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Analysis Column

Global export services

Over the last decade, world trade in global services, usually called "offshoring," has shown great dynamism driven by technological innovations allowing the remote provision of services, as well as by companies' internationalization strategies.
While these services have, at present, great relevance for many of the world's economies, including several Latin American ones, knowledge about global services, the opportunities they provide, and the challenges they pose to nonspecialized audiences is limited. This article seeks to provide an overview of this promising sector.

What are global services?

Definition, modalities, and typology

Global services are the result of a business model in which companies shift activities and/or processes abroad (offshoring), a modality that stands in contrast to "onshoring," where the provider and the contracting firm are in the same country. Keeping in mind that administrative responsibility in offshoring activities may be internal (captive) or external (outsource) to the company, global services can be said to arise **both from the outsourcing of activities** (offshore outsourcing) **and from foreign direct investment (FDI)**, that is, in the provision of the service through subsidiaries of the company based in another country (captive offshoring) (García, 2013) (Table 1).

Table 1: Classification of global services by provider's location and administrative responsibility

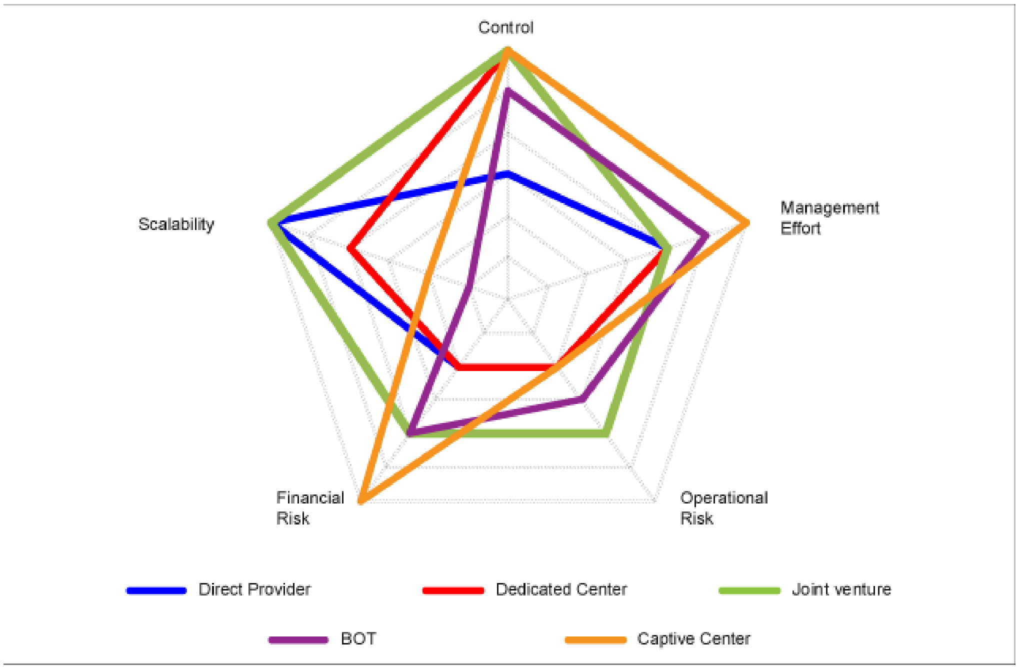
Administrative Responsibility	Location	
	Local	Abroad (offshoring)
Internal	Captive onshoring	Captive offshoring (IED)
External (*outsourcing*)	Onshore outsourcing	Offshore outsourcing

Source: Based on data from García (2013).

Global services by business model[1]

It should be mentioned that, alongside the contracting of external providers and the creation of captive centers abroad, there are other models for structuring offshoring operations that involve various combinations of levels of financial and operational risk, management effort, control over providers, and the possibility of handling the continued growth of the workload without losing quality in the services provided (scalability). The characteristics of each are summarized in Diagram 1 and outlined below.

Diagram 1: Offshoring models by level of operational and financial risk, control, management effort, and scalability



Source: Based on data from García (2013).

- **Direct Provider**: The contracting of a provider abroad to deliver a particular service. Although the level of control by the contracting firm is low, the cost of infrastructure and financial and operational risks are reduced; and the scale of operations can be increased with ease.
- **Dedicated Center:** The service is provided by a foreign supplier outside of the contracting company, but the human and material resources are 100% dedicated to the company. It necessitates greater involvement by the company that hires the services, but allows greater control over different features of the services, such as quality, confidentiality, etc.
- **Joint venture:** A joint undertaking to carry out offshore processes, either with a local partner or a captive center shared with other users. It generally enables the exploitation of advantages already developed by the local partner (e.g. knowledge about a given activity) and/or economies of scale by reducing the costs of installation and operation incurred by sharing activities.
- **Build-Operate-Transfer (BOT):** The offshore center is built and put into operation by a company (usually the offeror of the service) and then transferred to another company (generally, the firm importing the service).
- **Captive Center:** The establishment of a subsidiary of the company abroad to provide services to its parent company and other subsidiaries.

Global services by activity

Although usually taken together, global services range across a wide variety of activities. On the one hand, there are horizontal services, which are applied generically to various industries and can be further subdivided into the following categories:[2]

- **Information Technology Outsourcing (ITO):** infrastructure (management, networks, and applications), software (desktop management, integration and application development, enterprise resource planning (ERP)), informatics and telecommunications consultancy, software research and development.
- **Business Process Offshore (BPO):** Enterprise Resource Management (ERM) (for documentation, content, purchasing, logistics, finance, and accounting), Human Resources Management (HRM) (recruitment, payroll, talent management, training), Customer Relationship Management (CRM) (contact centers, marketing, and sales).
- **Knowledge Process Outsourcing (KPO):** Legal services, consulting and business analysis, market intelligence, etc.

On the other hand, **vertical** (industry specific) activities can be both IT and business, knowledge or innovation related. This entails services associated with a variety of sectors, such as retail trade, the health/pharmaceutical industry, travel and transportation, energy, telecommunications, manufacturing, and financial and insurance services.

Getting the communication infrastructure right is a fundamental requirement for the provision of all global services. While all are labor intensive, the characteristics of the manpower required for the activities to be carried out efficiently vary considerably from one global service to another. For example, in certain segments of BPO, such as contact centers, the key is the availability of competitively priced labor, while rating is crucial for KPO activities. Also, horizontal services require specific knowledge about tasks, while vertical services require rating for each sector (Gereffi & Fernández-Stark, 2010).

Global services by distance

Often a major factor in offshoring is the distance between the supplier and the consumer, not just in terms of geography, but also of schedules. Here, it is possible to distinguish between **nearshoring**, when the time difference between the exporting and importing countries is minimal, and **farshoring**, when the time difference is significant. While the latter has the advantage of complementing the activities and processes that would have to be interrupted at night in the parent company, nearshoring allows for greater interaction and monitoring in parent companies (García & Peña Capobianco, 2012).

The world market for global services

While there are no current data, there is consensus about these activities' dynamism in the past few years. According to Hernández *et al.* (2014), in 2008, the global services industry accounted for US$280 billion and employed 4.1 million people in developing countries.[3]

As mentioned above, the development of global services has been made possible thanks to technological innovation enabling remote provision, and to the trends of internationalization of companies seeking to reduce costs, free up resources, improve efficiency, diversify risk, and take advantage of differential incentives. There have also been profound changes in these activities as the value chain segments that can be carried out abroad grow in quantity, complexity, and value added, allowing the development of new services (A.T. Kearney, 2011).

The world market is concentrated in large corporations that operate in more than one segment, most notably IBM, Accenture, HP Enterprise Services, CSC, and Capgemini, among others. Many of the most important firms in the sector started operating by providing hardware and then moved on to other information technology processes, later making forays into business processes and specialized IT services, and from there to vertical research and development functions. While the leading firms are from developed countries, there is a growing participation by companies from India (e.g. Tata Consultancy Services, Infosys, and Wipro). In 2008, four of the twenty largest offshore service providers were from that country.

India is the undisputed leader in the export of global services at the global level, with US$69 billion in 2012 and 2.8 million jobs. Its comparative advantage in these activities is based on the availability of skilled labor at competitive prices. It should be noted that the provision of offshore services in India has not only grown rapidly, but also has migrated from the simplest to the most highly sophisticated segments, including various KPO activities (Hernandez et al., 2014, and Fernández-Stark, 2012).

Philippines is also a prominent exporter of consolidated global services, particularly in the segment of call centers. More recently, other relevant suppliers are emerging—with varying degrees of development—in Asia (China, Malaysia, Singapore, Vietnam), Eastern Europe (Poland, Czech Republic, Hungary, Romania), Africa (South Africa, Morocco, Egypt, Kenya, Mozambique, Tunisia) and LAC (Brazil, Argentina, Chile, Costa Rica, Mexico, Barbados, Colombia, Jamaica, Uruguay, El Salvador, Panama) (Fernandez Stark, 2012, and Hernandez *et al.* 2014). According to A.T. Kearney (2011), the most attractive places for offshoring include some emerging Asian countries (headed by India, China, Malaysia, Indonesia, Thailand, Vietnam, and Philippines), Egypt, and two Latin American countries (Mexico and Chile).[4]

The export of global services has gained in significance in recent years in several LAC countries. Local and foreign companies have invested in the region in these sectors, spurred on by comparative advantages related to different global services, as well as by stimulus measures implemented by some governments. It is also worth noting that IDB is actively contributing to the growth of global services in the region through various national and regional initiatives, given that this is a key issue in these countries' competitive global insertion strategy.

Closing thoughts

The world trade in global services has expanded rapidly over the last decade, driven by the development of new technologies, and the deepening and widening of companies' internationalization strategies, to become a phenomenon both in terms of export and FDI, driven by the need to cut costs, improve quality, and diversify risk (García, 2013).

While the impact of global services on economies varies with the type of service, the effects, generally speaking, look positive: employment creation, technology transfer, the potential to attract FDI, qualification of human capital, etc. This has prompted many countries to implement policies to stimulate these activities, including tax benefits, development of infrastructure, workforce training in specific requirements for these services, etc. The list of places that have been driving the expansion of global services includes several emerging countries, which are now key players in this market.

The current scenario seems to suggest that global trade in services will continue to expand in the coming years, driven by the strengthening of offshoring in more companies' strategies, the incorporation of new countries in the global supply, and the further development of KPO activities.

