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THE DNA OF INTEGRATION

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The well-known smart phone app Waze provides up-to-date information on the quickest, least congested route to where you want to go. Few roads have been as winding as Latin America's path to integration, which has involved progress and setbacks, bogus shortcuts, and, from time to time, roadblocks and picket lines. So how can we find the best roads to integration?

The secret of Waze's success is simple: it provides information on the things that other people are doing that we weren't previously aware of. If there is a traffic jam because too many cars are trying to use a particular street, the app recommends an alternative route. If a highway is clear, the app immediately suggests we take it.

Information sharing is also the cornerstone of the partnership between INTAL and Latinobarómetro, which have worked together to identify the neuralgic points in the region's demand for integration through 20,000 exclusive polls in 18 countries in Latin America and the Caribbean.

How close is a given country's desired export profile to other countries expectations of this? How receptive to foreign investments are countries that are seeking to attract capital? How willing are people to pay for better infrastructure in a country that has not made any major improvements to its internal logistics in recent years?

Let's look at some examples to illustrate how useful this new tool is. A few months ago, Colombia began negotiations with China toward a free trade agreement (FTA). What outcomes have been observed in countries that already have FTAs with China? Perceptions of China are particularly high in Peru, Chile, and Costa Rica, three countries that have already signed FTAs with the Asian giant and where over 40% of the population expressed positive opinions of it.

Another example is beef, Argentina's most prized export product. But how do other Latin Americans rate it? Contrary to what might be expected, food is far from being one of the distinctive features that other Latin Americans associate with Argentina. Sports (80% of mentions) and tourism (41%) are the backbone of Argentina's nation branding, while food culture is one of the features that people associate with Peru (79%).

How can countries bring their nation-branding strategy in line with the economic sectors that they are actually trying to promote?

By cross-referencing analyses of public opinions with national statistics and data on trade, we can assess how issues such as trade agreements, investment agreements, nation-branding strategies, or immigration reform may impact integration policies and learn more about the objective and subjective consequences of these in other countries.

Table 1. The Dialogue between Subjective and Objective Indicators

Aspect	INTAL/Latinobarómetro	National Statistics
Trade	How important is political and economic integration for development? What aspects of life does integration have an impact on? How much support is there for trade in goods and services?	Share of exports covered by the five main export products (%) Number of free trade agreements signed Average MFN tariff (%) Herfindahl-Hirschman export concentration index
Investment	Which economies are most willing to receive foreign capital? What impact is integration perceived as having on investment? How important do citizens think foreign capital is and which sectors do they prefer it in?	Exports per capita (thousands of US$) Agriculture and fisheries as a percentage of GDP Foreign direct investment (% of GDP)
Infrastructure	How important do citizens think infrastructure is for development? How willing are they to pay to improve their infrastructure?	Infrastructure competitiveness ranking Income from transportation, warehousing, and communication (US$ per capita)
Innovation	How important do citizens think innovation is for development? How important do citizens think creativity is in children's education? How much do citizens know about new technologies and their potential impact? What should countries' scientific innovation priorities be in the future?	Research and development expenditure (% of GDP) Exports of high-technology products (% of exports of manufactured products) Fixed broadband internet subscribers (per hundred people)

Nation branding	What are the main features of Latin American countries in the eyes of the rest of the world? What country do citizens prefer the goods and services that they purchase to come from?	Income from international tourism (% of total exports) Homicide rate per 100,000 inhabitants
Environment	How important do citizens think care for the environment is for development? How willing are citizens to pay more for products that respect workers' rights? How will innovations impact energy-related matters?	$C0_2$ emissions per capita (tons per inhabitant) Carbon footprint (hectares per person) Use of alternative and nuclear energy (% of total energy use) Electricity production based on renewable sources, excluding hydropower (% of total)
Social Inclusion	How willing are citizens to pay more for products that respect workers' rights? What impact is integration perceived as having on employment? How important do citizens think social policies are for development?	Total immigrants from other countries in Latin America index of restrictions on the movement of people and capital Gini coefficient

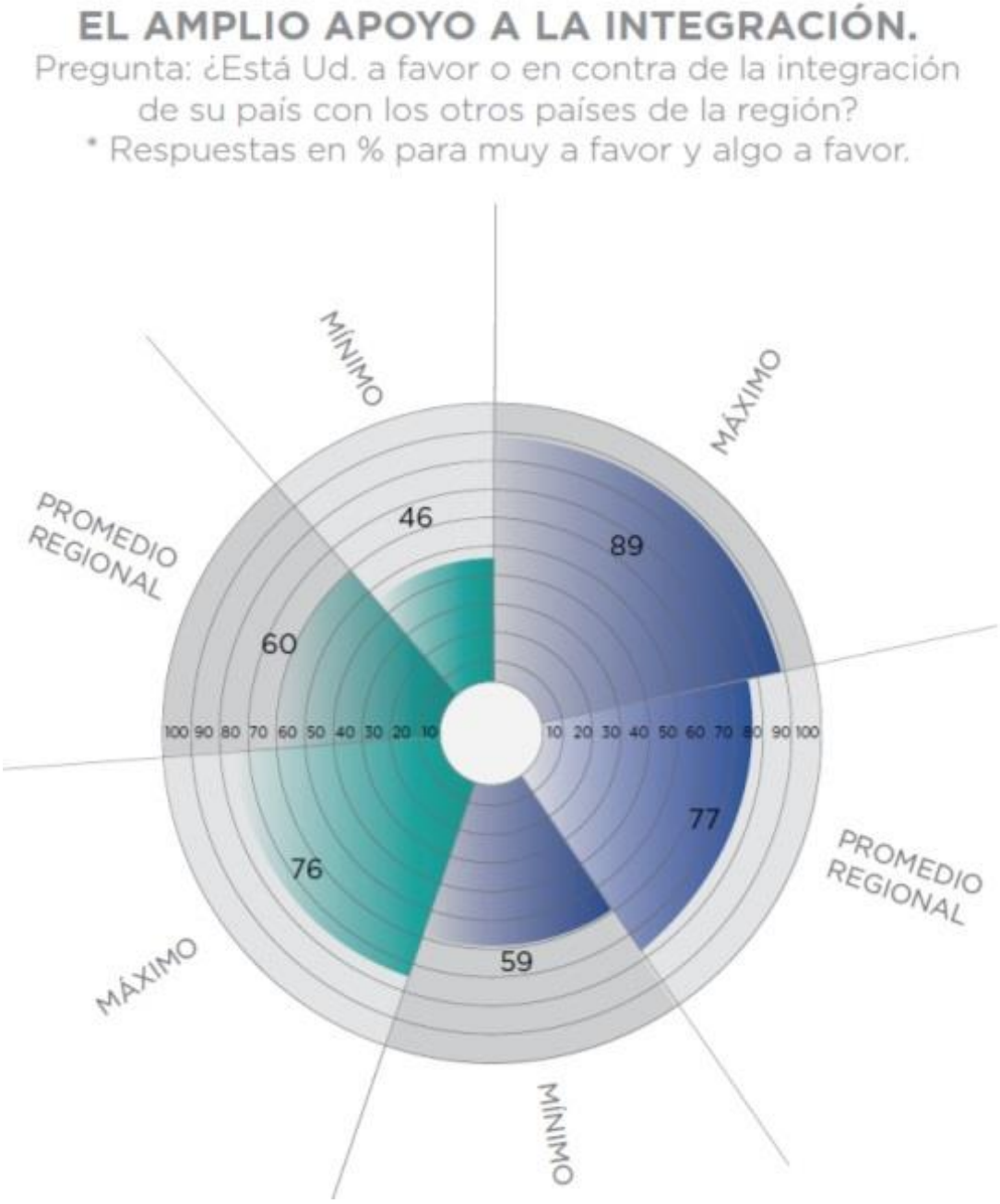
Source: The DNA of Regional Integration

Cross-referencing subjective and objective data has allowed us to establish behavior patterns that form what we call the DNA of regional integration, an exercise that reveals connections between each country's actual economy and the subjective opinions of its inhabitants. Without delving into causal explanations, **this process reveals interesting relationships that function rather like an interactive map: they tell us where others made headway and where they got stuck.** The conclusions that this Waze for integration has reached are categorical:

- Countries which show greater support for integration also show greater support for democracy and higher levels of trust in their government.
- Countries with more concentrated export baskets show greater support for economic integration.
- Countries that prioritize investment tend to receive higher levels of foreign investment.
- Countries with greater infrastructure deficits are more willing to take on credit or pay taxes to finance infrastructure works to facilitate integration.
- Countries that value innovation more highly tend to have larger shares of exports with technological content.

- Countries whose populations prioritize the environment make greater use of alternative energy sources.
- Countries where people are more willing to pay for products that respect workers' rights also have more equal income distributions.

In a time of growing protectionism, Latin America has one invaluable point in its favor: **77% of Latin Americans support regional economic integration processes and 60% of them support political integration processes.**



The challenge that lies ahead is how we can build on these beginnings to foster high-quality integration. With our sights set on this horizon, it won't hurt to look down at the Waze of integration from time to time.

Support for Foreign Investment in Latin America

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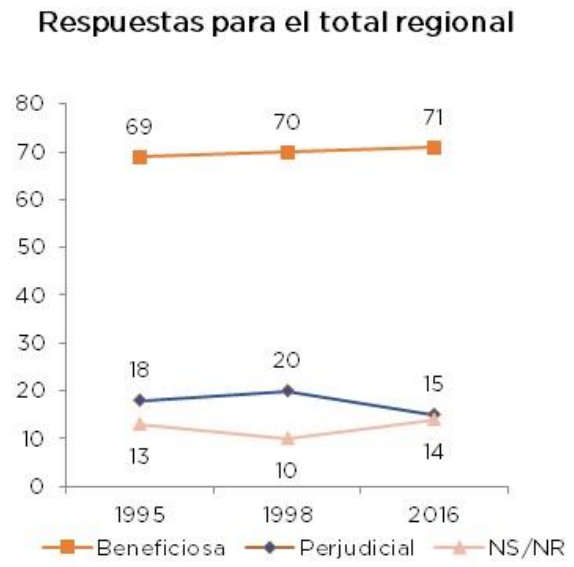
In a global context of low interest rates, Latin America offers a range of investment opportunities for capitals that are willing to take a gamble on the region. How do Latin Americans perceive the arrival of these capitals? Do they think that foreign investment is beneficial or harmful to development? As is the case with integration, support for investment is very high. Some 71% of Latin Americans say that foreign capital is beneficial for local economies, while only 15% believe it to be harmful.

Over the last 20 years there has been a decrease in the proportion of the population that reject foreign investment. This peaked at 20% in 1998, but the share of those who believe it to be beneficial has gradually increased. However, the share of the population that would rather not give an opinion on the matter increased from 10% in 1998 to 14% in 2016.

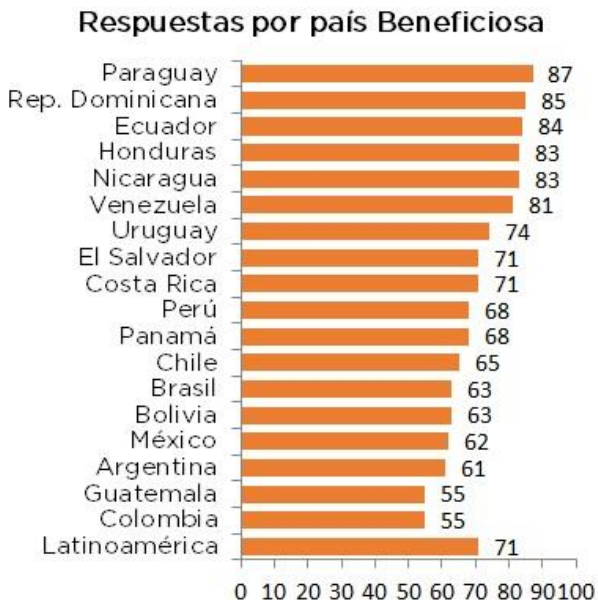
Opinion on Foreign Investment

Q: Do you think that, in general terms, foreign investment is beneficial or harmful to the economic development of your country or are you not familiar enough with the issue to give an opinion?

Responses for the entire region



Responses by country—beneficial



Source: INTAL based on Latinobarómetro 2016 data.

Looking at answers by sector, foreign investment is more welcome if it targets agricultural production. Some 46% of respondents think that it is positive for foreign capital to invest in the agriculture sector, 35% in chemicals and medicines, and 30% in energy and water services and the automobile industry.

Sectoral Opinions on Foreign Capital

Q: Which of the following industries do you think benefit from receiving foreign capital? Responses for the entire region

Source: INTAL based on Latinobarómetro 2016 data. 2016—multi-answer response, percentages add up to more than 100.

In relation to the agricultural sector, which was the most frequently selected option, Venezuela was the country that was most in favor of receiving foreign capital, with 63% support ratings, followed by Nicaragua with 60%, and Ecuador with 58%. Those that were most reluctant to receive such investment include four Southern Cone countries: Brazil (36%), Uruguay (38%), Chile (25%), and Argentina (19%). The population often tends to show greater support for foreign investment in those sectors that are most competitive and play a leading role in their respective economies. This is the case for telecommunications in Costa Rica, for the automotive industry in Brazil, and the mining industry in Peru. However, this rule is not always true: in Argentina, which has low acceptance rates of foreign investment in four of the nine sectors, support for foreign capital in the agricultural industry is low.

The Economies That Are Most Open to Receiving Capital

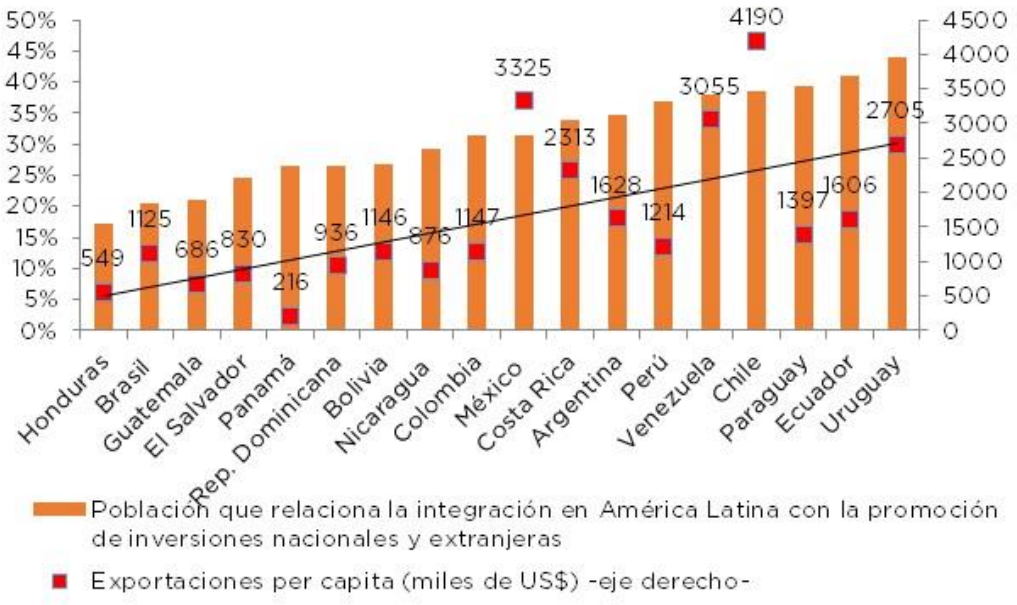
Featuring in 32% of responses at the regional level, the promotion of domestic and foreign investment was one of the issues that respondents most associated with integration (after free trade, political dialogue, and the mobility of people). Which economies rank investment promotion highest? Ecuador, Uruguay, Paraguay, and

Chile, where more than 35% of citizens made a connection between integration and the promotion of domestic and foreign investment.

