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LAC Trade Matters



Issue #55

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In the News...

ATPDEA Renewed & FTA Updates – On June 28, the U.S. Senate by “unanimous consent” approved an eight-month extension of the Andean Trade Preferences Act (ATPA) for all four beneficiary countries (Bolivia, Colombia, Ecuador and Peru). The Senate action followed the House approval by one day. The bill was subsequently signed by President Bush, extending ATPA until February 29, 2008. Originally enacted in 1991 to combat drug production and trafficking in the Andean countries, the ATPA offers trade benefits to help these countries develop and strengthen legitimate industries. ATPA was expanded under the Trade Act of 2002, and is now called the Andean Trade Promotion and Drug Eradication Act (ATPDEA). It provides duty-free access to U.S. markets for approximately 5,600 products. Before ATPDEA was scheduled to expire last December, Congress passed a six-month extension to June 30, 2007. While Congress again extended ATPDEA, it did not renew the President’s trade promotion (often called “fast track”) authority which expired at midnight June 30, 2007.

The **Peru** FTA was signed on April 12, 2006. The Peruvian Congress approved the FTA by a wide margin of support with 79 votes in favor and 14 against. This past June, the U.S. reached an agreement with the Government of Peru on amendments to the U.S.-Peru FTA to reflect the May 10 bipartisan agreement (see Issue #54), and Peru's Congress approved the amendments within days. The **Colombia** FTA was signed on November 22, 2006. The Colombian Congress approved the FTA on June 12, 2007. The amendments to the U.S.-Colombia FTA reflecting the May 10 bipartisan agreement have been voted out of the trade committees and a floor vote is expected to take place soon. The **Panama** FTA was signed on June 28, 2007. The Panamanian national assembly met in special session and approved the FTA on July 11, by a vote of 58 to 3, with one abstention.

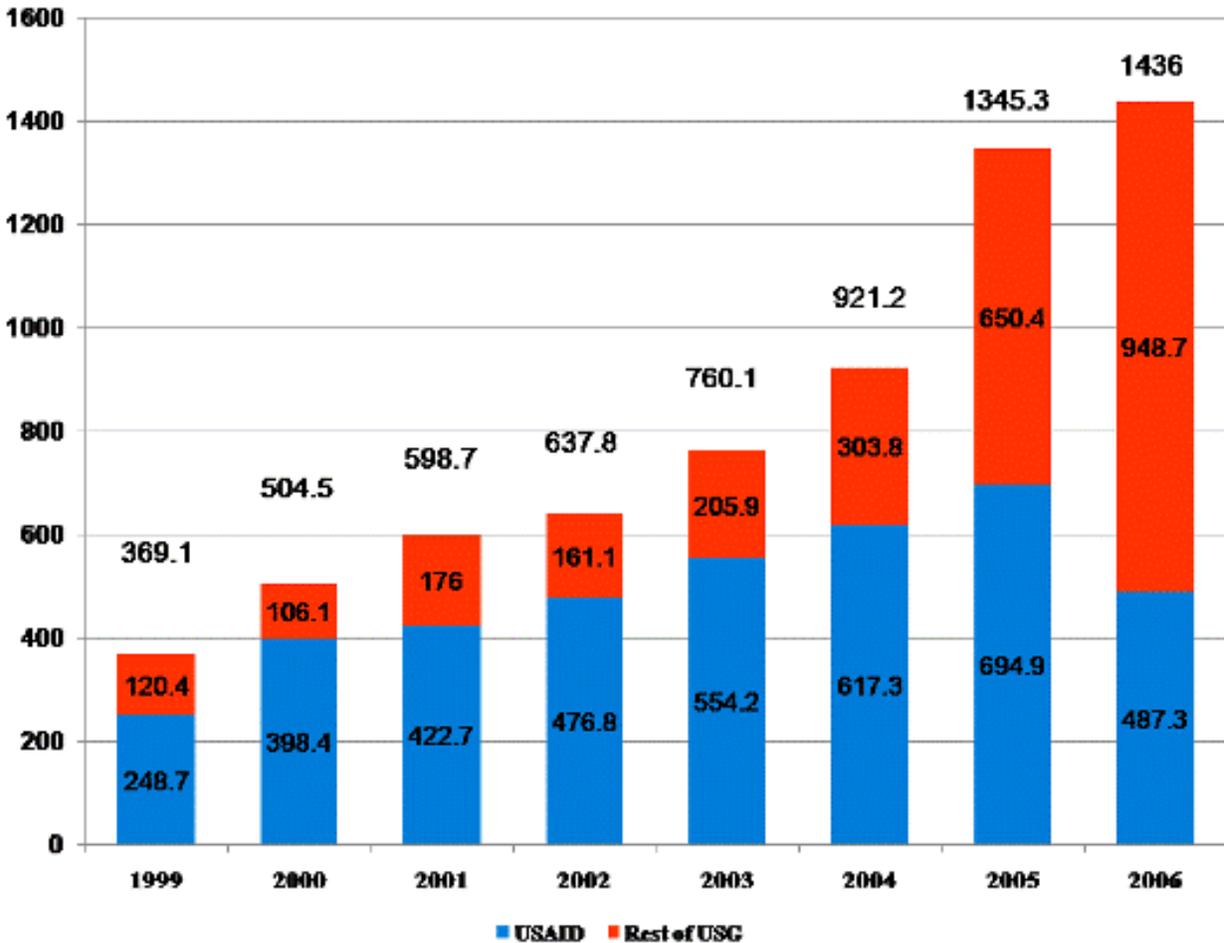
Under current “fast track” procedures (a straight ‘yea’ or ‘nay’ vote, without the possibility of amendment), Congressional action on the FTAs is scheduled to kick off September 25 when the House Ways and Means Committee focuses on the Peru FTA.