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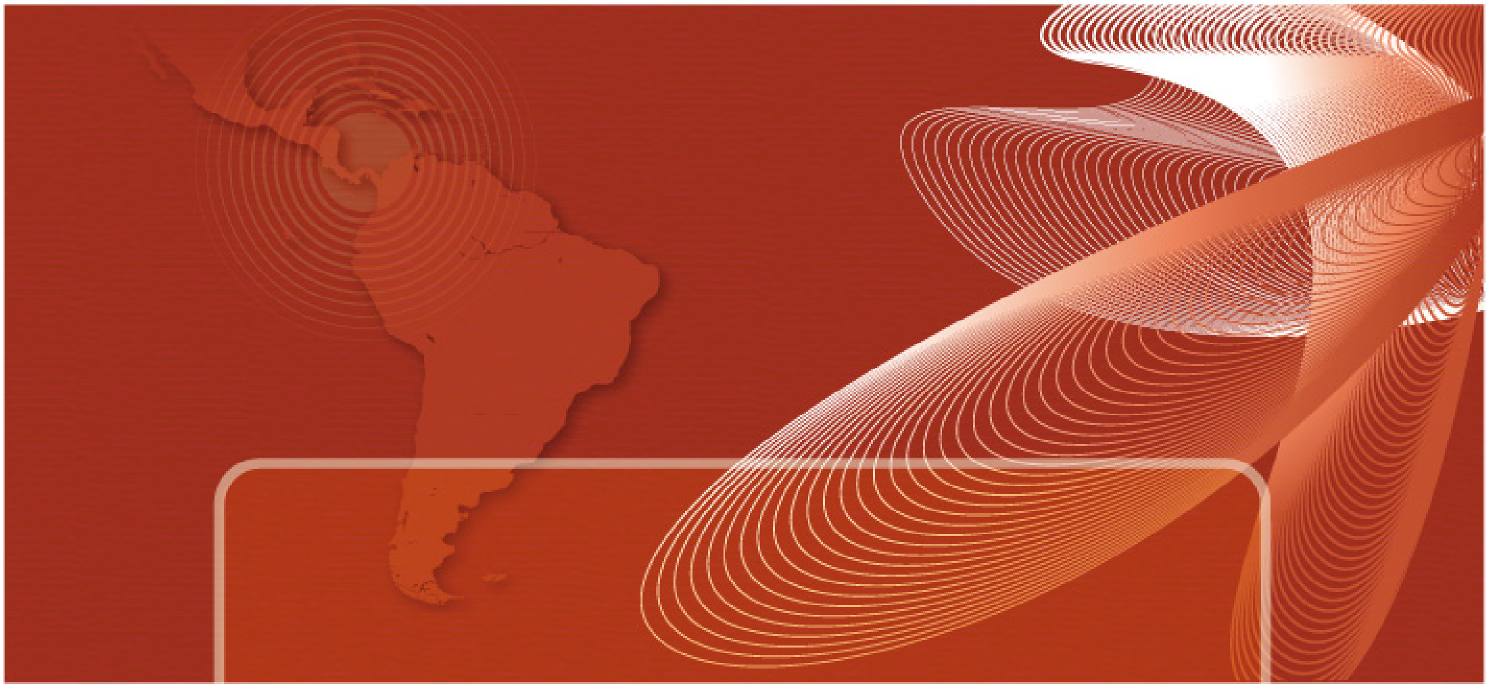
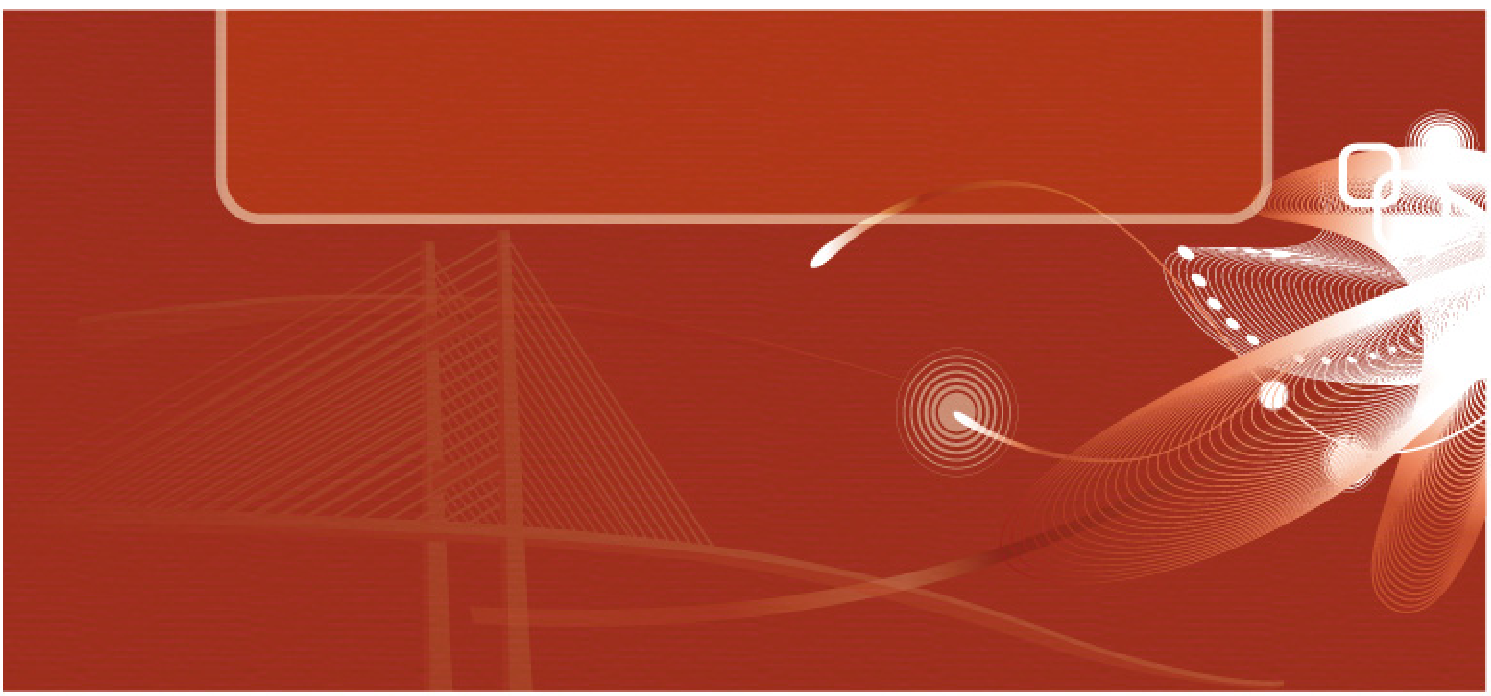
[1] García & Peña Capobianco (2012).
[2] García & Peña Capobianco (2012).
[3] Hernández *et al*. (2014), with data from McKinsey & Company (2008) and The Boston Consulting Group (2007).
[4] A. T. Kearney Global Services Location Index. Data from 2011.



Integration Blocs



Pacific Alliance

Panama moves toward Pacific Alliance: Mexico negotiations concluded

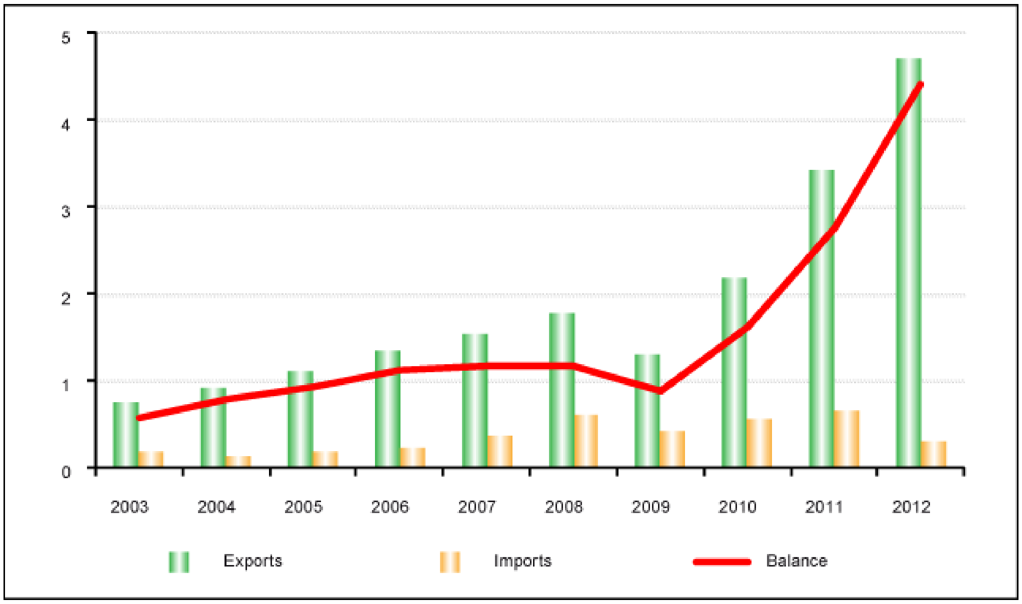
The negotiations between Panama and Mexico toward a Free Trade Agreement (FTA) reached a conclusion at the end of March. The FTA will replace the unilateral Partial Scope Agreement (PSA) in force since 1986, which granted Panama preferences for entry to the Mexican market.

This agreement, the negotiation of which started back in August 2013, will facilitate Panama's entry to the Pacific Alliance (PA)—where it has the status of Candidate Observer Member—when it fulfills one of the main requirements for membership: namely, bringing into force FTAs with each of the current members. Panama has had agreements in place with Chile and Peru since 2008 and 2012, respectively, and an agreement with Colombia was signed in September 2013.

The PA countries' flow of trade with Panama stood at almost US$5 billion in 2012. As shown in Figure 1, exports from the bloc to Panama have risen sharply in recent years. Colombia's sales and, to a lesser extent, in Mexico, to the Central American economy are behind much of this growth. It should be noted that Colombia accounts for almost two thirds of the PA's total shipments to Panama. Imports, for their part, have performed weakly, and buyers' shares are relatively evenly spread among the partners.

Figure 1: Evolution of the PA's trade with Panama 2003-2012

In billions of US$



Source: based on data from COMTRADE.

Petroleum products account for the bulk of trade, with higher concentrations in exports (Table 1). Predominant in the PA's register of imports from Panama, after petroleum oils, are seagoing vessels.

Table 1: Composition of trade between the PA and Panama 2012

As percentage

Exports	
Description	Share
Crude oil from petroleum and bituminous minerals	52%
Petroleum oils and oils from bituminous minerals, other than crude	11%
Medications	5%
Television receivers (including video monitors and video projectors), whether or not incorporating radio-broadcast receivers or sound- or video-recording or reproducing apparatus	4%
Iron bars or non-alloy steel simply forged rolled or extruded in hot as well as the twisted after rolling	1%
All other products	26%

Imports	
Description	Share
Petroleum oils and oils from bituminous minerals, other than crude	21%
Crude oil from petroleum and bituminous minerals	14%
Cruise ships, excursion boats and similar vessels	10%
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol., and other spirituous beverages	3%
Medications	2%
All other products	49%

Source: Based on data from COMTRADE.

Despite the low importance in the bloc's trade flows (except in the case of Colombia, which accounts for 5% of its total exports), Panama's incorporation in the PA would have a strategic justification that lays the emphasis on the bloc's creation as a platform to connect the region with Asia, given Panama's role as a center for logistics and international transport.

Related articles

- IDB–INTAL. "Central America looks to the Pacific," in: *INTAL Monthly Newsletter No. 202*, June 2013.
- IDB–INTAL. "Central American external negotiations," in: *INTAL Monthly Newsletter No. 204*, August 2013.
- IDB–INTAL. "Eighth Presidential Summit of the Pacific Alliance," in: *INTAL Monthly Newsletter No. 210*, February 2014.

