



USAID
FROM THE AMERICAN PEOPLE

LAC Trade Matters



Issue #58

(6/15/08)

In the News...

USAID Update on Global Food Crisis – On May 1, President George W. Bush requested that Congress approve \$770 million in international food aid to assist populations affected by the global food crisis. USAID's response to current food insecurity is summarized in the Global Food Insecurity and Price Increase Situation Report #1 (and subsequent reports). This and other related documents are posted on USAID's public website, www.usaid.gov, linked to the upper left heading “USAID Responds to Global Food Crisis.” USAID will continue to issue updates on this website.

Developing Countries Shaping Future of World Agriculture Trade - New OECD-FAO Report – Production and consumption of farm products are expanding faster in developing countries than in developed economies. But a new joint report by the OECD and FAO says productivity growth in the world's poorest nations is not keeping pace with the food needs of their rising populations.

Because of this, the poorest developing countries will be increasingly dependent on world markets for their food security and so more vulnerable to price fluctuations in world markets, according to the report, OECD-FAO Agricultural Outlook 2006-2015. To improve domestic production capacity in these countries greater investment in education, training and infrastructure development is needed.

The report adds that Brazil, India and China are of increasing importance in shaping the future of world agricultural trade. In developing countries as a whole rising incomes and increasing urbanization are causing changes to people's diets. This leads to greater demand for and imports of meat and processed foods particularly, but also for the animal feed needed for their production.

Source: <http://www.fao.org/newsroom/en/news/2006/1000349/index.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)

Food Price Hikes May Increase Poverty and Indigence By Over Ten Million People in Latin America and the Caribbean – The steep and persistent rise in international food prices is hitting particularly hard on the poorest in Latin America and the Caribbean, worsening income distribution, stated ECLAC Executive Secretary José Luis Machinea. Poverty and indigence will rise if urgent measures are not taken to reduce the effects of these hikes.

International food prices have been rising over the past few years, but price increases have been particularly steep in the past 12 months. Most concerning is the growing cost of corn, wheat, rice and oilseeds, which in some cases has gone up over 100%.

As of early 2006 and especially as of 2007, food consumer price indexes have risen in the majority of the region's economies at an annual rate between 6% and 20%, with an average of about 15%.

Based on indigence projections for 2007, ECLAC estimates that a 15% rise in food prices will increase indigence by almost three points, from 12.7% to 15.9%. This means that elevating food prices will lead another 15.7 million Latin Americans to destitution. A similar number will also fall under the poverty line.

However, if household incomes were to go up by 5%, similar to the average inflation rate in the region, nearly ten million people would become indigent due to price hikes, and a similar number would increase the ranks of the poor. This is not even considering the aggravating social situation of those who were already poor or indigent prior to the price rises.

“This is a dramatic situation for a large number of people,” said the ECLAC Executive Secretary.

These data reveal the clearly negative effects of the rising cost of food on people's welfare. But the scenario worsens due to rising fuel prices, which are pushing up the price of transportation and public utilities.

“In this context, it is a priority to implement and/or maintain policies focused on diminishing those effects,” said José Luis Machinea. There are different types of policies that may be put in place, and that will depend on the specific reality of each country and the experience it may have in the use of different instruments, as well as its fiscal situation.

The ECLAC Executive Secretary recommended that these policies include taking measures to buffer food price increases in domestic markets and/or improve income, especially that of the poor. Among the former, Machinea mentioned reducing tariffs and/or consumer taxes, while the latter includes subsidies directed to certain sectors, or raising existing subsidies.

It is additionally necessary for developed countries -and to a certain extent mid-income net food exporters as well- to make an exceptional contribution to programs and agencies such as the United Nations World Food Programme, which can deliver emergency aid to populations at risk.

Given that the high food prices apparently are not transitory, but rather “are here to stay”, the ECLAC Executive Secretary suggested countries design medium and long range proposals to increase supply and productivity in a sustainable manner, as well as maintain specific policies focused on low-income sectors.

Source: CEPAL News - April 2008

In the News... (continued)

Global Monitoring Report 2008 – A new World Bank-IMF report warns that most countries will fall short on the Millennium Development Goals (MDGs), a set of eight globally agreed development goals with a due date of 2015. Though much of the world is set to cut extreme poverty in half by then, prospects are gravest for the goals of reducing child and maternal mortality, with serious shortfalls also likely in primary school completion, nutrition, and sanitation goals.

“In this Year of Action on the MDGs, I am particularly concerned about the risks of failing to meet the goal of reducing hunger and malnutrition, the ‘forgotten MDG’,” said Robert B. Zoellick, President of the World Bank. “As the report shows, reducing malnutrition has a ‘multiplier’ effect, contributing to success in other MDGs including maternal health, infant mortality, and education.”

