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INTRODUCTION

This issue of the Journal is devoted to physical integration in Latin America. The Editorial Committee set about designing the contents, with a call for papers, which suggested topics and questions that focused on the subject while covering a broad spectrum.

Regional physical integration is supported by a wide range of instruments, such as infrastructure works to reduce transportation costs and enhance connectivity, and financial structuring of technically, highly complex large scale capital investments. But no less relevant are government cooperation mechanisms that provide the necessary coordination for trade facilitation policies and measures, or the local impacts associated with enterprises, especially those located in border areas.

Accordingly the first section of the Journal brings together the selection of works made by the Editorial Committee. Starting up, *Muniz Costa* discusses the importance of land transport from a historical perspective applied to Brazil. The author points out that the design of Brazil's road network, motivated by an initial geopolitical concern for internal territorial integration, gradually evolved toward a more comprehensive regional vision. In the last third of the twentieth century, Brazil took deliberate action to gradually connect with neighboring countries; economic and commercial objectives were very much part of this effort. In this context, and as a decisive next step, the author places the MERCOSUR agreements and, more recently, in 2000, the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), which would gather fresh momentum with the launch of the Union of South American Nations (UNASUR). He notes that, by promoting this action, Brazil translates an explicit attention to the bioceanic corridors and has one eye on the growing importance of Asia.

In the paper on exports through postal services, *Brandi* gives an account of the unique experience of a project within the framework of IIRSA. One of its main attractions is its simplicity and advantageous cost-effectiveness: the project consists of the use of the postal logistics platform for exports of low volume, low value goods. This is associated with the reduction of transport and transaction costs through the simplification of customs procedures and management of payments. Brandi not only describes this program's design and logistics, but also discusses its importance for small and medium-sized enterprises. Among other things, the author highlights as a key factor the territorial penetration of the program, which is supported by the capillary nature of the postal network.

The work by *Meza Monge* focuses on regional border spaces (RSBs). The author points out the need to distinguish between border crossings as points of control and verification of the traffic in goods and people, and other areas of integration developing along the border. The latter are unique enclaves of population and economic activity that take root in the territory on either side of the border. This sets up an integrating dynamic in the territory that goes beyond divisions on maps. Meza Monge argues that the management of these territories requires *ad hoc* public policies that must be properly coordinated by the national states, with the involvement of the respective local authorities. He points, by

way of example, to the adoption of measures in this area by the Andean Community of Nations (CAN), while admitting that these have not had the desired effect. In the same vein, the author suggests that the issue requires far more attention within the South American integration process promoted under IIRSA and UNASUR.

As physical integration is the core concept of this issue, a look at asymmetries could not be missing, an issue to which this Journal devoted Issue No. 31 of July-December 2010. This is the topic covered by *Lucángeli & Berrettoni* in their article on the MERCOSUR Structural Convergence Fund (FOCEM). This is a relatively novel experience for a South-South integration model and there are few works that deal with it. The first section provides an analytical framework for the reasons that justify this kind of policy, discussing their importance and relative merits in the case of MERCOSUR. The second section provides new information about FOCEM-financed projects and notes the greater weight acquired by infrastructure projects, which mainly benefit the bloc's two smallest economies, Paraguay and Uruguay. The authors highlight the unique nature of the FOCEM and weigh up the effort made, while cautioning that its scope is limited given the goals it is pursuing.

These then are the contributions of the authors and works selected by the Editorial Committee: evidence about the broad spectrum of issues supported by a single concern, physical integration. Their diversity aside, it is still difficult to account for such a vibrant and active regional reality. With this in mind, the Committee decided to include a second section, entitled "Documents", to outline regional cooperation efforts aimed at improving Latin American connectivity.

Three texts on this area have been included. The *first* focuses on the situation in the hemisphere, while the *second* deals with the Pacific Corridor of the Central American isthmus. In both cases, the respective authors, *Paolo Giordano* and *Irasema Infante*, develop and summarize earlier IDB texts, and adapt them to the specific objectives of the Journal. The *third* and last text, exclusively about South America, brings together two documents: the *UNASUR Strategic Action Plan* and its main tool, the *Integration Priority Project Agenda*. The latter explains the agenda's scope and logic, and also sets forth the 31 infrastructure projects to receive preferential attention for South American physical integration. It should be noted that both are texts agreed by the governments of UNASUR at the meeting in Brasilia, Brazil, in December 2011.

The Journal also expresses an institutional reality of IDB by including these documents, namely the Bank's commitment to promoting Latin America and the Caribbean's regional and global integration through these initiatives. This support is embodied in a set of instruments: studies and diagnoses, project financing, resource provision for intergovernmental cooperation, provision of a platform for disseminating actions aimed at broad communication with civil society, the private sector, experts, and so on. This commitment is given full expression in the *Sector Strategy to Support Competitive Global and Regional Integration*,¹ approved by IDB in 2011, and which is one of its priorities for action over the next few years.

¹ Inter-American Development Bank (IDB). 2011. *Sector Strategy to Support Competitive Global and Regional Integration*. Washington DC: IDB.

Finally, following the usual format, and in addition to the Statistics section, a set of interviews is included with relevant public and private actors on the issue in question. In this case, *Integration & Trade* has benefited from the generous contribution of *María Emma Mejía*, Secretary General of UNASUR, *Ennio Rodríguez*, an expert on Central American integration, and *Eduardo Bastitta* and *Eduardo Furlong*, private entrepreneurs in logistics.

This edition of *Integration & Trade* thus seeks to provide an up-to-date overview of the main aspects of physical integration. Clearly, none of the contributions closes this debate, which is necessarily complex and to which there are multiple facets; they simply testify as to the “state of the art”, while indicating the pressing need for further research, analysis, and evidence to shed light on a subject that is of extraordinary importance for the region’s development and the possibility of better distributing the fruits of economic growth, both socially and spatially. ♦

RICARDO CARCIOFI

***Director of INTAL
Editorial Committee***





Articles

SOUTH AMERICAN REGIONAL INTEGRATION BY LAND TRANSPORT: A HISTORICAL PERSPECTIVE

SÉRGIO PAULO MUNIZ COSTA

A historian, member of the Center for Strategic Research of the University of Juiz de Fora (CPE/UFJF), researcher in security and defense issues at the Brazilian Center for International Relations (CEBRI), and head of Clio Consultoria Histórica (Brasília-DF). He has worked as the Brazilian delegate for the Inter-American Defense Board (JID), division chief of the JID's International General Staff Section in charge of the military component of the humanitarian demining program of the Organization of American States (OAS). As head of the administrative division of the logistics department, he has advised the Brazilian Army's Chief of Staff, the Head of the Department of Engineering and Construction and of the Logistics Department itself with regard to the evaluation of the provision and establishment of satellite communications, and to the organization and acquisition of the Peace Force Engineering Company of the Brazilian Army contingent in Haiti. He is author of the book Os Pilares da Discórdia, on international relations, geopolitics, and international equilibrium, and of various articles in newspapers and specialist journals.

Modern approaches to development are no longer limited to economic aspects: they take into consideration many other factors -of a political, human and social nature- that make it possible. Land transport, normally understood as a feature of infrastructure that drives economic growth, is not duly valued for its capacity to boost development. The development experienced by Brazil in the second half of the 20th century, inspired by a vocation for continental integration, shows that the advantages and importance of land transport far transcend its immediate purposes. History helps us comprehend how long it takes to build the social and political structures that should be taken into account when designing proposals to surmount old barriers to development. Along these same lines, other sciences may join the understanding and prospective effort required for framing any regional development project. A retrospective analysis of Brazilian integration allows us to establish relations between the physical environment, economic conditions, and social outcomes expected from the implementation of systems of land, particularly road transportation. This article suggests an approach to the development and integration of the South American continent, based on land transportation, emulating policies and strategies that take into account historical, geographical and cultural aspects of the towns and regions located in between large economic centers.

INTRODUCTION

Those who have their products carried aboard the truck of a large Brazilian logistics company bound to or from any city in South America are hardly interested in the history and geography of the regions

between the origin and destination warehouses of the goods they trade in. The cost of freight -to speak only about one of the aspects that will impact on the determination of their prices- is calculated on the basis of quantitative data including from fuel to the return on the capital invested in the firm that provides

transportation, this set of aspects being conditioned by political and economic factors. In addition, roads are built on the basis of return on investment studies as well as the demands created by economic activity.

In the past, deserts, mountains, seas -in other words, barriers and distances-isolated populations, even in countries with extensive territories. Brazil, after the Second World War, experienced a significant intensification of migration flows from the northeast to the southeast and, later on, in the 1970s, to the large national centers, spurred by economic development, dissemination of information via TV, and road availability. Regardless of the social imbalances these migration flows may have brought about, no one would dare deny the decisive contribution that they, and the roads along which they occurred, made to integration and to the mitigation of regional asymmetries.

DEVELOPMENT PROSPECTS

KNOWLEDGE AND MATERIALITY

Whatever viewpoint the question of development is seen from, it is clear that knowledge is crucial to its advancement. In the final years of the 20th century, the success of the knowledge that society in the most developed part of the world relied on the assumption that its rationale was understood by developing and underdeveloped countries.

If Latin America keeps undergoing extreme economic fluctuations at the end of the 20th century, the main reason lies in not having shifted from a natural resources-dependent to a knowledge-based economy. The great challenge Latin America will be facing in the coming decades is the transition to a knowledge-rich society, based on a major expansion of education, science and technology, and democratization. (Sachs, 1999, p. 24).¹

It is difficult to disagree with the diagnosis above; however, it must be borne in mind that knowledge does not directly lead to development, as the latter is inevitably preceded by human, geographic and

economic -in one word, material- factors. Other less tangible but not less important aspects have a bearing on the capacity of a given society to produce knowledge, particularly cultural knowledge.

*There is a grain of truth in each one of these four [biological, economic, political and cultural] conceptions of development: there is no development without biological, economic, political and cultural progress. Today's industry and trade require healthy and qualified labor, while education -which is a means as well as an end- calls for economic support and freedom. For its part, the latter is not enjoyed as cultural property: although it is not a thing, it is indeed a state of things; it is not a substitute for abundance or a culture, it is a means to enjoy one or the other. And culture cannot prosper vigorously and continually where there is not a minimum economic affluence and freedom of creation, and outreach. **True, constant development is, hence, comprehensive:** it is biological, economic, political, and cultural. This is, in sum, a far-reaching concept of development. (Bunge, 1980, p. 22; italicized words are ours).²*

The proposition of a knowledge-based society is an end that must take concrete shape by material means, and this leads to the question of accumulation of capital sufficient to support the education, research, production, income and consumption that characterize such a model of society. Today, there is not only financial but also human capital accumulation, and the latter should evolve *pari passu* with the former. Such accumulation is virtuous when its financial and human components complement each other.

GEOGRAPHY AND ITS POLITICAL, ECONOMIC AND HUMAN APPROACHES

History consolidated the idea that geopolitics was to be associated with defense policies, as it provides for the application of power in a given space. Yet, such power is not always applied via military force, with a view to securing predominance or hegemony. Such was the prevailing trend in South America, where underdevelopment, its territorial vastness, and the lack of resources of all sorts sparked off the geopolitics of spatial organization. Geared towards

¹ Own translation.

² Own translation.

ensuring the application of power by national states through infrastructure, the implementation of regional development clusters, and the articulation of economic blocs, this South American geopolitics school permeates several regional agreements, some of them confined to oblivion. South American geopolitics is sustainable and promising as it relies on the geo-historical aspects of development: natural resources, population, spaces and physical linkages.

During the 1960s, Brazil absorbed the methodology applied by the international organizations working with the World Bank and the Inter American Development Bank (IDB), and conducted a comprehensive survey of transport in the country, according to a predominantly technical and economic view that was to persist for quite some time and influence other studies until the 1980s. From the analysis of those surveys, particularly the study entitled "Region A São Paulo, Mato Grosso, Goiás" (Brazil, 1968a), the grouping of the regions covered by the study shows concern for the integration of the country's economic and industrial hub with its hinterland, a reiteration of the geopolitical role played by the "rotating plate" (Barreto, [?]) of the Brazilian plateau in the formation of the national territory.

The study was developed in three distinct phases. The first phase involved an analysis of the existing highway system, a survey of traffic, and a detailed study of the economies of the three states. Work in this phase resulted in the development of a network of a new and improved highways to be studied in the second phase. In the second phase, the highway network was analyzed with the aid of digital computer, and a schedule of economically justified investments was prepared by order of priority based on the optimal year of making each investment. The third and final phase of the study was the preparation of a financial program that would provide income for all the recommended expenditures from the existing and new user charges, loans, and other budget services. (Brazil, 1968a, p. 1-4).

Based on surveys and analyses by the Institute of Applied Economic Research (*Instituto de Pesquisa Econômica Aplicada* - IPEA), the Getúlio Vargas Foundation (*Fundação Getúlio Vargas* - FGV), and the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística* - IBGE), the methodology applied yielded some significant results as to the relations existing between transport and the economy, confirming the role of transport as a driver of economic growth.

The evolution of the transport sector is evidently caused by structural change in economy and increasing specialization and urbanization, which have led to a higher rate of growth of transport services than the rates of growth of real product in others sectors. (Brazil, 1969, p. 66).

Another survey worth noting is the study on traffic zones and projections in relation to the growth of cities and counties, along two land connection hubs in the State of São Paulo, evidencing the traces of a human geography that still remains to be properly evaluated within the context of the large engineering works of that time. Guided by a traffic demand view, the study reached prospective conclusions on the basis of the relations established among migration, demography, and economic growth and traffic projections.

The transition from the rural to urban, however, is not proceeding without problems. Unevenness in resources among traffic zones account for differences in economic development. In some instances, the actual population is expected to decline. (Brazil, 1968c, p. III-3-10).

Another relevant aspect in the study was the intent to increase the capacity of least developed states to conduct road maintenance works. Goiás, Mato Grosso and São Paulo, although geopolitically articulated in the venture to expand the Brazilian borders, both the historical and agricultural ones, were in the 1960s quite dissimilar in terms of development.

The objectives of this study of highway department organization of Mato Grosso are (1) increase operational and administrative efficiency, and (2) provide for the gradual transfer of all services relating to construction, maintenance, and policing of national highways within the state from the National Highway Department (DNER) to the State Highway Department (DERMAT). The specific areas for analysis, evaluation and planning, as outlined in the terms of Reference for this study, are (1) a maintenance program, (2) maintenance operation, (3) maintenance equipment, (4) bidding and contracting procedures, and (5) administration. (Brazil, 1968b, p. 1-3).

The transport survey undertaken in Brazil during the 1950s and 1960s is an example of an analysis of geopolitically justified national development. This view prioritized transport and, as its focus was placed on regions that were intermediate or peripheral to the large economic centers, provided an integration perspective

founded on decentralization and the spread of capacity and competence building.

LAND TRANSPORT - THE BRAZILIAN EXPERIENCE

EVOLUTION OF TRANSPORT IN BRAZIL

On August 29, 1928, Emperor Pedro I signed into law a bill “*setting forth the rules for the execution of public works designed to secure river navigation, opening of channels, construction of roads, etc.*” (Brazil, 1973, p. 31); since then, Brazil had thirteen transport plan proposals (eight during the Empire and five during the First Republic), which sought to link the different Brazilian regions as well as to connect it with its neighbors, until it had an officially approved transport scheme, the 1934 National Transport Plan.

Dissociated as they were from the country's political and economic realities, these proposals prior to the 1934 National Transport Plan envisaged, however, the long longitudinal routes of the Transbrasiliana and Belém-Brasília highways, and the vast transversal lines that today cut across Brazil from east to west.

POST-WAR EXPANSION

Before the system of escorted convoys provided some security to domestic maritime transport, severely hit by the attacks of the German submarine U-507 to Brazilian shipping in August 1942, the Brazilian Northeast experienced a sort of blockade in relation to the rest of the country. That caused a strong impact on the Brazilian political leadership, who became aware of how precarious land connectivity was between the country's Southeast and the remaining regions, particularly the North and Northeast. Even during the war, attempts were made at linking the Southeast's economic core with the Northeast via a route consisting of the San Francisco River and the Transnordestina highway, which ran transversally across Pernambuco. The lack of prior investment in maintenance equipment and transport rendered the results of this operation unreliable.

In 1940, during the inauguration ceremony of the city of Goiânia, Getúlio Vargas launched “a March to the West”, an integration program that paved the way

for the construction of Brasília almost two decades later. In 1944, Brazil adopted its first highway plan (Executive Order dated March 23, 1944), based on the 1934 Transport Plan, and in 1945, the Joppert Act (Executive Order 8463, dated December 1945) was passed, providing for the creation of the National Highway Department and the National Road Fund, which may be deemed to be the starting point of the recent history of transport in Brazil. In 1951, the new transport plan combined the 1934 Transport Plan and the 1944 Highway Plan.

The transport plans adopted in 1964 and 1973 integrated highways, railroads, sea terminals and waterways, as well as air terminals, laying the foundation for the wave of development that Brazil experienced at that time. For the purposes of this study, however, it is important to acknowledge that the profile of the Brazilian society shifted in the 1950s, 1960s and 1970s, to a large extent due to land transport. From the difficulties in implementing the Health, Food, Transport and Energy Plan (*Saúde, Alimentação, Transporte, Energia* - SALTE), in the aftermath of the Second World War, to the Development Plans launched in the 1970s and 1980s -an era marked by governmental development planning- transport occupied a prominent position that gradually grew from underlying infrastructure to impacting other aspects, as can be verified in the analysis of the social gains resulting from Brazil's Northwest Border Road Integration Program:

The impacts expected from the implementation of the Highway Subprogram are reflected at the national, regional and local levels, and include, among others:

- *Improved living conditions of the rural population, in terms of health and schooling and correction of the income distribution profile;*
- *Creation of more rural jobs;*
- *Reduced social tensions at the regional level, as incentives are created to encourage marginalized families to return to rural activities;*
- *Mitigation of environmental damage risk in the Amazon ecosystems, as pioneer fronts headed toward areas more suitable for human adjustment to the environment;*
- *Reduced social tensions in the more densely populated areas in the country's center and southern regions, as a result of induced land supply in the agricultural border;*
- *Contribution to improving national income distribution as a result of expanded access of the needy to basic*

foods brought about by the reduction in their transport cost. (Brazil, 1984(?), c. p. 8.3.2).³

ARTICULATION WITH NEIGHBORING COUNTRIES

Some of the proposals preceding the 1934 National Transport Plan reflect a concern for South American integration, as evidenced by the envisaged linkage of national railroads and highways to those of neighboring countries, and the ambitious devise of bioceanic land bridges, such as that contemplated in the Rebouças Plan:

In 1874 an engineer, André Rebouças, submitted a draft for another transport plan, which included Atlantic-Pacific linkages. The plan conceived of the country as a large triangle, its base lying on the Amazon River and its catheti being represented by the Atlantic coast and the River Plate Basin. (Brasileiro, 2001, p. 105).⁴

Shortly earlier, in 1871, Brazil signed a contract for the conduct of feasibility studies for the construction of a railroad linking Curitiba, in Brazil, with Sucre, Potosí and Oruro, in Bolivia, thus providing a gateway to the Pacific coast. This proposal was endorsed by Mauá, the great Brazilian industry and development champion. In point of truth, this plan was inspired in the geopolitical enterprise the United States was completing in North America. A similar role was envisaged for Brazil, in the linkage of the continent's two ocean coasts, through the integration of different sovereignties in a project for which not only there was a lack of the indispensable technical expertise but, above all, of political ideals of regional convergence and integration.

It was Christian Palm, a foreigner imbued with the grandiose ideas inoculated by the North American experiences about the economic factor of railroads, who introduced in Brazil the idea the Southern continent was in urgent need of: linking the Pacific and the Atlantic oceans, an easier and less distant connection than the one that had just been attained in the northern part of the continent." (Farias, 1933, p. 534).⁵

The national integration and continental articulation ideas gradually took shape. The Schnoor Highway Plan,

a proposal submitted in 1927, was the first to envision the country capital in the Planalto Central, in Goiás, and a land connection with Santiago and Valparaíso, in Chile. In the 1970s, with its overall national integration goals already accomplished, Brazil turned to focus more on the articulation of its land linkages with its neighbors, particularly Paraguay, and conducted more thorough studies in that respect, applying a methodology with which it had got familiar ten years before.

For highways, priorities were set by selecting the optimal opening year, when the benefits generated by the gains resulting from the reduction in operating costs of vehicles in transit amounted to 10% of the improvement implementation cost. (IPEA/GEIPOT, 198(?), p. 27).⁶

In the early 1980s, Brazil embarked on an enormous export effort with a view to offsetting its trade balance, which had been upset by the prices of oil, and its balance of payments, which was threatened by the former and by the foreign debt crisis. Trade relations with neighboring countries, particularly Argentina, intensified. In sync with Brazil's initiatives geared toward ensuring regional economic integration by transport, some time later, the Argentine government issued a statement in relation to the prospects for road freight transport between the two countries, placing emphasis on its remarkable growth and contribution to the "creation of a shared competitive space".

In sum, road freight transport has evolved quite positively, particularly since 1986 from Argentina to Brazil, and since 1991, in the opposite direction, to finally balance in 1993 and 1994. Such a transport mode is showing great flexibility and resilience for the capture of new freight and pronounced increase in trade in recent years. Not only did this mode see its share in the tonnage carried in both directions rise, but also, its growth in value terms, was more than proportional. (Argentine Embassy, 1995, p. 166).⁷

A CURRENT OVERVIEW OF LAND TRANSPORT BETWEEN BRAZIL AND THE SOUTH AMERICAN COUNTRIES

Brazil has "reached" all its borders (Magalhães, 2009). Since the signing of the Mar del Plata Agreement, in

³ Own translation.

⁴ Own translation.

⁵ Own translation.

⁶ Own translation.

⁷ Own translation.

1977 as amended in 1989, land transport agreements were entered into with eight neighboring countries (Brazil, 2008, p. 1), their spirit being to abide by the rule of origin. "*Bilateral transport agreements made with neighboring countries are guided by what pays off; hence, their flexible wording*" (Magalhães, 2009). Its importance for border towns and even for neighboring countries may be verified in the example of Bolivia, whose trucks travel long stretches along Brazilian highways to reach destinations in their national territory that are internally inaccessible.

At their Brasília summit in 2000, the South American heads of state launched the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), with a view to defining international corridors and the actions to be undertaken by the countries. The Southern Common Market (MERCOSUR) adopted the Transport Agreement of the Southern Cone, and the prevailing idea today is that some regional transport corridors "should naturally evolve into bioceanic" (*Ibidem*), as cargo demand so requires.

Internally, Brazil adopted a series of measures intended to facilitate transport by small local and sporadic carriers, such as occasional trips carrying proprietary freight. The National Land Transport Agency (*Agência Nacional de Transportes Terrestres* - ANTT) set up, in all border posts, an online licensed carrier and fleet surveillance system that, integrated with the Brazilian tax board (*Receita Federal*), cuts down red tape and provides for the issuance of international cargo manifests.

It is important to bear in mind, however, that the scope and importance of the road transport mode in South America for Brazilian exports lies in the fact that Brazil is a global player, which opens new prospects for wealth shared by its neighbors.

For the national agribusiness, the gain would consist in the possibility of shipping large cargo volumes from the other side of South America, such as San Juan de Marcona. The Marcona bays are as deep as 30 meters, allowing the berthing of 300,000-ton vessels. Ships mooring at the Port of Santos, the country's largest harbor, can load as much as 60,000 tons of cargo. If we take, for instance, a vessel loaded in Shanghai, China, departing from a port on the Pacific coast instead of Santos, it would have four days less of sailing, a saving of

US\$ 177 thousand, as estimated by a large transoceanic shipping company. (Brito, 2009).⁸

MAKING DEVELOPMENT THROUGH TRANSPORT VIABLE

In the coming decades, development in the South American scene must be carefully contextualized, since it may trigger migration flows that are hard to deal with by all the parties involved, as it is already the case in other geographies. The best path to the development of South America is sharing the progress attained, by virtue of the opportunities for space organization that progress generates, and the advantage that it does not create or fuel regional imbalances. It does not displace populations, takes into consideration their habits and culture, thus avoiding the traumas caused by change, and leverages their regional vocations.

From an analysis of these ideas, it is possible to infer a preference for **contiguity** as regional development *policy*, and for **continuity** as its implementation *strategy*. **Contiguity** because the neighborhood policy is reinforced and national and border development clusters are viewed from an integrated perspective. **Continuity** because the material inter-linkage exudes a vocation for mitigating the differences between development clusters and national realities. The surmised effect is that of a network, continuously expanding and dandifying, and fostering not only the generation of wealth and income but also the presence of sovereign national states working under their own constitutional frameworks and regional agreements.

Transport drives development, because its land version stimulates the creation of employment and income hubs, as new service providers settle there (such as repair shops, businesses serving various purposes, individual and company car servicing, and road maintenance), progressively creating their own networks as a result of their commercial ties, and

⁸ Own translation.

reinforce functional and cultural solidarities. For that vocation to be materialized, careful attention must be paid to the analysis of the potential for economic expansion **of and on** roads, as well as the human capital required to operate them at the local level, including its management and training.

More dependent on human aspects, land transport brings populations closer according to their respective cultures and requires the presence of the State, a desirable condition for securing and sustaining the development actions. Transporting, from this perspective, means more than causing people and freight to “pass” through certain regions. It involves doing it with efficacy and efficiency, at the best possible costs, continually, uninterruptedly and smoothly; “passing” leaving local benefits that will result in increased quality for the vehicles traveling along them. It is possible to see beyond the immediate.

A methodology for a prospective study of transport routes that may drive integration and development, which may serve as a model for policy and strategy-making purposes, would consist of three stages: a survey of the geographic, historical and cultural characteristics of the regions involved; a survey of the actual and potential situation in terms of equipment in those regions, and a survey of the potential for economic expansion **of and on** connection roads.

Integrating development clusters via land transport is a natural corollary. Thus, geographically isolated, hard to cross regions, may find their vocations as articulators of integration routes, contributing to their own, as well as regional, development. For that, however, it is necessary to have a thorough understanding of the regions to be linked, decentralize activities, assign missions that are consistent with the local vocations, encourage populations to join the effort, and establish legal and international frameworks that are fully compatible with the local realities.

It is not difficult to diagnose that some regional integration programs did not perform as expected under actual agreements and economic interests. Many times, there remain some cultural and geographic hindrances zones between exchange hubs, which impose unforeseeable costs, delays, and even put up

inexplicable hurdles to the smoother passage of freight and persons traveling to other destinations. All this is part of the invisible barriers that are normally built out of a feeling of alienation and non-commitment prevailing in the regions lying between the major development and trading hubs.

The obvious way to overcome these difficulties lies in the advantages perceived in the production of goods and the delivery of transport support services, as well as in convincing the major activity hubs of the gains obtained from decentralizing their support infrastructure and establishing part of them in those regions, thus fostering better education, vocational training, and income patterns. This would act as a catalyst for the progressively concentrated regional development.

Technology offers new prospects for surmounting human deserts. Good ports, roads, warehouses, repair shops, garages, passenger stations, and tourist and hotel attractions may give rise to the creation of a South American transport network that could contribute towards mitigating regional dissimilarities and bring the communities involved closer. In any case, however, the process has to flourish at the local level and then proceed to march forward firmly to avoid setbacks. As for consensus-building, it is of the essence; without it, a new land transport-based integration wave is very unlikely to happen. But consensuses have to be built at the local level if they are to subsist regionally. Historical and cultural considerations will always be instrumental to this process. ♦

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EXPORTS THROUGH POSTAL SERVICES: THREE LEVELS OF ANALYSIS

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This article sets out to narrate the experience of the "Exports through Postal Services" project, promoted in the framework of the Implementation Agenda based on Consensus (AIC) 2005-2010 of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) and viewed through a three-tiered export-based approach. The paper does not set out to evaluate the success or failure of the experience in itself, but to conceptualize the instrument's rationale as a promoter of exports and exporters. The first part describes the program, and narrates the experiences of Brazil and Peru. The second part analyzes the program through theories that bring the relevance of exports into focus. The closing section sets out some final considerations.

THE PROGRAM IS BORN

At the First South American Summit, in Brasilia, Brazil, in 2000, the Heads of State undertook to foster policies that bolster integration in South America. The Summit saw the birth of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), consisting of an institutional coordination mechanism for the twelve South American countries' intergovernmental actions, with the aim of building a common agenda to promote

infrastructure integration projects in transport, energy, and communications.

After IIRSA's first steps in preliminary planning and the initial organization, it was decided in 2004 to adopt a results-based approach to step up the administration of the integrative process. To avoid any discouragement, it was sought to consolidate the overall progress and to capitalize on the contributions of experts and technical meetings conducted to date. A fresh strategy was designed. This led the IIRSA member countries, at a

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meeting in Lima, Peru, toward the end of 2004, to propose a common agenda with 31 large-scale projects focused on the integration of South America. From this arose the Implementation Agenda based on Consensus 2005-2010 (AIC), signed by the region's presidents at the Cuzco Summit the same year.

One of the projects on the AIC, relates to postal exports and has been named "Exports through postal services for Micro, Small and Medium-Sized Enterprises (MSMEs)".

Through this project, the IIRSA countries are seeking two highly specific ends; *on the one hand*, the project seeks to implement a simplified export system that will increase opportunities for South American companies, in particular MSMEs, and provide access to the global marketplace by harmonizing and simplifying essential steps for the export of goods; *on the other hand*, it seeks to consolidate a logistics platform based on the infrastructure network of public postal operators throughout the subcontinent.

The project was presented by Brazil on the basis of the experience of the national postal and telegraph company. Through this public postal operator, Brazil implemented a simplified export system called "*Exporta Fácil*", enabling companies to process exports by means of a Simplified Export Declaration at post offices. The program's success was based on decentralizing its application, given that the Brazilian mail has a vast network of agencies throughout the national territory.

THE BRAZILIAN AND PERUVIAN EXPERIENCES

BRAZIL

The *Exporta Fácil* program in Brazil began in mid-2000. The simplified system began with a declared ceiling of US\$5,000 and a weight allowance of 30 kilos; with the pressure of demand, this was later raised to US\$20,000 and today stands at US\$50,000. According to published estimates, in the five years from 2003 to 2008, there were almost a million dispatches to the world market, generating around US\$820 million (Table 1). Over 2,000 companies currently make use of the scheme.

Table 1

BRAZIL. EXPORTS THROUGH POSTAL SERVICES, 2003-2008

In US\$ millions and number of deliveries

Year	Value US\$ millions	Deliveries
2003	62.350	106,109
2004	100.705	166,371
2005	121.497	171,605
2006	154.222	166,160
2007	175.139	172,197
2008	204.867	179,168
Total	818.780	961,610

Source: Based on IIRSA (2010), page 3.

The project has been a success for many reasons, the *first* and most obvious of which is that it facilitates access to the global market for a large group of companies. *Second*, it allows these companies to diversify the products they sell abroad. And *third*, and perhaps most importantly, by presenting them with a new challenge, it brings about a shift of corporate culture in companies that do not usually export.

Diversifying the goods sold abroad is one of the objectives of the *Exporta Fácil* Program. While not just any type of good can be exported through the Program (due either to format or value and weight parameters), the program promoted diversification. In Table 2, we can see the products exported in 2008, as expressed in order of importance in US\$ millions.

In the same year, external sales through the *Exporta Fácil* program reached 51 different countries. The main destination (United States) loomed large with 21% of the total.

The other countries had a percentage share that ranged from 6% to 0.2% respectively for Norway and Argentina.

Table 2**BRAZIL. EXPORTS THROUGH POSTAL SERVICES, 2008**

Product types, in US\$ millions

Products	Value US\$ millions
Vehicle parts & accessories	12.457
Screws, threads & other iron goods	5.866
Sound recording media	4.900
Vulcanized rubber items	4.766
Switches & electrical connectors	4.134
Books	3.894
Jewelry	3.666
Cranks & gears	3.642
Valves & boilers	3.351
Other plastic or celluloid items	3.392
<i>Total</i>	49.973

Source: Based on IIRSA (2010), page 4.

Figure 3**BRAZIL. EXPORTS BY POSTAL DELIVERY, 2008**

Destinations, in US\$ millions

Country	Value US\$ millions
United States	43.352
Argentina	12.822
Venezuela	9.798
Mexico	9.713
Chile	8.281
Germany	6.940
Colombia	5.985
Japan	5.395
Peru	4.646
France	4.607
Others	111.539
<i>Total</i>	204.867

Source: Based on IIRSA (2010), page 4.

PERU

The first regional partner to apply the project included in the AIC was Peru. With the idea of promoting exports and bolstering the performance of MSMEs, Peru and Brazil signed a technical cooperation instrument to implement the project on Peruvian soil.

For all that Peru had an instrument similar to *Exporta Fácil*, cooperation between the countries consolidated a new experience based on a system of exports that made use of the Peruvian postal service company (SERPOST) with a 50-kilo limit and the restriction of selling no more than US\$5,000 per delivery. The simplified system started out with a key innovation, the entire simplified clearance procedure being performed on a computer platform.

By late 2008, the Project was being used by 450 companies in Peru. Between July 2007 and December 2008, there were 4,600 exports to the global market. According to the Peruvian National Customs Superintendency (SUNAT), deliveries during 2009 stabilized at 300-400 dispatches per month. As with Brazil, the amounts traded through these channels are not significant in relation to total exports. This is due partly to the fact that the system is still in its infancy and partly to the fact that the system itself was conceived with a limited scope in terms of the traded value permitted.

In terms of the product descriptions, we can see in *Table 4* the main goods sold abroad, classified by chapters of the nomenclature. The first of these is *precious or semiprecious stones*. According to official statistics, over 1,200 dispatches of these goods were made, with a mean value of approximately US\$250. It is important to emphasize that the top four chapters accounted for over half of the sales, with *knitwear & knitted accessories* having a higher average value (US\$600 per dispatch).

Again going by official statistics, during the first half of 2008, Peruvian sales through the Project reached 68 international destinations. The most relevant of these was United States, with 37.4% share of the total, followed by Australia, with just over 10%.

Notwithstanding the destinations, 80% of the total sales via *Exporta Fácil* went to 10 countries, with the top three concentrating almost 50% of the total (*Table 5*).

Table 4

PERU. EXPORTS THROUGH POSTAL SERVICES
Main products by designation in the tariff chapter

Chapter	Designation
71	Precious or semiprecious stones
61	Knitwear & knitted accessories
42	Leather goods
62	Non-knitwear & non-knitted accessories
95	Toys, games & recreation items
21	Assorted food preparations
33	Essential oils & perfumes
69	Ceramic products
97	Art objects or collectors' items & antiques
92	Musical instruments
11	Milling products

Source: Based on IIRSA (2010), page 7.

Table 5

PERU: EXPORTS THROUGH POSTAL SERVICES,
FIRST SEMESTER 2008

Main destinations, number of shipments

Order	Country	Deliveries
1	United States	717
2	Australia	200
3	United Kingdom	179
4	Spain	89
5	Canada	76
6	France	71
7	Japan	67
8	Germany	51
9	Italy	34
10	Chile	30

Source: Based on IIRSA (2010), page 7.