The Caribbean

Caribbean promotes tourism development in the region

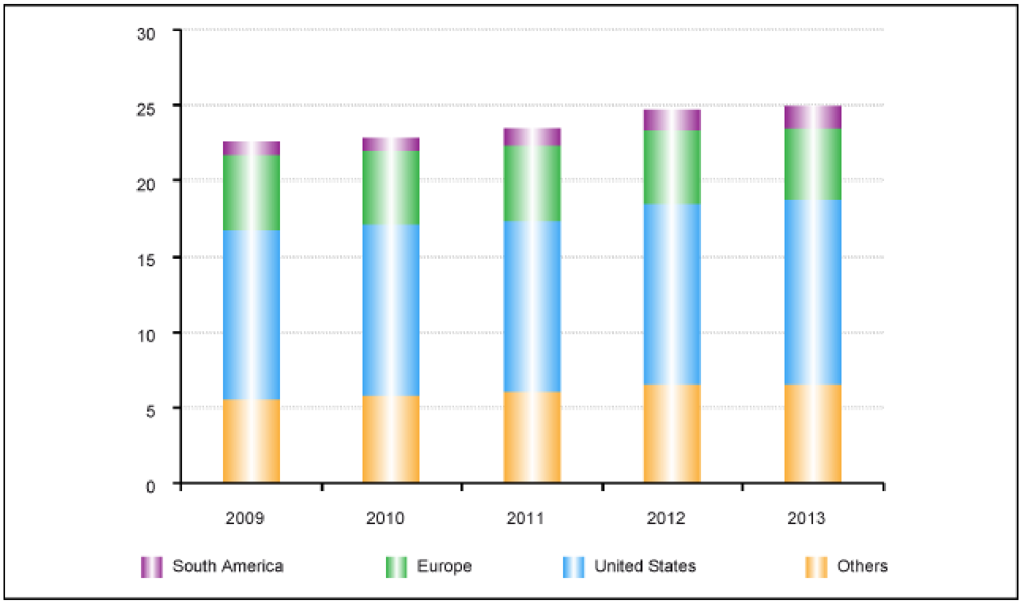
The World Tourism Organization (UNWTO) and the Caribbean Tourism Organization (CTO) signed a Memorandum of Understanding last February 19 to move forward the development of sustainable tourism in the region and improve the sector's competitiveness. The document seeks to optimize cooperation between the two organizations over the drawing-up of regional strategies for the development of sustainable tourism,[1] the promotion of investment in tourism, and information on the market. The ultimate objective is to boost competitiveness and restore activity in the Caribbean's tourism sector after the impact of the international economic crisis, which has affected key points of demand for the Caribbean, such as United States and Europe.

Tourism plays a major role in Caribbean countries. According to the World Travel and Tourism Council (WTTC), the sector contributed directly to 4.4% of GDP (US$15 billion) in 2013; but when the indirect effects on the countries' economies are taken into account, this amounts to 15.3% (US$49 billion). Furthermore, tourism accounts for 11.6% of total employment in the region and 11% of total investment.

Between 2009 and 2013, tourist arrivals in the Caribbean rose by 12%, with growth in demand from all points of origin except Europe. Although tourist arrivals from United States were the least dynamic in the stage after the crisis, this country continues to be the main source of tourism for the Caribbean. Notable too is the sharp growth in tourism from nontraditional regions such as South America and other countries, although their share remains low.

Figure 1: Tourist arrivals in Caribbean by region

In millions



Source: CTO.

[1] According to the UNWTO, sustainable tourism can be defined as "*Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities.*" Click here.

Sixth round of CARICOM-Canada talks

The sixth round of negotiations toward a Trade Agreement between the Caribbean Community and Common Market (CARICOM) and Canada was held last month. The talks took place over two sessions: March 3-6 in Jamaica and March 31-April 4 in Canada, with discussions focusing on issues of services, investment, intellectual property, environment, dispute settlement, and cooperation.
Trade relations between the two parties are currently governed by the CARIBCAN Trade Preference System, which involve unilateral preferences granted by Canada under exemption from the World Trade Organization (WTO); the System was originally to expire in December 2011 and had already been extended on two occasions. Barbados and Trinidad & Tobago also have investment agreements with Canada.
Opened in 2009, the negotiations toward a new agreement are motivated by the fact that CARIBCAN no longer represents a significant advantage for Caribbean countries. First, Canada's progressive bilateral and unilateral liberalization with competitor countries in CARICOM has led to the erosion of regional bloc's tariff preferences. Also, the agreement's coverage is limited in terms of products and does not include trade in services. The risk of the waiver granted by the WTO until 2015 not being renewed is a further incentive to sealing a new trade agreement.
The trade agreement under negotiation should include the dimension of development through measures that will encourage the exports and internal markets of Caribbean countries, as well as the conducting of cooperation programs. From the Canadian point of view, the agreement aims to create new opportunities for investment in areas such as manufacturing, agriculture, and financial services.

Related article

- IDB-INTAL. "Fourth negotiating round toward CARICOM-Canada Trade and Development Agreement," in: *INTAL Monthly Newsletter No. 192*, August 2012.

Central America

Economic integration, competitiveness and development in Central America

The Central American region is to seek to deepen integration, improve competitiveness, and step up its development through the *Compite Centroamérica* (Central America Competes) Program. Through innovation and adding value, the initiative provides technical assistance for the development of productive and competitive capacities in the regional private sector, facilitating trade and investment.

With this objective, the Secretariat for Central American Economic Integration (SIECA) and the Inter-American Development Bank (IDB) held a workshop in Guatemala, March 6-7, to identify the priorities of the strategy, which is at the design stage.

The program will seek to facilitate public-private dialog, strengthen institutions, support SMEs, and carry out public policy reforms to improve the regional business climate among the Central American countries, with the ultimate aim of improving the income and quality of life of the region's populations.

For more information, click here.

Nicaragua makes progress in trade integration with the region

Uruguay widens preferences to Nicaragua under LAIA

Nicaragua formally joined the Latin American Integration Association (LAIA) in March 2012. Accession to the 1980 Treaty of Montevideo makes it the regional bloc's fourteenth member. Nicaragua is considered by LAIA as a country with less economically developed country (LEDC), along with Bolivia, Ecuador, and Paraguay, and accordingly any tariff preferences are nonreciprocal.
Against such a background, in March this year, Uruguay granted Nicaragua a significant extension of the list of its products (40-446 tariff lines) to enter the Uruguayan market tariff-free.

For more information, click here.

Related article

- IDB–INTAL. "Nicaragua joins LAIA," in: *INTAL Monthly Newsletter No. 188*, April 2012.

Nicaragua signs PSA with Cuba

The negotiations, which got under way in September 2013, resulted in the signing of a partial scope agreement (PSA) last March. This agreement involves a deepening of what was negotiated in the framework of Nicaragua's accession process to LAIA.
When the PSA comes into force, Nicaragua's main exports will enter the Cuban market tariff-free, including products such as chicken, sugar, honey, sausages, cigars, pork, dairy products, textiles, wooden furniture, handicrafts, PVC piping, toilets and sinks, and faucets. Most will be excluded from the preferences granted to Cuba by Nicaragua as being a highly sensitive sector for the Central American country.
Free-trade products between the two economies will include beef, coffee, seafood, fresh milk, rice, ethyl alcohol, rum, biscuits, flour, and cement.

Honduras resumes FTA negotiations with Peru

In the framework of the Honduran government's strategy to move closer to the Pacific Alliance, negotiations with Peru are to be resumed toward a free trade agreement (FTA). Honduras currently has agreements in place with the bloc's other partners: with Chile since 2008, Colombia since 2010, and Mexico since 2013.[1] If the negotiations with Peru are successful, Honduras would meet the Pacific Alliance's admission requirement of having FTAs in place with all members.
The negotiations between Honduras and Peru, conducted in conjunction with the other Central American countries, had been at a standstill since 2011.[2]
Outstanding issues include market access, rules of origin, temporary entry of business persons, government procurement, and intellectual property. In order to move forward quickly and close the agreement before the end of the year, the negotiating teams resumed the joint work via a video conference in mid April, and fresh talks are to be held in Lima at some stage in the near future.

For more information, click here.

Related articles

- IDB-INTAL. "Central America-Peru Free Trade Agreement: Mini Negotiating Round," in: *INTAL Monthly Newsletter No. 176*, April 2011.
- IDB-INTAL. "Colombia and Peru in 2012: Progress in external trade agenda," in: *INTAL Monthly Newsletter No. 197*, January 2013.

[1] This date is for the entry into force of the single FTA between Mexico and Central America. Honduras had a previous agreement that has been replaced by this one.
[2] Only Honduras and El Salvador could not complete the negotiations.

Fresh talks between Trinidad & Tobago and El Salvador

April 7-11 saw the third round of negotiations toward an Agreement on the Promotion and Reciprocal Protection of Investments, a Partial Scope Economic Complementarity Agreement, and a Cooperation Agreement in the Tourism Sector between El Salvador and Trinidad & Tobago.
The round saw the completion of the chapters for the Partial Scope Agreement relating to sanitary and phytosanitary measures, technical barriers to trade, trade defense, dispute settlement, and institutional affairs. Still pending are the issues of market access and rules of origin.
In the past five years, trade between these two economies has tripled, although it still represents a low percentage of each country's total exchange. El Salvador's imports from Trinidad & Tobago are mainly raw materials, such as iron and steel, natural gas and petroleum, and their derivatives, and its exports to the Caribbean economy include plastic items, iron and steel tools, food and drinks to the Caribbean economy.
The Agreement on the Promotion and Reciprocal Protection of Investments seeks to promote capital flows by providing a legal framework that guarantees certainty.
The Tourism Cooperation Agreement will attempt to promote the flow of visitors by attracting investors and carrying out joint activity.

The negotiations are expected to be completed by mid year.

For more information, click here.

Andean Community

CAN and EU move toward improving productivity on Bolivia-Peru border

In the framework of the project "Support to Economic and Social Cohesion in the Andean Community (CESCAN II)" of the Andean Community of Nations (CAN) and the European Union (EU), the first of the four irrigation systems that will benefit peasant communities in the Peru-Bolivia border area[1] was officially opened March 21. This system aims to improve agricultural output through the rational use of water resources from Lake Titicaca and so to contribute to the food security of the area's inhabitants.
CESCAN II aims at providing technical and financial support to actions for social development at borders and at promoting the joint work of CAN member countries' national and local authorities in border areas. To this effect, it has a total budget of €8.2 million, 79% of which is contributed by the EU and 21% by CAN. The program is of great importance, since 10% of the CAN countries' populations live in border areas, and 32% of intra-EU trade is conducted along land borders.

Related article

- IDB-INTAL. "CAN: breakthroughs in Andean Cross-Border Cooperation Strategy," in: INTAL Monthly Newsletter No. 200, April 2013.

[1] Border areas, in CAN's definition, are "natural and privileged geographic areas articulating the economies and societies of the Member Countries." Through Decision 459, the Andean Countries adopted the **Community Policy for Border Integration and Development** as an essential component in the strengthening and consolidation of the subregional and regional integration process. The fundamental objective of this policy is to raise the populations' quality of life and boost the development of its institutions within the territorial border areas between the CAN member countries."

Second round of Ecuador-EU talks

The Second Negotiating Round toward the signing of a trade agreement between Ecuador and the European Union (EU) was held in Manta, Ecuador, March 31-April 2.

