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WTO: First multilateral trade agreement

The 9th Ministerial Meeting of the World Trade Organization (WTO) was held in Bali, Indonesia, December 3-6, where member countries agreed to a series of measures known as the “Bali Package.”

There are three main reasons why the consensus reached is important in terms of how the multilateral trading system works. First, it is the first multilateral agreement reached within the WTO since its creation in 1995 and after twelve years of negotiation in the Doha Round. Second, since every country has one vote and decisions are taken by consensus, the agreed ground rules provide more equitable conditions for all members, even stipulating special differential treatment for developing countries and least developed countries (LDCs: a category defined by the United Nations). This is in contrast to many regional trade agreements, in which the asymmetries between developed and developing countries are significantly more pronounced. Third, the Bali Package includes commitments on such relevant issues as trade facilitation, food security, cotton, export subsidies and tariff quotas on agricultural imports, and market access for LDC exports.

In any event, the agreement is limited in comparison with the initial objectives of the Doha Development Agenda. It should be remembered that the Round was launched in 2001, and the talks had to be conducted under the “single undertaking” modality: that is to say that no topic would be agreed until there consensus was reached on all the issues under discussion. While it was hoped that the round would end in 2004, the impossibility of achieving agreements on certain key issues gave rise to a succession of postponements, including the suspension of the talks in 2011. That same year, the possibility of an “early harvest” opened up, involving the agreement of measures on specific topics, to take effect immediately without excluding the possibility of continuing work on the full package of issues in the Doha Round. It was against this background that the Bali Package was approved. There follows an outline of its most relevant features.

The Bali Package

Trade Facilitation

While tariffs at the global level have been falling as a result of multilateral and regional commitments, and unilateral decisions, other barriers to trade have gained relevance. These include aspects such as infrastructure problems in transport[1] and slow and/or complex customs procedures that facilitate corruption. The multilateral trade facilitation agreement reached in Bali is key in this sense, because the simplification of customs procedures can help to bring down trade costs through increased speed, efficiency, and transparency in operations, while reducing bureaucracy and corruption. According to WTO estimates,[2] a fall of between 10% and 15% in the costs of trade deriving from progress in trade facilitation would lead to benefits of between US$400 billion and US$1 trillion as a result of its impact on the expansion of trade flows and foreign direct investment. The agreement also includes provisions on goods in transit, which are of great importance for landlocked countries like Bolivia and Paraguay, who export to the rest of the world mostly through neighboring countries.
Similarly, given that many developing countries and LDCs do not have the technical and financial wherewithal to implement trade facilitation commitments, support for capacity building will be provided. In the case of Latin America and the Caribbean (LAC), the Inter-American Development Bank (IDB) has been providing technical and financial assistance to the region’s countries in this area. The Bank conducts activities that cover a broad front: mechanisms to streamline the international transit of goods (TIM), programs to improve border crossing management, including their service infrastructure, promoting improvements in customs administration, training in the application of phytosanitary regulations and controls, and so on. In the case of Central America, there are the activities conducted in the Pacific Corridor and, in South America, IDB’s support for physical integration in the subregion.

It should be noted that the document on trade facilitation approved in Bali is not a final draft, though no substantial changes are foreseen. The revised and corrected draft should be adopted by the WTO General Council no later than July 2014, and will then be submitted for ratification by the member countries, which will have until July 31, 2015 to do so. The new treaty will come into force once it has been ratified by two thirds of WTO members.

Agriculture and food security

The Bali Package includes a variety of commitments relating to agriculture and food security. The decisions are of special relevance for LAC countries given the importance of the agricultural sector in their economies, which in some cases carry considerable weight in world trade.

First, regarding subsidies to agricultural exports, it must be remembered that the 2005 Hong Kong Declaration provided for their elimination by 2013, a goal that has not been met. The Bali Package reaffirmed the commitment of achieve the cancellation of these measures, but has not set a precise date. The countries have stipulated that they will maintain these subsidies and other measures with a similar effect at “significantly lower” levels to the one consolidated before the WTO. However, the failure to set a quantitative limit opens up the possibility of discretionary interpretations. Export subsidies generate distortions in world trade. Given that a large part of the aid is granted by developed countries and is detrimental to exporters from developing countries, it has a negative impact in terms of income distribution at the international level.

Second, it was agreed to establish an interim mechanism and to negotiate an agreement for a permanent solution to public stock programs for food security purposes in developing countries. Until the permanent agreement is adopted, such programs cannot be legally challenged by other WTO members, even when levels of domestic support exceed permissible limits. Aid granted in the context of food security is a sensitive issue because, on the one hand, a country’s ability is at stake to ensure food security for its population while, on the other, it may involve the adoption of measures inconsistent with multilateral rules and having distorting effects that negatively impact other developing countries.

Third, decisions on tariff rate quotas (or tariff quotas) were taken. Some countries feel that quota administration is used as a barrier to trade due to the lack of transparency in their allocation and use, leading to lower imports than the amount allowed. Here, it was agreed to hold consultations and provide information in the event of the underutilization of tariff quotas. In the event of no agreement being reached and continued underutilization, the importing country has to implement some of the quota administration procedures laid out in the agreement, which aims to
enhance transparency in their application. It also provides for special differential treatment for developing countries in quota administration.

Fourth, the commitments (as yet unmet) to move forward in the disciplines on current export subsidies and domestic support distorting the world cotton market were reaffirmed. Implicitly, within the agreement on duty-free, quota-free access for LDCs (see below), it was generally agreed to improve market access for cotton from LCDs. A work program was set forth to examine measures that have a negative impact on their external cotton sales. It also provides for the granting of assistance to develop production in these countries.