Apart from Brazil and Peru, the other IIRSA partners are also adjusting and implementing the Project. Each

country meets different “goals” -a schedule of actions- with the advice of IIRSA technicians. In the past two years, Uruguay and Colombia have launched their own version of *Exporta Fácil*. Although the programs are based on domestic regulations, their common denominator is a simplified system for digital and physical media, limits on the amount and type of cargo, but not the number of shipments, and a single payment to finance the whole process (including insurance or not).

*ANALYSIS OF THE PROGRAM THROUGH
 THE ROLE OF EXPORTS*

The Exports through Postal Services Project has strong qualitative implications. Although little time has elapsed in these national experiences, I would like to rationalize the relevance of exports, independently of the value generated. In this section, I set out three axes of analysis, three levels of debate. *In the first*, I look at exports from an international perspective and inquire into the theories that explain their international relevance (or lack of it). *In the second*, I analyze regional dynamics, taken as a sector, a portion of a country (or number of countries). And *in the third*, I discuss the approaches that explain the relevance of exports from a company viewpoint, and of the individual decisions taken by a company or group of companies.

EXPORTS ON THREE LEVELS

The traditional view of the role of exports at the first level explains the pattern of export (and import) specialization through comparative advantages. Formed by the endowment of natural resources, capital, labor, and institutions, the relative costs explain the pattern of specialization. Contrary to this view, alternative theories have focused attention on what is produced. They have focused their research on economies of scale, technology spillovers, externalities, etc., claiming that what is produced and exported strongly affects a country's pattern of development.

Basing themselves on the notion of discovery cost as their central externality, some authors explain the degree of development and the pattern of specialization in terms of what is produced and exported (Rodrik & Hausmann, 2003, p. 8). Let us think of examples known worldwide (salmon in the Chilean Lakes or software in Bangalore,

India). Let us put ourselves at the very start of the new activity, the birth of the industry. What dilemmas are faced by a company wanting to start up a new activity? *First*, it does not know, it has not “discovered” whether the cost structure is low enough to be able to profitably develop the new activity in the country (an information problem). *Second*, the utilization of new activity will probably need the simultaneous development of investments in productive chains (a coordination problem). With this notion of “discovery cost”, the pattern of specialization is not solely determined by endowments, but also by the number of entrepreneurs that are stimulated to surmount discovery costs in modern sectors of the economy. However, the central point is that not all productive processes are equal: specifically those that generate exportable goods tend to have higher productivity and countries specializing in these goods tend to perform better economically (Hausmann *et al.*, 2005, p. 18). The clear implication is that the appropriation of the benefits of globalization will depend on countries’ capacities to position themselves on the exportable-productive spectrum, since countries that may, in principle, be equal (in terms of income and endowments) can have very different development paths.

Although we do have no precise information about national experiences on this point, we can underline three things.

On the one hand, the Exports through Postal Services Project brings down the “discovery” cost, especially for first experiences and first steps. The simplicity and low cost of *Exporta Fácil*-type programs tend to lower companies’ export costs, and to facilitate the coordination of commercial actions and the normally atomized needs for infrastructure and/or logistics. Productive processes designed for the domestic market or even for a very small market close to the company in question can be designed to export new products. Albeit on a low scale, this “new activity” achieved by exports can trigger a circular causality that fosters a new pattern of development.

On the other hand, as part of the AIC, the Exports through Postal Services Project creates the certainty that, in principle, it will be implemented in all of the South American partners. This is not only relevant because a good experience is copied, but it also guarantees an equal footing for all South American producers, regardless of where they are. The widespread use of

the system ensures that no logistical advantages will be created for a single country or group of countries.

Last, considering the type and destination of exports in the Brazilian and Peruvian experiences, we note that the *Exporta Fácil* Program has set up different trends: in the case of Brazil, the pattern of specialization is based on industrial products for use in both developed and emerging economies, whereas, in the case of Peru, we can see a strong impact on *craft-based* products destined almost entirely for developed countries.

However, the situation within a country is far from being homogeneous. There are central regions and there are peripheral regions. Let us move on to the second level of analysis. The analytical axis that becomes relevant here is the presence of economies of agglomeration. These economies are present in areas of greatest economic density with the advantages of a large consumer market, an extensive labor market, strong links with the international market, and a heterogeneous combination of suppliers and institutions that generate “economies”, i.e. externalities that reduce the cost of doing business. But not all is gain for a company that chooses to locate itself in an economically dense, central region. There are also so-called “congestion costs”, which produce “dis-economies” through higher costs due to lack of physical resources, high real estate values, crime problems, pollution, etc. The result of agglomeration is ambiguous.

The debate on exports falls within such geographical logic, which, as we have stated, predicts an ambiguous result. *On the one hand*, there are authors who argue that agglomeration has a positive influence on exports by reducing the sunk costs of entry in the exportable activity, either by sharing physical and social resources and so bringing down production costs, or by reducing transport and transaction costs through increased interaction between suppliers and demanders in a given place (Malmberg *et al.*, 2000, p. 306). *On the other hand*, the congestion of agglomeration can push up export costs, since it generates the opposite: scarcity of physical resources, and rising transport and transaction costs due to increased “waiting times”.

On top of this ambiguous result must be added the fact that the viability of exporting may overcome the agglomeration/congestion dichotomy. Out in countries’ peripheral regions, companies can enjoy the strong endowment of a key resource and have a

good infrastructure network; the economic activity in question thus presents optimal conditions for exportation. In other words, to understand exports here, the availability of a large domestic market, the endowment of human resources or the quantity and quality of institutions is of little consequence. There are, however, a limited number of industrial cases that do present this advantage, especially in the case of MSMEs.

On this second level of analysis the Exports through Postal Services Project displays two core features.

The Project presents a great “geographical” advantage. If we think directly of the effects of the economy of agglomeration (in the sense of agglomeration/congestion), this project has the virtue of horizontalizing the territory, to use a word very fashionable in literature, makes it “flatter”. The point is that the Project is conducted in each country by public postal companies with large territorial presences; the postal service is one of the few organizations to reach even the remotest parts of the country, one of the few which is present. This design is not random; it seeks to avoid the effects of agglomeration/congestion, or at least to moderate them. To give an example, in the case of both Brazil and Peru, a company that is starting to export its products may pay less attention to the conditions of location if it has a post office within reach.

By homing in on MSMEs, the Project does not focus on big companies. While these could legally benefit from the simplified platform in some countries, they are not the direct beneficiaries of the Program. I would like to emphasize that the Project is not intended or organized for big companies, which are able, in principle, to deal with the effects of agglomeration/congestion. That the direct beneficiaries are MSMEs, which feel these effects more keenly, reaffirms the Program’s advantage in terms of “territorial horizontality”.

The last level of analysis has to do with the conceptualization of the company itself. In this case, there will be external and internal constraints on the company that will determine the viability of exports. *In the first case*, we can analyze the characteristics of the external market and the industry the company is embedded in. *In the second case*, we focus on the variables the company has full control over, such as internal management processes and quality standards. The literature on this level of analysis explains how the interaction of external and internal constraints generate an “export business model” (Hallak *et al.*, 2007, p. 10).

Here the Export through Postal Services Program has a key attribute: simplification. Not only does the issue of direct costs influence a company’s decision to export (or not as the case may be); but also the degree of organization it has to achieve to be able to export. This latter should be considered as the main barrier to entry in the export business for an MSME. It is not only about new customers, but also the internal changes that enable them to enjoy the benefits of globalization. The number of companies already using the *Exporta Fácil* programs in Brazil and Peru lends support to this.

CLOSING REMARKS

One important caveat before making a few final remarks. First, the levels of analysis presented are far from being independent; they are surely connected and the causes that ultimately explain successful exports need to bring the analysis to bear on each of them. Returning to the example of Chilean salmon or Indian software development, we can turn the focus on all three levels. We can, for example, think of exports as a country-level phenomenon; through “discovery”, we can think not of a national but a regional logic. Consequently, rather than Chile as a whole, we should think of Chile’s Tenth Region, or the Indian city of Bangalore in Karnataka State. Or else we can focus on specific companies or organizations present in each; I am thinking, for example, of the Salmon and Trout Producers Association, or the ProChile agency or, in the case of India, the companies Infosys or Yahoo.

Nevertheless, I believe that the three levels of analysis are useful in conceptualizing the Export through Postal Services Project for three reasons.

First, the Project’s incorporation in the AIC puts its application across South America into perspective. It ensures that all companies, especially MSMEs, will have access to a low-cost platform. Albeit with a low traded volume, the Project aims to provide a tool that enables exporting even where there would normally be no incentives for it. In national terms, the Project’s relevance will establish whether it has been possible to begin with “discoveries” of new products that may ultimately affect the pattern of national development. The AIC ensures the nature of the project as a *public good*.

Second, the project allows the geography to be *horizontalized*, making it possible for economies of agglomeration not to be as crucial in incubating exportation. The advantage that attracts small entrepreneurs to the location can be limited (but not eliminated). The Postal Service's degree of penetration determines the true scope of the opportunities in expanding a country's export base.

Last, the Project can bring about a cultural change in the company, either because it can take advantage of the conditions of the environment, and/or because it can foster an organizational change within the company at minimum cost. There is no need to fashion a "foreign trade area" within the company.

Three levels, three approaches; but in particular, three pillars of analysis that enable us to feed future lines of research in order to understand and rationalize this innovative initiative of the AIC. ♦

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REGIONAL BORDER SPACES INTEGRATION SCENARIOS

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This article approaches integration by focusing on subnational scales, termed Regional Border Spaces (RBSs) by its author. In RSBs, adjacent territories of two or more countries converge, making for exceptional conditions that would accelerate and deepen larger-scale integration processes, such as the Andean Community of Nations (CAN), with a 42-year track record that could be improved. In this scenario arises the issue of border crossings and efforts to achieve border facilitation. As well as promoting international trade, they put to the test the firmness of political will of the governments involved when it comes to practicing what they preach about integration. In light of this, the article puts forward some policy guidelines, bearing in mind the agenda pending in this area. Last, it examines the renewed impetus received by integration with IIRSA-COSIPLAN, whose scope includes the economic and social processes occurring in the RBSs.

INTRODUCTION

Beyond the multiple factors affecting the march of integration processes, Regional Border Spaces (RBSs) offer a viewpoint particularly suited to the analysis. The main protagonists are families on either side of the border who are constantly crossing it for economic, social, cultural, and often political reasons.

This kind of integration is not, in my view, being appreciated in its real dimensions by the broad approaches to integration that privilege the country as the unit and subject of integration, without distinguishing levels of integration in subnational

spaces shaped by economic and social dynamics in adjacent border areas.

The integration processes occurring in RBSs include economic and social dynamics with characteristics of their own that shape real spaces of integration. This kind of integration seldom makes an appearance in public statements at the highest political levels, or does so in a roundabout, imprecise way, with a lukewarm profile that reveals the unconvincing priority granted it by the countries and their governments.

This paper reflects on RBSs as platforms for integration, where border crossings are presented as

substantive elements that go beyond cold calculations of international trade and tourism.

RBSs AND GLOBALIZATION

In a world where globalization seems to be breaking down all barriers, it is common to find intellectuals and experts pointing out that the old Nation States and much of their conceptual basis are in open retreat as key players in the global dynamics and, as a result, border regions are gaining in strength as the main agents of competitiveness, the foundation of the new world economic order. This lends meaning and content to the term “glocalization” (Beck, 1998, pp. 77-83), which relates the global phenomenon with the new processes emerging at the regional and local levels.

The evolution of knowledge was predictable in this new and complex scenario and, with it, the shift in the concept of “border” to levels at which the “deborderization”¹ of economic and social processes has not only diminished the separation effect of the border line, but ended up shaping integrated regional spaces where international boundaries have become part of them.

In these spaces, historical, anthropological, and sociological factors can be recognized that sustain feelings of identity and belonging (e.g. the Aymará on the Peruvian-Bolivian border, among others). These feelings claimed to have been ignored by political decisions deriving from conflicts sparked by the winding road of the formation of the Nation States.

The combination of this deborderization and the feelings of identity and belonging have given shape to RBSs, on whose territorial platform economic and social dynamics take place, directly involving two or more countries, calling into question, to all practical effects of survival, the validity of concepts in support of the old Nation State, especially those relating to

sovereignty and territory with which the “separation” effect of frontiers was established.

At the same time, the growing participation of RBSs in the globalization process (their most visible expression being *maquilas*), with all its challenges and opportunities, has led to a proliferation of concepts and definitions (e.g. “flexible production”, “relocation”, “industrial districts”, “clusters”, “cities/region”, etc.), packed with the *maquila* format that, despite stigmatizing the Mexico-US border, have been partially or fully replicated at other borders. One thus referred to the new modes and processes of production in plain response to the demands of a competitiveness that recognizes no boundaries or borders and leaves behind old patterns of organization and concentration of the production that characterized traditional insertion-domination models.

The territorial dimension of RBSs is not, therefore, a matter of cartography, but rather a careful trial of association of conventional tools to demarcate the nature and scope of the economic and social processes established within them, where international boundaries (the “border line”) become factors that, far removed from the formal role assigned to them by treaties and laws, invigorate and empower the relations of border exchange and trade to limits that have yet to be investigated.

The most visible effort in this direction, made by the Andean Community of Nations (CAN), is the establishment of Border Integration Zones (BIZs), in whose territory the border line is seen as just another player in the economic and social dynamics being enacted within them. There may be doubts about their conceptualization, design, and cartography, but there is no doubt that substantive progress has been achieved when the possibility opens up of joint administration of concurrent border areas that, in this case, were called BIZs and relate as such to their environment, both immediate (the countries they belong to) and mediate (the global market).

The traditional analysis of regional development problems has overlooked the existence of such regional spaces and privileged those in which the subnational “regional form” left no room for doubt. Efforts are thin on the ground to understand RBSs as integral parts of an organic whole, whose specificity lies in the presence of international boundaries that, as time goes on, are seen as testimonies of integration rather than separation.

¹ A recently coined term indicating the virtual disappearance of borders as containing walls for the economic, social, and political processes taking place in the border territories of two or more countries, even more forcefully since globalization became to all intents and purposes a worldwide benchmark. The papers that discuss this concept are focused mainly on the US-Mexico and US-Canada borders.

INTEGRATION IN RBSs

With this in mind, we can safely say that integration in RBSs responds to dynamics and specificities of its own that are not necessarily induced by State policies. These, on the other hand, have privileged efforts to find points of cooperation on major international issues (arms build-up, illegal trafficking of narcotic drugs, trade agreements, etc.) and, more recently with the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) on issues of infrastructure development. RBSs have never properly been included in these agreements, nor have they received special treatment in terms of promoting the development or improving the living conditions of their inhabitants, though there have been partial efforts in this direction.

Let us look at the case of CAN. Border integration in the bloc came into being with Article 144 of the Cartagena Agreement in 1987, though it was only in May 1999 that Decision 459 was approved, establishing a Community Policy on Border Integration and Development, and Decision 501 in June 2001, promoting the establishment of the BIZs. These two policy decisions made more explicit the desire to promote integration processes at borders more explicit.

The CAN norms clearly provide that the member countries shall adopt policies and implement plans, programs, and projects to promote sustainable development and border integration in a joint, shared, and coordinated fashion geared to obtaining mutual benefits, initiating an ambitious project management mechanism named Border Integration and Development Projects Bank (Decision 501).

After thirteen and twelve years respectively of these norms being in force, there are few achievements and many frustrations. Decisions 459 and 501 were not forceful enough to counteract the all-pervasive individualistic and ridiculously nationalist behavior of successive leaders and officials who put "their national interests", "their national norms", "their national sovereignties", etc., first, in order to block initiatives to enhance spontaneous integration processes taking place in the economic, social, and institutional spheres in BIZs.

It has not been understood that integration involves extremely clear concepts of supranationality, supagovernance, and supraterritoriality, which

obviously require certain normative and procedural disclaimers, as the European Union did in its day in terms of its institutional framework and budgetary allocation for the development and integration of its border territories, without affecting the full force of its respective sovereignties.

However, once again, the reality of BIZs plays out at different times and speeds to those proposed by governance. These territories ceaselessly produce and reproduce integration processes in the fields of economy, culture, and local politics that feature the border populations of any pair or trio of countries with their own characteristics and probably from before the emergence of the rules in question. One need only look at border fairs, where trading of goods and services is intense and extremely diverse, usually in open disregard for the rules relating to the international boundary. We can say the same for fluid trade in health, and public and private education services provision that occurs in all RBSs.

Let us take the example of the RBS formed by the Peruvian-Bolivian border territories around and including Lake Titicaca. Adorned by a spectacular natural beauty, it is becoming a privileged platform of economic, social, and cultural integration, blended with political actions that often draw the attention of their respective governments. The imaginary international boundary that crosses the mirror of the Lake is no longer a retaining wall that inhibited joint actions by the populations involved. Today, in tribute to the new look boundaries, border transactions have intensified since the 1990s.

While Peru's border towns buy different products for direct consumption (potato, quinoa, dried fish, etc.), Bolivia's buy industrial goods (plastics, canned food, clothing, etc.). If we add to this local-national economic dynamic the bonus injected by the marketing of transnational products that should be subject to customs rules (household appliances, information and communications technology, etc.), we are facing an economic-commercial-financial phenomenon of proportions not yet objectively estimated.

In Meza Monge (2010), there are figures taken in the field that reflect what this. Over 60% of the border population surveyed, occupying the area around Lake Titicaca, are in some degree related, while 50% of parents surveyed on the Bolivian side say they send their children to schools on the other side, and 30% say the

same thing on the Peruvian side. 40% of Bolivians say they are treated in Peruvian health centers, while 60% of Peruvians do so on the Bolivian side.² In labor matters, the issue is more than significant, as no less than 50% of those surveyed from Peru and Bolivia say that, in one way or another, they work on the “other side”. In terms of trading in goods, 70% of Bolivians sold products originating in trade fairs to Peruvians, while these same Bolivians bought industrial goods from Peru.

Even with reservations about the case, traders at the fairs admitted that they were marketing transnational products on a scale that, for many families, was the main source of liquidity for their border businesses. Nevertheless, large contraband obviously did not pass through this system, since the utilities generated for border towns by this marketing formed part of their survival strategies, even when specific situations of highly lucrative smuggling were seen in a handful of traders operating at these fairs.

Like the Aymara of the Peruvian-Bolivian border, who were the focus of Meza Monge's survey, there are other human groups which can be traced back to the very origins of human beings in Latin America. The policies of cultural and physical extinction to which they were subjected in the colonization process were not adequate, for there are currently human groups that do not recognize the legitimacy of “borders” they did not set, and to mitigate the *de facto* situation, do not hesitate to opt for dual nationality in order to permeabilize the border effect.

Against this background, the extent and boundaries of an RBS could not be the subject of cabinet calculations and decisions, as BIZs would unfortunately have been, but the result of a recognition of economic laws having spatial and territorial force. One of these is the Value Act, which, among other things, is explicit about trading in goods. Albeit with a different use value, this is usually performed with money that has, nevertheless, not yet canceled out the barter system in many of our border areas.

Geographically speaking, the Value Law is effective in the formation of regions, particularly in a context

² This relatively high figure is due to the fact that, when the field information was taken, Cuban and Venezuelan aid in ophthalmology and other health areas that were drawing Peruvians' attention was at its apogee.

where the uneven development of productive forces determines an exchange of nonequivalent values among regions and becomes a vehicle for the transfer of surpluses from one region to another, from the weakest to the most powerful.

RBSs are no strangers to this logic. Indeed, they seem to be more sensitive as receivers of impacts originating in the international market and of macroeconomic measures taken at national level. It is meaningful, therefore, that the border factor should be taken into account when analyzing sensitivity in border projects.

If border regions were basically spaces of commercial traffic, then “market prices” and the direction of flows often lie at the heart of the changes in the border economy. This is the case with the majority of our borders. If, however, they are essentially recipients of productive capital and, hence, generate conditions for processes of accumulation, the changes involve the cost and mobility of factors in the RBS. This is the case with the Mexico-US border (a *maquila* that improves the competitiveness of transnationals) and with the Peruvian-Chilean border, though, of course, far less so.

In this context, if the needs of the border populations on both sides are to be met, there is a particularly pressing need for a State with the ability to regulate the “free market” in the development of border economies.

BORDER FACILITATION AND BORDER CROSSINGS IN SOUTH AMERICA

Border facilitation paradigms in South America emerged from the recommendations contained in the Directives of the General Annex of the Kyoto Convention, 1974, noting the desirability of promoting the simplification and harmonization of the world's customs regimes by juxtaposing controls that, among other things, was the best way to generate conditions of transparency and cooperation in the control process.

Then there was the International Convention on the Harmonization of Frontier Controls of Goods promoted by the United Nations in 1982, which was only signed at the time by Cuba on the American continent.

But the most important aspect of this issue emerged in the integration process started in 1985 by Germany,

France, Belgium, Netherlands, and Luxembourg, which, as part of the formation of the European Economic Community, agreed to gradually abolish border controls at their common border crossings through the Schengen Convention.

This is all now a reality, not only in the five States that started border facilitation process, but in the 27 countries that today make up the European Union.

In South America, notwithstanding interesting experiences in MERCOSUR-Chile (the Recife Agreement, 1993) and CAN (Decision 502, 1999), the efforts toward facilitation are still coming up against the same obstacles as integration processes. These are mainly due to the difficult development of political maturity required by these processes.

In this understanding of things, modernizing a border crossing and turning it into a factor of competitiveness involves putting into practice the political preaching of integration in the concrete field of action, as in the case of setting up an integrated binational border control system, the implementation of which not only puts a strain on national norms, which are by definition nonintegrationist, but tests the political will of those preaching integration.

The experiences of these subregional blocs are milestones in a cumulative process of capitalization of knowledge, of conceptual and methodological as well as administrative and operational development on the issue, which has taken place in the past 15 years, in particular, the works commissioned by the IIRSA Coordination in the IDB between 2005 and 2007.

In that perspective of accumulation and capitalization, governments privileged the issues of infrastructure and equipment, and, more recently, the options of operating with binational integrated control systems. This is all well and good, but it only goes part of the way: it will be necessary to consider its environmental, social, and economic impact in the border crossing's area of influence.

It is not just a question of goods, vehicles, and passengers "crossing as fast as possible", but of dealing in sufficient breadth and depth with the scenario impacted by the sudden or planned presence of a flow of investments never before seen in the history of the crossing's inhabitants. This, of course, ends up generating expectations that, on not being

met, become potential sources of disputes that would ultimately block the purposes of modernizing a border.

Without being exhaustive, and bearing in mind that the Pilot Project Program³ undertaken in the framework of IIRSA in 2005 requires evaluation and the "desirable step" remains on the agenda, it seems reasonable to:

- Encourage each country to have a National Border Crossings Authority with a structure, nature, and powers that enable it to turn disparate actions at border crossings into a State Policy in this area.
- Include in the prioritization criteria for border crossing projects their linkage with IIRSA's Integration and Development Hubs (EIDs).
- Address the issue of economic and social development through specific plans in the areas of influence of the border crossings forming part of the IIRSA Hub.
- Build channels of continuous communication and interaction with the national, regional, and local authorities to ensure that the information on border crossings, especially that to do with binational integrated control systems, arrives efficiently at the levels of political decision-making.
- Promote, no doubt, the implementation of integrated control systems even when it is at their primary levels of physical approximation, and not wait for the conditions of a "desirable step", whose achievement, as the IIRSA/IDB study says, will be gradual and will involve a great deal of political will.
- Encourage a human resources policy at border crossings where the process of implementing integrated control systems has been initiated, minimizing the impact of rotation policies.
- Encourage Development and Modernization Plans at border crossings in pairs of countries, thus establishing a scale of priorities that matches their interests and capabilities.

³ Pilot Projects: Cúcuta-San Antonio (CO-VE); Foz de Iguazú (BR)-Ciudad del Este (PA), Cristo Redentor (AR-CH) and Puerto Unzué (AR)-Fray Bentos (UR), Desaguadero (PER-BOL). See <http://www.iirsa.org>.

A FEW WORDS ABOUT IIRSA/COSIPLAN

IIRSA/COSIPLAN, both in the *2012-2022 Strategic Action Plan* and in the Integration Priority Projects Agenda (API), has clearly set forth that the development of infrastructure is particularly important when it becomes a basic condition for the processes of economic integration, optimizes territorial organization and planning, promotes productive development, and invigorates intraregional trade, thus lending the concept of EIDs its full meaning.

With IIRSA, and now with COSIPLAN, the concept of integration based on infrastructure development has been able to be positioned. Their more notable achievement of systematization in this matter is to have identified 531 integration projects, 31 of which are now on the API. However, as acknowledged, the lack of financing, dissemination, absence of monitoring and evaluation mechanisms, and the absent or zero binding effect of the consensus achieved, have conspired toward low levels of execution.

This result is a signal that our authorities are not fully convinced of the benefits of integration, even localism-nationalism takes precedence as each new administration's flag of governance, thus preventing the building of a State Policy.

The new tone that COSIPLAN has been stamping on the management of the portfolio of over five hundred projects suggests we are facing a far stronger South American institutional framework than previously, with clear political backing that generates sufficient conditions for its agreements to reach reasonable levels of bindingness in a framework of social inclusion, equity, and citizen participation laid down in the Treaty establishing UNASUR.

In this context, border facilitation should be an issue of the utmost importance, calling for active and appropriate participation by the countries involved in the Sectoral Integration Processes (PSI)/Border Crossings. It is not enough to turn up at the meetings where agreements are being forged and consensus is formed; but it is vital to professionalize the technical bodies that enable the most appropriate development and integration policy decisions to be taken.

Border crossings are, by definition, fundamental factors in the coordination of integration corridors and areas. It makes no sense, then, to construct first-class

roads when the border crossings they have to traverse are inefficient and precarious. The cases of Iñapari-Assis (PER-BRA), Desaguadero (PER-BOL), and Road Hub N° 1 (PER-ECU) are indications of a lack of judgment in the programming of the development of international road infrastructure. This revelation should be sufficient grounds for all border crossings associated with EIDs to form part of the API.

And in the field of integration and development, it is time to move on to concrete actions with an emphasis on fieldwork, making use of the methodologies developed. This may be the moment to give the processes taking place in RBSs a chance, with numerous productive chains, the potential for generating added value, favorable scenarios for the development of infrastructure and associated logistics; in other words, a field where the Productive Integration and Promotion of the Development of Value Added Logistics Services (IPrLg) Methodology could be implemented fully, not just at the identification phase, but in the concrete proposal for what to do here and now.

The inertial force of the molds and patterns of behavior of the mechanisms prior to COSIPLAN make themselves felt in the tribute paid to things approved by IIRSA, even when the analysis of results ought to be grounds for a cool, calm revision of their scope and results.

In this sense, the task of identifying a "collection of high impact works for the integration and development of South America" has become a mandate, closing off other options that, as in the RBSs, small works could have vigorous impacts for integration. This is one of the features of the 31 projects identified and rated for the API portfolio, the implementation of which is a prerequisite for integration.

Fortunately, not everything is black or white on the road of development. It is true that API projects are backbones or hubs of backward and forward chaining, but they are not the only ones; they are also to be found in RBSs, perhaps on a smaller scale. Nevertheless, they are true promoters of the integration of economic-productive chains, with substantive impacts when it comes to evaluating the degree of integration achieved.

Finally, after the years dedicated to the development of methodologies, approaches, and procedures for identifying projects for the API (formerly the Implementation Agenda based on Consensus (AIC)), it would be desirable to design and implement an

effective system for monitoring and evaluating results with binding responsibility that at least mitigate the ever-present risk of low implementation.

It is well worth trying, for US\$13.7 billion of investment planned in the API (31 structured and 88 individual projects) by COSIPLAN in November

2011 warrants rigorous monitoring and supervision. Furthermore, is this figure the investment required by the region to overcome its infrastructure deficit? Or is it just seed capital to achieve the "great impact for integration"? How is this "great impact" to be measured? These and others are questions that any citizen would appreciate an answer to. ♦

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MERCOSUR: ASYMMETRIES AND THE MERCOSUR STRUCTURAL CONVERGENCE FUND (FOCEM)

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The four countries that make up Southern Common Market (MERCOSUR) display pronounced differences, both in terms of the size of their economies and their degree of development. This evidence has sparked an intense debate, the salient question in which is whether disparities or structural asymmetries affect the customs union members' performance or whether the integration process tends to even out their levels of per capita income. Economies of agglomeration exert a remarkable force of attraction on the location of firms, deepening the disparities between the partners. Either way, the reduction of trade barriers would weaken the forces of concentration. But the investment in infrastructure and the development of an institutional framework to make up for the failures of coordination will go a long way toward decentralizing economic activity in the region. The creation of the FOCEM, with the objective of financing programs to develop competitiveness and promote structural convergence and social cohesion -particularly "in the smaller economies and less developed regions"- seeks to remove or mitigate asymmetries, while implicitly acknowledging that in addition to these asymmetries between the partners, there are very marked differences in terms of levels of development across their component regions. Projects financed by the FOCEM have tended to focus progressively on problems of physical infrastructure, which took up 94% of funding in the period 2008-2011.

* All the opinions expressed in this article are the exclusive responsibility of the authors and do not necessarily reflect the opinion or thinking of the Centre for International Economy (CEI).

INTRODUCTION

The four countries that make up MERCOSUR display pronounced differences, both in terms of the size of their economies and their degree of development. This evidence has sparked an intense debate, the salient question in which is whether disparities or structural asymmetries affect the customs union members' performance or whether the integration process tends to even out their levels of *per capita* income. Regional integration processes may, under certain circumstances, deepen certain disparities. A distinction is usually made in the literature, between structural imbalances and policy or regulatory asymmetries (Bouzas, 2003). Structural imbalances correspond to the sizes of the countries (territory, population, size of market), their relative factor endowments, income distribution, and levels of development; policy or regulatory asymmetries, on the other hand, arise from public policies and become relevant when, during an integration process, they generate spurious incentives for the location of economic activities in the region.

In the case of relatively high-income countries, there is some empirical evidence that customs unions promote "convergence" of *per capita* income levels. In the European Union's case, a narrowing of the gap in the partners' *per capita* income has been seen. In contrast, in the case of relatively low income countries, economic integration could lead to the reverse process, with the gaps in the partners' *per capita* income tending to deepen (Venables, 2003). Venables's argument is based on the member countries' comparative advantages. In countries whose comparative advantages are relatively similar to each other and to the world at large, the formation of a customs union would favor the convergence of income levels. In the case of the less developed countries and more extreme comparative advantages, a customs union would be more vulnerable to trade diversion and, therefore, to promoting differences in the levels of *per capita* income. Venables concludes that "South-South" integration agreements may present risks to the smaller countries, since the greatest beneficiaries would be countries with a more consolidated industrial structure; in other cases, a relatively low-income country's agreements with high-income countries may turn out to be more beneficial to the former.¹

¹ Venables (2003) equates levels of per capita income with comparative advantages: *per capita* income is associated with the relative abundance of unskilled labor and natural resources.

An integration process would, in principle, lead to greater efficiency in production patterns and welfare gains at an aggregate level. One cannot, however, disregard distributive effects, since the adjustments of production structures require the reallocation of productive factors. For neoclassical trade models, industrial location would lie in each country's comparative advantages, which are a result of exogenous differences in factor endowments, technology, and geography.

The latest theories of international trade and the new economic geography (NEG) go beyond the uneven spatial distribution of resources and production factors. These trends emphasize that the location of production is an endogenous phenomenon, a byproduct of financial externalities associated with supply and demand chains (Ottaviano, 2002). In this analytical framework, integration processes can stimulate industrial concentration. If markets result in a higher level of interaction, economies of scale will be better utilized by locating production close to the markets where consumers and suppliers are concentrated. Regions with good market access are extremely attractive for the location of production and the development of an export base. The end result will be a cumulative process of endogenous growth of demand and supply that will benefit more those located at the core, to the detriment of the less advanced located in peripheral areas. In all likelihood, regional differences will persist and probably deepen as a result of economies of agglomeration. The integration process would cease to be a virtuous phenomenon and would, on the contrary, strengthen the unequal distribution of productive activities (Resmini, 2007).²

Economies of agglomeration (localized financial externalities) are at the core of NEG. Economies of agglomeration are relevant in those sectors that stand out for the presence of economies of scale and monopolistic competition, and where marketing costs (including transport costs) are significant. In these sectors, when a new firm starts producing in a particular

² It should be clear that the phenomenon of spatial concentration also occurs at the national level. The first cause of the forces of agglomeration is more natural: abundance of natural resources, proximity to natural means of communication, and weather conditions. A second set of causes involves the presence of economies of scale, imperfect competition and relevant marketing costs.

location, it increases supply and demand in “forward and backward chains” (Ottaviano, 2002).

Proximity facilitates different economic interactions and gives rise to benefits that derive from the clustering of economic activities. Market access promotes a disproportionate location of firms in the major centers of consumption. These mechanisms can be amplified due to the fact that the demand for manufactured goods comes not only from final, but also from intermediate goods. There is a process of positive feedback as a result: the location of final goods firms generates a significant demand for intermediate goods; while at the same time the presence of intermediate goods firms makes the location of firms using such intermediate inputs attractive (Venables, 2008).

How can economic integration lessen the trend toward the agglomeration and accentuation of disparities? Venables replies that the reduction of trade barriers weakens the forces of concentration. The reduction of marketing costs helps to meet dispersed consumer demand from a single location. If trade barriers (including both transport and marketing costs, and tariff and non-tariff restrictions) are high, there will be a broad dispersion of industrial locations; but, as trade barriers fall away, it is to be hoped there will be deconcentration from a single center toward different specialized sectoral centers. The forces of agglomeration tend to exacerbate disparities; consequently, the deepening of the integration process, by reducing barriers to trade, or transport costs, will tend to reduce the costs of remaining outside existing agglomerations.

But stepping up integration is not enough to reduce disparities. In policy terms, two key elements are also required: *on the one hand*, designing tools to cushion the distortions caused by the presence of such firms in the existing cores; *on the other*, it also requires facilitating decentralization through investment in infrastructure, while also developing institutions to make up for the shortcomings of coordination (Venables, 2008).

Coordination failures are often about the development of a production chain where the investment in a sector is subject to the simultaneous upward and downward development of sectors in the chain. In classic coordination problems, potentially profitable sectors do not develop unless the chain's forward and backward investments have been secured. In some cases, coordination problems can be resolved through foreign trade, by importing the input. Other cases,

however, involve the provision of non-tradable services with high fixed costs, supplied with difficulty by private entities, unless there are mechanisms in place to ensure sufficient demand. In the tourism sector, for example, the profitability of investment in hotels is subject in many cases to the provision of infrastructure (e.g. an airport), as well as the labor supply with certain qualifications.

These coordination problems become more acute in developing countries. One of the reasons for this is the presence of other market failures, such as the absence of risk markets (Stiglitz, 1996). Big investments involve bigger risks, while markets provide no mechanisms to obviate such risks, and as a result developing countries are less able to make specific kinds of investment, as is the case with many infrastructure projects.