Cross-referencing objective and subjective indicators reveals that these economies are also the ones with the highest levels of exports per inhabitant as there is an empirical correlation of 0.63 between mentions of investment promotion as a distinctive feature of integration and export capacity.

Importance Placed on Investment Promotion as a Feature of Integration and Exports Per Capita

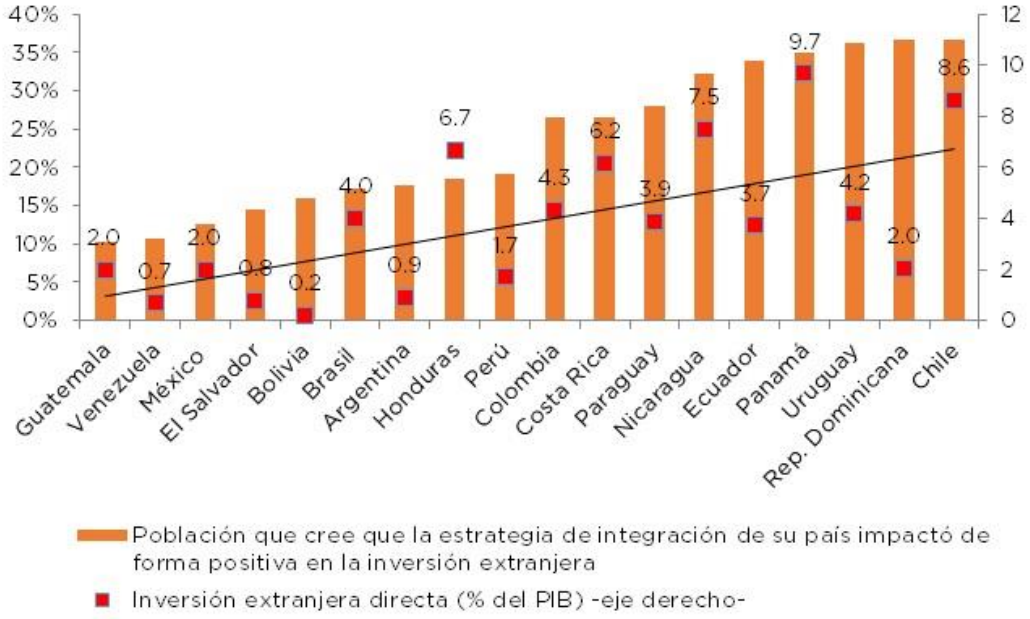
Q: Which of the following options do you think have to do with integration in Latin America? Responses for investment promotion.



Source: INTAL based on Latinobarómetro 2016 data.

Another way of identifying if the effect of investments are perceived by the population is by comparing actual foreign investments with perceptions of the impact of integration strategies on amounts of capital received. The correlation is also positive in this instance and stands at 0.64. The countries that most perceive the impact of integration on investment are also those that receive most investment capital.

Perception of the Impact of Integration on Investment and Actual Investment Received



Source: INTAL based on Latinobarómetro 2016 data.

Two paradigmatic examples of this are Chile and Panama, the countries that received most foreign investment in relation to their gross domestic product and where perceptions of the impact of integration on investment also outstripped the regional average. At the other extreme, countries that received little foreign capital, such as Guatemala, Venezuela, Mexico, and El Salvador, revealed lower levels of perception of the impact of integration on foreign investment.

(Extract from the Technical Note The DNA of Regional Integration)

Demand Solutions: Technology, Public Health, and Empowering Women

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Demand Solutions for Improving Lives is an open innovation model that brings together entrepreneurs, investors, and public and private institutions in order to come up with and promote innovative ideas for improving people's lives. The initiative is organized by the Inter-American Development Bank and the Multilateral Investment Fund[1] (MIF) and was also held in 2013, 2014, and 2015. The 2016 event took place at the Usina del Arte (link in Spanish), Buenos Aires, on November 15 and 16.

The first day of the event was called WeXchange and involved an innovative space for women entrepreneurs from Latin America and the Caribbean to connect with mentors and investors working in areas that are not traditionally perceived as being for women: science, technology, engineering, and math (STEM). The aim of the event was to promote access to science for all and tear down the myths around STEM.

The event finished with a Venture Night, when innovative and disruptive start-ups from Latin America and the Caribbean presented their solutions to improve access to healthcare, drinking water, sanitation, and nutrition. Topics included:

- Women entrepreneurs in STEM (*#womenSTEMpreneurs*)
- Water, sanitation, and hygiene
- Wearable technology
- Public health: chronic and transmittable diseases
- Future trends in nutrition
- Robotic surgery
- Medicine in the cloud

Those who took part in WeXchange met women entrepreneurs and venture capitalists representing investment funds that specialize in new technologies seeking to take on the greatest challenges facing humanity: access to healthcare, water, and food.

This article covers just some of the technological developments that were presented at WeXchange and which turned out to be a source of great inspiration and an example of the commitment that those who took part have

shown to human development. These women entrepreneurs showed confidence in the achievements that their knowledge and skills have brought them, something they communicated clearly to the audience at the event.

Isabel Hoffmann, entrepreneur in preventative medicine, technology, mobile healthcare, and education. The CEO and founder of Tellspec, Ms. Hoffman has created the first consumer food scanner. The device allows you to detect the melamine content of food products in seconds. Melamine is an organic chemical that is regularly used to adulterate food for pets and humans and has been detected in baby formula, making it toxic.

Gabriela León, founder of *Gresmex*, a company that specializes in nanotechnology research and development. In response to a health problem that her son was having, this biochemical engineer developed a nanobiomolecule called NBELYAX, which can completely deactivate all types of virus, bacteria, fungi, spores, trypanosomes, and microbacteria to create biosecure spaces. In 2015 Gabriela León was named a *Technology Pioneer* by the World Economic Forum for her revolutionary contribution to healthcare.

Geraldine Mlynarz founded *Diagnotec* and *ActivaQ*, biotech firms that specialize in the diagnosis and control of infectious disease in animals using advanced technology to carry out early diagnoses of the IPVN virus, which affects salmon throughout the world. The roads she traveled to reach her achievements were long and winding, but her sights were always set on her professional goals and what she wanted to contribute to society. Geraldine took part in the event as an Endeavor entrepreneur (link in Spanish)[2].

Viviana Bernath, founder and CEO of *Genda*. She holds a PhD in biology and specializes in molecular genetics. She founded one of the first genetic diagnostic and forensic genetics laboratories in Argentina. In recent years she started Zoigen, a firm which focuses on personalized genomic medicine, a new way of predicting and preventing illnesses through DNA analysis.

WeXchange also included the announcement of the six STEM finalists from the Pitch Competition (link in Spanish) organized by MIF and NXTP Labs. The Pitch Competition was open to entrepreneurs with a strong scientific and technical background and included presentations on products and services related to biotechnology, health monitoring, data transmission, and online marketplaces.

Of the 169 competitors from 14 countries in Latin America and the Caribbean, the following six were chosen as winners: **Emilia Díaz**, Kaitek Labs (Chile); **Victoria Simón**, Alquilando (Argentina); **Hannah Kim**, Mifiel (Mexico); **Melina García Herrera**, Life Monitor (Mexico); **Yanina Powazniak**, Biomakers (Argentina); **Komal Dadlani**, Lab4U (Chile), presented by **Marta Cruz**, founding partner at NXTP Labs, all of whom presented innovative solutions to a panel of investors.

The second day of Demand Solutions included the Venture Night organized by the IDB and MIF in partnership with the Department of Creative Economy and Foreign Trade at the Government of the Autonomous City of Buenos Aires's Ministry of Modernization, Innovation, and Technology; the Secretariat of Small and Medium-Sized Enterprise and Regional Development (SEPYME) at Argentina's Ministry of Production, and the investment fund and business accelerator NXTP Labs. At the Venture Night, the most disruptive start-ups in

Latin America working in the fields of **healthcare, water, sanitation, and hygiene** presented their solutions to improve lives. These start-ups were selected[3] and evaluated by a panel of expert judges.

The Venture Night included the IDB/FEMSA Water and Sanitation Award, which went to three of the most innovative start-ups present.

Demand Solutions Focuses on Access to Healthcare, Water, Sanitation, and Nutrition.

In 2002, the United Nations re-interpreted the International Covenant on Economic, Social and Cultural Rights and specified that ***water should be seen as a human right***, as it is ***indispensable for leading a life in human dignity. It is a prerequisite for the realization of other human rights.***

On July 28, 2010, UN General Assembly Resolution A/RES/64/292 formally recognized the human right to clean drinking water and sanitation, describing these as being essential to the realization of all human rights and calling upon states and international organizations to provide financial resources, health capacity building and technology transfers to all countries, in particular developing countries, to provide "safe, clean, accessible, and affordable drinking water and sanitation for all"[4] [5].

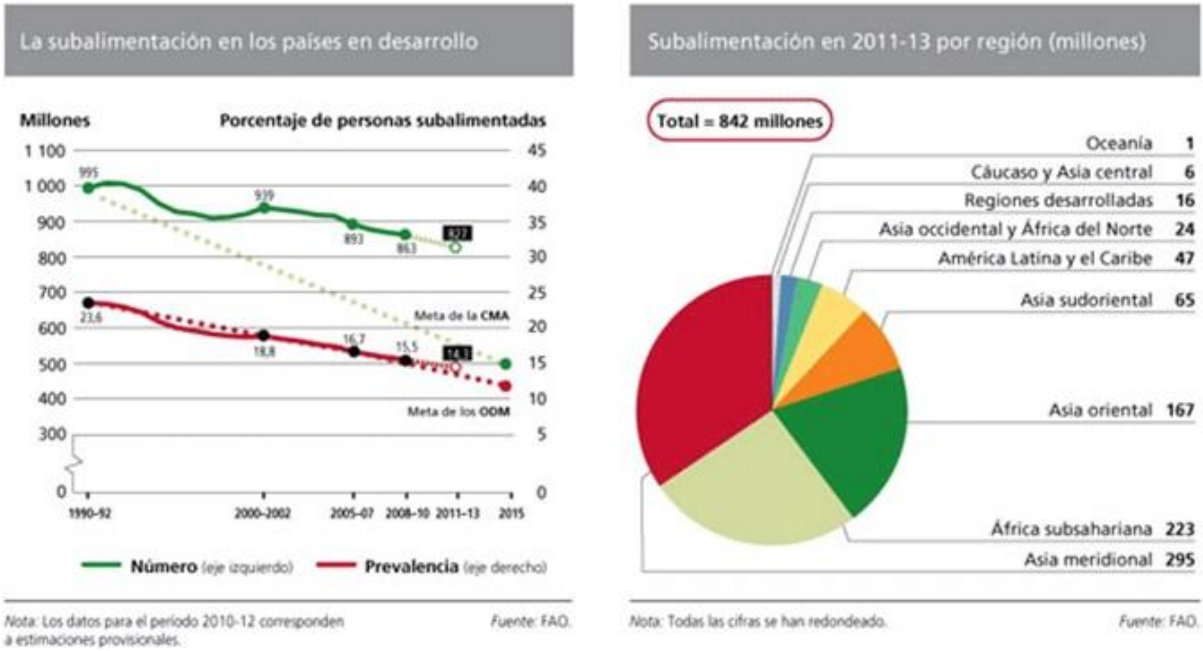
The UN Millennium Goals aimed to "halve the proportion of people without access to improved sources of water." According to figures from the WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation, 2.6 billion people have no access to basic sanitation, and 884 million people lack access to safe drinking water[6].

Access to safe water also determines food security and thus potential access to adequate nutrition.

Right of access to adequate food and nutrition is part of the United Nations Universal Declaration of Human Rights (1948). There are currently 7 billion people on the planet to be fed, and according to UN figures, this number is expected to grow to 9 billion by 2050. This implies that we need to increase food production by 50% for 2030 and 70% for 2050.

The World Food Summit (FAO, 1996) defined food security as existing when "all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

To achieve global food and nutritional security, commitments and investments are needed to produce more nutritious food with less water; focus on human capacities and institutional frameworks—agricultural development in the least developing countries lies mainly in the hands of smallholders, a large majority of whom are women; and improve the value chain through efficient water and food recycling strategies.