Meetings were held for negotiators from the tables on Rules of Origin, Market Access for Industrial Goods, Services, Market Access for Agriculture, Geographical Indications, and Government Procurement. While the talks were held behind closed doors, the Ministry of Trade pointed out that the negotiations in the areas of market access for industrial goods and services have almost reached a conclusion, and that further progress in the areas of Origin, Market Access for Agriculture, Geographical Indications, and Government Procurement is pending for a third round of talks.

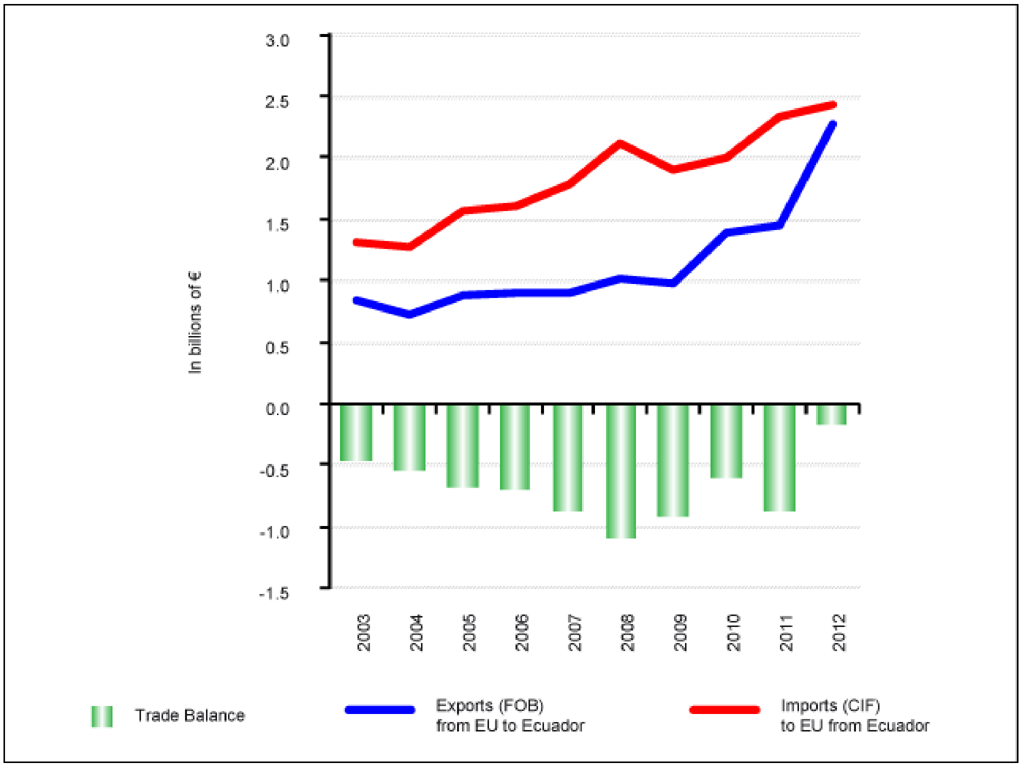
The background to the negotiations can be traced back to 2007, when the possibility of signing an agreement between CAN and the EU came under discussion. Yet the lack of a common position among the CAN countries led to the suspension of biregional negotiations. While Bolivia withdrew from the talks, Colombia, Peru, and Ecuador continued negotiating independently with a view to establishing a Multiparty Trade Agreement. In 2008, Ecuador suspended negotiations with the EU over disagreements on social security and labor rights of migrant workers legally employed in the EU, Ecuador's "buy national" policy, bilateral investment agreements with EU countries, and the banana dispute. The negotiations resumed in March 2010.[1]

The agreement is of great importance to Ecuador, given that the System of Tariff Preferences (GSP +) whereby certain Ecuadorian products enter the European market tariff-free, is to expire in December 2014. For example, tuna exports, which currently represent 19% of nonoil exports to the EU, should face a tariff of 24 %. For its part, the EU hopes the agreement will bring greater predictability for its investments.

EU exports to Ecuador between 2003 and 2012 grew at an average cumulative annual (c.a.) rate of 12% and EU imports from Ecuador at a rate of 7% c.a. (Figure 1).

[1] See IDB-INTAL. "Banana dispute formally concluded," in: *INTAL Monthly Newsletter No. 195*, November 2012.

Figure 1: EU-Ecuador trade



Source: European Commission (EC).

The EU is Ecuador's second largest trading partner, accounting for 11.6% of its total trade with the world. Ecuador, in contrast, represents just 0.1% of the EU's trade with the world.[1]
The products exported by Ecuador to the EU are almost all primary commodities (96.7% in 2012) and include fruits and fishery products, while its purchases from the EU are mainly in manufactured goods (63.3% in 2012).

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[1] See IDB-INTAL. "Banana dispute formally concluded," in: *INTAL Monthly Newsletter No. 195*, November 2012.
[2] http://eeas.europa.eu/delegations/ecuador/eu_ecuador/trade_relation/bilateral_agreement/index_es.htm

Fresh initiatives for trade financing

Authorities in Argentina and Brazil signed a memorandum of understanding on bilateral trade financing, aimed at reducing foreign exchange risk between commercial and financial operators, facilitating trade, and guaranteeing payment flows from operations.
The two countries pledged to analyze the development of financial instruments to mitigate the exchange risk of operations, while avoiding unjustified restrictions[1] on bilateral trade. In particular, they will consider the possibility of issuing bonds in national currency, adjustable with the exchange rate, in periods of or over 90 days, so as to make them compatible with commercial transactions. In addition, foreign trade operators may submit to their country's authorities difficulties relating to financing or to other trade flow-related problems, so that they can find solutions and/or raise the problems with the partner country's authority.
The proposed mechanism is different than the Local Currency Payment System (SML), which is not an instrument of financing or currency hedging, but seeks to cut transaction costs by paying for operations of bilateral trade in goods in Argentine pesos or reals. Although the SML has been in force since October 2008, its use is of little significance in total trade between the two countries.

[1] These measures exclude those permitted by article 50 of the Treaty of Montevideo: protection of public morality; security; weapons, munitions, and other materials of war, and, in exceptional circumstances, all other military items; protection of the life and health of persons', animals, and plants; metallic gold and silver; protection of national heritage of artistic, historic, or archaeological value; and nuclear materials, radioactive products, or any other material useable in the development or use of nuclear energy.

Bilateral affairs in MERCOSUR

Bilateral affairs in MERCOSUR

The MERCOSUR countries held bilateral talks on various topics of relevance to integration over the last month. In addition to the memorandum of understanding on bilateral trade between Argentina and Brazil, there has been progress in the following areas:

- *Argentina-Paraguay: Sixth Meeting of the Bilateral Trade Monitoring Commission*

After 3 years without meetings of this Committee, the two countries discussed topics relevant to bilateral trade. Issues relating to the navigation of the Rivers Paraná and Paraguay were uppermost, in particular the creation of a working group to discuss port and customs issues.

- *Argentina-Paraguay: Dredging and Construction Agreements for Binational Bridge*

Progress was made in two key areas for the two countries' trade and integration. On the one hand, a construction and payment schedule was adopted for the dredging of the River Uruguay, on the basis of the agreements signed by the two countries' Foreign Ministers at the start of March. Under this schedule, construction is expected to get under way next July, and the two countries will tackle it jointly with their own machinery.
On the other hand, it was agreed to open the bidding process for the technical, economic, and environmental feasibility studies toward the construction of a binational bridge between Bella Unión (Artigas, Uruguay) and Monte Caseros (Corrientes, Argentina). The bridge would encourage bioceanic traffic and reduce travel distances and costs.

- *Paraguay-Uruguay: Political Consultations Meeting*

In the framework of political consultations mechanisms aimed at strengthening bilateral ties, the main areas of action were agreed for the work of the Uruguay-Paraguay High Level Group (GAN), set up last February. The most important work areas include: free movement of goods, services, and people; productive complementation; logistics and infrastructure; and common positioning in regional organizations.

UNASUR

IDB to finance El Dorado-Mayor Otaño binational bridge feasibility studies

The Inter-American Development Bank (IDB) will fund feasibility studies for the Infrastructure Connectivity Investment Program in the cities of Mayor Otaño (Itapúa, Paraguay) and El Dorado (Misiones, Argentina).

The binational project is part of the Portfolio of the South American Infrastructure and Planning Council (COSIPLAN) of the Union of South American Nations (UNASUR) and the Binational Program for the Optimization of Territorial Connectivity between Argentina and Paraguay.

The study will evaluate the technical feasibility, economic profitability, and environmental and institutional sustainability of the construction of a border bridge and the adequacy of additional infrastructure, as well as operational and institutional improvements. In addition to analyzing the current system and its shortcomings, the study will propose alternatives to a comprehensive solution and define the characteristics and geographic location of the bridge, the most suitable location and modality for the installation of an Integrated Border Center, the viability of a port refurbishment, and the need to extend or pave the connections on the main highway network. The amount for technical cooperation provided by IDB is US$550,000 and 20% of the study's total cost is expected to be met in kind by Argentina and Paraguay. Argentina's Ministry of Federal Planning, Public Investment, and Services will be responsible for the recruitment of an international consulting firm to conduct the study, which scheduled to start in mid 2014.

UNASUR democracy clause comes into force

The UNASUR democracy clause came into force March 19. The clause will apply "*in the event of the breakdown or threat of breakdown of the democratic order, violation of the constitutional order, or any situation that places in jeopardy the legitimate exercise of power and the validity of democratic values and principles*." Faced with a situation of this nature, the UNASUR member countries may enforce different sanctions on the country where the events take place. Such measures may include: suspension from participating in the various organs of UNASUR; total or partial border closure; suspension or restriction of trade and/or energy provision, and the adoption of additional political and diplomatic sanctions. The clause also states that the countries will use their good offices to support the restoration of constitutional rule in the country concerned.

The clause was signed by the member countries in November 2010 and has now been ratified by 10 of the 12 UNASUR countries: Guyana, Peru, Chile, Argentina, Venezuela, Suriname, Ecuador, Bolivia, Uruguay, and Colombia. It is in the process of ratification by Brazil and Paraguay.

Regional And Global Overview

US opens antidumping investigation into Mexico sugar sector

The American Sugar Coalition, which brings together the major sugar and sweetener producers of United States, presented a petition March 28 to the US International Trade Commission to investigate imports of these products from Mexico. It is alleged that the sector is subsidized by the Mexican government and that sales to the US market are made at prices lower than the local market.

The sector has been the cause of many disputes between Mexico and United States, even before the creation of the North American Free Trade Agreement (NAFTA). One of the main disputes arose when Mexico implemented a tariff on drinks that do not use national sugar cane in 2002, to which United States responded with a claim in the framework of the World Trade Organization (WTO). The judgment in favor of United States was reflected in Mexico's commitment to eliminate the tariff at the start of 2007. Similarly, both countries reached an agreement to regulate the sugar trade until 2008, when free trade in the sector took effect, as agreed under NAFTA.

The importance of the respective markets is shown in Table 1: more than half of total US sugar imports come from Mexico, while the US market accounts for almost two thirds of Mexico's sugar exports.

Table 1: US and Mexican sugar stocks, production, consumption and trade 2013-2014

In thousands of metric tonnes

	Mexico			United States	
Initial Stock			1,548		1,959
Output			6,731		7,906
Imports			240		2,888
				From Mexico	1,583
Domestic Consumption			4,971		10,933
Exports			2,543		295
		To United States	1,584		
Stock end			1,004		1,526

Source: USDA.