In the case of a large-scale infrastructure project, such as a road or railway line, the size of the market may be particularly significant (Murphy, Shleifer, & Vishny, 1989). Since many of the costs are fixed, every company or sector that makes use of the infrastructure helps to amortize these costs and make the project more profitable. If one thinks that various sectors are potential users of the infrastructure and since this reduces production costs, the development of each sector indirectly reduces the cost of the other sectors. Ultimately, the infrastructure develops or is justified when several sectors start to use it. This explains externality and market failure: if the activities cannot be coordinated, the investments are not made.

All the above difficulties are deepened in the case of infrastructure projects having a transboundary impact and, therefore, features of public goods and externalities (Beato, 2008). In these cases, it is by definition impossible to compute the positive externalities, or alternatively, the compensation when there is a spillover on the other side of the border. This is another of the justifications for the development of regional physical integration initiatives.

There are two main reasons why, in most cases, the implementation of infrastructure projects requires public intervention and/or multinational entities: *first*, coordination problems are particularly important because the infrastructure benefits many sectors or regions; *second*, the projects tend to be large-scale and their implementation takes a great deal of time, with capital constraints and uncertainty discouraging private participation as a result (Murphy, Shleifer, & Vishny, 1989).

ASYMMETRIES AND INDUSTRIAL PERFORMANCE IN MERCOSUR

Lo Turco (2008) has analyzed the impact of the creation of MERCOSUR on the performance and distribution of industrial activities among its member countries. Lo Turco's approach is sectoral. The question is whether the combination of comparative advantages and forces of industrial agglomeration have hindered the industrial development of the smaller, less developed economies, encouraging their specialization in industries that are less intensive in the use of skilled labor in comparison to the agreement's larger economies.

Lo Turco's conceptual framework is based on Venables (2003): a customs union made up of countries with similar comparative advantages will have more beneficial effects for partner countries with intermediate comparative advantages among those of their trade partners and the rest of the world, at the expense of partners with extreme comparative advantages. The study concentrated on analyzing the evolution of the liberalization of intra-MERCOSUR trade, the development of trade patterns, and the performance of industrial sectors for the period 1985-2004.

By calculating the revealed comparative advantage index (RCAI), the author emphasizes that there was no significant change in trade patterns during the period. The analysis of the partner countries' productive specialization confirms Brazil's relative specialization in high technology goods, and the small countries and Argentina's specialization in natural resource manufacturing; in Argentina, however, there is also a strengthening of specialization in low and medium technology goods; in agro-industries in Uruguay, and in the production of nonspecialized labor intensive goods in Paraguay.

Lo Turco concludes that intraregional free trade has promoted the specialization of the smaller countries in the production of natural resource and low technology manufacturing, according to their regional comparative advantages. At the same time, South-South integration agreements favor industrial agglomerations, and in MERCOSUR, Brazil benefited most insofar as it had a more integrated industrial structure. Argentina managed to benefit from medium and low technology activities.

To speed up the incorporation of the smaller economies in the production of more technologically sophisticated manufacturing, Lo Turco suggests implementing community policies that favor the development of intraregional production chains and promote the creation of skilled and specialized labor.

The overcoming of heterogeneity among the countries and, above all, among regions has been one of the primary objectives of the European Union (EU). The treatment of structural asymmetries was not only due to economic and social causes, but to questions of policy. The Structural Funds and the Cohesion Fund were the instruments used to narrow these gaps. The Structural Funds are intended to finance actions targeting the labor market, and support to the agricultural sector, disadvantaged regions, and fisheries. The Cohesion Fund was established in 1993 to contribute to the countries with a *per capita* Gross Domestic Product GDP of below 90% of the EU average. The Fund, in essence, cofinances infrastructure, environment, and transport projects (up to 85%). While there is no consensus over the effectiveness of the policies pursued by the EU, some studies argue that the deployment of these funds together with the adoption of macroeconomic programs to meet the criteria of Economic and Monetary Union have contributed to convergence between countries and the reduction of disparities (Bouzas & da Motta Veiga, 2008).

The impact of asymmetries on the smaller partners is dissimilar (Blyde, Fernández-Arias, & Giordano, 2008). Paraguay has a very low *per capita* income and its performance in recent decades has been extremely modest. Uruguay, on the other hand, despite being the smallest country, is intermediate in terms of its level of development and its economic performance has been remarkable. But there is some evidence that the integration process has deepened the comparative advantages of countries with relatively abundant endowments of natural resources (Paraguay, Uruguay, and, to an extent, Argentina) and favored the emergence of forces of agglomeration in industries subject to economies of scale and intensive in technology and skilled labor, located in Brazil (Lo Turco, 2008).

Structural-type asymmetries in MERCOSUR have in recent times received some kind of attention since the creation of the FOCM in 2004 and, more

recently still, with the launch of the MERCOSUR Productive Integration Program (PIPM). The creation of a fund designed to remove certain effects of structural asymmetries, and geared to improving the infrastructure of small countries, was viewed as more efficient than a simple transfer of income. The effect would be more important for Paraguay for Uruguay. Anyway, as we will see, the scope of FOCEM financing is somewhat inadequate for attacking asymmetries of the scope seen in MERCOSUR. The creation of the fund has a positive effect on welfare, although the scope required to handle the problem of asymmetries effectively would be higher than the one committed.

THE CREATION OF THE FOCEM

The treatment of asymmetries within MERCOSUR began to be reconsidered in 2003, at the request of the bloc's junior partners, primarily Paraguay (IDB-INTAL, 2007 y 2008). Until then, the bloc had only permitted Paraguay and Uruguay temporary exceptions that essentially translated into more prolonged periods of convergence and more extensive lists of products.

At the end of 2003, MERCOSUR began to deal explicitly with asymmetries. *On the one hand*, differentiated treatment was granted to Paraguay in third market negotiations and the country was given a differentiated regional content in the bloc's regime of origin, while Paraguay and Uruguay were also allowed to submit additional lists to the Common External Tariff (CET).

On the other hand, after CMC Decision N° 27/03, it was decided to promote studies toward the creation of structural funds within MERCOSUR to "raise the smaller partners' competitiveness" and "correct the differences due to asymmetries between countries", highlighting Paraguay's situation as a landlocked country.

A year later, the **MERCOSUR Structural Convergence Fund (FOCEM)** was set up by CMC Decision N° 45/04, with the objective of financing programs to develop competitiveness, and to promote structural convergence and social cohesion, particularly in "the smaller economies and the least developed regions", with the implicit acknowledgment that, in addition to

the asymmetries between the MERCOSUR partners, there are very marked differences in the levels of development of their component regions.

CMC Decision N° 18/05 defines the FOCEM as a clearly redistributive instrument, establishing a clear difference between the contributions from each of the MERCOSUR countries and the distribution of resources among them. With an annual contribution to the Fund of U\$S100 million, Brazil has to contribute 70% of resources, Argentina 27%, Uruguay 2%, and Paraguay 1%. However, the projects submitted by the countries were allocated as follows: Paraguay took up 48% of the funds, Uruguay 32%, and Argentina and Brazil 10% each.

CMC Decision N° 18/05 ruled that FOCEM projects are to be framed in four programs: Structural Convergence (Program I); Competitiveness Development (Program II); Social Cohesion (Program III); and Strengthening of the Institutional Structure and the Integration Process (Program IV).

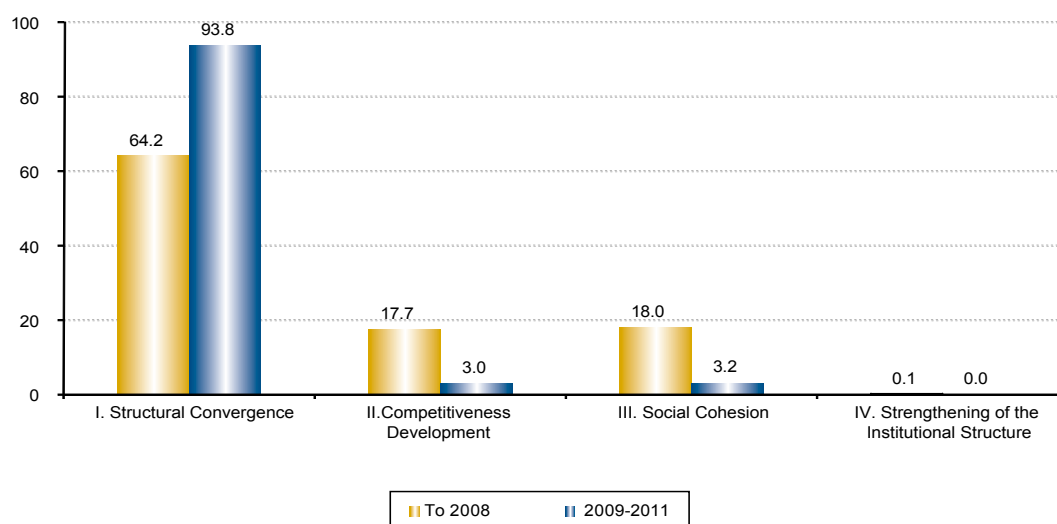
Again, CMC Decision N° 18/05 clarified some of the Fund's objectives by establishing that the contribution to development and structural adjustment has to include "the improvement of the border integration systems and of communication systems in general".

The Institute for the Integration of Latin America and the Caribbean (INTAL) stresses the lack of empirical studies that identify asymmetries and evaluate their impact (IDB-INTAL, 2007), while stating that the little evidence there demonstrates a growing concentration of economic activity in certain regions and the increase in regional disparities.

Below we look at the larger projects and how the FOCEM contributes to the MERCOSUR partners' less developed regions and meets the bloc's objectives.

THE DISTRIBUTION OF INFRASTRUCTURE PROJECTS IN THE FOCEM

CMC Decision N° 18/05 established that, in the Fund's first four years, priority ought to be given to the provision of physical infrastructure (Program I), particularly to facilitate the integration process, and

Figure 1**SHARE OF FOCEM-APPROVED PROJECTS BY PROGRAM**

Source: Based on information from the FOCEM website.

that no more than 0.5% of the annual budget should be spent on Program IV.

Between the Fund's creation and December 2011, 39 projects for over US\$1.1 billion were approved, almost 74% of which was funded through the FOCEM. The classification according to the four programs referred to in the FOCEM Regulations shows that 17 projects correspond to the Structural Convergence Program, 11 to Competitiveness Development, 8 to Social Cohesion, and 3 to Strengthening of the Institutional Structure.

The differences are even more pronounced when we look at the amounts earmarked for each program: structural convergence projects account for nearly 90% of the total amount of projects approved, followed by Social Cohesion (5.7%) and Competitiveness Development (5.4%).

These figures do not allow us to assess the trend seen in recent years, which shows a higher preponderance of infrastructure projects in the FOCEM budget. *Figure 1* shows that, whereas these projects accounted for 64% of funds to 2008, this value has risen to 94% in the last three years (2009-2011). On the downside, both the

funds earmarked for Competitiveness Development and Social Cohesion fell from 18% to around 3%.

This situation shows a change in the priorities granted to structural funds by the MERCOSUR Member States, through the presentation of large-scale projects related to infrastructure works. The projects approved in 2010 and 2011 include the four with the biggest budgets in FOCEM's history:

- The construction of the Itaipú-Villa Hayes 500KV Electric Transmission Line, Villa Hayes Substation and Enlargement of the Itaipú Right Bank Substation, Paraguay.
- Rehabilitation and Paving of the Concepcion-Puerto Vallemí Section, Paraguay.
- 500MW Electrical Interconnection Uruguay-Brazil, Uruguay.
- Rehabilitation of tracks, Rivera Line: Pintado-Frontera Section, Uruguay.

Table 1**STRUCTURAL CONVERGENCE PROJECTS BY COMPONENT**

	Number of projects	Total Amount		Share (as %)
		(US\$ millions)	FOCEM	
i. Construction, refurbishment, modernization, and recovery of transport routes; logistics systems, and border control to optimize the flow of production and promote the physical integration of the States Parties and their subregions.	11	280	207	27.8
ii. Exploration, transport, and distribution of fossil and biofuels.	0	0	0	0.0
iii. Generation, transmission, and distribution of electrical energy.	3	681	496	66.8
iv. Deployment of water infrastructure works for the containment and abduction of raw water, sanitation, and macrodrainage.	3	47	40	5.3
	17	1008	742	100.0

Source: Based on information from the FOCEM website.

According to CMC Decision N° 18/05, the projects belonging to Program I must come under the following four “components”:

- i. The construction, refurbishment, modernization, and recovery of transport routes; logistics systems, and border control to optimize the flow of production and promote the physical integration of the States Parties and their subregions.
- ii. The exploration, transportation, and distribution of fossil and biofuels.
- iii. The generation, transmission, and distribution of electrical energy.
- iv. The deployment of water infrastructure works for the containment and abduction of raw water, sanitation, and macrodrainage.

When we look at all 17 structural convergence projects in *Table 1*, we can see that, in terms of numbers, transport-oriented projects prevail (component i of Program I), but that, in terms of amounts, projects related to the generation, transmission, and distribution

of electrical energy accounted for 67% of the FOCEM's budget for Program I.

FOCEM INFRASTRUCTURE PROJECTS AND THEIR IMPACT ON REGIONAL ECONOMIES³

Table 2 summarizes the information for the five largest projects in Program I, approved by the FOCEM, including three energy and two transport route projects (two in Paraguay, two in Uruguay, and one in Argentina). These projects represent respectively 75% and 84% of the total amount and of the allocated

³ We are dutybound to mention that, in the area of physical infrastructure, there is another initiative with a regional, albeit broader, outlook in that it covers all South American countries. The Initiative for the Integration of Regional Infrastructure (IIRSA), which has a portfolio of over 500 infrastructure projects in transport, energy, and communications, includes both a mechanism for the coordination and exchange of information between governments and the participation of multilateral lending institutions in the region (IDB, CAF, FONPLATA). While it is not the purpose of this work to analyze the impact of the projects belonging to the IIRSA portfolio, it is clear that many are designed to achieve similar benefits to those of FOCEM projects.

Table 2**IMPACT OF FOCM INFRASTRUCTURE PROJECTS**

		Paraguay		Uruguay		Argentina
		Concepción-Puerto Vallemí	Itaipú Binational	Electrical Interconnection	Rivera Railroad Line (Pintado Section)	Iberá-Paso de los Libres Interconnection
Area of influence	Project Type (Program I Component)	Construction, modernization and recovery of modal and multimodal transport routes	Generation, transport, and distribution of electrical energy	Generation, transport, and distribution of electrical energy	Construction, modernization and recovery of modal and multimodal transport routes	Generation, transport, and distribution of electrical energy
	Project Objective	To lower transport costs on a 170 km. stretch of road between the two locations	To increase the availability of electrical energy in Paraguay	To diversify the sources of electrical energy supply and lessen the electrical system's vulnerability	To rehabilitate 422 km. of rail tracks, thus improving the flow of production and trade between Uruguay and Brazil	To improve the energy supply and quality of service
	Total Amount/FOCEM Amount (US\$ millions)	99.8/75.3	555/400	106.7/83.1	74.8/50.1	19.1/13.1
	Region	Concepción Department	Cordillera, Presidente Hayes and Asunción Departments	Maldonado, Lavalleja, Treinta y Tres, and Cerro Largo Departments	Tacuarembó, Rivera, and Durazno Departments	Corrientes Province
	Human Development Index (HDI)	One of the lowest in the country	Presidente Hayes above and the rest just below the country's average	Treinta y Tres and Cerro Largo among the departments with the worst HDI	Below the country average in the first two cases and similar in the case of Durazno Department	Comes almost bottom of the HDI provincial ranking
	Economic Sectors Benefitted	Farming, mainly livestock	Homes, trade and industry	Wholesale electricity market	Cereals and wood paneling and veneers industries, both exporting sectors	Wood and rice industries

Source: Based on project information, UNDP sites in Argentina, Paraguay and Uruguay and FOCM's website.

FOCEM budget for the 39 approved projects to the end of 2011.

From the data in [Table 2](#), we can analyze these projects' potential impact on the various regions of the countries involved in two primary ways: *one*, whether they benefit regions with lower levels of development and therefore favor structural convergence by decentralizing economic activity; and *two*, by focusing on coordination failures that can find solutions for these

projects, taking into account the factors developed in the introduction to this paper.

It is in general clear that projects particularly benefit regions with lower levels of development. The most obvious cases are the roadway in Concepción Department, Paraguay, and the electrical energy project in Corrientes Province, Argentina. In both cases these are regions where the United Nations' Human Development Index (HDI) is among the lowest for both

countries. In the case of the Uruguayan railway, two of the three departments involved have a below average HDI for the country.

The five FOCEM projects have high fixed costs and solve coordination failures in the regions where they are implemented. This is because many of the economic sectors with the potential for further development are only willing to increase their levels of investment and production if they have the appropriate infrastructure, e.g. Concepción Department, Paraguay, where the livestock and cold storage sectors are in need of improvement in terms of road infrastructure if they are to develop, and where other sectors, primarily agriculture, will also benefit from the project. The same kind of thing can be seen in both the Rivera railway line (Pintado Section), which favors productive export sectors, and in the Corrientes Province energy project, the driving force behind the timber industry.

The Uruguay-Brazil electrical interconnection project also solves another coordination problem, its execution being part of a wider infrastructure, in which the other two stages-and therefore the entire project-could not be performed without pursuing the FOCEM project.

In any of the five cases, there are no private companies that can provide the capital required by the investment, on top of which is the lack of capital markets to satisfy the supply of funds. The intervention of States and/or supranational instruments like the FOCEM is therefore required to solve these kinds of market limitations and failures. Biancarelli (2011) emphasizes the growing share of Brazil's National Economic and Social Development Bank (BNDES) in the financing of infrastructure projects and other sectors in the region. He cites Nyko's estimates (2011), according to which the institution's disbursements earmarked to this end exceeded US\$1 billion in 2010, further evidence of the public intervention to resolve coordination failures in the region.

of agglomeration exert a remarkable force of attraction for the location of firms, deepening the disparities between the partner countries. Either way, the reduction of trade barriers-including transport costs-weakens the forces of concentration. But investment in infrastructure and the development of an institutional framework to make up for coordination failures will play a relevant role in decentralizing economic activity in the region.

The overcoming, or at least reduction of asymmetries in MERCOSUR is one of the main objectives in the long-term strengthening of the bloc. Despite its importance, this problem has only been explicitly acknowledged by the member countries in the last eight years. The cornerstone was the creation of the FOCEM in 2004, as an instrument to finance projects that narrow development gaps between the bloc's component regions.

The evidence indicates that FOCEM-financed projects have tended to focus progressively on problems of physical infrastructure, taking up 94% of the funds in the period 2008-2011. An analysis of the largest-scale projects shows that, even before being implemented, they meet two desirable conditions: *on the one hand*, they are located in or tend to favor less developed regions, even when, in certain cases, they will not be implemented in the less developed countries; *on the other hand*, projects can tackle market failures that the private sector is not in a position to, particularly coordination problems that would prevent certain investment projects being pursued, were the FOCEM infrastructure works not carried out. The downside-or at least the limiting factor-is the size of the projects in relation to MERCOSUR's need to settle development asymmetries. In this light, the FOCEM can be defined as a step forward, but one that has to be broadened and/or complemented with other initiatives if the region's asymmetries are to be reduced. ♦

CLOSING REMARKS

The presence of significant structural differences between the MERCOSUR partner countries has raised a question mark about the benefits that the bloc's smaller partners could glean from the integration process. Some authors hold that "South-South" integration agreements can affect negatively the performance of the less developed partners. Economies

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Websites

MERCOSUR Structural Convergence Fund (FOCEM)

<http://www.mercosur.int/focem>

MERCOSUR Secretariat

<http://www.mercosur.int>



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Documents

INVESTING IN INTEGRATION*

PAOLO GIORDANO

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This paper posits that a new generation of integration investments may deliver benefits to the Latin American and Caribbean (LAC) region, provided that they are part and parcel of a comprehensive strategy that tackles simultaneously the hardware (physical integration) and software (policy and regulatory coordination) components of the agenda. First, it uncovers the value of the complementarities between software and hardware noting that the region is currently realizing only about 50% of its intra-hemispheric trade potential, and that increasing returns can be found in coupling investments in physical connectivity with trade and regulatory policy reforms. Second, it outlines the policy menu for deepening integration in the areas of trade architecture, trade regulations, trade facilitation, and physical integration. It then appraises the expected returns by 2020 of an ambitious program of integration policies (1.1% of regional Gross Domestic Product (GDP) annually over the next decade), which may generate a 47% increase in intra-LAC exports with gains equally distributed between the software and hardware components. Finally, it argues that aligning software and hardware investment within "sustainable integration corridors" is an operational framework suitable for maximizing the returns on investment.

* This article draws heavily on a joint Inter-American Development Bank (IDB), World Bank, and United Nations Economic Commission for Latin America and the Caribbean (ECLAC) policy brief prepared by a team lead by the author and presented at the Fourth Meeting of Finance Ministers of the Americas and the Caribbean, held in Calgary, Canada, on March 26, 2011. The author acknowledges the contribution of Antoni Esteveordal and Alexandre Rosa (IDB), Jordan Schwartz (World Bank), and Osvaldo Rosales and Ricardo Sánchez (ECLAC) and of the other members of the team who contributed to that document. The opinions expressed herein are those of the author and do not necessarily represent the views of the abovementioned institutions or their member countries.

THE INCREASING RETURNS FROM SOFTWARE-HARDWARE COMPLEMENTARITIES

Evidence supports the notion that Latin America and the Caribbean (LAC) is operating below its long-term integration potential and that a new set of integration policies may generate additional trade, growth, and welfare, provided that policymakers harness greater complementarities between the *software* and *hardware* components of the agenda, that is, they undertake policy and regulatory reforms coupled with regionally coordinated investments. The remainder of this section presents the economic rationale of such a new strategy.

THE STRATEGIC ROLE OF INTEGRATION AFTER THE CRISIS

After the financial crisis the most dynamic sources of global demand have shifted towards the developing world. If, as expected, over the next few years LAC countries will keep growing at a rate comparable to that of Asia and higher than that of the industrialized economies, the value of doing business with the developing world, including the region, will increase. Indeed, intra-hemispheric trade flows have already made a considerable contribution to the recovery of the region's exports following the crisis (see [Figure 1](#)).

In this context, deeper integration is strategic, as it would promote trade in manufactures and help to balance an Asian demand intensive in commodities, thereby sustaining sophisticated sectors and reducing exposure to terms-of-trade volatility.¹

ASSESSING THE INTRAREGIONAL TRADE POTENTIAL

LAC trade integration is still low with respect to international benchmarks. For example, intraregional exports in Asia reached 46% of total exports, a trend driven by an increasing regional fragmentation of production value chains. In LAC, intraregional trade is much lower (20% in 2006-2009) and is not driven by regional production sharing, but rather dominated by the exchange of finished goods ([Figure 2](#)).

¹ For a set of proposals aimed at strengthening regional integration and cooperation in a postcrisis environment, see Rosales (2010).

This observation begs the question of how much can intra-LAC and intrahemispheric trade grow? [Figure 3](#) reports the estimated export potential of each of the region's 34 countries with respect to their own subregion, the rest of LAC, and North America.² On average, LAC is estimated to be at only 50% of its trade potential: that is, full trade integration (the integration *software*) and bridging the infrastructure gap with the United States (the integration *hardware*) may double the current level of intrahemispheric trade. Results by country suggest that the potential is substantial in all cases, ranging from 30% to more than 70%.

LESSONS LEARNED FROM PAST EPISODES OF REGIONAL INTEGRATION

If regional trade integration in LAC is low, and there is a significant potential for further trade expansion in the region, what can be learned from five decades of integration policies?³

Evidence shows that whereas the old state-led free-trade agreements (FTAs)⁴ had no significant trade impact, under the new market-oriented regionalism,

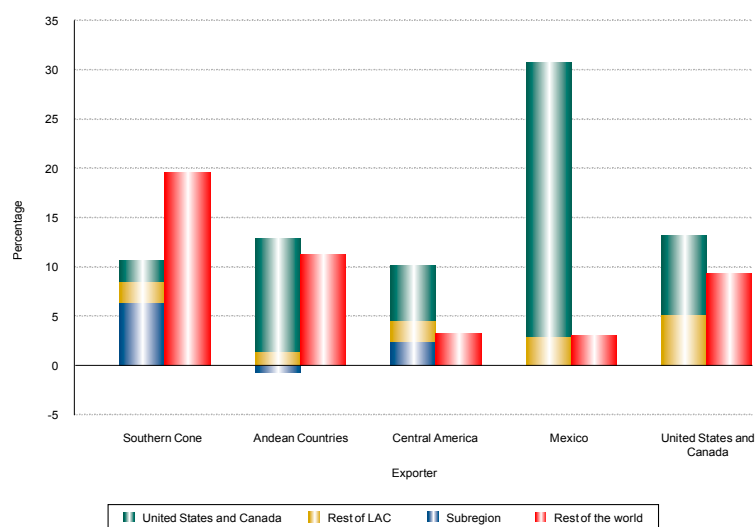
² The results are extrapolated from a gravity model of global trade, in which the export potential corresponds to the percentage difference between the predicted level of exports under an optimal scenario and the current observation (fitted). In the optimal scenario, two assumptions hold: (i) the bilateral free-trade agreement (FTA) network is fully completed among all hemispheric partners, and (ii) all countries converge to the U.S. endowment of infrastructure in *per capita* terms. The model explains bilateral trade as a function of GDP, total population, a dummy variable that captures the existence of bilateral FTAs, and the stock of infrastructure. The FTA dummy, taken from the IDB INTradeBID database, has global coverage and includes all bilateral trade agreements that grant preferences to at least 80% of tariff lines. The infrastructure stock is proxied by the number of telephone lines, which is highly correlated (92%) with the cross-country principal component of a set of 29 infrastructure variables. The model is estimated for the period 1988-2006 to obtain coefficients that capture the structural relationship over time between trade performance, country-specific conditions, and policy variables. Predicted and fitted values are calculated using 2000-2009 averages. Although the robustness of the results may be subject to further sensitivity analysis, the order of magnitude and distribution across countries may be considered an insightful approximation of the potential benefits of intrahemispheric integration.

³ For an assessment of the integration models in LAC see ECLAC (1994), Devlin and Estevadeordal (2001), and Giordano and Devlin (2011).

⁴ Throughout this brief, the abbreviation FTA generically refers to regional integration agreements as well as to bilateral preferential trade agreements.

Figure 1**DRIVERS OF EXPORT GROWTH**

Contribution to export growth by selected export destinations in 2010, in percentage points

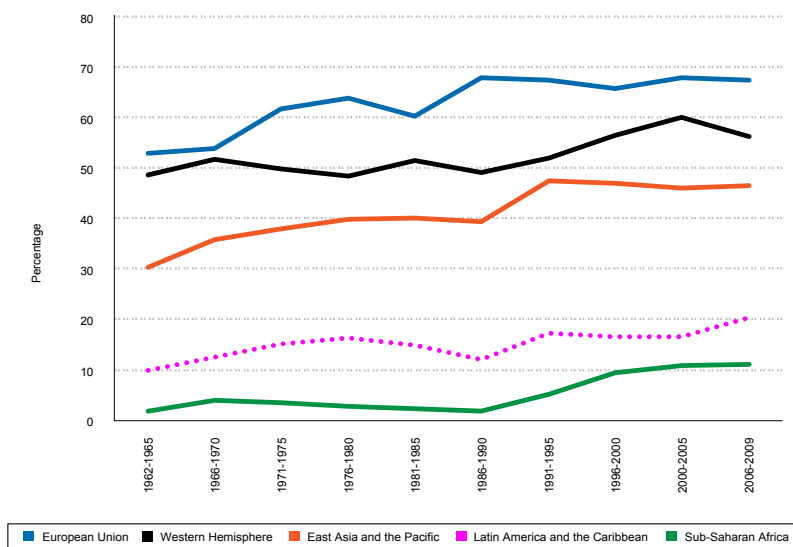


Note: 2010 exports are calculated on the basis of partial year data.

Source: IDB Integration and Trade Sector based on INTradeBID and official national and regional data.

Figure 2**THE INTRAREGIONAL TRADE GAP**

Share of intraregional exports in total exports, five-year averages, 1962-2009, in percent

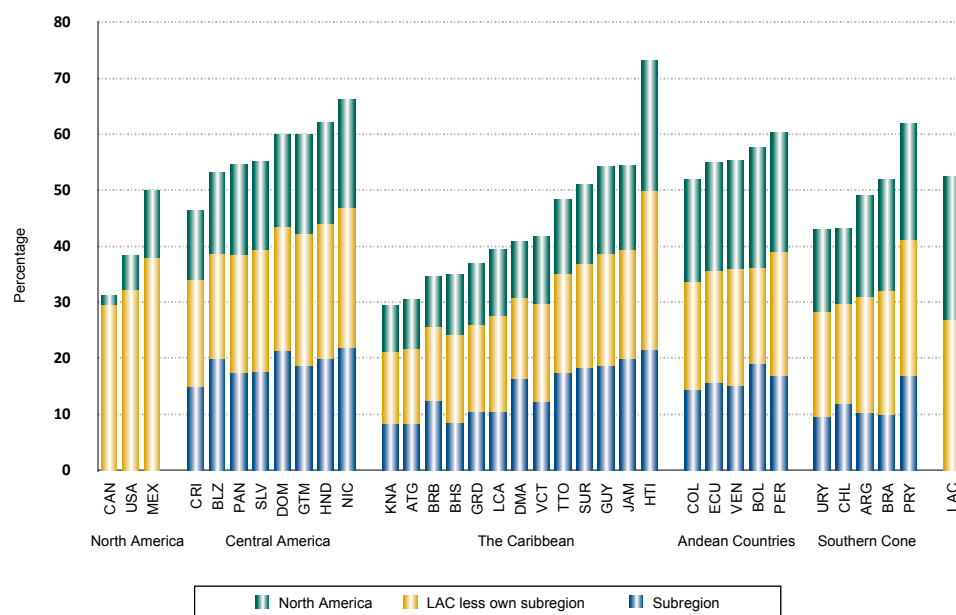


Source: IDB Integration and Trade Sector, based on the International Monetary Fund, Direction of Trade Statistics (IMF-DOTS).

Figure 3

EXPORT POTENTIAL IN THE WESTERN HEMISPHERE

Unrealized share of total potential exports attainable under optimal scenario, in percent



Source: IDB Integration and Trade Sector, based on a cross-country gravity model for the period 2000-2009.

FTAs contributed to an estimated average export growth of 29% worldwide. The region was a top performer in this regard: FTAs boosted total LAC exports by 47% (Figure 4).⁵ But, under the new regionalism, the export generation capacity of intraregional FTAs trailed that of North-South FTAs: the gains from intraregional FTAs were only 18%.

In addition, the results (not shown in the figure) indicate that the marginal value of signing new agreements decreased as preferences were eroded and new partners were progressively less significant, in terms of potential trade gains from tariff reductions. The latter suggests that potential export gains decrease

with the negotiation of new FTAs and instead lie more in the implementation and utilization of existing FTAs: i.e. the whole set of *software* policy issues, explored in subsequent sections.

A final observation is that there is evidence that the interaction of *hardware* (physical integration) and *software* (trade regulations) does matter for trade performance. Figure 5 highlights the impact on exports when FTAs are coupled with infrastructure endowments.⁶

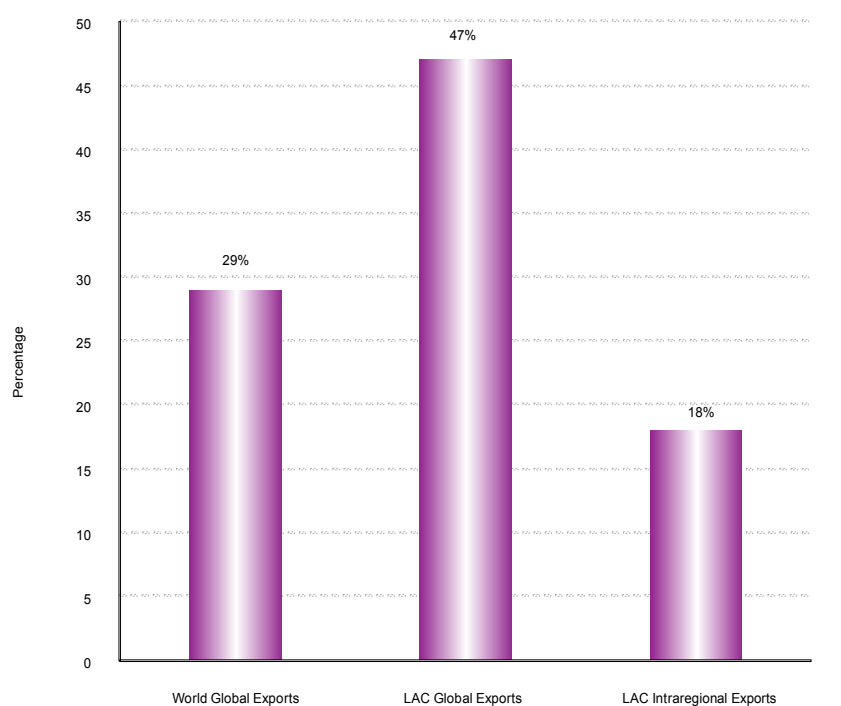
Two powerful policy conclusions emerge from these empirical results. *First*, there are substantial complementarities between the *software* and the *hardware* of integration: the trade expansion effect

⁵ The result is the percentage value of the dummy associated with membership in a regional/bilateral trade agreement in the gravity model for the period 1988-2006. When the same model specification is used for the period 1962-1987 (old regionalism), the dummy is not statistically significant. In the results for the period 1988-2006 (new regionalism), all coefficients are significant at the 99% level of confidence.

⁶ The result refers to the coefficient of the FTA-infrastructure interacted variable in the global gravity model for the period 1988-2006. The coefficient of the interacted variable, as well as those of all the other control variables of the model, is statistically significant at the 99% level of confidence.

Figure 4

EXPORT RETURNS OF FTAs 1988-2006, in percent



Source: IDB Integration and Trade Sector, based on a cross-country gravity model for the period 1988-2006.

of FTAs grows when the stock of infrastructure is higher, and the two advance *in tandem*. *Second*, this expansionary effect depends on initial conditions. Considering that compared to the rest of the world, LAC is a region with an above-average *software* base and a suboptimal stock of infrastructure,⁷ it is likely that investing in *hardware* in the region will help reverse the declining returns from signing FTAs, and to a greater degree in LAC than in the rest of the world.

Policy implications are straightforward: high returns on exports may be obtained if the regional integration strategy moves on two coordinated tracks: shifting the focus from negotiation to implementation on

the *software* side, and stepping up investment in infrastructure while taking advantage of the complementarities between *hardware* and *software*.