Fuente: FAO

The Goal of Global Access to Healthcare

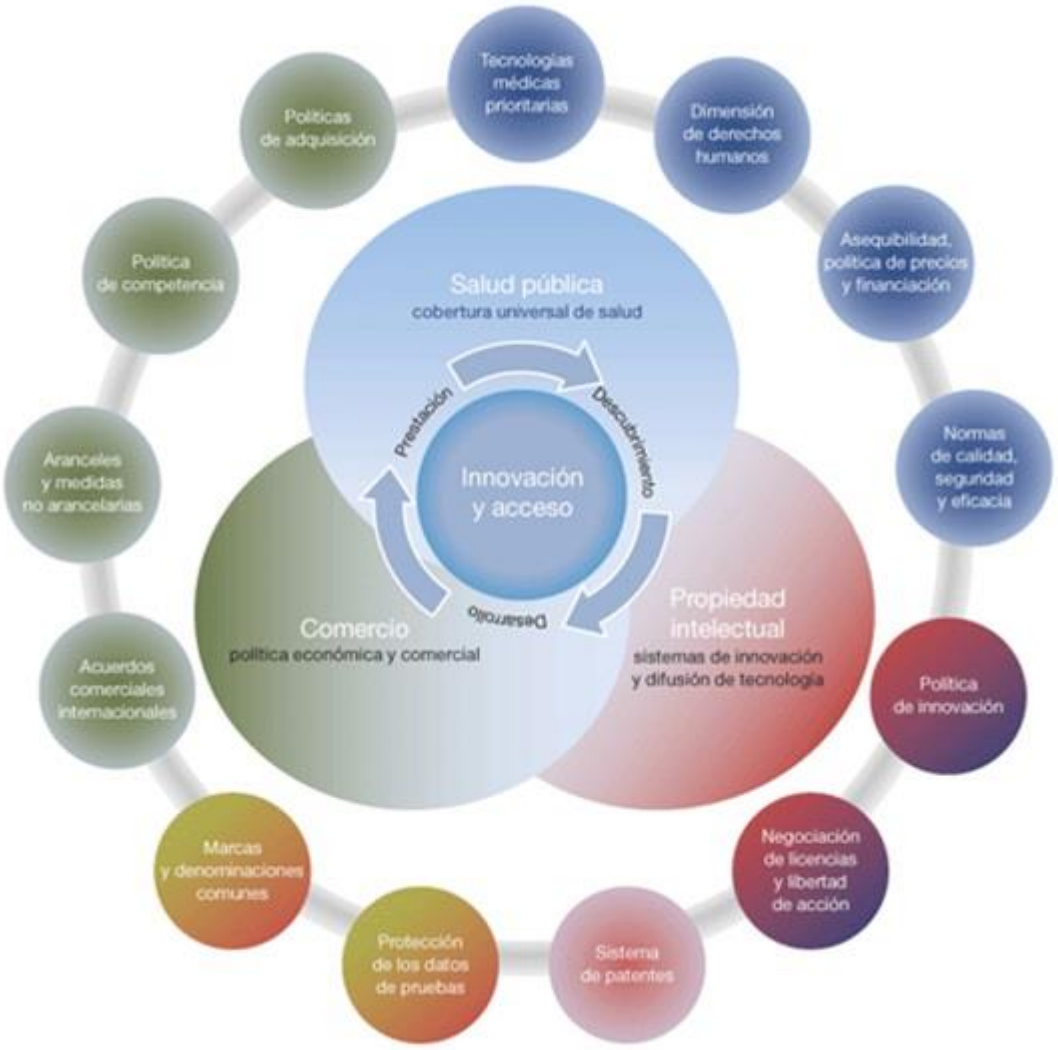
The goal of the World Health Organization (WHO) is to reach the highest possible level of health for all people using international cooperation as an essential mechanism for achieving this. However, 4.8 billion people (80% of the world's population) live in developing countries, where communicable diseases account for 50% of the burden of disease. In these countries, 2.7 billion people live on less than US$2 a day, which excludes them from any possibility of acquiring health products and medical devices for the diagnosis, treatment, cure, or prevention of disease.[7]

"*Health is at the heart of the 2030 Sustainable Development Agenda. Promoting health is, therefore, central to delivering on the SDGs. The 9th Global Conference on Health Promotion, which will be held in Shanghai from November 21 to 24, 2016, will chart a new course for the next 15 years, aimed at inspiring national governments, municipal leaders and other stakeholders to grasp the great potential of promoting health across all sectors of society*" *(WHO, November 1, 2016).*

Working toward ensuring access to health care for the most vulnerable sectors of society is one of the keys to achieving *universal health coverage*, one of the Sustainable Development Goals. This is a crosscutting challenge that involves a wide range of interconnected issues including: trade-related aspects of intellectual property; technology transfer; research, development, and innovation; access to medicaments and treatments; and access to financing. It is also connected to disciplines such as competition policies; acquisition policies; tariff and

nontariff measures; data protection; freedom to operate; innovation policies; regulation to ensure quality, safety, and effectiveness; international trade agreements; monitoring; human rights; and so on.

Source: WIPO Magazine, 2013, No. 5.



Fuente: Revista OMPI, Año 2013, Número 5

Trade and the Right to Healthcare

The multilateral trading system guarantees its members the right to protect public health. The General Agreement on Tariffs and Trade (GATT) of 1947 gives countries the flexibility to take restrictive trade measures when necessary to protect human, animal, or plant life or health under certain conditions set out in paragraph (b) of article XX.

GATT, paragraph (b), article XX. "*Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same*

conditions prevail, or a disguised restriction on international trade, nothing in this Agreement shall be construed to prevent the adoption or enforcement by any contracting party of measures:…

(b) necessary to protect human, animal or plant life or health…"

Likewise, the General Agreement on Trade in Services (GATS) contains a similar condition in paragraph (b) of article XIV (General Exceptions).

Article 8 of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of 1994 adopts measures to protect public health and nutrition provided that these are consistent with the provisions of the agreement.

Art. 8, TRIPS: "*Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this Agreement.*"

All countries depend on imported medicines and other products to cover their healthcare needs, especially developing countries, whose local production capacity for medical technology is lower. In this sense, trade policy affects the way that medical technology markets open up to competition from imported goods and services.

The principle of nondiscrimination is one of the basic principles governing international trade relations and is set out in the basic principles of the WTO: national treatment[8] and most-favored nation treatment[9] and are also reflected in the GATT (trade in goods), GATS (trade in services), and TRIPS (intellectual property). The principle of nondiscrimination includes exceptions such as special and differential treatment for developing countries and within free trade agreements. In the case of GATT and GATS, major exceptions apply, particularly special provisions on special and differential treatment in favor of developing countries and free trade agreements (GATT, art.XXIV).

The Right to Health from a Legal Perspective

From the legal perspective, the current debate on universal access to healthcare focuses on two main issues: on the one hand, access to medicines, which has been a core aspect of the human right to health since the signing of the International Covenant on Economic, Social and Cultural Rights (ICESCR) in 1966; and access to drugs and patents, on the other.

TRIPS sets out the legal scope of patent protection in the health sector. The expansion of medical patents and technological development in this sector have deepened the connection between the right to health and medical patents, which have come to occupy a central position internationally. This has become especially evident given the surge in epidemics such as HIV, Influenza A, Ebola, and so on, and the need for populations in developing countries, which are the worst affected by these viruses, to access medicines to treat them.

In 2001, the DOHA Declaration on the TRIPS Agreement and Public Health confirmed that intellectual property should not be an obstacle to developing countries accessing medicines. However, the absence of a patent also

does not guarantee effective access to a medicine or medical innovation, as this depends on a balance of factors including accessible prices, sustainable financing, and reliable healthcare systems.

TRIPS provides a compulsory international regulatory framework for all WTO member countries by listing obligations in relation to technological inventions. However, Article 4 of the Doha Declaration on the TRIPS Agreement and Public Health leaves a margin of flexibility for member countries to "develop their own patent and intellectual property laws on the basis of their own development needs"[10], in order to be able to comply with their own national goals of access to health and food.

Article 4: We agree that the TRIPS Agreement does not and should not prevent members from taking measures to protect public health. Accordingly, while reiterating our commitment to the TRIPS Agreement, we affirm that the Agreement can and should be interpreted and implemented in a manner supportive of WTO members' right to protect public health and, in particular, to promote access to medicines for all.

One of the most controversial flexibilities in the agreement is related to the possibility of an administrative or legal authority authorizing **compulsory licenses**[11], which consists of the use of products or patented inventions without the consent of the owner of the rights to these. Developing countries consider these licenses to be of fundamental importance to guaranteeing the implementation of more ambitious public policies, in line with the provisions of the TRIPS Agreement.

Access to Healthcare and Technology Transfer

TRIPS signatory countries committed to providing incentives to firms and institutions in their territories to promote and facilitate North–South and South-South technology transfer.

Art. 7… "The protection and enforcement of intellectual property rights should contribute to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations."

Article 66.2: "Developed country Members shall provide incentives to enterprises and institutions in their territories for the purpose of promoting and encouraging technology transfer to least-developed country Members in order to enable them to create a sound and viable technological base."

Patents are a controversial issue in this regard, as they have the potential to both facilitate and restrict access to new drugs. On the one hand, in accordance with article 3 of the Doha Declaration on the TRIPS Agreement and Public Health, patents protect innovation and promote the spread of knowledge through incentives to investment in research and development in the health sector, particularly in developed countries. However, on the other hand, they lead to an increase in the relative prices of patented drugs. this dichotomy is a source of tension between the goals of the pharmaceutical industry, which seek to recoup their investments, and those of public policy, which must promote access to healthcare, particularly for low income sectors of the population.

Article 3: We recognize that intellectual property protection is important for the development of new medicines. We also recognize the concerns about its effects on prices.

Chapters on Intellectual Property in Free Trade Agreements. Latin America's Involvement.

Latin America is the region that has signed the most bilateral and regional free trade agreements with the United States, the European Union, the European Free Trade Association (EFTA), and Japan, countries that have a tradition of including chapters on intellectual property that go beyond the minimum standards countries commit to as part of the TRIPS Agreement.

Of the 20 free trade agreements (FTAs) the United States has negotiated, 11 are with countries in the Americas: Canada, Chile, Colombia, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and Peru.

Another example of agreements containing intellectual property-related obligations that go beyond what has been negotiated at the WTO are the agreements between the European Union and countries in the region, including the CARIFORUM (with the 15 CARICOM countries, Cuba, and the Dominican Republic); Peru, Colombia, and Central America.

The EFTA countries have signed 26 FTAs with 36 countries, 7 of which are in the Americas (Canada, Costa Rica, Panama, Chile, Colombia, Mexico, and Peru).

Japan has 10 FTAs with countries that include Chile, Mexico, and Peru.

Some 12 countries are currently taking part in the negotiations toward the Trans-Pacific Partnership (TPP), which includes an ambitious chapter on intellectual property.

Access to Healthcare and Its Connection with Different Trade Disciplines

There follows a list of some of the trade disciplines that are directly connected to access to healthcare.

The competition policy is one of the regulatory instruments available to governments to take on public health problems. This discipline is a key tool for accessing medical technology and promoting the development of new drugs. Competition promotes the lowering of prices and the price-quality relationship, freedom of choice, innovation, and productivity.

Competition policy and health regulation are also interrelated, which encourages coordinated work between government organizations that regulate competition and price regulators for medical product prices and the health sector.

The use of competition legislation may prevent anticompetitive practices that originate in sectors involved in developing medical technologies; or practices that may limit research and development; restrict the availability of resources for producing innovation in the healthcare sector; hamper the competitiveness of generic products; reduce distribution channels and thus limit consumer choice; create pharmaceutical cartels; and so on.

One of the main achievements of multilateral negotiations over time has been reductions in tariffs, the instrument traditionally used to protect national industries. The role of tariffs has gradually been occupied by nontariff

measures: sanitary and phytosanitary measures, technical regulations, prior inspections, import licensing, price control measures, charges and taxes, and restrictions on distribution and postsales services. The WTO covers these issues and regulates them through various of its agreements.

Nontariff measures can impact trade in pharmaceutical products and have direct consequences on public health. In this sense, the Sanitary and Phytosanitary (SPS) Agreement contains specific standards for countries to ensure food safety and prevent the transmission of diseases of animal or plant origin to people via trade.

The Technical Barriers to Trade (TBT) Agreement brings together technical regulations and standardization-related issues for products that are not included in the SPS Agreement, including quality requirements for pharmaceutical products, labeling standards for food products, and security standards for x-ray machinery. The goals of the TBT Agreement include the protection of health and they our flexible provided that the measures to be adopted do not constitute an unnecessary restriction to trade.

Health services are essential to ensuring the availability and appropriate use of pharmaceutical products and medical technologies (services related to prevention, diagnosis, and treatment, and support services and technical support). There is a close relationship between access to medical technology and the provisions that regulate the participation of foreign suppliers in local markets.

GATS identifies four forms of service provision that may apply to the supply of a health service:

GATS, Art. 1: For the purposes of this Agreement, trade in services is defined as the supply of a service: (a) from the territory of one Member into the territory of any other Member; (b) in the territory of one Member to the service consumer of any other Member; (c) by a service supplier of one Member, through commercial presence in the territory of any other Member; (d) by a service supplier of one Member, through presence of natural persons of a Member in the territory of any other Member.

Telemedicine is an example of cross-border supply that is also known as Mode 1. A patient traveling to another country to receive medical attention is known as consumption abroad, or Mode 2. The establishment of a hospital subsidiary overseas or investment in existing facilities abroad is known as commercial presence, or Mode 3. Finally, the movement of a health professional abroad to work in a foreign-owned clinic is called presence of natural persons, or Mode 4.

The regulation of trade in all health services falls under GATS and is categorized as follows: i) hospital services; ii) other human health services; iii) social services; iv) medical and dental services; and v) services provided by midwives, nurses, physiotherapists, and paramedical personnel. Also listed are the different service sectors that enable access to medical technologies: R&D on medical sciences; the pharmacy, wholesale and retail sale of various pharmaceuticals, medical and surgical goods and devices; maintenance and repair services for medical equipment; and technical testing and analysis services.

However, it is important to stress that many public health sector services do not fall under GATS as this does not cover services "supplied in the exercise of governmental authority" (those supplied neither "on a commercial basis" nor "in competition with one or more service suppliers").

[1] The MIF is an innovation laboratory for the IDB Group. It carries out high-risk experiments to test new models to attract and inspire the private sector to solve economic development problems in Latin America and the Caribbean. The MIF addresses poverty and vulnerability by focusing on start-ups and small-scale agricultural producers that could expand and create economic opportunities.

[2] Endeavor is a company that identifies high-impact entrepreneurs and gives them strategic support to develop their companies. It also connects entrepreneurs from throughout Argentina with one another and promotes the development of large-scale support systems for them.

[3] IDB. Press Release.

[4] UN. International Decade for Action 'Water for Life' 2005-2015.

[5] UN. The Human Right to Water and Sanitation—Milestones.

[6] UN-Water Decade Programme on Advocacy and Communication (UNW-DPAC).

[7] Global Strategy and Plan of Action on Public Health, Innovation and Intellectual Property, WHO, 2011.

[8] "Imported and locally produced goods should be treated equally—at least after the foreign goods have entered the market. The same should apply to foreign and domestic services, and to foreign and local trademarks, copyrights, and patents."

[9] "Under the WTO agreements, countries cannot normally discriminate between their trading partners. Grant someone a special favour (such as a lower customs duty rate for one of their products) and you have to do the same for all other WTO members."

[10] Declaration on Patent Protection: Regulatory Sovereignty under TRIPS

[11] TRIPS, art. 31, Part II: Standards concerning the availability, scope and use of Intellectual Property Rights

The Impact of Trade Agreements with China on Innovation

Innovation and Trade: Two Sides of the Same Coin?

Trade agreements increasingly address more than just tariffs. Chapters on technology transfer, investments, migration, and social and environmental standards have been added to traditional negotiations to eliminate barriers to trade.

At the same time, there are growing expectations that trade agreements will bring benefits for signatory countries in the many areas where it is hoped some sort of trade will take place.

