diagram translated. Source: Presentation by Nicolas Gadano.

A special feature of Argentina should be noted: namely that the provinces are the domain of hydrocarbons, which generates negotiating costs within the public sector itself. Looking ahead, the new opportunities for exploration are not exclusive to Vaca Muerta; they are

also to be found both in other already productive fields (where the potential lies in non-conventional ones) and in new fields (with no infrastructure) or offshore fields, which have macroeconomic potential, coming, as they do, under State jurisdiction.

The audience discussion touched on the likelihood of United States allowing oil exports, the impact of the growing oil supply on its industrial development, and the role of geopolitical and market factors in international prices. The discussion also broached the workings of the Brazilian model in a low-price context and the role of South American countries' regulatory framework in the lack of energy integration. Last, there was a discussion about the possibility of shale fracking in Argentina and the environmental regulations that would be required.

As a closing thought, the workshop helped to broaden knowledge and to discuss the energy agenda, a subject of the utmost relevance in the current context of international prices, from a global, regional, and local point of view.

Click [here](#) to view a video of the event.

Next event in the Series of International Workshops marking INTAL's 50th Anniversary:

[“Value Chains and Productive Restructuring in the New Global and Regional Context: The Automotive Industry”](#)

(Buenos Aires, June 22, 2015)

[1] This article was prepared by IDB consultant, Rosario Campos, with the collaboration of Romina Gayá.

[2] United Nations General Assembly. (2013). *Report of the Secretary General, 2014-2024 United Nations Decade of Sustainable Energy for All*. New York.

[3] Developed by British Petroleum, the International Energy Agency (IEA), the Energy Information Administration (EIA), the International Institute for Applied Systems Analysis (IIASA), and the Center for Transatlantic Relations (CTR-SAIS).

[4] ‘Tight’ oil and gas are hydrocarbons locked away in such low porosity rocks that they cannot flow freely to the production well. Therefore, instead of conventional methods, hydraulic fracturing—“fracking”—techniques are required to remove them. In the case of shale, the hydrocarbon is trapped directly by the rock that contains it, preventing it from migrating to more permeable rocks to be available for production purposes. This requires even more vigorous “fracking” than tight production.

[5] Wells at a depth of more than 1,000m below the seabed.

[6] The term “Pre-Salt” refers to a layer of rocks located at sea, across large portions of the Brazilian continental shelf, with the potential for generating and accumulating oil. It was so named for forming an interval of rocks below an extensive salt layer which, in certain coastal areas, is up to 2,000m thick. Such rocks can lie at a total depth of over 7,000m, the distance between the sea surface and the oil reservoirs below the salt layer. Source: [Petrobras](#).

[7] ECLAC “Gobernanza del gas natural no convencional para el desarrollo sostenible de América Latina y el Caribe: experiencias generales y tendencias en la Argentina, el Brasil, Colombia y México.” January 2015.

[8] The price of oil in-field in Argentina is more than double the international price. In the case of gas, the national price has historically been below the lowest price on the international market (Henry Hub, USA); they are, however, currently similar.

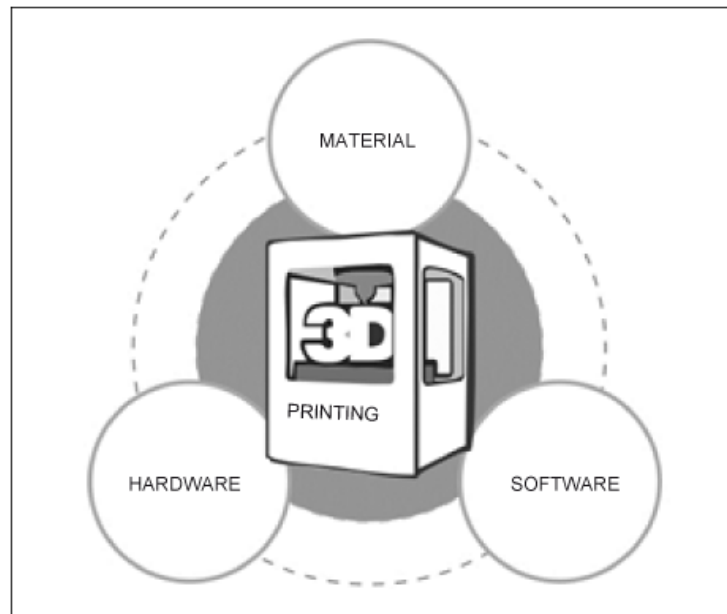


3D printing: Impact on production and international trade

Digital or additive manufacturing involves the creation of three-dimensional objects by adding layer upon layer of certain materials (e.g. resins, plastics, biomaterials, metal powders) from information contained in a digital file.[1] The process stands in contrast to traditional manufacturing, which takes a material (e.g. wood, plastic, stone) and gives it form by removing layers, subtracting, and molding in order to achieve the desired shape (WEF, 2015). 3D printing means that products can be created from digital files just like printing on paper, but using purpose-made materials for 3D printers. These techniques are already being used in such as the automotive (auto parts), construction (building parts), aerospace (aircraft parts), and medical (prostheses, medicines, and even organs) industries.

While digital manufacturing has been gaining attention in recent years, the first 3D printers were in fact created in the 1980s by companies like 3D Systems, which patented the process in 1986 and today is a market leader. The new development is, on the one hand, the expiry of certain patents and, on the other, improvements to software and materials, not to mention the fact that the hardware has become more accessible (Diagram 1). There are different types of printers, from low-cost household printers[2] for approximately US\$1,000 to industrial printers whose market value can be anywhere between US\$75,000 and over US\$1 million. It is projected that, by 2025, the 3D printing industry could have a global economic impact of between \$230 and \$500 billion. (Manyika *et al.*, 2013).

Diagram 1: Three areas of 3D printing



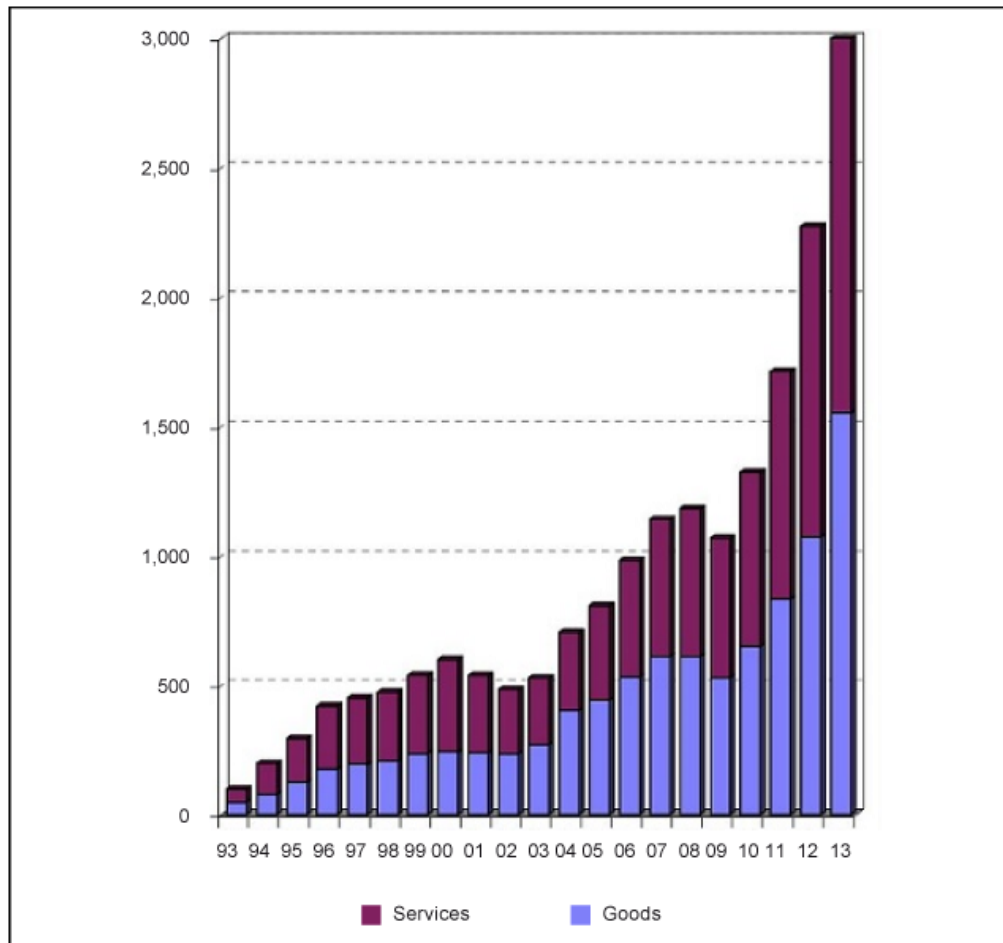
Source: Vazhnov (2014)

Changes in forms of production, consumption, and trade

Digital manufacturing is not only distinct from traditional manufacturing in being additive, but involves significant differences in production, trade, and consumption processes. 3D technology is disruptive in nature, due primarily to the digitalization of goods that used to be physical (Vazhnov, 2014). In other words, the design of the goods is becoming more important than the goods themselves. In addition to trading the goods or their parts, it is then the exchange of digital files that becomes relevant (Figure 1).

Figure 1: Global annual revenues from additive manufacturing

Goods and services. In millions of US\$



Source: Wohlers Report 2014

Second, 3D printing changes the relationship between efficiency and the quantity produced. In the Fordist model of production, efficiency is linked to economies of scale: that is to say, costs fall as total production rises and standardized products are mass produced. Economies of scale are especially relevant in industries with high fixed costs, such as the aerospace or automotive industries. By contrast, digital manufacturing involves efficient production on a small scale. This could reduce barriers to entry in certain industries, as well as enabling access for innovating small and medium enterprises. It could also promote prototype product development, thus sidestepping the need for large investments in new production lines.



Third, distribution channels (how the good reaches the consumer), supply chains, and inventory management are highly relevant in corporate business strategy. 3D printing, however, enables shorter delivery times, made-to-measure customized production, and the manufacturing of a wide variety of goods with the same hardware. In combination with 3D scanning, it also enables repairs or improvements to be made to existing goods. Consumers with access to this technology can become producers or “prosumers,” identified with a trend toward “democratization” (Anderson, 2012).

Among its supporters, Birtchnell & Hoyle[3] (2014) argue that 3D printing has enormous potential to deal with social problems, combat poverty, and promote economies in crisis. The authors contend that it offers developing economies the opportunity to be more self-reliant and less vulnerable to the shocks of the global economy. They further argue that low-cost 3D printers can contribute to inclusion, while creating local innovation opportunities for entrepreneurs.

So will digital manufacturing lead to a radical change in the forms of production and a new “industrial revolution” (The Economist, 2012)? Even given the difficulty of making predictions in this area, 3D technology seems to have great prospects and may complement existing modes of production, with hybrid processes involving both (WTO, 2013). The spread and scope of this technology will depend on how fast the cost of 3D printers, software, and materials comes down. For all that the software is free and based on open source code, the materials needed for 3D printing today are between 10 and 100 times more expensive than inputs such as the simple plastics used in traditional production processes (Vazhnov, 2014).

It is important to look at some of the implications of advances in 3D printing for global trade patterns.

- It could promote international trade in digital designs and goods at the expense of that in physical goods, which would lose relevance in the international transport and freight logistics system, by reducing costs and delays at customs.
- The increased demand for new materials would be an enormous opportunity for countries in a position to supply them.
- By being located near or in the consumer’s home, and less employment-intensive, 3D printing could erode the foundations of specialization in manufacturing, particularly that low-wage-based manufacturing, as in the case of China and other Asian countries, or Mexico and Central America closer to home. It would, nevertheless, boost the internationalization of small businesses and entrepreneurs focusing on product design. One example could be the toy industry, where 3D printing has enormous potential through co-creation and customization and the use of a simple material such as plastic.
- It implies several challenges for the multilateral trading system, from measuring it—it is easier to control goods crossing borders than trade in services—and allocating property rights to ensuring product quality through technical, sanitary, and other standards. This is particularly relevant in health-related cases (e.g. artificial limbs or organs, etc.).

Suominen (2014a and 2014b) argues that the greatest risk here is the fact that the rules of international trade and trade policy offer little guidance on the subject, and seem to be lagging behind these innovations. Along the same lines, Casanueva (2015) claims that 3D printing poses a challenge to the multilateral trading system’s ability to forecast and anticipate, not to mention that



of free trade, investment and industrial property agreements. She also points out that 3D printing involves anything, from the definition of taxes on the provision of programs and designs, to the protection of intellectual and industrial property rights relating to the invention, patenting, and design of digital files. A debate about intellectual property and patenting that began with the age of the Internet has, therefore, come back to life.

Latest developments in Latin America

The countries heading up the 3D printing industry are United States, Japan, Germany, China, United Kingdom, Italy, France, and South Korea. Regions such as Latin America are, however, making progress in this field (UNIDO, 2015). Though not a representative or complete list, some experiences in the region's countries are detailed below:

- **Brazil:** The Brazilian company [Robtec](#) is a leading player in 3d printing in the region, providing services to large automotive and aviation companies. It has recently been purchased by 3D Systems to create [3D Systems Latin America](#) with the objective of developing a strategic platform to accelerate the region's adoption of this 3D printing technology.
- **Argentina:** The companies [Trimaker](#) and [KikaiLabs](#) some of the pioneers producing 3D printers. The National Institute of Industrial Technology (INTI) produces a 3D printing [actors map](#).
- **Chile:** [ThinkerThing](#) is a project focusing mainly on children and enabling them to design their own toys.
- **Colombia:** At the [Konrad Lorenz University](#), Engineering students design and test useful objects and commercial products.

Experiences with 3D printing show it has the potential to generate innovative and customized solutions both globally and regionally. Even without being unduly optimistic, it constitutes an opportunity for Latin American countries to improve their insertion in global value chains through the design of goods.

Taking advantage of the paths taken by private companies and public policy, it is important to continue to promote the development of this technology, as well as its appropriation by entrepreneurs and smaller firms, while also keeping in mind regulatory aspects to contain potential risks and negative effects.

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[1] This article was prepared by IDB consultant, Rosario Campos, with the collaboration of Romina Gayá.

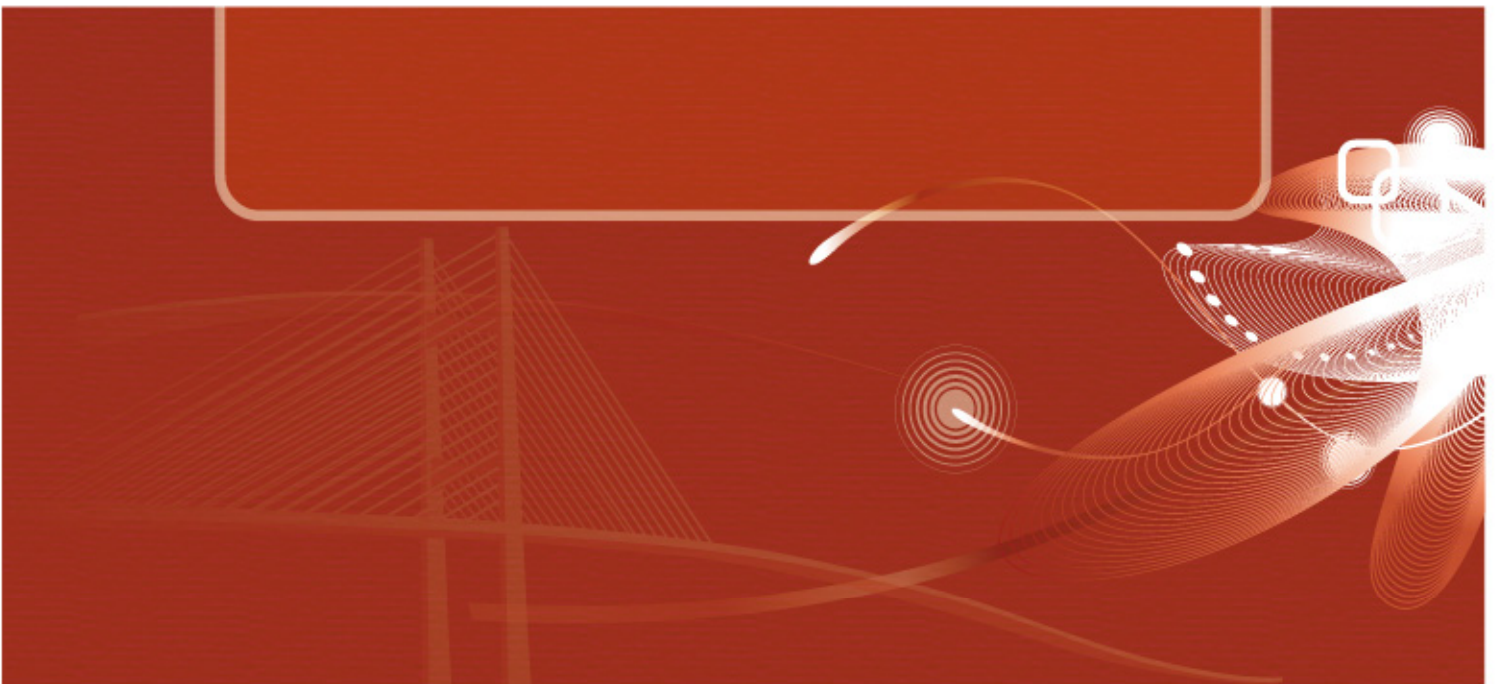
[2] RepRap is an example of a low-Princost and open source hardware (FOSH) 3D printer that can "replicate itself" by printing its component parts. Other low-cost 3D printers include Makerbot, Ultimaker, LeapFrog, and 3D Touch.