FRAMING THE POLICY AGENDA: THE SOFTWARE-HARDWARE INVESTMENT MENU

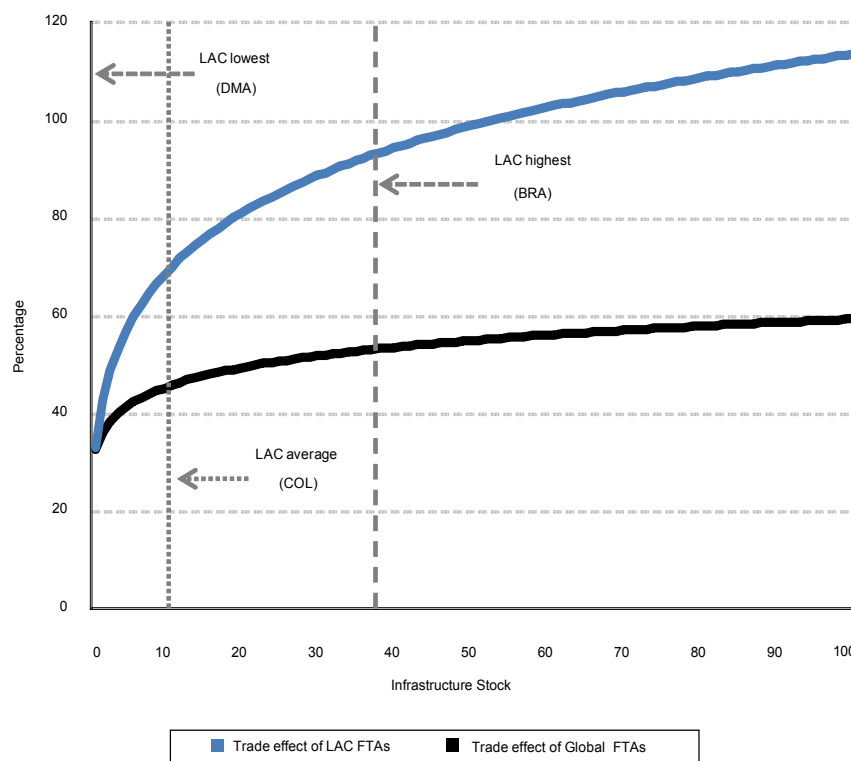
This multi-track strategy requires policy action on several interconnected fronts. Defining a comprehensive integration agenda would require an in-depth diagnosis of the principal gaps and obstacles to the integration process, which lie outside the scope of this paper.⁸ Hence the present section is limited to a brief

⁷ This refers to the fact that LAC countries are, on average, more likely to be parties of an FTA than other countries in the sample, and that the average level of the infrastructure stock is lower than the average country in the sample.

⁸ See IDB, World Bank and ECLAC (2011) for a detailed assessment of the policy menu.

Figure 5**EXPORT RETURNS OF FTAs COMPLEMENTED WITH INFRASTRUCTURE ENDOWMENTS**

In percent



Note: The infrastructure stock is proxied by the number of telephone lines, which is highly correlated (92%) with the cross-country principal component of a set of 29 infrastructure variables.

Source: IDB Integration and Trade Sector, based on a cross-country gravity model for the period 1988-2006.

illustration of the rationale for some key interventions on the *software* and *hardware*, respectively.

THE INTEGRATION SOFTWARE: DEEPENING THE TRADE ARCHITECTURE

About 60% of bilateral relationships in the region are still excluded from the coverage of regional integration agreements and FTAs.⁹ The majority of

these “missing links” involve Mexico, Central America, and the Caribbean *vis-à-vis* South America (Figure 6). At the hemispheric level, several trade relationships among the larger countries are likewise not yet covered. A number of countries may still benefit from the completion of the intraregional FTA architecture (Estevadeordal *et al.*, 2009).

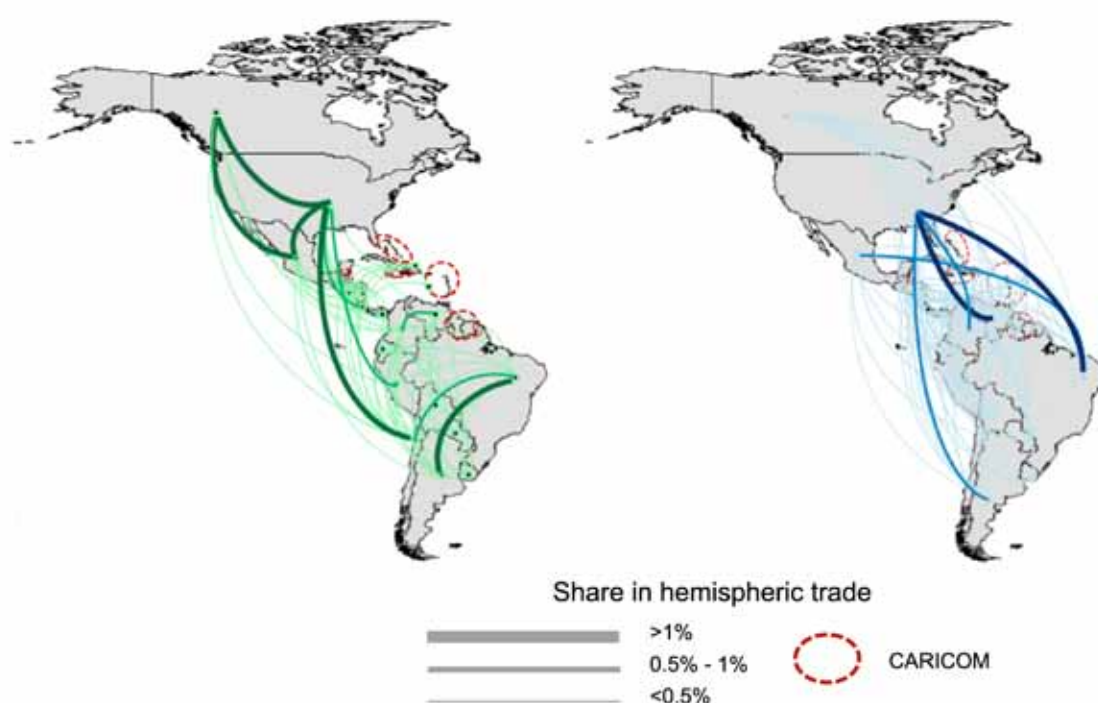
Meanwhile, existing FTAs set divergent trade regulations among signatory countries, in particular rules of origin (RoO).¹⁰ The divergence of RoO regimes across sectors and FTAs entails significant costs for

⁹ Currently, there are 462 bilateral relationships covered by FTAs among 34 countries in the region. These represent 41% of the 1,122 possible bilateral relationships among these countries. Many of these relationships are governed by partial-scope agreements, but as these do not cover more than 40% of tariff lines at most, they are not considered here as comprehensive agreements.

¹⁰ Rules of origin restrict preferential trade to products originating in signatory countries. Their restrictiveness refers to the degree to which they deny eligibility for preferences to goods with material inputs from countries not party to the agreement.

Figure 6

THE "SPAGHETTI BOWL" AND THE MISSING TRADE LINKS

BILATERAL RELATIONSHIPS COVERED
BY AN FTA, 2011BILATERAL RELATIONSHIPS NOT COVERED
BY FTAs, 2011

Note: Based on agreements in effect as of January 1, 2011, and 2009 trade figures. CARICOM = Caribbean Community.

Source: IDB INTradeBID database.

traders. As countries seek to reduce trade costs, it has become necessary to promote the convergence of rules in existing FTAs.¹¹

Improvement of the regional trade architecture also requires a coordinated approach to the

management of public and private regulations that are emerging as growing obstacles to regional and global trade integration.¹² Non-tariff barriers (NTB) may create additional costs for exporters, particularly for smaller firms, as they are less transparent than

¹¹ Prominent regional efforts in RoO convergence are the Latin American Pacific Basin Initiative (ARCO del Pacífico Latinoamericano), the "Free Trade Space" being discussed in the Latin American Integration Association (ALADI), and the "Unique FTA" negotiations among Mexico and the Central American countries. At the bilateral level, recent Canadian agreements with LAC countries have included forward-looking clauses that allow signatory parties to source from other countries with which both they and Canada have FTAs. This flexibility is referred to as "extended cumulation."

¹² Public nontariff barriers consist primarily of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT), but include other measures such as product safety regulations, nonautomatic import licenses, trade remedies, and outright import bans. Private standards are certification schemes created by the private sector, usually retailers that certify compliance with environmental and social practices. It is currently common for retailers and supermarkets to require private food certification of their suppliers in other countries to ensure that the products they import are safe and sustainable (Almeida, 2008).

tariffs, generate uncertainty and often are subject to administrative arbitrariness.

Figure 7 compares the incidence of tariffs and NTBs faced by LAC exporters in extra- and intraregional markets.¹³ It shows that the restrictiveness of NTBs dwarfs the effects of residual intraregional tariff protection, as well as the lack of significant differences between the high levels of NTBs faced by LAC exporters in the world and in the region, suggesting that there is ample space for regional collective action in this area.

Governments can also take active steps to streamline international trade operations, within the current normative framework. *Figure 8* shows that LAC is lagging behind its comparators in terms of border and transport efficiency and in perceived likelihood of on-time export delivery. Trade facilitation measures would encourage the efficient flow of goods across borders by focusing on the rationalization, standardization, and harmonization of trade-related procedures.

In addition to trade facilitation, private sector internationalization can be fostered through other nondistortive, proactive measures. For example, through export promotion agencies governments can help firms overcome information barriers that prevent the identification of export opportunities. A recent impact assessment of six such agencies in LAC reports significant effects measured in terms of export volumes and market diversification (Volpe, 2010). In most cases, exports of firms assisted by these agencies increased by more than 10%, and the number of export markets increased by more than 5% (*Figure 9*).

Export promotion agencies can maximize these gains following three tracks. *First*, by targeting smaller firms with limited previous involvement in international markets, which benefit more from export assistance than larger firms. *Second*, by providing a critical mass of bundled services throughout the export process, which are more effective in enhancing firms' export prospects than individual isolated actions. *Third*, by

setting up local branches of the promotion agencies in target export markets.¹⁴

As firms' internationalization depends less on arm's-length trade and more on their capacity to integrate regional and global value chains, the ability to attract investment from abroad becomes a key component of any internationalization support strategy. Governments can improve the capacity to attract foreign investors by streamlining procedures for establishing businesses and by facilitating cross-border financial operations through bilateral investment treaties (BITs) and agreements on double taxation (ADTs),¹⁵ which in the region are still limited in scope and coverage (*Figure 10*).

Bilateral agreements, however, are of decreasing value to the regional architecture because investment, like trade, increasingly seeks to benefit from linking the comparative advantages of multiple countries. Hence the value of a broader regional approach that would bridge the traditional bilateral and subregional agreements into a coherent set of hemispheric rules (Lee, 2008).

THE INTEGRATION *HARDWARE*: BRIDGING GAPS TO IMPROVE CONNECTIVITY

Infrastructure, particularly in transport, is the lifeline of trade, and firm-level perception surveys across LAC show that (i) quality and access to infrastructure

¹³ The statistical methods for estimating these values account for the impact of the measures on trade flows and infer the equivalent price change that would bring about the same effect. See Kee, Nicita, and Olarreaga (2009) for details.

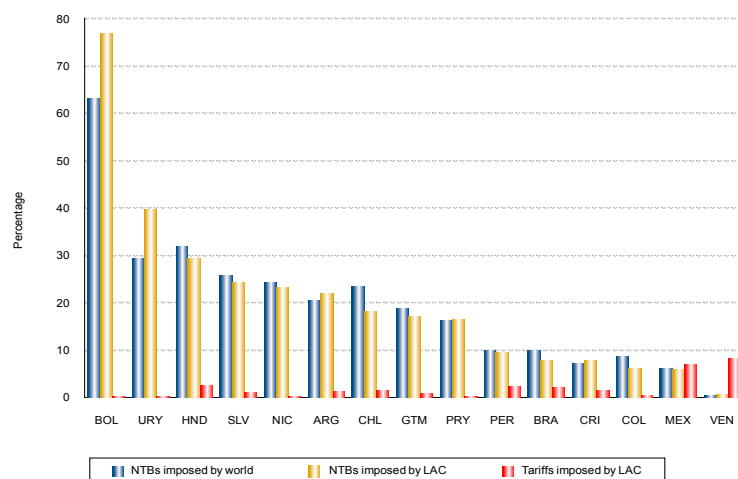
¹⁴ The latter is associated with an increase in exports five and a half times larger than that associated with adding a new diplomatic representation there, as such representations do not always have export-promotion-specific expertise. However, the same result could potentially be achieved by properly strengthening trade competencies in diplomatic representations, increasing incentives of the officials tasked with export promotion, and improving articulation between these representations and their countries' export promotion organizations.

¹⁵ BITs supplement national regulations and provide investors with a degree of certainty regarding the regulatory framework for international investment. ADTs regulate the taxation of income, including investment income, when the income earner may be subject to taxation in more than one international jurisdiction. These agreements seek to prevent taxation of investors' income twice by defining which income is taxable in each signatory country and thereby removing a disincentive to investment by entities from one country in the other.

Figure 7

RESTRICTIVENESS OF NONTARIFF BARRIERS AND TARIFFS

Trade-weighted *ad valorem* NTBs and tariffs encountered in regional and global trade by selected LAC exporters, 2008, in percent



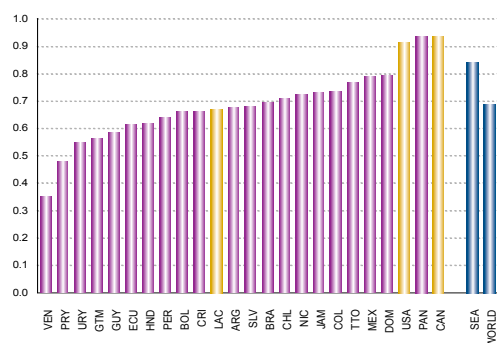
Source: IDB INTradeBID database, based on Kee, Nicita, and Olarreaga (2009).

Figure 8

CROSS-BORDER TRADE PERFORMANCE

BORDER AND TRANSPORT
EFFICIENCY INDEX, 2007

Index, 1 = best

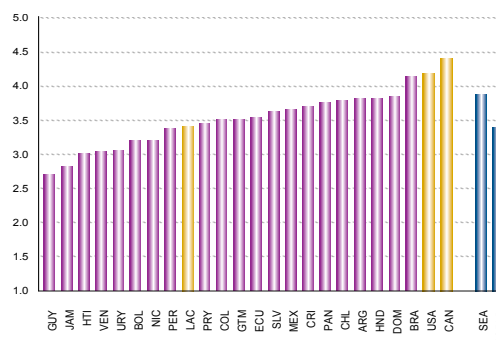


Note: SEA = Southeast Asia. The indicator is a composite (principal factor) index of the number of documents and days required to export and import.

Source: Portugal-Perez and Wilson (2010).

PERCEIVED LIKELIHOOD OF ON-TIME
EXPORT DELIVERY, 2009

Index, 5 = best



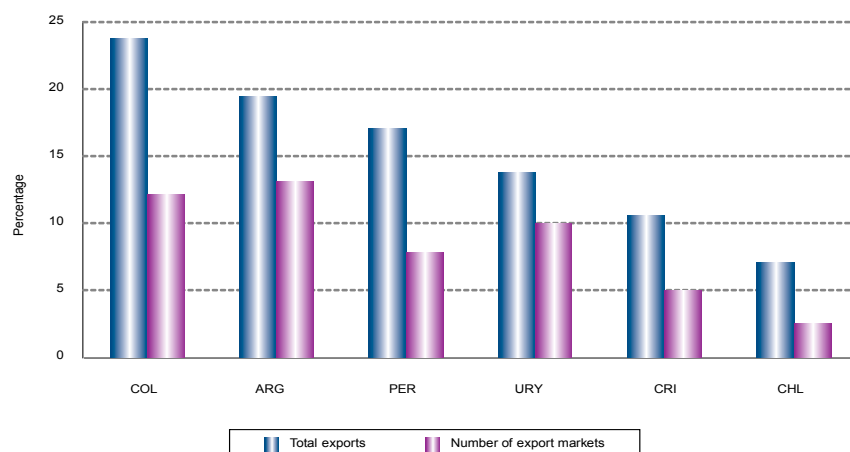
Note: SEA = Southeast Asia.

Source: World Bank (2010a).

Figure 9

IMPACT OF EXPORT PROMOTION AGENCIES ON FIRMS' PERFORMANCE

Increase compared to firms not assisted by agencies, in percent



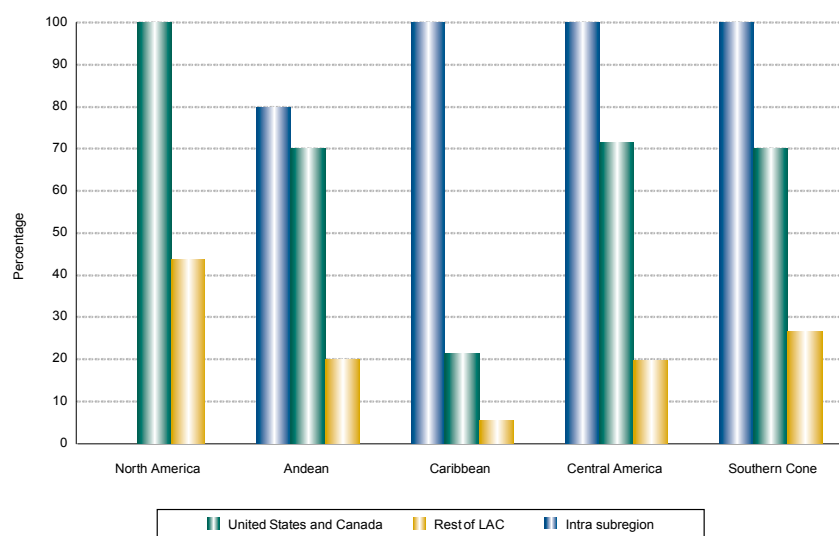
Note: Data are treatment effects for varying periods between 2000 and 2007.

Source: Volpe (2010).

Figure 10

INCOMPLETE NETWORK OF INVESTMENT AGREEMENTS

Coverage of bilateral investment treaties and investment provisions in FTAs, 2011, in percent



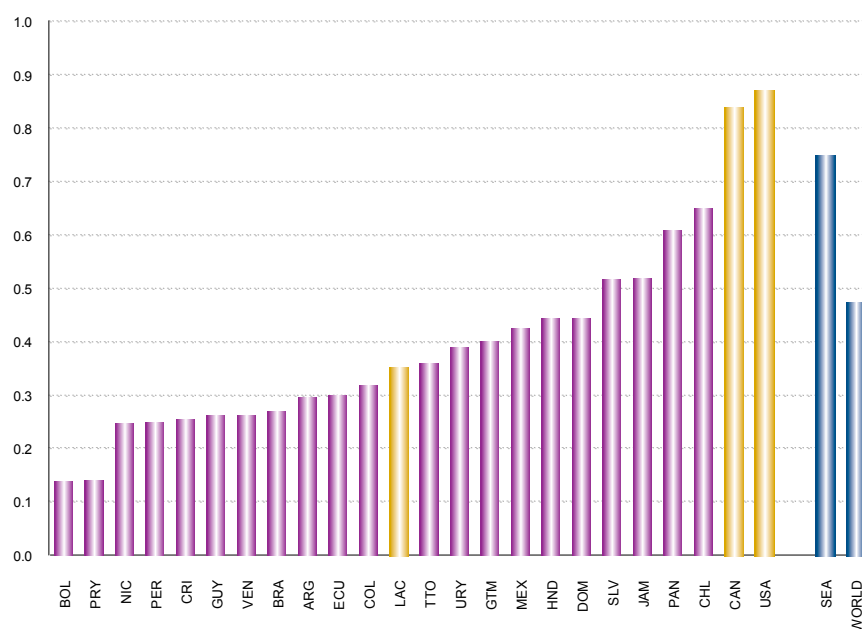
Note: For each subregion, the bar represents the coverage of BITs and/or bilateral FTA investment provisions, as a share of all possible bilateral country relationships. Mexico is included in North America and as a partner country in "Rest of LAC" as well. Central America includes Panama and the Dominican Republic.

Source: IDB Integration and Trade Sector, based on UNCTAD and OAS.

Figure 11

OVERALL TRANSPORT INFRASTRUCTURE QUALITY IN LAC AND COMPARATOR COUNTRIES AND REGIONS

Composite index; 1 = best, 2007



Note: Composite (principal-factor) index of the quality of ports, airports, roads, and railroad infrastructure. SEA = Southeast Asia.

Source: Portugal-Perez and Wilson (2010).

remains a top concern for the region's businesses,¹⁶ and (ii) that infrastructure quality throughout the region is deemed poor (Schwab, 2010).

On average, LAC trails by a considerable margin the world average for overall quality of transport infrastructure (Figure 11). Most importantly, the poorest, most-isolated, and largest countries, which are the most dependent on efficient access to markets, are the ones at the low end of the distribution. Since the region is highly dependent on road-based transportation, a rededication of resources to the road transport sector is essential to bring the coverage of the road network

to the world average,¹⁷ improve the quality of the existing infrastructure, finance proper maintenance, address the pronounced deficit of interfaces between the road network and ports, and reform the regulatory frameworks of the services delivered over the infrastructure, in particular, trucking services.¹⁸

¹⁷ Indicators show a world average of 241 km. of road network per 1,000 km² of surface, whereas in LAC the coverage is about 156 km² (Barbero, 2010).

¹⁸ According to Hine (2007), trucking accounts for, in general, around 70% of the total volume and 80% of the total value of domestic freight transportation in developing countries. LAC enterprise surveys reveal a high reliance on "own equipment" among the region's cargo owners, with only 30%-40% of businesses reporting reliance on third-party service providers for hauling cargo. The percentages are roughly reversed for OECD countries. This is, in part, the result of anticompetitive arrangements among LAC trucking companies that hold monopoly rights over key routes, excessive regulation, lack of long term transport service contracts, lack of incentives for fleet renovation, and poor transport industry practices.

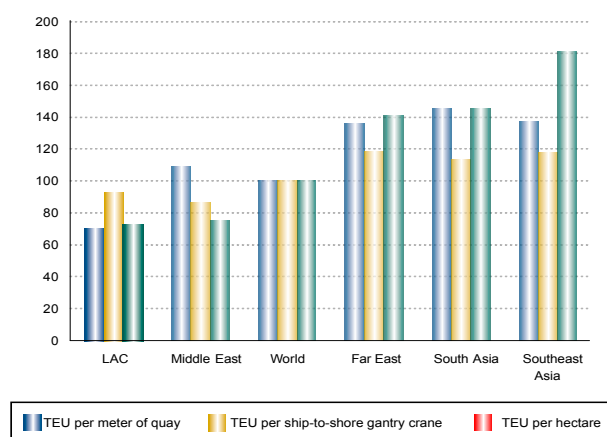
¹⁶ In a World Bank survey of firms in fifteen Latin American and Caribbean countries, "infrastructure" was identified as the third most important constraint on doing business, behind only "regulations" and "rule of law," but ahead of "finance" and "labor" constraints (World Bank, 2008).

Figure 12

COMPARATIVE PERFORMANCE OF PORTS

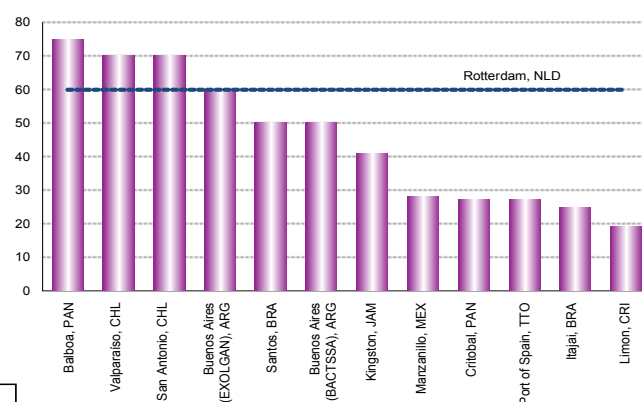
EFFICIENCY OF EXISTING INFRASTRUCTURE, 2009

Index, world = 100



REGIONAL PORT PRODUCTIVITY, 2009

Containers per hour per ship



Note: TEU = twenty-foot equivalent unit (a measure of container capacity).

Source: IDB Integration and Trade Sector, based on Drewry Shipping Consultants (2009).

Note: BACTSSA = Buenos Aires Container Terminal Services S.A.

Source: ECLAC.

Turning to maritime transport, it is key to note that more than 80% of world merchandise traded (by volume) is transported by sea (UNCTAD, 2010). In this context, LAC ports face a double challenge: *first*, to expand capacity in view of growing trade volumes, and *second*, to improve their efficiency. Although the needs for port expansion are perhaps greatest in absolute terms for South America, where port capacities must keep pace with growing demand for agricultural and mineral exports,¹⁹ smaller countries in Central America are seeing their capacities constrained as well.

Port and maritime transportation services reforms are crucial for LAC's capacity to compete in the

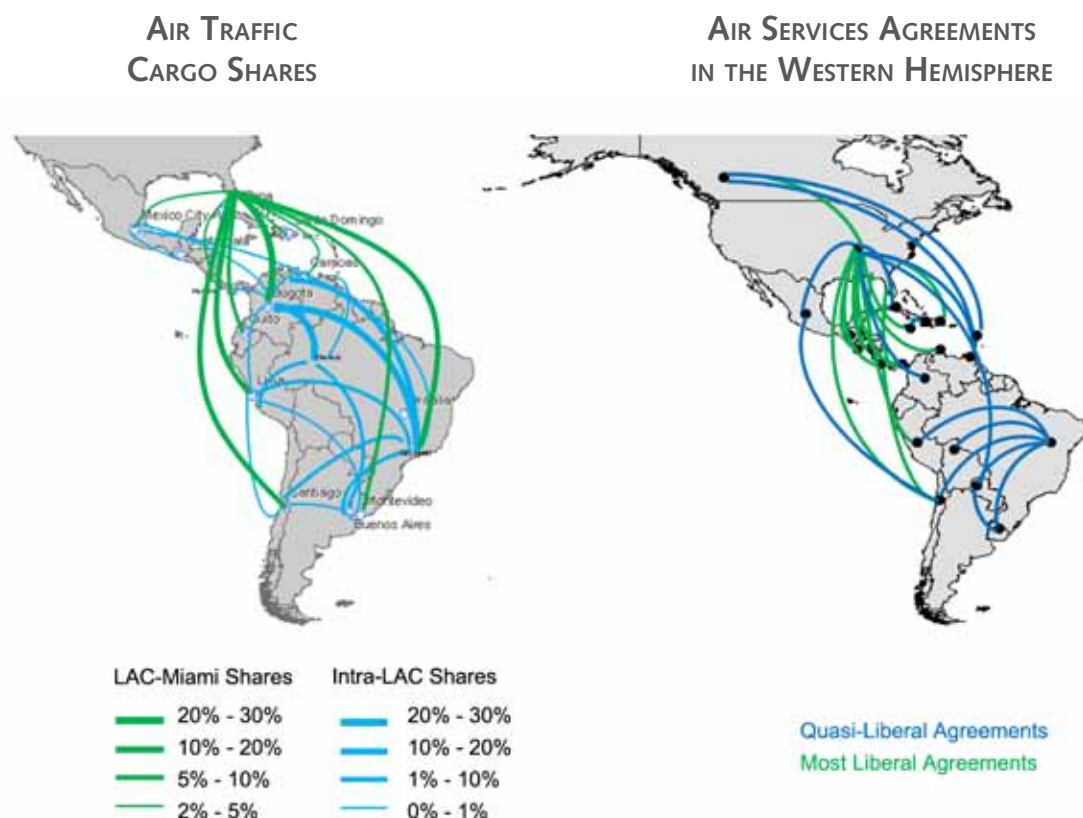
global marketplace.²⁰ The productivity of regional ports has improved as the result of decentralization, concessioning programs, increased inter-port and inter-terminal competition, and of modest improvements to port-inland connections and harbor-deepening projects (Barbero, 2010). However, global standards on efficiency and investments are increasing, and LAC ports continue to underperform (Figure 12). A regional approach to the expansion of the subregion's competing terminals may be needed to ensure that public investments are carried out according to efficiency criteria, as it is unlikely that additional potential traffic justifies the simultaneous expansion of all existing facilities.

¹⁹ For example, Brazil is expanding port capacity to ensure continuing strong export performance by initiating a plan to double the port capacity at Santos, deepening the port drafts in Salvador and Aratu, and constructing new facilities at Tubarão, near Vitória. Expansions are also planned for Callao, Peru, which is operating above nominal capacity (UNCTAD, 2010).

²⁰ Port handling costs are significant drivers of ocean shipping costs, which in turn affect the costs of delivered goods, particularly food products. In fact, ocean shipping costs can contribute 10% to 15% to the delivered price of a good. According to econometric modeling, for each increase of 10% in the bulk shipping index, the estimated impact on commodity prices is on the order of 1.5% (Schwartz *et al.*, 2009).

Figure 13

CARGO FLOWS AND AIR SERVICES AGREEMENTS IN THE WESTERN HEMISPHERE



Source: IDB Integration and Trade Sector, based on Serebrisky, Schwartz, and Pachón (2010) and International Civil Aviation Organization data.

Source: IDB Integration and Trade Sector, based on WTO (2010).

Finally, with respect to air cargo, only a small fraction of LAC's total exports -less than 5% in value terms- is currently transported by air. Despite its small size and concentration,²¹ the intra-LAC market is still about 50% larger than the intra-European market²² and the past five years have seen a relatively strong growth in intraregional cargo traffic, which exceeded that observed in other regions. The payoff for improving air cargo efficiency will thus increase over time.

²¹ Brazil is the largest cargo market in the region (with 32.7% of cargo traffic), followed by Colombia (17.9%) and Mexico (16.0%).

²² This is mostly explained by Europe's smaller area, better road infrastructure, and extensive railroad network, which make surface transportation there more practical and economical than in LAC.

The quality of the region's airport infrastructure appears to be reasonably high overall,²³ albeit with distinct challenges evident at individual airports. Nevertheless, the air cargo market would benefit from increased availability of competitively priced ancillary services and access charges or royalties levied by airport operators. Hence, efficiency-enhancing policies need to focus on the regulatory (*software*) constraints, in addition to those related to physical infrastructure (*hardware*). Figure 13 shows not only the limited coverage of air services agreements in LAC (right

²³ In a survey carried out by ALTA, even the worst-rated airports in LAC received an acceptable score in absolute terms (at least 3.1 on a 1-5 scale).

panel), but also their inadequacy for servicing the main cargo routes (left panel).

Regional approaches, including perhaps the adoption of a multilateral Open Skies agreement, would effectively eliminate those aspects of the bilateral agreements that currently prevent open and unrestricted market access and would help improve the regulatory structure of the air cargo market and foster its development and growth.

In summary, in most LAC countries, both the physical infrastructure and the associated regulatory frameworks need investment in order to reach regional and global benchmarks. Against this background, the following section appraises the potential returns on investment in infrastructure and policy reforms needed to deepen LAC integration.

MEASURING THE RETURNS ON INVESTMENT IN INTEGRATION

The body of evidence presented here suggests that the returns on investment in integration are not only substantial, but also equally distributed along the *software-hardware* continuum, highlighting the need to address reforms and investment with a comprehensive policy package that leverages the complementarities between the two tracks of the agenda. The *ex-ante* estimates of the effects of integration investments are drawn from simulations based on the IDB Integration and Trade Sector (IDB-INT) computable general equilibrium (CGE) model.²⁴ Four alternative policy scenarios have been evaluated for the 2008-2020 period (Figure 14).²⁵

²⁴ The CGE model used is multiregional, trade-linked, and dynamic recursive. Benchmarked for the year 2008, it includes the sixteen Latin American countries for which disaggregated data are available. Compared to other available techniques, the CGE analysis is preferred when policy reforms and investment effects materialize through various transmission channels, as in the case of the policy menu analyzed here. In particular, the recursive dynamic structure of the model, in which the equilibrium achieved in any given year's simulation feeds the next year's simulation as an exogenous shock, is suited to assessing the impact of investment in integration hardware.

²⁵ The results should be interpreted with caution: rather than focusing on absolute numeric forecasts, interpretation should focus on the relative magnitude of the effects of alternative policy scenarios and on their cross-country variations.

- i. *Full tariff liberalization*: elimination of intraregional residual tariffs.²⁶
- ii. *Trade facilitation*: a 2-percentage-point reduction in intraregional transport costs.²⁷
- iii. *Reduction of intraregional NTBs*: a 30% decrease in the bilateral ad valorem equivalent restrictiveness effect of NTBs.²⁸
- iv. *Investment in infrastructure*: an average 1.1% of regional GDP invested annually in transport infrastructure development and maintenance.²⁹

The major conclusion is that both the *software* and *hardware* segments of the integration agenda accrue substantial and roughly equal returns to the region, although there is considerable cross-country variation. At the regional level, the three first *software* policy reform scenarios together generate an average increase in intraregional exports of 20% over the next decade, and investment in transport *hardware* can be expected to generate an additional 27% in exports. Note, however, that “one size does not fit all”: although the expected export gains are generally substantial (30% at the lowest end), there are marked heterogeneities across countries regarding the *software-hardware* optimal policy mix.

Additional policy considerations, not explicitly derived from the simulations, complement the interpretation of the results.

The first is related to the comparative fiscal costs of the different policy options. Investment in infrastructure requires a substantial financial commitment, on

²⁶ Scenario based on the elimination of intraregional residual tariff protection (IDB INTrade database).

²⁷ Scenario based on the reduction of the *ad valorem* equivalent transport costs obtained from the Latin American Integration Association (ALADI) as reported by Moreira, Volpe, and Blyde (2008) and used in the simulations presented in IDB, World Bank and ECLAC (2010).

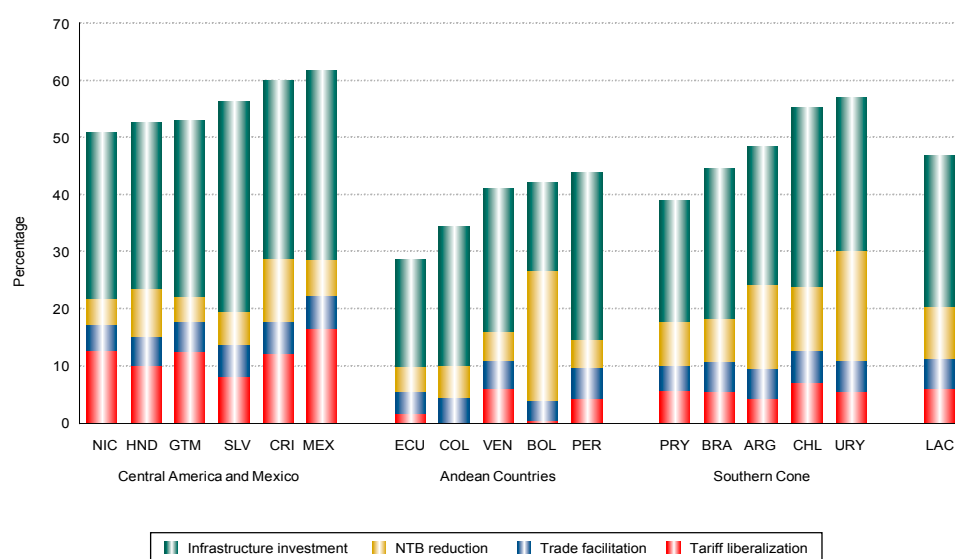
²⁸ Scenario based on disaggregated ad valorem equivalents of NTB restrictiveness adapted from Kee, Nicita, and Olarreaga (2009).