The Global Monitoring Report: MDGs and the Environment—Agenda for Inclusive and Sustainable Development stresses the link between environment and development and calls for urgent action on climate change. The report warns that developing countries stand to suffer the most from climate change and the degradation of natural resources. To build on hard-won gains, developing countries need support to address the links between growth, development and environmental sustainability.

“Developing countries need more foreign aid and domestic resources to reach the MDGs. High economic growth and a stable macroeconomic environment remain essential for reducing poverty and increasing investment in health and education,” said Dominique Strauss-Kahn, IMF Managing Director.

Progress toward the MDGs differs dramatically across countries, regions, and income groups, the report says. Sub-Saharan Africa lags on all counts, including the goal for poverty reduction, though many countries in the region are now experiencing improved growth performance. At the country level, most countries are off track to meet most MDGs, with those in fragile situations falling behind most seriously.

With stronger efforts by the countries themselves and their development partners, most MDGs remain achievable for most countries, the report says. With this in mind, the report lays out an integrated six-point agenda, with strong, inclusive growth at the top. The agenda also calls for more effective aid; a successful outcome to the Doha round of trade talks; more emphasis on strengthening programs in health, education and nutrition; and financing and technology transfers to support climate change mitigation and adaptation. Access the report at: <http://www.worldbank.org/gmr2008>

Source: World Bank PovertyNet Newsletter # 113, April 2008

Strategies For Sustained Growth and Inclusive Development – The Commission on Growth and Development released its final report, “The Growth Report: Strategies for Sustained Growth and Inclusive Development,” which looks at how developing countries can achieve rapid, sustained, and equitable growth. See page 4 for a summary of the report. Access the report at:

<http://go.worldbank.org/0KG89H4R20>

New USAID Economic Growth Strategy Released – On May 1, 2008, U.S. Agency for International Development Administrator Henrietta H. Fore announced the Agency's “Economic Growth Strategy: Securing the Future.” The strategy presents the Agency's approach to supporting economic growth as the most effective way to reduce poverty in the developing world. See this newsletter’s page 5 for a summary of the strategy. Access the strategy at:

http://www.usaid.gov/our_work/economic_growth_and_trade

In the News... (continued)

Strategies For Sustained Growth and Inclusive Development – The Commission on Growth and Development released its final report, “The Growth Report: Strategies for Sustained Growth and Inclusive Development,” which looks at how developing countries can achieve rapid, sustained, and equitable growth. Access this report at: <http://go.worldbank.org/0KG89H4R20>

According to the Commission, sustaining high growth rates is not a miracle; it is attainable for developing countries with the “right mix of ingredients.” Countries need leaders who are committed to achieving growth and who can take advantage of opportunities from the global economy. They also need to know about the levels of incentives and public investments that are necessary for private investment to take off and ensure the long-term diversification of the economy and its integration in the global economy. High, long-lived growth isn’t easily achieved, but the report by some of the world’s top policy-makers and thinkers argues it can be repeated in other countries, thereby enabling them to reduce poverty and improve opportunity and quality of life for their citizens.

“The Growth Report,” released in London, Cairo, Cape Town, New York and St. Kitts, seeks to unlock the growth strategies of high growth countries and highlight the potential of economic growth to improve lives around the globe. “There is, perhaps for the first time in history, a reasonable chance of transforming the quality of life and the creative opportunities for the vast majority of humanity,” says Chairman Michael Spence, one of two Nobel Laureates on the 21-member commission comprising leaders from business, government and academia. “Economic growth is absolutely important to eradicate poverty and uplift the standard of living of people,” adds Gon Chok Tong, Chairman of Monetary Policy in Singapore, one of six countries that achieved high income status through sustained high growth.

The Growth Report identifies some of the distinctive characteristics of high-growth countries and highlights the importance of leadership and governance, economic security, competition, sound fiscal and monetary policy, and public investment in health and education. It also looks at global trends and their impact on growth, including global warming, rising prices, rising income inequality, and labor migration.

Go here for the report: <http://go.worldbank.org/0KG89H4R20>

Source: World Bank PovertyNet Newsletter #114, May 2008

Foreign Investment in Latin America and Caribbean Reaches Record Figures in 2007 – Latin America and the Caribbean received the record figure of almost US\$106 billion in foreign direct investment (FDI) in 2007, due to regional economic growth and sustained global demand for natural resources. This is the highest volume of FDI in the region since 1999, when investment totaled US\$89 billion and was strongly linked to privatizations. These are some of the conclusions of the report *Foreign Investment in Latin America and the Caribbean, 2007*, as presented by the Economic Commission for Latin America and the Caribbean (ECLAC).