[3] Hoyle is the CEO of techfortrade, a non-profit institution that seeks to promote innovative technologies to facilitate trade and alleviate poverty.





Integration Blocs







Pacific Alliance

Pacific Alliance agrees to deepen integration

The [Thirteenth Meeting of the Council of Ministers of the Pacific Alliance](#) was held in Mexico, April 30. The Foreign and Trade Ministers of Chile, Colombia, Mexico, and Peru agreed to speed up the integration process by promoting second-generation agreements in such areas as infrastructure, small and medium enterprises (SMEs), health, intellectual property, and financial cooperation. The Ministers also attended the [Tenth World Economic Forum on Latin America \(WEFLA\)](#) on the Maya Riviera, Mexico, May 6-8. [Topics discussed](#) included the identification of opportunities for the transformation and prosperity of Latin America, the promotion of reforms to foster the development of the private sector, and a new innovation-based vision for the region looking ahead to 2025.



The Caribbean

Caribbean debates strategy for sustainable future

The [First Forum on the Future of the Caribbean](#) took place in St. Augustine, Trinidad, May 5-7, with the aim of bringing together leaders from the public sector, the private sector, international organizations, and civil society to suggest and discuss disruptive and innovative ideas that will help to build a sustainable future for the Caribbean. The event was co-organized by the University of the West Indies, the United Nations, the Commonwealth of Nations, the Caribbean Community and Common Market (CARICOM), the Trinidad & Tobago Government, and the Organization of Eastern Caribbean States (OECS).

Under the title *Disruptive Thinking. Bold Action. Practical Outcomes*,^[1] discussion focused on positing a new framework for convergence and innovative solutions to cope with the economic, social, and environmental challenges that threaten the Caribbean countries' sustainable development.

Compilation [Interview](#) with Several Speakers

Source: UN Trinidad & Tobago.

The meeting, attended by more than 400 people, saw presentations from 65 experts from the public and private sectors, and academia, who set out their ideas on the region's future. The [agenda](#) covered three areas of discussion spread across three days:

1. Stimulating Radical Ideas.
2. Rethinking the Caribbean Future.
3. Taking Action for Sustainable Outcomes.



The first day discussed the need to step up the rate of convergence of the Caribbean's economies regarding such central issues as production integration, competitiveness, and cooperation. Such convergence was identified as the best way to respond to the changing dynamics of the global economic and political context. Here, the document [Caribbean Convergence](#), prepared by David Anyanwu for the Forum, points to the need to establish a new paradigm of economic cooperation and governance for the Caribbean based on three pillars: (a) an open regionalism that reaches out to the Greater Caribbean and to the hemisphere in general; (b) a greater emphasis on capacity building through cooperation, not just a trade- and market-based approach; (c) a strong focus on production integration, competitiveness, and equity of the Caribbean Economies in the world order. Strategies and priorities to improve the resilience of small island developing states (SIDS) were also discussed on the same day, and there was a special panel to discuss ways of improving the quality of the data for decision-making on the road to a more sustainable future. On the second day, participants sought to identify a common vision for the Caribbean by 2050, keeping in mind such issues as the countries' integration in the framework of CARICOM and the rest of Latin America, and [the role of the economy and political governance](#) in building a sustainable path.

On the third and last day, they reflected on [innovating ways of fighting against poverty and inequality](#), the development of human capital, and green growth strategies.

The Forum's general conclusions identified five major priorities:

- The need for a long-term vision about the way forward for Caribbean countries.
- The joining-up of coordinated responses within an expanded area of the Caribbean (the Greater Caribbean);
- Greater emphasis on education, talent development, youth unemployment, poverty reduction, and wealth creation, with a strong emphasis on entrepreneurship;
- The need for a regional disaster prevention and environmental emergency action system;
- Knowledge-based policy-making, data generation, and research.

Click to access related [videos](#) and [documents](#).

[1] *Disruptive Thinking. Bold Action. Practical Outcomes.*



Caribbean strengthens statistics system

CARICOM has recently launched the [Project for the Regional Advancement of Statistics in the Caribbean \(PRASC\)](#) to fill gaps in the analysis and collection of socioeconomic indicators, and to support evidence-based policy-making.

The project is a seven-year initiative and has financing from the Canadian Government for a budget of approximately US\$16 million. Through the PRASC, Statistics Canada will work with the National Statistical Offices (NSOs) of 14 eligible CARICOM Member States to develop methods and approaches that can eventually be used by the statistical system of all Caribbean countries. This type of improvement is important in strengthening the analysis tools for business decision-making, academic research, and public policy-making.

The initiative focuses on four components in order to:

- Strengthen the systems of National Accounts;
- Improve private sector statistics through business surveys;
- Improve socioeconomic statistics by rethinking household surveys;
- Strengthen the sharing of statistical information at both national and regional levels.

The aim is to achieve a comprehensive statistics system that covers critical gaps in decision-making in such areas as economic development, poverty, health, education, and migration.



Central America

Central America moves forward in regional trade facilitation

The Meeting of the Council of Ministers for Central American Economic Integration (COMIECO) was held April 24, in the framework of the Second Round of the Central American Customs Union. The meeting saw the approval of three resolutions seeking both to facilitate regional trade and to benefit the market of consumers in Central American:

- The timetable for Implementation of the Studies of Elimination of Antibiotic Residues in Animals for Human Consumption, referred to in the Central American Technical Regulations (RTCA) on Veterinary Medicines, was authorized. The RTCA aims to benefit consumer health by inserting products free of medicinal residues in the market.
- The RTCA on Dairy Products was signed, setting out the requirements these products must comply with in order to be marketed in the Central American region.
- The category of onion powder was changed in order to facilitate trade in the product, which poses less of a health risk than fresh onions.

The meeting was attended by the Nicaraguan Development, Industry, and Trade Minister, and the Deputy Ministers of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panamá. COMIECO members also met with private sector representatives from the Advisory Committee on Economic Integration (CCIE) to discuss issues associated with border crossings in the Central American logistics corridor and to find ways to combat smuggling.

Customs cooperation with South Korea

In other business, SIECA and South Korea signed a Memorandum of Understanding on mutual cooperation in the customs system. On the basis of this Memorandum, the Korean Customs Service will train SIECA members (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panamá) in the use of the Korean customs management system.



Related article

- IDB-INTAL. “[Central American integration: Second round of talks toward Customs Union and COMIECO Meeting](#),” in: *INTAL Monthly Newsletter No. 219*, November 2014.

Guatemala and Honduras move forward in implementing Customs Union

More than sixty officials from Guatemala and Honduras met April 15-16 this year to move forward in the development of the “[Implementation Plan for the Customs Union between Guatemala and Honduras](#).” The [Customs Union Agreement](#) was signed by both countries’ presidents February 27 this year and aims to energize their countries’ productive sectors.

As noted in [INTAL Monthly Newsletter No. 222](#) the Customs Union Plan is developed along three lines. First, it aims for free transit of goods by December 1, 2015. To this end, work is being undertaken to establish integrated border posts at Agua Caliente (between Chiquimula, Guatemala, and Ocotepeque, Honduras) and El Florido (between Chiquimula, Guatemala, and Copan, Honduras) by June 1, and the subsequent integration of all border posts by December this year. Second, it works toward modernization and regulatory convergence in customs, internal taxation, sanitary and phytosanitary measures, migration, and tariffs. Third, it will work toward a joint institutional development that is to include the setting-up of a structural fund to bring economic sustainability to the process of customs union between the two countries.

Related article

- IDB-INTAL. “[Guatemala, El Salvador, and Honduras move toward customs union](#),” in: *INTAL Monthly Newsletter No. 222*, February 2015.



Andean Community

Successful outcomes at Andean Business Meeting

The [Fourth Andean Business Meeting](#) was held in Santa Cruz de la Sierra, Bolivia, April 29-30, attended by more than 400 businessmen from Bolivia, Colombia, Ecuador, Peru, and Spain—the latter as a guest. The event was organized by the General Secretariat of the Andean Community of Nations (CAN) and its four member countries' export promotion agencies. It also had support from the Spanish Agency for International Development Cooperation (AECID).

The meeting, which is aimed at strengthening its members' intraregional trade and supporting the internationalization of their small and medium enterprises (SMEs), saw business commitments for over US\$50 million.[1] The sectors with the highest business expectations were: food, textiles and clothing, construction materials, and the metallurgical industry.

[1] See: Andean Community of Nations (CAN), 2015. "[Con compromisos de negocios por más de 50 millones de dólares culminó IV Encuentro Empresarial Andino en Bolivia](#)," Press Releases: May 1.

Physical Integration dominates bilateral agendas

Two high-level bilateral meetings between MERCOSUR member states were held in May: on the one hand, the meeting of the Heads of State of Brazil and Uruguay; and, on the other, the meetings of the Uruguayan Foreign Minister with the Paraguayan President and Foreign Minister.

[Brazil-Uruguay](#)

Brazilian President Dilma Rousseff received her Uruguayan counterpart, Tabaré Vázquez, in Brasilia, Brazil, May 21, along with the ministers of Foreign Affairs, Economy and Finance, and Industry, Energy, and Mining.

In bilateral trade, they explored areas to promote bilateral **productive integration** in the naval, automotive, and energy sectors.

Where MERCOSUR's external agenda was concerned, the two countries' leaders identified the signing of the **association agreement with the European Union (EU)** as priority for 2015, negotiations toward which opened in 1995 with the signing of a framework agreement between the two blocs. To that end, they will propose to the EU a simultaneous presentation of offers, while they raised the need for greater flexibility in the negotiation mechanisms, so that each country can move forward at a different pace. So far, the MERCOSUR countries have negotiated jointly with their extraregional partners, since they have a common external tariff, a situation characteristic of customs unions.

In **energy infrastructure and physical integration**, the Brazilian and Uruguayan premiers highlighted the efforts to strengthen the MERCOSUR Structural Convergence Fund (FOCEM) and drew attention to the imminent completion of the FOCEM-funded energy transmission line between San Carlos and Candiota to integrate the two countries' electrical systems, as well as the partnership between Brazil's Eletrobras and Uruguay's Usinas y Transmisiones del Estado (UTE) to build a wind farm in Uruguay. They also announced the forthcoming tender for the construction of two bridges over the Yaguarón River, while the Barón de Mauá International Bridge is to be restored, boosting trade and tourism between the two countries.



[Dilma Rousseff and Tabaré Vázquez](#) set out balance of cooperation between Brazil and Uruguay

Source: Presidency of Brazil.

[Paraguay-Uruguay](#)

Uruguay's Foreign Minister, Rodolfo Nin Novoa, paid a visit to Paraguay where he met with President Horacio Cartes, and with his counterpart, Eladio Loizaga. The Foreign Ministers highlighted the progress in the framework of the Paraguay-Uruguay High-Level Group (GAN) and restated their commitment to continue strengthening bilateral ties.

In line with previous meetings between the two countries' representatives, the subject of encouraging Paraguay to participate in the **ports** of Montevideo and Nueva Palmira was broached, as was the importance of convening upcoming meetings within the framework of **cooperation mechanisms** in which both countries are involved, such as the Intergovernmental Committee of the Waterway (CIH), the URUPABOL Group, and the Intergovernmental Coordinating Committee of the Río de la Plata Basin Countries (CIC).

In **energy**, it was agreed to set up a Bilateral Commission to examine the possibility of the Uruguayan government's purchase of energy from the Aracay Hydroelectric Plant.

They also underlined the strategic importance of MERCOSUR and UNASUR, and agreed to hold a series of bilateral meetings over the coming months on trade and investment, cultural issues, and other topics of interest.



Agreements between Argentina and Russian Federation

Argentina and the Russian Federation signed a series of bilateral agreements in the framework of the [meeting](#) of the two countries' presidents in Moscow, April 23.

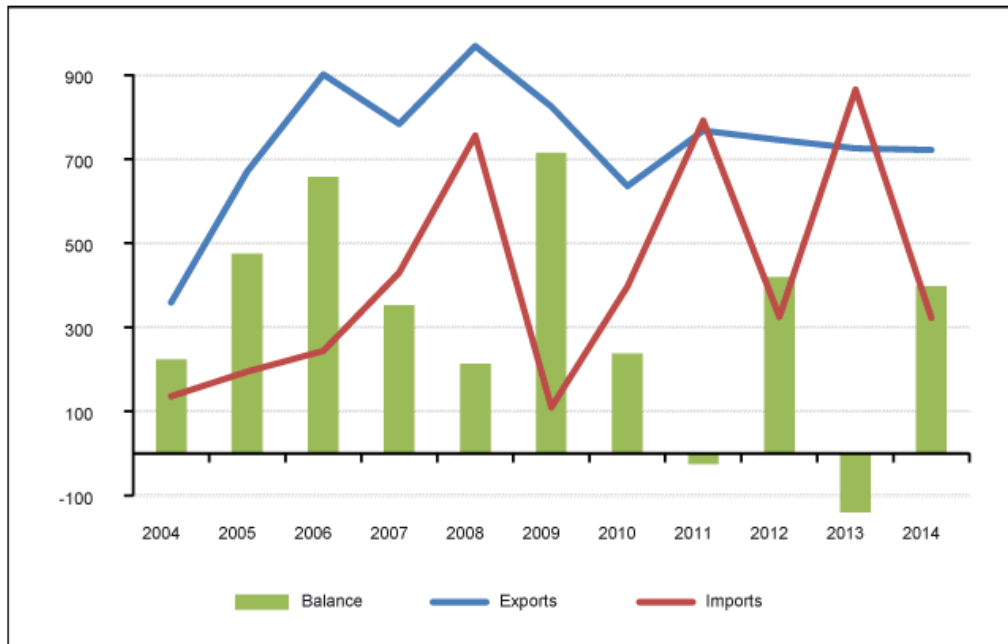
Highlights include the agreement toward the joint construction of the Chihuido I Dam and a nuclear power plant, the agreement between YPF and Gazprom, and the cooperation agreements on scientific research and uranium ore supply, agriculture, defense, and culture. Both countries will also explore instruments to promote local currency exchange.

At the aggregate level, the Russian Federation is a destination for just 1.10% of Argentina's exports and supplies 0.50% of its imports.[1] Argentina, for its part, absorbs just 0.07% of Russian external sales and is the origin of 0.35% of foreign purchases.[2]

Over the past ten years, bilateral trade has been volatile and mostly in surplus for Argentina, as Figure 1 shows. After peaking in 2008, Argentina's exports to the Russian Federation contracted in the context of the international crisis; they subsequently recovered, but have now stagnated. In 2014, they totaled US\$721.7 million, more than 25% down on 2008 levels. Purchases from the Russian Federation (US\$323.1 million in 2014) have fluctuated a great deal over the last ten years, reflecting significant variations in the prices and quantities of imported petroleum oils (41.3% of the total). Other relevant products in Argentine imports from Russian are manures and fertilizers.

Figure 1: Evolution of Argentina's trade with Russian Federation

In millions of US\$



Source: DATAINTAL.

Argentine sales to the Russian Federation are dominated by food, particularly dairy products, fruit, and meat. Shipments of fresh apples, pears, and quinces (12% of the total) plummeted recently in the context of the depreciation of ruble. The Russian market is of great importance to this sector in Argentina, representing more than 17% of total exports. The downturn comes in addition to a serious crisis in the sector due to falling prices and demand in its main destinations (apart from the Russian Federation, Brazil, and the European Union (EU)) because of health issues, exchange rates, and general low growth in this area.