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)

United States Trade Capacity Building Assistance – The United States continues to meet the commitments of Doha Development Agenda. U.S. Government Trade Capacity Building assistance to developing countries and transition economies continues to rise. Total U.S. Government Trade Capacity Building Assistance in Fiscal Year 2006 was more than \$1.4 billion on a planned obligations basis.

U.S. Trade Capacity Building Assistance (US\$ Millions)



The Trade Capacity Building Database (<http://qesdb.cdie.org/tcb/index.html>) offers access to the full set of survey data (FY1999-2006) in an easy-to-use, web-based format. Use the links on the navigation bar to search for funding data or activity descriptions by country or region, TCB category (including WTO agreements), or U.S. Government funding/implementing agency. Results of your search will appear on your screen, formatted for printing or can be saved as an Excel file.

Source: <http://qesdb.cdie.org/tcb/index.html>

In the News... (continued)

Harvesting Latin America's Agribusiness Opportunity – The following are highlights of an article appearing in the September 11, 2007 issue of The McKinsey Quarterly:

- Rising wealth, changing diets, and increased food consumption across the developing world are fueling a steady rise in demand for agricultural commodities such as sugar, soybeans, and meat.
- Consequently, prospects for growers, ranchers, processors, and other agribusinesses in Argentina and Brazil—already agricultural giants—are blossoming.
- But some players can't benefit fully, because their operations and organizations aren't efficient enough. Moreover, some lack the financial sophistication needed to use new financing options.
- By studying the practices of savvy local companies—both global powerhouses and smaller operations—other agribusinesses can learn to confront Latin America's perennial challenges and gain insight into the evolution of agribusiness in the region.

Source: http://www.mckinseyquarterly.com/article_abstract.aspx?ar=1970&l2=11&l3=59&srld=27

Businesses Across the Globe Most Constrained by Regulations and Red Tape – The Grant Thornton International Business Report (IBR) has found that red tape and regulation is the biggest frustration faced by businesses around the world – for the fifth year running. When asked to rank constraints on ability to expand, red tape was quoted by nearly four out of ten businesses worldwide compared with just two out of ten, or fewer, quoting cost of finance, shortage of working capital or shortage of long term finance. The next most important constraint was shortage of skilled labor, quoted by more than three out of ten businesses.

