Fifth LAEBA Annual Meeting
Singapore – July 15th, 2009

Regional Integration in LAC

Antoni Estevadeordal - IDB
Regional Integration in LAC
A Moving Agenda...

Antoni Estevadeordal
Manager

Accelerating Regional Integration
in the Asia-Pacific Region
ADBI – IDB LAEBA Annual Conference
Singapore, July 2009
Outline

★ Global Regionalism and the Regionalism “Menu” in LAC
★ A Changing Environment for LAC Integration Strategies
★ Recalibrating the World Trading System
★ Conclusions
Global Regionalism and the Regionalism “Menu” in LAC
Global Regionalism...

(RIAs notified to the WTO, 1950-2006)

~ 1994
LAC Integration in 1994...

NAFTA (January 94)

FTAA (December 94)

UR-GATT (April 94)

MERCOSUR (December 94)
LAC Integration menu in 1994: “pizza”

Canada
USA
Mexico

Dominican Republic
Bahamas
Haiti

El Salvador
Guatemala
Honduras

Nicaragua
Costa Rica
Panama

Antigua & Barbuda, Barbados,
Belize, Dominica, Grenada,
Guyana, Jamaica, St. Lucia,
St. Kitts & Nevis,
St. Vincent & the Grenadines,
Suriname,
Trinidad & Tobago

Colombia
Venezuela

Brazil

Chile

Peru
Bolivia

Paraguay
Uruguay
Argentina

FTAA
LAC Integration menu in 1994: “ravioli”

NAFTA
- Canada
- USA
- Mexico

CACM
- El Salvador
- Guatemala
- Honduras
- Nicaragua
- Costa Rica
- Panama

ACN
- Colombia
- Ecuador
- Peru
- Bolivia

MERCOSUR
- Brazil
- Uruguay
- Argentina

CARICOM
- Antigua & Barbuda
- Barbados
- Belize
- Dominica
- Grenada
- Guyana
- Jamaica
- St. Lucia
- St. Kitts & Nevis
- St. Vincent & the Grenadines
- Suriname

CSME

LAC Integration menu in 1994: “ravioli”
LAC Integration menu in 1994: “spaghetti bowl”
LAC Integration into the future...
LAC Integration “new” menu: “lasagna”

CARICOM
CSME

EU-CARIFPOM
EPA

Bahamas

Antigua & Barbuda, Barbados,
Belize, Dominica, Grenada,
Guyana, Jamaica, St. Lucia,
St. Kitts & Nevis,
St. Vincent & the Grenadines,
Suriname,
Trinidad & Tobago

Caribbean

Canada

USA

Mexico

Dominican Republic

El Salvador
Guatemala
Honduras

Costa Rica

Panama

Nicaragua

Panama

Colombia

Peru

Venezuela

Brazil

Argentina

Paraguay

Uruguay

Argentina

Brunei

N.Z

Singapore

Australia

Thailand

Korea

Japan

China

Mexico

Antigua
Barbuda
Barbados
Belize
Dominica
Grenada
Guyana
Jamaica
St. Lucia
St. Kitts
& Nevis
St. Vincent
& the Grenadines
Suriname
Trinidad
& Tobago

CARICOM (CARICOM member but not in CSME)
Preferential and Multilateral Trade Liberalization in LAC...

Estevadeordal, Freund, Ornelas
QJE November 2008

MFN Tariffs
(Average for 11 countries)

Preferential Tariffs of 11 LAC countries to RTA partners
RTAs Liberalization in LAC...

Share of intra-regional trade Liberalized ~ 85%

RTAs Period
- 90 - 95
- 95 - 00
- 00 - 07
APEC liberalization state of play, 2008

% of product items free by 2008, by bilateral RTA relation

- NAFTA
- JPN-MYS
- KOR-PHL

2008
...advances toward 2013

% of product items free by 2008 and 2013
...and further by 2020

% of product items free by 2008, 2013, 2020
The complex world of RTAs: Rules of Origin
Number of RoO Criteria Combinations (RTAs-APEC)

Complex, Older, Latin…

Simple, Younger, Asian..
A Changing Environment for LAC Integration Strategies
A changing environment for LAC integration strategies…

Increasing importance of private sector logic over state-led integration…
Private Dynamics: National & Regional Production Networks
Contract Manufacturers in the Electronics Sector (firms sample)

Source: Sturgeon (2005)
Private Dynamics: Global Production Networks

Contract Manufacturers in the Electronics Sector (firms sample)

Source: Sturgeon (2005)
A changing environment for LAC integration strategies…

- Increasing importance of private sector logic over state-led integration…
- Increasing importance of external forces on external integration strategies…
China, India, LAC…

Shares in World Exports of Goods (%, Current US$)

- LAC
- China & India

1980 1990 2005
Liberalization in APEC region…
% of product items free by 2008-2013-2020

Chile-Japan
NAFTA
Peru-Thailand
Asia-LAC transport corridors: Changing patterns...
“New” integration initiatives

Asia

ARCO-Pacific

Mexico

Chile
Liberalization intra-ARCO-Asia

Source: Integration and Trade Sector, IDB
A changing environment for LAC integration strategies...

- Increasing importance of private sector logic over state-led integration...
- Increasing importance of external forces on external integration strategies...
- Increasing importance of non-trade issues...
Beyond Tariffs: Trade costs in LAC...

Weighted Average Ad Valoren Freight and Tariff for Select LAC Countries.
Intraregional Exports

Source: Integration and Trade Sector, IDB
Transportation cost reductions associated to:
Port efficiency – Tariffs – Number of Vessels
(US Levels – 2005)

PERU          ECUADOR       LAC        URUGUAY         CHILE    BRAZIL

Source: Integration and Trade Sector, IDB
Information costs… the role of export promotion agencies…

Differentiated Goods

Homogenous Goods

Source: Integration and Trade Sector, IDB
A changing environment for LAC integration strategies…

- Increasing importance of private sector logic over state-led integration…
- Increasing importance of external forces on external integration strategies…
- Increasing importance of non-trade issues…
- Increasing importance of overlapping agendas and “variable” geometry…
“Variable Geometry” of integration initiatives

North America

Intra-regional

Asia

Regional

Mexico

Europe

Chile

ARCO-Pacific
Recalibrating the World Trading System
Recalibrating the world trading system…

WTO

Regional Blocs

Bilateral FTAs
Conclusions…

🌟 Emerging New Global Dynamics (Asia...)
  ➔ Adjust Regional Dynamics...

🌟 Emerging New Regional Dynamics (RTAs..)
  ➔ Calibrate World Trade Architecture...

🌟 Emerging New Inter-Regional Cooperation (Energy, Migration, Financial Integration, Regional Infrastructure...)
  ➔ Expand the Integration Agenda...

🌟 Emerging New Private Sector Logic (FDI, Outsourcing, Global Supply Chains, Multilatinas)
  ➔ Develop Pragmatic Approaches...
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A Moving Agenda...

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