Table 1: Composition of Argentina's trade with Russian Federation

As percentage of total. 2014 data

Exports		Imports	
Cheese and curd	13.1%	Petroleum oils	41.3%
Apples, pears and quinces, fresh	12.3%	Mineral or chemical fertilizers containing nitrogen	19.5%
Animal waste	11.4%	Fertilizers	18.9%
Frozen beef	10.7%	Synthetic rubber	5.2%
Citrus fruit, fresh or dried	8.1%	Sulfur	2.7%
Others	44.4%	Others	12.4%

Source: DATAINTAL.

[1] 2014 data. Source: DATAINTAL.

[2] 2013 data. Source: COMTRADE.

COSIPLAN and API project portfolio update

Over May and June, the COSIPLAN[1] is updating its [Project Portfolio](#)[2] and the [Integration Priority Project Agenda \(API\)](#)[3] by [Integration and Development Hub](#). This activity is being carried out in virtual meetings to promote the participation of the technical teams of the government departments involved in the various stages of the development of the projects.

The main focal points of the work in 2015 are to:

- Review projects in profile from before 2011;[4]
- Review projects with information updates prior to 2013;
- Review projects with incomplete project sheets;
- Review projects in the Border Crossings subsector and related projects;
- Analyze the information from concluded projects;
- Analyze proposals for old and new projects and projects requiring specific revisions.

The meetings are tabled as follows:

Table 1: Schedule of meetings by Integration and Development Hub

Date	INTEGRATION AND DEVELOPMENT HUB	COUNTRIES
May 26	Andean Hub	Bolivia, Colombia, Ecuador, Peru, and Venezuela
May 28	MERCOSUR-Chile Hub	Argentina, Brazil, Chile, Paraguay, and Uruguay
Jun 02	Central Interoceanic and Peru-Brazil-Bolivia Hubs	Bolivia, Brazil, Chile, Paraguay, and Peru
Jun 16	Capricorn and Southern Hubs	Argentina, Bolivia, Brazil, Chile, and Paraguay
Jun 18	Amazon Hub	Brazil, Colombia, Ecuador, and Peru
Jun 22	Guianese Shield Hub	Brazil, Guyana, Suriname, and Venezuela
Jun 24	Paraguay-Paraná Waterway Hub	Argentina, Bolivia, Brazil, Paraguay, and Uruguay

The results of these works will be reflected in the COSIPLAN's [Project Information System \(SIP\)](#) and will be compiled in the annual reports of the Project Portfolio and the API to be presented at the Sixth Ordinary Meeting of COSIPLAN Ministers in Montevideo, Uruguay, December 3.

Features of the Portfolio and the API

Up to December 2014, the COSIPLAN's Project Portfolio consisted of 579 projects in transport, energy, and communications, for an estimated investment of US\$163.3245 billion. It is organized in nine Integration and Development Hubs, and 48 Project Groups.

On that same date, the Integration Priority Project Agenda (API) comprised 31 structured projects and 100 individual projects, with an estimated investment of US\$21.1726 billion, distributed across eight Integration and Development Hubs.

The systematized information of COSIPLAN projects is available in the Project Information System (SIP), the main support tool for the planning and analysis of integration infrastructure. The information contained in the project sheets is updated by a manager appointed by the country or countries involved.

The Project Portfolio was originally formed in 2004 and went through successive updates as a result of the deepening of the territorial planning process. 2010 was the last update exercise under IIRSA, through meetings of the Executive Technical Groups (GTEs) of all the Integration and Development Hubs. Since 2011, these updates are held annually as part of the COSIPLAN-IIRSA Work Plan.

Table 2: Number of projects and estimated investment 2004-2014

Year	Number of Projects	Estimated investment (In billions of US\$)
2004	335	37.4248
2007	349	60.5226
2008	514	69.0000
2009	510	74.5423
2010	524	96.1192
2011	531	116.1206
2012	544	130.1391
2013	583	157.7305
2014	579	163.3245

Source: COSIPLAN Project Portfolio Report 2014.

As shown in Table 2, the number of projects in the COSIPLAN Project Portfolio grew by more than 72% between 2004 and 2014, while the estimated total investment increased more than four-fold. The region's countries continue to proactively identify and prioritize strategic integration projects, applying the territorial planning methodologies and tools developed in the framework of the COSIPLAN to build consensus around infrastructure projects that contribute to South American sustainable development.

[1] The [South American Council of Infrastructure and Planning \(COSIPLAN\)](#) is a forum for political and strategic discussion aimed at implementing the integration of regional infrastructure in the Member States of the Union of South American Nations (UNASUR). The annual work plans of the Council, which includes IIRSA Initiative as its technical forum, are based on the [Strategic Action Plan 2012-2022 \(PAE\)](#), designed and approved in 2011 to structure the Council's strategic lines of work for ten years. The [Initiative for the Integration of Regional Infrastructure in South America \(IIRSA\)](#) is the Technical Forum for the COSIPLAN's planning of South American regional physical integration.

[2] The formation of the Project Portfolio was made possible by the development and implementation of the [Indicative Territorial Planning Methodology](#). This methodology begins by identifying the Integration and Development Hubs, which organize South American territory and order the Project Portfolio. The Methodology was applied via meetings of the Executive Technical Groups (GTEs) in a framework of participation by the twelve countries involved.

[3] The API consists of a subset of Portfolio Projects grouped into 31 structured, strategic, high-impact projects for regional physical integration and socioeconomic development. Its objective is to promote connectivity in the region through the construction and efficient operation of infrastructure, attending to sustainable social and economic development, and protecting the environment and equilibrium of ecosystems ([link](#)).

[4] The stages in the lifecycle of the projects agreed by the countries of the COSIPLAN are as follows: **1) Profile:** precedents are studied in order to form a judgment as to the technical and economic desirability and feasibility to realize the idea of the project; **2) Pre-Execution:** projects at the following phases: prefeasibility, feasibility, and investment; **3) Execution:** the group of activities needed for the physical construction proper, such as the signing of the contract, the purchase and installation of machinery and equipment, and facilities of various kinds; **4) Completed:** the completion of construction of the physical work in question in its entirety.

New Argentina-Chile meeting to deepen regional integration

The Seventh Binational Meeting of Ministers from Argentina and Chile, the Fifth Meeting of Common Border Governors and Mayors, and the Twentieth Joint Argentina-Chile Parliamentary Commission were held in Santiago de Chile, Chile, May 15. The meetings reviewed the state of the major issues surrounding relations between the two states, culminating in the signing of a series of sectoral agreements[1] and the formation of a Binational Reflection and Prospecting Group to identify any agreements that will set the medium- to long-term bilateral agenda. The agreement on integrated border controls will apply as of June 2015. A five-year investment program in border crossings was adopted.

The [Meeting of Ministers from Argentina and Chile](#) was established by the 2009 Maipú Treaty of Integration and Cooperation, and has come to be one of the bilateral relationship's most important institutional mechanisms. It is the highest-level political forum after the presidential meetings and deals with all topics on the bilateral agenda, with special emphasis on physical integration, movement of people, energy, defense, security, transportation, mining, and telecommunications.

Bilateral issues in the COSIPLAN Project Portfolio

In physical integration, the meeting tackled issues of connectivity and border facilitation at several border crossings on the COSIPLAN's agenda.

1. Cristo Redentor

Progress was made toward a new Simplified Migration Control System, Cristo Redentor being one of the priority crossings for its implementation. A supplementary protocol to the Maipú Treaty was elaborated in order to set up a binational entity for the Cristo Redentor Crossing (EBICRED). The approval of an IDB non-reimbursable technical cooperation to move forward with the crossing's Integrated Control System was reported. The progress made by the Caracoles Tunnel's Technical Committee was highlighted, as was the importance of moving forward with the works of the Binational Entity for the Trans-Andean Low-Altitude Railway Binational Entity (EBIFETRA) project. The [Cristo Redentor Border Crossing System Optimization](#) project belongs to the COSIPLAN's Integration Priority Project Agenda (API),[2] and includes 5 individual projects. The [Railway Project between Los Andes, Chile, and Mendoza, Argentina \(Central Trans-Andean Railway\)](#) is part of the COSIPLAN's Portfolio.

2. Las Leñas

The supplementary protocol to the Maipú Treaty for the creation of the Las Leñas Crossing International Tunnel Binational Entity (EBILEÑAS) project was completed, pending ratification by both congresses. A report was presented on the completion of the Tunnel's pre-feasibility study and of the complementary works on the Chilean side, as well as the drawing up of tender specifications

for the construction and paving of Provincial Route No. 220 El Sosneado-Tunnel Mouth on the Argentine side.

The [Las Leñas Binational Tunnel](#) project belongs to the COSIPLAN project portfolio.

3. Pehuenche

There was a report on the progress made regarding National Route No. 145 and the presentation at the end of June of the draft bill for a power line between Bardas Blancas-Pehuenche International Boundary Post and the Single Complex Integrated Control Building.

The [“Pehuenche” Project Group 6 of the MERCOSUR-Chile Hub](#) in the COSIPLAN Portfolio includes 14 projects by both countries, aimed at providing alternative connectivity and services associated with goods and services flows, and at streamlining intraregional development.

4. Agua Negra

A progress report was given on the Agua Negra Binational Tunnel Entity (EBITAN). International bidding to carry out the work will be opened once the Second Supplementary Protocol has been ratified by the Chilean Parliament.

The [Agua Negra Binational Tunnel](#) project belongs to the COSIPLAN's Integration Priority Project Agenda (API). The two countries are formulating an [Integration Territorial Program \(PTI\)](#) associated with the project in order to provide an investment program and complementary actions to the tunnel's execution, and to mitigate its impact. The completion and submission of the PTI is scheduled for August 2015, at a binational workshop to be held in San Juan, Argentina.[3]

The bilateral meetings also looked at other crossings with projects in the COSIPLAN Portfolio: Sico, San Francisco, Pircas Negras, Mamuil Malal, Pino Hachado, Cardenal Samoré, and Hua Hum.

Table 1: Border Crossings and related Projects in the COSIPLAN Portfolio

BORDER CROSSING	COSIPLAN PROJECT PORTFOLIO
Sico Salta Province (AR)-Antofagasta Region II (CH) COSIPLAN Capricorn Hub	CAP75 PAVING OF SICO BORDER CROSSING-CASS- SAN PEDRO DE ATACAMA (NATIONAL ROUTE CH-23) CAP78 PAVING OF NATIONAL ROUTE NO. 51, CAMPO QUIJANO-SICO BORDER CROSSING SECTION
San Francisco	CAP72 INTEGRATED (ONE-STOP) BORDER

Catamarca Province (AR)-Atacama Region (CH) COSIPLAN Capricorn Hub	<u>CONTROL COMPLEX AT SAN FRANCISCO BORDER CROSSING</u> <u>CAP73 CONNECTION MARICUNGA COMPLEX (SAN FRANCISCO-INTERNATIONAL BORDER) NATIONAL ROUTE CH-31</u> <u>CAP82 CONSTRUCTION OF TINOGASTA DRY PORT AND SERVICES CENTER</u>
Pircas Negras La Rioja Province (AR)-Atacama Region (CH) COSIPLAN Capricorn Hub	<u>CAP76 IMPROVEMENT OF NATIONAL ROUTE CH-33, COPIAPÓ-PIRCAS NEGRAS SECTION</u> <u>CAP77/MCC108 PIRCAS NEGRAS BORDER CROSSING</u> <u>MCC95 PAVING OF NATIONAL ROUTE NO. 76, BETWEEN VINCHINA AND PIRCAS NEGRAS BORDER CROSSING (PROVINCE OF LA RIOJA)</u>
Agua Negra San Juan Province (AR)-Coquimbo Region (CH) COSIPLAN MERCOSUR-Chile Hub	<u>MCC94 PAVING OF NATIONAL ROUTE NO. 150, BETWEEN ISCHIGUALASTO AND THE BORDER WITH CHILE (AGUA NEGRA BORDER CROSSING)</u> <u>MCC110 AGUA NEGRA BINATIONAL TUNNEL</u> <u>MCC112 IMPROVEMENT OF NATIONAL ROUTE NO. CH-41 UP TO AGUA NEGRA BORDER CROSSING</u>
Pehuenche Mendoza Province (AR)-Maule Region (CH) COSIPLAN MERCOSUR-Chile Hub	<u>MCC35 IMPLEMENTATION OF INTEGRATED (ONE-STOP) BORDER CONTROL AT PEHUENCHE BORDER CROSSING</u> <u>MCC37 PAVING OF NATIONAL ROUTE NO. 145, FROM INTERSECTION WITH NATIONAL ROUTE NO. 40 SOUTH TO THE ACCESS TO PEHUENCHE BORDER CROSSING</u> <u>MCC47 PAVING OF PUENTE ARMERILLO-PEHUENCHE BORDER CROSSING ROAD SECTION (ROUTE CH-115)</u> <u>MCC161 EXECUTIVE PROJECT-33 KV MEDIUM-VOLTAGE LINE AND OPTICAL FIBER BETWEEN BARDAS BLANCAS AND PEHUENCHE BORDER</u>

	<u>CROSSING</u>
Las Leñas Mendoza Province (AR) – O-Higgins Region (CH) COSIPLAN MERCOSUR-Chile Hub	<u>MCC135 PAVING OF THE RANCAGUA-COYA ROAD, LAS LEÑAS BORDER CROSSING</u> <u>MCC136 BINATIONAL TUNNEL AT THE LAS LEÑAS BORDER CROSSING</u>
Cristo Redentor Mendoza Province (AR)-Valparaiso Region (CH) COSIPLAN MERCOSUR-Chile Hub	<u>MCC33 RAILWAY PROJECT BETWEEN LOS ANDES, CHILE AND MENDOZA, ARGENTINA (CENTRAL TRANS-ANDEAN RAILWAY)</u> <u>MCC39 REPAVING OF NATIONAL ROUTE NO. 7 BETWEEN POTRERILLOS AND THE BORDER WITH CHILE</u> <u>MCC45 INTERNATIONAL ROUTE NO. CH-60, BETWEEN VALPARAÍSO AND LOS ANDES</u> <u>MCC48 LOS SAUCES LAND PORT (LOS ANDES)</u> <u>MCC151 INTEGRATED FREIGHT CONTROL CENTER AT USPALLATA (CRISTO REDENTOR SYSTEM OPTIMIZATION)</u> <u>MCC152 PASSENGER CONTROL CENTER AT LOS HORCONES (CRISTO REDENTOR SYSTEM OPTIMIZATION)</u> <u>MCC153 NEW LOS LIBERTADORES BORDER COMPLEX (CRISTO REDENTOR SYSTEM OPTIMIZATION)</u> <u>MCC154 REHABILITATION OF THE CRISTO REDENTOR TUNNEL AND CARACOLES (CRISTO REDENTOR SYSTEM OPTIMIZATION)</u> <u>MCC155 BINATIONAL MANAGEMENT CONTROL SYSTEM AT THE CRISTO REDENTOR BORDER CROSSING (CRISTO REDENTOR SYSTEM OPTIMIZATION)</u>
Pino Hachado Neuquén Province (AR)-Araucanía Region (CH)	<u>DES01 IMPLEMENTATION OF INTEGRATED BORDER CONTROL IN PINO HACHADO BORDER CROSSING</u>

COSIPLAN Southern Hub	DES11 PAVING OF ROUTE NO. CH-181 UP TO THE ARGENTINE BORDER, ACCESS TO PINO HACHADO DES13 REPAIR WORKS AT LAS RAÍCES TUNNEL DES24 ZAPALA-LAS LAJAS-CHILEAN BORDER RAILWAY
Mamuil Malal Neuquén Province (AR)-Araucanía Region (CH) COSIPLAN Southern Hub	DES20 IMPROVEMENT OF THE ACCESS TO THE TROMEN-MAMUIL MALAL BORDER CROSSING
Cardenal Samoré Neuquén Province (AR)-Lakes Region (CH) COSIPLAN Southern Hub	DES16 UPGRADE AND MAINTENANCE OF THE INTERLAGOS ROUTE IN CHILE DES17 IMPLEMENTATION OF INTEGRATED BORDER CONTROL AT CARDENAL SAMORÉ BORDER CROSSING DES18 UPGRADE AND MAINTENANCE OF THE INTERLAGOS ROUTE IN ARGENTINA
Hua Hum Neuquén Province (AR)-Lakes Region (CH) COSIPLAN Southern Hub	DES21 IMPROVEMENT OF THE ACCESS TO HUA HUM BORDER CROSSING DES28 CONSTRUCTION OF THE HUA HUM BORDER COMPLEX

Related articles

- IDB-INTAL. "[The Maipú Treaty between Chile and Argentina](#)," in: *INTAL Monthly Newsletter No. 159*, October 2009.
- IDB-INTAL. "[Argentina and Chile relaunch Maipú Treaty](#)," in: *INTAL Monthly Newsletter No. 213*, May 2014.
- IDB-INTAL. "[Supplementary protocols to Argentina-Chile Maipú Treaty](#)," in: *INTAL Monthly Newsletter No. 221*, January 2015.