²⁹ Scenario based on country-specific investment needs in the transport sector (2005-2010) as provided by ECLAC (Perrotti and Sánchez, 2011), estimated using an econometric model that follows Fay and Yepes (2003).

Figure 14

EXPORT EFFECTS OF INTEGRATION *SOFTWARE* POLICY REFORMS AND *HARDWARE* INVESTMENT

Intra-LAC export gains, as percentage of 2008 baseline



Note: Model predictions from software reforms and hardware investment over the next decade.

Source: IDB-INT CGE model.

average estimated at 1.1% of the regional GDP for the next decade (Perrotti and Sánchez, 2011). Meanwhile, soft policy interventions do not have significant fiscal impact, but rather require political capital, an adequate regional institutional framework, and specialized technical capacity for negotiation and implementation.³⁰ All these costs are small when compared to those associated with investments in infrastructure, which makes *software* interventions very cost-effective.

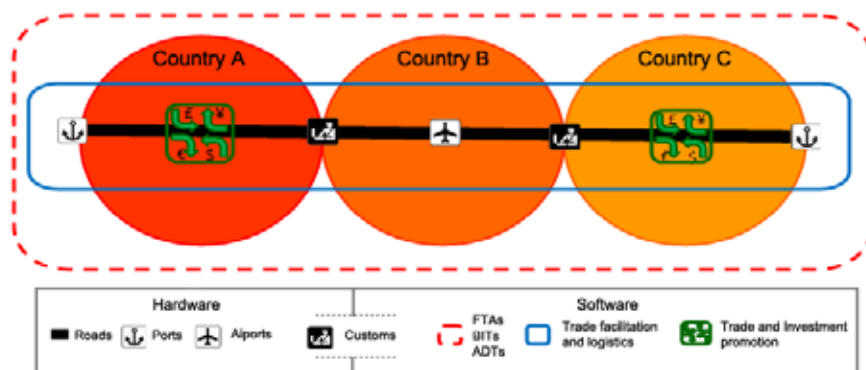
The second is related to the fact that the simultaneous implementation of *soft* and *hard* reforms may generate

high synergies.³¹ For example, trade facilitation and/or reducing NTBs may unlock unrealized potential gains of past tariff liberalization. Likewise, investment in transport combined with higher efficiency in customs may yield gains that surpass the sum of the two interventions implemented separately.

Finally, policymakers need to take into account the distributive effects of integration reforms. For example, the reduction of transport costs brought about by investment in transport *software* and *hardware* may generate major reductions in the price of food, which

³⁰ NTB regulation reforms have little or no fiscal impact at all, as such barriers are not revenue-generating measures. The elimination of residual intraregional tariffs implies some loss of revenue, but these tariffs are low and there is potential to generate net fiscal income, through a higher level of economic activity and a broader tax base stimulated by trade and growth. Lastly, the same conclusion holds for trade facilitation measures, which involve regulatory reforms and only moderate public investment, mainly in information systems and capacity building.

³¹ The *software* and *hardware* investments considered here generate together an estimated average 47 percent cumulative increase in intra-LAC exports. Although the evaluation technique used allows simulation of only one policy reform at a time, econometric evidence reported in Section "THE INCREASING RETURNS..." suggests that these trade gains are likely to be higher when soft and hard improvements are implemented as a package, as a result of the complementarities that exist among them.

Figure 15**HARDWARE AND SOFTWARE COMPLEMENTARITIES IN SUSTAINABLE INTEGRATION CORRIDORS**

Source: IDB (2011)..

is determined in large part by transport and other trade transaction costs and disproportionately affects the poor.

POLICY IMPLEMENTATION: LOCKING IN INVESTMENT IN INTEGRATION PROJECTS

An integration strategy requires a broad regional vision, particularly when the cost-effectiveness of policy interventions can be magnified by *software-hardware* complementarities. For much of the world, “integration corridors” provide a suitable implementation framework. Across LAC, there are currently three major initiatives for fostering inter-governmental collaboration along those lines.³² Despite these notable examples there is still a need to turn classic transportation corridors into effective, sustainable trade and investment corridors, whereby

software interventions are systematically combined with *hardware* projects. *Figure 15* presents a hypothetical example of complementary national interventions in three countries, under a *software-hardware* integration perspective.

Other regions have already begun to implement such an operational approach with different modalities. The Trans-European Networks (TEN) promote the interoperability and interconnection of transport networks in European Union countries, with massive subsidies (up to 15% of project cost) administered at the regional level, and with dedicated instruments of the European Commission and the European Investment Bank (Schlirf, 2010). In Asia, similar efforts in the Greater Mekong Subregion and in the context of the Central Asia Regional Economic Cooperation (CAREC) Program rely on national financing and support from the Asian Development Bank (ADB). In the former, regional cooperation has delivered impressive results in a short period of time (see *Box* below).

Transforming such a vision into implementable projects also requires fiscal capacity and an ability to attract complementary resources and skills from the private sector. Despite significant progress, LAC continues to under-invest in infrastructure: public expenditure in infrastructure stands between 2% and 3% of GDP, compared to 6% to 10% for East Asian countries (Fay and Morrison, 2007), and complementary private participation in infrastructure projects, albeit growing,

³² The Initiative for the Integration of Regional Infrastructure in South America (IIRSA) was launched in 2000 and includes twelve countries: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, and Venezuela. The Mesoamerica Project, officially launched in 2008 and encompassing Central America, Mexico, Colombia, and the Dominican Republic, builds on the Plan Puebla-Panamá of 2001. In the Caribbean region, the regional policy framework for infrastructure planning has been provided by CARICOM and has resulted in a Community Transport Policy as well as the establishment of an Infrastructure Fund in 2009: the objective is to strengthen intraregional ties and contribute to both economic and trade integration in the Caribbean region.

Box. Good Practice: Effective Reduction of Logistics Costs in the Mekong North-South Corridor

The goal of the flagship North-South Economic Corridor of the Greater Mekong Subregion in Southeast Asia is to develop a highly efficient transport system in the framework of a sustainable integration corridor. Investments in infrastructure (transport, energy, telecommunications, and tourism) are coupled with planning and management of policy and regulatory reforms in support of selected businesses in order to maximize development impact. The reduction of logistics costs achieved as of 2006 (compared to the 2000 baseline) in various segments of the corridor is impressive for its magnitude and steady progress towards the medium-term goals set for 2015.



Note: R3W = Route no.3 West; R3E = Route no.3 East.

Source: Asian Development Bank (2007).

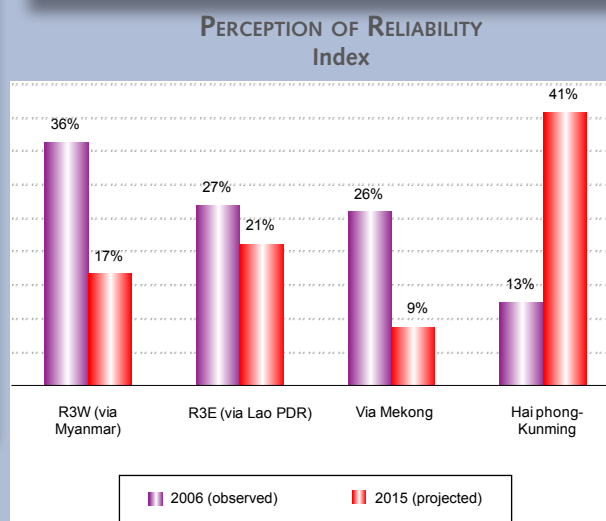
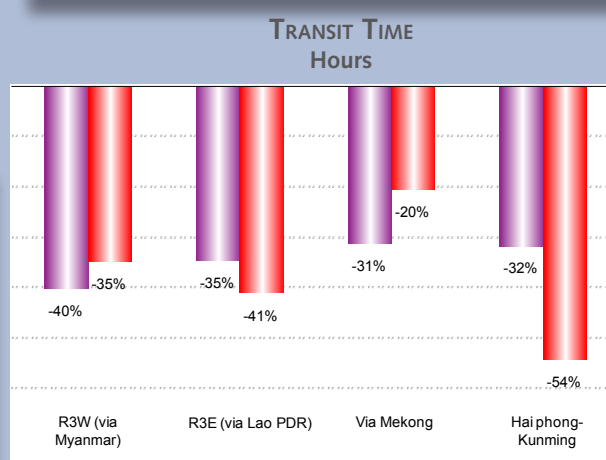
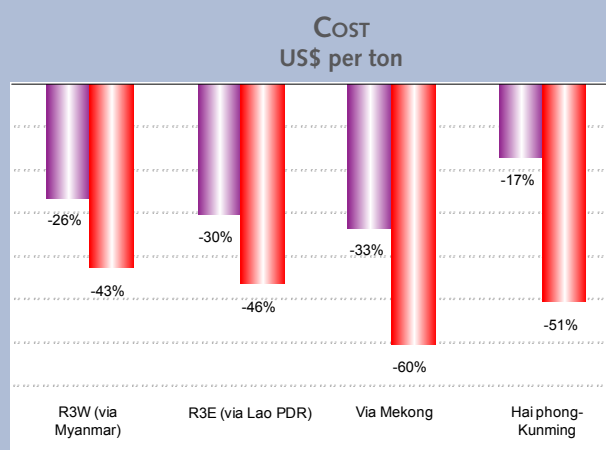
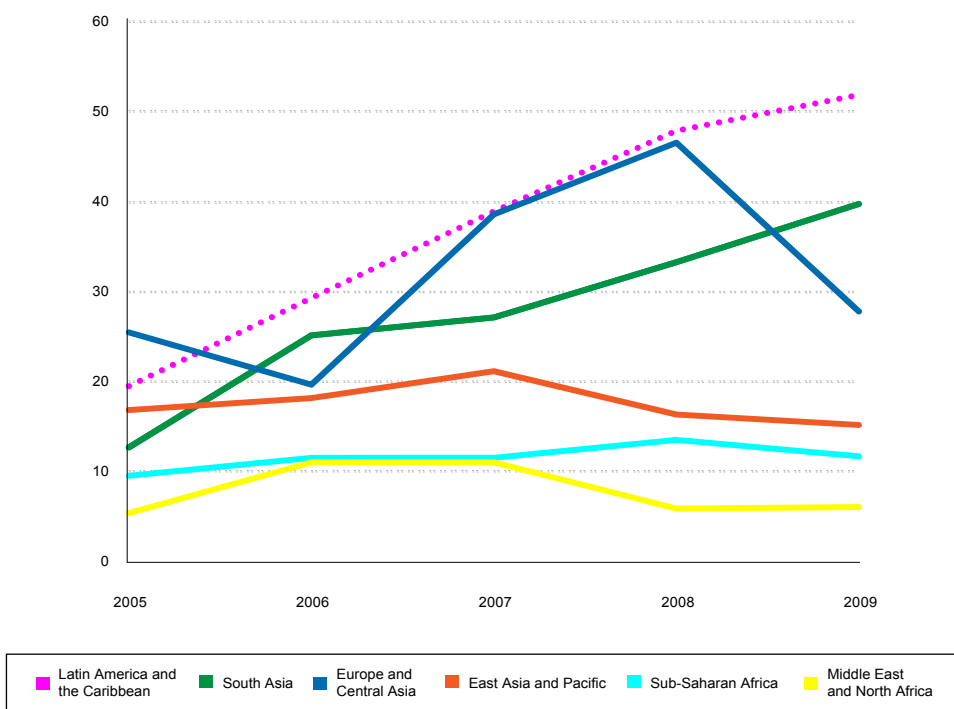


Figure 16

TRENDS IN INVESTMENT IN PRIVATE INFRASTRUCTURE PROJECTS By region, 2005-2009, in US\$ billions



Source: World Bank (2010b).

remains modest and concentrated in a few countries (e.g. Brazil) and sectors (e.g. energy) (World Bank, 2010b).

These trends suggest two conclusions for investment in integration projects. *First*, the general scarcity of public resources available for investment in *hardware* infrastructure, compounded with the institutional challenges related to the prioritization of regional projects, makes investment in cost-effective integration *software* policy reform a valuable proposition in itself. *Second*, given the need to attract private investment to ease budgetary constraints, governments have the option of reforming the *software* in order to attract investment in the *hardware* in the energy sector, and even more so in the transport sector, currently not prioritized by private investors.

CONCLUSION

This paper posited that a new generation of integration investments may deliver benefits to the LAC region, provided that they are part and parcel of a comprehensive strategy that tackles simultaneously the *hardware* (physical integration) and *software* (policy and regulatory coordination) components of the agenda.

It uncovered the value of the complementarities between *software* and *hardware* noting that the region is currently realizing only about 50% of its intra-hemispheric trade potential, and that increasing returns can be found in coupling investments in physical connectivity with trade and regulatory policy reforms.

Second, it sketched the policy menu for deepening integration in the areas of trade architecture, trade regulations, trade facilitation, and physical integration.

It then appraised the expected returns by 2020 of an ambitious program of integration policies (1.1% of regional GDP annually over the next decade), which may generate a 47% increase in intra-LAC exports, with gains equally distributed between the *software* and *hardware* components.

Finally, it argued that aligning *software* and *hardware* investment within “sustainable integration corridors” is

an operational framework suitable for maximizing the returns on investment.

All the evidence presented points to one key policy implication: in order to harvest the significant potential gains that a new generation of integration policy reforms and investment may deliver to countries in the region, governments are well advised to lock in an investment strategy that tackles both the *software* and the *hardware* components within an integrated regional strategic plan. ♦

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THE MESOAMERICAN INTEGRATION CORRIDOR

INTEGRATING MESOAMERICA THROUGH THE PACIFIC*

IRASEMA INFANTE

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The Pacific Corridor is certainly the project of greatest scope to be conceived in recent years in the framework of the Mesoamerica Project. Its impact on the region's economy and connectivity is highly relevant in the context of Central and Mesoamerica's physical and trade integration. However, like any regional project of that scope, achieving its implementation is a major challenge of institutional coordination and financial management. Discussions of regional projects always brings with them certain inherent conditions, which are seldom taken into account: the process of prioritization by governments faced with many other needs at national and local level; the process of planning and developing coordinated infrastructure; the management and implementation of agreements and basic definitions over the projects, which represents a major investment in time, socialization of studies, and negotiation. In addition, the long-term horizon entailed by a megaproject such as this one usually extends beyond political cycles. This may either work in its favor or against it.

For all that the project has taken a long time to reach maturity, this has enabled a comprehensive conceptualization to be formed, paying attention, on the one hand, to the physical infrastructure and transportation component, but also incorporating and reviewing the trade facilitation procedures and infrastructure adaptations needed for it to be implemented at border crossings. Its development entails a challenge in the design of the institutional and financial model for its execution, e.g. the proposal to set up a Management

Unit, the signing of legal instruments, and the evaluation of a possible *ad hoc* institutional framework.

BACKGROUND

The Pacific Corridor is one of five complementary, interoceanic road corridors and two trunk road (Pacific and Atlantic) corridors to be included in

* Document preparation based upon inputs from the Transport Division and the Integration Sector of the Inter-American Development Bank. Additionally the following outlined reports have been key sources for this work production: *Adecuación, Mantenimiento y Operación de Tramos Viales del Corredor Pacífico de la Red Internacional de Carreteras Mesoamericanas (RICAM)*. Estudios técnicos preparatorios, August 2011; *Estudio para la Estructuración Financiera, Institucional y Jurídica del Programa de Aceleración del Corredor Pacífico de la Red Internacional de Carreteras Mesoamericanas (RICAM)*, IKONS, July 2011; *Estructuración Institucional, Financiera y Técnica del Proyecto del Corredor Pacífico. Borrador de Informe Final*, Castalia y Texas Transportation Institute, August 2011; *Corredor Mesoamericano de Integración. Memorandum de Entendimiento y demás instrumentos para la implementación de su Unidad Gestora. Informe Inicial*, IKONS, February 2012.

the International Network of Mesoamerican Highways (RICAM), agreed by transport ministers in 2002 in the framework of the Fifth Summit of the Tuxtla Mechanism for Dialogue and Cooperation, initially being 9,450km long. The current total stands at 13,149km, interconnecting the region's major key populations and productive areas with the main distribution points. Although, since its incorporation as the flagship project of the Puebla Panama Plan's Transport Initiative it has been moving forward in the construction and/or rehabilitation of much of this network, including technical construction standards and international road safety standards, it was only in 2009 that a decision was taken to make the Pacific Corridor a priority.

At the 11th Summit of the Tuxtla Mechanism for Dialogue and Cooperation in 2009, in Guanacaste, Costa Rica, leaders agreed to prioritize the "Pacific Corridor Acceleration Program", incorporating issues such as road safety and the harmonization of regulations on weights and measures in order turn the corridor into a highway of the highest international standards, while also developing a diagnosis of infrastructure and equipment needs at border crossings. The incorporation of the border infrastructure modernization component is aimed at ensuring that not only the main lines of communication are up to international transit standards, but also the main bridges, access roads, and facilities at border crossings.

CHARACTERISTICS OF THE MESOAMERICAN INTEGRATION CORRIDOR

- The CMI crosses seven countries (six borders) and carries **95% of the goods traded in the region by land**.
- Due to poor transit conditions in several sections, inadequate infrastructure at border crossings, and inefficient accesses and border controls, the Corridor's average transport speed is 17km/hour.

The Pacific Corridor, also known as the Mesoamerican Integration Corridor (CMI), stretches from the city of Puebla in Mexico to Panama City, connecting seven countries of Mesoamerica. It is 3,241km long and is considered to be the most efficient means of road integration in the Mesoamerican region. It opens up new possibilities of more intense, accelerated integration and puts its exportable overland production

in reach of markets. It has a lower average altitude and reduces distances in comparison to the current alternative route, the Pan-American Highway. *Figure 1* shows the route of the Pacific Corridor.

The project's objective is to transform the Pacific Corridor into the main logistics corridor for transport and trade integration in the Mesoamerican region, and for it to have the highest international road safety standards, and infrastructure quality and design, as well as border posts that are smooth, quick thanks to improved control procedures and the corresponding equipment and infrastructure.

COMPONENTS

- Adaptation, maintenance, and operation of road sections.
- Optimization of infrastructure and equipment at Pacific Corridor border crossings.
- Improvement of border control procedures to facilitate the movement of freight and passengers.

IMPACTS

- Average altitude above sea level will be substantially reduced and the road journey between Mexico and Panama will be approximately 200km shorter, thus reducing the total journey time **from 190 to 54 hours**.
- There will be highway infrastructure of excellence, with average speeds significantly higher than at present (rising **from 17km/hour to 60km/hour**), as well as high safety standards for the movement of passengers and freight, increasing trade competitiveness and significantly reducing accident levels.
- There will be border control systems with the appropriate infrastructure and services.
- There will be **an effective operation of border centers** and proper maintenance of the highway sections by service levels.
- Linkage among the region's suppliers and **the creation of regional productive chains** will be

Figure 1

PACIFIC CORRIDOR ROUTE



Source: Texas Transportation Institute.

strengthened to significantly enhance trade, integration, and regional competitiveness.

DESCRIPTION OF THE ROAD COMPONENT

So far, there is agreement among the region's countries about the sections that make up the Corridor (60 sections grouped in 27 Adaptation, Extraordinary Conservation, Maintenance and Operation Projects, or PACEMOs) with like

characteristics. The respective investment plan is also in place, as are the estimates for traffic, and maintenance and operation costs.

The investment plan includes those sections of the Pacific Corridor requiring investment in order to comply with the technical and road safety requirements established in the Merida Memorandum of Understanding. *Table 1* sets out the total length of the Corridor in each country, the length of the sections requiring investment (in terms of infrastructure and road safety works), and the estimated economic cost of the investments for each country.

Table 1**ROAD INVESTMENT PLAN APPROVED AT PREFEASIBILITY LEVEL**

Country	Length of Pacific Corridor (km)	Total PACEMOs interventions (km)	Investments in road infrastructure interventions (US\$ millions)*	Investments in road safety interventions (US\$ millions)*	Total investments (US\$ millions)*
Mexico	1058.5	356.85	66.02	29.46	95.48
Guatemala	303	303	584.07	18.22	602.29
El Salvador	389.3	330.65	515.81	39.86	555.67
Honduras	137.18	137.18	104.40	4.69	109.09
Nicaragua	335.15	335.15	220.58	13.35	233.93
Costa Rica	520.8	433.93	509.16	27.84	537
Panama	497	316.39	99.03	23.32	122.35
Total	3240.93	2213.11	2099.06	156.74	2255.8

Note: * Estimates for 2012.

Source: Own elaboration based on *Adecuación, Mantenimiento y Operación de Tramos Viales del Corredor Pacífico de la Red Internacional de Carreteras Mesoamericanas (RICAM). Estudios técnicos preparatorios*, August 2011.

INVESTMENT PLAN

The results of the studies show that investment needs could run to US\$2.256 billion, given the economic analysis.¹

ROAD INFRASTRUCTURE

The types of road infrastructure works included in the investment plan are as follows:

- **Bridges and interchanges:** level interchanges, overpasses, and widening and improvement of bridges.
- **Functional infrastructure:** construction of sidewalks, bays, walkways, and cycle lanes.

- **Road surface works:** new infrastructure, capacity expansions, resurfacing, improvements to roadway, construction of hard shoulders and side-roads.
- **Complementary activities:** engineering designs for priority sections, environmental impact studies, and socialization and involvement of local communities.

ROAD SAFETY

Road safety is a major problem in the Mesoamerican region, where more than 20,000 people die in road accidents each year. There is a high incidence of deaths in the most vulnerable groups on the road, such as pedestrians, cyclists, and motorcyclists. A study was conducted to improve the Corridor's safety standards and estimate the total investments needed to improve the levels of safety on each section of the project.

The types of intervention in road safety included in the investment plan are as follows: improvements in signaling, the state of the road surface, and the level of service and geometric design.

¹ This summary is defined by the consultant team in its final report, even though it is still subject to possible changes in the process of final analysis and definition by the countries.

Figure 2

SECOND PHASE OF THE PROGRAM



Source: Texas Transportation Institute.

The Corridor's area of influence is of great importance to the region. The countries have therefore, in various of its respective sections, made several types of road investments not included in the project's investment plan. The Cañas-Liberia section in Costa Rica stands out as an example of such individual progress. It will also act as a pilot for road safety adaptations to be implemented in the rest of the Corridor.

Although the road projects of the first phase include the Corridor's main axis, a second phase would look at transverse and complementary corridors connected to ports and cities to obtain the maximum benefits for

growth and development at both the regional level and for individual countries (Figure 2).

ENVIRONMENTAL RISKS AND CLIMATE CHANGE CONSIDERATIONS IN THE PROJECT

As part of the procedure to define sections for interventions, elements were considered that are conventionally used to evaluate environmental and social impacts on road projects. The preliminary definition of each project was used to evaluate its

potential impact on the natural and social environment, as well as the effects this environment could have on the project.

The definitions of the interventions proposed in each section were taken in order to contrast them against their environments. The input to analyze the environments was the photographic study of the entire length of the Corridor. This material enabled the environmental conditions of the highway to be clearly visualized and was a good indicator of the social environment around it in each different section.

To complement this analysis, the levels of intervention in each section were checked against the environmental and social policies of the country to which the section belonged. This analysis obtained the set of instruments required to achieve the environmental viabilities for the start of the works in the respective countries, as well as the accuracy of the procedures to be followed so as not to be in breach of their respective regulations.

Additionally, as part of the parallel program, “Sustainable Transport and Climate Change in Mesoamerica”, a pilot study is being devised on the “Vulnerability and Adaptation of Transportation Systems” for an infrastructure project: namely, the Pacific Corridor. The results of the study will be available by the time of contracting the project’s engineering studies in order to incorporate considerations on climate change adaptation and mitigation into the final design of the CMI.

DESCRIPTION OF THE BORDER CROSSINGS COMPONENT

One factor to impact the volumes of trade among the countries is the availability and quality of infrastructure. As the Pacific Corridor is the main route along which pass the majority of goods traded in the region, it is essential to upgrade its infrastructure.

The Corridor draws together the road infrastructure and the improvement in the movement of trade and persons through border crossings into a coherent whole that helps to improve regional competitiveness and integration. In this framework, border crossings

have been conceptualized under an integral vision that contemplates the regulatory aspects demandable by the control agencies located in them, the needs of operators and travelers, and the infrastructure and equipment needed to make them efficient.

IMPROVED PROCEDURES AT BORDER CROSSINGS

The CMI crosses six borders, through which most intraregional and subregional trade with other economic areas passes. However, this flow has its origin or destination in the region’s economic centers, and is fed by them so that, from a normative and regulatory point of view, it is necessary to harmonize the actions of border control agencies using standards that work at both country and regional levels. This implies a commitment and effort to put in place measures that, while helping to ensure control and security at borders, also facilitate the movement of goods through them, and reduce the costs associated with control, as well as those associated with persons and travelers.

- Due to the control institutions acting in them, the organizational and regulatory aspects applicable to border crossings respond both to the peculiarities of the operational processes affecting them and to the other measures that apply at national, regional, or international level and must be taken into account at any country’s border crossings, be they land, sea, or air. These and other measures include globally recognized practices, such as the recognition of the Authorized Economic Operator (AEO), the use of interoperable foreign trade One-Stop Shops, or Risk Analysis in a local and regional framework. These are all tools and practices that can be applied to all the organizations involved in border control.
- Given the characteristics of border crossings, the main operation to be considered in terms of the type of commercial traffic should be customs transit of goods. In this context, the standard being adopted by the region for this operation should be generalized: namely, the Mesoamerican Procedure for the International Transit of Goods (TIM), which requires improvements in regulations and processes, as

well as additional investments in infrastructure and equipment in order to be more effective.

IMPROVED INFRASTRUCTURE AT BORDER CROSSINGS

The Project includes the adaptation of infrastructure at border crossings so that they can respond effectively and efficiently to the CMI's estimated demand for traffic.

- The adaptation of infrastructure includes the construction and improvement of access roads, preferential lanes, service points, and control centers (Figure 3).
- Also, and crucially, the Corridor's border crossings need to be supported by electrical and communications infrastructure, and the necessary equipment so that, according to the measures taken, the border operation can meet the concept of fast, safe trade for the interests of each country.
- Similarly, improvements are envisaged in transport regulations, such as the approval of weights and measures, and the carrying out of joint logistics operations.

As noted by various authors, infrastructure, transport, and logistics development policies must be conceived integrally and not as the sum of sectoral developments.² With this goal in mind, work is being carried out to implement the program's components in integrated fashion. In addition, subscribing to an integral model in the framework of the Mesoamerica Project, the Inter-American Development Bank (IDB) is conducting a series of studies that will provide better information on the region's freight logistics, the repository for which will be a regional logistics observatory, as well as a study on short-haul shipping. All this relies on having a Mesoamerican multimodal transport system in the medium term.

² T. Cipoletta, S. Pérez, & R. Sánchez. 2010. *Políticas integradas de infraestructura, transporte y logística: experiencias internacionales*. Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC).

Country	Analyzed Border Crossing
Mexico-Guatemala	Tecún Umán I-Suchiate I
	Tecún Umán II-Suchiate II
	El Carmen-Talismán
Guatemala-El Salvador	Pedro Alvarado-La Hachadura
	La Ermita-Anguiatú
El Salvador-Honduras	El Amatillo
Honduras-Nicaragua	Guasaule
Nicaragua-Costa Rica	Peñas Blancas
	San Pancho-Las Tablillas
Costa Rica-Panama	Paso Canoas
	Sixaola-Guabito

FINANCIAL AND INSTITUTIONAL ALTERNATIVES

Some financial and institutional proposals based on international best practice have been submitted to the countries in order to implement the investment program. These studies and proposals have considered the fiscal constraints, financial, institutional, and legal affairs, and borrowing capacity faced by the region.

INSTITUTIONAL ALTERNATIVES

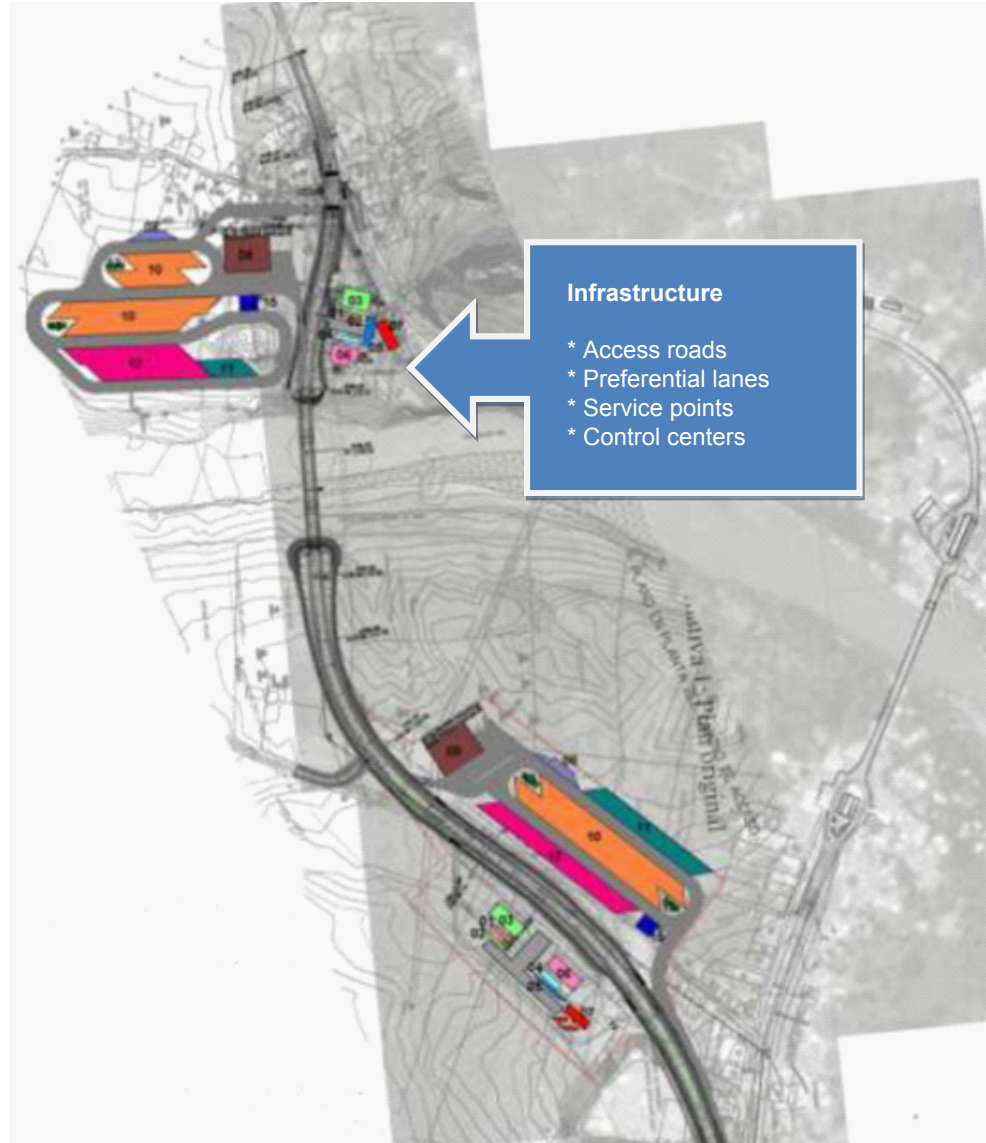
The conception and treatment of the CMI as a connection and regional integration project requires the creation of an appropriate institutional framework for its development. This must take into account both normative or regulatory, and organizational aspects if the project is to be structurally and functionally integrated.

The signing of a regional agreement has therefore been mooted to enable a common legal statute for the procurement, execution, and operation of the works, as well as a regional entity responsible for applying it and ensuring its optimum development.

To give account of these objectives, the member countries could initiate a formal process for the signing of a framework agreement enabling the project's

Figure 3

AN EXAMPLE OF BORDER CROSSING INTERVENTION: EL AMATILLO (EL SALVADOR-HONDURAS)



Source: Informe para la Definición de la Operación y Optimización de los Pasos de Frontera del Corredor Pacífico de la RICAM, Borrador Informe Final Fase I, Paso de Frontera Paso El Amatillo (El Salvador) - Paso El Amatillo (Honduras), November 2011.

institutional basis to be established in a reasonable timeframe. This could then be complemented and put into operation through simplified executive agreements among the various different governments.

FINANCING ALTERNATIVES

In financial matters, the studies conducted have determined that the project is economically and financially profitable.

To answer the question as to the most suitable model for the Corridor's construction, operation, and maintenance, several options were also submitted countries, including Private-Public Partnership (PPP), under which several contracting models were discussed, as well as traditional public works.

Public Works	Public-Private Partnerships
100% Public Financing	Private Financing
Tax burden (investment + maintenance)	Lower budgetary burden
Government assumes 100% of risk	Risk partially transferred

A preliminary analysis obtained the following results (Figure 4).

CREATION OF A MANAGEMENT UNIT

At the last Tuxtla Summit, in Merida, Mexico, December 2011, the region's leaders agreed to create a Management Unit with the resources and capabilities needed to undertake the next stage of the project in close dialogue with the competent authorities of the countries involved. With this in mind, a Memorandum of Understanding is expected to be signed to create the Unit, and define its functions and scope.

Its central role would be to continue the development of the technical, institutional, and financial aspects of the Corridor. It will also have to seek to establish the mechanisms for both the regional and bilateral coordinations in order to optimize the Corridor's border crossings and provide these bodies with the necessary technical studies for decision-making. It has been suggested that the Management Unit should work under the direction of a Committee of Ministers for the CMI, to be set up within the Mesoamerica Project's governance structure, with participation from the relevant government bodies. It would also have a Technical Committee made up of the IDB and other donors in order to provide technical expertise and supervision of the works.

THE MANAGEMENT UNIT'S MAIN FUNCTIONS AND DELIVERABLES

Support the identification and management of preinvestment and investment financing sources; to prepare preinvestment studies; to structure the financing and contracting model; to coordinate the implementation of business facilitation measures affecting the Corridor at the respective border crossings, etc.

Make recommendations to the Mesoamerica Project on:

- Identification and prioritization the sequence of the sections of the Pacific Corridor.
- Definition of the process of incorporation of the Corridor's complementary projects to connect up with the region's major urban and logistics centers, ports.
- Agreements for border management.