The Commission is to submit a preliminary decision on the investigation May 12.

Mega-agreements: fresh rounds of talks

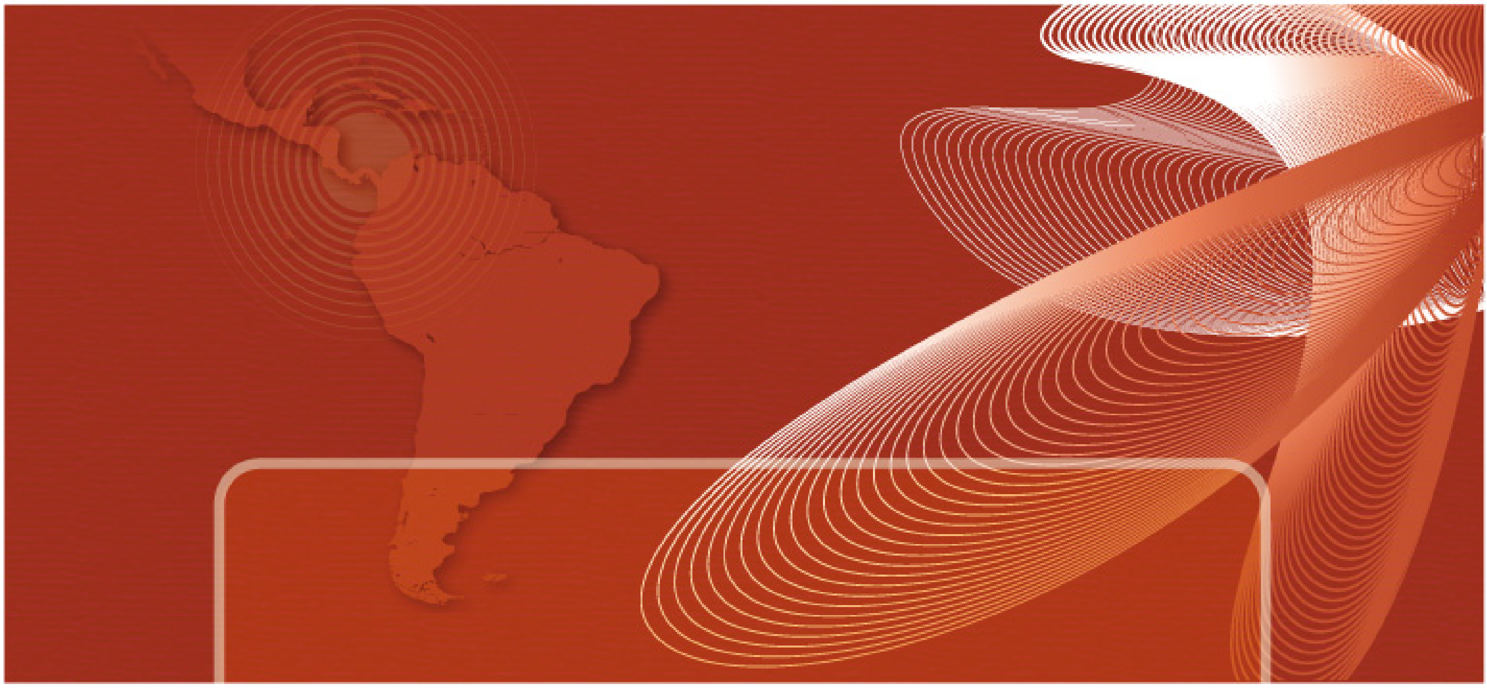
Fresh negotiating rounds towards so-called "mega agreements," including the world's major economies, were held in March and early April.
The Fourth Round of Negotiations on a Free Trade Agreement (FTA) among Japan, China, and the ROK was held in Tokyo, Japan, March 4-7. The main topics up for discussion were trade in goods and services, investment, and competition policy.
The Fifth Round of Negotiations on the Japan EU Economic Partnership Agreement (EPA) and the Fourth Round of Negotiations for Regional Comprehensive Economic Partnership (RCEP) were also held, March 31-April 4. Among other advances, Japan and the European Union carried out an exchange of offers, while the RCEP worked mainly on tariff reduction modes and the liberalization of services and investments. It was also decided to set up two groups: one on sanitary and phytosanitary measures, and another on technical standards and regulations.

Related articles

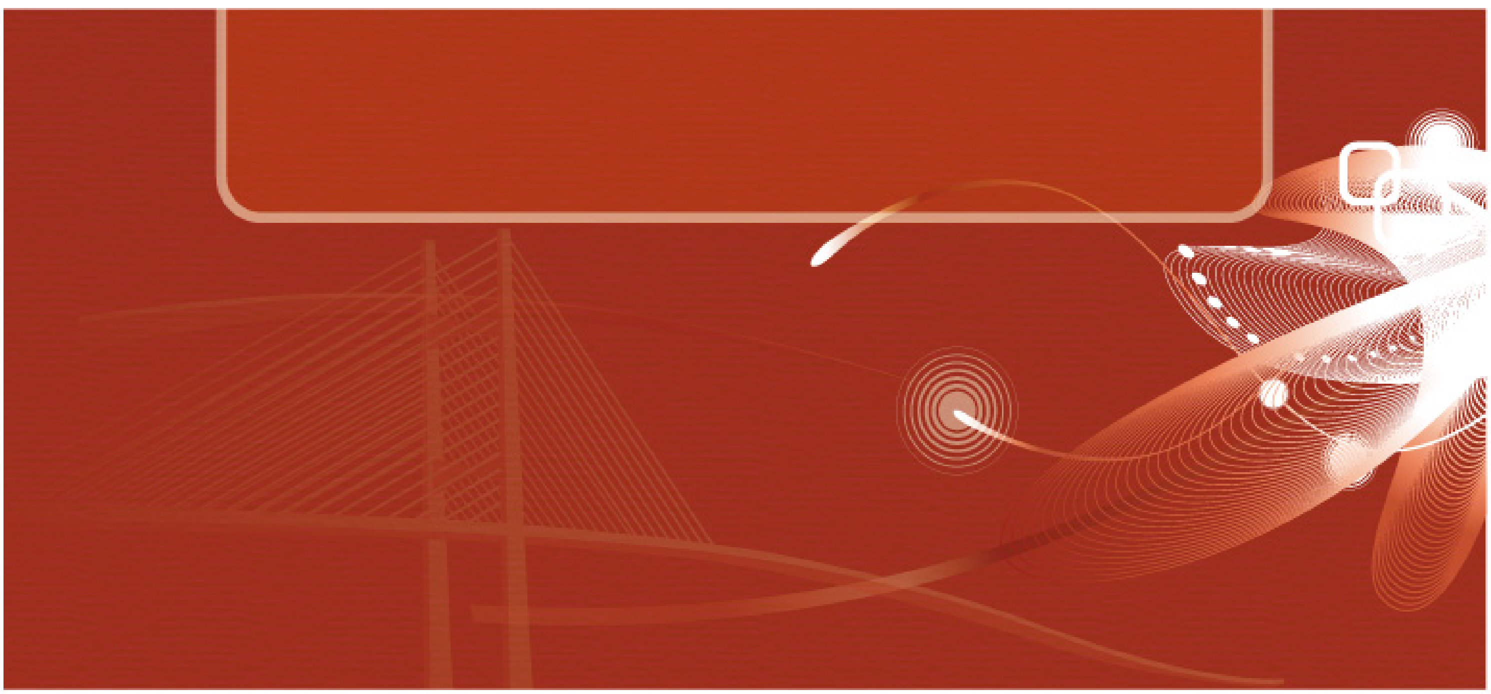
- IDB–INTAL. "Integration scenarios in the Pacific," in: *INTAL Monthly Newsletter No. 200*, April 2013.
- IDB–INTAL. "Negotiating scenarios in the major economies," in: *INTAL Monthly Newsletter No. 201*, May 2013.
- IDB–INTAL. "Mega-agreement negotiations: how will they influence Latin America?," in: *INTAL Monthly Newsletter No. 204*, August 2013.
- IDB–INTAL. "Third negotiating round of the RCEP," in: *INTAL Monthly Newsletter No. 210*, February 2014.

World Economic Forum in Latin America: a decade of opportunities

The World Economic Forum on Latin America was held in Panama City, Panama, April 1-3, with the theme "Opening Pathways for Shared Progress."
The event was attended by the President of the Inter-American Development Bank, Luis A. Moreno, who highlighted the current decade as a time of opportunities for the region.