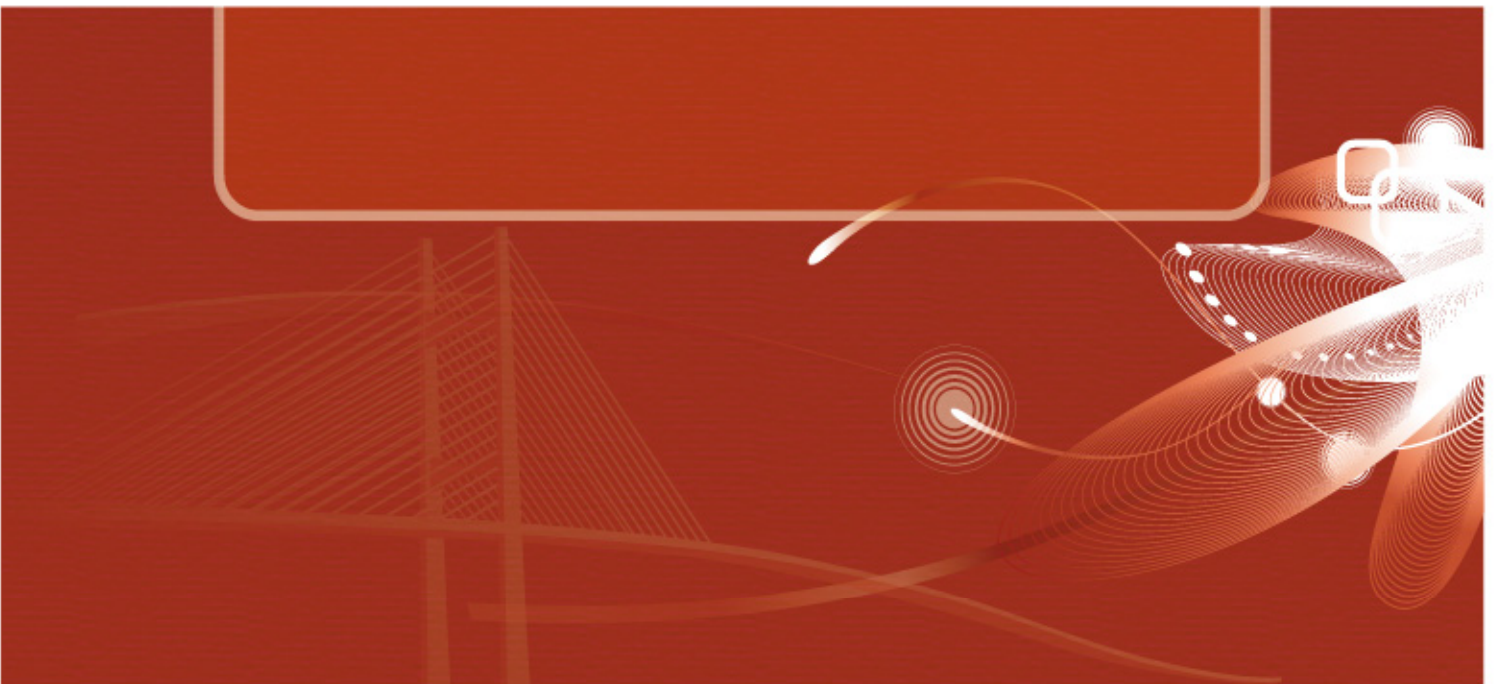
[1] To view the agreements and declarations signed, click [here](#).

[2] The API consists of a subset of Portfolio Projects grouped into 31 structured, strategic, high-impact projects for regional physical integration and socioeconomic development. Its objective is to promote connectivity in the region through the construction and efficient operation of infrastructure, attending to sustainable social and economic development, and protecting the environment and equilibrium of ecosystems ([link](#)).

[3] See *INTAL Monthly Newsletter No. 223* ([link](#)).



Regional And Global Overview





Asia-Pacific negotiations progress

In the framework of the Japanese prime minister's [official visit](#) to Washington, D.C., United States, April 28, the two countries' leaders reaffirmed their commitment to a speedy and successful conclusion to the Trans-Pacific Partnership (TPP) Agreement. At a series of meetings in Maryland, United States, April 23-26, TPP negotiators moved forward on such topics as intellectual property, rules of origin, investments, and textiles.

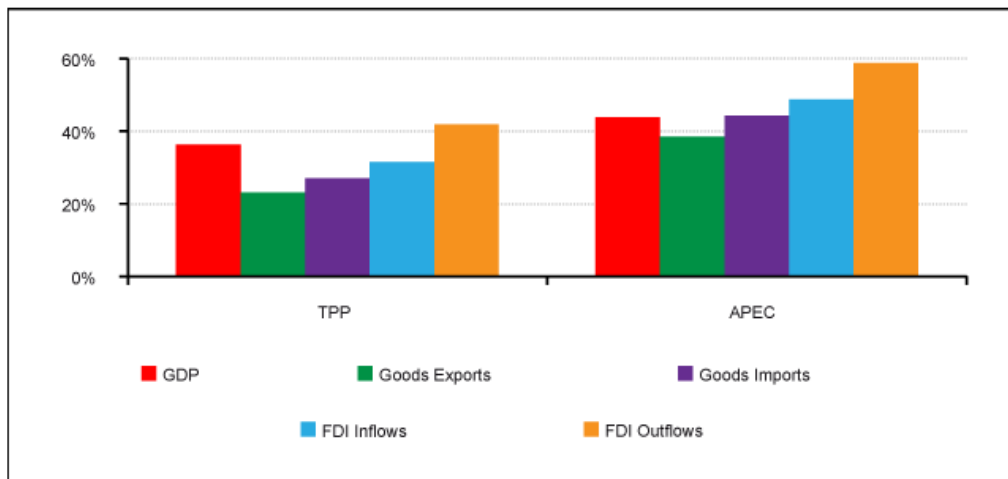
The meeting of Trade Ministers from the Asia-Pacific Economic Cooperation (APEC) Forum in Boracay, Philippines, May 23-25, issued a [Statement](#), emphasizing aspects of APEC's four lines of work: (1) regional economic integration; (2) the participation of micro, small, and medium enterprises in regional and global markets; (3) investment in human capital development; and (4) the building of sustainable communities. They also pointed out that all APEC members are to move forward on the commitments made at the Tenth Ministerial Conference in the framework of the WTO.

The TPP negotiation, it should be remembered, involves 12 countries,[1] while APEC is made up of 19 economies.[2] All the countries negotiating the TPP are part of APEC, while three Latin American countries in the Pacific Alliance (Chile, Mexico, and Peru) are party to both initiatives.

The significance of the Asia-Pacific agreements is reflected in their share in global GDP, trade, and foreign direct investment (FDI) flows (Figure 1). Moreover, the 12 economies of the TPP represent 36% of world GDP, about one-quarter of total trade and 32% of global FDI inflows. It is worth keeping in mind that some of the world's leading economies and a number of developing countries are part of the group.

Figure 1: Indicators for Asia-Pacific agreements

As % of global total, according to available data *



Note: * GDP and trade data, 2014; FDI, 2013 data. Source: IDB INTAL based on IMF (WEO April 2015), WTO, and UNCTAD.

Related articles

- IDB-INTAL. [“APEC Economic Leaders Meeting,”](#) in: *INTAL Monthly Newsletter No. 219*, November 2014.
- IDB-INTAL. [“Mega-agreement negotiations: how will they influence Latin America?,”](#) in: *INTAL Monthly Newsletter No. 204*, August 2013.

[1] TPP: Australia, Brunei, Canada, Chile, United States, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

[2] APEC: Australia, Brunei, Canada, Chile, China, South Korea, the United States, the Philippines, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Russia, Singapore, Thailand, and Vietnam.

World Economic Forum on Latin America 2015

The tenth [World Economic Forum on Latin America](#) was held on the Maya Riviera, Mexico, May 6-8. The meeting brought together the region's political leaders and businessmen, as well as representatives from international organizations and other prominent figures from outside the region.

Discussions centered on the need to adapt to post-crisis dynamics through institutional improvements in order to foster the creation of economic and investment opportunities, social inclusion, and sustainable development.

There was agreement among the speakers regarding the worsening international outlook when compared to the favorable situation prior to the 2009 crisis and the next two years' recovery.

[World Economic Forum on Latin America 2015](#)

Source: WEFForum <http://www.weforum.org>

On the panel on this subject was Inter-American Development Bank (IDB) President Luis Alberto Moreno, who emphasized, first, certain features of the current context, such as the slowing of Asian demand and the end of the supercycle in raw material prices, which impact primarily the South American economies, and the improving economic conditions in United States in 2014, which benefit mainly Mexico, Central America, and the Caribbean. He then went on to stress that the current technological revolution offers great opportunities for the region in terms of connectivity and improved productivity, and provided examples of successful experiences. Last, he argued that there is a greater awareness in the region of the problems caused by climate change and of the need to move toward a more environmentally sustainable model.

In trade and investment, there was a discussion about how trade and investment flows can contribute to productive diversification and inclusive growth in the region, with an emphasis on strengthening extraregional links, institutional and legal strengthening to promote investment, and the need to incorporate value to raw materials.

Among the main challenges identified when it comes to increasing productivity and improving the region's international insertion were the development of human capital, improvements in innovation capabilities, and the modernization and digitalization of infrastructure.



Other key topics discussed at the meeting were:

- Macroeconomic resilience in fiscal and exchange matters, and in the terms of trade.
- Inclusive growth, in particular based on the role structural reforms can play in reducing inequality.
- The regional energy scene against a backdrop of volatile oil prices, and the development of non-conventional gas and oil, and clean energy.
- The future of infrastructure, keeping in mind quality, financing, and regulatory framework.
- The changing role of business and consumers.
- The future of education.
- The challenge of gender equality.

Brazil and Mexico seek to strengthen bilateral ties

The Brazilian and Mexican presidents, Dilma Rousseff and Enrique Peña Nieto, [signed](#) a series of agreements aimed at strengthening ties between the two countries. First, they decided to negotiate, as of July, widening the scope of their Economic Complementation Agreement (ECA). Fixed preferences currently applicable on 795 products are expected to be extended to 6,000 items in total.

Next, they signed a Cooperation and Facilitation Investment Agreement (CFIA), aimed at improving corporate governance, and setting thematic agendas for cooperation and investment facilitation, and risk mitigation and dispute prevention mechanisms. Brazil has signed numerous Reciprocal Investment Promotion and Protection Agreements (APPRI) that have never come into force, not having been ratified by the Brazilian Parliament. CFIAs differ from APPRI in that they do not contain some of the clauses most disputed in Brazil, such as those on investor-State dispute settlement and indirect expropriation. To date, Brazil has signed three CFIA with African countries.

Last, the leaders signed agreements on air services, fisheries and aquaculture, tourism, tropical agriculture, sustainable development, and scientific and technological cooperation.

Background

In the framework of LAIA, Brazil and Mexico signed three trade agreements in 2002. There is the abovementioned ECA-53, in force since 2003, which sets tariff preferences of between 20% and 100%, and tariff quotas on 795 products (150 agricultural and 645 industrial). Both countries have made similar concessions in terms of number of items and categories of preferences. The agreement also includes technical standards, regulations, and conformity assessment procedures; sanitary and phytosanitary measures; rules of origin; safeguards; dispute settlement provisions, and rules promoting economic cooperation. Brazil's preferences to Mexico include chemicals, while Mexico's concessions to Brazil include non-food or -fuel commodities (Rozemberg, 2010).

The two countries are further linked by Mexico's agreements with MERCOSUR. First, ECA-54, in force since 2006, provides the negotiating framework for a free trade area between MERCOSUR and Mexico, while stimulating mutual investments and promoting economic cooperation. So far, the only member of MERCOSUR to have signed a free trade agreement (FTA) with Mexico is Uruguay, while Paraguay has opened talks. Although Brazil and Mexico have announced their willingness to negotiate on several occasions, they have not yet done so. The expanded scope of ECA-53 could be a step in this direction.

Second, ECA-55, in force since 2003, creates a framework for the establishment of free trade and the promotion of integration and production complementation in Mexico and MERCOSUR's automotive sectors. Each MERCOSUR member negotiates the conditions for trade in vehicles and auto parts bilaterally with Mexico.



Evolution of bilateral trade

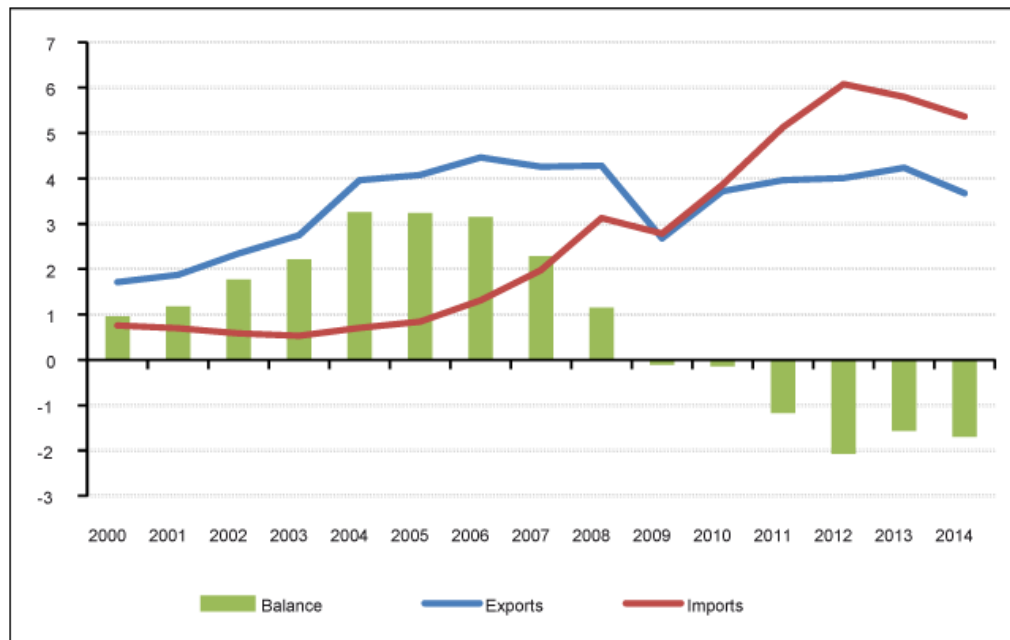
Despite being the two largest economies in Latin America, Brazil and Mexico's bilateral trade is not relevant: Mexico accounts for just 1.6% of Brazilian exports and 2.3% of its imports, while Brazil forms 1.2% of Mexico's sales and 1.1% of its purchases.

In 2014, flows were down for the second year running, at US\$9 billion. As shown in Figure 1, Brazilian exports to Mexico have remained virtually stagnant at around the US\$4 billion mark for over a decade, while Mexico's sales grew steadily until 2012, with the exception of a fall in the context of the international crisis. The bilateral trade balance, historically in surplus for Brazil, turned negative in 2009 and has been in Mexico's favor for the past five years.

Manufacturing predominates in bilateral flows, which represent 86% of Brazil's shipments to Mexico and 96% of Mexican exports to the Brazilian market. Bilateral trade has a marked intraindustry component, notably in products of the automotive sector in the framework of ECA-55.

Figure 1: Brazil's trade with Mexico

In billions of US\$



Source: Based on SECEX data.

Bibliography

Rozemberg, Ricardo. 2010. "[Acordo Estratégico de Integração Brasil-México](#)," paper presented at MERCOSUR Foreign Trade Council. Argentine Chamber of Exporters (CERA). Institute of International Strategy (IEI) August 19.