It is thus potentially interesting to explore the connection between trade agreements and innovation processes. One such approach is proposed by Baghdadi et al. (2013) and Martínez-Zarzoso (2016) and focuses on the impact of trade agreements on environmental protection. Another example in the recent literature is Morales-Lage et al. (2016), which analyzes the impact of environmental policies on innovation.

This article puts forward certain exploratory ideas that form part of a more exhaustive research project that INTAL is undertaking to analyze trade agreements in terms of the innovation-related issues they contemplate.[1]

In this article, we will focus on ten trade agreements signed with China, which is a strategic partner for the region. Three countries have already signed free trade agreements (FTAs) with China, and Colombia has begun negotiations to the same end. Uruguay has also revealed its intention to do so following the visit of President Tabaré Vázquez to Beijing in November 2016, although this process is still in its infancy.

Baumann (2016) shows that China has played a very active role in negotiating preferential agreements, and its negotiations gradually morphed from a rigid format into open dialogues which accommodate the demands of each country's priority sectors. In recent years, after building up experience in the region, China's trade diplomacy has shown itself to be willing to include specific conditions in each agreement.

China's economic model is currently undergoing substantial changes: its focus is shifting from production to consumption and the pursuit of innovation now is key to sustaining the country's development process. Might China's trade partners benefit from the resources now being spent on innovation and the new role this is playing in China's economic model?

It will be difficult for growth rates to climb back up to double digits—instead, these are expected to settle around the 6% mark, the so-called new normal. By 2021, the 100th anniversary of the founding of the Chinese Communist Party, China aims to become a "moderately well-off society." It is upping the stakes for 2049, the 100th anniversary of the Chinese Revolution, by when China aims to be a fully developed nation.

The external sector must play a fundamental role if the country is to achieve this goal. China's foreign relations strategy focuses on the following areas:[2]

- Negotiating trade agreements with strategic partners
- Improving the added value of exports
- Import strategy for consumer goods (luxury goods)
- Boosting exports of services (financial, design, information)
- Selecting foreign capital according to sectoral needs
- Improving the business environment to attract foreign investment
- Encouraging Chinese companies to invest abroad
- Creating new free trade zones in coastal areas

In terms of levels of trade at current prices, China is world's largest exporter and second-largest importer. Trade agreements and innovation appear to be at the forefront of the combination of factors that make up China's recipe for development. But how do these new agreements affect their trade partners in terms of innovation?

Technological Exchange in Trade Agreements

The different articles that make up the texts of trade agreements may or may not include explicit decisions on trade in technology. In this study, we have chosen four areas within FTAs and economic integration agreements (EIAs) where this type of trade typically tends to take place. These areas are as follows:

- Technical cooperation
- Technology transfer
- Research, development, and innovation
- Patent and intellectual property

Table 1 summarizes ten agreements that different countries have signed with China, organized by the date of entry into force. Table 1 is based exclusively on the text of the agreements in question. For example, in the case of Chile, article 68 establishes mechanisms for technical cooperation and technology transfer in specific industrial areas and mining, article 106 establishes mechanisms for research and development, and article 111 addresses intellectual property. The agreement signed between China and Peru underlines the "aforementioned technical cooperation in different areas and the parties' recognition of the importance of intellectual property rights in the promotion of social and economic development, particularly in the globalization of trade and technological innovation as well as the transfer and spread of technology" (article 144). Article 148 addresses matters of cooperation and capacity building and article 155 looks at specific issues of technology transfer for the development of small and medium-sized enterprises. The contents of the ten agreements selected are summarized below:

Table 1. Trade in Technology Content of Selected Trade Agreements Signed with China

Entrada en vigor	Países	Tipo de acuerdo	Cooperación Técnica	Transferencia Tecnológica	I+D + Innovación	Patentes y Propiedad Intelectual
10/01/2006	Chile - China	TLC	Si	Si	Si	Si
07/01/2007	Pakistán - China	TLC & AIE	Si	No	No	Si
01/10/2008	China - Nueva Zelanda	TLC & AIE	Si	No	Si	Si
01/01/2009	China - Singapur	TLC & AIE	Si	No	No	No
01/03/2010	Peru - China	TLC	Si	Si	Si	SI
01/08/2011	Costa Rica - China	TLC	Si	Si	Si	Si
01/07/2014	Islandia - China	TLC & AIE	Si	Si	Si	Si
01/07/2014	Suiza - China	TLC & AIE	Si	Si	Si	Si
20/12/2015	Australia - China	TLC & AIE	Si	Si	Si	Si
20/12/2015	China - República de Corea	TLC & AIE	Si	Si	Si	Si

Source: Compiled by the author.

Table 1 shows that the inclusion of technology transfer-related content has become widespread in agreements signed since 2010. All agreements signed after that date explicitly include all four of these aspects, as does the agreement with Chile even though it predates this point.

The Impact on Innovation

One legitimate question in this regard is whether clauses that do not form part of the hard core of trade negotiations but are nonetheless present in most modern agreements have had any type of concrete impact in signatory countries. To this end, the research team carried out an exercise similar to that of Martínez-Zarzoso (2016), who began by identifying those trade agreements that included environmental provisions before studying whether these provisions then had any impact on environmental policies and pollution levels within signatory countries. However, we came up against an additional difficulty: it is not easy to objectively measure either a country's technological evolution or its performance in the area of innovation.

The traditional literature uses different indicators to this end, which range from the number of patents filed to the number of international publications by the country's researchers, or even the percentage of firms that have their own website.

As an initial approximation, we here explore two traditional indicators from the innovation literature. First, the level of expenditure on research and development in relation to GDP; and second, the evolution of exports of high-technology products as a percentage of exports of manufactured products. Although these are classic indicators, they still pose some difficulties. For example, the classification of exports with technology content underestimates the incorporation of technology in the primary sector and innovation in the use of new seeds or precision agriculture.[3] In contrast, it may overestimate the technological content of high-technology products when these are fractions of a value chain that are not innovation-intensive phases.

In the first case, we wondered whether the strengthening of ties with China has functioned as an incentive or disincentive for a country to invest in innovation. It is evident that innovation policy decisions do not depend exclusively on the "agreement with China effect," or even on the entire set of trade agreements that each country has signed, but is rather the result of a variety of factors, such as productive specialization or education policies. A larger sample and the gravity model used by Baghdadi et al. (2013) will allow us to move forward as part of a second stage in which we intend to isolate the effect of agreements.[4]

Table 2. Evolution of Research and Development Expenditure (% of GDP) Following the Signing of Free Trade Agreements with China

	Año previo al acuerdo	Última información*	Diferencia
Chile	0.3	0.4	0.1
Perú	0.2	s/d	s/d
Costa Rica	0.5	0.6	0.1
Australia	2.2	s/d	s/d
República de Corea	4.3	4.3	0.0
Nueva Zelanda	1.2	1.2	0.0
Singapur	2.6	2.2	-0.4
Pakistán	0.4	0.3	-0.1
Islandia	1.9	1.9	0.0
Suiza	3.0	s/d	s/d

Fuente: elaboración propia en base a datos del BID y el Banco Mundial.

*Nota. En caso de no tener información en el inmediato anterior al acuerdo utilizamos el valor más cercano disponible, siempre dentro de los dos años de tolerancia.

*Note. When there was no information available on the period immediately preceding the agreement, we used the closest available value, always within a two-year period.

Source: Compiled by the author using data from the IDB and the World Bank.

Table 2 shows the values of expenditure on research and development in the year preceding each country signing an agreement with China, the latest available information on this, and the difference between the two periods. At first glance, agreements with China do not appear to have constituted a strong incentive for countries to pursue innovation. None of the countries for which data is available for after 2014 show significant variations in this

indicator in comparison with their performance before signing the agreement. The difference for Singapore (the greatest in the sample in absolute terms) between 2008 and 2014 was just -0.5% of GDP.

At this stage, however, we cannot draw decisive conclusions as to whether greater differences will be observed later in the process of formalizing and estimating the model. For example, the share of R&D is a net result of increases, which could be related to activities that are related to trade with China, and decreases, which could derive from other factors.

There may also be an implementation problem and countries may not yet have taken maximum advantage of the technological cooperation opportunities that these agreements bring them, a hypothesis which is worth exploring in the future. If implementation difficulties are proven to exist, it will be key to provide incentives for public–private partnerships in this area so that these generate appropriate instruments for technology transfer between countries at the sectoral level on the basis of the text of the agreement.

The second indicator we used in this preliminary examination was exports of high-technology products as a percentage of exports of manufactured products. Table 3 shows the variation for the ten countries between the year before signing the agreement and the present.

Table 3. Evolution of Exports of High-Technology Products as a Percentage of Exports of Manufactured Products.

	Año previo al acuerdo	Última información*	Diferencia
Chile	6.6	5.9	-0.7
Perú	6.6	4.7	-1.9
Costa Rica	40.0	36,9	-3.1
Australia	13.6	13.5	-0.1
Nueva Zelanda	9.1	9.6	0.5
República de Corea	19.9	19.9	0.0
Singapur	49.4	47.2	-2.2
Pakistán	1.4	1.4	0.0
Suiza	26.5	26.8	0.3
Islandia	15.5	19.9	4.4
PROMEDIO	**18.86**	**18.58**	**-0.28**

*Nota. Datos para 2015 para todos los países salvo para Pakistán, Singapur y República de Corea donde usamos 2014. Fuente: elaboración propia en base a datos del BID y el Banco Mundial.

This second indicator reveals more diverse impacts. Iceland's exports of high-technology products increased by more than 4 percentage points after signing the agreement with China, while New Zealand's grew by 0.5 percentage points. The reverse was true for other countries, such as Costa Rica, Singapore, Peru, and Chile. On average, there was a drop of 0.28 percentage points among the countries in the sample—in other words, an insignificant difference after compensating progress in some countries with setbacks in others.*Note. Data for 2015 for all countries except Pakistan, Singapore, and the Republic of Korea, for which we used 2014 data. Source: Compiled by the author using data from the IDB and the World Bank.

The Need to Measure the Impact of Innovation

How can countries take advantage of the opportunities that trade agreements offer in relation to technology transfer? In what particular circumstances have clauses on innovation brought about good results? How far have the mechanisms foreseen in trade agreements contributed to closing the technology gap between signatory countries?

It is not our aim here to provide exhaustive answers to these questions. Instead, we simply wish to point to the need to seek these out and provide a sense of where our work on these issues is heading.

This initial exploratory text attempts to take a first step toward measuring the impact of trade agreements on the innovation performance of signatory countries.

Our current research also breaks countries down into groups, as technology transfer between developed countries will certainly differ from that resulting from agreements between countries with different levels of development. It also contemplates the need to bear lags in mind when measuring the impact of these agreements on innovation. We will also look at differences in the impacts of trade agreements that include specific mechanisms to foster technology transfer, technical cooperation, and research and development, and will contrast these with agreements that do not include such clauses.

In future research, we will extend these preliminary results to cover more agreements, countries, and innovation indicators (especially patents and exports with different levels of technology content), so as to obtain a broad overview of the impact that trade agreements could have on technological development.

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[1] We are not suggesting any particular causal relationship between these indicators at this point. In the next stage of the project, we will use a gravity model that will seek to explain the determinants of progress or setbacks in innovation indicators estimated using panel data techniques, in line with Martínez-Zarzoso (2016). The instrumental variables (selected lagging indicators) will also serve to attempt to isolate the impact of agreements.

[2]For an analysis of the different five-year plans, see Moneta (2016).

[3] During the second phase of this research project, we will attempt to build innovation indicators that also take these factors into account as they are singularly important for Latin America.

[4] As mentioned above, in this study, we only intend to present a few preliminary ideas from the exploratory phase of the research project.

The Challenge of Closing the Infrastructure Gap

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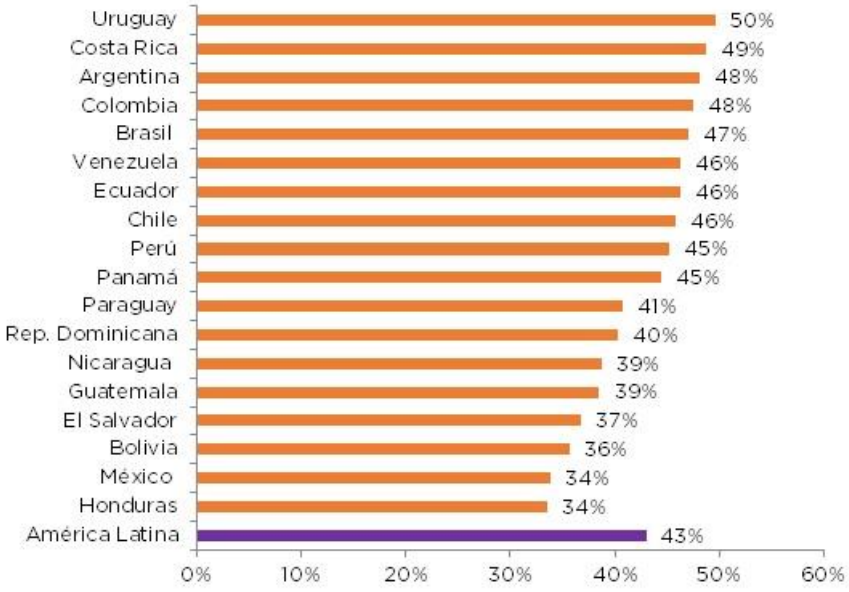
The infrastructure gap is one of the biggest obstacles to Latin America increasing its productivity. The region invests just 3% of its gross domestic product (GDP) in areas that are fundamental for efficiency and external competitiveness, such as transportation, energy, and communications. This is half as much as OECD countries invest.

Logistics costs represent 8% of the final product for a European SME, while in Latin America these could amount to 40% or more. For perishable products, each additional day of delay reduces exports by 7%.

Are Latin Americans aware of the role that infrastructure plays in economic development? Some 43% of the population acknowledges it to be an important issue. This awareness is highest in Uruguay (50%), Costa Rica (49%), and Argentina (48%).