Within the context of a global FDI increase, the rise in FDI in Latin America and the Caribbean in 2006-2007 reached 46%. Among developing regions, FDI in Latin America and the Caribbean registered the highest increase (an average 17% rise in developing countries and 43% in economies in transition). The main FDI recipient country in 2007 was Brazil, with US\$34.6 billion, followed by Mexico (US\$23.2 billion), Chile (US\$14.5 billion) and Colombia (US\$9 billion). In terms of GDP, excluding financial centers in the Caribbean, the main FDI recipients were Panama, Chile and four Central American countries (Honduras, Costa Rica, El Salvador, and Nicaragua).

Source: CEPAL News - May 2008

In the News... (continued)

USAID Economic Growth Strategy – A Summary

Economic Growth in Context – Economic growth is essential to enable countries to reduce poverty and to generate the resources they need to address illiteracy, poor health, and other development challenges. The United States Agency for International Development (USAID) promotes economic growth in accordance with the U.S. National Security Strategy of 2006, and the goal of transformational diplomacy. Free markets and free societies are vital to achieving the development goals of the United States.

Recent Progress and Future Prospects Are Both Encouraging – The developing world has achieved much more progress than is often recognized. Global growth since 1950 has been unparalleled in history. Average real incomes rose by at least half in all regions of the world, while the share of the world's population living in extreme poverty fell from 55 percent in 1950 to 18 percent in 2004. Life expectancy rose by 50 percent over the same period, while equally dramatic progress was made in other measures of the quality of life - from literacy and nutrition to access to water and electricity. Although Africa has historically had the slowest growth of any region, its performance has improved substantially over the past decade, lending hope for the future.

Looking forward, the global environment for growth in developing countries has improved markedly from a generation ago. In many respects, underlying conditions supporting growth - including better macroeconomic management in most countries and technological advances in communications - have never been better.

Growth Begins with Competitive Firms – Economic growth is the sustained increase of a society's output. The key is ongoing growth in productivity - turning the same resources into ever-greater amounts of goods and services over time. All productivity growth takes place at the level of the firm - a term that includes producers in all sectors and of all sizes, from the family farm and the vegetable seller with a handcart to the largest global corporation.

By Shaping Producers' Incentives, Economic Governance Drives Growth – A sound macroeconomic framework is the cornerstone for sustained growth. Fortunately, most developing countries now practice responsible macro policies. Microeconomics has emerged as the next frontier for economies to sustain a strong rate of growth. New data show that business regulation is much more extensive and onerous in poor countries than in rich ones. Some regulations are essential, but they should be designed to minimize costs, uncertainty, and the potential for corruption or abuse. In many poor countries, complex and costly regulations discourage firms from employing workers or investing in new technologies.

These regulations inhibit firms, especially small and micro businesses, from achieving high and growing productivity. There is tremendous opportunity over the next decade to improve the microeconomic dimension of economic governance, for example, by strengthening systems of property rights, competition policies, and commercial law, and by easing barriers to trade.

Other Factors Enable Growth – While macroeconomic and microeconomic policies and institutions drive the growth process, other factors enable growth to move forward.

The availability of finance, infrastructure, and an educated and healthy workforce, for example, can influence the rate and direction of growth. Work in these areas is very important, but its impact is much reduced in a country with a poor macro- or microeconomic policy environment.

USAID will Pursue Rapid, Sustained, and Broad-Based Growth – USAID's overarching goal in economic growth is to help partner countries achieve rapid, sustained, and broad-based growth. Rapid growth means per capita income growth of at least 2 percent per year, preferably faster. Growth is sustained to the extent it is maintained over the long term. Broad-based growth includes all major income groups, ethnic groups, and women, and significantly reduces poverty. To support this goal, USAID will endeavor to:

1. Develop well-functioning markets in developing countries.
2. Enhance access to productive opportunities for the poor, women, and other disadvantaged groups to help ensure that they benefit from growth.
3. Strengthen the international framework of policies, institutions, and public goods that supports growth prospects and opportunities for poor countries.
4. Seek systemic and catalytic impact which will reinforce USAID objectives to promote democracy and governance.