Related articles

- IDB-INTAL. "[Brazil and Mexico to negotiate FTA](#)," in: *INTAL Monthly Newsletter No. 157*, August 2009.
- IDB-INTAL. "[Following up the internal and external agendas](#)," in: *INTAL Monthly Newsletter No. 187*, March 2012.
- IDB-INTAL. "[Key aspects of MERCOSUR countries' external links](#)," in: *INTAL Monthly Newsletter No. 201*, May 2013.

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- IDB-INTAL. “[The automotive sector: Argentina and Brazil renew agreements with Mexico](#),” in: INTAL Monthly Newsletter No. 223, March 2014.

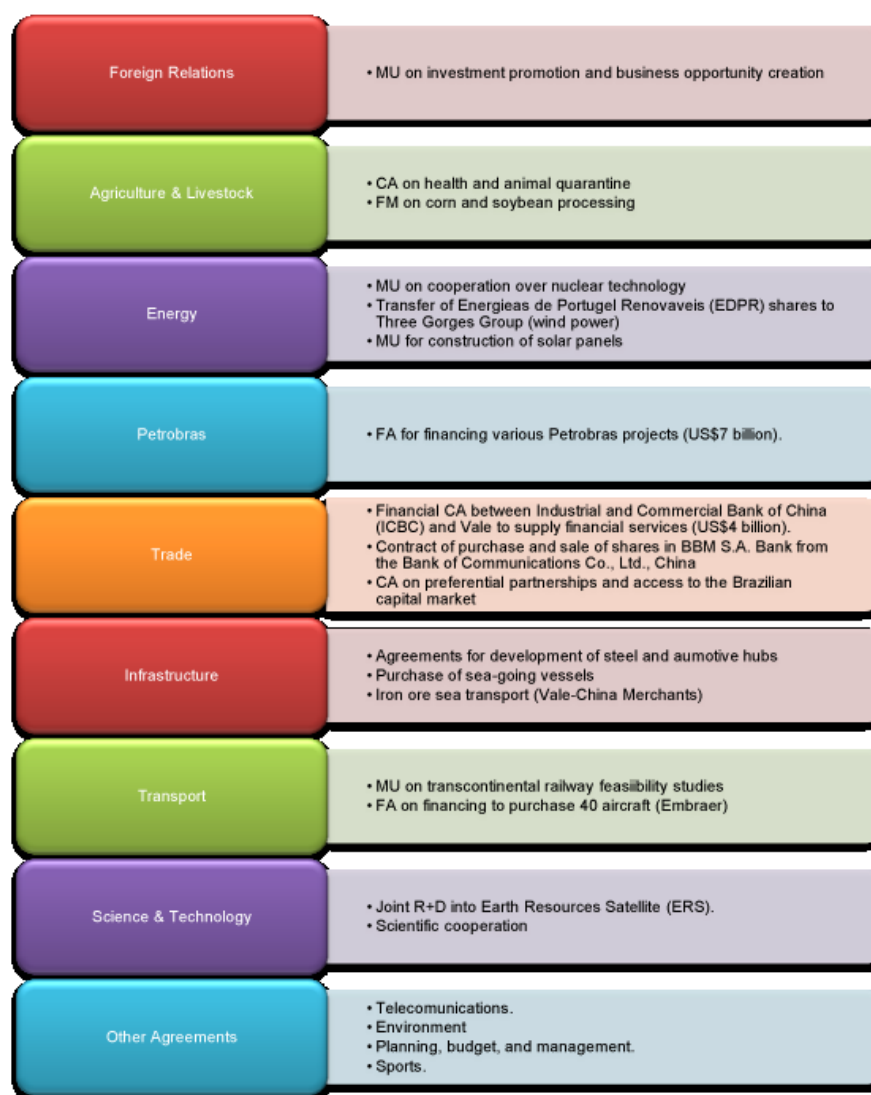


China and Latin America deepen economic ties

Chinese Premier Li Keqiang visited [Brazil, Colombia, Peru, and Chile](#) May 18-26. During his trip, he met with all four countries' Presidents with the aim of deepening economic and political ties between them and China. His visit led to the signing of more than 70 cooperation agreements in strategic areas such as energy, mining, infrastructure, and scientific and technological innovation.

Brazil

Over the past few years, China has become Brazil's main trading partner and an important source of investment. The two countries have promoted the strengthening of ties, both within the framework of the BRICS group of countries, and through bilateral initiatives. Against this background, Li Keqiang and Brazilian President Dilma Rousseff signed the [joint action plan 2015-2021](#), which includes 35 cooperation agreements on investment promotion and business opportunity creation, as well as other areas such as energy, transport, communications, scientific and technological cooperation, etc. (Diagram 1).



Foreign Relations	• MU on investment promotion and business opportunity creation
Agriculture & Livestock	• CA on health and animal quarantine • FM on corn and soybean processing
Energy	• MU on cooperation over nuclear technology • Transfer of Energias de Portugal Renovaveis (EDPR) shares to Three Gorges Group (wind power) • MU for construction of solar panels
Petrobras	• FA for financing various Petrobras projects (US\$7 billion).
Trade	• Financial CA between Industrial and Commercial Bank of China (ICBC) and Vale to supply financial services (US\$4 billion). • Contract of purchase and sale of shares in BBM S.A. Bank from the Bank of Communications Co., Ltd., China • CA on preferential partnerships and access to the Brazilian capital market
Infrastructure	• Agreements for development of steel and automotive hubs • Purchase of sea-going vessels • Iron ore sea transport (Vale-China Merchants)
Transport	• MU on transcontinental railway feasibility studies • FA on financing to purchase 40 aircraft (Embraer)
Science & Technology	• Joint R+D into Earth Resources Satellite (ERS). • Scientific cooperation
Other Agreements	• Telecommunications. • Environment • Planning, budget, and management. • Sports.

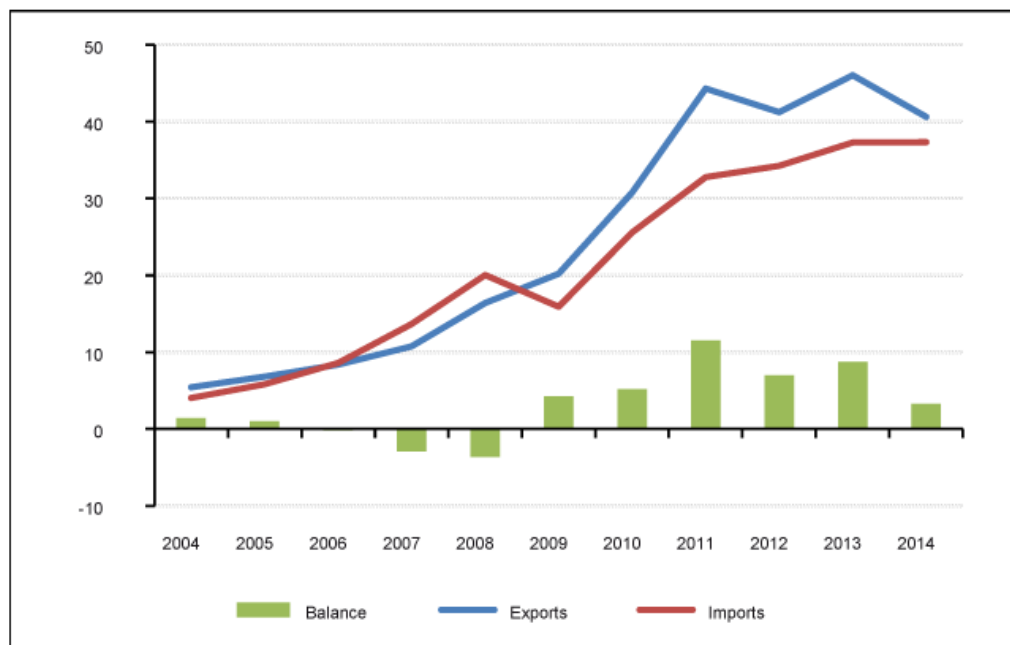
Notes: CA: Cooperation Agreement. FA: Framework Agreement. R+D: Research and Development. MU: Memorandum of Understanding. Source: Based on Brazilian president's office.

In particular, there were the agreements on financing by Chinese entities for public and private investment projects in the Brazilian oil, mining, automotive, and steel sectors. Also of note was the memorandum of understanding to conduct feasibility studies for the construction of a transcontinental railway that crosses Brazil and Peru, as well as for the purchase of aircraft. Also to be noted were the agreements on animal health to promote Brazilian beef exports to China.

In 2014, Brazilian exports to China were down 11.8%, at US\$40.616 billion, while its imports from the Asian giant totaled US\$37.341 billion, a level similar to the previous year's. Unlike its recent performance, bilateral trade has grown fast over the last ten years (the rate of growth in sales and purchases from Brazil to China was 22.3% and 24.9% c.a. respectively), and the Asian country has become Brazil's main foreign destination and supplier, accounting for 18.0% of its exports and 16.3% of its total imports.

Figure 1: Evolution of Brazil's trade with China

Billions of US\$



Source: Based on DATAINTAL data.

Brazilian exports to China are heavily concentrated in natural resources, particularly in the soybean complex: US\$4 out of every US\$10 of sales to the Asian country are from soybeans. Next in importance come iron ore, crude oil, wood pulp, and sugar. Brazil's purchases from China, on the other hand, are more diversified, being composed primarily of manufactured goods, notably finished electronic products or their components for local assembly (Table 1).

Table 1: Composition of Brazil's trade with China

As percentage of total. 2014 data.

Exports		Imports	
Soybeans	40.9%	Cellular telephones	8.1%
Iron ore	30.3%	Television or similar components	4.1%
Crude oil	8.6%	Computer or similar components	3.5%
Wood pulp	3.5%	Electronic integrated circuits	2.6%
Sugar	2.2%	Computers or similar	1.8%
Other	14.6%	Other	79.9%

Source: Based on DATAINTAL data.

Peru

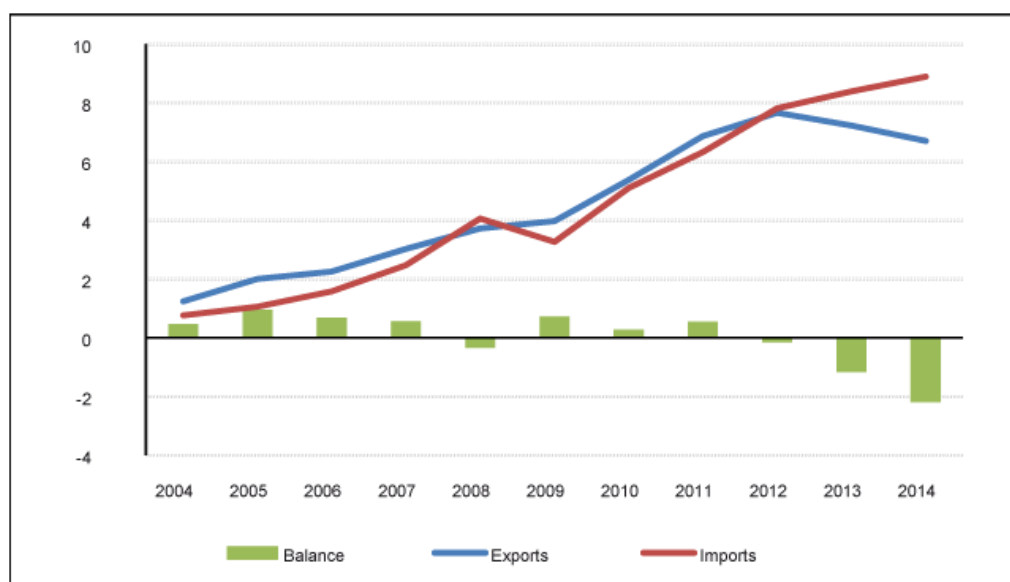
In Peru, President Ollanta Humala and the Chinese Premier [signed seven cooperation agreements](#):

- An agreement toward the creation of a Molecular Laboratory, between the National University of San Marcos (UNMSM) and the South China Botanical Garden.
- A cooperation agreement toward the execution of Integrated Water Resources Assessment, Planning, and Management in Southern Peru.
- A memorandum of understanding toward the establishment of cooperation mechanisms for the development of the energy sector.
- A protocol on phytosanitary requirements for the export of avocado pears from Peru to China.
- A memorandum of understanding toward the conducting of basic feasibility studies for the Bioceanic Railway Connection.
- A memorandum of understanding toward the strengthening of cooperation in industrial investment.
- A cooperation agreement for the exploration and use of outer space for peaceful purposes.

In 2009, Peru and China signed a free trade agreement (FTA) that has been in force since 2010. The Asian country is Peru's main trading partner, both as a destination for exports and as a supplier of imports. Peru's purchases from China have grown steadily over the last decade, with the exception of a contraction during the 2009 crisis, totaling US\$8.9 billion in 2014. Exports, on the other hand, contracted for the second year running, finishing at US\$ 6.7 billion.

Figure 2: Evolution of Peru's trade with China

Billions of US\$



Source: LAIA.

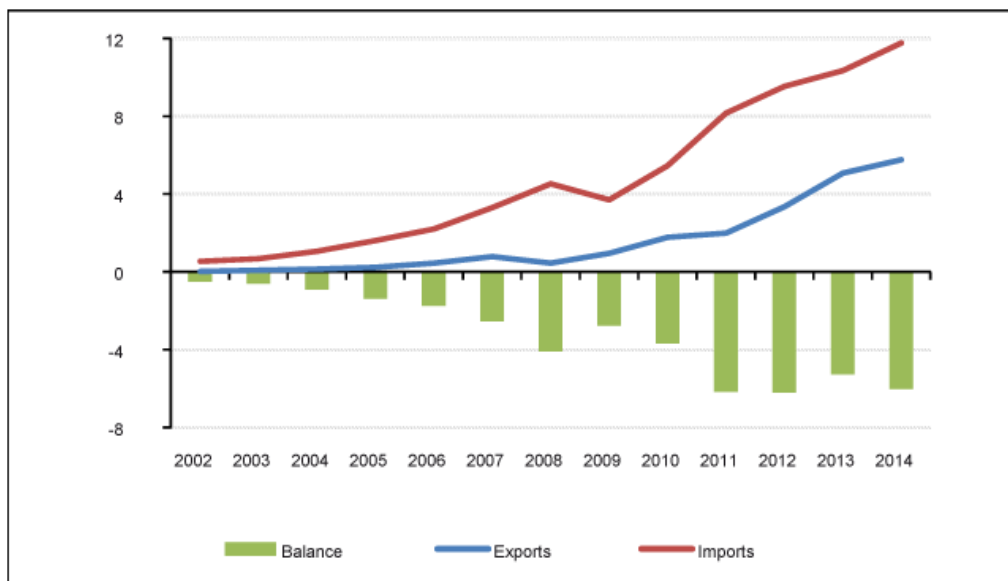
Colombia

Colombian President Juan Manuel Santos and the Chinese Premier signed cooperation agreements on financial, technical, educational, cultural, and infrastructure issues. These include a Memorandum of Understanding for the development of infrastructure in the Orinoco natural region, with the intention promoting development and agriculture in the area, as well as the creation of a logistics center and the development of Buenaventura.

China is Colombia's second largest trading partner after United States. Unlike what has happened with other countries in the region, Colombia has maintained steady growth in its shipments to the Asian country over the past few years. In 2014, Colombia's deficit with China amounted to US\$6 billion, from exports of US\$5.8 billion and imports of US\$11.8 billion. The two countries, it should be noted, have established a joint working group to study the feasibility of an FTA.

Figure 3: Evolution of Colombia's trade with China

Billions of US\$



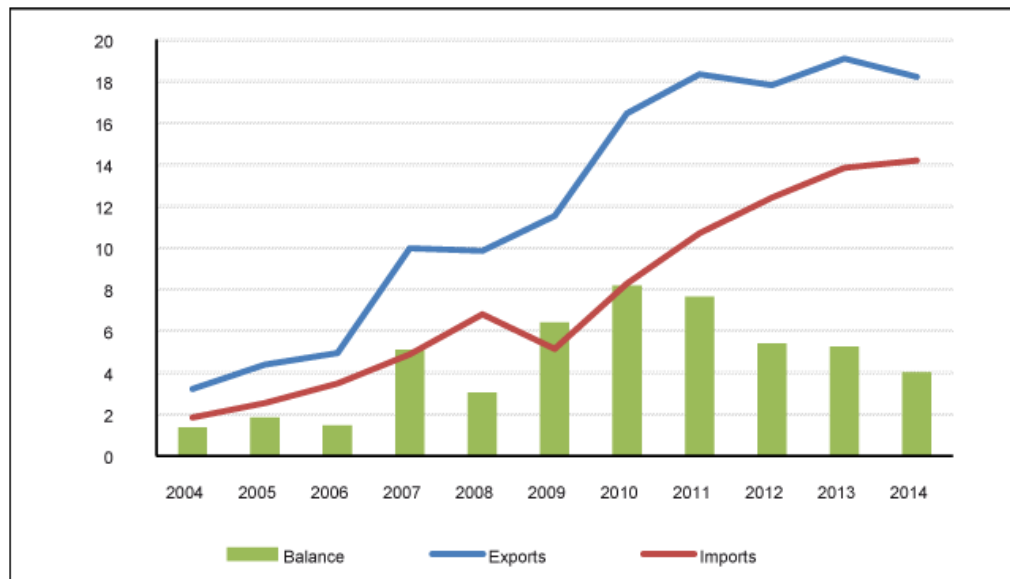
Source: LAIA.