The Importance of Infrastructure for Development

1. *Which of the following topics play the biggest role in development in your country? Answers for transportation, water, energy, and sanitation infrastructure.*

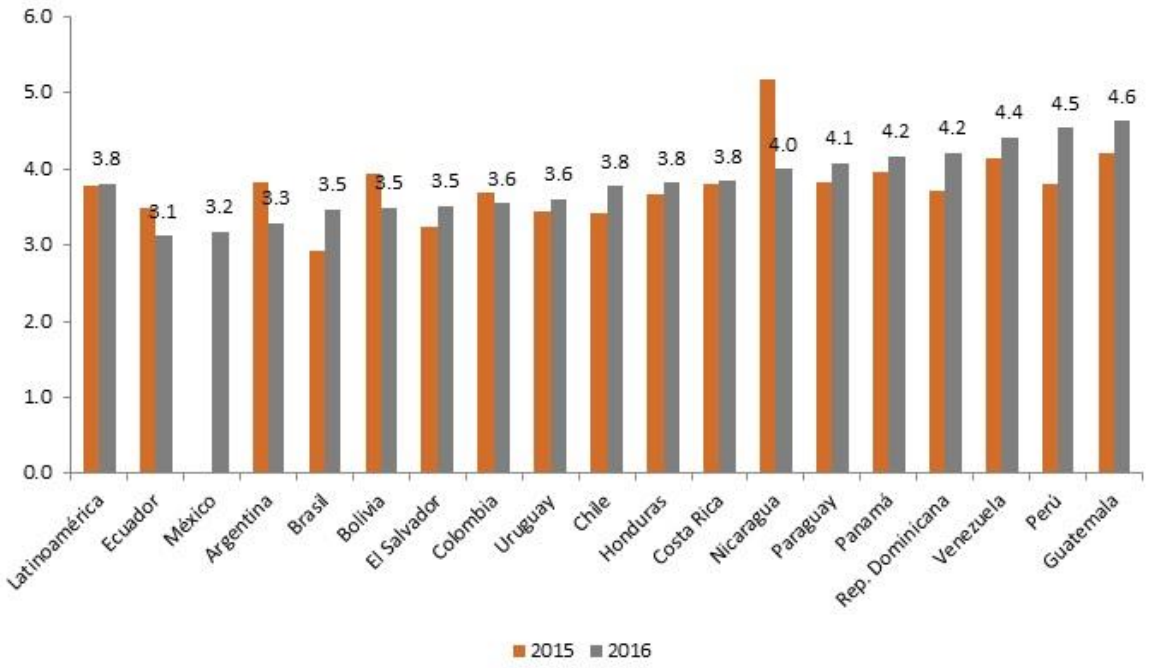


Source: INTAL based on Latinobarómetro 2016 data.

Acknowledging the importance of a problem does not necessarily imply a willingness to take on the cost of tackling it. Willingness to pay to improve infrastructure in Latin America remains low. The regional average of 3.8 points on a scale of 1 to 10 has not changed since 2015. With an average of 2.9, Brazil was the country that showed least willingness to do so, while Nicaragua, with 5.2, was the most willing.

Willingness to Pay Higher Taxes and/or Take on Debt to Finance Infrastructure

1. *On a scale of 1 to 10, where 1 is "not at all willing" and 10 is "totally willing," how willing are you to pay higher taxes or for your country to take on debt to finance infrastructure works that will facilitate integration?*



Source: INTAL based on Latinobarómetro 2016 data. *Note: no data for Mexico 2015.

Limited willingness to pay for infrastructure does not imply that people do not acknowledge the importance of infrastructure for development. Other factors could also explain it, such as a deteriorating social situation or the belief that "someone else" (usually the state) should pay for infrastructure without this implying higher taxes in the present or the future.

COSIPLAN-IIRSA. El estado de la infraestructura de integración

Carreteras, ferrovías, puertos, aeropuertos, son redes de conexión por las cuales transitan, comercian, y se comunican los más de 400 millones de suramericanos entre sí y con las economías del exterior. La infraestructura se ha convertido en una herramienta clave para el desarrollo y, principalmente, para la integración y cooperación regional, uno de los objetivos primordiales del Consejo Suramericano de Infraestructura y Planeamiento (COSIPLAN), que tiene al Instituto para la Integración de América y el Caribe (INTAL) como secretaría técnica.

La Cartera de Proyectos del COSIPLAN actualmente incluye 593 proyectos de transporte, energía y comunicación con una inversión estimada de US$ 182.436 millones, distribuidos en todo el territorio Sudamericano.

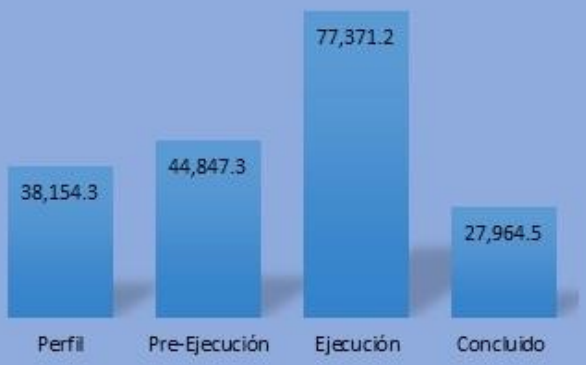
El 17% de los proyectos y el 12% de la inversión estimada de toda la cartera, están conformados por la Agenda de Proyectos Prioritarios de Integración (API). Esta Agenda ubica a la infraestructura como herramienta principal de la planificación territorial de América del Sur. Son 31 proyectos estructurados, compuestos por 103 proyectos individuales, los que buscan consolidar redes de conectividad física con alcance regional con el propósito de potenciar sinergias existentes y solucionar las deficiencias de la infraestructura implantada.

Un criterio de selección para estar dentro de API es ser prioridad de gobierno y contar con compromiso de realización, razón por la cual, del total de proyectos estructurados, el 31% se encuentran en ejecución, 26% en pre-ejecución, 22% concluidos y solo 21% en perfil.

Asimismo, del total de proyectos individuales, la mayor cantidad son del sub-sector carretero, fluvial y ferroviario, demostrando así que las obras de transporte encabezan la lista de prioridades.

Gráfico a.
Estado de la cartera de Proyectos

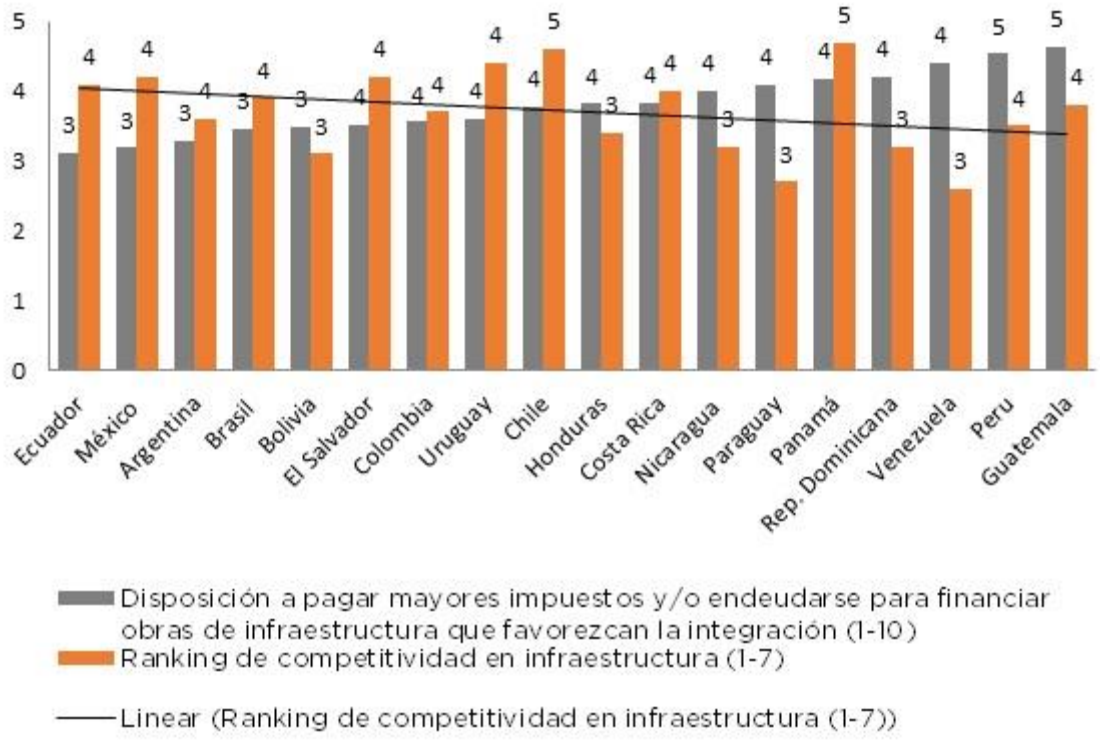
Gráfico b.
Inversión estimada según estado
En millones de US$



Infrastructure for Competitiveness

The dialogue between subjective and objective data proposed in The DNA of Integration allows us to compare willingness to pay for infrastructure with different variables. One of these is the World Bank Competitiveness Ranking, which shows a negative correlation of -0.35. In other words, the least competitive countries are the most willing to pay for improving competitiveness-related infrastructure. This result is significant as the least competitive countries are those that are demanding more infrastructure and are also more willing to make the necessary effort to obtain this. Countries such as Chile and Panama, where infrastructure is a fundamental part of the economy due to the openness of their markets, are exceptions to this rule, in that inhabitants are highly willing to pay for improvements even though they already have high-quality infrastructure. If these two countries are taken out of the equation, the negative correlation among the remaining 16 goes from -0.35 to -0.52.

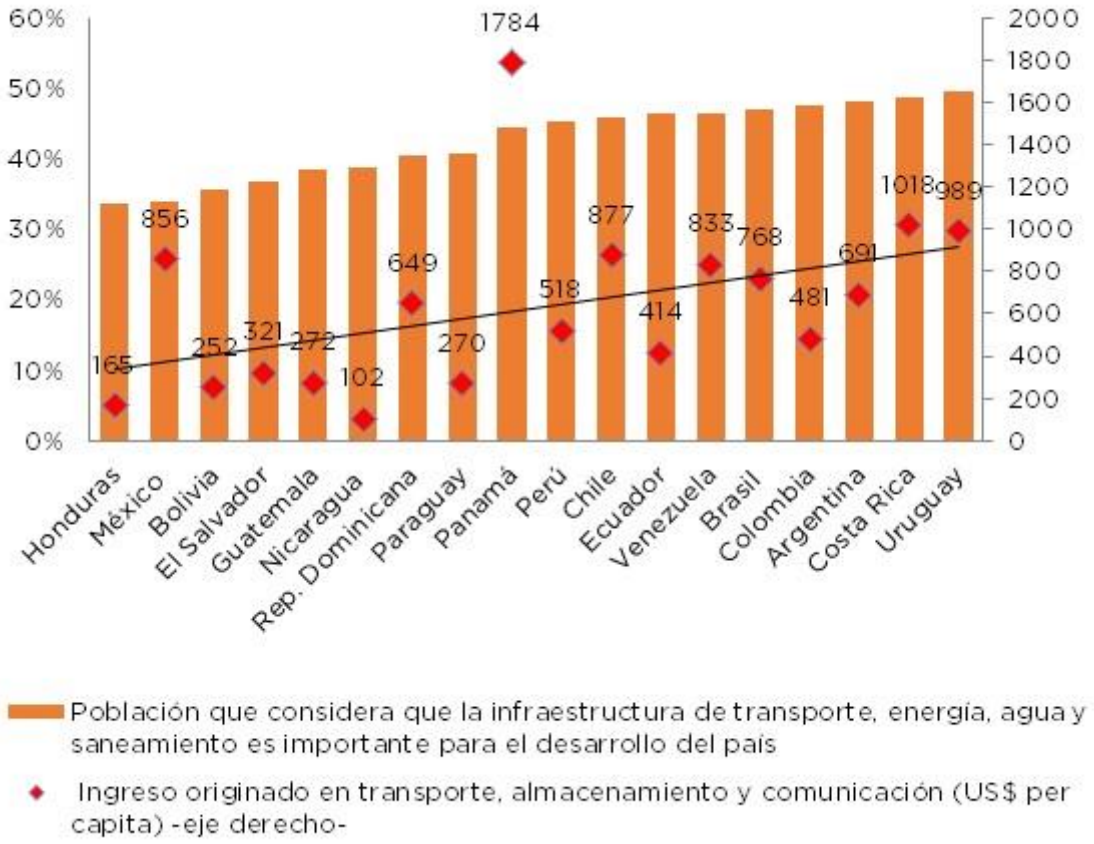
Willingness to Pay Higher Taxes and/or Take on Debt to Finance Infrastructure and Competitiveness Ranking



Source: INTAL based on Latinobarómetro 2016 data.

In addition to improving external competitiveness, transportation and communications infrastructure is a major source of revenue for national economies. A comparison of the importance people place on infrastructure with the revenue this brings per inhabitant reveals a positive correlation of 0.49.

Perception of the Importance of Infrastructure and Its Contribution to the Economic Sector



Source: INTAL based on Latinobarómetro 2016 data.

Countries that place greater importance on infrastructure also tend to receive higher revenues from the sector in question. This is the case in Uruguay, where 50% of the population said they acknowledge the importance of infrastructure for development and where the development sector reports receiving almost US$1,000 per inhabitant. At the other extreme, Honduras is the country that places the least importance on infrastructure and is where development revenue per inhabitant is as low as US$165.

In other words, internal and external factors converge to determine the importance people place on infrastructure and their willingness to pay to improve this.

(Extract from the Technical Note The DNA of Regional Integration)

International Conference: The Role of Institutions in Development

- Inspiring Activities
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The Law and Development Institute and Austral University cohosted the 7th Annual Law and Development Conference with the Institute for the Integration of Latin America and the Caribbean (INTAL), part of the Inter-American Development Bank's Integration and Trade Sector. The event took place on October 21 and 22, 2016, at Austral University's Buenos Aires campus.

The conference has long been held in the United States and northern Europe but was the first scientific gathering on law and development to be held in Latin America. It brought together high-profile academics and experts from North and South America, Africa, Asia, and Europe to examine the relationship between the forms and effects of law and development. Trade, integration, international law, the evolution of multilateralism, the environment, rule of law, and corruption were some of the topics that were examined in depth at the event, presentations from which are now available online.

This article looks at just three of the many issues that were discussed at the conference. These relate to crucial aspects of integration processes and the international trading system.

Regional Integration: The Voice of Latin Americans

In his opening speech, INTAL director Gustavo Beliz drew attention to how wide swathes of the global population are becoming increasingly interested in integration processes. In South America, the drive to negotiate integration agreements has been growing, and the main focus of this is progress toward a MERCOSUR–European Union agreement and the rapprochement between the MERCOSUR and the Pacific Alliance. These processes have been supported by positive shifts in public opinion on integration processes. A recent publication, "The DNA of Integration," fruit of a strategic alliance between INTAL and Latinobarómetro, reveals interesting aspects of Latin Americans' opinions on these issues.

This initiative cross-references subjective and objective variables on integration processes, and the first point that Mr. Beliz drew attention to was the importance of focusing on the current state of globalization processes, particularly within Latin America and the Caribbean. The publication's methodology captures public perceptions and shifts in public opinion on these issues. In other words, it constructs a measuring instrument (a "barometer") that generates a flow of information that helps understand not only how societies perceive integration processes but also what sort of integration they are demanding. The latter is particularly useful for policymakers.