**Market access for LDCs**

Bali established certain provisions aimed at improving access for LDCs to other members’ markets. On the one hand, it was decided to provide **duty-free and quota-free (DFQF) access** for LDCs’ exports to developed countries. While many countries already provide this preference, those that do not provide DFQF access for at least 97% of products exported by LDCs “shall endeavor” to increase their coverage, although no specific commitment to do so was established.

An **exemption for services** and **preferential rules of origin** were also agreed, which relax conditions in order to ensure that goods acquire origin from these countries and consequently enjoy the trade preferences granted by the partners.

**Other topics**

Other multilateral issues dealt with in Bali include:

- The incorporation of **Yemen** as the 160th member of the WTO.
- The decision not to submit intellectual property rights (TRIPS) claims in the WTO’s dispute settlement system when these are based on the affectation of interests not based on the violation of the TRIPS Agreement rules.
- The decision not to apply customs duties to **electronic transmissions**.
- The reaffirmation of the commitment to the **Aid for Trade** initiative, designed to provide assistance to developing countries and LDCs.

At the **plurilateral level**, there was the commitment by the signatories of the Government Procurement Agreement to put in place a revised version by no later than March 2014. As this involves just 43 countries, it is not part of the Bali Ministerial Declaration.
Final Thoughts

The Bali agreement represents a step forward for WTO member countries, making it possible to implement commitments that favor trade performance both in the processes of trade facilitation and in other measures relating to LDCs’ agriculture and exports. In any event, many of the decisions only affirmed the will to move forward in trade liberalization without concrete commitments, which leaves significant scope for discretion and may not translate into significant progress.

From a broader perspective, if the long drawn out process of the twelve year Doha Round is set alongside the results achieved in Bali some reflections are in order. First, the recent breakthroughs at the multilateral level are likely to go on living side by side with the development of new regional agreements. As has been explained in previous issues of the INTAL Monthly Newsletter, ambitious initiatives have been set in motion, and there are signs that they will have to be allowed to take their course. Second, the parallel development and coexistence of the multilateral system and regionalism presents challenges for which the WTO must seek new spaces in order to effectively focus and channel its actions. Third, in addition to the pending and familiar subjects of the multilateral system such as agriculture, the workings of global trade are raising new fronts of debate in which, even with its problems and limitations, the WTO remains the best setting to achieve far reaching agreements and commitments.

Bibliography

Related articles


[3] Export subsidies favor increased production in aid receiving countries, which tends to lower world prices of these products and reduce the income of exporters in nonsubsidizing countries. Aid is financed with public resources and by consumers paying higher prices in the internal market in subsidizing countries.
[4] For more on this discussion, see Diaz-Bonilla (2013).
[5] Tariff quotas combine quantitative restrictions (the quota itself) with tariffs: a certain amount of goods can be imported under preferential conditions, while any surplus is subject to higher tariffs.
[6] This system will continue to apply even if the 12th Ministerial Conference of the WTO in 2019 decides not to extend the remaining quota provisions. However, the United States and four LAC countries (Barbados, El Salvador, Guatemala, and Dominican Republic) have reserved the right not to continue applying it after this time period.
[8] While transparency in government procurement was excluded from the Doha Agenda, there are two additional paths in the WTO for the government procurement negotiation: procurement of services, which is regulated by the General Agreement on Trade in Services (GATS) and the Government Procurement Agreement (GPA). This is a plurilateral agreement (signed by 43 members of the WTO) that establishes commitments in terms of transparency, competition, and governance in the procurement of goods, services, and public works by various levels of government in the member countries. The agreement has not been signed by Latin American economies, although Argentina, Chile, Colombia, and Panama are observers. Rozemberg & Gayá (2012).
Central American regional integration highlights of 2013: Panama, Dominican Republic, and the EU agreement

The Central American countries have made progress during 2013 in various aspects of integration, both within the region and in terms of their international insertion, aspects that were highlighted at the 42nd Meeting of Heads of State and Government of the countries of the Central American Integration System (SICA), in Buenaventura, Panama, December 14.

Within the five pillars of the relaunch of integration (democratic security, social integration, economic integration, institutional strengthening, and climate change), the greatest breakthroughs have been, on one hand, in regional integration. Panama’s incorporation in the Central American Economic Integration Subsystem (SIECA) is seen as one of the most important steps in the Isthmus’s integration; while the entry into force of the trade pillar of the Association Agreement with the European Union is a reflection the work undertaken in negotiations outside the region. The Meeting of Heads of State and Government of SICA members and the President of the European Commission was also held in the framework of the Summit. The leaders pledged to work to promote the entry into force of the pillars of political dialog and cooperation, and agreed to install the Association Council to monitor the agreement’s implementation.

In institutional matters, the priority to strengthen the SICA was reaffirmed, and Dominican Republic became a full member of SICA. This country will take up the System’s Pro Tempore Presidency (PPT) for the first time next semester, starting up the geographical order preestablished in the PPT Regulations. This will be rotated on a six monthly basis, starting with Belize and followed by Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, and Dominican Republic.

SICA’s digital Official Gazette was also approved. This will ensure the publication of its organs’ resolutions and other international legal instruments relating to integration.