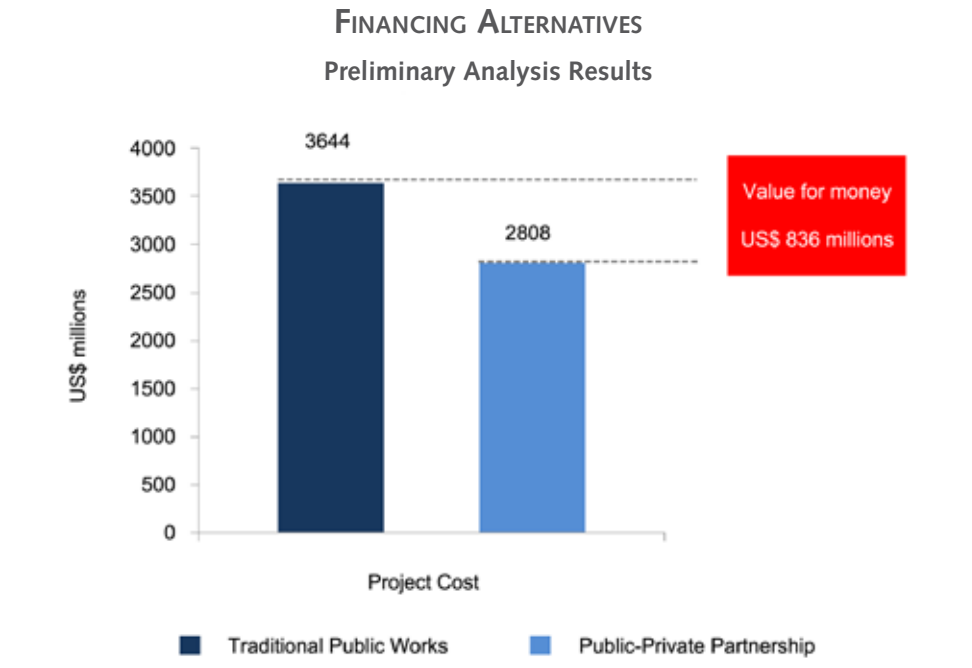
CHALLENGES AND NEXT STEPS

The increasingly competitive and globalized nature of the international economy is making integration processes more relevant, and demanding greater coordination among countries in terms of regional planning to make the most of economies of scale and maximize available resources.

Making significant advances in subregional integration mechanisms, specifically, the Mesoamerica Project's institutionalization process and its multisectoral coordination models, has led to rules of play that generate incentives to back the regional. The materialization and benefits expected of a project such as the Pacific Corridor are only achieved by conceptualizing it as a regional project, rather than a sum of national projects.

Although there is a significant impetus from organizations such as IDB, and strong political support from the countries of the Mesoamerica Project, challenges, such as interinstitutional coordination for its

Figure 4



Source: Estructuración Institucional, Financiera y Técnica del Proyecto del Corredor Pacífico. Borrador del Informe Final, Casalia y Texas Transportation Institute, August 2011.

implementation, or the search for innovative execution and financing models, still lie ahead.

The multiplicity of players involved, ranging from portfolios of finance, transport, and public works, customs, immigration, and quarantine, plus others, depending on the country, all amount to a challenge

of coordination. If this is multiplied by the number of countries involved and the number agreements to be reached at national, binational, and regional level, the equation is a complicated one indeed. However, all of this is offset by the gains and impact on economic growth, trade, and connectivity that this project will have. ♦

THE COSIPLAN

THE STRATEGIC ACTION PLAN (PAE) 2012-2022 AND THE INTEGRATION PRIORITY PROJECT AGENDA (API)

EDITORIAL COMMITTEE

In 2011, the Infrastructure and Planning Council of the Union of South American Nations (UNASUR) developed an active work agenda. The agreements reached by the governments led to the approval of the Strategic Action Plan (PAE) 2012-2020 and the Integration Priority Project Agenda (API). This outline provides the reader with a brief summary of both documents, their respective purposes, and a brief explanation of their context against the backdrop of the activities of UNASUR. It therefore serves as an introduction to the government documents presented in another section.

BACKGROUND

In the second decade of the 21st century, the project of South American integration is alive and well, and aims to establish, participatively and consensually, a space for integration and union in the cultural, social, economic and political spheres among its peoples, with a view to eliminating socioeconomic inequality, and achieving social inclusion and citizen participation, while strengthening democracy and reducing asymmetries in the context of strengthening the sovereignty and independence of the South American States. The integration of the regional infrastructure has been defined as one of the pillars for promoting South American unity.

The priority for the integration of infrastructure is founded on the process of political coordination among South American countries. In 2000, South American leaders met in Brasilia, Brazil, to hold the First Meeting of Heads of State of South America. It was the first time joint actions were discussed for the modernization of infrastructure as an instrument to promote development and integrate the least-favored areas into the national economies. The Meeting saw the launch of the Initiative for the Integration of

Regional Infrastructure in South America (IIRSA), an important framework for the organization of the regional common space.

IIRSA was formed with an initial 10-year mandate as an institutional mechanism to coordinate intergovernmental actions across the 12 South American countries and to build a common agenda to promote integration projects for transport, energy, and communications infrastructure. The Initiative was grounded in the principle that the integration of regional infrastructure would promote the creation of a privileged space for cooperation that would be of fundamental importance to sustainable socioeconomic development. IIRSA had significant results in different dimensions, but also posed several challenges for its future development (see [IIRSA 10 years later Achievements and Challenges](#)).

The creation of the Union of South American Nations (UNASUR) in 2008 established a new institutional framework for the South American integration process, in particular, the deployment of the South American Infrastructure and Planning Council (COSIPLAN) in 2009. The COSIPLAN replaced the intergovernmental body formerly directed by IIRSA's Executive Steering

Committee. Based on the experience that the countries accumulated in the ten years of IIRSA, the COSIPLAN's role is to obtain political support for activities and projects that generate sustainable economic and social development for South America. In this way, it renews physical integration's mandate of priority, strengthening the legitimacy of the efforts toward the integration of regional infrastructure by including the issue in UNASUR's common agenda.

THE STRATEGIC ACTION PLAN (PAE) 2012-2022

To achieve its objectives the COSIPLAN developed its Strategic Action Plan (PAE) for the period 2012-2022. The PAE is grounded in the Constitutive Treaty of UNASUR, and the COSIPLAN Statutes and Regulations. In this way, in the above timeframe, the COSIPLAN will seek to refine methodologies and tools with the objective of executing and concluding projects, incorporating social participation mechanisms, focusing on financing high socioeconomic impact projects in the region, refining tools for monitoring and evaluation, and moving forward in the compatibility of regulatory and institutional frameworks.

OBJECTIVES

The PAE's methodology is organized around six objectives: the actions to be taken are identified for each of these, as are the products to be achieved in relation to each action, and its estimated time or frequency of implementation. The objectives are listed below:

Objective 1: To promote the region's connectivity by constructing infrastructure networks for its physical integration, following sustainable social and economic development criteria, while preserving the environment and the balance of ecosystems.

Objective 2: To increase local and regional populations' capacity and potential by developing infrastructure to improve their quality of life and life expectancy. To develop and apply a methodology to evaluate the

improvement in the populations' quality of life and life expectancy as a result of the implementation of the infrastructure projects, and to recommend future action.

Objective 3: To design regional planning strategies for infrastructure development.

Objective 4: To consolidate the Investment Project Portfolio for the Integration of South American Regional Infrastructure.

Objective 5: To encourage the intensive use of Information and Communication Technologies in order to overcome geographical and operational barriers within the region.

Objective 6: To encourage the application of methodologies, the development of sectoral processes, and complementary actions to enable the project, its implementation, and the operation of the undertakings of physical integration.

The COSIPLAN will coordinate any matters needed to carry out PAE actions with the other UNASUR bodies. The strategy for dissemination and communication of the activities, in both their regional and extraregional outreach, will be the responsibility of all member countries, with special commitment from the country holding the COSIPLAN *Pro Tempore* Presidency. The strategy for the dissemination and communication of activities within each country will be the responsibility of each of the Council's member countries.

INSTRUMENTS

The PAE calls for a series of instruments to implement its actions and the undertakings of the COSIPLAN Project Portfolio. *First* and foremost, it emphasizes the sources of financing to be used in the various activities; *second*, the mobilization of resources needed to carry out feasibility studies for the projects in the Portfolio; *third*, to define appropriate financial engineering modalities to implement priority integration projects; and, *last*, the COSIPLAN is to act in synergy and coordination with other UNASUR forums, as well as deepening dialogue and exchange of experiences with other integration mechanisms.

MONITORING AND EVALUATION

The PAE sets out the basic criteria for defining monitoring and evaluation mechanisms, as well as the timetable for annual actions and work plans. It also stipulates a mandatory review of the plan halfway through its term of validity.

THE INTEGRATION PRIORITY PROJECT AGENDA (API)

The development of the Integration Priority Project Agenda (API) is so far perhaps the main action of the PAE. It is made up of a group of strategic, high impact regional physical integration projects that link together integration corridors or spaces, and that have been selected with the consensus of the 12 UNASUR countries.

The API's objective is to promote the region's connectivity through the efficient construction and operation of physical integration infrastructure, based on criteria of sustainable social and economic development, while preserving the environment and the balance of ecosystems.

The components of the API are not isolated projects, but "structured projects". A structured project is one that consolidates physical connectivity networks with a regional scope for the purpose of enhancing existing synergies and remedying the deficiencies of the infrastructure deployed. They are made up of one or more projects in the COSIPLAN Project Portfolio and, for the purposes of this Agenda, are called "individual projects". The API is made up of 31 structured and 88 individual projects.

CHARACTERISTICS OF THE AGENDA

As a starting point for the development of the API, the countries agreed on basic aspects of its general characteristics:

- The development of integration infrastructure is a tool for sustainable economic, social, and environmental development.

- The API is made up of high-impact regional physical integration projects, be they national, binational, or multinational.
- All 12 countries are represented and there is a balance in the number of projects promoted by each country.
- The projects are selected by consensus from the defined criteria.
- The projects always seek to ensure that the relative increase in the different modes of transport is feasible and desirable.
- Priority projects can be complemented by actions in matters of regulations and territorial planning, which will form a Territorial Integration Program (PTIs).
- Projects belonging to the Implementation Agenda based on Consensus (AIC) and not completed can be selected as part of the API, provided they meet the Agenda's criteria.

This Agenda puts infrastructure as the main tool of territorial planning in South America, since improved connectivity between the countries favors the regional integration process. However, the interventions in the territory promoted by the API go beyond the implementation of physical works; they have always incorporated the concept of economic, environmental, and social sustainability, in line with UNASUR's objectives.

The Agenda acknowledges the need to move forward in other aspects of territorial planning with the aim of optimizing the environmental management of the territory, adding ingredients from productive and logistics integration, harmonizing regulatory and legislative issues, and improving the local impacts of infrastructure. With this in mind, the concept of PTIs is introduced. This consists in identifying and implementing actions to complement the Agenda's projects in regulatory matters and territorial planning. The technical studies and methodological tools developed by IIRSA will serve as a reference for the development of these programs.

As pointed out, the projects of this Agenda are incorporated because of their contribution to the

improved connectivity among the regions, aside from the countries involved in the location, deployment, and operation of the infrastructure. Each project is of interest to two or more countries, thus ensuring the binationality or multinationality of the impact on South American physical integration.

The project selection was made with the consensus of all twelve countries on the basis of four criteria agreed for this Agenda. AIC projects that were not completed and that met these criteria were taken into consideration.

In short, the Agenda aims to consolidate the objective of South American physical integration, recognizing and lending continuity to the progress made by IIRSA over its 10-year lifespan, and incorporating it into the new institutional framework provided by UNASUR/COSIPLAN.

PROJECT SELECTION CRITERIA

As mentioned above, the countries agreed to four criteria for the selection of projects under the API:

1. The project must be part of the COSIPLAN Project Portfolio, must have priority in government action, and must have a commitment to implementation (as evidenced by allocation of funds in multiyear plans, approved legislation, budget, etc.).
2. The project has feasibility studies available, or the country has allocated the resources in the budget to start up its implementation.
3. The project consolidates connectivity networks with a regional scope. There are border synergies.
4. There is an opportunity or need to develop a complementary action program for the effective provision of services and sustainable development of the territory according to each project's characteristics and modalities.

Where the first criterion is concerned, the fact that the project belongs to the COSIPLAN Project Portfolio demonstrates that it has been identified via the application of IIRSA's Indicative Territorial Planning

Methodology and is consistent with the Portfolio's restructuring process (Integration and Development Hubs, Project Groups, Strategic Functions).

These criteria were approved at the Meeting of the COSIPLAN Coordinating Committee in Rio de Janeiro, Brazil, April 28, 2011. Subsequently, at the meeting of Executive Technical Groups (GTE) held in Bogotá, Colombia, in June, the final draft was produced, based on comments submitted by the countries on the occasion of this meeting. In addition, as part of the Portfolio, it has the countries' prior consensus in terms of its impact on regional integration.

The effects of the project group make up its strategic function, i.e. the common objective and/or main benefits, for both the integration and regional development of the geoeconomic spaces involved. The strategic function involves the direct linkage of the project group with the territorial aspects pertaining to its area of influence, and with the business vision of the relevant Integration and Development Hub (EID).

On the same level of importance, the project must be reflected in the government program's priority actions, by its inclusion in national or subnational development plans, sectoral policies and strategies, national legislations, etc. It can also involve projects with political support at regional level: i.e. projects that are part of bilateral or multilateral agreements, or declarations of presidential or ministerial summits.

On this last point, the need for feasibility studies aims to incorporate those projects with an advanced level of preparation, and good financing and implementation prospects in the Agenda (2012-2022). Having such studies available also provides accurate information on the resources and timetable for their implementation. However, the countries agreed to incorporate projects at the profile stage.

The third criterion involves the project's capacity to promote the region's territorial development by fostering connectivity, eliminating bottlenecks, and building the missing links into existing networks. It also involves promoting border synergies through the coordination of interventions among the countries, thus ensuring the contribution to integration of the projects incorporated in the API. This is the reason for "structured projects" made up of a group of individual projects with convergent objectives, provided they have the allocation of sufficient budgetary resources to

launch the implementation of the studies and foresee their conclusion within the term of the Agenda. On the other hand, it was acknowledged that some of the projects included have an implementation timetable that exceeds this Agenda's term, but that, given their priority for the governments involved, they are incorporated with this proviso.

On this last point, as mentioned above, the concept of PTIs is introduced, in recognition of the need to move forward in identifying actions to complement the deployment of infrastructure in the API projects where there is a need for it. These programs will maximize the impact of infrastructure in the development of the territories involved, bearing in mind the economic, social, and environmental aspects.

FOLLOW-UP AND MONITORING OF THE API

In terms of the follow-up on the Agenda, among the actions defined by the PAE is the development of a permanent monitoring mechanism for API projects. In this sense, during the Agenda's development process, the countries agreed to emphasize that this mechanism should follow principles of effectiveness and simplicity, providing common patterns to supply information on subjects that are priorities for all.

Definitions of the stages of API projects. *Profile*: This stage studies the background to help form judgments as to the desirability and feasibility of the idea of the project. *Pre-implementation*: This phase includes those projects in the following phases: prefeasibility, feasibility, and investment. *Implementation*: This stage involves the group of activities needed for the physical construction itself, such as the signing of the contract, the purchase and installation of machinery and equipment, facilities, etc.

The following technical aspects are important: designing a tool associated with the Project Database (BD); incorporating specific fields for API projects in the project fiche in the BD; building monitoring indicators initially related to the accomplishment of the structured project's physical and financial goals; identifying the project's critical paths with the aim of providing complementary actions and using COSIPLAN's institutional framework to resolve potential obstacles, and designing an annual follow-up report to relay the Agenda's progress, among other issues.

These elements do not exclude the possibility of the countries involved in the projects providing additional information via whatever means they see fit. The development and implementation of this API monitoring mechanism is part of the COSIPLAN's 2012 Work Plan.

THE DEVELOPMENT OF THE API

In order to start the actions relating to the development of the Agenda, and taking into consideration the characteristics and criteria established for selection, the countries agreed a six-step procedure:

1. Review of the COSIPLAN Project Portfolio and preliminary identification of priority projects at national level.

The first step in this process was to review the COSIPLAN Project Portfolio within each country, since the Agenda's projects must belong to this Portfolio. The countries updated the information of their projects on the BD and identified projects to be included or excluded to bring to the negotiating table of each EID's GTE.

The countries also identified priority projects in a preliminary manner through a dialogue and internal consensus exercise. National and subnational development plans, sectoral policies and strategies, bilateral agreements, and/or investment priorities were taken into consideration in carrying out this task. All this information was collected and processed by the Technical Coordination Committee (CCT).

2. Update of the COSIPLAN Project Portfolio

With this in mind, GTE meetings were held in Bogota, Colombia, on June 2011, for all 9 Integration and Development Hubs. As a result of these meetings, a first list of projects submitted by each country was drawn up. The countries finally agreed to review and compare the projects using the four selection criteria in order to present the information at the next meeting. The task of defining the features and criteria for the selection of API projects was also completed.

3. Selection and proposal of priority projects at national level

During this stage, the countries conducted an analysis of the projects included preliminarily in the

API in which they were involved, through a dialogue within their areas of government in order to achieve an internal consensus and move forward in preliminary agreements with neighboring countries. The results of the Portfolio's update exercise are set out in the *Project Portfolio for the Integration of Regional Infrastructure in South America 2011*.

In order to standardize the information on the Agenda's projects, the IIRSA CCT drew up a fiche to gather basic data on the project and justify the fulfillment of the selection criteria. In cases where the structured projects involved more than one country, a single fiche was consolidated with all parties' input and consensus. This documentation formed the basis of the debate at the next GTE meeting.

4. Definition of the Agenda

A GTE meeting was held in Montevideo, Uruguay, July 2011, to review the list of projects included in the Agenda. The National Coordinations gave presentations of the proposed projects and justified compliance with the agreed criteria. It is important to note that, on the basis of the information provided by the countries and the discussions that took place, it was agreed to group projects with convergent objectives in larger-scale structured projects in order to heighten the impact on the countries' physical integration. In order to complete the information of the structured projects, it was decided to incorporate in the Agenda the timetable with the deadlines for compliance with the various stages of each individual project.

5. Consolidation of the API

The 18th Meeting of IIRSA National Coordinators was held in Rio de Janeiro, Brazil, August 2011. Among the results of this meeting, it was agreed that the Agenda would be called the "Integration Priority Project Agenda (API)"; the terminology for its component projects was established ("structured projects" and "individual projects"); and the information concerning justification of implementation criteria and timetables was completed. The goal of this Agenda was to complete the development of the API and to define the next steps in implementing and monitoring it.

To monitor the Agenda, the design of a tool associated with the projects' BD was agreed in order to enable

follow-up on API projects. This information will be public and will be available on the IIRSA and COSIPLAN webpages. The CCT was entrusted with conducting a preliminary proposal on this issue, to be submitted at the 19th Meeting of IIRSA National Coordinators tabled for November 29, 2011, in Brasilia, Brazil.

6. Adoption of the API by the COSIPLAN

The last phase of this procedure was the approval of the API by the COSIPLAN Coordinating Committee at its meeting, November 29, 2011. This Agenda was submitted for consideration and approval by Ministers of the UNASUR's South American Infrastructure and Planning Council at its second regular meeting in Brasilia, Brazil, November 30, 2011.

API PROJECTS

The API consists of 31 structured projects (88 individual projects) at an estimated value of US\$13.6527 billion. This amount is equivalent to 11.8 % of COSIPLAN's total portfolio to 2011, some US\$116.1206 billion.

The criteria justification fiches submitted by the countries for each API project are included in Annex 1 of the document. Detailed information on individual projects is available in the Project Database on IIRSA's webpage. ♦

Table 1**LIST OF API PROJECTS****In US\$ millions**

N°	EID	Project Name	Countries Involved	Amount
1	AMA	Paíta - Tarapoto - Yurimaguas Road, ports, logistics centers and waterways	PE	568.9
2	AMA	Callao - La Oroya - Pucallpa Road, ports, logistics centers and waterways	PE	2,529.4
3	AMA	Northeastern access to the Amazon River	BR / CO / EC / PE	105.5
4	AND	Caracas - Bogotá - Buenaventura / Quito Road Corridor	CO / EC / VE	3,350.0
5	AND	Colombia - Ecuador Border Interconnection	CO / EC	223.6
6	AND	Colombia - Venezuela Border Crossings Connectivity System	CO / VE	5.0
7	AND	Desaguadero Binational Border Service Center (CEBAF)	BO / PE	4.0
8	AND	Autopista del Sol Expressway: improvement and rehabilitation of the Sullana - Aguas Verdes Section (including Tumbes Bypass)	PE	90.3
9	CAP	Construction of the Salvador Mazza - Yacuiba Binational Bridge and Border Center	AR / BO	23.0
10	CAP	Argentina - Bolivia West Connection	AR / BO	227.0
11	CAP	Paranaguá - Antofagasta bioceanic Railway Corridor	AR / BR / CH / PA	944.6
12	CAP	Foz do Iguaçu - Ciudad del Este - Asunción - Clorinda Road Connection	AR / BR / PA	316.0
13	CAP	Itaipú - Asunción - Yacyreta 500 Kv transmission line	PA	255.0
14	GUY	Rehabilitation of the Caracas - Manaus Road	BR / VE	480.0
15	GUY	Boa Vista - Bonfim - Lethem - Linden - Georgetown Road	BR / GU	250.0
16	GUY	Routes Interconnecting Venezuela (Ciudad Guayana) - Guyana (Georgetown) - Suriname (South Drain - Apura - Zanderij - Moengo - Albina), including construction of the bridge over the Corentyne	GU / SU / VE	300.8
17	HPP	Improvement of navigation conditions on the rivers of La Plata River Basin	AR / BO / BR / PA / UR	854.8
18	HPP	Paraguay - Argentina - Uruguay Railway Interconnection	AR / PA / UR	268.0
19	HPP	Rehabilitation of the Chamberlain - Fray Bentos Railway Branch Line	UR	100.0
20	HPP	Nueva Palmira Beltway and port access roads network	UR	8.0
21	IOC	Passenger and cargo hub airport for South America (Viru Viru, Santa Cruz International Hub Airport)	BO	20.0
22	IOC	Improvement of road connectivity in the Central Interoceanic Hub	BO / BR	383.0
23	IOC	Infante Rivarola - Cañada Oro border Crossing	BO / PA	2.0
24	IOC	Central Bioceanic Railway Corridor (Bolivian Section)	BO	6.7
25	MCC	Northeastern Argentina Gas Pipeline	AR / BO	1,000.0
26	MCC	Construction of the Jaguarão - Rio Branco International Bridge	BR / UR	65.0
27	MCC	Multimodal Transportation in the Laguna Merín and Lagoa Dos Patos System	BR / UR	100.0
28	MCC	Montevideo - Cacequí Railway Corridor	BR / UR	196.0
29	MCC	Optimization of the Cristo Redentor Border Crossing System	AR / CH	7.0
30	MCC	Agua Negra Binational Tunnel	AR / CH	850.0
31	PBB	Porto Velho - Peruvian Coast Connection	BR / PE	119.0
<i>Total</i>				13,652.7

Source: IIRSA. 2011. *API - Integration Priority Project Agenda*. November.





I N T E R V I E W S



MARÍA EMMA MEJÍA (UNASUR)

UNASUR Secretary General since May 2011. She studied journalism and film, but much of her professional career has been linked to public service. She was Director of the Colombian National Film Institute and then joined the communications team for the presidential campaign of New Liberalism leader, Luis Carlos Galán. She was Colombian Ambassador to Spain (1993-1995), Minister of Education (1995-1996), and Minister of Foreign Affairs (1996-1998). She has been a nominee for Vice President and Mayor of Bogotá. In 1999, she was appointed as a negotiator in the peace process with the FARC. She was also a member of the Civil Facilitation Commission for the peace talks between the Colombian Government and the ELN, and Electoral Observation Mission Chief in Paraguay (2009) and in Costa Rica (2010). Since 1999, she has been a member of the Colombian Government's Advisory Committee on Foreign Affairs and president of the Pies Descalzos Foundation, dedicated to strengthening education and nutrition among Colombian children displaced by violence.



Audio

Only in Spanish

- **What are the main challenges facing the South American countries on the road to concrete results on these issues?**

The challenge to connect up our geography has been with us perhaps ever since pre-Hispanic times. And then through the colonial period and since the triumph of the Republic. I don't think there's an area or a region in the world that has such geographical and topographical complexity due to its natural riches, its rivers, its waters, which posed a real challenge. When you read the letters of the Liberator, Simón Bolívar, and find out about the missions Marshal Sucre used to send General Sublette on in 1812 to move the contingents of the Army from La Paz in Bolivia to reclaim areas of Ecuador and Colombia with the aim of reaching Panama, you realize just what real geographic and climatic difficulties are. The troops had to bivouac in hot weather, cold weather -the conditions were so hostile that interconnection was always present in our liberators' dreams of integration.

I believe all our countries went through the dream of having a railway like the ones the English built, they extended it across Europe and, during the Raj, across India. They dreamed of waterways, the Amazon Basin in Colombia and River Plate Basin in the Southern Cone. One way or another, we had a few tracks of our own that we laid, and communications were

gradually established in a north-south direction; we had no access to the Pacific: the dream was always to connect the Pacific and the Atlantic. Much of the richest countries' development -especially Argentina when it built its railways- involved the communication of its territory.

The year 2000 was a highly significant one for South America. For the first time, the Presidents met in Brazil to think about the reality of South American integration. It's taken us 10 years' finetuning to get through the first meeting, to reach the point where, eleven years later, we have an approved Action Plan, a few projects, and, in some cases, projects that have reached a first prefeasibility phase, which will be subjected to the political will of our leaders, who will soon be presented with the Integration Priority Project Agenda (API), adopted by the 12 countries' Infrastructure and Planning Ministers, in Brasília, Brazil, last November 30.

The API, which includes 88 infrastructure works spread across 31 projects, will be submitted both to the Foreign Ministers of the Union of South American Nations (UNASUR) on March 17 in Asunción, and to the Council of Heads of State and Government meeting in May, for us to give it the green light. The API will also be submitted to the private sector and the multilateral banks at the Business Forum, "Opportunities and Challenges for Infrastructure Integration in South America," to be held on April 24 and 25 in São Paulo, Brazil, because we feel that the most appropriate model is to implement public policies with public and private support.

Because of its size, infrastructure -like natural resources perhaps- has had a new governance on our continent. We feel that, although all the projects obey a public intent toward social development, democratization, equity, and creating border linkages to make them feasible, resources that are not strictly public have to be used. The Presidents understand better and better the challenge of UNASUR, which is an eminently political organization. They understand that infrastructure is perhaps the most political of the elements of integration, because it is the one that makes citizens' lives more equitable, the one that brings them closer to a hospital, or to a possible development; the one that enables a product to be brought out, the one that lets you approach a border, the one that lets you design rules and regulations to bring nations closer together and get us speaking the same language.

We also believe that infrastructure linked to telecommunications, to the construction of a South American optical ring network, and to South American electrical interconnection, which is another of our great dreams, will enable the challenge that has been ever present throughout the 200-year lifespan of our republics, or the 400 years of our colonization, to become a reality.

- **How far can regional cooperation contribute to the achievement of speedier, more ambitious targets in this area?**

I think the conviction was demonstrated almost 12 years ago, when the South American Presidents met for the first time in Brasília, and set up the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). Ever since that time, there has been talk of seeking an organization around this issue, of conceiving a regional institutional framework that is nowadays embodied in the South American Infrastructure and Planning Council (COSIPLAN); of transport and services infrastructure being able to make us change a series of paradigms and, for the first time, stop us being insular, because South America had that dominant outlook from the north, like a political albatross keeping us, until a few years ago, from having a doctrine of our own or a common debate without always having the benchmark of the north, of United States, looming over us.

For example, I live in Ecuador now and knew very little of this country, the capital of which, Quito, is less than an hour from Bogotá by plane. Each of us has centered themselves in their own country, their own infrastructure process, and the lost decades didn't help much. The lost decade of the 1980s, the frustrated decade of the 1990s, according to ECLAC supporters, didn't give us the option of looking at interregional projects like the ones we're embarking on today.

Perhaps now, when the Inter-American Development Bank (IDB) claims we're in "The Decade" of Latin America, when we have a growth of close to 4% that's envied and longed for by the Europeans, when we have a population approaching 400 million, when we have rediscovered the potential of our natural resources and the huge weight they are going to have in the geopolitics of the 21st and 22nd centuries, we realize that, to get here, we had to act cooperatively at the regional level.

The presentation we'll be giving shortly to our ministers, presidents, and private sectors is the result of a decade of effort by ministries of infrastructure, planning, and public works, and the technical teams contributed by multilateral banks such as the Latin American Development Bank (CAF), IDB, and the Financial Fund for the Development of the River Plate Basin (FONPLATA), which have devoted their efforts to assessing the priority hubs for South American integration.

So, the individual development, communication, and infrastructure plans of each of the UNASUR member countries were devoted to prioritizing projects that may have a larger scope in the regional sphere. This is the Integration Priority Project Agenda (API), represented in 10 development hubs covering 31 specific projects for a value of US\$13.7 billion. This should be up and running by 2022.

I believe that, without, of course, abandoning our sovereignty or national visions, we understand that real development and integration are not going to come about if those of us here in Quito don't communicate with those in Bogotá and Caracas, and those in Río de la Plata with other Latin American cities.

- **What, in your opinion, are the contributions UNASUR can make to move forward in South American physical integration? What are the instruments and mechanisms that would enable progress to be made in this direction?**

For me UNASUR's great contribution lies in guaranteeing political will. The technicians' work is done. It was a huge, exhausting task: there were long ideological discussions about what infrastructure is and what it's for. Since the days when the construction of infrastructure was seen as a way of exporting products -an absolutely neoliberal conception in other words- to the present conception, whereby to export products is to gain in productivity, but also involves improving our citizens' quality of life and democratizing access to information media.

The decision to construct the API is as conclusive as a political definition as our Presidents' decision to declare South America a Peace Zone.

Just as our leaders sent their foreign ministers and ministers from one country to another to avoid a confrontation and resolve their defense issues, and as with their decision to insulate themselves in times of international financial economic crisis, they must now proceed with the infrastructure issue and go full throttle for the political decision to move this agenda forward through a public-private alliance.

UNASUR is the organization responsible for keeping this flame alive: to see the ten-yearly projects through to completion, to evaluate whether we're fulfilling our goals, and for the private sector, investment banking, and world development banking to see in South America the potential that's opening up to an increasingly multipolar world.

- **The UNASUR countries have recently approved a set of priority projects that, according to expectations, will enable the development of vast regions of South America. To what extent will these investments provide visible results for the population?**

I remember when I was Colombian Foreign Minister from 1996 to 1998 and we visited the interconnections or milestones between our countries. Colombia's border with Panama through the Los Katíos National Park (in the Chocó jungle region) is very difficult to reach; as difficult as the Putumayo and Amazon border with Ecuador and Peru, or the Orinoco border with Venezuela and Brazil. On those trips, I could personally feel the enormous difficulty that involves the interconnection between two sister peoples. Earlier, I'd traveled through the border areas of Colombia with Luis Carlos Galán, before he was murdered in 1989. It was his last look at the country, shall we say. We were making *Borders of Colombia*, a video documentary about the land and sea borders, and I'd already felt that sense of precariousness. I believe that, as long as the people have access, dialogue between cultures follows naturally; they're way ahead of us States and Governments when it comes to communicating. It's quite natural for a Colombian girl to go to a Brazilian school and learn Portuguese, or for a Colombian man to marry a Venezuelan girl... there's already in fact a multiculturalism, which has to be consolidated by States if we're to really fuse together and make change happen. The citizens of our borders have been too often forgotten. Why is that? Because there's no road infrastructure, because there's no physical infrastructure, because our leaders' commitment to putting up border posts has been highly asymmetrical, because we don't speak a common language in that respect.

We have this historic opportunity to be able to contribute to the development of our peoples. It isn't just a question of creating a few avenues for the export of products, but of building bridges for communication among our peoples, of building synergies. We have the example of the European Coal and Steel Community, the embryo of a political integration that took shape only gradually, after so many confrontations experienced by the Europeans. I believe the integration of physical infrastructure is the core of our union.

But it's important to remember that an infrastructure project is not enough in itself: it can be a big white elephant in the midst of poverty. The concept of physical integration developed by COSIPLAN, seeks multidimensional interconnection to render it a real instrument of social inclusion. The challenge is therefore to complement these infrastructure works with other public policies reflecting the priorities of other Ministerial Councils: the Social Development Council, for example, which is working toward defining priority social actions in harmony with the Presidents' Declaration, "Commitment against Inequality," issued in Lima, July 28 2011.

I believe there are two well advanced initiatives today that will also have a great effect on those vast regions that have to be reached by wellbeing. I'm talking about the creation of a South American optical ring network to facilitate digital connectivity in our subcontinent and bring us greater sovereignty over our telecommunications. This means using information and communication technologies (ICTs) for the purpose of social inclusion and to reduce asymmetries in precisely those remote areas. I think the initiative by the Secretariat of

Information and Communication (SICOM) for the development of Paraguay, which currently holds the UNASUR *Pro Tempore* Presidency, to create a South American Media Network, will also help the region's countries to disseminate and exchange contents and programs.

- **Improvements in infrastructure and regional connectivity are an important agenda for integration. However, this dimension clearly cannot work if it is divorced from trade flows and investment at intraregional level. Do you feel that the countries of South America are making simultaneous progress on both fronts? How do you see the linkages between these different levels: infrastructure, trade, and investment?**

To take the second part of your question first, allow me to draw a very simple comparison: if we're talking about a computer, the hardware -the structural part- corresponds to the construction of physical works; the software -the programs- is equivalent to the initiatives flow through the infrastructure's network. Although both elements are required to operate the computer, you also need a broadband connection to be able to log on to the global network -ideally a mobile connection. This would be tantamount to developing a common language, coordination between the services in border areas, coordination at the level of currency transactions, tariff agreements, and so on. So we need our public policies to be harmonized under an integrating outlook.

However, in the strictly economic and trade field, the current international environment is characterized by instability and unpredictability, which means we have to work as a team.

Our leaders are very much aware of this, and it was much in evidence in July last year, when UNASUR's Council of Heads of State and Government requested an urgent meeting of the Economy and Finance Council made up of our ministers and central bank governors to define actions to safeguard our monetary reserves (about US\$700 billion), to evaluate how to increase our intraregional trade, which today stands at 24% of total trade, through a new financial architecture -a step beyond- with the Bank of the South and the Single System for Regional Compensation (SUCRE) as pillars.

Three working groups were set up to make progress on these issues and, at the last meeting of the Working Group on Financial Integration (GTIF), held in Buenos Aires, Argentina, on February 16, a mandate was handed to the Economic Commission for Latin America and the Caribbean (ECLAC) to conduct studies to evaluate the existing information for these three issues.

In regard to extraregional trade and investment, it is important to remember that, if there's something that characterizes the world over the past 20 or 30 years, it's the movement on the Asian axis and, more recently, China's entrance as a major player in the global economy.

According to ECLAC's data, that weight is particularly evident in South America: during the first quarter of 2011, trade between China and Latin America grew 44% to US\$47.9 billion. The Asian giant is the most important trading partner for both Brazil and Chile, and the second most important for Argentina and Peru.