One specific piece of data that this study has revealed is particularly striking. Against the growing tide of public opinion in various countries that points to dissatisfaction with integration processes and where there is pressure

for more protectionist policies, 89% of respondents in Latin America said that they were in favor of integration. More specifically, 77% of Latin Americans support economic integration, while 60% support political integration.

In other words, the region is clearly in favor of such processes, although these aggregate positive results for the entire region bring together much more varied country-specific results. Notably, those that are more in favor of moving forward with integration processes have signed fewer trade agreements, which points to a certain unsatisfied demand that governments need to channel appropriately. One related result shows that opinion on foreign direct investment is essentially positive: 71% of Latin Americans say that foreign capital is beneficial for local economies, while only 15% believe it to be harmful.

Of course, these opinions do not reflect every aspect of what are, by their very nature, highly complex processes. One interesting example of this arose when respondents were asked about the initiatives needed to improve physical connectivity in the region. Although they agreed on the existence of shortcomings, their average willingness to pay taxes or take on credit to improve this aspect of integration was just 3.8 on a scale of 1 to 10. In other words, people see integration as a desirable goal but they are not particularly inclined to face up to the costs this implies, such as paying to expand infrastructure.

One surprising result is related to the benefits of integration that people perceive: 4 out of every 10 Latin Americans say that integration has had a positive impact on improving their access to technology. This implies that people value these processes in terms of the concrete benefits they bring, such as access to new technologies that improve their lives. In fact, linking this question with specific aspects of technology revealed that what respondents most valued was technology's potential to improve health and healthcare. For Latin Americans, an interconnected world implies concrete opportunities for improving their quality of life.

It is interesting to note that the study shows that Latin Americans no longer associate integration exclusively with traditional aspects of trade. They are aware that they need to build more intelligent and complex relationships between their countries and the rest of the world and are seeking high-quality integration that contributes to improving their lives.

The Doha Round: The Question of Development

The presentation by Professor Y.S. Lee, director of the Law and Development Institute, analyzed the WTO's Doha Round of negotiations. He began by observing that the main aim of the Doha Round has been to facilitate development. This is a natural result of developing countries' gradual entry into the multilateral trading system. Many of the issues affecting their relations with the rest of the world have become part of an agenda that is seeking to establish new global trade rules. Strictly speaking, the WTO's founding principles include the need to guarantee the participation of developing countries in global trade, including provisions for differential and more favorable treatment, especially for the least developed nations. However, this has also increased the complexity of the negotiation process, so much so that 15 years after the start of the round, an effective

conclusion to the process seems unlikely. As is well known, this standstill has given rise to regional integration initiatives involving developed countries and a handful of developing countries, notably the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP).

However, according to Professor Lee, despite the emphasis on development that has been included as one of the core areas of the disciplines being negotiated at the WTO, there have been serious shortcomings in implementing this focus in practice. One noteworthy example is the number of exceptions that form part of trade in agricultural products, which are often highly relevant to developing countries.

After describing the difficulties of the negotiation process up to now, Professor Lee moved on to describe the main regulatory issues that affect developing countries and that continue to be sources of controversy. These include:

- Issues relating to tariff commitments that include rules that "facilitate development," mainly on the basis of infant industry arguments.
- The possible inclusion of exceptions to the general policy of subsidies for developing countries, within certain income ranges.
- Flexibilities that could be included in relation to the use of antidumping instruments.
- Concessions contained in the Trade-Related Investment Measures (TRIM) Agreement that could be made to developing countries regarding investment-related measures and that could have an impact on trade.
- A potential differentiation in relation to intellectual property regulations, which are contained in the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement, which need to be considered in the context of the development process.
- The establishment of a system of preferences for least developed countries.
- A dispute settlement mechanism that is oriented toward facilitating development.

All these issues point to a certain fragmentation in the system that regulates international trade, which reflects differences between developed and developing countries. It should thus come as no surprise that countless difficulties have arisen in the negotiation process, given that the aim of the multilateral system is to make trade rules as consistent as possible. However, it is clear that the obstacles that arose in the course of the Doha Round mainly affect developing countries. As balances on these issues have not been reached in the multilateral negotiation space, there is probably even less chance of developing countries achieving them in hypothetical regional spaces, given that their individual negotiating power is limited. All in all, the lack of progress in the multilateral arena is one of the major obstacles to the harmonious development of global trade, one that is having a detrimental effect on lower income countries and those with economic structures that are less inclined toward innovation.

Private Standards and International Trade

Moshe Hirsch, professor in international law at the Hebrew University of Jerusalem, addressed an issue that is particularly important for developing countries that export foodstuffs and which is a source of tension in relation to the current rules of the multilateral trading system: the proliferation of private standards. In recent years, international marketing chains that are linked to large supermarkets in developed countries have established their

own standards which affect trade in products such as fresh fruit and vegetables and different meat products. In terms of the obligations that are set out in the multilateral system, particularly in the agreements on sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs), these standards fall into a gray area. This begs the question of what WTO members' obligation are in relation to these private standards.

It is worth noting that these private standards tend to become de facto "industry standards" even though they are not legally binding. This is because those applying them exercise significant purchasing power and thus exert a major influence on trade flows. Although these standards could contribute to filling gaps in regulations, they may also act as nontariff barriers, imposing costs that small and medium-sized firms in developing countries, above all, are incapable of complying with for financial or technical reasons.

At the WTO, some countries have argued that the implementation of private standards functions as a barrier to exports, one that is not necessarily justified by the objectives contained in the SPS Agreement (the protection of human, plant, and animal life and health). This has sparked controversy that has yet to be settled regarding whether these types of standards are covered in the general criteria established by the SPS Agreement. If this were the case, it would imply obligations for the states in which the entity applying the standard operates—specifically, that government would need to ensure that the standard in question was coherent with the SPS Agreement.

Professor Hirsch looked favorably on developing countries, referring to other international legal standards to argue that states must be obliged to do due diligence to avoid private entities that operate within their borders from carrying out actions that may infringe on other states' legal rights. The reasons for governments to take on this obligation (which would seek to guarantee the coherence of the private standard with the SPS Agreement) are connected not only with the fact that the entities applying such standards take on a public-private nature, but also with the general aim of the WTO being to achieve a balance between trade liberalization and other objectives. These include the development of all member states.

These were just some of the topics covered at the conference, which was an excellent arena for debate on fundamental issues that must be tackled if the legal system is to become an effective driver for economic development.

[1] TRIM: *Trade-related investment measures.*

[2] TRIPS: *Trade-related aspects of intellectual property rights.*

The Hundred Projects to Enhance the Agua Negra Binational Tunnel

- Inspiring Activities
- n243

South America is daring to dream of more profound forms of integration with a focus on human development. The Agua Negra Binational Tunnel PTI is an example of how an infrastructure project can improve the quality of people's lives when it is complemented by a planning process that focuses on the territory in question and its economic, social, and environmental dynamics. This binational program is the result of work by Argentina and Chile to integrate their borders through infrastructure.

The efforts made by both countries, especially the governments of San Juan and La Rioja provinces in Argentina and Coquimbo in Chile, have proven that infrastructure can provide concrete answers for local inhabitants and the region's population as a whole.

This PTI is a set of plans, programs, and projects (PPPs) and related actions and activities (AAs) that complement the tunnel itself and play a major part in expanding the region's development potential. These PPPs aim to leverage the positive outcomes of constructing the tunnel and to mitigate or reduce factors that prevent people from fully taking advantage of these benefits.

The Agua Negra tunnel is a massive project that poses significant technical, institutional, and financial challenges for Argentina and Chile. When work begins, it will be essential to fine-tune coordination between the construction of the tunnel itself and the implementation of the PTI (in other words, planning the development of the area around the tunnel). This is an ongoing project that will not finish when the tunnel is officially opened, but instead entails long-term coordination-related challenges for the two countries.

LAW AND DEVELOPMENT

- *Connecting Voices*
- *n243*

2016 Law and Development Conference: From the global south perspectives

2016 Law and Development Conference – Interview – Mariana Mota Prado

2016 Law and Development Conference – Interview – Steve Lee

Bolivia Garners Support to Become Full MERCOSUR Member

- *America*
- *Integration in Motion*
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- *Regional Panorama*

Legislators from all parties with parliamentary representation in Uruguay's Chamber of Deputies voted (link in Spanish) in favor of the Plurinational State of Bolivia becoming part of the MERCOSUR and acquiring a voice and a vote within it. This decision is expected to be ratified by the country's senate before the end of 2016.

*The bloc's member countries—**Argentina, Brazil, Paraguay, Uruguay, and Venezuela**—have all passed the motion for Bolivia to become a full member, with the exception of Brazil, where it has not even come before the lower house.*

*The vice president of the **MERCOSUR** parliament pointed out that although **Bolivia** is a small country, "it has the continent's largest reserves of iron and lithium." He added that it would be a positive step for it to join the regional bloc because "the best way to fight integration is with greater integration."*

Bolivia** formalized its accession as an associate country at the 9th Meeting of the **Southern Common Market** Summit in Fortaleza, Brazil, in December 1996, after signing the **MERCOSUR-Bolivia Economic Complementarity Agreement.

*Since negotiations began to include **Bolivia** fully in the bloc in 2007, its trade with the **MERCOSUR** has grown at a cumulative annual average rate of 16.8%.*

Inspiring Activities

Basic Roads and Quality of Rural Life

- Inspiring Activities
- n243

Chile's Ministry of Public Works (MOP) held the course in Santiago between October 11 and 20, 2016, with the support of the COSIPLAN Technical Coordination Committee, which is made up of the IDB, CAF, and FONPLATA. The course was attended by 31 officials from government organizations in Chile, Colombia, Costa Rica, Honduras, Paraguay, and Uruguay.

The MOP began to focus on road surfaces and basic roads in 2003 with a program to improve the conditions of unpaved roads throughout Chile. It implemented its Infrastructure Program for Indigenous Communities in Rural Areas in the regions of Bio Bio, Araucanía, Los Ríos, and Los Lagos at the same time.

Given the social impact these initiatives have had over the years, the two were merged in 2014 to create the Fifteen Thousand Kilometers of Basic Road Surfaces Program, which aims to build that amount of new road surfaces by 2018.

Over the more than 13 years in which different programs have been implemented under the umbrella concept of road surfaces and basic roads, there has been a focus on five core areas: (i) instituting a specific mind-set for low-traffic roads; (ii) the use of materials and techniques that are appropriate to the context of these types of roads; (iii) the impact on production levels in the area; (iv) improvements to the quality of life of direct users of these roads; and (v) the active involvement of direct and indirect users.

These experiences have been shared at many technical forums both within Chile and abroad, sparking interest among authorities from different Latin American countries. This process unfolded at a time when trade in goods was growing due to new free-trade agreements, which led to a significant increase in vehicle traffic along rural roads and to demands from inhabitants of these areas for road infrastructure that will boost their development and improve their quality of life.

A Training Initiative That Promotes Horizontal Cooperation

The methodology used on the course consisted of presentations that included visual materials followed by questions and comments from participants. It also involved technical visits to the Valparaíso region to give participants a sense of the facilities and equipment needed to maintain and develop surfacing solutions for low-traffic roads. They visited the National Highway Laboratory to learn how it operates and is a source of support and provides testing and innovation in these areas.

The course finished with a teamwork exercise in which participants from each country identified possibilities, opportunities, and potential problems in relation to developing a similar program to Chile's, as well as evaluating the contents and experiences presented during the course.

Some 26 presenters from the MOP took part, including Sergio Galilea, Chile's undersecretary of public works, who gave a masterclass on basic roads in Chile and presided over the closing ceremony. Representing the IDB was integration infrastructure and transportation specialist Patricio Mansilla, who gave a presentation entitled "The IDB and Road Infrastructure in Latin America."

The main conclusions reached during this first course included the need to request institutional support to implement full or partial scholarships for other government officials from the region to take part in future sessions of the course; carrying out another course in 2017; creating a permanent professional network for technical exchange by sharing experiences and progress toward generating basic road surfacing programs; and identifying officials in different countries who are interested in taking part and possible sources of financial and technical support to set up and develop road laboratories. Support for the course came from three main organizations: Chile's National Highway Department, in the form of staff, equipment, and facilities; INTAL, through financing that the COSIPLAN CCT provided to hire consultants and coordinators and to cover other logistical issues; and the Chilean International Cooperation Agency, which funded two scholarships for participants from Paraguay as part of the Bioceanic Corridors Program.

Ceremonia de clausura, curso taller Latinoamericano Caminos Básicos

China Breathes Fresh Life into Its Relations with Latin America

- *America*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

The president of the People's Republic of China, Xi Jinping, visited ***Ecuador, Peru, and Chile*** *during the last week of November 2016.*

Mr. Xi also signed trade agreements during his Latin American tour, at the end of which China's Ministry of Foreign Relations published its Document on Chinese Policy toward Latin America and the Caribbean (link in Spanish). China is the taking steps towards reframing its interest in Latin America and the Caribbean by publishing this road map that sets out a new model (link in Spanish) for relations with the region.

The document is a declaration of ***China****'s intentions as to what its relations with* ***Latin America and the Caribbean*** *will be like from here on. It places placing particular emphasis on economic issues, but also on creating a space for discussing overarching issues such as political, cultural, or legal cooperation.*

Among other issues, China has indicated that it will promote trade in specialized goods and products with Latin America and bolster investment in infrastructure in response to demands from Latin American countries that it divert its attention from commodities and sign new free trade agreements.

What ***China*** *is offering, after this initial stage of intense rapprochement, is a move beyond commodity-focused trade and investment. Latin America would be able to pursue diversification and overcome its current asymmetries by forging a new form of complementarity. A study carried out by INTAL/IDB on China–LAC relations argues that converging Latin America's demand for infrastructure with the Chinese financing and Chinese companies' desire for internationalization would provide an ideal framework for changing the pattern in the relationship between the two parties by helping Latin America to take significant strides forward.*

It is hoped that coordination between ***China and Latin America*** *and the Caribbean on international affairs will increase within the framework of the UN and other organizations, especially in the struggle against climate change and in support of the implementation of the Paris Agreement.*

CARICOM Agrees on a Common Regulatory System for the Healthcare Sector

- *Caribbean*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

The endorsement was announced at the 43rd Meeting of the Council for Trade and Economic Development (COTED) which was held on November 17 and 18, 2016, in Georgetown, Guyana.

The CRS was first tabled at COTED, which has a mandate to approve standards and technical regulatory systems, which in this case pertain to market access for medicines. Under Article 67 of the Revised Treaty of Chaguaramas, COTED is responsible for establishing standardization programs that are consistent with this both treaty and the international obligations of member states. The standardization program includes the harmonization of standards and technical regulations.