Top of the red tape table was Brazil (60%) closely followed by Russia (59%), Poland (55%) and Greece (52%). More than four in ten businesses in Germany, Argentina, South Africa, Turkey, Italy, mainland China and New Zealand felt red tape and regulation were a constraint on their ability to grow. The businesses experiencing the least restraints by red tape were from Singapore (16%), Spain (17%) and Sweden (19%). Alex MacBeath, global leader of privately held business services for Grant Thornton International comments: “Although many governments continue in their efforts to simplify red tape, many have been unsuccessful. In today's global economy, with increasing pressures from emerging economies, governments must ensure their regulatory environment responds to the speed of business change.

“The plea must be that governments work closely with business, and those organizations which understand the privately held business sector, to identify their future needs and aim to address the regulatory issues ahead of the need rather than constantly playing ‘catch up’.” . . .

Interestingly, in a world of optimism about demand and orders, three countries in Asia - Japan (59%) Thailand (54%) and mainland China (50%) - are having significant concerns about shortage of orders and lack of demand constraining their ability to expand. This compares with just 29% of businesses worldwide.

. . .

“The lack of demand issue is a real worry in two major Asian economies. In Japan, it is possible that businesses are yet to be convinced that consumer demand has emerged from the doldrums of the past decade. In mainland China's case it is likely that with the US taking almost one quarter of exports that businesses are concerned about their sales. This is probably due to the US economy's slowdown this year and the impact on domestic demand of mainland Chinese authorities taking action to cool the economy.”

Source: http://www.internationalbusinessreport.com/main/index1.php?page=144&lang=en&id=108260&country_id=0

In the News... (continued)

New 'Doing Business' Interactive Map – To find out how easy or hard it is to do business around the world, policy makers and investors now, with a click of their computer mouse, can see “the big picture” – a World Bank-produced [Google map on doing business](#) in 175 countries. Countries are color-coded in three categories for ease of doing business: easy (green), moderate (yellow) and difficult (red).

The new Doing Business Map complements the Bank Group’s flagship annual report on [Doing Business](#) by visualizing key information on ease of doing business. The map helps to communicate the key messages. Click on a country and up pops a view of how that country did against the [10 criteria](#) that the [Doing Business team](#) uses to rank economies. Those that made the most progress in reforming business regulations over the past year are flagged with a star.

The Doing Business Map is a “mashup” of data from the World Bank’s Doing Business database and Google Maps. Leading the effort to create this dynamic and intuitive mapping tool was Ramin Aliyev, Knowledge Management Analyst with the Bank’s Rapid Response Unit. “The message we’re trying to convey with the map is that if a country is not doing well, especially compared to its neighbors, it is time to start reforming,” he said. Where the annual report could take country policy makers some time to absorb, when they look at the new map, “in a couple of minutes they see not only how they’re doing, but also how their neighbors are doing,” Aliyev said. He said a red flag may not necessarily discourage an investor from putting money into that country. “If he sees yellow or green flags next door, that may encourage him to invest.”

Aliyev’s unit is planning to extend the mapping technology to other databases supported by the Financial and Private Sector Development Vice Presidency such as: [Enterprise Surveys](#), [Financial Indicators](#), [Privatization](#), and the [Private Participation in Infrastructure Projects](#) database, all of which are packed with data that can be hard to digest at first. Click on the following links for further information:

<http://tinyurl.com/2aovzp> or <http://preview.tinyurl.com/2aovzp>

Related Links on Doing Business Document & Doing Business Project:

Doing Business Documents: <http://www.doingbusiness.org/downloads/>

Doing Business Project: <http://www.doingbusiness.org/>

The Growth of China and India in World Trade: Opportunity or Threat for Latin America and the Caribbean? – This paper, authored by Daniel Lederman, Marcelo Olarreaga, and Isidro Soloaga of the World Bank, studies the relationship between the growth of China and India in world merchandise trade and Latin American and Caribbean commercial flows. The authors focus on the opportunity that China and India's markets have offered Latin American and Caribbean exporters during 2000-2004. Second, empirical analyses examine the partial correlation between Chinese and Indian bilateral trade flows and Latin American and Caribbean trade with third markets. Results suggest that the growth of the two Asian markets has produced large opportunities for Latin American and Caribbean exporters, which nevertheless have not been fully exploited. The evidence concerning the effects of Chinese and Indian trade with third markets is not robust, but there is little evidence of negative effects on Latin American and Caribbean exports of non-fuel merchandise. In general, China's and to a large extent India's growing presence in world trade has been good news for Latin America and the Caribbean, but some of the potential benefits remain unexploited. Access more info on this report at:

<http://tinyurl.com/2aogh9> or <http://preview.tinyurl.com/2aogh9>

In the News... (continued)

Globalization of Labor – There has been an increasing globalization of labor over the past two decades. The integration of China, India, and the former Eastern bloc into the world economy, along with population growth, has led to an estimated fourfold increase in the effective global labor force, which could more than double again by 2050.

The bigger labor pool is being accessed by advanced countries through imports of final products, offshoring production of intermediates, and immigration. While offshore outsourcing has received much attention, it is still small in relation to the overall economy. For example, offshored inputs make up only about 5 percent of gross output in advanced countries.

Integrating workers from emerging market and developing countries into the global labor force has produced big benefits for advanced economies—where, contrary to fears that globalization is driving down wages, total labor compensation has grown by a cumulative 60 percent on average since 1980. This is in part due to globalization as export opportunities have risen, while productivity and output have benefited from lower input costs and better production efficiencies. The decline in traded goods prices over the past 25 years has generated an estimated 6 percent increase in both output and real labor compensation on average in advanced economies.

In early Asian developers (e.g., Korea, Singapore, and Hong Kong SAR), real wages have been converging rapidly toward U.S. levels and are relatively high. Wages in other Asian countries, including China, have been converging at a slower pace, although accelerating in recent years. Despite these benefits, the share of income accruing to labor (as opposed to capital) in advanced economies has fallen by about 7 percentage points, on average, since the early 1980s, with the drop being largest in Europe and Japan.

Rapid technological change has had the biggest negative impact on labor's income share, followed by labor globalization. Countries adopting reforms to lower the cost of labor to business (by lowering the tax wedge—the difference between the payroll cost to a firm and the net take-home pay of workers) and improve labor market flexibility have generally had a smaller decline in labor share.

Technological change has especially depressed the share of income going to unskilled labor, and growth in total real labor compensation in unskilled sectors has hence been sluggish. In the United States, the United Kingdom, and Canada, this was reflected in very small increases in real labor compensation per worker and a growing earnings gap between skilled and unskilled sectors while unskilled employment held steady. In Europe (excluding the United Kingdom), in contrast, real compensation per worker in unskilled and skilled sectors has grown broadly in line with each other, but employment in unskilled sectors has contracted.

Globalization is a vital force sustaining world growth, but policymakers need to ensure that all people benefit by strengthening access to education and training, adopting adequate social safety nets, and improving the functioning of labor markets. Steps to reduce tax wedges and ensure that unemployment benefit replacement rates do not deter workers from seeking jobs can help protect labor income in the face of the pressures of globalization.