Core Principles for USAID Programs Pursuing Growth – Economic growth is a complex process. Moreover, differences in country conditions and opportunities create a wide variety of potential donor interventions. To achieve the greatest results, several core principles will guide USAID's program choices. In particular:

1. Programs should seek large and systemic impacts. The success of a few firms, farms, or communities is not enough. The goal is growth that affects thousands of firms and millions of people. This typically requires improvements in policies affecting all businesses within a sector or across the entire economy. USAID will seek the systemic reforms that can mobilize much larger savings and investment by others.
2. Where systemic reforms are not yet underway, USAID will pursue programs that can demonstrate a catalytic impact. Limited scope or pilot projects can be valuable, but they should either demonstrate approaches that cause a far larger number of people or firms to follow suit without subsidies, or should have the clear potential to catalyze policy or institutional changes with a much wider, systemic impact.
3. Close attention to the political economy of change is important for results. When change is difficult, support for reform in the public and private sectors can help to generate political will, as can efforts to bolster civil society's voice. External factors - such as requirements for joining the World Trade Organization or the European Union, or a low ranking on a widely recognized index of country policies and performance - have motivated significant changes in the past and should be used creatively to leverage further change.

Benefits of Sustained Growth – The USAID strategy highlights the profound and wide-ranging benefits - to the United States and to the world - of achieving more rapid, more sustained, and more broadly-based economic growth in poor countries. Burdensome and corruption-prone systems of regulation, weak property rights, trade barriers, and other microeconomic manifestations of poor governance are increasingly the binding constraints to growth. USAID is well positioned to respond. By supporting systemic and catalytic change in partner countries, USAID can help much larger numbers of people in partner countries secure a better future.

Access the complete strategy at: http://www.usaid.gov/our_work/economic_growth_and_trade

New TCB Resources

Increasing CAFTA-DR Farmers' Access to Commodity Price Information – Economists emphasize that free markets only work well when the participants have equitable, timely access to quality price information on agricultural markets. USAID, through supporting expansion of the Commodity Price Database (CPD) in the CAFTA-DR countries, is working to dramatically improve access of that region's farmers and other market participants to quality price information on agricultural markets.

The Commodity Price Database (CPD), which was developed over several USAID-supported agricultural projects, has the potential to catapult free trade in the LAC region by providing producers with instant access to important market information. Through the CPD all of the CAFTA-DR countries and the United States will be able to daily access commodity price and market information for all participating countries.

Under USAID's Asset-related Constraints to Broad Participation Task Order, Chemonics installed the database in Honduras and conducted four days of introductory training for 27 participants from eight countries of the LAC region. Most participants expressed interest in having the CPD software installed in their countries and, under USAID's LAC Equitable Growth Best Practices Task Order, Chemonics is providing this follow up support for CPD installation and training. The installation and use of the CPD software will result in a regional, integrated agricultural price information network in direct support of U.S. policy to promote free trade.

In its current form, the CPD software provides an efficient, secure system for inputting data and generating market reports and price history reports. The software also provides users powerful options that are not available in other software. Those options include allowing members to access market prices and report prices in their own currencies and in the measurement units most used in their country. In addition, members will have daily access to wholesale prices from markets in the United States and Europe.

USAID is supporting additional training and technical assistance to ministries of agriculture and private sector agricultural support organizations to help countries improve data collection technologies, data management systems, internal organizational management systems, and systems for disseminating information throughout the private sector.

In terms of cost per potential beneficiary, this program will be extraordinarily cost-effective in the near term. In the long term, as these participating countries integrate their economies, these benefits will be multiplied.

The promotion of international free trade, which is the national policy of the United States, if well executed, will infuse developing economies with the same powerful economic growth stimulus that has benefited U.S. citizens. Now that CAFTA-DR is in place, the CPD provides the participating countries with a powerful tool to guide making business investment and management decisions in the light of more timely information on market prices. By introducing the CPD in the CAFTA-DR countries, USAID is helping these countries to maximize the potential benefits of the treaty.

Bolivia, in the Andean Region, provides an interesting example of the CPD. For more detailed information in Spanish, click on the following link:

<http://www.fdta-valles.org/Pages/SIMAs.html>

New TCB Resources (continued)...

ECLAC 2007 Statistical Yearbook for Latin America and the Caribbean – ECLAC’s flagship document, the Statistical Yearbook for Latin America and the Caribbean 2007, is a leading reference source for social, economic and environmental information on the region. The Yearbook, produced by the Economic Commission for Latin America and the Caribbean (ECLAC) and now available on ECLAC’s webpage (see link below), contains updated social, economic and environmental statistics and indicators.

The digital version of this annual publication contains selected charts and tables that provide a broad view of statistical information for Latin America and the Caribbean. Additional material with statistics and indicators dating back to 1980 is available in Excel and can be downloaded at the site.

The 2007 edition of the Statistical Yearbook is designed to respond to the needs of users seeking accurate, updated data on the socio-economic and environmental situation of the Latin American and Caribbean countries, and responds to growing interest in progress on UN Millennium Development Goals.