The endorsement of the program was one of two decisions made on health-related matters prior to the Trade Meeting. Given the potential economic and development consequences of noncommunicable diseases (NCDs), the ministers also discussed intersectoral collaboration to fight these in the region. They agreed to collaborate with the Council for Human and Social Development (COHSOD) to establish a regional multisectoral task force to promote and monitor the process of implementing the priorities established by the CARICOM heads of government.

At their regular meeting in July 2016 in Georgetown, Guyana, the heads of government focused on the issue of NCDs and agreed to adopt a more holistic approach to the matter.

FTA Negotiations with Korea Continue

- *Central America and Mexico*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

*During his visit to Nicaragua in November 2016, the Minister of **Trade**, Industry, and Energy of the **Republic of Korea**, Joo Hyung Hwan, announced (link in Spanish) that negotiations for the free trade agreement (FTA) between his country and the republics of Central America had come to a close.*

The rapprochement between Korea and Central America began in mid-2015 and the third round of negotiations between the parties took place in March 2016 in California.

*During this meeting, the tables on **market access, rules of origin, public procurement, intellectual property, services and investment, cooperation**, institutional affairs held sessions (link in Spanish). The different countries' heads of **negotiation** also discussed pending **trade defense** issues.*

*The **public procurement** group agreed on a list of institutions and the minimum economic amounts to which the obligations of this chapter would apply.*

*The **intellectual property** chapter was agreed upon in its entirety. This contains provisions on brands, **patents**, industrial designs and other issues related to the enforcement of intellectual property rights. Provisions on technology transfer and cooperation were also agreed on.*

*With regard to the texts on **services and investment**, negotiators agreed on the chapter on the temporary entry of **business** people, which seeks to facilitate the movement of executives, specialists, and investors between the party states in accordance with their legal codes.*

*The chapter on **financial services** contains nondiscrimination obligations that seek to favor trade and **investment** while respecting countries' absolute freedom to impose measures of prudential oversight and to protect themselves during **economic** crises.*

*In matters of **e-commerce**, it was guaranteed that producers of software, videogames, applications, and computer programs would not be discriminated against in **Korea** nor would their competitiveness be affected by the levying of tariffs on the products they sell digitally or via a physical medium, such as a DVD or USB.*

*The **investment** chapter aims to generate trust among investors by establishing clear, detailed, transparent procedures.*

*Negotiators agreed on a **rules of origin** text that was in line with national interests and focused on trade facilitation. The specific rules of origin that were agreed upon were adjusted to the current state of production in Central America.*

*Finally, in the chapter on **cooperation**, **negotiations** concluded with a text that gives the parties flexibility to work on their initiatives individually or as a group. A series of priority areas for promoting long- and short-term projects were agreed upon and the **Cooperation Committee** was authorized to discuss and include further areas in the future.*

*Three annexes were also developed: one on **cooperation** for small and medium-sized enterprises; one to promote improving the business climate; and another for cooperation on audiovisual services and audiovisual coproductions.*

Brazil and Portugal Work toward a MERCOSUR–European Union Agreement

- *Integration in Motion*
- *n243*
- *Regional Panorama*
- *Southern Cone*

On the occasion of the 12th Brazil–Portugal Summit (link in Portuguese), the leaders of the two countries met in Brasilia on November 1, 2016, to follow up on certain aspects of the bilateral agenda. Brazil was represented by its president, Michel Temer, and Portugal by its prime minister, Antonio Costa. One of the main topics they discussed was the state of the ongoing negotiations to reach an Association Agreement between the Southern Common Market (MERCOSUR) and the European Union (link in Spanish).

The two leaders expressed (link in Portuguese) their commitment to "continuing to promote the agreement and contributing to overcoming the difficulties in the negotiation process with a view to concluding an ambitious, complete, and balanced agreement that allows parties to deepen cooperation, streamline their production structures, and breathe new life into flows of ***trade****, investment, and service providers between the two blocs."*

The two officials also discussed trade and investment promotion; science, technology, and innovation; matters of regional and multilateral interests; and the promotion of the Portuguese language.

The day before the event, Mr. Temer met with Portugal's head of state, Marcelo Rebelo de Sousa, and the two exchanged opinions on the economy and the reforms that need to be tackled if the two countries are to return to a path of ***economic growth****.*

Mr. Temer explained the main measures his government had adopted and mentioned Proposed Constitutional Amendment No. 241 (link in Spanish), which establishes measures on public spending, the social security system, and a privatization program that is already underway.

The economic and political relationship between Brazil and Portugal is significant: the volume of bilateral trade reached US$1.6 billion in 2015 and nearly 600 Portuguese companies or companies with Portuguese capital currently operate in Brazil.

Brazil Files WTO Complaint against the United States over Steel

- *Integration in Motion*
- *n243*
- *Regional Panorama*
- *Southern Cone*

*Brazil has filed a complaint with the World **Trade** Organization (WTO) over countervailing duties imposed by the United States on Brazilian steel products. On November 11, 2016, Brazil alleged that the measures taken by the US are inconsistent with a number of procedural and substantive provisions under the Agreement on Subsidies and Countervailing Measures (SCM Agreement) and with Article VI of the General Agreement on Tariffs and Trade (GATT) of 1994.*

US authorities, however, argue that Brazil's subsidies to the steel sector are illegal. They also claim that various companies have breached US steel market antidumping laws and so they have decided to impose duties on products from several countries, including Brazil.

Problems in the global steel sector are prompting governments to increase their use of trade remedy measures to protect domestic producers. In April 2016, the WTO expressed its concern over this, specifying that in 2015, 41 new anti-dumping investigations had been triggered in relation to steel imports, compared to 23 in 2012 and 2013.

Argentina and the United States Begin Economic Dialogue

- *Integration in Motion*
- *n243*
- *Regional Panorama*
- *Southern Cone*

During the first meeting of the Council on Trade and Investment with the United States, Argentina's foreign minister, Susana Malcorra; minister of production, Francisco Cabrera; and trade secretary, Miguel Braun, met with the US trade representative, Ambassador Michael Froman.

During this meeting in early November, the four officials discussed matters of interest to both parties, with a special emphasis on trade facilitation. The items on the agenda included Argentina's return to the Generalized System of Preferences (link in Spanish), which it was suspended from in 2012, and access for Argentine products like citrus fruit and meat to the US market.

"The meeting was excellent. We were able to discuss all the items on our agenda and made sure that we were prioritizing all matters related to trade facilitation (...) We have laid all the groundwork to move forward both at the public and private levels," Ms. Malcorra said.

Mr. Cabrera stated that Argentina's work with the US is oriented toward attracting investment that will create jobs. "When you have market access, you have investment, and when there is investment, jobs are created," he explained. He also commented (link in Spanish) that SMEs are another major item on the agenda, as the two countries want to "help [these] grow and take part in global value chains," in line with the work begun in April 2016, when the two countries signed a Memorandum of Understanding (link in Spanish) to promote SMEs.

At the end of the meeting, the two parties stated that the next meeting of the Council on Trade and Investment was planned for 2017 and would be held in Washington.

Uruguay and Korea Foster Private-Sector Relationships

- *Integration in Motion*
- *n243*
- *Regional Panorama*
- *Southern Cone*

Uruguay's minister of foreign affairs, Rodolfo Nin Novoa, made an official visit to the Republic of Korea, where he met with private-sector executives (link in Spanish) to present the trade and investment opportunities that Uruguay is offering.

At his meeting with Young-jun Chang, vice president of Samsung; Sang-real Kim, vice president of Daewoo; and Myoung-jin-Shin, president of the Korea Importers Association, Mr. Nin Novoa outlined his country's strengths as an investment destination, touching on legal security, political and economic stability, how foreign investors are treated, the free repatriation of profits, and Uruguay's free trade zones and free port legal regimes. The Korean executives expressed their interest in Latin America as a whole, with a particular focus on the MERCOSUR countries as possible focal points for investment. They also said that they were keeping a close eye on Uruguay's Infrastructure Plan (link in Spanish), as they are highly interested in submitting tenders for some of these projects, especially in relation to energy, roads, railroads, ports, water treatment, and health services. Myoung-jin-Shin put forward to initiatives for 2017 with the intention of consolidating commercial ties between Korea and Uruguay (link in Spanish), with the Korea Importers Association functioning as a linchpin in this process. He proposed that the Uruguayan ambassador to Korea present Uruguay's export supply to Korean importers and that the latter undertake a trade mission to Uruguay.

Reading Material on Integration

Trade and Integration Monitor 2016

- *n243*
- *Reading Material on Integration*
- *Reviews*

The IDB's Trade and Integration Monitor, written by the IDB's ***Integration and Trade Sector****, analyzes different aspects of the downshift in* ***global trade*** *and the effects this is having on the region. It focuses on the evolution of* ***Latin America and the Caribbean's*** *integration into the* ***global trading system*** *by using the data available from INTrade, the IDB's information system on integration and trade.*

The study explains how deteriorations in the terms of trade and fluctuations in the already weak growth of trade volumes have depressed the value of regional exports and generated deficits in the current account of the balance of payments in most countries. These trends are disaggregated by country, subregion, product, and export destination market, and the study analyzes short- and long-term ***outlooks for regional trade****, taking into account how recent shifts in exchange rates have affected these, along with the structural transformations to* ***trade*** *over the last 20 years.*

Latin America's exports *of goods shrunk at annualized rates of 14.8% in 2015 and 8.5% in the first seven months of 2016. Exports of services contracted for the first time since the financial crisis (-2.5% in 2015).*

Shifting Gear

The 2016 Trade and Integration Monitor points to the presence of challenges both old and new in a region that is increasingly polarized when it comes to tackling these, a situation that urgently needs to be addressed. The intensity and duration of this downturn suggest that the global trading system seems to be entering a new normal characterized by low growth.

In the short term, bilateral trade arrangements are not expected to have a positive effect on intraregional exports, particularly within South America. The publication foresees disincentives to diversification, as intraregional trade is where the share of manufactures in the total is greatest.

"From a long-term perspective, prioritizing policies that promote trade diversification is more urgent than ever."

The authors insist on the need to fast track the international trade negotiations agenda in countries that are still lacking a sufficiently deep, well-articulated network of agreements, where they believe the years ahead will pose

greater challenges than the last two decades have. This is due not only to economic factors but also to a political context that is increasingly skeptical of market openness, particularly in developed countries.

Giordano, Paolo, ed., and Ramos, Alejandro. 2016. Trade and Integration Monitor 2016: Downshifting: Latin America and the Caribbean in the New Normal of Global Trade. Washington: IDB/INTAL IDB.

Mexico and Chile Sign Electronic Certification Agreement

- *Integration in Motion*
- *n243*
- *Regional Panorama*
- *Southern Cone*

Chile's minister of agriculture, Carlos Furche, and Mexico's minister of agriculture, livestock, rural development, fisheries, and food, José Eduardo Calzada, ***signed a trade agreement (link in Spanish)*** *that will allow them to take the necessary steps toward implementing an electronic certification process between the two countries.*

Also present at the meeting were the director of the Agriculture and Livestock Service, Ángel Sartori, and the director of Mexico's National Service Agro-alimentary Public Health, Safety, and Quality (SENASICA), Enrique Sánchez Cruz. The officials analyzed trade in agro-silvo-pastoral products with business people from the sector.

Once it is implemented, the electronic certification procedure (link in Spanish) will help streamline the processes for checking, authenticating, and validating goods. The exporter or producer will request a certificate of origin through the organization's website that will then be sent to them via email, a process that will require all parties to have electronic signatures. ***Customs authorities*** *will verify, in real-time, whether the certificate of origin is valid and up-to-date.*

Chile proposed using the same electronic certificate of origin initiative with China in April 2015. To date, the two countries have held two working meetings to move toward implementing the scheme.

Bolivia and Peru Make Progress Toward the Bi-oceanic Train

- *Andean Group*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

On November 4, 2016, the presidents of Bolivia and Peru (link in Spanish), Evo Morales and Pedro Pablo Kuczynski, signed the Joint Declaration of Sucre (link in Spanish) and 13 trade and cooperation ***agreements*** *to expand bilateral relations between the two countries.*

These agreements cover ***trade****, cultural matters, science, technology, and security, among other issues. The most noteworthy agreement was the memorandum of understanding for the construction of the bi-oceanic train that will link the Atlantic and Pacific coasts and run between Peru and Brazil.*

Bolivia's minister of public works, services, and housing, Milton Claros, stated that the document establishes two lines of action: one which is immediate, to develop the port of Ilo through investment and ***infrastructure****; and another medium-term plan, which focuses on the train itself.*

Although the train's precise route has yet to be defined, it is expected to begin at Puerto de Santos, Brazil, then to enter Bolivia via Puerto Suárez. It will go through the towns of Santa Cruz, Montero, and Bulo Bulo before reaching La Paz and crossing into Peru, where it will finish at the port of Ilo.

President Morales described the project (link in Spanish) as the "Panama Canal for the 21st century," remarking how Brazilian freight currently takes 67 days to reach China via the Panama Canal, but would be able to do so in just 38 once the bi-oceanic train is operational.

Ecuador Signs Trade Agreement with the European Union

- *Andean Group*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

On November 11, 2016, the European Union (EU) trade commissioner, Cecilia Malmström, and the vice president of Ecuador, Jorge Glas, signed Ecuador's accession to the free trade agreement (link in Spanish) between the EU and Colombia and Peru. Ecuador thus became the third member of the Andean Community to be included in the agreement.

The agreement will open up the markets of the two parties to one another, increase the stability and predictability of trade and investment in both directions, and will encourage inclusive, sustainable development. "It's important that the agreement comes into effect soon so exporters, workers and citizens can start reaping the benefits. (…) trade is a key factor for growth and jobs in the EU but also for an economy like Ecuador, which wants to diversify and integrate into global value chains," Ms. Malmström commented.

The agreement will allow Ecuador to benefit from better access for its main exports to the EU (link in Spanish), such as fishery products, cut flowers, coffee, cocoa, fruits, and nuts. The EU's agriculture sector will benefit from increased market access for its products, and there will be gains for other specific products such as cars and machinery.

Bilateral trade in goods between the EU and Ecuador stood at €4.6 billion in 2015: the EU exported €2 billion to Ecuador and imported €2.6 billion. Negotiations for a trade agreement began in January 2009. Ecuador suspended its participation in these talks in July 2009, although Peru and Colombia continued with the process. In May 2013, Ecuador signaled its willingness to resume talks and join the agreement. Negotiations resumed in January 2014 and were concluded on July 17, 2014.