Source: <http://www.imf.org/external/pubs/ft/fandd/2007/06/picture.htm> (the article also includes a number of charts which can be accessed by clicking on this link)

In the News... (continued)

Value Chain Development as a Tool Against Poverty – The value chain, also known as value chain analysis, is a concept from business management that was first described and popularized by Michael Porter in his 1985 best-seller, *Competitive Advantage: Creating and Sustaining Superior Performance*. The concept has been extended beyond individual organizations. It can apply to whole supply chains and distribution networks. By exploiting the upstream and downstream information flowing along the value chain, the firms may try to bypass the intermediaries creating new business models, or in other ways create improvements in its value system.

The value chain describes the full range of activities that firms and workers do to bring a product from its conception to its end use and beyond. This includes activities such as design, production, marketing, distribution and support to the final consumer. The activities that comprise a value chain can be contained within a single firm or divided among different firms. Value chain activities can produce goods or services, and can be contained within a single geographical location or spread over wider areas.

The competitiveness of firms not only depends on the functioning of suppliers and buyers within a cluster, but also and often most importantly, on the entire chain at the national and global level. The value chain approach helps to identify all the enterprises that contribute to the production of a good or service within and beyond a cluster and shows which actions are needed to support these enterprises.

Businesses in developing countries have to take globalization into account. Nowadays, markets in rich countries are usually accessed via value chains. If a company wants to survive as a supplier, it has to be reliable, and its products must be of unvarying high quality. In terms of development policy, it makes sense to help enterprises in poor countries to reach that goal.

Global value chains are radically altering how goods and services are produced--parts made in one country, for instance, are increasingly assembled in another and sold in a third. The promotion of value chains provides an opportunity to identify bottlenecks in chains, to link up all important economic actors within a chain, to reach economies of scale and to enable local producers to meet certain standards. This contributes to the realization of higher incomes and higher employment of local producers.

Private Sector Development is increasingly acknowledged by governments, donors and development organizations as an important step towards alleviating poverty and creating viable economies. Value Chain Development is a multiple and participatory process that leads to coordinated interventions. It has the enormous advantage to bring together stakeholders from different production stages and sectors, to create a productive and innovative dialogue and to draw attention to “Collective Competitiveness”.

Source: <http://www.weitzenegger.de/new/valuechains.html>

Conference: Value Chains for Broad-Based Development – The German Development Cooperation (BMZ and GTZ), the Swiss Development Cooperation (SDC and SECO) and the Technical Centre for Agricultural and Rural Cooperation (CTA) called an international conference on “Value Chains for Broad-based Development” (held in Berlin on May 30-31). The Conference proceedings are available at: <http://www.value-links.de/documentation.html>.

Source: <http://www.weitzenegger.de/new/valuechains.html> (note: this same link provides access to a great deal of additional information on value chains such as upcoming training events.)

New TCB Resources

Inter-agency Website for the Exchange of Information on Value Chains, Linkages and Service Markets – This website provides an inter-agency database on developing value chains, linkages and service markets. The site, adopted by the [Donor Committee for Enterprise Development](#), is dedicated to the results being achieved in Private Sector Development. You will find here information from 200 agencies, working in over 120 countries. Access the site at:

<http://www.value-chains.org/dyn/valuechains/bdssearch.home>

New Website Provides Easy Access to Developing Country Data – developmentdata.org aims to function as a hub to facilitate researchers and students in quickly finding and accessing data that are free and from reliable sources. The site contains links to developing country data on [inequality](#), [trade](#), [aid](#), [education](#), [agriculture](#), [migration](#), [health](#), [FDI](#), [population](#), [governance](#) and [debt](#), and to [websites](#) that host and/or catalogue [household survey data](#). The links take you directly to the data you need or to the [database](#) or publication that contain the data. For each area, there is a brief data description or list of the variables available. Searchable, general [databases](#) that include data for many different variables can be found under databases together with topic-specific databases.

