



USAID
FROM THE AMERICAN PEOPLE

LAC Trade Matters



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In the News...

United States-Peru Trade Promotion Agreement Implementation Act – On February 14, President Bush signed the legislation (H.R. 3688, the United States-Peru Trade Promotion Agreement Implementation Act) approving the U.S.-Peru Free Trade Agreement (or PTPA). Last year, Peru's economy expanded by more than 7.5 percent, and over the past three years, trade between the U.S. and Peru has more than doubled to nearly \$9 billion. Implementing the free trade agreement with Peru will expand this trade even more and create new opportunities for citizens in both nations.

- **The U.S.-Peru free trade agreement will create new opportunities in the United States.** Once implemented, the agreement will immediately eliminate duties on about 80 percent of U.S. consumer and industrial goods sold in Peru, and will eliminate all remaining duties within 10 years. It will also immediately eliminate duties on more than two-thirds of U.S. agricultural exports to Peru and eliminate most of the remaining duties over the following 5 to 15 years.
- **The people of Peru will also benefit from new opportunities created by the U.S.-Peru free trade agreement.** The agreement locks in access for Peruvian businesses to the largest market in the world. With more U.S. products available in their country, Peruvians will benefit from more choices and lower prices. By removing barriers to U.S. services and investment, the agreement will also help create a secure, predictable legal framework that will help attract U.S. investors.

The U.S.-Peru Trade Promotion Agreement Implementation Act was passed with broad, bipartisan support. In May 2007, the Administration and Congress came together on a bipartisan approach to free trade agreements, under which enforceable labor and environmental provisions were included in pending free trade agreements.

Source: <http://www.whitehouse.gov/news/releases/2007/12/20071214-7.html>

LAC Trade Matters is not a vehicle for articulating or vetting USG trade policy as these functions have their existing and appropriate channels within the USG inter-agency Trade Policy Staff Committee process. On trade policy issues, USG officials receiving this newsletter should review cleared information provided through official channels (e.g., cables). The newsletter is produced entirely within and under the editorial control of the Office of Regional Sustainable Development in USAID's Bureau for Latin America and the Caribbean, and is not subject to intra-agency or inter-agency review. Readers interested in sharing information about trade-related issues and events may send written submissions directly to the newsletter's editor-in-chief Kerry Byrnes (kbyrnes@usaid.gov).

In the News... (continued)

Can Latin America Compete? (forthcoming, edited by Jerry Haar and John Price) – With dynamic growth in China and India, recovery in Europe and Japan, and notable gains in U.S. productivity, the question arises: Can Latin America compete? Many argue that macroeconomic and trade reforms achieved in the 1990s merely put a handsome coat of paint over education, labor, judicial, and administrative reforms that remain incomplete. This book identifies and analyzes ten factors that most influence the competitiveness of Latin American nations and will shape their economic futures.

The book contains a chapter corresponding to a recent article on “Latin America’s New Downside Risk: Competitiveness” in INFOAMERICAS (www.infoamericas.com). The article highlights how the competitiveness of Latin American countries could yet depend greatly on the countries continuing to make progress on deepening the so-called Washington Consensus reforms. Price breaks the countries’ progress in implementing these ten reforms into three categories: well-executed (2), mismanaged (4), and never touched (4). Based on correspondence with Price and a draft of the aforementioned chapter, the following summarizes his assessment of the reforms:

Well-executed:

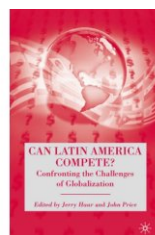
1. Liberalization of foreign investment laws to attract foreign direct investment
2. Trade liberalization

Mismanaged:

3. Competitive exchange rate (currency flotation)
4. Privatization
5. Fiscal policy/discipline – almost all the countries have, at one point or another, run large deficits that led to balance of payments crises and high inflation that hit mainly the poor because the rich could park their money abroad
6. Reordering public expenditure priorities – switching expenditures in a pro-poor way, from things like indiscriminate subsidies to basic health and education

Never Touched:

7. Deregulation – easing barriers to entry and exit, not on abolishing regulations designed for safety or environmental reasons
8. Property rights – providing the informal sector with the ability to gain property rights at acceptable cost.
9. Tax reform – constructing a tax system that would combine a broad tax base with moderate marginal tax rates
10. Judicial reform



Source: <http://tinyurl.com/yp49cq>

In the News... (continued)

The Visible Hand of China in Latin America (book edited by Javier Santiso) – Latin America is looking towards China and Asia—and China and Asia are looking right back. This is a major shift: for the first time in its history, Latin America can benefit from not one but three major engines of world growth. Until the 1980s, the United States was Latin America’s major trade partner. In the 1990s, a second growth engine emerged with the European investment boom in the region. Now, at the dawn of the new century, the emergence of Asia, and in particular China, has the potential to act as a third engine of growth. This book describes the opportunities and challenges that Latin American economies will face as Chinese importance in the world economy—and in Latin America’s traditional markets—continues to grow. For information on how to obtain this book, click on the following link:

http://www.oecd.org/document/8/0,2340,en_2649_201185_38434504_1_1_1_1,00.html

World Bank’s World Development Report 2008: Agriculture for Development – The latest World Bank World Development Report (WDR) calls for greater investment in agriculture in developing countries and warns that the sector must be placed at the center of the development agenda if the goals of halving extreme poverty and hunger by 2015 are to be realized. Titled ‘Agriculture for Development’, the report says the agricultural and rural sectors have suffered from neglect and underinvestment over the past 20 years. While 75 percent of the world’s poor live in rural areas, a mere 4 percent of official development assistance goes to agriculture in developing countries.

The World Bank Group is advocating a new ‘agriculture for development’ agenda. According to the WDR, for the poorest people, GDP growth originating in agriculture is about four times more effective in reducing poverty than GDP growth originating outside the sector. “A dynamic ‘agriculture for development’ agenda can benefit the estimated 900 million rural people in the developing world who live on less than \$1 a day, most of whom are engaged in agriculture,” said Robert B. Zoellick, World Bank Group President. “We need to give agriculture more prominence across the board. At the global level, countries must deliver on vital reforms such as cutting distorting subsidies and opening markets, while civil society groups, especially farmer organizations, need more say in setting the agricultural agenda.”

According to the report, agriculture can offer pathways out of poverty if efforts are made to increase productivity in the staple foods sector; connect smallholders to rapidly expanding high-value horticulture, poultry, aquaculture, as well as dairy markets; and generate jobs in the rural nonfarm economy. “Agricultural growth has been highly successful in reducing rural poverty in East Asia over the past 15 years,” said Francois Bourguignon, World Bank Chief Economist and Senior Vice President, Development Economics. “The challenge is to sustain and expand agriculture’s unique poverty-reducing power, especially in Sub-Saharan Africa and South Asia where the number of rural poor people is still rising and will continue to exceed the number of urban poor for at least another 30 years.”

For its part, the World Bank intends to continue increasing its support for agriculture and rural development, following a decline in lending in the 1980s and 1990s. Commitments in FY07 reached \$3.1 billion, marking an increase for the fourth straight year. To access more detailed information about this report, click on the following link:

<http://go.worldbank.org/ZJIAOSUFU0>

New TCB Resources

Aid for Trade at a Glance 2007 – The OECD and the WTO have collaborated closely to develop a framework for monitoring aid for trade. This framework has three levels: global monitoring of aid-for-trade flows, based on the OECD Creditor Reporting System; donor monitoring, in the form of self-assessments; and in-country monitoring, also in the form of self-assessments. This joint OECD/WTO report provides the first comprehensive global picture of aid for trade and will enable the international community to assess what is being achieved, what is not, and where improvements are needed. The report is divided into two volumes: *1st Global Review*, and *Country and Agency Chapters*. To access this report, click on the following link:

http://www.oecd.org/document/46/0,3343,en_2649_34665_39619566_1_1_1_1,00.html

The KIT Portal on Value Chains for Development (VC4D) – The portal on Value Chains for Development provides access to free, full-text electronic documents on pro-poor value chains. This information portal is also a unique entry point for all other Internet sources on the subject, including newsletters, discussion groups, websites, bibliographic databases, and directories of organizations and projects. To access this resource, click on the following link:

<http://portals.kit.nl/smartsite.shtml?id=12505>

LEDcast - Local Economic Development Podcast – [The Value Chain Series, Episode 3 / CIAT's experiences in Central America](#) - Jörg Meyer-Stamer interviews Mark Lundy of the Agribusiness Group at the Center for Tropical Agriculture, [CIAT](#). They talk about CIAT's "[learning community](#)" around value chain development, surprising experiences with powerful buyers, and what often goes wrong in value chain initiatives.



To download this episode, [right-click here, select "save as" and save the audio file to your hard drive.](#)

Source: <http://www.ledcast.net/ValueChain/vc03.html>

Across Three Continents, A Journey from Bananas to Chips – A Peruvian entrepreneur, far from the capital, turns plantain bananas, a low-return commodity, into chips, a high-value export. Finding a training partner in management skills proved the key to moving this Peruvian exporter up the value chain. To read the complete article, click on the following link:

<http://www.tradeforum.org/news/fullstory.php/aid/1181>

Online Resources from LAC Telecommunications Regulators -- Many LAC regulators are making reports and statistical information available via their websites. These are key sources of information for assessing universal service conditions and progress, quality of service, tariffs and overall development of the sector at national level. This page provides a complete and up-to-date list of Latin American and Caribbean regulators with links to their websites and key statistical documents and resources. To access this resource, click on the following link:

<http://irne.net/resources/lac-resources/>

New TCB Resources (continued)

The Trade Knowledge Network (TKN): Trade and Sustainable Development – The Trade Knowledge Network (TKN) is the collaboration of research institutions in developed and developing countries located in Africa, Asia, Europe and the Americas. TKN's goal is to foster long-term capacity to address the complex issues of trade and sustainable development in partner-country research institutions, governments and the wider policy community, including business, academia, and environment and development NGOs. For more information about this resource, click on the following link:

<http://tinyurl.com/2xy5t8>


World Economic Outlook- Globalization and Inequality – The World Economic Outlook (WEO) presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups (classified by region, stage of development, etc.), and in many individual countries. It focuses on major economic policy issues as well as on the analysis of economic developments and prospects. To access this resource, click on the following link:


<http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm>


World Bank Trade Logistics Performance Index (LPI) – The LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics and what they can do to improve their performance. The LPI is based on a survey of operators on the ground worldwide (global freight forwarders and express carriers), providing feedback on the logistics “friendliness” of the countries in which they operate and those with which they trade. The LPI consists of both perception and objective measures and helps build profiles of logistics friendliness for these countries. It measures performance along the logistics supply chain within a country and has three parts:

- ✓ [Perceptions of the logistics environment of trading partner countries](#)
- ✓ [Information of the logistics environment in the home country of operation](#)
- ✓ [Real time-cost performance data for country of operation](#)

The LPI is available in three different modes:

 [Country Scorecard](#) uses seven key dimensions to benchmark countries' performance and also displays the derived overall LPI index. The scorecard allows comparisons with the World (with the option to display World best performer) and with the Region or income group (with the option to display the Region's or income group's best performer) on the 7 key dimensions and the overall LPI index.

 [Global LPI Ranking](#) presents performance scores of all countries on the overall LPI index, as well as on the seven key dimensions, in a sortable table format. [World Map](#) provides a color-coded map for the global view of the overall LPI index and the seven key dimensions.

 [Cross-Country Comparison](#) allows bar-chart comparison of up to 20 countries on their overall LPI index and seven key dimensions.