Peru and Colombia Promote the Development of a Common Border

- *Andean Group*
- *Integration in Motion*
- *n243*
- *Regional Panorama*

The second meeting of the Presidency of the Binational Commission for the Peru–Colombia Border Integration Zone (CBZIF) was held (link in Spanish) in mid-November 2016 at Peru's Ministry of Foreign Relations.

Those at the meeting underlined the progress that had been made through initiatives to promote the development and integration of the border area, and the investments that both countries have been making to strengthen social and economic issues. They also listed the initiatives that will be implemented to improve education and healthcare for inhabitants living near the border.

During the meeting, it was announced that the agreement for the creation of the Peru–Colombia Binational Fund had been unanimously passed. This agreement had been signed by the two countries' foreign ministers at the Presidential Meeting and 2nd Peru–Colombia Binational Cabinet Meeting, which took place on October 30, 2015, in Medellín, Colombia.

The Binational Commission for the Peru–Colombia Border Integration Zone (CBZIF), which was created as part of the Agreement for the Implementation of the Border Integration Zone Plan in September 2014, is led by the two countries' ministers of foreign relations and is made up of regional and local authorities from the Department of Loreto (Peru) and the departments of Amazonas and Putumayo (Colombia). The mandate of the CBZIF is to establish guidelines for the border zone development plan and coordinate initiatives and projects within this.

COP22: Emphasis on the Role of Trade in the Fight against Climate Change

- *Integration in Motion*
- *International Scenario*
- *n243*

The latest conference organized by UNCTAD, the World Trade Organization (WTO), and the International Trade Centre (ITC) was held on November 12, 2016, on the occasion of the 22nd Conference of the Parties to the United Nations Framework Convention on ***Climate Change (COP22****). The conference argued that "trade can play an important role in the struggle against climate change and help countries to meet the commitments they have taken on as part of the Paris Agreement, which entered into force on November 4."*

During the event, representatives from all three organizations, the International Fund for Agricultural Development (IFAD), and the negotiators from the United Nations Framework Convention on Climate Change (UNFCCC) discussed how countries can better use ***trade*** *as a means to achieve the 2030 Program for* ***Sustainable Development****. The measures agreed upon at last year's* ***Paris Conference*** *include the need to tackle the socio-economic impact of* ***climate change****, taking the particular needs of developing countries into account.*

In response to this, the three organizations drew attention to the toolbox of trade measures that can help mitigate greenhouse gas emissions. These include:

1. *"reducing costs and deploying key climate technologies quickly to where they will have the biggest impact*
2. *stimulating investment in energy, infrastructure, transport, information technology, and other key sectors of the new climate economy*
3. *fostering the competitive markets that encourage individuals, enterprises, and entire industries to learn from past experience, innovate, and do better."*

Participants agreed to continue working together to help countries explore the role of trade in delivering Nationally Determined Contributions, which countries had submitted to reduce greenhouse gas emissions. The participants also resolved to explore the complementary benefits of trade and climate policies, for example in lowering air pollution.

Integration in Motion

Summit of APEC Forum Leaders

The 24th Asia-Pacific Economic Cooperation Forum (APEC) Economic Leaders' Meeting finished on November 20, 2016, in Peru.

The bloc, which is made up of Peru, Brunei Darussalam, Canada, Chile, the People's Republic of China, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Russia, Singapore, Korea, China Taipei, Thailand, the United States, and Vietnam, represents 54% of global GDP, 50.3% of global exports, and has a market of more than 2.8 billion people or 40% of the global population.

In the 2016 APEC Economic Leaders' Declaration, the 21 APEC leaders expressed their concern over the fact that "globalization and its associated integration processes are increasingly being called into question, contributing to the emergence of protectionist trends."

According to the declaration, the guiding principles for the 21 economies in the bloc will continue to be "trade and investment, regional economic integration, promoting competitive markets, encouraging economic and technical cooperation, and facilitating a favorable and sustainable business environment." The member states will also work to explain these benefits to society better.

The final declaration also addresses specific areas such as increasing use of renewable energy, the economic empowerment of women, the role of SMEs, connectivity, and the fight against terrorism and corruption.

The Domino Effect of the Panama Canal Expansion Project

- *Integration in Motion*
- *n243*
- *The SME Space*

The Panama Canal Expansion project, which was officially opened on June 26, 2016, after nine years of work and an investment of US$5.4 billion, has tripled the canal's capacity. The revenue the canal brings is expected to double and function as a catalyst for regional trade in the long term. According to data from the Maersk Group, even before the expansion project, the Panama Canal was already one of the most important waterways in the world, serving 12,000 vessels per year and connecting 144 maritime routes and 116 countries.

"The expanded Panama Canal will have a positive domino effect on the entire region as it will be a key route for trade between Asia and Europe. Panama has established itself as a logistic hub par excellence and is one of the neuralgic points of global trade," said ***Luis Alberto Moreno****, president of the Inter-American Development Bank (IDB), one of the organizations that has played a part in financing the project and that is also providing support for the modernization of ports in the region (link in Spanish). Mr. Moreno explained that the new volumes of cargo that will travel the canal will multiply throughout the Americas and bring about profound changes in the logistics chain.*

The report from the Maersk Group argues that the Panama Canal Expansion will provide better economies of scale, improved transit times, and lower costs of shipping. It will also alter trade lanes, the greatest benefit of which is expected to be seen on the west coast of Latin America, as the canal is a strategic route for trade with

Europe and Asia. Many ports in the region have already made the necessary investment in infrastructure to handle these changes. This webpage compares the differences in draft, length, and width of the old and new Panama Canal locks.

The Products and Areas That Stand to Benefit the Most

This expansion is the largest-scale work that has been undertaken on the canal since its construction 102 years ago. The 74-kilometer long canal allows ships to pass between the Pacific Ocean and the Caribbean Sea, saving more than 8,000 km from Ecuador to Europe versus traveling round the southern tip of South America, Cape Horn, a route which can only be used five months of the year due to weather conditions.

This means, for example, that Ecuadorian bananas will reach markets in Europe and Asia faster than ever. Fruit, fish, and refrigerated products from all over Latin America require special treatment to stay fresh throughout the trip. The expanded canal, along with evolving technology in temperature-controlled containers offer more attractive conditions for exporters, as they allow them to guarantee the quality of their product and reach new markets.

***José Barbero**, dean of the Institute of Transportation at the National University of San Martín (link in Spanish), Argentina, has observed that exports of liquefied gas from the Gulf of Mexico or Trinidad and Tobago to South America, for example, can now arrive more easily and with lower shipping costs.*

"The Panama Canal Expansion has crystallized a trend that is affecting the global port and shipping system, which is the need for larger container ships to achieve economies of scale," Mr. Barbero said.

With larger ships traveling these lanes, the region's ports need to adapt and build new infrastructure to be able to receive them, including larger locks, deeper drafts, bigger cranes and berths, and new access roads, among other improvements. The American Association of Port Authorities estimates that nearly US$155 billion will be invested to this end in the United States by 2020. The ports of South America are also in a race to expand.

Economic Context

Global trade is at its lowest point in decades, so it will be hard for the region to reap all the benefits of the Panama Canal Expansion until demand picks up again. However, the project has been an incentive for much-needed investment in infrastructure in the Americas: when trade improves, the continent will be ready to handle it.

Following the Panama Canal Expansion, up to 10% of container traffic between Asia and the United States could shift from west coast ports to east coast ports by 2020, according to a recent report from the Boston Consulting Group and the supply chain management firm C.H. Robinson Worldwide Inc.

***Enrique García**, executive president of the Development Bank of Latin America (CAF), argues that the region's high logistics costs will come down. These costs "currently represent between 18% and 35% of product values and [this change] will have a direct impact on foreign trade and bring down the cost of living for the population, especially those who live in remote or more isolated areas."*


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Integrated

- *n243*
- *Trade Thermometer*

The countries of Latin America and the Caribbean are part of a complex, growing network of trade agreements. These agreements vary considerably in terms of the issues and commitments they include and the parties involved. Differences can also be observed in the strategies followed by different countries and blocs in their quests for new agreements, which are the outcomes of varied outlooks and forms of integrating into the global

economy. Looking to the future, we need to leverage trade negotiations to take on the challenges that are part and parcel of a global economy that is organized into transnational value chains

Robots and Industrialization in Developing Countries

- *Impact Assessment*
- *n243*
- *Reading Material on Integration*

Robots and Industrialization in Developing Countries, published as part of the latest United Nations Conference on Trade and Development, examines how growing industrial automation affects jobs in ***developing countries*** *and what strategies can help to overcome this.*

Robots taking over human jobs has been a source of concern for decades, but this has generally centered on developed countries.

The report argues that the ***industrialization*** *processes of countries in Africa and Latin America may be at greater risk of slowing down as the growing use of robots is eroding these countries' traditional labor-cost advantage. Up to two-thirds of these occupations may be at risk.*

UNCTAD warns that labor costs are important determinants in companies' decisions to set up factories or plants in a given country, especially for goods with high labor content. As a result, the "share of occupations that could experience significant automation is actually higher in developing countries than in more advanced ones."

Developing countries in Latin America, such as Mexico, and many in Asia that are primarily engaged in export activities in the automotive, electrical, and electronics industries are more exposed to the use of industrial robots.

Opportunities and Challenges

How can developing countries review and change their industrialization processes? One suggestion is for developed countries to contribute to this by improving their own labor conditions. Greater benefits for workers could stimulate the economy, which would lead to greater demand for goods and an increase in manufacturing opportunities for developing countries.

A more unconventional solution might be introducing more robots. If developing countries combined skilled and low-skilled labor forces made up of both human beings and robots, this could make them more attractive than other countries. Combining the two factors might actually create a better labor force. Adding other automation technologies to the mix, such as 3D printing, may also help countries to maintain a competitive advantage. The report also underlines the importance of countries levying taxes on the use of robots as capital equipment.

Whatever the chosen strategy, the authors argue, it will have to consider the rapid expansion of new automation technologies and artificial intelligence in the form of robots.

Robots and Industrialization in Developing Countries. 2016. Geneva: UNCTAD.

Trade Thermometer

Legal Instruments of Integration (IJI) Observatory

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This month's trends

In October and November 2016, the regional trade policy agenda was overshadowed by expectations around the US presidential elections and the ensuing potential return to protectionist policies. At the regional level, there was greater dynamism within existing agreements and both intra- and extraregional trade agreements. The most noteworthy examples of this include Peru, which began negotiation processes with extraregional partners; Chile, which has continued to expand its trade agreements; Ecuador, which is negotiating alternative tariff schemes with the EU with only a few months to go before the preferences it currently enjoys expire; and Uruguay, which is continuing to broaden the horizons of its negotiations. The Pacific Alliance is still spearheading the region's integration schemes.

360º Panorama

Over the course of the month, progress was made on 26 existing agreements and 11 trade negotiations.

New Negotiations

- *Peru–India: Complementarity between India and Peru means FTA is feasible (link in Spanish)*
- *Peru–Indonesia: APEC: Peru and Indonesia complete study for the negotiation of a trade agreement (link in Spanish)*
- *Uruguay–China Uruguay and China set 2018 for an FTA (link in Spanish)*

Advanced Negotiations

- *Transatlantic Trade and Investment Partnership (TTIP): 15th round of TTIP negotiations concludes although the outlook is uncertain (link in Spanish)*

- *Central America–South Korea: Korea–Central America FTA negotiations continue (link in Spanish)*

- *Colombia–Japan: Japan has what Colombia needs and Colombia has what Japan needs: Shinzo Abe (link in Spanish)*

- *Community of Latin American and Caribbean States (CELAC): CELAC–EU agree to tackle tax evasion (link in Spanish)*

- *Ecuador–El Salvador: Ecuador to sign trade agreements with El Salvador and Honduras (link in Spanish)*

- *MERCOSUR–European Union: EU–MERCOSUR negotiations: "A multifaceted challenge" (link in Spanish)*

Selected news on trade agreements currently in force

- *Pacific Alliance: Pacific Alliance and MERCOSUR, an ideal blueprint for regional integration (link in Spanish),22nd round of Pacific Alliance technical group meetings (link in Spanish), Honduras requests entry to the Pacific Alliance (link in Spanish)*

- *Association of Caribbean States: Cuba chairs preparatory meeting for Caribbean ministers (link in Spanish)*

- *Chile–South Korea: Chile and South Korea launch expansion of their FTA (link in Spanish)*

- *Chile–Hong Kong SAR: Chile and Hong Kong, China, sign supplementary investment agreement (link in Spanish)*

- *Chile–Peru: The Administrative Commission of the Free Trade Agreement between Chile and Peru meet for the first time in six years (link in Spanish)*

- *Peru–People's Republic of China: The ties that bind Chile and China constitute "a strategic relationship," Bachelet says (link in Spanish)*

- *Chile–EU: Chile seeks to deepen trade agreement with European Union (in Spanish)*

- *Colombia–Mexico: Mexico and Colombia sign memoranda of understanding (link in Spanish)*

- *Colombia–Northern Triangle: Colombia increases exports to Guatemala by 16.3% following free trade agreement (link in Spanish)*

- *MERCOSUR–Bolivia Bolivia awaiting approval from Brazil to join MERCOSUR (link in Spanish)*

- *MERCOSUR–SACU: MERCOSUR to negotiate tariff cuts with southern African countries before the end of the year (link in Spanish)*

- *Mexico–European Free Trade Association (EFTA): Mexico and Switzerland sign bilateral agreements (link in Spanish)*

- *Mexico–Brazil ECA 53: Mexico and Brazil hold 5th round of negotiations to expand ECA 53 (link in Spanish)*

- *Mexico–Turkey: Mexico–Turkey trade reached US$884.4 million in 2015 (link in Spanish)*

- *Peru–Korea: South Korea and Peru seek to strengthen business ties at APEC meeting (link in Spanish)*

- *Peru–Japan: Peru and Japan sign bilateral agreement at the Palace of Government (link in Spanish)*

- *Peru–China: China ready to optimize FTA with Peru to leverage benefits (link in Spanish)*

- *Central American Integration System (SICA): Honduras–Guatemala customs union to be fully operational by mid-2017 (link in Spanish), Panama enters Central American customs union (link in Spanish)*

- *North American Free Trade Agreement (NAFTA): Mexican and Canadian presidents to discuss NAFTA strategy (link in Spanish)*

Venezuela–El Salvador A 25 TM 27: Venezuela and El Salvador commit to enhancing economic cooperation (link in Spanish)

Integration Ideas

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Bibliographical News

This weekly alert disseminates information on the highlighted documents recently uploaded in the INTAL Documentation Center Data Base (CDI). It also provides links to open access bulletins and journals in Spanish, Portuguese and English. Click here.

Editorial

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