Last, the Center for the Promotion of Micro and Small Enterprises in Central America (CENPROMYPE) was instructed to submit a proposal for a Regional Strategy to Develop
Entrepreneurship in Central America and Dominican Republic, as well as implementing the Central America and Dominican Republic EMPRENDE Program. CENPROMYPE seeks to strengthen national entrepreneurship ecosystems and to encourage their interaction through innovation in financial instruments, the positioning of culture, differential approaches, and technological tools.

**Third Central American Customs Union round**

The [third negotiating round toward a customs union in Central America](#) was held November 27. Breakthroughs included the definition of technical regulations that harmonize procedures and so benefit regional trade. There was also progress in Panama’s incorporation in the Central American Economic Integration Subsystem (SIECA) and the implementation of the Association Agreement with the European Union.

More information [here](#).
Strategic Plan for Sustainable Tourism Development in Central America 2014-2018


The document was signed by the Tourism Ministers of Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and Dominican Republic; and is to be monitored by the Tourism Integration Secretariat.

More information here.
Border integration in Central America

The first Meeting of Central American Customs Directors, attended by customs directors and technicians of Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and Panama was held November 27. The event was part of the Regional Border Security Program (SEFRO) run by the General Secretariat of the Central American Integration System (SICA), which seeks to achieve integrated border management. This involves the joint work of national customs authorities and the private sector in facilitating the safe movement of goods and people at lower cost. The Inter-American Development Bank (IDB) has been supporting trade facilitation in the region with investment operations aimed at encouraging the maximum utilization of countries’ international trade platforms, with the aim of ensuring the smooth flow of trade and of providing security for the supply chain, through the implementation of standardized processes and coordinated actions at the border. This is evident from the border integration support operations in Costa Rica-Panama (RG-T2069), support for virtual integration on the El Amatillo border, Support for Comprehensive Border Management (RG-T2261), and programming loans in Costa Rica (CR-L1066), Colombia (CO-L1130), Ecuador (EC-L1066), and Panama (PN-L1090).

More information here.
EU Association Agreement with Guatemala comes into force

The trade pillar of the European Union-Central American Association Agreement (EU-CAAA) came into force for Guatemala, December 1, thus completing the implementation of the agreement in all the Isthmus’s countries. Honduras, Nicaragua, and Panama began to apply it in August this year, while Costa Rica and El Salvador did so in October. According to the European Commission, the entry into force of the EU-CAAA will positively impact the growth of the Central American economy, while stimulating integration between all six countries in the Isthmus. While the agreement’s other two pillars—political dialog and development cooperation—are being ratified, trade pillar will be implemented on a provisional basis, with the agreed preferences.

Related Articles
Memorandum of Understanding on energy cooperation between Colombia and United States

Colombia and United States have signed a memorandum of understanding on energy cooperation. They are to carry out joint activities in, among other areas, technical assistance, information exchange, and technological, regulatory, financial and public policy issues.
Agreement to facilitate Peru-Chile border crossings comes into force

The Framework Agreement for the Implementation of the Integrated Control System, signed by Peru and Chile in 2011, entered into force on December 6. It is hoped that the Agreement will encourage the movement of persons, vehicles, and goods at the Tacna (Peru)-Chacalluta (Chile) border by streamlining and simplifying border formalities.
The recovery of intrazone trade in the first semester of 2013, active efforts for Paraguay’s reinstatement in MERCOSUR, the bloc’s expansion to include new members, and renewed efforts in negotiations with the European Union: these, in brief, are the main aspects highlighted by MERCOSUR Report No. 18, which concentrates on analyzing the evolution of the agreement between July 2012 and the first semester of 2013.

The behavior of the countries’ trade flows, both within MERCOSUR and to third markets, was influenced by the macroeconomic context and the policies applied. Against an international backdrop of weak recovery, characterized by the stagnation of world trade and weakening commodity prices, the MERCOSUR economies slowed in 2012, but would record positive growth in 2013, though with significant differences between them. In Argentina and Brazil, activity in 2013 grew at a slightly higher rate than the previous year, whereas Paraguay recorded a significant acceleration after a bumper soybean harvest, the agricultural sector being predominant in its productive structure. Uruguay’s growth rate was slightly below that of 2012, and Venezuela closed the year with low expansion.

At the global level, one must begin with the slowing of developing countries’ external sales since 2012. This contrasts with the previous two year period, when growth rates in trade in this group of countries stood at around 25% per annum. MERCOSUR countries are not exempt from this phenomenon. The bloc’s total exports in 2012 were down 2.6% due to lower prices and volumes. With the exception of Uruguay, unfavorable weather conditions hit agroexports, the commercial cornerstone of MERCOSUR’s founder countries. These factors were decisive in extrazone markets, which absorb 85% of exports, and where primary commodities and natural resource based manufactured goods account for over 70% of sales. Asia is now MERCOSUR’s main extraregional trading partner, and China has consolidated its place as the destination for the export of natural resources and as a supplier of manufactured goods.
A unique feature of 2012 was the decline of intrazone trade—higher than that of extrazone destinations—which was affected by the decrease in flows between Argentina and Brazil. The lower levels of internal trade translated the slowdown in economic activity in MERCOSUR and also restrictive business practices aimed at easing the pressures on the external front. This decrease in internal flows had not occurred since the recession of the international crisis in 2009. However, the picture that emerges at the end of 2013 is rather different to the one observed in the previous year. The data indicate that Argentina and Uruguay have increased their total exports, and Paraguay’s expansion was particularly conspicuous. Brazil and Venezuela recorded falling external sales, though, in Brazil’s case, the contraction was only slight. In terms of intrazone trade, there was a recovery in the first semester of the year, a result that highlights the active trade of the automotive industry, which is responsible for over a third of total internal trade.