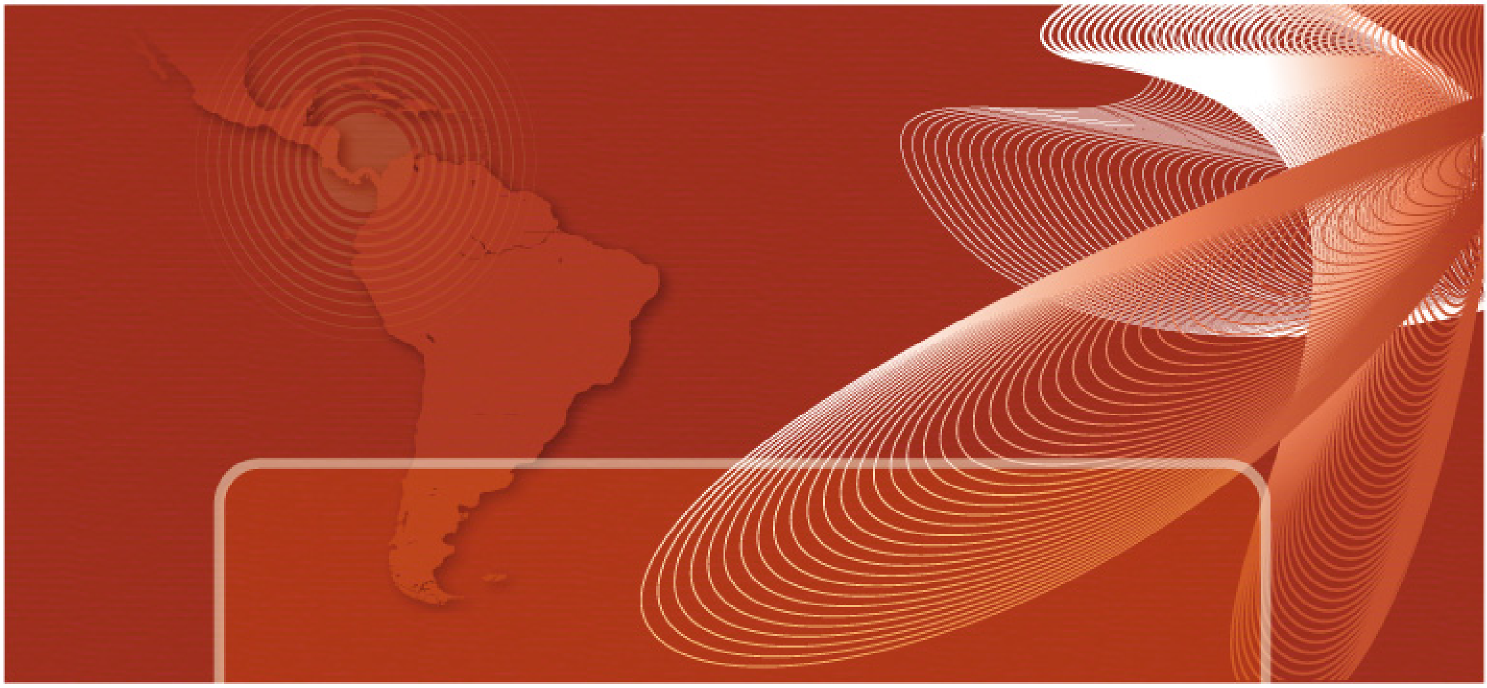


Integration and Trade Sector

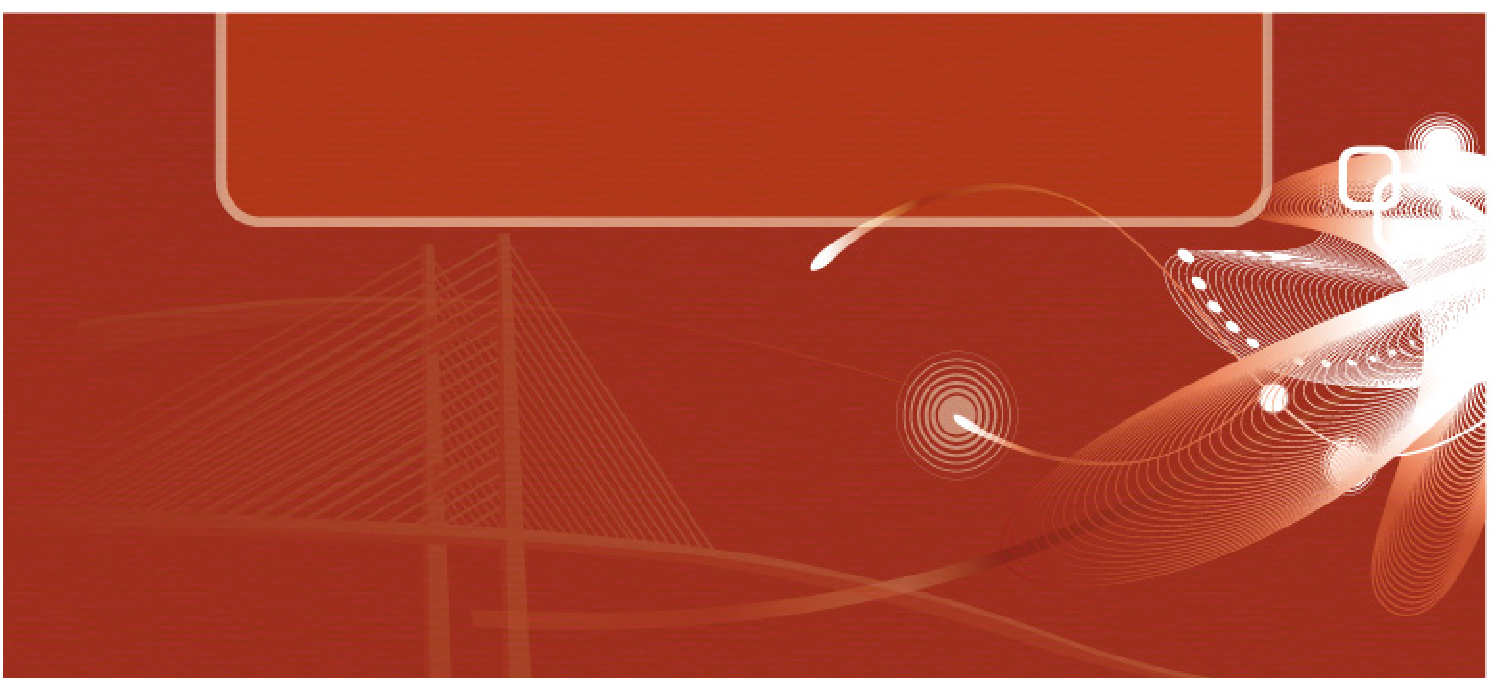


IDB unveils ConnectAmericas, new social network to help companies go global

Google, DHL, Visa and Alibaba.com team up with IDB to create innovative online platform for SMEs seeking business contacts, online courses, tips on exporting, and financing opportunities (link).



Other IDB Activities



Annual Meeting of the Boards of Governors (IDB-IIC 2014)

In 2014, the Annual Meeting took place in Costa do Sauípe, Bahia, Brazil from March 27 to 30. A series of seminars on topics of interest to participants were sponsored prior to the opening of the meeting.

In late March or early April of each year, the Boards of Governors of the Inter-American Development Bank (IDB) and the Inter-American Investment Corporation (IIC) hold their Annual Meeting in one of the Bank's member countries. This official gathering is a forum for discussion among the institution's Governors, most of whom are Ministers of Finance, Presidents of Central Banks, or other high level authorities of the member countries. Representatives of multilateral financial institutions, development agencies, and private banks also attend (link).

Growth seen at 3 percent for Latin America and the Caribbean economies

Reforms to boost productivity and gain policy space critical to lessen impact of U.S. monetary tightening or lower growth in China (link).

IDB, JICA to promote renewable energy and energy efficiency in Central America and the Caribbean

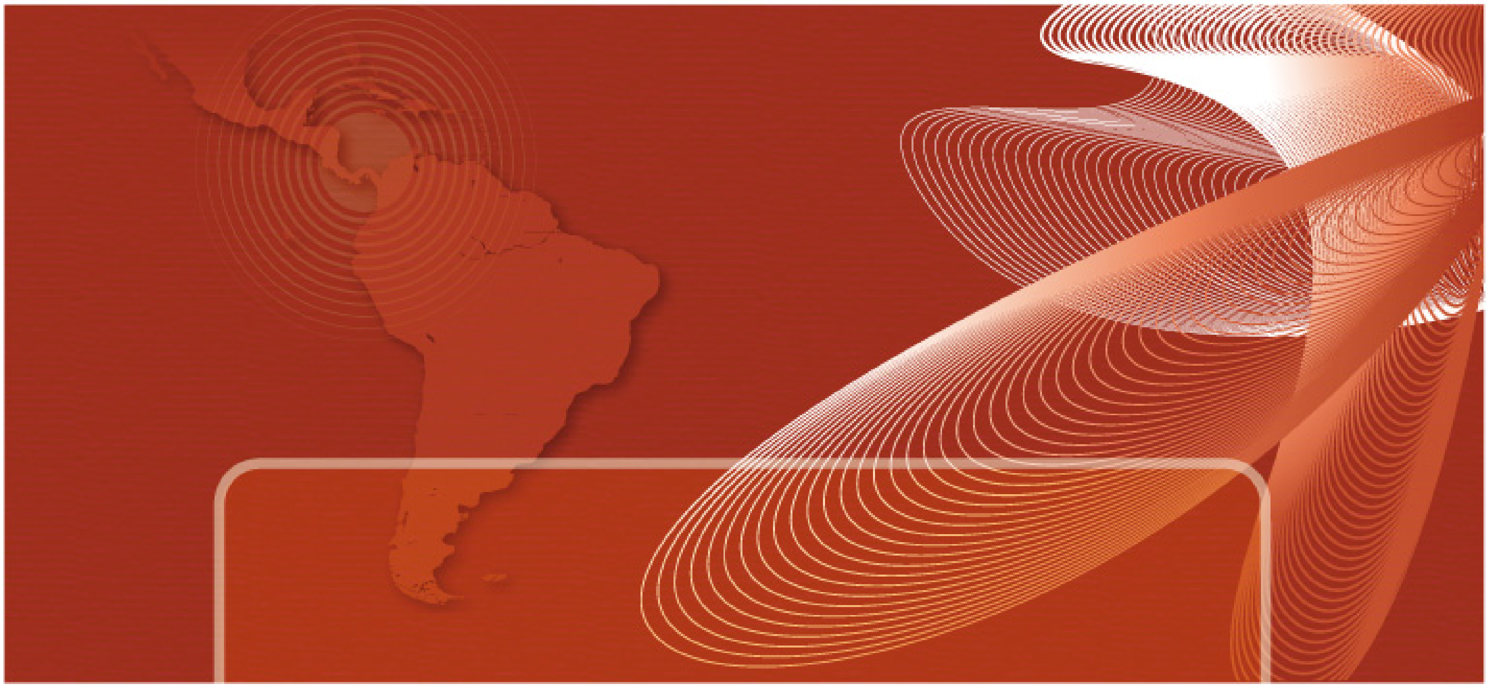
JICA to provide concessional loans up to $1 billion. Co-financing agreement promotes investments in renewable energy and energy efficiency to mitigate negative impacts of climate change through 2017 (link).

New survey sheds light on financial behavior of Latin American and Caribbean migrants in the United States

Study by IDB's Multilateral Investment Fund and the Inter-American Dialogue identifies need for formal savings products for remittance clients (link).

UN Secretary General discusses post-2015 MDGs, climate change at IDB

Ban Ki-moon meets with Bank's executive directors and senior managers (link).



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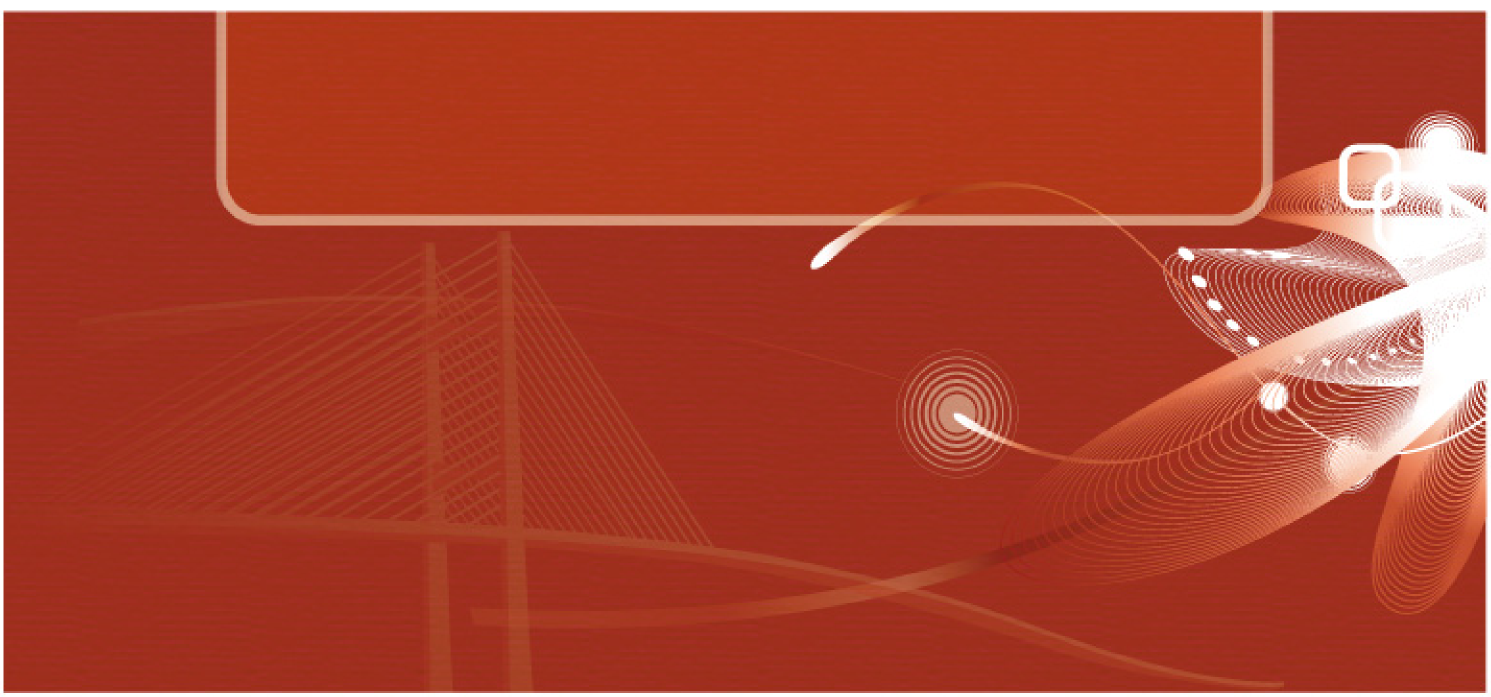

Reviews

International Organization for Migration (IOM). Regional Office for South America. Migration Panorama for South America 2012. Ezequiel Texidó, Jorge Gurrieri, & Juan Artola. October 2012.