Chile

Chilean President Michelle Bachelet and Li Keqiang [signed 10 agreements](#) in the areas of trade, investment, infrastructure, education, innovation, science, and technology. Prominent among them is the agreement to deepen the FTA signed in 2005, which came into force in October 2006. Over the past few years, Chilean exports to China stagnated at around US\$18 billion, while imports from the Asian country continued to grow. Chile's bilateral trade surplus dropped accordingly, to US\$4 billion in 2014.

Figure 4. Evolution of Chile's trade with China

Billions of US\$



Source: LAIA.

Last, in a keynote speech at the headquarters of the Economic Commission for Latin America and the Caribbean (ECLAC), in Chile, the Chinese Premier signaled the turning of a new page in relations between China and Latin America, marked by a Comprehensive Cooperation Partnership based on Equality, Mutual Benefit, Shared Development, and Cooperation. This is based on four key pillars:

He stressed that conditions for cooperation between the two regions are optimal, and that this cooperation should be based on four main areas:

1. Friendship and mutual trust, with the aim of establishing a long-term vision and collaboration at the international level.
2. 3x3 commercial and economic cooperation, based on “*building three channels of logistics, power and information, follows market rules by secondly engaging business, society and government in positive interactions and finally focuses on China-Latin America joint projects through expanding the three financing channels of funding, credit and insurance.*”[1]
3. Promoting cultural exchange in order to increase cultural awareness between both peoples.
4. Improving cooperation mechanisms, both in the field of the Community of Latin American and Caribbean States (CELAC) and in other joint forums between China and Latin America.



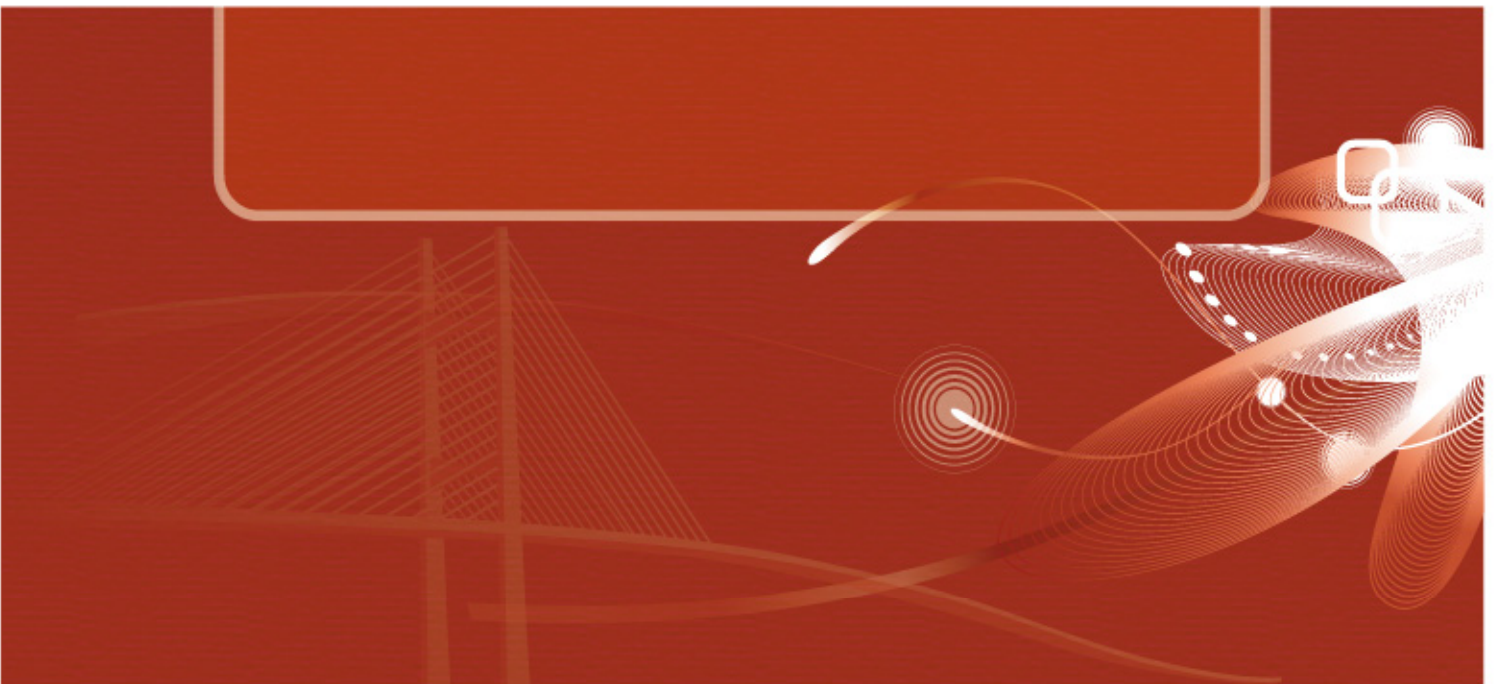
Related article

- IDB-INTAL. “[First Ministerial Meeting of the CELAC-China Forum](#),” in: *INTAL Monthly Newsletter No. 221*, January 2015.

[1] See Address at the headquarters of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), in the following [link](#).



Impact assessment





The impact of public funding on innovation and productivity: The case of Uruguay

This article disseminates and discusses the work by Aboal & Garda (2015) about impact assessment of public funding on Uruguayan companies' innovation and productivity. An overview of impact assessment can be found in the article in [*INTAL Monthly Newsletter No. 216*](#) explaining the objective and methodologies used.

Funded by the Inter-American Development Bank (IDB), the study starts from the premise that firms tend to invest less in innovation than the social optimum because there is a gap between private and social benefit (positive externality). In other words, they cannot fully appropriate the returns on their investment in innovation and knowledge, which quickly becomes available to other companies. For all that this can be dealt with through intellectual property rights (although that also restricts incremental innovation, i.e. minor improvements on earlier innovations by other actors), there are arguments in favor of public support for investment in innovation. They include the uncertainty present in these projects, and the information gaps between investors and innovators. The investigation surveys the literature assessing the impact of innovation support programs on firms' decisions regarding employment, the development of new products, and patent applications in both developed and developing countries.

The research is based on data from a survey of Uruguay's innovation activities and seeks to assess the impact of a financial support program—"treatment group"—on companies in the period 2004-2009. Since what would have happened to the company had it not received public financial support (counterfactual) cannot be observed, the research relies on "propensity score matching" methodology, selecting firms that did not take part in the program but could be considered as candidates for a control group on the basis of similar observable characteristics (sector, size, capital, and productivity) prior to receiving the "treatment."

On the one hand, it assesses the effects of financial support on innovation expenditure, including investments in design, machinery, technology incorporation, training, etc. On the other hand, it assesses the impact on the proportion of innovative sales (defined as the percentage of sales due to the innovation implemented), patent applications, and productivity (measured as the ratio of sales to employment).

The results show that there is no displacement effect between expenditure on public and private innovation: companies receiving financial aid invested 4.5% more of their sales than those who received no support. In other words, public funding appears to increase private effort in innovation. The program has positive effects on the proportion of innovative sales compared with the total, and on R&D expenditure, but not on patent application or productivity, which in general has a longer cycle.

The contribution of Aboal & Garda's work lies in their use of a rigorous methodology to provide evidence of the positive effects of funding programs on innovation in companies in Uruguay, while ruling out the existence of a displacement effect of public investment.

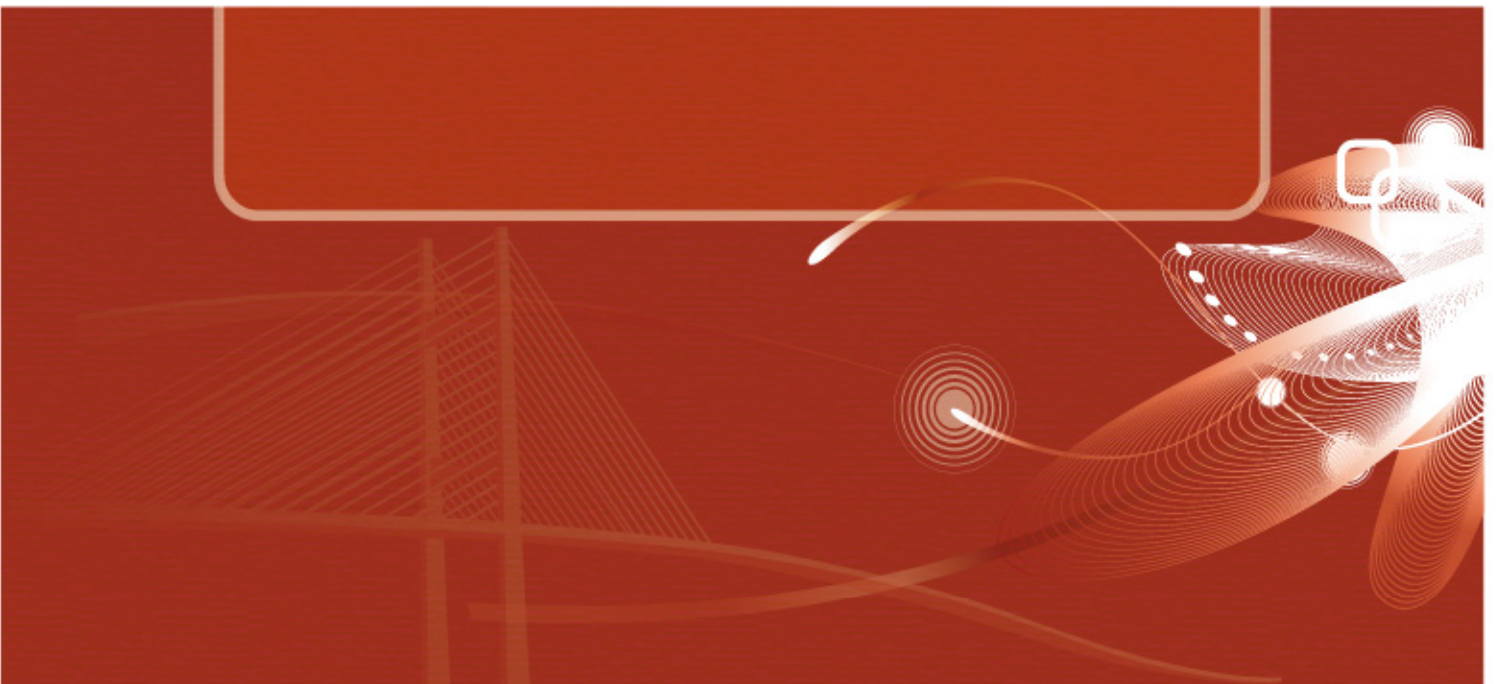


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Aboal, Diego & Garda, Paula. 2015. “[La financiación pública estimula la innovación y la productividad?: una evaluación de impacto](#),” in: *Revista de la CEPAL N° 115*. p. 45-70.



Integration and Trade Sector





IDB/INTAL-WTO-CARICOM Regional Workshop on Market Access Related Issues and Trade Facilitation for Caribbean Countries

The [Inter-American Development Bank \(IDB\)](#), acting through its [Institute for the Integration of Latin America and the Caribbean \(INTAL\)](#) and the [Integration and Trade Sector](#), together with the Secretariat of the [World Trade Organization \(WTO\)](#) and the [Caribbean Community \(CARICOM\) Secretariat](#), held the “Regional Workshop on Market Access Related Issues and Trade Facilitation for Caribbean Countries” in Bridgetown, Barbados, May 19-21, 2015.

The training activity was aimed at honing and strengthening participants’ expertise in WTO disciplines that impact market access and trade facilitation.

The activity was specifically designed for public officials from the fifteen CARICOM Member States: Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Kitts & Nevis, Saint Lucia, Saint Vincent & the Grenadines, Suriname, and Trinidad & Tobago.

The Workshop inaugural session was attended by such senior officials from the region as: the Minister of Foreign Affairs and Foreign Trade of the Barbados Government, Senator The Honorable *Maxine Mc Clean*; the Director General of the Office of Trade Negotiations (OTN) of the CARICOM Secretariat, Ambassador *Gail Mathurin*; the Chairman of the CARICOM Council for Trade and Economic Development (COTED), Minister The Honorable *Claude E. S. Hogan*. The organizing institutions were represented at the ceremony by Mr. *Yvon Mellinger*, Lead Specialist of the Barbados IDB Country Office; Mr. *Mario Umaña*, Trade and Competency Lead Specialist of the IDB Integration and Trade Sector; and Mr. *Darlan Martí* of the WTO Market Access Division.

The Workshop was conducted in English by experts from the WTO Market Access and Economic Research and Statistics Divisions, the IDB Integration and Trade Sector, and the [International Trade Centre \(ITC\)](#).

Over the three days it lasted, the Workshop provided participants with a forum for analysis, reflection, and debate on topics of great current interest, such as the new WTO Agreement on Trade Facilitation, its objectives, requirements, and implementation; how countries can participate effectively in the work being conducted at the WTO in this area; and the new developments in Special and Differential Treatment (SDT).

The WTO Division of Economic Research and Statistics presented an overview of the WTO disciplines as applied to tariffs and regional tariff profiles. The program also covered other multilateral disciplines affecting trade and market access, such as quantitative restrictions, import licensing, rules of origin and their use in international trade, customs valuation, and the maintenance of import licensing procedures.

Participants had the opportunity to take part in practical exercises geared to finding information on applied tariffs and concessions lists, using [the WTO Integrated Database \(IDB\) and the WTO Consolidated Tariff Schedules \(CTS\) Database](#), and on non-tariff barriers, through the [WTO Integrated Trade Intelligence Portal \(I-TIP\)](#).

The ITC presented an overview of the role of trade facilitation in regional trade agreements (RTAs). IDB contributed with a detailed breakdown of the Trade Facilitation Initiatives being promoted by the Bank in the Caribbean region, particularly the national experiences for the development of Electronic Single Windows (in Barbados, Bahamas, Jamaica, and Trinidad & Tobago) and the of Authorized Economic Operator (AEO) Program developed in Jamaica.



Legal Instruments of Integration (IJI)

Observatory

Trend of the month

In April 2015, regional trade policy was characterized by highly dynamic activity in existing agreements and, in particular, in the regional agreements of Chile, Colombia, Mexico, and MERCOSUR partners with their intra- and extraregional partners, and of Cuba with its regional partners. There was also progress in advanced and concluded negotiations, and new negotiations were announced.

360° view

This month saw the conclusion of the Mexico-Panama and Costa Rica-Jamaica free trade agreements (FTAs); new negotiations were announced with intra- and extraregional partners such as the European Union and South Korea; and progress was made in 41 existing agreements and 5 trade negotiations (4 advanced and 1 concluded).

New agreements

- [Mexico–Panama FTA comes into force April 21](#)
- [Costa Rica and Jamaica ratify FTA](#)

Concluded negotiations

- [South Korea still waiting for FTA with Colombia to come into force](#)

Developments in advanced negotiations

- [Pacific Alliance in a rut](#)
- [Trans-Pacific Partnership Agreement \(TPP\): Mexico and USA review negotiations](#) and [Implications of the TPP \(analysis\)](#)
- [MERCOSUR–EU: Two-speed negotiation](#)

Announcement of new negotiations

- [South Korea to negotiate trade agreements with Ecuador and Central America](#)

Current trade agreement highlights

- LAIA: [First half of year sees major contraction of intraregional trade](#)
- [Mexico and Central America sign security and justice agreement](#)
- [Chile and Canada streamline Free Trade Agreement](#)
- [Chile and South Korea want to deepen FTA](#)
- [European Union and Chile update bilateral partnership agreement](#)
- [Peru and Colombia to examine Ecuador's incorporation in EU agreement](#)
- [Cuba and El Salvador sign agreement to develop trade](#)
- [MERCOSUR undergoing "worst moment and has to adapt"](#)
- [Agreement to regularize Bolivia's entry to MERCOSUR](#)
- [Mexico and EU want to modernize agreements](#)
- [Peru and South Korea sign five cooperation agreements](#)
- CAFTA-DR: [USA complains of trade barriers imposed by Dominican Republic](#)

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](#).