The bloc’s internal management has been marked since 2012 by governments’ attention to Paraguay’s suspension and mechanisms for its reinstatement. The incorporation of Venezuela and the implementation of the common regulations was another important aspect. Also, at the Brasilia summit late in 2012, the bloc moved forward in a Partnership Agreement with Guyana and Suriname, and adopted the Accession Protocol of the Plurinational State of Bolivia; its legislative ratification by each of the parties still remains before it comes into force.

MERCOSUR’s horizontal expansion with the incorporation of Bolivia and Venezuela extended and diversified the bloc’s energy matrix. MERCOSUR exhibits significant energy trade flows, especially gas and electrical power. The countries that have recently joined the bloc (Venezuela), or are in the process of accession (Bolivia), or may eventually join (Ecuador), have an energy surplus. The two landlocked countries, Paraguay and Bolivia, have surplus of electricity and gas, energy products with a limited transport capacity, and their sale to Argentina and Brazil is a highly significant item in their trade. Thus, everything would seem to indicate that the energy strategy will take up more and more room on the bloc’s agenda.

In terms of sectoral trade negotiations, the automotive industry occupied a prominent place, especially in the dialog between Argentina and Brazil. The automotive industry represents 45% of bilateral trade. From the very beginning of MERCOSUR, flows in this sector have been cause for close monitoring, and subject to different regulatory instruments. In mid 2013, a new phase opened with the expiry of the “flex” quota setting tool. In the absence of a new commitment before June 2014, the countries will regain the authority to set their own trade policies.

Elsewhere, Brazil launched a stimulus package for the automotive industry—the “Innova-Auto” Plan—in order to rationalize the sector. The Plan has ramifications for the regionally integrated automotive industry and seeks to strengthen the development of a global export platform based in the bloc’s largest partner. In the same sector, Argentina and Brazil have been reviewing their Automotive Agreement with Mexico over the past few months. On the other hand, Uruguay has expressed its desire to diversify its markets in order to take advantage of the potential of small countries, and also aspires to gain a share in trade in this sector primarily through the provision of auto parts.

The bloc’s external agenda focused on negotiations with the European Union (EU) and on closer ties with the Pacific Alliance (PA). It was decided, at the ministerial meeting in Santiago de Chile in January 2013, that the EU and MERCOSUR would begin their respective internal preparatory work to design the offers to be exchanged by the last quarter of 2013 at the latest. The discussions are ongoing, and there seems to be renewed interest. However, any forecast demands caution, given that the prolonged dialog between the two blocs has taken a cyclic path that has reached no
agreement. The current situation is different, and the prospect of new regional partnerships with other blocs invites a new strategic approach toward the possibility of an EU-MERCOSUR agreement. MERCOSUR has also requested admission as an observer member of the PA. While the PA has not yet taken a decision over MERCOSUR's admission as a bloc, Paraguay and Uruguay have been accepted on an individual basis. The PA four partners, it should be remembered, all have partial scope agreements with MERCOSUR. Both integration agreements are regionally significant. With a population of 197 million people, the PA countries account for 31% of Latin America’s GDP; MERCOSUR, on the other hand, has a population of 281 million and the bloc’s GDP accounts for 56% of Latin America’s GDP. In trade terms, MERCOSUR has a 2.4% share of world exports, but the PA is not far behind, with 2.2%.

80% of MERCOSUR imports originating in the PA are manufactured goods, due mainly to the importance of Mexican automotive imports, while MERCOSUR manufacturing exports to the PA are below 60%, and food products also loom large.

*MERCOSUR Report No. 18* is available [here](#) in Spanish.
MERCOSUR: bilateral progress in physical integration

The last month has seen several bilateral meetings between MERCOSUR authorities, to discuss issues relating to physical and energy integration. Of particular note were the meetings between the Foreign Ministers of Argentina-Bolivia and Paraguay-Bolivia, the Paraguayan Foreign Minister and the Brazilian Secretary General for Foreign Affairs, and the 1st Binational Meeting of Ministers and 1st Meeting of Governors of the Common Border between Argentina and Paraguay. Among the progress in physical integration highlighted by these last two countries’ authorities is the agreement to move forward with the binational technical study for the Construction of the Eldorado-Mayor Otano Bridge, funded with nonrefundable technical cooperation from IDB.
FOCEM: urban sanitation on Brazil-Uruguay border

The MERCOSUR Structural Convergence Fund (FOCEM) is to finance an urban sanitation project on the border between Brazil and Uruguay, which will be the first binational program of this nature in Latin America. The FOCEM’s contributions will be nonrefundable and are estimated at US$5.7 million, while US$1.9 million will be provided by state owned enterprises in both countries.
Uruguay launches foreign trade one stop with IDB support

Uruguay has launched the Foreign Trade One Stop Shop (VUCE), a mechanism that centralizes and unifies the information and documentation required for the export, import, and transit of goods. The objective of the VUCE is to reduce foreign trade costs by simplifying and speeding up the procedures needed to carry out operations. Uruguay enjoyed technical and financial support of the Inter-American Development Bank (IDB) in order to develop the VUCE.
The South American countries have once again affirmed the importance they attach to the regional physical integration process with a view to achieving sustainable connectivity among their territories. This is the main result of the Fourth Ministerial Meeting of the South American Infrastructure and Planning Council (COSIPLAN) of the Union of South American Nations (UNASUR) in Santiago de Chile, Chile, November 29. The annual meeting, which has been held since 2010, was attended by delegations of the twelve South American countries and was chaired by the Chilean Minister for Public Works in the exercise of the COSIPLAN Pro Tempore Presidency.