It's a mystery to no one that the South American economies show different degrees of openness to the outside world: some, which started up several decades ago, have maintained a profuse network of trade agreements and used these as part of their international insertion in what has been referred to as "open regionalism"; others have favored more limited opening, favoring greater industrialization, with a higher degree of protection, particularly driven by the

current economic climate. But, in spite of such differing emphases, there is still a conviction that investment and trade promotion are needed if our subcontinent is to move forward sustainedly and as a major player in the new multipolar environment.

To achieve this, we know that it's essential to have the infrastructure not only to connect the north-south hubs, but also the east-west hubs, where we are historically backward, as expressed by IDB president, Luis Alberto Moreno, on his visit to the UNASUR General Secretariat last December.

The API is a perfect way of attracting such investment and of achieving an appropriate balance in that trinity investment-trade-infrastructure -to which I personally would add, equity.



ENNIO RODRÍGUEZ

A graduate in Economics from the University of Costa Rica and a PhD in Development Studies from the University of Sussex, United Kingdom, and tenured Professor in Development Economics from the University of Costa Rica. He has a vast international experience of more than 20 years including a multilateral development bank (the Inter-American Development Bank - IDB); an international organization (the United Nations Economic Commission for Latin America and the Caribbean - ECLAC) and an international private sector organization (the Federation of Private Entities of Central America, Panama and the Dominican Republic, FEDEPRICAP). He was Costa Rican Minister of Finance and External Debt in the early 1980s, and is author of several books and over fifty articles.



- **The efforts toward Central American physical integration began decades ago and various different initiatives have succeeded one another. What are the major milestones in the history of that process?**

Perhaps the most important milestone in the integration of the region's physical infrastructure was the building of the Pan-American Highway, which links up the Central American capitals and was completed in the early 1970s. That was the decade when trade liberalization in industrial goods was implemented and a strongly protectionist common external tariff (CET) was set. Intraregional trade grew vigorously. Econometric studies at the time gave similar weightings to tariff reduction and the new road when explaining the dynamism of trade.

It should be noted that import substitution industrialization was in its infancy when the Central American Common Market (CACM) was agreed. So the vigorous period of import substitution materialized against a backdrop of intra-Central American competition. Although industries with zero added value as a result of the high tariffs may be cited (as was the case with the auto assembly plants), the reality was that, thanks to the competition, there was water in the tariffs, and the protection was not being fully implemented due to internal competition in prices. In other words, the tariffs of the CET were extremely high and widely dispersed. As a result, effective protection was very high; nevertheless, given the opening to intraregional trade in manufacturing, the level of competition was higher than what would have occurred had countries followed a strategy of import replacement in the absence of intraregional liberalization. So, when tariff elimination got under way in the second half of the 1980s, there was no significant deindustrialization. The first rounds of unilateral elimination had no major impact. Subsequent eliminations were gradual, allowing the industrial sector to adapt to the new levels of international competition, but ultimately, the first industrial competition process took place in the framework of the Central American market in the two decades prior to the opening to third markets.

- **What are the major challenges in the present?**

90% of all land transport now uses the Pacific Corridor (PC): roads have been built close to the Pacific coast to avoid the inclines associated with the major cities of the interior and to reduce the total distance. The PC also joins Central America to Mexico. However, speeds in the PC are still extremely low, the estimated average being 17km/hour. This low average speed is the result of a combination of the needs to expand and improve the highway, and inefficiency at border posts, the latter a consequence both of a need for investment in their infrastructure and a failure to implement trade facilitation measures. Challenges therefore include: improving road infrastructure following an agreement of common standards (already approved and known as the Memorandum of Merida), investing in infrastructure in border posts, and implementing trade facilitation measures.

Generally speaking, the customs model pursued, which has to adapt to the political and trade realities of bilateral relations, will be of juxtaposed customs, following the experiences of the Southern Cone. Under this model, any freight, vehicles, or people passing through border crossings would only stop at customs in the shared facilities of the country of entry. A set of programs are already being implemented that would (albeit not exclusively) facilitate cross border trade. The program whose implementation is most advanced is the International Transit of Goods (TIM), which facilitates the transit of goods (vehicles and drivers) in intermediate countries via an interconnected electronic information register and eliminates customs inspections at transit countries' border crossings. The TIM program meets the dual objective of trade facilitation and improved controls, with inspectors able to concentrate on cases of trade to their own countries and being provided with early warning information when trucks do not leave the national territory on the scheduled date. Complementing the TIM, the implementation of Authorized Economic Operators (AEOs) is under way. These are major economic players representing a substantial proportion of trade who register and follow information protocols recorded in the TIM that facilitate their transit through all the border crossings. Inspectors can therefore reduce the size of the samples they apply to AEOs and thus concentrate their efforts on those at greatest risk.

So, the present challenge is to advance on all fronts to make an impact on the average transit speed in the PC. Progress in the TIM and AEOs has already seen significant savings in transit times at border crossings. This also involves relatively low investments that require no great institutional complexity. The modernization of border crossings requires farther-reaching bilateral institutional agreements and decisions, and no major investment. The greatest challenge is perhaps to achieve simultaneous or coordinated advances on all stretches of road in the PC. To do this, the implementation of intergovernmental coordination mechanisms, and the timely execution of the project's technical studies, and institutional and financial design are key.

- **In view of the subregional economic and geopolitical configuration, what are the physical integration projects currently under way that, in your opinion, are strategically more relevant?**

First and foremost, the Pacific Corridor. The prefeasibility studies for the PC were approved at the Presidential Summit of the Mesoamerica Project, last December 7. It was also decided to proceed with the detailed technical studies and the creation of an Executive Unit.

Going back further, there's the SIEPAC Project for the integration of infrastructure and the electricity and telecommunications markets. The Regional Electricity Market was formed by a treaty covering six Central American countries, with their respective regulatory frameworks

and regional regulatory agencies. It operates a multinational company which owns the SIEPAC network and a Regional Operating Entity. Guatemala is interconnected with Mexico and electricity transactions between these two countries are under way. Transactions between Mexico and El Salvador are also on the horizon. This will require strengthening certain sections of the network in Guatemala, and different options are being explored. On the other hand, a joint venture has been set up by Panama and Colombia to develop the studies for interconnection.

Through the SIEPAC network's fiber-optic infrastructure, the company that owns the Network formed a subsidiary company (REDCA) to develop the broadband interconnection market. This would involve not just interconnection among the Central American countries, but, via interconnection with Mexico, would establish a land connection with United States to complement the existing connections by underwater cable, thus increasing competition among wholesale providers. So far, investments in the interconnection of the REDCA network and national networks remain in the pipeline. The Panama-Colombia electrical interconnection would provide a land connection with South America and increase the amount of information traffic crossing the isthmus between North and South America.

Generally speaking, improvements in integration infrastructure are associated with a reduction in transportation costs, be it in terms of people, goods, services, or information (telecommunications). Central America's levels of intraregional trade are surprisingly high compared with the rest of Latin America. One interpretation of this is that, for all its deficiencies, the existing infrastructure has been no obstacle to trade.

● What are the tangible benefits for the region deriving from higher levels of investment in infrastructure?

Central American intraregional trade indicators are higher than those for the rest of Latin America. Intra-Central American trade volumes are actually quite high: reciprocal regional trade for each of the trading partners is the second or third most important export destination (and, in one case, the most important). However, gravity models show this trade still to be below its potential. The PC's prefeasibility studies conclude that, with the planned investments and reforms, the average speed on this corridor could be increased from 17km/hour to 60km/hour. In other words, the proximity of Central American markets has effectively made possible high volumes of trade, even while transportation costs are high, given the low average transit speed in the PC. The impact of the PC project in terms of reducing transportation costs would therefore be highly significant. As a result, one would expect an increase in trade dynamism, since this would make currently unprofitable transactions profitable and trading nowadays ruled out feasible, e.g. in perishable goods.

The prefeasibility studies were subdivided into sections, for which they have a positive Return on Investment (ROI) after a certain level of investment that varies (in the number of lanes, for example) according to the transit provided under conservative assumptions of traffic developments, in such a way that the investments in each section are self-justifying. Some countries have even initiated investments in some of the sections without waiting for the regional project (e.g. Costa Rica, Mexico, and Panama).

Investments in telecommunications are relatively marginal, use being made of the pylons and rights of way of SIEPAC's electrical grid. The ROI on such investments is high, while end consumers are expected to benefit from increased competition among wholesale suppliers ("carriers of carriers") and a more secure supply in the event of damage to underwater cables, which are costly and time-consuming to repair.

- **Assuming that ongoing projects do have positive returns, are these investments justified in light of the pressing social needs right across the subregion?**

In fact, even by conservative estimates, the projects have high positive returns. They are expected to increase intraregional trade, with subsequent increases in economic growth and employment. Ultimately, more economic activity tends to reduce poverty, but also to generate more fiscal resources to finance other social programs. The planned infrastructure investments would contribute strongly to economic growth.

- **Do these works require public funding or can they be carried out by the private sector, without directly or indirectly drawing on government budgets?**

The prefeasibility studies for the PC have identified the stretches where the expected volumes of traffic could justify the full development of any investments by the private sector and thus alleviate the fiscal burden. But these sections are few and far between. To alleviate the fiscal burden, calculations have been made to establish the shadow tolls or availability payments to be borne by governments when promoting private sector participation in implementing any investments. Last, simulations have been performed that show the financial advisability of holding a megaconcession, and of establishing a single regional authority and exploring various different project financing models. These and other decisions on the nature of the project will have to be taken while the feasibility studies are being conducted.

- **What is the current status of the so-called “Pacific Corridor”? How is the project linked with the Mesoamerican Program?**

Currently, the Pacific Corridor is the flagship project of the Mesoamerica Project. It is the first stage of the Mesoamerican Corridor, which also includes trunk roads that link up the main cities, and connect to ports and airports, with a view to developing a multimodal transport system.

The Pacific Corridor is fully operational and is backed by investments to improve certain sections of it. The prefeasibility studies to bring the PC up to the highest international standards in all sections are complete and the studies for border crossings are under way. Leaders have given instructions to move on to the feasibility phase, and actions have also been launched at border crossings.



EDUARDO BASTITTA (PLAZA LOGÍSTICA)



Graduate in Business Economics from Torcuato Di Tella University, Argentina. Currently CEO of Plaza Logística, Argentina. He has been Country Manager of the export department of the brewers, Cervecería y Maltería Quilmes, in charge of external sales on the American continent. Since 2003, he has been a Director at TJ S.C.A., a company devoted to agricultural production in Argentina. From 2003 to 2006, he was cofounder and director of the Capone Drinks & Wine Delivery beverage distribution company.

- **Turning our attention to South America, how would you assess the effectiveness of our international freight and logistics systems as compared to the top few countries or regions. What are the major factors that explain the difference?**

The international freight and logistics service, together with infrastructure development, are essential for the promotion of competitiveness and economic growth.

Currently, in South America, the provision of the service continues to fall short of countries at the forefront of development. Insufficient infrastructure and obsolete equipment are the main causes behind the lack of competitiveness, especially in comparison with the developed countries. To meet this challenge, there has *first* to be investment, with an emphasis on the long term. Access to financing is key in this respect, and the current international situation, in that sense, presents opportunities for the region.

Second, we need to develop logistics companies providing technology and know how, and having the capacity to invest in transport and storage equipment. *Last*, unlike other countries with National Development Plans, it's important that a comprehensive view of transport and logistics infrastructure be formed in South America. In such countries as Germany, Spain, United States, South Korea, and the European Union region, work has been done on comprehensive programs toward coordinating investment decisions. This is fundamental in this kind of development, which is decisive in the long term. In contrast, in South America we have witnessed investment efforts that have been carried out in an uncoordinated and unilateral fashion, impairing the effectiveness and efficiency of any development.

In turn, the increased demand for transport that has been seen in South America in the last decade has revealed the lack of infrastructure needed to enable growth in the region. There are more and more cities, ports, and transport routes where bottlenecks are being created, and these are difficult to resolve in the current context, since they necessarily require prior vision and planning.

- **South America has a pattern of exports concentrated in commodities and natural resources. How does this aspect influence the design of logistics systems? How does this situation compare with the one prevailing in other regions, for example, Asia or Southeast Asia?**

The incidence of the logistics cost on a particular product depends on its value in relation to its volume and weight. There are products whose logistics cost is as high as 50% of their price and others where it's just 1%. Similarly, in a country where there's a preponderance of low value-added products, the logistics cost usually represents a higher percentage of the total Gross Domestic Product (GDP). This is the case in many South American countries, where, thanks to the quality of natural resources, there's a high incidence of commodities. This reality only goes to show the importance of the logistics factor in South America in terms of ensuring competitiveness and productivity in its various different regions.

The Asian countries, particularly China, India, and the South East Asian region, have experienced a growth in consumption and GDP that is shifting the focus of world trade. Asia has been making investments in logistics infrastructure in an effort to address massive growth in imports. South America needs to rise to the occasion and seize the opportunity if it's to consolidate its position as a major supplier of this growing market.

- **The development of international freight and logistics systems requires adequate regulatory frameworks to attract private investment. Looking at South America as a region, do you think the sector is capturing the necessary investment to build capacity and improve services? Are we facing bottlenecks in some links in the system? How can these be overcome?**

We need to increase investments in infrastructure within the logistics industry in South America if we're to maintain the existing transport systems, while accompanying the significant growth of flows in the region. There are studies showing that the necessary investment in transport and logistics infrastructure to accompany a period of growth has to be in the order of 7% of GDP, but in South America today, we have levels of no higher than 4%. To low investment is added the lack of centralized planning, essential if investment is to be carried out efficiently. We need to coherently analyze the demand for cargo flows and logistics nodes in order to establish locations to meet the needs of businesses, and to bring down distribution costs and the rising cost of products.

The private sector's contribution in logistics infrastructure accounts for approximately 25% of current investment. Private investment requires very sturdy regulatory frames in this type of investment, which necessarily involve an extended period for recovering the investment and, in many cases, the existence of natural monopolies that have to be regulated by the government.

It is the State's responsibility to coordinate public and private investment. Specifically, active participation by the highest levels of government is needed to avoid any lack of coordination in the middle levels (provincial, departmental, municipal, etc.). The main consequence of a lack of investment is the region's economies' loss of competitiveness, in addition to the emergence of bottlenecks limiting growth in periods of high seasonality. These disturbances can hardly be dealt with by short-term measures, since the solution calls for long-haul public policies that have to be coordinated at the highest level of government. But there are still strategies designed to alleviate the impact, such as measures to level off demand for logistics systems. Storage of goods at the origin is a way of avoiding congestion at ports, border crossings, airports, etc., during periods of high production. Thus, for example, silo-bags have been used to alleviate congestion in ports during the harvest season. If producers are to have the capacity

for storage, it's also of vital importance to have cheap financing in order to support the increase in companies' working capital. Either way, as I said before, there are no sustainable solutions for infrastructure that can be implemented in the short term.

- **Looking at the broad picture of large private transport and logistics operators, do you think there's interest for investments in the sector in South America? How do you think this region compares to others in terms of attracting investment?**

There's a big appetite right now on the part of international capital for investing in emerging countries. This is due to a combination of three main factors: *on the one hand*, the increase in the value of commodities has fueled the region's domestic economies, making productive many regions and sectors that weren't before; *on the other hand*, low international rates have made the core economies' financial markets look less appetizing; and *then* there's the recession being experienced in the developed world, which has been forcing companies to seek out new horizons of investment in order to diversify the source of income and bet on the growth of emerging economies. The logistics industry isn't immune to the positive context that has been affecting emerging countries in recent years. In South America there's been an ongoing streamlining of logistics operations led by so-called Logistics Operators (or "Third Party Logistics") i.e. companies outsourcing logistics. Through the professionalization of the activity and scale, these Operators make logistics operations efficient and work toward the elimination of bottlenecks presented by growth. The world's leading Logistics Operators have landed in South America and their South American counterparts, with greater understanding of its idiosyncrasies, are competing with them on an equal footing. This process of outsourcing logistics operations has been occurring in the majority of South American countries and is a vital step on the road to improving in competitiveness. We're experiencing a process of growth and increased outsourcing, which is being accompanied by the necessary investments.

The existence of infrastructure is, however, a necessary condition and Logistics Operators are generally not the ones in a position to fund them; this should instead be done by governments and companies or investment funds specializing in infrastructure provision.

- **The international economic landscape has been unstable and volatile in recent years. Growth rates have been significantly higher in developing than in developed countries. This disparate growth has been mirrored in the flows and directions of international trade. How do logistics operators assess this changing global picture for investment decisions and medium-term strategies?**

The world presents an opportunity for emerging countries, and this next decade is unlikely to see changes in this exceptional reality. Until a few years ago, over 85% of international trade was concentrated in the northern hemisphere, but lately we have been experiencing a significant escalation of South-South relations via the South Atlantic. This new global scenario is creating great opportunities for our countries. If to the favorable economic situation we add a secure investment framework, under which the various agencies of business performance are not affected, we can achieve long-term structural and sustainable growth, driven by infrastructure development. Those of us with the responsibility for leading companies in the region and, in particular, for deciding on what investments are to be made, must be mindful of this historical reality. It's also our duty to alert and coordinate with the institutions that govern us, as they are the ones that have to coordinate any investments in logistics infrastructure.





EDUARDO FURLONG (FURLONG)

Co-founder in 1959 of Transportes Furlong S. A., and company president for over 10 years. President of the Asociación de Transporte Argentino de Carga Internacional (ATACI) since 1991. Director of land haulage for the Argentine chapter of the Inter-American Chamber of Transport (CIT).



- **Turning our attention to South America, how would you assess the effectiveness of our international freight and logistics systems as compared to the top few countries or regions. What are the major factors that explain the difference?**

The main difference between the regions is their customs systems. The international road traffic system is, generally speaking, effective. But the conditions at customs border crossings work against it. Submissions have been made to adopt the TIR carnet, which would solve many of the delays. Holdups at borders are a tradition at customs in our countries that has numerous administrative and commercial players, and almost always results in higher transportation costs for the region. Airways and seaways, as is well known, have no border controls, and no major crime arises from the absence of such controls. We have to sit down and think about how to generate wealth and reduce unnecessary costs.

- **The development of international freight and logistics systems requires adequate regulatory frameworks to attract private investment. Looking at South America as a region, do you think the sector is capturing the necessary investment to build capacity and improve services? Are we facing bottlenecks in some links of the system? How can these be overcome?**

We believe the existing provisions need to be properly applied. Companies from outside the region who wish to set up in business here should buy existing ones or go into partnership with them. This ought to be mandatory, as there is currently no regulation or protection. Foreign companies that, for economic or other reasons, have no market in their countries of origin, set up in this region and destabilize international competition. International transport is not a bottomless well; it must first be used by regional companies or in a profitable combination that benefits our transport system.

Roads are the main bottlenecks, being mostly too narrow. We should have priorities in each country's budget. Better roads will enable more cargo to be transported faster, safer, and with more modern vehicles, and less wear and tear.

Road checkpoints must be fewer and more unified for reasons of interpretation of the regulations. Although the standardization of weights and measures in MERCOSUR exists, each country applies its own, benefiting some at the expense of others by changing the rules of competition.

It's time we could travel throughout South America. We already have the costliest thing, i.e. paved roads. The rest is down to sincere decisions about integration at the presidential level in each country. Until such a decision or agreement is reached, it's pointless to go on meeting and wailing.

- **From the ATACI members' point of view, what would be the major bottlenecks faced by international road haulage companies?**

I answered that in my last answer.



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TRADE AND REGIONAL INTEGRATION: SELECTED INDICATORS

This section will regularly review data measuring trade and integration dimensions in the region. The purpose is to provide a brief regional overview every six months.

NEWLY RELEASED DATA

Table 1

EXPORTS BY INTEGRATION GROUP, 2011 Preliminary estimates, % change, 2010-2011

Exporting Region	Destination								
	MERCOSUR	MERCOSUR + Chile + Bolivia	Andean Community	ALADI ¹	CACM	Latin America ²	NAFTA	Hemisphere	Total World
MERCOSUR	26	25	25	23	-11	22	32	26	28
Andean Community	44	49	20	34	20	33	30	29	37
ALADI ¹	27	27	32	26	21	25	21	23	26
CACM	40	48	20	21	17	17	22	20	20
Latin America ²	27	27	32	26	19	24	21	22	26
NAFTA	25	27	23	23	28	23	16	17	18
Total Hemisphere	26	28	25	24	25	24	18	19	20

 Table 1

EXPORTS BY INTEGRATION GROUP, 2011

Preliminary estimates, US\$ millions

Exporting Region	Destination								
	MERCOSUR	MERCOSUR + Chile + Bolivia	Andean Community	ALADI ¹	CACM	Latin America ²	NAFTA	Hemisphere	Total World
MERCOSUR	55,712	69,468	12,794	91,620	1,033	93,517	42,466	136,186	360,677
Andean Community	7,949	13,725	9,453	28,103	1,324	30,660	44,928	76,640	135,842
ALADI ¹	79,515	102,361	36,554	156,843	8,536	170,372	437,453	609,255	1,030,220
CACM	102	322	353	2,055	7,468	10,935	14,735	25,052	32,438
Latin America ²	79,619	102,696	36,926	158,935	16,100	181,446	452,493	634,758	1,063,403
NAFTA	67,667	86,913	39,041	344,994	27,755	390,959	1,114,052	1,312,217	2,311,725
Total Hemisphere	140,021	180,194	67,772	484,758	39,452	546,914	1,274,661	1,628,939	3,020,042

STRUCTURE OF EXPORTS BY INTEGRATION GROUP, 2011

Preliminary estimates, % distribution

Exporting Region	Destination								
	MERCOSUR	MERCOSUR + Chile + Bolivia	Andean Community	ALADI ¹	CACM	Latin America ²	NAFTA	Hemisphere	Total World
MERCOSUR	15	19	4	25	0	26	12	38	100
Andean Community	6	10	7	21	1	23	33	56	100
ALADI ¹	8	10	4	15	1	17	42	59	100
CACM	0	1	1	6	23	34	45	77	100
Latin America ²	7	10	3	15	2	17	43	60	100
NAFTA	3	4	2	15	1	17	48	57	100
Total Hemisphere	5	6	2	16	1	18	42	54	100

Notes: Estimates of Venezuela's exports use partner country import data.

¹ Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. Cuba is not included.

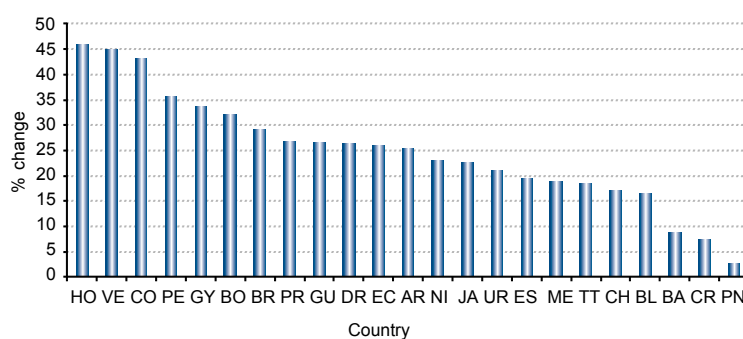
² Includes Panama and the countries of ALADI and the CACM.

Source: IDB, Integration and Trade Sector, based on official country data.

REGIONAL TRENDS

Figure 1

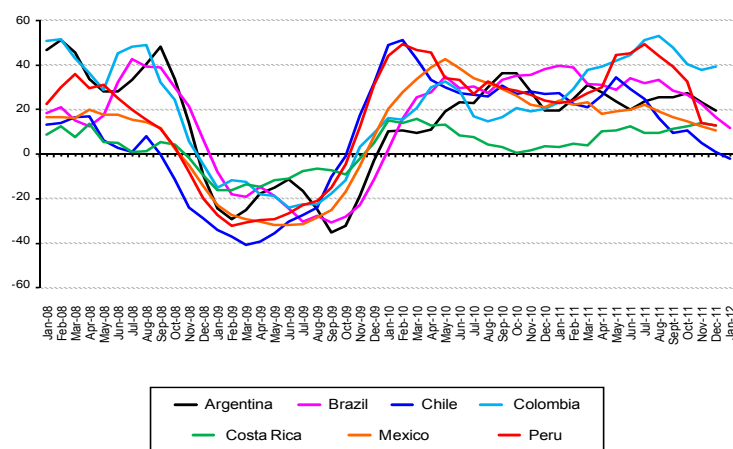
CHANGE IN EXPORTS, IN %, 2010-2011 Preliminary estimates



Source: IDB, Integration and Trade Sector, based on official country data.

Figure 2

GOODS EXPORTS: THREE-MONTH MOVING AVERAGE OF THE GROWTH RATE W.R.T. THE SAME MONTH OF THE PREVIOUS YEAR



Source: IDB, Integration and Trade Sector, based on official country data.



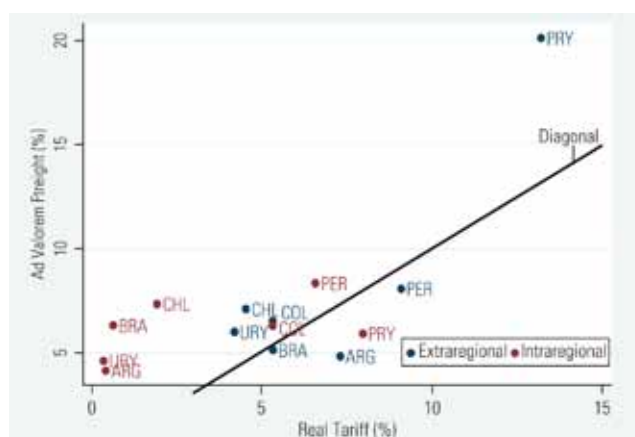
PHYSICAL INTEGRATION AND TRANSPORT COSTS IN LATIN AMERICA

SELECTED INDICATORS

Figure 3 gives a broad picture of the relative magnitude of transport costs and tariffs for both intra- and extra regional imports. On the vertical axis we measure the ad valorem freight rate and on the horizontal axis we measure the ad valorem tariff on imports calculated as tariff revenue divided by the value of imports. We plot both intra- and extraregional freights and tariffs and countries that are on the left of the graph diagonal have average (weighted) freight rates that are higher than average (weighted) tariffs. It is clear that when it comes to trade within the region, all countries in the sample, with the exception of Paraguay, are on the left of the diagonal. That is, transport costs, which range from 4% in Argentina to 8% in Peru, are higher than tariffs by a large margin. For extraregional trade, the picture is mixed, with three countries -Argentina, Brazil and Peru- having higher tariffs than freight costs.

Figure 3

FREIGHT ARE SIGNIFICANT MORE IMPORTANT THAN TARIFFS, SELECTED LAC COUNTRIES, 2005



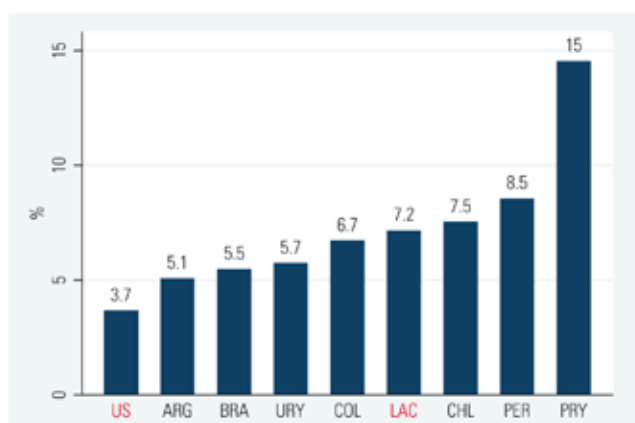
Note: Freight is the ratio of freight expenditures to imports. Real tariffs is the ratio of tariff revenue to imports. Tariff data for Paraguay and Colombia are for 2000 and 2003 respectively.

Source: Mesquita Moreira, Mauricio; Christian Volpe and Juan Blyde. 2008. *Unclogging the Arteries*. Washington DC: IDB.

Figure 4

LATIN AMERICAN FREIGHT COSTS DOUBLES THOSE IN THE UNITED STATES, 2005

Percentage



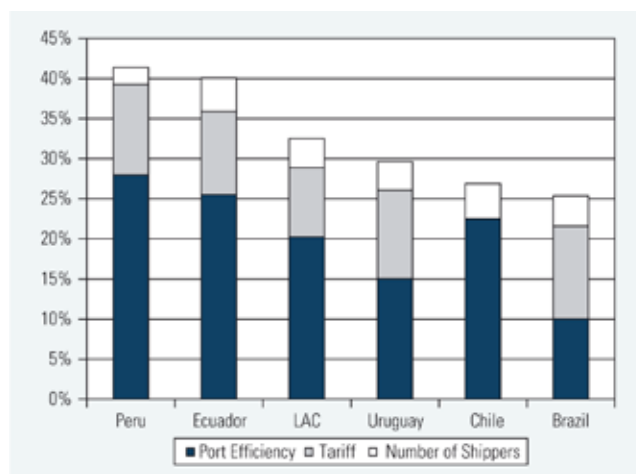
Notes: Latin America (LAC) is the simple average of Paraguay (PRY), Peru (PER), Chile (CHL), Colombia (COL), Brazil (BRA), Uruguay (URY) and Argentina (ARG). Freight expenditures include freight and insurance.

Source: MESQUITA MOREIRA, MAURICIO; CHRISTIAN VOLPE AND JUAN BLYDE. 2008. *Unclogging the Arteries*. Washington DC: IDB.

Figure 5 presents simulations of how much transport costs would be reduced if countries in the region would have the same levels of own port efficiency, tariff rates and shipping competition as in the United States. For the typical Latin American country, the transport costs would be reduced by around 20% if port efficiency were improved to the U.S. level. Lowering the tariff rates and increasing competition to the U.S. levels would also reduce transport costs further by 9% and 4%, respectively. The exercise serves to illustrate that the potential reductions in transport costs arising through these channels could be important, particularly for some countries.

Figure 5

LATIN AMERICA WOULD REDUCE ITS TRANSPORT COSTS BY 33% IF IT HAD THE SAME LEVELS OF PORT EFFICIENCY, TARIFFS RATES AND SHIPPING COMPETITION THAN THE UNITED STATES, BASE YEAR 2005

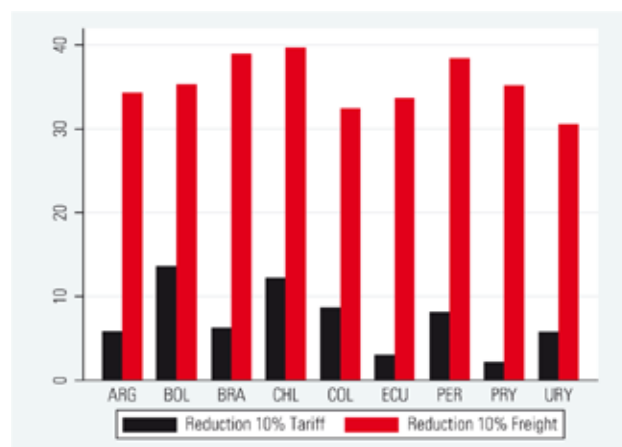


Source: MESQUITA MOREIRA, MAURICIO; CHRISTIAN VOLPE AND JUAN BLYDE. 2008. *Unlogging the Arteries*. Washington DC: IDB.

Figure 6 shows the results of an exercise that compute how much intraregional bilateral sectoral export volumes would change if either transport costs or tariffs were reduced by 10%. The result of this computation shows that a reduction in transport costs would have a much larger positive impact on export volumes than a similar reduction in tariffs.

Figure 6

CHANGE IN EXPORT VOLUMES BY A REDUCTION OF 10% IN TRANSPORT COSTS AND TARIFFS



Source: MESQUITA MOREIRA, MAURICIO; CHRISTIAN VOLPE AND JUAN BLYDE. 2008. *Unlogging the Arteries*. Washington DC: IDB.

CENTRAL AMERICA

Table 2**CENTRAL AMERICA: SIZE, POPULATION, POPULATION DENSITY AND GROSS DOMESTIC PRODUCT (GDP)**

	Size (thousands of km ²)	Population (million, 2010)	Population density (Hab/ km ² , 2010)	GDP (US\$ billion, current prices, 2010)
Belize	22.96	0.34	15	1.40
Costa Rica	51.10	4.66	91	35.83
El Salvador	21.04	6.19	299	21.21
Guatemala	108.89	14.39	134	41.19
Honduras	112.09	7.60	68	15.40
Mexico	1972.55	113.42	58	1034.80
Nicaragua	129.49	5.79	48	6.55
Panama	78.20	3.52	47	26.69
<i>Total</i>	<i>2496.32</i>	<i>155.91</i>	<i>760</i>	<i>1183.08</i>

Source: HRW World Atlas and World Bank.

Table 3**ROAD INVESTMENT PLAN APPROVED AT PREFEASIBILITY LEVEL**

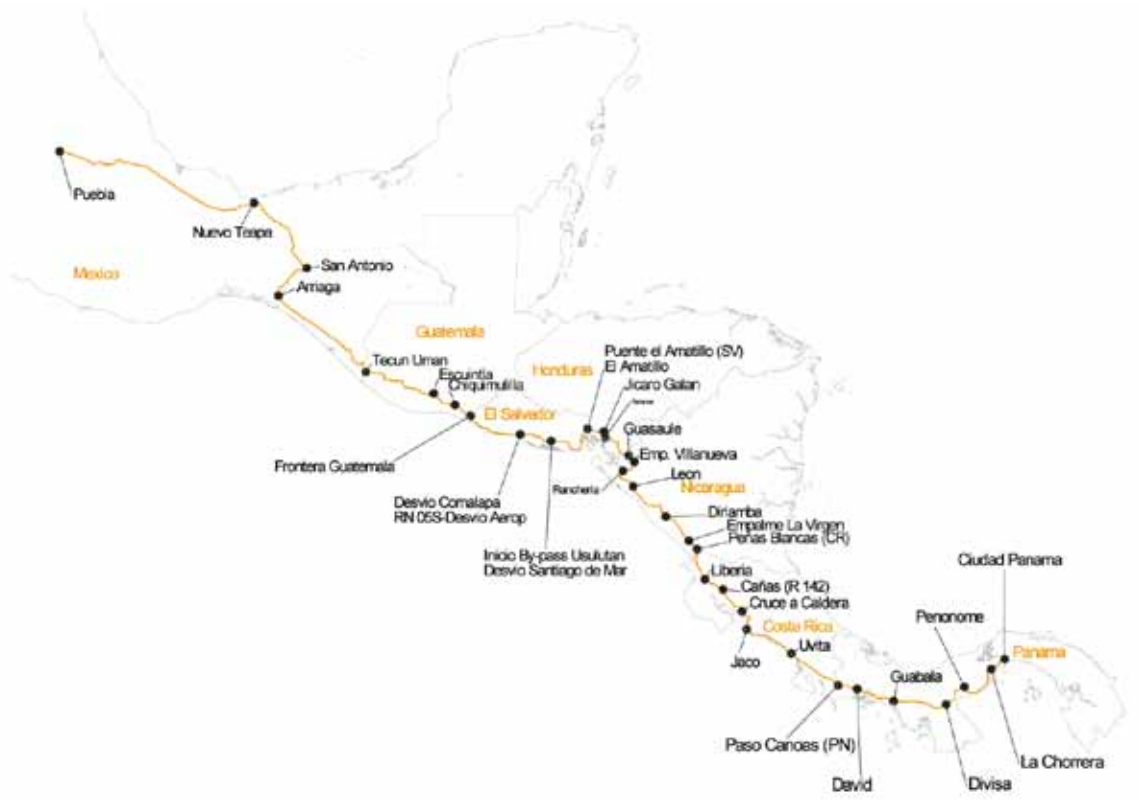
Country	Length of Pacific Corridor(km)	Total PACEMOs interventions (km)	Investments in road infrastructure interventions (millions of US\$)*	Investments in road safety interventions (millions of US\$)*	Total investments (millions of US\$)*
Mexico	1058.5	356.85	66.02	29.46	95.48
Guatemala	303	303	584.07	18.22	602.29
El Salvador	389.3	330.65	515.81	39.86	555.67
Honduras	137.18	137.18	104.40	4.69	109.09
Nicaragua	335.15	335.15	220.58	13.35	233.93
Costa Rica	520.8	433.93	509.16	27.84	537
Panama	497	316.39	99.03	23.32	122.35
<i>Total</i>	<i>3240.93</i>	<i>2213.11</i>	<i>2099.06</i>	<i>156.74</i>	<i>2255.8</i>

Note: * Estimates for 2012.