Alongside their impact on trade and investment, integration agreements can serve as a starting point for the mobility of labor across member countries. The “Migration Panorama for South America 2012” of the International Organization for Migration (IOM) can be read from this viewpoint, based mainly on its analysis of the norms regulating migratory flows in the Andean Community of Nations (CAN) and the Southern Common Market (MERCOSUR). Both processes aspire to becoming common markets, involving the free movement of goods, services, and factors (including workers).

The work opens by setting out the predominant intra- and extraregional migration patterns in the region, based on statistics for the period 2000-2012. It highlights the fact that, over the last decade and particularly after 2008, there has been a reorientation of South American migrants to countries within the region, as opposed to the emigration to North America and Europe that predominated in previous decades. The region’s main migration flows are from Paraguay and Bolivia to Argentina and, on a lesser scale, from Colombia to Venezuela and Ecuador, Peru to Argentina and Chile, and Bolivia to Brazil.

Second, among other things, the document covers such topics as programs for national migrants returning to the South American region and remittance flows based on information from the IDB Group’s Multilateral Investment Fund (MIF).

Third, it describes the legal and institutional migration frameworks in South American countries, from inclusion in national constitutions to each country’s immigration laws, as well as the competent institutions in the design and implementation of migration policy. It also points out that irregular migration stems not so much from crossing borders without permission from immigration authorities, but rather from entry as tourists and longer stays than are stipulated by law, without the relevant residency documentation. The work argues that, before the early 2000s, national migration policies were more restrictive, but conditions of entry and residence in the territories have gradually relaxed to encourage the regularization of citizens. Argentina, Brazil, Chile, Ecuador,

and Venezuela have all implemented various programs aimed at the normalization of immigrants in irregular situations.
Fourth, the document highlights the agreements reached in the framework of regional integration processes such as MERCOSUR and CAN, which have facilitated both entry and residence, and migratory regularization.
The work points out that, on the one hand, since the signing of the Act of La Paz in 1990, member countries have joined forces to facilitate the transit and stay of Andean citizens in the subregion, specifically by abolishing visas for Andean nationals. Other initiatives highlighted by the work are:

- The Andean Committee of Immigration Authorities (CAAM): a proactive authority for a common migration policy, with specific functions such as providing support for the recognition of national identity documents, the harmonization of migration legislation (1993), etc.
- Recognition of the validity of national identity documents as a requirement for residents of the member countries when traveling in the subregion without passports or consular visas (Decision 503, 2001).
- The Andean Migration Card (TAM) as a mandatory statistical migration control document on entry and exit to and from the member countries' territory (Resolution 527, 2006).
- The Andean Social Security Instrument, aimed at ensuring social protection for migrant workers within CAN (2004). (The mechanisms needed for its implementation have yet to be institutionalized.)

The study also draws attention to progress in CAN's migration policy, but reveals that it has not been possible to fully implement the initiatives undertaken by the countries.
On the other hand, the work shows the slow progress made in the area of immigration in the early years of MERCOSUR, a situation that has been reversed in the past few years, with proposals on the regularization of immigrants and on the principle of nationality as a criterion for residence. The paper highlights the agreement on internal regularization of citizens of MERCOSUR states parties (including Bolivia and Chile) and the residency agreements for nationals of MERCOSUR states parties (Agreements No. 13/02 and 14/04), both of which came into force in 2008, after internalization by all countries. On the basis of these instruments, nationals of a state party or associated state may reside in another state in the bloc with the simple accreditation of their nationality, regardless of their immigration condition or status , and equality with nationals in terms of civil rights and treatment has to be guaranteed. The transfer of remittances and family reunification are also faciliated and the full transmission of rights to the children of immigrants ensured.

In summary, the study places a positive value on the new national regulatory framework on migration issues in several South American countries and spotlights regional initiatives. In this respect, it underlines the importance of cooperation among the states to neutralize the expansion of irregular migration by facilitating the regularization of immigrants and making it easier for them to obtain legal residence. It is interesting to note that MERCOSUR, which has been criticized for only partially fulfilling its objectives where the free movement of goods and services are concerned, has, according to this study, made major breakthroughs in the field of labor mobility.

Texidó E. & Gurrieri J. (2012). Panorama Migratorio de América del Sur: 2012. Buenos Aires: OIM.
(Link)

Bibliographic alert

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

Monthly Highlights

*Panorama de la efectividad en el desarrollo 2013 = Development effectiveness overview 2013. (2014). Washington: BID.

Título: Panorama de la efectividad en el desarrollo 2013 = Development effectiveness overview 2013
Edición: Washington: BID, march 2014 [152 p.]
Serie: Panorama de la efectividad en el desarrollo; 2013
Temas:<BANCO INTERAMERICANO DE DESARROLLO, BID><COOPERACION ECONOMICA><FINANCIAMIENTO DEL DESARROLLO><DESARROLLO ECONOMICO><POLITICA SOCIAL><MERCADO DE TRABAJO><EDUCACION><POLITICA DE SALUD><TECNOLOGIAS DE LA INFORMACION>
Geográficos:<AMERICA LATINA><CARIBE>

Resumen: Intercambiar ideas acerca delo que funciona y lo que no funciona en el ámbito del desarrollo es una parte fundamental de nuestro trabajo. Para tener impacto, es preciso que comprendamos los resultados de nuestros proyectos y seamos capaces de aprender de ellos. América Latina y el Caribe poseen un enorme acervo de conocimientos sobre el desarrollo, pero se trata de un recurso en gran parte desaprovechado hasta ahora. Como institución que se dedica al desarrollo, el BID debe ayudar a la región a alcanzar este potencial, no solamente por medio de estudios rigurosos, sino con mejores intervenciones y compartiendo aquello que aprendemos en el proceso. Esto es crucial para descubrir aspectos cuyo efecto puede transformar el curso de las economías y las sociedades, no solo generando un crecimiento económico más rápido, sino impulsando un desarrollo social más equitativo. En el BID, generamos este conocimiento gracias a nuestro Marco de efectividad en el desarrollo, el

cual utilizamos para mejorar nuestros proyectos de manera constante. El Panorama de la efectividad en el desarrollo, actualmente en su quinta edición, es nuestro principal medio para comunicar lo que hemos aprendido en el transcurso del año anterior ...

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· Medidas efectivas para alcanzar resultados [p. 6]
· Gestión estratégica de las evaluaciones de impacto [p. 18]
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· Panorama de avance en las prioridades institucionales [p. 38]
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· Política social para equidad y productividad [p. 52]
· Volver a los orígenes. Cómo Chile forjó una nueva relación con sus comunidades indígenas - Chile [p. 54]
· Mejores transferencias condicionadas. La República Dominicana ajusto su programa Solidaridad para ayudar a los más pobres - República Dominicana [p. 59]
· Cerrar la brecha. Los portátiles en las escuelas públicas mejoran el acceso a las TIC - Uruguay [p. 60]
· Un buen maestro marca la diferencia. Reducción de la brecha de aprendizaje en Ecuador - Ecuador [p. 62]
· El futuro de los trabajadores bajo la lupa. Información para una ola de reformas - Regional [p. 64]
· La paradoja de la salud. Cómo combatir la obesidad y la desnutrición simultáneamente - Guatemala [p. 65]
· Invertir temprano, más y mejor. Cómo mejorar los programas para la primera infancia en América Latina y el Caribe - Regional [p. 66]
· A través del río y por encima de un tronco. Panamá mejora la infraestructura de escuelas en zonas indígenas remotas - Panamá [p. 68]
· ¿Busca trabajo? Bolivia expande su programa de servicios de empleo - Bolivia [p. 70]
· La ventaja de las redes. Sistema de salud pública universal, integrado y accesible en El Salvador - El salvador [p. 71]
· Un nivel más alto. Trinidad y Tobago restructura su sistema educativo - Trinidad y Tobago [p. 73]
· Mejores trabajos. Cuatro lecciones mexicanas - México [p. 75]
· Autodetectar es curar. Atención temprana de las enfermedades tropicales desatendidas en Recife - Brasil [p. 78]
· El buen negocio de la educación. Préstamos estudiantiles para los más pobres - México [p. 80]
· Tecnología en el salón de clase. Barbados se pone a tono con los nuevos tiempos - Barbados [p. 82]

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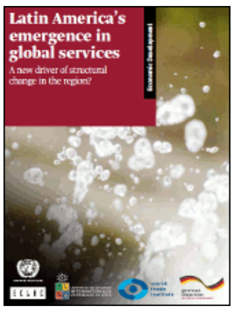
*Hernández, R., ed.; Mulder, N., ed.; Fernandez-Stark, K., ed.; Sauvé, P., ed.; López Giral, D., ed. y Muñoz Navia, F., ed. (2014). Latin America's emergence in global services : A new driver of structural change in the region?. Santiago de Chile: CEPAL.



Autor: Hernández, René A., ed.; Mulder, Nanno, ed.; Fernandez-Stark, Karina, ed.; Sauvé, Pierre, ed.; López Giral, Dorotea, ed.; Muñoz Navia, Felipe, ed.
Título: Latin America's emergence in global services : A new driver of structural change in the region?
Edición: Santiago de Chile: CEPAL, march 2014 [240 p.]
ISBN:978-92-1-056021-4
Temas:‹SECTOR SERVICIOS›‹COMERCIO INTERNACIONAL›‹DESARROLLO ECONOMICO›‹INNOVACIONES TECNOLOGICAS›‹COMPETITIVIDAD›‹EXPORTACIONES›‹EMPRESAS TRANSNACIONALES›‹POLITICA INDUSTRIAL›‹PEQUEÑAS Y MEDIANAS EMPRESAS, PYMES›
Geográficos:‹AMERICA LATINA›

Resumen: Business services have been one of the fastest growing export areas in emerging economies over the past decade. The spread of information and communication technologies and the rise in trade liberalization have facilitated the global unbundling and offshoring of services activities from advanced to developing countries, including those in Latin America. This offshoring has gradually evolved into more sophisticated forms of business process outsourcing. Several countries in the region are now in the process of further upgrading their services exports to participate in knowledge process outsourcing, which includes research and development, product development and more advanced vertical functions and activities in the value chain. The empirical and analytical insights in this volume document how several countries in Latin America have entered the offshore services sector both through the attraction of multinational companies and the internationalization of domestic service suppliers. The future of the offshore services sector in Latin America will depend on its ability to upgrade its knowledge- and skill-intensive product offerings. This will call for the development of domestic technical capabilities, the adoption of renewed industrial policies, the promotion of backward and forward linkages, and the continued upgrading of human capital and information technology-integrated manufacturing.