The ministers deliberations followed the guidelines issued by the Seventh Regular Meeting of UNASUR Heads of State and Government, held in Paramaribo, Suriname, August 30, which highlighted the strengthening of physical infrastructure and connectivity among Member States as one of the pillars of UNASUR’s long term strategic vision, and emphasized the need to move forward in the financing of infrastructure projects and fiber optic interconnection.

The Declaration of the Fourth Meeting of the COSIPLAN contains four aspects worth highlighting:

- First, it consolidates the countries’ willingness to play a greater part in coordinating specific issues within the Work Plan. The responsibility for coordinating issues and initiatives is thus distributed among the countries, encouraging the proactive participation of national technical teams, while promoting horizontal cooperation and the exchange of experiences.

- Second, it reinforces the need to explore new sources of funding for preinvestment studies on infrastructure integration projects and considers expanding funding through the participation of national and regional public financial institutions. Along these lines, the ministers expressed their desire to promote the concerted participation of UNASUR Member States in the next IDB Governors Meeting, to be held in Salvador de Bahía, Brazil, in March 2014.
Third, it emphasizes the importance of continued efforts to move forward in the study of South American Integration Connectivity Network on the basis of what was agreed last August by the Communications Ministers.[3]

Last, it emphasizes the interest in adopting a follow up mechanism for actions prioritized in the Strategic Action Plan 2012-2022 (PAE), establishing a baseline that will make it possible to record progress over time and make any necessary adjustments.

The ministers’ meeting approved the Work Plan 2014, which reflects priority actions for the coming year, including a strong momentum to move forward on topics related to transportation and logistics with the aim of progressing toward a systemic view of infrastructure and identifying actions at the regional level.

Another important part of the Santiago meeting was devoted to reviewing the work carried out by the Council during 2013. A series of documents were approved summarizing the results of and progress in priority PAE actions for the current year.

In the framework of IIRSA,[4] the COSIPLAN’s Technical Forum, results were presented in three work areas and compiled in the COSIPLAN-IIRSA Activities Report 2013, approved by the ministers:

- COSIPLAN projects (Project Portfolio and Integration Priority Project Agenda (API), and Monitoring and Information System);
- Methodologies and Planning Tools;
- Sectoral Integration Processes.

Actions undertaken by the countries in the framework of the COSIPLAN Working Groups on Financing Mechanisms and Guarantees, Rail Integration, and Telecommunications were also analyzed.

COSIPLAN-IIRSA’s progress over 2013

A. COSIPLAN projects

The meeting approved the COSIPLAN Project Portfolio Report 2013, which analyzes, among other topics, the current status and progress of projects over 2012 and 2013. The Portfolio is composed of 583 infrastructure integration projects in the sectors of transport (the largest), energy, and communications, organized into 48 project groups and nine Integration and Development Hubs, with an estimated investment of US$157.7305 billion. Its main source of funding is the public sector (74.5% of the total), although there is also a substantial contribution from the private sector (12.5%) and public/private partnerships (13%).[5] Border crossing projects have special significance, as they play a key role in facilitating integration and regional trade, even when they
are more intensive in development and intra- and interinstitutional cooperation than in infrastructure investments.

Regarding the projects’ development stage (or lifecycle), 172 projects with an investment estimated at just below half of the Portfolio’s total value are at the implementation stage; 162 are at the profile stage (12.5% of the Portfolio); 164 at the preimplementation stage (29.5%); and 85 are complete (10.3% of the Portfolio). It is worth mentioning the relatively slow progress of the Portfolio: 74.1% of the projects have been at the profile stage since 2010, and 30% of these, since 2004.

The meeting also approved the Integration Priority Project Agenda (API) Report 2013, which, on the one hand, reports on the progress made over the current year in methodologies and technology tools in order to record and analyze the status of API projects, and, on the other hand, provides a general overview of the projects’ progress. The API consists of 101 individual strategic and high-impact projects for physical integration and regional socioeconomic development, grouped into 31 interdependent projects, with an investment estimated at US$16,7138 billion (10.6% of the COSIPLAN Project Portfolio’s total investment). Most API projects are in the transport sector (89.5% of the total), and a smaller proportion in the energy sector. 72.2% of the API’s estimated investment is funded by the public sector. The private sector through various contractual commitments (16.4%) and public-private partnerships (11.4%) complete the picture.

Where lifecycles are concerned, 28% of API projects have made some degree of progress over the last two years in terms of progress between stages and substages. 59% of projects classified as being at the profile stage and almost 54% of those at the preexecution stage have been at these stages for several years, which could compromise their timetable for completion, unless short term action is taken. According to current estimates, almost 80% of API projects should be completed within the 2022 horizon established by the PAE, and most of these will be completed between 2013 and 2018 (68%).