Source: <http://preview.tinyurl.com/22xjrr>

New TCB Resources (continued)

Doing Business 2008 – The Doing Business 2008 report identifies 200 reforms in 98 countries between April 2006 and June 2007. Doing Business 2008 finds that large emerging markets are reforming fast, with the potential to benefit hundreds of millions of people. Egypt, China, India, Indonesia, Turkey, and Vietnam all improved in the ease of doing business. As countries reform their business regulation, more businesses are starting up. Eastern Europe has witnessed a boom in new business entry that rivals the rapid growth in East Asia in the past. Large emerging markets such as India, China, Egypt, Turkey, and Indonesia, are reforming fast and investors are taking notice. This year Egypt is the top reforming country worldwide, while Singapore is #1 on the ease of doing business for the second consecutive year. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, **Colombia**, Saudi Arabia, Kenya, China, and Bulgaria. For more information, click on the following link:

http://ifc.org/ifcext/media.nsf/Content/Doing_Business_2008

Trading Across Borders – The Trading Across Borders chapter of the Doing Business 2008 report references research initiated by USAID (EGAT/EG) that identified the cost of import and export delays in terms of tariffs. The study pioneers a method for expressing such costs as a percentage of a good's value. Data on trade delays are abundant—the World Bank's Doing Business reports measure the time required to import and export in 175 countries—but the cost of delays is measured in days not dollars. To express costs in dollars terms, what we call “tariff equivalents,” we

1. Estimate the value of one day saved in transit for each product, drawing on trade and shipping data that reveal how much consumers value timely delivery;
2. Calculate the per-day value of time savings for each country, based on the goods it trades or might one day trade; and
3. Calculate tariff equivalents for import and export waiting times by combining each country's per-day value of time savings with the Doing Business data.

Bulk products are less time sensitive than complex manufactures and goods subject to rapid depreciation, such as fresh fruit and vegetables. Exports from the rich countries in the Organization for Economic Cooperation and Development (OECD) are the most sensitive, while those from the Middle East and North African countries are the least so. This reflects the importance of sophisticated manufactures in OECD exports compared to bulks such as crude oil in the exports of Middle Eastern and North African countries.

Seeing the Costs of Time – When we combine the per-day values with the Doing Business data, we find that the tariff equivalents for import delays exceed tariffs in all regions; and the tariff equivalents for export delays exceed tariffs in all regions except the OECD and East Asia and the Pacific. In the non-OECD countries of Europe and Central Asia, the tariff equivalents for export delays are three times the tariffs faced by exporters. In other words, the delays that exporters encounter when moving goods across their own borders are three times more costly than the tariffs charged by other countries. In Sub-Saharan Africa, the tariff equivalents for time to export are more than four times the tariffs faced by exporters.

Using Cost Data to Guide Decisions – Importers and exporters alike should find these figures ample justification for advocating for better roads and ports, simpler customs procedures, and reduced corruption—improvements classified as “trade facilitation.” Donors and governments will find the figures useful for quantifying the value of such improvements. Finally, our findings suggest that participants in trade negotiations should also focus on trade facilitation.



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New TCB Resources (continued)

Economic Growth Officers Workshop – Two topics discussed at the USAID Economic Growth Officers Workshop were Dutch Disease (or, as sometimes called, “the Resource Curse”) and business regulation or over regulation, particularly referring to the Doing Business program at the World Bank and supported by USAID. The following two publications shed some light on both topics:

Dutch Disease Publication:

http://www.dai.com/pdf/developing_alternatives/DA_Resource_Curse_for_Web.pdf

Business Regulation:

http://www.dai.com/pdf/developing_alternatives/spring_2006_DA.pdf

USAID/ANE Pesticide and Food Safety Management Training Materials Available Online

– USAID/ANE sponsored a four-day *Pesticide and Food Safety Management* training course in October. The course focused on administrative, management, marketing, and technical issues in pesticide and food safety, including farm audits, emphasizing GlobalGAP (Global Good Agricultural Practices) and related international foods market-driven initiatives. For information, contact Barney P. Popkin/USAID-ANE-TS at bpopkin@usaid.gov. To access the course training materials, click on the following link:

http://www.usaid.gov/our_work/environment/compliance/ane/amman2007.htm

Upcoming Trade-Related Events Relevant to the LAC Region

Upcoming Trade Shows:

<http://tradeshow.globalsources.com/TRADESHOW/TRADESHOW.HTM>



Happy Holidays!