Value chains and productive restructuring in the new global and regional context: The automotive industry



INTAL's Monthly Newsletter gets its own app

As of May 2015, readers of the *INTAL Monthly Newsletter* will be able to download the “[Monthly Newsletter Yearbook 2014](#)” application (app) for the Institute for the Integration of Latin America and the Caribbean (INTAL) of the Inter-American Development Bank (IDB). Available at App Store and Google Play, the app provides access to the standout articles from 2014 on integration and trade in Latin America and the Caribbean (LAC), covering such topics as global export services, sanitary and phytosanitary measures, infrastructure and global goods transport, impact assessment analysis, and book reviews.



Download the “Monthly Newsletter Yearbook 2014” App (only in Spanish)



Sharp drop in Latin American exports in the first quarter of 2015, according to IDB study

Latin American exports suffered a year-over-year decline of 9.1 percent in the first quarter of 2015, reflecting deterioration in export performance that has been observed since late 2014, according to a study by the Inter-American Development Bank (IDB).

According to a quarterly update to the **Latin American Trade Trends regional** exports fell 2.7 percent in 2014, and the decline intensified in recent months, as exports fell sharply in the three months ending March 31, yielding a year-over-year quarterly decline of 9.1 percent.

The report reveals that the export contraction was felt in all but three countries of the region in the first months of 2015. The Andean countries showed the most significant declines, averaging 19.2 percent. MERCOSUR countries reached a year-over-year drop of 13.7 percent. Central America and the Dominican Republic witnessed a reversal of the trend, as growth of the previous reading turned into a contraction of 4.6 percent. Likewise, Mexico's exports, which had grown substantially in 2014, began to contract in the first quarter of 2015, yielding a year-over year reading of -0.4 percent.

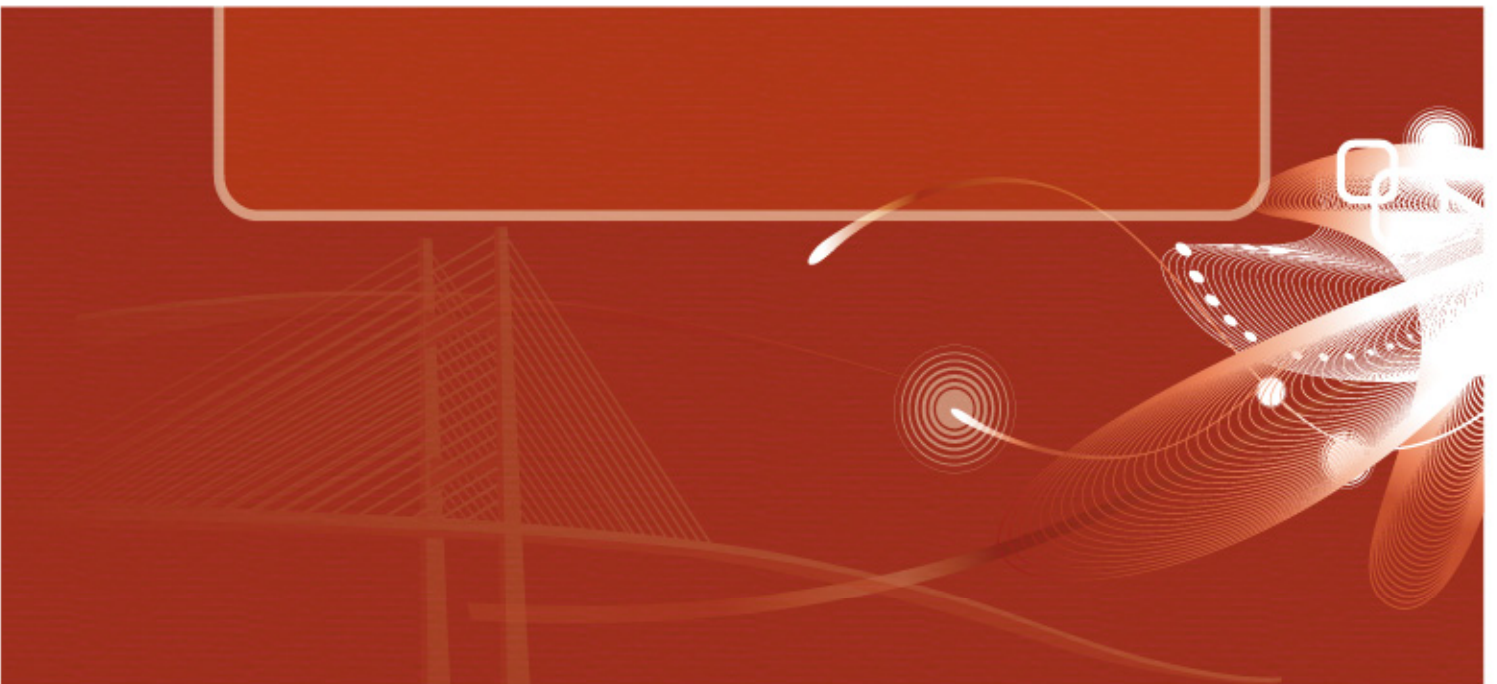
The report includes detailed data for 17 Latin American countries.



More information [here](#).



Other IDB Activities





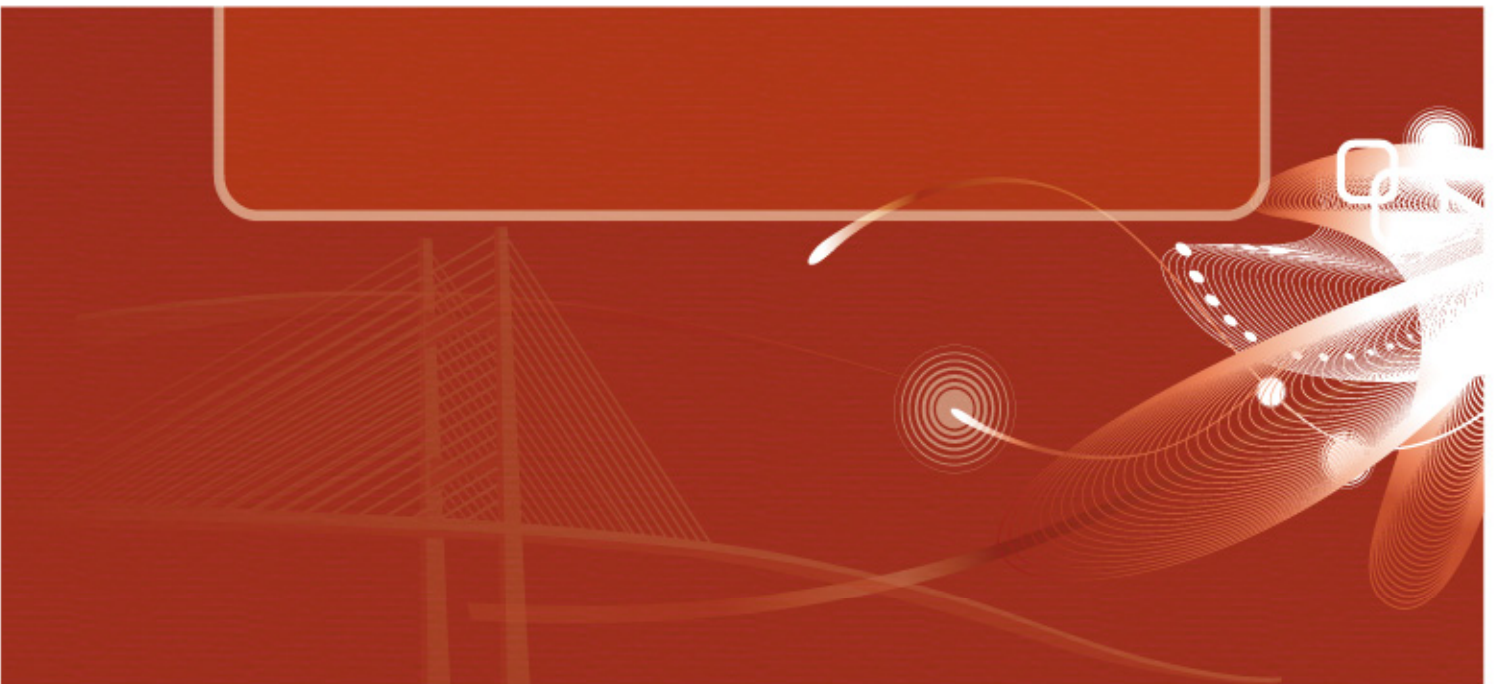


Juscelino Kubitschek Award of Merit for Regional Development in Latin America and the Caribbean

NOMINATIONS ARE NOW OPEN!! The Fourth Edition of Juscelino Kubitschek Award launched on March 29. This edition is particularly looking for institutions that use INNOVATION in their programs. If you know an innovative institution, START THE NOMINATION PROCESS NOW! If you are an innovative institution, remember SELF NOMINATION is permitted, don't waste time and start the process today. This award has become the most important distinction given by a multilateral institution in the region. Don't stay out! NOMINATE your favorite institution now! ([Link](#))



Events of interest







This section contains information on events related to regional and global integration and trade.



Trade Policies, Value Chains and Development. Geneva: ICTSD & OECD. April 23, 2015.

Access the information at the following [link](#).



Expo Aladi. Argentina 2015. Buenos Aires: June 4-5, 2015.

Access the information at the following [link](#).



Carbon Markets in the Context of the Post-2015 Climate Governance Framework: The Case for Climate Clubs. Paris: ICSTD. May 22, 2015.

Access the information at the following [link](#).

Seminario Internacional: Cambio Climático, Política Fiscal Ambiental y Caudales Ambientales: Desafíos y Oportunidades para las Energías Sostenibles en América Latina. Buenos Aires: ECLAC. May 26-27, 2015.

Access the information at the following [link](#).



EU and Latin America dialogue on public policy and future cooperation on climate change. EuroClima Programme. May 26-29, 2015.

Access the information at the following [link](#).



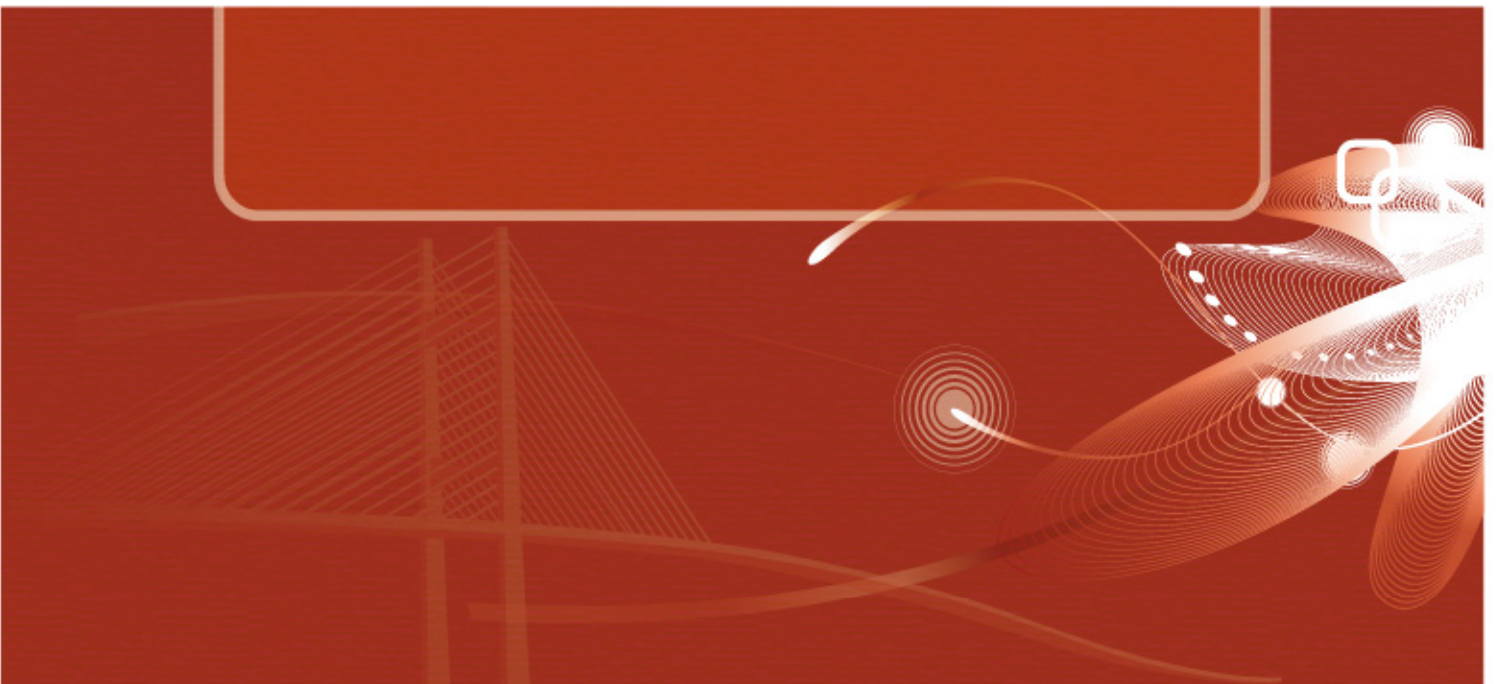
International Seminar: Multidestination Opportunities for Regional Integration. Port-au-Prince: UNWTO. May 19-20, 2015.

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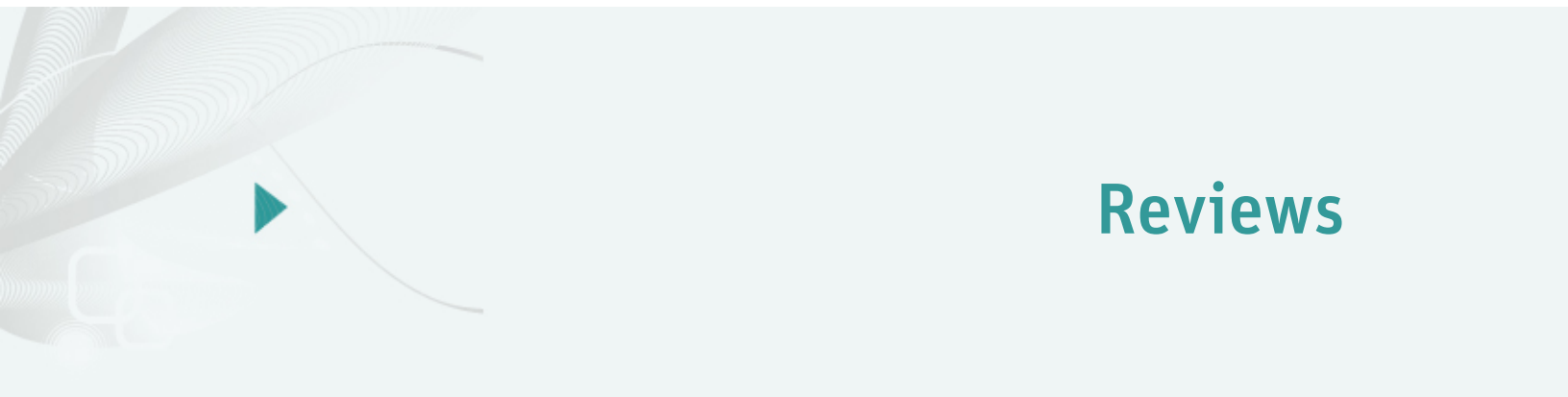




INTAL Documentation Center







Reviews

Enabling the Next Production Revolution: Issues Paper. Paris: Organisation for Economic Co-operation and Development (OECD). March 2015.

The objective of this paper prepared by the Directorate for Science, Technology and Innovation of the Organization for Economic Cooperation and Development (OECD) is to prospectively explore the impact of technological changes over the next 10 to 15 years, so that countries can take advantage of opportunities and prepare for the emerging challenges. The document argues that the new technologies could reduce the importance of economies of scale and have the potential to change the organization of global production, thus impacting international trade and global value chains (GVCs).