The length of time of projects at the same stage of the cycle, both in the Portfolio and the API, is food for thought about the possible causes. There are three key dimensions for interpreting these results, which, if addressed, could help to speed up the implementation of regional projects for the integration infrastructure agenda:

1. Moving forward in actions to perfect high quality feasibility studies and improve the degree of project preparation, thus making them more attractive to sources of financing for investment.
2. Exploring new sources of funding and financing modalities for the carrying out of preinvestment studies and the implementation of the projects, by streamlining each project’s transition through the phases of the lifecycle.
3. Deepening coordination between the areas of governmental decision making, particularly among the countries’ planning and treasury/economy portfolios in order to overcome the obstacles to reaching agreement over the prioritization decisions and budgetary allocation for the projects’ implementation.
B. Methodologies and planning tools

With the objective of deepening and enriching the process of sustainable infrastructure planning in South America, the PAE envisages the development of various methodologies and planning tools. In 2013, work was carried out to develop, refine, and implement the following:

i. **Strategic Environmental and Social Evaluation (EASE) Methodology**: the application of the methodology to the Laguna Merín and Lagoa dos Patos Multimodal Transport project (Uruguay-Brazil) and the Pehuencche Program (Argentina) was completed, and there was a meeting of the Executive Technical Group (GTE)[6] to present the applications’ results;

ii. **Territorial Integration Programs (PTIs)**: work was carried out to define the general guidelines for developing these programs, culminating in the approval of the document “PTI: Conceptual Guidelines for its Formulation” by the National Coordinators at the XXII Meeting;

iii. **South American Infrastructure Risk and Disaster Management Methodology**: a methodology proposal was developed and submitted to the countries at the GTE meeting;

iv. **Geographic Information System and Mapping**: progress was made in the system’s development and implementation in a series of GTE meetings on the basis of the basic technical guidelines approved at the III Meeting of COSIPLAN Ministers[9] and assistance from the UNASUR Common Initiatives Fund to continue its implementation next year; and

v. **COSIPLAN Project Information System**: the information on the COSIPLAN Project Portfolio was consolidated into a single system with three components: the COSIPLAN Project Database, the API’s Structured Project Database, and the API’s Permanent Monitoring System (SMP).

C. Sectoral Integration Processes

Sectoral Integration Processes are designed to identify regulatory and institutional obstacles that stand in the way of the development of integration infrastructure in the region, and to propose actions to overcome them. In 2013, the COSIPLAN moved forward on two main fronts:

i. **Facilitation and Modernization of Border Crossings**: the institutions of IIRSA’s Technical Coordination Committee (CST)—IDB, CAF, and FONPLATA—continued to provide support to countries and pairs of countries for the development and maintenance of border crossings, and border integration projects, through national programs or at specific crossings. Work was also carried out on a proposal for Standards and Indicators of Border Crossing Management in South America, which was presented at a GTE meeting;

ii. **Trade integration through Postal Services**: this encourages the participation of micro, small, and medium sized enterprises in the international market through the implementation of an export and import system using the postal logistics platform. The countries that have
implemented the Exporta Fácil project (Brazil, Colombia, Ecuador, Peru, and Uruguay) have introduced adjustments and improvements to the system. The implementation of a monitoring visit of the Exporta Fácil project to Colombia has aided dialog with the Government and helped to raise the awareness of the institutions involved as to their own strategic importance. Last, a study was conducted on best practices in postal import customs processes and presented at a meeting of the GTE.[12]

The activities described here show that 2013 was a year of intense efforts from the COSIPLAN. There were two ministerial meetings, four work plan coordination meetings, and eighteen technical meetings, which produced two publications and seven technical documents. At the IV COSIPLAN Ministers Meeting, officials emphasized the value of the work done and ratified their willingness to continue with the efforts toward effective territorial connectivity in the framework of UNASUR’s commitment to South American physical integration, as demonstrated by the approval of concrete actions and the Work Plan 2014’s calendar of activities. In 2014, one of the main challenges will be to improve the Council’s role in making the financing of projects in its portfolio more effective, especially those that belong to the API, thus contributing to the sustainable economic and social development of the region.
Related articles


[2] The coordination of the Work Plan’s topics was distributed as follows: Argentina: Geographic Information System (GIS), COSIPLAN Webpage, and Border Crossings, in conjunction with Chile; Brazil: Financing Mechanisms and Guarantees, Ports, and Air Integration; Chile: Risk and Disaster Management in Infrastructure, and Border Crossings, in conjunction with Argentina; Ecuador: Integrated Planning, in conjunction with Venezuela; Paraguay: Telecommunications; Peru: Freight and Logistics; and Venezuela: Integrated Planning, in conjunction with Ecuador.
[12] Presented at the GTE meeting on Trade Integration through Postal Services (September 27, 2013, Santiago de Chile). See the IIRSA webpage: http://www.iirsa.org/Event/Detail?id=225.
Regional And Global Overview
The second round of trade negotiations between the European Union and the United States over the Transatlantic Trade and Investment Partnership (TTIP) was held in Brussels, Belgium, November 11-15. The talks centered on investment, services, and regulatory issues. Regulation is one of the main challenges while seeking to make the two parties’ regulatory systems more compatible. The European Commission paper, “The Regulatory Part of TTIP,” highlights, among other things, the major benefits of coordinating regulations and how these can affect trade through barriers, costs, or unnecessary duplication.

The first round was held in Washington D.C., in July, and the next is scheduled for December, again in Washington D.C.

Related articles

- IDB-INTAL. “Mega-agreement negotiations: how will they influence Latin America?,” INTAL Monthly Newsletter No. 204, August 2013.
INT organizes regional workshop on trade statistics

The Integration and Trade Sector (INT) and its Institute for the Integration of Latin America and the Caribbean (INTAL) organized in the city of San Jose, Costa Rica, on November 19-21, 2013, a workshop on “Methodologies for recording statistics on trade flows in Central America and Mexico, with emphasis on special trade regimes”.