The Yearbook is divided into four chapters:

- Chapter one covers demographic and social areas, with special attention to gender;
- Chapter two presents basic economic information, including production, prices, international trade, balance of payments and national accounts;
- Chapter three provides information on natural resources and the environment, in response to increasing regional and international interest in sustainable development; and
- Chapter four provides readers with methodological and other data on sources, definitions and coverage of the statistics cited.

The digital version of the Statistical Yearbook 2007 can be viewed on the ECLAC Statistics and Economic Projections Division website at:

http://websie.eclac.cl/anuario_estadistico/anuario_2007

Can Latin America Compete? Confronting the Challenges of Globalization – 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? This new book, edited by Jerry Haar and John Price, provides the springboard for discussing the very question raised by the book’s title. 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. “The contributors to this volume have surveyed and analyzed key factors that impact and shape a nation’s competitiveness. They have also presented viable courses of action that Latin America can take to increase its ability to compete in the global economy. The topics addressed by the writers may be classified under one of the following rubrics: *infrastructure*, *institutions*, and *human capital*” (p. 296). Within the rubric of institutions, the book’s contributors highlight the following eight factors: capital markets, the banking system, technology and innovation, legal reform, property rights, tax reform, regulatory reform, and public safety.

Upcoming Trade-Related Events Relevant to the LAC Region



THE AMERICAS COMPETITIVENESS FORUM II

Promoting Prosperity
and Economic Opportunity

AUGUST 17-19, 2008 | ATLANTA, GA, USA

SAVE-the-DATE

WHAT

United States Secretary of Commerce Carlos Gutierrez and Atlanta Mayor Shirley Franklin are co-hosting the second annual Americas Competitiveness Forum (ACF) on August 17-19, 2008 in Atlanta, Georgia. The ACF is the Western Hemisphere's preeminent event for leaders to discuss innovative methods to achieve economic competitiveness and for businesses to learn about trade and investment opportunities in the Americas.

WHERE

The ACF 2008 will be held at the Hyatt Regency Atlanta, 265 Peachtree Street NE, Atlanta, Georgia, United States.

WHO

The ACF is expected to attract approximately 1,000 participants from the 34 nations of the Western Hemisphere, including: government ministers, business executives, academics, and representatives from non-governmental and international organizations.

WHY

The inaugural June 2007 ACF attracted approximately 1,000 participants from the Americas including: 3 U.S. Cabinet Secretaries, 2 Vice Presidents, dozens of Minister level government officials from the region, and hundreds of representatives from the business and academic communities. The 2008 ACF will highlight innovative methods to achieve economic competitiveness from regional, national, and local perspectives, and provide businesses an opportunity to learn about and take advantage of trade and investment opportunities in the Hemisphere.

WHEN

August 17-19, 2008 (Welcome reception on August 17)

HOW

ACF registration is available now online by visiting www.competitivenessforum.com

www.competitivenessforum.com

Aid to Artisans

Succeed in the U.S. Export Market

Market Readiness Program August 16 - 19, 2008 New York

REGISTRATION NOW OPEN!

The U.S. home decor and furnishings market is a 270 billion dollar industry. The Market Readiness Program is a 4-day course offering the latest trend and market information delivered by experts in this industry. The course takes place at the New York International Gift Fair, the premier home accessories and gift market in the U.S. with 2,700+ exhibitors and 40,000 buyers attending. The Market Readiness Program is the only course of its kind that allows our participants access to the show floor, making direct contact with the market and immediately employing the skills learned during the course.

Topics Include:

- Analysis of the U.S Market
- Current and Future Market Trends
- Product Development and Design
- Costing and Pricing for Profit
- Effective Marketing Strategies
- Fundamentals of Successful Buyer Relationships
- Exporting Rules and Regulations

What You Will Learn:

- The scope of the U.S. market
- How to differentiate yourself in the market
- Where the market is headed
- How to develop a product that will sell
- How to price a product for the market that is profitable
- How to build and grow long term business relationships
- Compliance with U.S. import regulations

Who Should Attend:

- Artisans, artisan groups, exporters who want to enter or increase their presence in the U.S. market
- Leaders of craft-based organizations who want to train their constituents
- Business owners needing to ensure their organization is aligned with U.S. standards and regulations
- Designers looking to learn about U.S. market trends and successful product development
- Anyone looking to learn more about the exporting process

Register now! - Registering early is important due to visa requirements for some countries. For assistance with your visa process email us at training@aidtoartisans.org.

New York City, August 16-19, 2008 Cost \$1499 Deadline: June 1, 2008