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Chapter II: National innovation systems and learning, upgrading and innovation in services GVCs: Lessons from India, Ireland and Eastern Europe [p. 59]
Chapter III: When SMEs think about delocalization: Theoretical issues [p. 85]
Chapter IV: Promotion policies for services offshoring: Global analysis and lessons for Latin America [p. 107]
Chapter V: The Colombian outsourcing and offshoring industry: The effects of institutions and agglomeration economies [p. 137]
Chapter VI: Service multinationals in Costa Rica's free trade zone and their linkages to local suppliers [p. 157]
Chapter VII: Information technology enabled services in Chile: A new export niche? [p. 177]
Chapter VIII: Scientific-technical services for the pharmaceutical industry in Mexico [p. 197]
Chapter IX: Winning through specialization: The role of the business model in value creation [p. 215]

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*De Groot, O. y Pérez Ludeña, M. (2014). Foreign direct investment in the Caribbean : Trends, determinants and policies. Santiago de Chile: CEPAL.

Autor: De Groot, Olaf; Pérez Ludeña, Miguel
Título: Foreign direct investment in the Caribbean : Trends, determinants and policies
Edición: Santiago de Chile: CEPAL, february 2014 [49 p.]
Serie: Studies and Perspectives, The Caribbean; 35
Temas:‹INVERSION EXTRANJERA DIRECTA, IED›‹CRISIS›‹RECURSOS NATURALES›‹EXPORTACIONES›‹PROMOCION DE LAS INVERSIONES›
Geográficos:‹CARIBE›

Resumen: The Caribbean receives some of the highest levels of Foreign Direct Investment (FDI) in the world. In the recent past, FDI flows have been particularly volatile, with the financial crisis in 2008 greatly reducing FDI flows to the Caribbean, although they have recovered somewhat recently. One of the distinctive features of Caribbean FDI flows is that they appear to be relatively unprofitable, with FDI income significantly lower than in Latin America. This is possibly due to the sectoral pattern of FDI, which in most Caribbean economies is heavily slanted towards services, particularly tourism. In a small number of economies, natural resources play an important role, which requires relatively large capital outlays and is thus responsible for a large share of investment. While the United States used to be the most important investor in the region, nowadays other players, such as Canada and China, are also taking a keen interest. Finally, the report studies the use of FDI promotion policies. These are more extensive and prevalent in the Caribbean than elsewhere, but the evidence of their effectiveness to improve either FDI flows or the impact of such FDI flows on the local economy, is limited.
Accesos al documento:HM CEPAL.CAR-EST.PERSPECT. 35 [2014]
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*Hacia la transformación digital de América Latina : las infraestructuras y los servicios TIC en la región. (2014). Bogotá: CAF.

Título: Hacia la transformación digital de América Latina : las infraestructuras y los servicios TIC en la región
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Temas:<TECNOLOGIAS DE LA INFORMACION><DESARROLLO TECNOLOGICO><INNOVACIONES TECNOLOGICAS><INFORMATICA><INTERNET><PROYECTOS DE INFRAESTRUCTURA><MARCO INSTITUCIONAL><TELECOMUNICACIONES>
Geográficos:<AMERICA LATINA><CARIBE>

Resumen: Este informe es el resultado de un trabajo de investigación y análisis realizado en 16 países de la región de América Latina y el Caribe, cuyo objetivo es evaluar cuál es el impacto de las TIC en la realidad actual desde una doble perspectiva: la de su adopción por parte de las estructuras productivas, sociales e institucionales del país y la del desempeño de las industrias TIC en sí, con un especial énfasis en la banda ancha. Igualmente, se presenta un programa de propuestas de actuación para la región, alineadas con las mejores prácticas internacionales.
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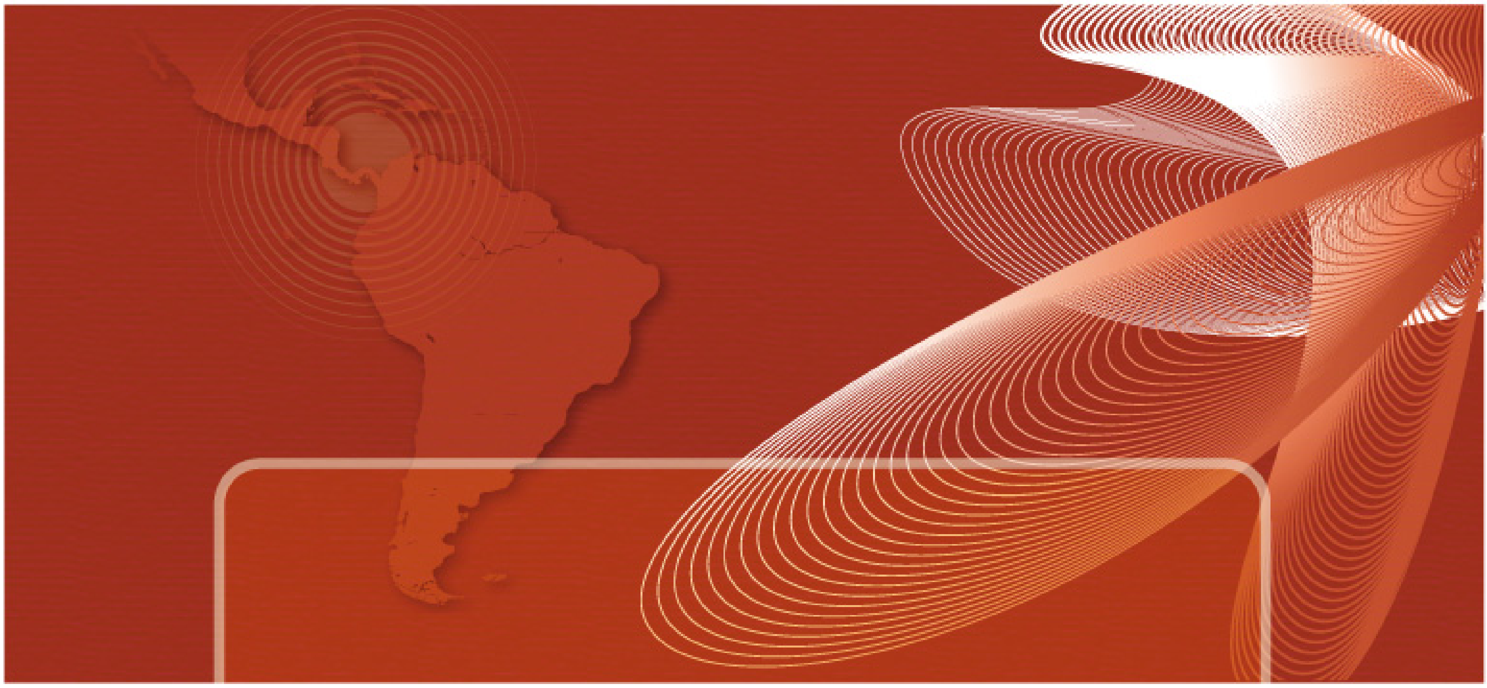

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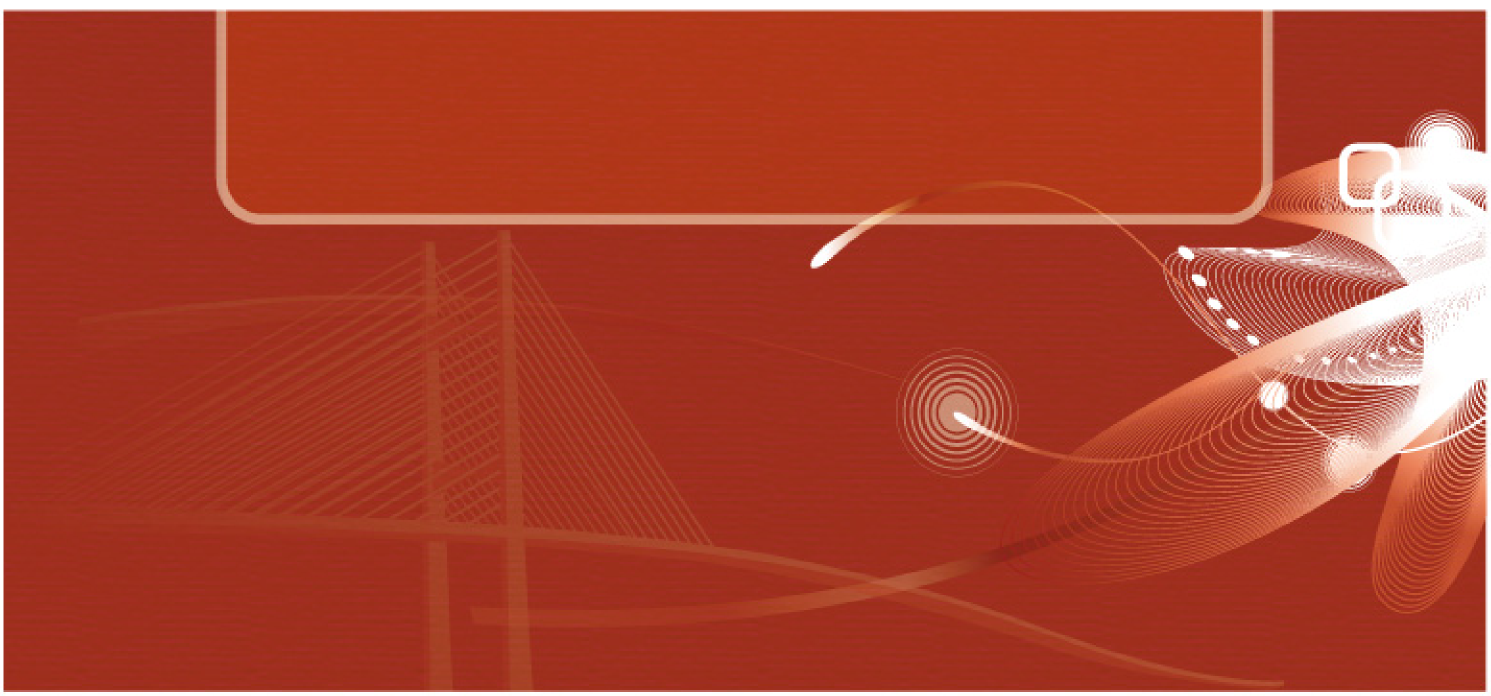

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Coordination:
Alejandro Ramos Martínez

Technical advisory:
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Romina Gayá
Gala Gómez Minujín
Andrea Kobylnik
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Editing:
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Julieta Tarquini

Web Editing:
Federico Mazzella
Pedro Grondona

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