The workshop is part of INT’s program of technical cooperation and knowledge management, and efforts to continuously update its Information System on Trade and Integration (INTradeBID). In this sense, it served two main purposes:

- Promote the exchange of experiences and cooperation between the specialized statistical agencies of participating countries with the aim of achieving statistical harmonization in the region.
- Improve the quality of the information contained in DATAINTAL by improving awareness on the methodological approaches applied by each country in recording trade figures, particularly the flows associated with special trade regimes.

During the workshop, participants were presented with the tools made available through INTradeBID, discussed the mechanisms and procedures used to process statistical information, as well as the preliminary findings of a study on the methodologies applied by individual countries. Of particular importance was the opportunity to exchange knowledge and good practices, as well as to share information on the difficulties in processing statistical information, allowing for a joint discussion of potential solutions.

Participation included government officials from the following countries: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and Dominican Republic. In addition, representatives of the United Nations Division of International Trade Statistics and the International Monetary Fund’s Technical Assistance Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR) collaborated by providing international recommendations on the issue.

As a result of the workshop, a Technical Note on the relevant methodological literature and on how countries implement such methods will be prepared and published. The document will summarize the main issues discussed in the workshop and will serve as a methodological basis for DATAINTAL.

To download the event’s agenda, presentations, and list of participants please visit the following link.
Latin American exports post second straight year of sluggish growth

Latin America’s exports stagnated in 2013, posting a second straight year of sluggish growth. Exports are expected to post growth of just 0.2 percent for the year, for a total value of slightly more than $1 trillion, according to Latin American Trade Trend Estimates 2013, a study published by the Inter-American Development Bank (link).
IJI August-October Update: New trade negotiations, signing of several agreements, and deepening of existing agreements

The 4th quarterly update of the Legal Instruments of Integration (IJI) for this year, covering the period August 1-October 31, includes the signing of five agreements, the start of three trade negotiations, the entry into force of two free trade agreements (FTAs), and the deepening of three existing agreements.

In the last three months, two intrazone agreements have been signed between countries in the region (the Colombia-Panama FTA and the Panama-Trinidad & Tobago partial scope agreement (PSA)) and three with extrazone countries (Chile-Thailand, Colombia-Israel, Honduras-Canada).

Two initiatives that held their first round of negotiations in recent months (Mexico-Panama, El Salvador-Trinidad & Tobago) have been added to “Advanced Negotiations”. The negotiations between Peru and Turkey have also been added, ahead of the start of the negotiations for the coming month.

In the same period, the trade part of the Association Agreement between the EU and Central America for Costa Rica and El Salvador came into force. Guatemala also brought into force the unified FTA between Central America and Mexico.

Existing agreements saw some modifications or renegotiations, such as the Agreement Amending the Chile-Canada FTA, which updates certain chapters and incorporates one on Financial Services; Peru-Thailand, the negotiations concluded to make the existing protocols a full-blown FTA; and Panama-Chile agreed to review their FTA with the aim of broadening and deepening the framework of collaboration, investment, financial services, and government procurement.

There were other interesting developments in the following agreements:
### Economic Integration Update

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### Physical Integration Update

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### Cooperation Agency Update

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For more details, go to [Legal Instruments of Integration](#).
Outsource2LAC shapes up as the foremost outsourcing and offshoring event in Latin America and the Caribbean

The third annual Latin American and Caribbean Outsourcing and Offshoring Forum, Outsource2LAC, brought together representatives of leading global services industries in the region with potential clients from Asia, Europe, and North America (link).
Other IDB Activities
Ninety-six percent of banks in Latin America and Caribbean view small and medium enterprises as important clients

An annual survey of banks in Latin America and the Caribbean regarding the small and medium enterprise (SME) sector shows overwhelming interest in SMEs as banking clients. Ninety-six percent of the 100 banks interviewed in 21 countries in Latin America and the Caribbean consider SMEs to be a strategic part of their business, and 92 percent have a dedicated financing policy for SMEs in place (link).
IDB opens doors to inventors with “Demand Solutions” event

Over two days, the headquarters of the Inter-American Development Bank (IDB) in Washington became a meeting point for inventors, entrepreneurs, and other innovators interested in finding new ways to improve the quality of life in Latin America and the Caribbean.
Costa Rica to improve road and port infrastructure with IDB support

Costa Rica is to modernize its road and port infrastructure, thus improving the transfer of persons and goods, and strengthening regional trade and integration, with a US$400 million loan from the Inter-American Development Bank (IDB) and a US$50 million loan from the for China Co-financing Fund for Latin America and the Caribbean.

This work from the Organization for Economic Cooperation and Development (OECD) aims to show the barriers that stand in the way of and the factors that drive the internationalization of small and medium enterprises (SMEs). In addition, based on studies mainly carried out in developed countries, the document suggests improvements in public policy design in this area.

The report argues that the main barriers limiting the external insertion of SMEs are the shortage of working capital to finance exports and the lack of management skills, including time, knowledge, and international contacts. This limits their ability to identify business opportunities, analyze foreign markets, and contact potential customers. In other words, SMEs face serious information barriers.

The report identifies opportunities for growth, profitability, and economies of scale as the main motivations for the internationalization of SMEs, as opposed to dependence on smaller, more limited domestic markets. It highlights the existence of a virtuous circle between knowledge and internationalization: management capacity can boost internationalization, which can in turn trigger effects on knowledge and innovation, such as investment in research and development, improved products, and so on. The work also assesses the studies’ methodological approaches as large-scale quantitative surveys, qualitative case studies, and so on.