Source: Country Department Central America, Mexico, Panama & Dominican Republic based on the report *Adecuación, Mantenimiento y Operación de Tramos Viales del Corredor Pacífico de la Red Internacional de Carreteras Mesoamericanas (RICAM)*. Estudios técnicos preparatorios, August 2011.

Figure 7

ROUTES OF THE MESOAMERICAN INTEGRATION CORRIDOR



Source: IDB. Corredor Pacífico: Corredor Mesoamericano de Integración.

SOUTH AMERICA

Table 4

SOUTH AMERICA: SIZE, POPULATION, POPULATION DENSITY AND GROSS DOMESTIC PRODUCT (GDP)

	Size (thousands of km ²)	Population (million, 2010)	Population density (Hab/ km ² , 2010)	GDP (US\$ billion, current prices, 2010)
Argentina	2776.89	40.41	15	368.74
Bolivia	1098.58	9.93	9	19.65
Brazil	8511.97	194.95	23	2087.89
Chile	765.95	17.11	23	212.74
Colombia	1138.91	46.29	42	288.19
Ecuador	283.56	14.46	58	57.98
Guayana	214.97	0.75	4	2.23
Paraguay	406.75	6.45	16	18.33
Peru	1285.22	29.08	23	157.05
Suriname	163.27	0.52	3	3.25
Uruguay	176.22	3.36	19	40.26
Venezuela	912.05	28.83	33	391.85
<i>Total</i>	<i>17734.34</i>	<i>392.16</i>	<i>268</i>	<i>3648.16</i>

Source: HRW World Atlas and World Bank.

Table 5

COSIPLAN PROJECT PORTFOLIO BY PROGRESS ATTAINED IN THE EXECUTION AND BY SECTOR

	N° of Projects					Estimated Investment	
	Transport	Energy	Communications	Total	%	Millions of US\$	%
Profile*	127	19	6	152	28.6	17,424.0	15.0
Pre-Execution**	143	13	1	157	29.6	36,241.1	31.2
Execution***	144	14	1	159	29.9	52,046.6	44.8
Concluded	47	15	1	63	11.9	10,408.9	9.0
<i>Total</i>	<i>461</i>	<i>61</i>	<i>9</i>	<i>531</i>	<i>100.0</i>	<i>116,120.6</i>	<i>100.0</i>

Notes: * At this stage, background information that allow for judgment on the desirability and technical and economic feasibility of carrying out the project is studied.

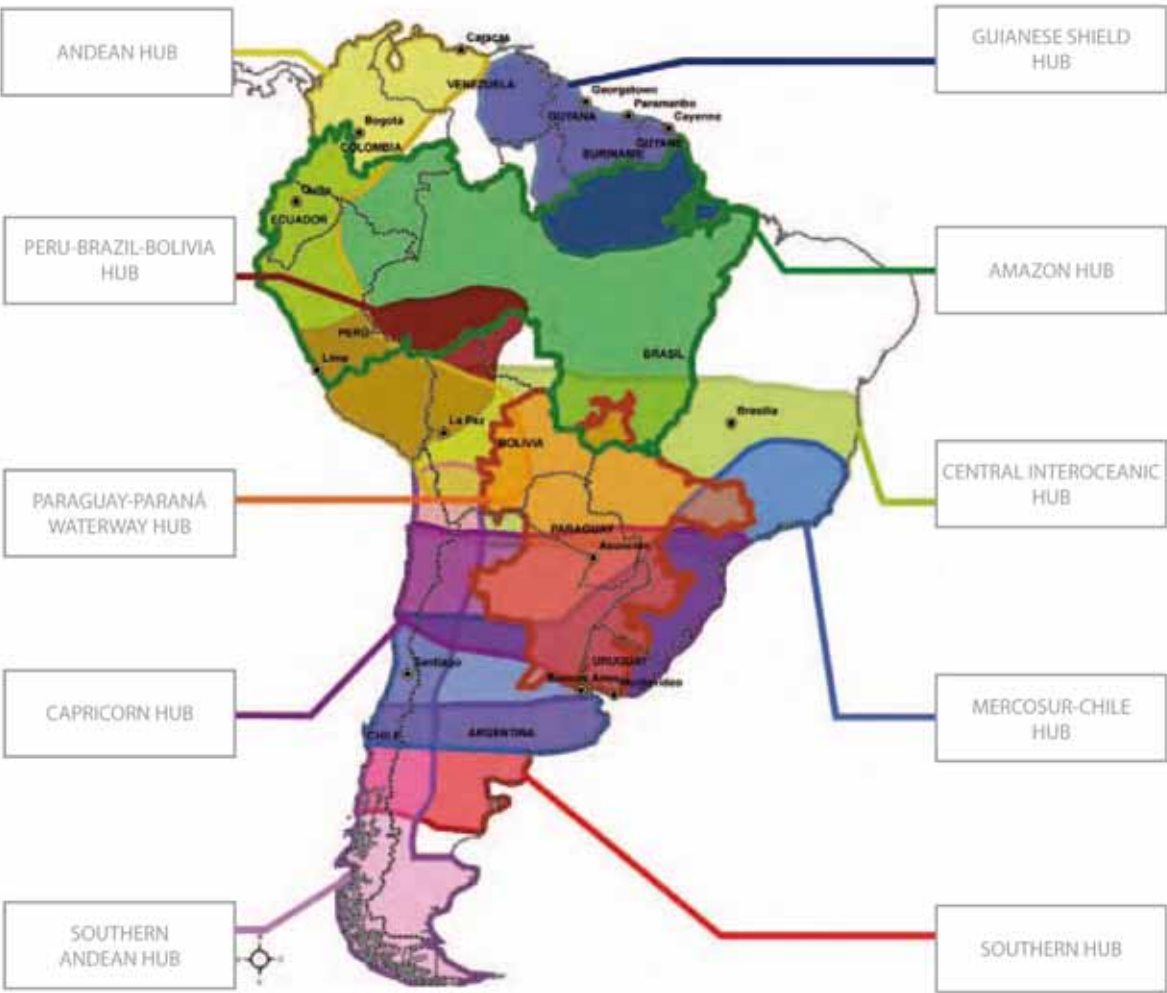
** At this stage, projects that are in the following stages are included: pre-feasibility, feasibility and investment.

*** This stage covers all the necessary activities for the physical construction such as the signing of the contract, the purchase and installation of machinery and equipment, various facilities, etc.

Source: COSIPLAN Projects Portfolio, 2011.

Figure 8

IIRSA: INTEGRATION AND DEVELOPMENT HUBS



Source: IIRSA. 2011. *IIRSA: 10 Years Later: Achievements and Challenges*.

Table 6

CHARACTERIZATION BY TYPE OF FINANCING

Hub	Public			Private			Public/Private			Total		
	Project		Investment	Project		Investment	Project		Investment	Project		Investment
	N°	%	Millions of US\$	N°	%	Millions of US\$	N°	%	Millions of US\$	N°	%	Millions of US\$
Amazon Hub	42	10.6	2654.47	5.2	24.2	2137.65	11.9	9.5	1307.82	64	44.3	6099.94
Andean Hub	44	11.1	4483.46	8.8	17.7	2689.15	15.0	12.2	2185.9	64	41.0	9358.51
Capricorn Hub	54	13.6	5829.56	11.4	14.5	1817	10.1	17.6	1332.5	76	45.7	8979.06
Guianese Shield Hub	15	3.8	1040.30	2.0	-	-	-	4.1	3320	18	7.8	4360.30
Paraguay-Parana Waterway Hub	82	20.7	5649.25	11.1	3.2	228.5	1.3	12.2	1137	93	36.1	7014.75
Central Interoceanic Hub	42	10.4	3180.05	6.2	14.5	371.11	2.1	13.5	563.5	61	38.4	4114.66
MERCOSUR-Chile Hub	79	19.9	23085.26	45.3	14.5	8677	48.3	23.0	12627.55	105	57.4	44389.81
Peru-Brazil-Bolivia Hub	17	4.3	2799.10	5.5	8.1	1961.69	10.9	3	24722	25	16.4	29482.79
Southern Hub	22	5.6	2213.00	4.3	3.2	75	0.4	4.1	450	27	12.8	2738.00
Total	395	100.0	50779.25	100.0	100.0	17957.10	100.0	74	47646.27	531	100.0	116382.63

Notes: Investments in two existing projects have not been included as they were mostly made before IIRSA was launched. These projects are: "Road Corridor Connecting Santa Marta - Paraguaná - Maracibo - Barquisimeto - Acarigua," in the Andean Hub, and "Itaipu System", in the MERCOSUR-Chile Hub.

The total in the Number of Projects and Estimated Investment columns do not match the arithmetic sum of the totals by Hub due to the existence of two hinge projects: (i) "Pircas Negras Border Crossing", belonging in the Capricorn and MERCOSUR-Chile Hubs, (ii) "Construction of the Cascavel - Foz do Iguaçu Railway", belonging in the Capricorn and Paraguay-Parana Waterway Hubs, and (iii) "Bogotá-Buenaventura Road Corridor" in the group 2 and group 4 of the Andean Hub.

Source: IIRSA Database.

Table 7

CHARACTERIZATION BY SECTOR

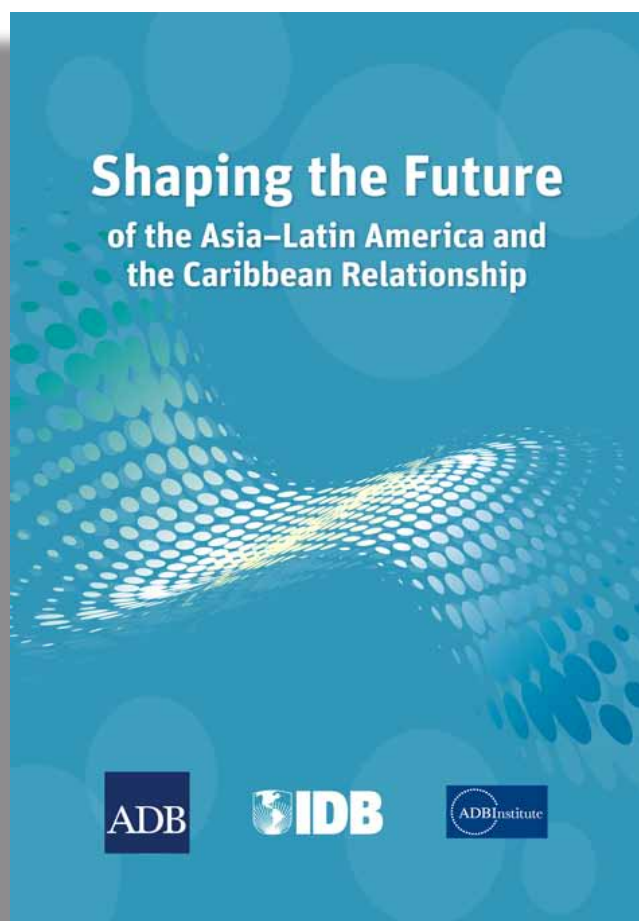
Hub	Transport			Energy			Communications			Total		
	Project		Investment Millions of US\$	Project		Investment Millions of US\$	Project		Investment Millions of US\$	Project		Investment Millions of US\$
	N°	%		N°	%		N°	%		N°	%	
Amazon Hub	57	12.3	6038.73	6	9.8	58.08	1	11.1	3.13	64	12.0	6099.94
Andean Hub	49	10.6	6371.11	13	21.3	2987.30	2	22.2	0.1	64	12.0	9358.51
Capricorn Hub	72	15.6	7739.06	4	6.6	1240.00	0	0.0		76	14.3	8979.06
Guianese Shield Hub	15	3.2	4357.30	2	3.3	3.00	1	11.1	0	18	3.4	4360.30
Paraguay-Parana Waterway Hub	83	17.9	5608.75	7	11.5	1369.00	3	33.3	37	93	17.4	7014.75
Central Inter-oceanic Hub	57	12.3	3788.41	2	3.3	321.75	2	22.2	4.5	61	11.4	4114.66
MERCOSUR-Chile Hub	87	18.8	25809.67	18	29.5	18580.14	0	0.0		105	19.7	44389.81
Peru-Brazil-Bolivia Hub	19	4.1	3560.79	6	9.8	25922.00	0	0.0		25	4.7	29482.79
Southern Hub	24	5.2	2288.00	3	4.9	450.00	0	0.0		27	5.1	2738.00
Total	461	100.0	65406.62	61	100.0	50931.28	9	100.0	44.73	100.0	100.0	116382.63
												100.0

Notes: Investments in two existing projects have not been included as they were mostly made before IIRSA was launched. These projects are: "Road Corridor Connecting Santa María - Paraguachón - Maracaibo - Barquisimeto - Acarigua," in the Andean Hub, and "Itaipu System", in the MERCOSUR-Chile Hub.

The total in the Number of Projects and Estimated Investment columns do not match the arithmetic sum of the totals by Hub due to the existence of two hinge projects: (i) "Pircas Negras Border Crossing," belonging in the Capricorn and MERCOSUR-Chile Hubs, (ii) "Construction of the Cascavel - Foz do Iguaçu Railway", belonging in the Capricorn and Paraguay-Parana Waterway Hubs, and (iii) "Bogotá-Buenaventura Road Corridor" in the group 2 and group 4 of the Andean Hub.

Source: IIRSA Database.

FEATURED PUBLICATION



Economic relations between Asia and Latin America and the Caribbean (LAC) have come a long way, but it has clearly reached a turning point at the turn of the 21st century. The rise of Asia's most populous economies -the People's Republic of China (PRC) and India- with their manufacturing prowess and insatiable hunger for natural resources, coupled with LAC's reemergence, has made Asia LAC's second largest trading partner in a matter of a decade, while significantly increasing LAC's strategic and economic importance to Asia.

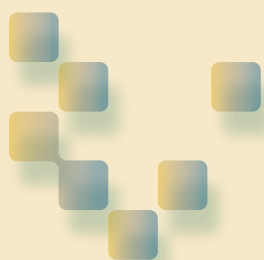
It can be argued that these seismic changes were mainly the product of market forces driven by the immense resource complementarity between the two economies, with little input from governments. However, if the sizeable gains achieved to date are to be expanded, widely distributed, and consolidated, governments must play a more decisive role. Their participation is particularly critical in strengthening and balancing the three key pillars of any successful integration initiative: trade, investment, and cooperation.

To support this policy agenda, the Asian Development Bank (ADB), the ADB Institute, and the Inter-American Development Bank (IDB) joined forces to produce a research report that seeks to identify the main challenges and opportunities in each of these pillars, while drawing attention to the benefits of balancing their development. The

report is organized in four chapters, with the first two reviewing the historical antecedents, emerging trade architecture, and future trade scenarios between countries of the two regions. The following two chapters examine opportunities in investment and cooperation.

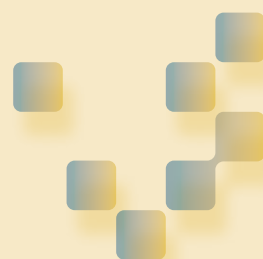
ASIAN DEVELOPMENT BANK (ADB) AND INTER-AMERICAN DEVELOPMENT BANK (IDB). 2012. *Shaping the Future of the Asia-Latin America and the Caribbean Relationship*. Forthcoming.





Books and Articles

Reviews



América do Sul integração e infraestrutura

Publication only in Portuguese

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COSTA, DARC (ORG). 2011. *América do Sul: integração e infraestrutura*. Rio de Janeiro: Capax Dei. January. 364 p.

La infraestructura física de los países de América Latina y el Caribe tiene una relevancia fundamental para su integración regional y su competitividad global. La disponibilidad de redes de energía, comunicaciones y transporte en sus diversos modos favorece el crecimiento económico y la inserción internacional en los mercados de comercio e inversión. Con este concepto en mente, el libro compilado por Darc Costa reflexiona acerca de la situación actual y las perspectivas futuras de la infraestructura de integración en América del Sur. El autor argumenta que las bajas tasas de crecimiento de la región están relacionadas con los insuficientes niveles de infraestructura tanto al interior de los países como entre ellos. Por ello, su mensaje principal es que los países de la región deben hacer un gran esfuerzo para reforzar su infraestructura y suplir el atraso existente, para lo cual estima que deberán destinar un mínimo del 6% del Producto Interno Bruto (PIB) regional a la inversión anual en infraestructura por los próximos 30 años.

El libro está organizado en seis capítulos. El Capítulo I surge del trabajo anterior de Costa: *Fundamentos para el Estudio de la Estrategia Nacional*¹ y constituye la base teórica del libro. El autor revisa la estrategia de integración en América del Sur y sostiene que si bien ésta es una de las regiones más ricas del mundo en términos de alimentos y de energía, la falta de una adecuada movilización de recursos fue en detrimento de su desarrollo. Costa argumenta que es necesario priorizar la construcción de infraestructura y la interconexión permanente entre sus principales ejes: transporte, energía y comunicaciones. Señala que un sistema de infraestructura ideal es aquel que proporciona el óptimo aprovechamiento de las facilidades de deslocalización, de oferta de energía y comunicaciones, y de los insumos demandados por el proceso productivo. La

¹ Costa, Darc. 2009. *Fundamentos para o estudo da estratégia nacional*. Rio de Janeiro: Paz e Terra.

infraestructura para la integración debe ser organizada de forma de aprovechar los recursos de la región a favor de su autonomía y desarrollo agregando el mayor valor y tecnología posible.

En el Capítulo II, André Da Paz realiza un diagnóstico de la matriz del transporte para la integración suramericana. El autor argumenta que la infraestructura de América del Sur está marcada por siglos de colonización y dependencia internacional. Históricamente, ésta se ha estructurado en torno a los puertos de exportación con bajísimos grados de integración entre las economías nacionales. En la actualidad, al déficit histórico de integración física regional se suman los altos costos de transporte involucrados en ella. Da Paz señala que hoy en día la mayor cantidad de intercambio comercial, tanto en volumen como en valor, entre países vecinos se hace a través de carreteras implicando mayores costos de transporte y externalidades negativas. En este contexto, el autor realiza una evaluación de las principales redes de transporte de integración en América del Sur: la situación de los puertos, del sistema de carreteras y el transporte ferroviario y aéreo. El autor argumenta que a fines de aprovechar el potencial de interconexión de la región, el Estado deberá jugar un rol central en las inversiones del sector de infraestructura y aumentar los recursos públicos destinados a ella.

El Capítulo III, escrito por André da Paz y Rodrigo Nunez realiza un diagnóstico de la interconexión energética suramericana. Como bien señalan los autores, América del Sur posee fuentes suficientes para atender las necesidades energéticas de la región: cuencas hidrográficas, gas natural y petróleo, parques generadores eléctricos provenientes de fuentes hidráulicas y térmicas y reservas de carbono. Además, estas fuentes están distribuidas de forma tal que potencian los beneficios posibles de la integración basándose en las complementariedades de recursos entre los diferentes países. Frente a ello, el trabajo evalúa la infraestructura de interconexión logística de energía, concentrándose en tres ejes: petróleo, gas y energía hidroeléctrica. Los autores enfatizan la importancia de la planificación y la coordinación para el aprovechamiento e intercambio energético entre los países.

En el Capítulo IV, Raphael Padula enmarca la visión actual de la infraestructura regional dentro del concepto más amplio de regionalismo abierto, que comienza a desarrollarse a principio de la década de 1990. Es en

este contexto que surge la Iniciativa para la Integración de la Infraestructura Regional Suramericana (IIRSA), en agosto de 2000 en Brasilia. Al respecto, el autor analiza en profundidad varios aspectos de esta Iniciativa: sus orígenes, objetivos y aspectos institucionales; sus principios orientadores, su planificación y agenda; su relación con los gobiernos de los países de la región; sus posibilidades futuras y su absorción dentro del marco institucional de Unión de Naciones Suramericanas (UNASUR). Además, reflexiona sobre la relación entre el financiamiento de la infraestructura y la actuación de las instituciones financieras regionales y sobre las visiones de los países frente a la integración de la infraestructura. Padula presenta un enfoque en el que cuestiona que el énfasis de IIRSA esté puesto en los mercados en lugar de en las complementariedades energéticas y en la autonomía y proyección geopolítica de la región en el sistema internacional. Según el autor, el planeamiento y la ejecución de la integración física deben estar ligados a la solución de las asimetrías regionales, la localización de proyectos y la constitución de cadenas productivas regionales de alto valor agregado e intensidad tecnológica.

En el siguiente capítulo, Padula reflexiona acerca de cuáles deberían ser los principios y objetivos de un proceso de integración regional, otorgando especial atención al papel de la infraestructura en la región desde una perspectiva geopolítica y estructuralista. Para ello, analiza el concepto de integración regional político-estratégica y presenta su visión sobre el papel de la infraestructura para la integración. El autor argumenta que es necesario que la oferta de infraestructura, a partir de la acción integrada de transportes, energía y comunicaciones, sirva para conectar espacios estratégicos internos y desarrollar sectores y regiones. Para ello debe estar orientada a tres acciones principales: (1) inducir el desarrollo de espacios aislados o menos desarrollados; (2) integrar los mercados creando sinergias; (3) irrigar económicamente los espacios facilitando la descongestión de áreas geográficas saturadas. Respecto a la infraestructura de transportes esta debería estar orientada "hacia adentro" priorizando la formación de un amplio mercado regional. Además, señala que es necesario cambiar estructuralmente la matriz de transportes en América del Sur dando énfasis a modalidades marítimas, fluviales, aéreas y ferroviarias. La energía debería orientarse a garantizar la seguridad energética regional, aprovechando las complementariedades

entre los países. En este modelo, el Estado debe jugar un rol central en el planeamiento de la infraestructura y la movilización de las inversiones. El financiamiento debe ser provisto por fondos y bancos regionales de desarrollo y sistemas de créditos recíprocos. El autor además postula que Brasil, a raíz de sus recursos y sus características geográficas, debe jugar un papel diferenciado en el proceso de integración física, productiva y comercial de la región.

Por último, el Capítulo VI de Luciano Wexell Severo, analiza los mecanismos regionales para el financiamiento de la integración en América del Sur. Para ello, comienza presentando un recorrido histórico de la integración suramericana desde los años 1930 hasta la actualidad. Luego analiza los principales mecanismos regionales para el financiamiento a corto plazo: (1) el Convenio de Pagos y Créditos Recíprocos (CCR), en el ámbito de la ALADI; (2) el Fondo Latinoamericano de Reservas (FLAR); (3) el Sistema de Monedas Locales (SML), en el ámbito del MERCOSUR; (4) el Sistema Único de Compensación Regional de Pagos (SUCRE). A continuación, discute el rol de las principales instituciones regionales de financiamiento al desarrollo: la CAF, el BID y el FONPLATA y reflexiona sobre el rol del BNDES, el FOCER y el futuro Banco del Sur. El autor señala que si bien hasta el momento ha prevalecido un modelo de integración neoliberal o de mercado, durante los últimos años varios gobiernos suramericanos han realizado esfuerzos en la búsqueda de otros caminos para la integración y el desarrollo económico priorizando la complementación de la cadenas productivas, el comercio intrarregional y el fortalecimiento de la integración física. Wexell argumenta que la viabilidad de un proceso de integración regional industrialista y desarrollista depende de la posibilidad de los Estados Nacionales de retomar el control del proceso de integración en sus principales dimensiones: infraestructura, complementación productiva, comercio, financiamiento y políticas macroeconómicas.

En una mirada de conjunto, el libro de Darc Costa nos presenta una singular visión acerca de la integración regional en América del Sur y del rol que Brasil, tanto por sus características económicas como geográficas, debe jugar en ella. Los diferentes capítulos son, asimismo, ricos en información que resulta relevante para el tema en discusión. Queda claro a lo largo del trabajo que mejorar la conectividad del continente y la interconexión en energía y comunicaciones es

clave para alcanzar una inserción política y económica internacional exitosa. No obstante la validez de este mensaje central, el libro confronta al lector con algunos interrogantes que son abordados sólo de manera tangencial en sus 365 páginas. Señalamos a continuación sólo tres de ellos que resultan centrales pero que no agotan la lista.

En primer lugar, y quizás como paso previo al análisis de las posibilidades de avanzar en una mejor interconectividad suramericana, aparece el mismo concepto de América del Sur como espacio de integración. Como es sabido es sólo en el inicio de este siglo XXI que la subregión aparece amalgamando energías de los gobiernos y recursos políticos en búsqueda de su integración. En los 50 años previos, América Latina observó este proceso a escala hemisférica, regional o aún de sub-regiones dentro de Suramérica -tal como lo atestiguan el temprano nacimiento del Pacto Andino y bastante posteriormente de MERCOSUR. Siendo América del Sur un espacio relativamente nuevo en dicha historia, se comprende mejor el enorme desafío de la tarea a realizar.

En segundo lugar, y en estrecha conexión al punto anterior, es necesario ubicar el papel de los proyectos dirigidos a la interconexión e integración física. El sentido de estas inversiones de capital es facilitar el transporte, reducir sus costos y, en razón de su enorme impacto en el territorio, inducir cambios favorables en la geografía humana de sus respectivas áreas de influencia. Son por tanto inversiones para el desarrollo con enormes impactos transfronterizos y un vehículo para la integración. Pero no es menos cierto que los proyectos de infraestructura forman parte de una agenda más amplia, donde destacan los aspectos políticos, económicos, comerciales y sociales de la integración. Esto es claro si se examinan procesos similares en otras regiones y latitudes. La interconexión física tiene una vida muy limitada en ausencia de las otras dimensiones.

En tercer lugar, y para tomar la cuestión energética como un tema de suma relevancia que proponen los autores, la aspiración postulada en el texto acerca de la integración a escala regional, por ahora, reviste el carácter de un objetivo distante. Los países de América del Sur tienen aún por delante la tarea de avanzar en una fase preliminar del proceso: la interconexión de sus sistemas. Aunque son varios los puntos de contacto ya existente en diversos países, se está aún lejos de alcanzar

todos los beneficios de estos posibles intercambios. Si bien son necesarias más inversiones, las limitaciones en este terreno se derivan principalmente de la dificultad en establecer protocolos que establezcan, de mutuo acuerdo para todos los participantes, las reglas que deben regir el intercambio. Esto requiere avanzar en una institucionalidad regional que garantice los abastecimientos de manera confiable para todos sus miembros. Es la consolidación de este tipo de progresos

lo que permitirá superar esquemas de seguridad de abastecimiento que tienen como horizonte la escala exclusivamente nacional.

Más allá de estos comentarios anteriores, no caben dudas que el libro de Darc Costa es una referencia obligada para todos aquellos interesados por la integración física de América del Sur y de los complejos fenómenos que se dan cita alrededor del tema. ♦

IIRSA 10 years later: Achievements and Challenges

Publication in English, Spanish and Portuguese

EDITORIAL COMMITTEE

INITIATIVE FOR THE INTEGRATION OF REGIONAL INFRASTRUCTURE IN SOUTH AMERICA (IIRSA). 2011. IIRSA 10 years later: Achievements and Challenges. Buenos Aires: IDB-INTAL.

La Iniciativa para la Integración de la Infraestructura Regional Suramericana (IIRSA) es un Foro de Diálogo que tiene como objetivo promover el desarrollo del transporte, la energía y las comunicaciones a nivel regional mediante la integración de los doce países suramericanos. Desde su lanzamiento en el año 2000, ha superado importantes desafíos y avanzó hasta consolidarse como un activo sólido para los países de la región. De cara al futuro, la integración física regional ha pasado a una tarea principal de la Unión de Naciones Suramericanas (UNASUR) a través de su Consejo de Infraestructura y Planificación.

El reciente libro *IIRSA 10 years later* analiza y reseña, de manera comprensiva, el desarrollo de la Iniciativa a lo largo de la primera década del siglo XXI, explicando como logró concretar resultados que están proporcionados a la madurez del proyecto integracionista suramericano. El trabajo permite apreciar el gran esfuerzo realizado por los países para superar tanto sus heterogeneidades internas, como las existentes entre ellos, en aras de la integración física regional y también, para lograr una mejor inserción internacional en un mundo que se globaliza y regionaliza en movimientos simultáneos. El libro se divide en seis capítulos.

El primero analiza las circunstancias económicas y políticas que enmarcaron el lanzamiento de IIRSA en el Primer Encuentro de Presidentes de Suramérica (Brasil,

2000). Se examina como se buscaba dar respuesta al complejo proceso de globalización mediante la decisión estratégica de impulsar, ampliar y modernizar la infraestructura de los países suramericanos como elemento clave de la integración regional. Además, se revisan los condicionantes políticos que fueron consolidando un clima de paz y cooperación entre los países, así como el fortalecimiento democrático regional. Todos estos procesos posibilitaron el desarrollo de IIRSA.

En el *segundo capítulo* se analiza la estructura institucional de IIRSA, destacándose que la Iniciativa prescindió de una institucionalidad formal propia y se apoyó, en cambio, en organizaciones nacionales ya existentes para actuar en espacios *ad hoc*. Esto dio lugar a una organización ágil, poco costosa y eficaz para construir consensos políticos y definir mandatos. Dicha estructura reconoció dos ámbitos principales: el directivo y el técnico, y su funcionamiento efectivo se evalúa sobre la base de un análisis de los registros de todas sus reuniones y documentos presentados en el sitio *web* institucional de IIRSA.

El *tercer capítulo* aborda las aproximaciones conceptuales y metodológicas que se fueron desarrollando para organizar la visión y la acción de IIRSA. Se expone la evolución que tuvo la Iniciativa desde un enfoque con visión sectorial de redes a un enfoque de desarrollo territorial. La variedad de instrumentos metodológicos

acumulados, su aplicación a las distintas realidades regionales y la utilización de los mismos se revisan en las distintas secciones. Estos desarrollos conceptuales y metodológicos, se destaca, fueron esenciales para facilitar las conversaciones y los entendimientos entre las instancias políticas y técnicas de la Iniciativa.

El *siguiente capítulo* resume los resultados alcanzados por la Iniciativa en la década, diferenciados entre tangibles e intangibles. El primer grupo corresponde a la Cartera de 532 Proyectos de IIRSA y a la Agenda de Implementación Consensuada, conformada por 31 proyectos prioritarios para los gobiernos suramericanos. Entre los resultados intangibles se destacan el conocimiento acumulado acerca de las restricciones y oportunidades de la región, la cooperación entre países, las herramientas de planificación aplicadas, el capital institucional construido y la movilización de recursos de la cooperación técnica regional.

A continuación, el *quinto capítulo*, muestra como IIRSA logró adaptarse satisfactoriamente a las características cambiantes de su entorno en el decenio, así como a los desafíos políticos y técnicos de su propio desarrollo. Así, se examinan, por un lado, los significativos cambios económicos y políticos que debió enfrentar la Iniciativa y, por otro, los logros y las dificultades encontradas para cumplir con algunas de sus expectativas, destacándose tres etapas principales de innovación institucional que se fueron intercalando, a lo largo de los diez años de existencia de la Iniciativa, con períodos más concentrados en la gestión.

Por último, el *sexto capítulo* propone algunos temas para la discusión derivados del análisis de la experiencia de IIRSA y tomando en cuenta su incorporación a la UNASUR, institución que asumió la responsabilidad de dar continuidad a los trabajos y actividades realizados hasta 2010. Si bien la Iniciativa es joven, las reflexiones aquí presentadas son de gran utilidad para apreciar los logros y también cuestionarse acerca de aquellos rasgos que merecen ser perfeccionados. Bajo la órbita de la UNASUR, se abre una nueva etapa en la que los países suramericanos tienen la oportunidad de renovar y fortalecer su compromiso integracionista.

En síntesis, este libro tiene en nuestra opinión tres méritos principales. En primer lugar, sitúa la Iniciativa en el contexto económico y político que se fue configurando en los años 1990 y que enmarcó el punto

de partida de la propuesta de IIRSA, explorando para ello varias dimensiones críticas de los procesos de desarrollo económico y político de los doce países suramericanos en sus diversos e interactivos vínculos con la integración física regional. Complementariamente, examina el devenir de ese entorno económico y político a lo largo de los diez años de existencia de IIRSA como marco del desarrollo técnico e institucional que ha sido propio de la Iniciativa.

En segundo lugar, ilustra al lector de manera clara y concisa sobre los contenidos conceptuales, los desarrollos metodológicos y los resultados de IIRSA en diversos planos que se fueron acumulando en el curso de una década, mediante el análisis sistemático de sus publicaciones y de los registros del contenido de reuniones y documentos presentados y discutidos en las diversas instancias institucionales de la Iniciativa y que están recogidos en la página *web* institucional. Este análisis organiza y pone en valor un notable capital acumulado por los países con una visión de integración regional. Corresponde anotar aquí un comentario dirigido al lector interesado en adentrarse en el texto. Siendo una publicación que surge del seno de los actores del proceso, se comprende que la matriz de análisis imprima un sello singular a la interpretación de los hechos. Como es sabido, la integración física suramericana y la estrategia perseguida por IIRSA ha sido motivo de diversas lecturas, varias de ellas de tono crítico. En tal sentido, un aporte singular de *IIRSA 10 years later* es que al reunir hechos y análisis en un único texto, pone a disposición de la comunidad académica un examen sistemático de la experiencia. Esto permite una contribución al debate e invita a profundizar las investigaciones sobre el tema.

Por último, y especialmente, el libro pone de manifiesto que los grandes protagonistas de la Iniciativa han sido los doce países suramericanos que lograron aunar esfuerzos y recursos en aras de una mayor integración física regional, a través de un intenso proceso colectivo de aprendizaje e intercambio de conocimientos e ideas. Asimismo, destaca que esta acumulación originaria los sitúa en excelentes condiciones para encarar los mayores retos que seguramente se gestarán en el ámbito de la UNASUR, tanto en el ámbito específico del Consejo Suramericano de Infraestructura y Planificación (COSIPLAN), como a través de una interacción fecunda con otras instancias de la Unión. ♦



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