The work points to certain trends that will influence global production:

1. Population growth and an ageing population. Increasing urbanization in Asia, Africa and Latin America, and the Caribbean.
2. The green and sustainability imperative. The challenge of climate change.
3. New middle classes in emerging countries such as China and India, with effects on consumption.

The document argues that the new technologies identified below will impact production processes, can improve the competitiveness of companies and countries, and provide at least partial solutions to these trends.

1. *Additive Manufacturing*: 3D printing enables prototypes and small production volumes to be made efficiently.
2. *Nanotechnology*: This can potentially produce a wide range of goods with interesting properties (e.g. lighter or more resistant products).
3. *Biotechnology*: Bioelectricity, biofuels, and biomaterials production.
4. *Advanced Materials*: new materials with improved characteristics (e.g. functionality, reliability, weight, energy efficiency) to be used in various industries in combination with traditional materials.

- 
5. *Green technologies*: will increase resource and energy efficiency and minimize the generation of waste.
  6. *New information and communication technologies*: increased efficiency and productivity through the use of sensors, the Internet of Things (IoT), artificial intelligence, big data, etc.

The document shows that these technologies are disruptive in nature, with the ability to revolutionize production systems in multiple sectors. Among several new characteristics that can be expected from future production, this work highlights complexity, the need for rapid responses to changes in the environment, creativity and the capacity for innovation, customization of goods to fill market niches, the digitalization of processes, and sustainability.

Based on this diagnosis, the publication suggests that innovation is the more important driver of economic growth in economies. In particular, it argues that the degree to which countries can take advantage of emerging technologies will define the possibility of achieving sustainable economic growth. It also highlights the differential impact of automation on the various types of employment, with greater risks for the lower-skilled.

Last, it points to some of the challenges facing government policies in the “new industrial revolution”: first, it stresses the need to promote innovation through favorable environment conditions, such as investment in knowledge, human capital, physical infrastructure, entrepreneurship policies, and so on;

second, to identify regulations and policies that create barriers to the development of these new technologies; and third, to use educational policies to meet the challenges in terms of employment and inequality.

The paper’s value lies in the clear and concise picture it paints of the impact of new technologies on production processes at the global level, and the implications for public policy. While it focuses on OECD countries, its forward-looking vision, and the opportunities and challenges it sets out are also useful for the Latin American region and the other emerging countries.

Enabling the next production revolution: issues paper. (2015). Paris: OECD. ([Link](#)).



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

* Ten technologies which could change our lives : potential impacts and policy implications. (2015). Brussels: Parlamento Europeo.



Título: Ten technologies which could change our lives : potential impacts and policy implications

Edición: Brussels: Parlamento Europeo, january 2015 [28 p.]

Temas: <TECNOLOGIA><DESARROLLO TECNOLÓGICO><INNOVACIONES TECNOLÓGICAS>

Resumen: This study was undertaken in support of the Scientific Foresight Unit's ongoing work to develop a methodology for carrying out foresight studies within the European Parliament. Ten different scientific and technological trends are investigated which reflect the interests of citizens, policy-makers and legislators drawn from across the European Union. A summary of each trend is provided followed by an overview of both the 'expected' and 'unexpected' impacts associated with the trend. A legal analysis is then provided which highlights procedural and legislative issues for policy-makers and legislators to consider when tackling policy-making in the EU in relation to each trend.

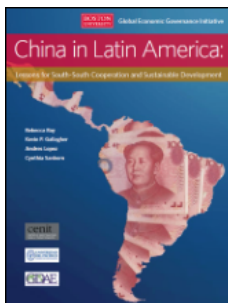
Accesos al documento:

62 / PEURO-TEN / 2015

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* Ray, R.; Gallagher, K.; Lopez, A. y Sanborn, C. (2015). China in Latin America : lessons for South-South cooperation and sustainable development. Boston: Boston University.



Autor: Ray, Rebecca; Gallagher, Kevin P.; Lopez, Andrés; Sanborn, Cynthia
Título: China in Latin America : lessons for South-South cooperation and sustainable development

Edición: Boston: Boston University, 2015 [28 p.]

Temas: <RELACIONES SUR - SUR><IMPACTO AMBIENTAL><DESARROLLO SOSTENIBLE><ECONOMIA INTERNACIONAL><MERCADO DE TRABAJO><INVERSIONES>

Geográficos: <AMERICA LATINA><CHINA>

Resumen: Latin America's recent commodity boom accentuated environmental degradation and social conflict across the Americas. The Latin American commodity boom was largely driven by new trade and investment with China, and concentrated in the petroleum, mineral extraction, and agricultural sectors - sectors endemic to environmental degradation and often the source of social conflict over rights and working conditions. Though with some notable exceptions, Latin American governments fell short of mitigating the social and environmental costs of trade and investment of the China-led commodity boom. While China should not be blamed for the bulk of Latin America's environmental and social problems, as China 'goes global' it is important to mitigate the social and environmental impacts of its global activities in order to maintain good relations with host countries and to reduce the potential risks associated with overseas investment. Although some Chinese firms have demonstrated an ability to adhere to best practices in the social and environmental arena, by and large and Chinese firms operating in Latin America thus far lack the experience or policies in place to lessen the impacts of their investments in the region. As the Latin American economies slow down there is increasing pressure on governments to 'streamline' approvals for the relatively few opportunities for Chinese trade and investment, and to dampen the voice of civil society organizations working to hold governments and foreign firms accountable for their actions. It is in the interests of the Latin American and Chinese governments, as well as Chinese firms, to put in place the proper social and environmental policies in order to maximize the benefits and mitigate the risks of China's economic activity in Latin America ...

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339.9 / RAY-CHI / 2015

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* Desarrollo del comercio intrarregional de alimentos y fortalecimiento de la seguridad alimentaria en América Latina y el Caribe. (2015). Santiago de Chile: FAO; ALADI.



Título: Desarrollo del comercio intrarregional de alimentos y fortalecimiento de la seguridad alimentaria en América Latina y el Caribe

Edición: Santiago de Chile: FAO; ALADI, 2015 [171 p.]

ISBN: 978-92-5-308729-7

Temas: <SEGURIDAD ALIMENTARIA><COMERCIO INTRARREGIONAL><ACUERDOS REGIONALES DE COMERCIO><POLITICA COMERCIAL><POLITICA SOCIAL>

Geográficos: <AMERICA LATINA><CARIBE>

Resumen: La Seguridad Alimentaria y Nutricional (SAN) ha pasado a ocupar un sitio relevante en la agenda política de los países de América Latina y el Caribe, particularmente a partir de las crisis económicas y del alza de los precios internacionales de los alimentos en los últimos años y su impacto en la capacidad de acceso de la población más vulnerable a la alimentación. Sin perjuicio de las diferencias que existen entre países de la región y de los altos niveles de desigualdad que aún subsisten y que superan a los de otras regiones del planeta, las economías de América Latina y el Caribe han mostrado un dinamismo sostenido en los últimos años, mientras que la aplicación de políticas de mayor gasto público y de transferencias de ingresos para atender demandas sociales ha contribuido a reducir la pobreza. La lucha por erradicar el hambre también muestra avances sostenidos y, a un año de cumplirse el período fijado en los Objetivos del Milenio y por la Cumbre Mundial sobre la Alimentación de 1996, 16 países de la región han alcanzado la meta de "reducir a la mitad el porcentaje de personas que padecen hambre", junto a varios otros que han realizado importantes progresos. Sin embargo, continúa siendo una paradoja que a pesar de los avances logrados, 47 de los 842 millones de personas que padecen hambre en el mundo se encuentran en América Latina y el Caribe, región con una importante producción y abastecimiento de alimentos a nivel mundial y que produce más de lo que requiere para abastecer a su población ...

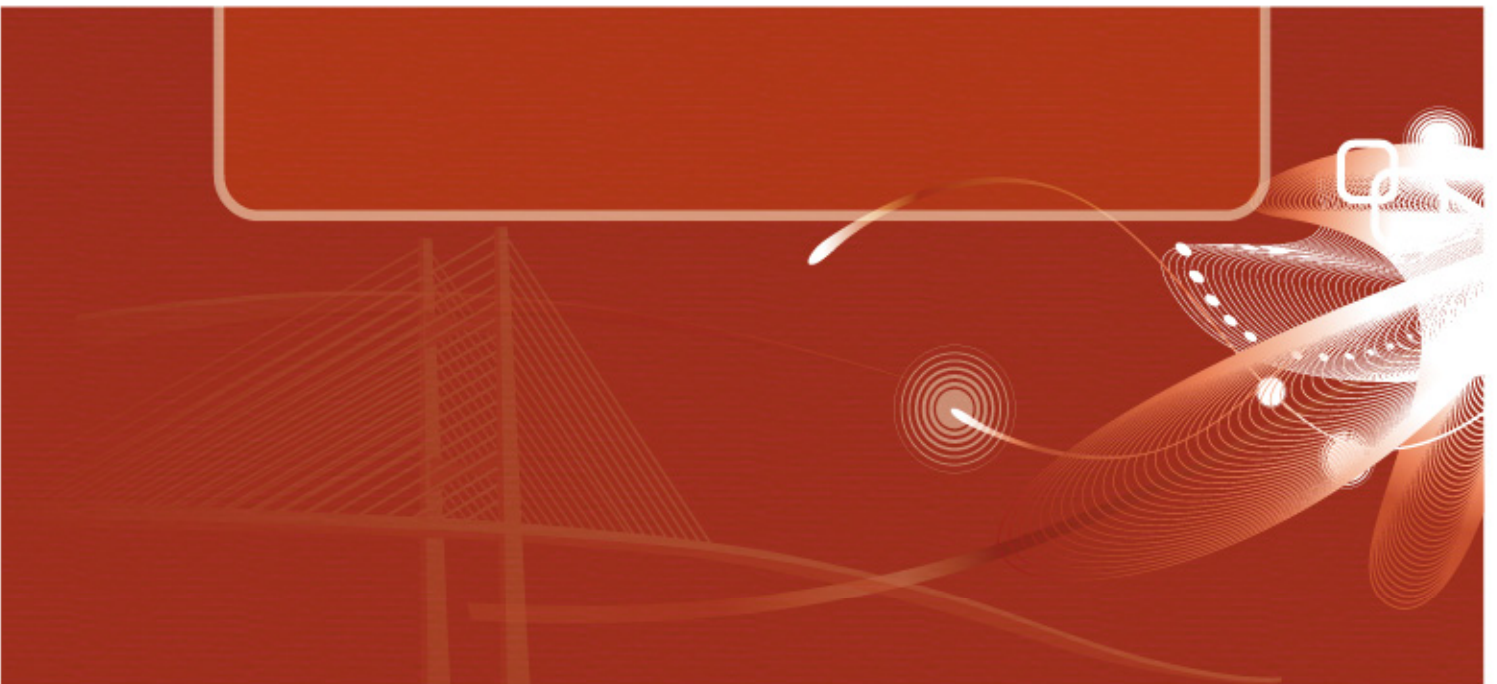
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intrarregional [p. 28] **2.3:** La distribución del comercio intrarregional de alimentos [p. 30] **2.4:** Balanzas comerciales agroalimentarias intrarregionales [p. 31]**3:** Factores condicionantes del comercio intrarregional agroalimentario [p. 37] **3.1:** Condicionantes de acceso y preferencias para importaciones desde la región [p. 38] **3.2:** Normativa y requisitos de importación para los productos agroalimentarios en América Latina y el Caribe [p. 52]**4:** Marco de acuerdos comerciales entre países de América Latina y el Caribe relacionados con el comercio de alimentos [p. 63] **4.1:** Acuerdos de carácter comercial entre países de la región [p. 63] **4.2:** Disposiciones en materia de compras públicas en los acuerdos intrarregionales [p. 65]**5:** Programas gubernamentales de alimentación y sistemas de compras de alimentos en América Latina y el Caribe [p. 67] **5.1:** Programas de transferencias condicionadas [p. 68] **5.2:** Programas de alimentación escolar [p. 70] **5.3:** Políticas y mecanismos de stocks alimentarios [p. 72] **5.4:** Sistemas de compras públicas - Caso de Centroamérica [p. 73]**6:** Conclusiones y propuestas para la acción [p. 75] **6.1:** Conclusiones [p. 75] **6.2:** Propuestas para la acción [p. 79] **6.3:** Comercio agroalimentario intrarregional y plan regional de seguridad alimentaria y nutricional [p. 83]**Referencias y fuentes de información** [p. 87] **Accesos al documento:** 338.439 / FAO-DES / 2015

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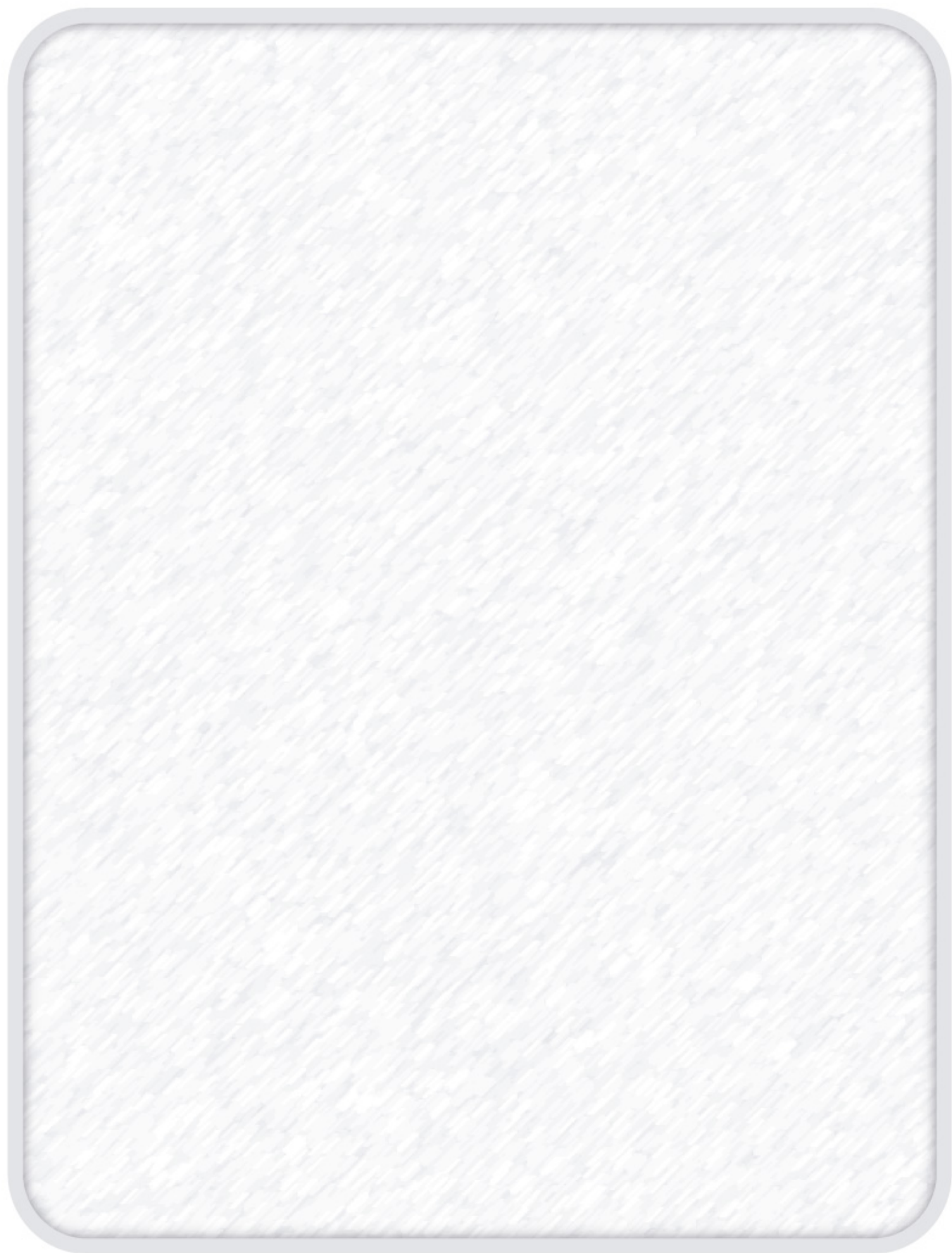
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Links to original information sources in this issue:

- [Acuerdos y declaraciones firmados entre Argentina y Chile]. (2015).
- Anyanwu, D. (2015). Caribbean convergence : an essay. Saint Augustine: UWI. [Link](#).
- Enabling the next production revolution: issues paper. (2015). Paris: OECD. [Link](#).
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