The OECD’s recommendations focus on programs designed jointly with potential beneficiaries in public-private partnerships. The work invites policy makers to ask themselves whether these programs really do have the appropriate measures to address the barriers identified (in line with international best practices) and whether SMEs are sufficiently well informed about the existence of these programs.

While a minimum recommendation is for agencies driving these programs to display them transparently over the Internet, it is widely acknowledged not to be good enough. The potential availability of information does not mean that SMEs will appropriate it. It should therefore be made available creative channels of dissemination.
This work can be a useful guide for policy makers in designing and implementing support policies for SMEs in order to enhance their effectiveness. From a Latin American viewpoint, it is interesting to have a diagnosis from the OECD which finds that, on the one hand, many of the problems faced by SMEs are common to developed and developing countries; on the other hand, while the limited size of domestic markets is seen as a possible motivation for SMEs to internationalize, the macroeconomic environment is not seen as a barrier in the countries under investigation. This is a significant difference with Latin America, where the swings in economic activity have historically been a negative factor for the internationalization of small enterprises.

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

Autor: Fontagné, Lionel; Gourdon, Julien; Jean, Sébastien
Título: Transatlantic Trade: Whither Partnership, Which Economic Consequences?
Otros responsables: Centre d'Etudes Prospectives et d'Information Internationales, CEPII
Edición: París: CEPII, September 2013 [12 p.]
Temas: ACUERDOS COMERCIALES BILATERALES, POLITICA ARANCELARIA, INVERSIONES, IMPORTACIONES
Geográficos: ESTADOS UNIDOS, EUROS PA

Resumen: The Transatlantic Trade and Investment Partnership (TTIP) is much more than another preferential trade agreement project: it aims to link the world's two biggest economic entities. The initiative seems motivated by the stalemate in multilateral negotiations, the competition between trade agreements, and the willingness of the two partners to retain their leading positions in world trade, or at least to limit their loss of influence...

Accesos al documento: 332.135 / FON-TRA / 2013
Documento Electrónico texto completo. Si no pudo acceder haga click aquí.

Autor: Elms, Deborah K.; Low, Patrick
Título: Global Value Chains in a Changing World
Edición: WTO; Fung Global Institute; Temasek Foundation, November 2013 [436 p.]
ISBN: 978-92-870-3882-1
Temas: <COMERCIO INTERNACIONAL> <INTEGRACION PRODUCTIVA> <CADENAS DE VALOR> <PRODUCTIVIDAD>

Resumen: The global value chain phenomenon promotes integration on multiple levels. Today’s international production systems confound traditional ways of looking at investment, production, finance, information systems and technology. These can no longer be seen as separate, meriting distinct attention and discrete policy treatment. The international fragmentation of production has generated the opposite of fragmentation - a complex networked system of production and consumption with innumerable moving, interactive parts...

Nota de contenido:
Foreword and Introduction
Part I: Changing features of global value chains
Part II: Why and how we measure trade in value-added terms
Part III: Some issues for supply chain managers
Part IV: Plugging into supply chains designing policy for a changing world

Accesos al documento:
314.74 / ELM-VAL / 2013
Documento Electrónico
Texto completo. Sino pudo acceder haga click aquí.

Título: Documents
Reunión: Regional Dialogue on Promoting Services Development and Trade in Latin America and the Caribbean (LAC) [11 al 13 de noviembre de 2013 :Santiago de Chile]
Organizadores: United Nations Conference on Trade and Development, UNCTAD; Comisión Económica para América Latina y el Caribe, CEPAL; Sistema Económico Latinoamericano y del Caribe, SELA; Universidad de Chile
Edición: Geneve: UNCTAD, November 2013 [p.v.]
Temas: <COMERCIO DE SERVICIOS> <DESARROLLO ECONOMICO> <POLITICA COMERCIAL> <DESARROLLO SOSTENIBLE>
Geográficos: <AMERICA LATINA> <CARIBE>

Resumen: This Dialogue aims to bring together stakeholders from different countries and regions within LAC and various development partners and donors to (i) exchange views on the topic of promoting services sector development and trade-led growth, and (ii) identify elements of a LAC agenda relating to policy-making and trade negotiations in services. Participants will: a) share information about emerging trends and challenges that the region is confronting with regard to development and trade promotion of services; b) share national and regional experiences in connection with capacity building and trade in services, identifying best practices in the region; c) share findings and lessons learnt from on-going projects aimed at creating capacity and trade in services in the region and d) identify areas of interest and priority for the region for research and capacity building activities to promote services sector development and services trade. The specific issues that this Regional Dialogue will cover include: achieving sustainable development and job creation through the services sector; designing strategies for services sector development at the national level; tackling the challenges of policy formulation and implementation; enhancing stakeholders involvement in services policy making and negotiations; the landscape of services trade and cooperation initiatives for increased services trade in LAC; an agenda for services development and trade in the LAC region; partnerships to promote the services supply and export capacity.
Nota de contenido:

- Agenda
- Developing a Trade Policy Framework for Jamaica: Exploiting Trade Opportunities for the Achievement of Sustainable and Inclusive Development
- Evaluación de los servicios y el comercio de servicios en los países andinos. Volumen I (2008)
- Evaluación de los servicios y el comercio de servicios en los países andinos. Volumen II (2008)
- Services Policy Reviews
- UNCTAD's work on the services economy

Accesos al documento:
HS FOROS-UNCTAD 20131111
Documento Electrónico
texto completo.
This Monthly Newsletter follows the alphabetical order of the contents of the Spanish version. It is published electronically and can be freely accessed at the IDB-INTAL homepage.

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