The data are not housed on the developmentdata.org site, to ensure that the data are always up-to-date and that the relevant data documentation is easily available. All the data linked to on developmentdata.org are available for *free* and are provided by international organizations and research institutes (data you must pay for are *not* listed here). If using developmentdata.org please cite as "accessed via developmentdata.org" in addition to the correct standard citation. Access this site at:

<http://www.developmentdata.org/>

Innovative Capacity Building Resources – This website has many innovative and useful resources for development practitioners, small business owners, and NGOs. The website is maintained by Development Partners & Management International Ltd. (DPM International). The site offers online courses on project management for development practitioners (PMDP), objectives-oriented planning, and participatory project planning among others. HR managers of NGOs and small businesses are able to partner with this company to deliver their own in-house online training. With online training it is possible to continually increase capacities of development workers, who travel often to conduct missions, without high overheads for the employers. Free resources on this site include promotional and marketing products for small businesses and NGOs, such as website building tools, free business templates, survey tools, etc. These tools are free and are geared towards enhancing capacities, including assisting organizations to portray a professional image. Other resources include free job listings, free CV vetting, project management services, coaching services, strategic planning services, free networking forum, and a book store. Access this site at:

<http://www.dpminternational.com/>

New TCB Resources (continued)

Making Poverty Analysis Easier and Faster: Launch of ADePT – Every year the World Bank produces up to 15 poverty assessments. Almost every poverty assessment entails significant time and resources devoted to the production of a reasonably standard set of tables and graphs with basic poverty and inequality statistics.

The ADePT software is designed to simplify and speed-up this work. ADePT is an integrated set of programs that allows users to free up resources for other activities, including drawing policy implications from the empirical evidence. It also helps to minimize human errors and to introduce new techniques and methods of poverty analysis to a wide audience of practitioners. ADePT can be used as a tool for sensitivity analysis, data checking, and as an educational tool. The program should also be helpful in addressing the situation of limited access to micro data.

The current version of ADePT accepts individual level data and generates about 30 tables and 5 graphs on poverty, inequality, decompositions of poverty changes, poverty profiles by socio-demographic categories, consumption regressions, poverty simulations and sensitivity analysis. More tables and graphs will be added to the program in the near future.

The program also produces a report with basic statistics on all variables and a list of errors, warnings and notes about the variables used in the analysis, which will help the user understand the output and problems with the data and/or analysis. While ADePT is operated from within Stata and written in Stata programming language, ADePT itself is Window-based and the user does not need to know Stata to work with the program.

ADePT was tested on a dozen of countries from different regions in the Bank: Bulgaria, Bangladesh, **Honduras**, Georgia, Jordan, Lesotho, Mongolia, Nepal, Russia, Sri Lanka, Ukraine, Uganda and others. The program itself, installation instructions, documentation including User's Guide, examples of tables produced by ADePT, PPT and Video presentations can be accessed at:

<http://econ.worldbank.org/programs/poverty/adept>

ADePT has been developed by the team of researchers led by Michael Lokshin of the Poverty Group in Development Economics Department at the World Bank.

The World Bank believes that ADePT could be a valuable tool for poverty practitioners. However the World Bank warns users of ADePT against using the program without thorough data cleaning and understanding of the economic principles of poverty measurement. ADePT provides limited indications on the quality of the data specified by the user, but this is clearly not a substitute for the careful data cleaning and checking. As with any computer program, the saying “garbage in – garbage out” could be applied to ADePT. The current version of the program has no means of checking how the welfare aggregate has been constructed or what method has been applied to derive the poverty lines.

The ADePT User's Guide is a good reference for answering the questions that first-time users have. The Guide also contains references on the relevant literature that would help users to understand economic methods and techniques used in ADePT.

Source: World Bank PovertyNet Newsletter #104, July 2007

Upcoming Trade-Related Events Relevant to the LAC Region

AACCLA's 40th Annual Meeting and Forecast on Latin America and the Caribbean – Organized by: The Association of American Chambers of Commerce in Latin America and the U.S. Chamber of Commerce. **Date:** September 17-18, 2007. **Venue:** U.S. Chamber of Commerce, Washington, DC. Contact: Maria Medrano at mmedrano@aacla.org or 202-463-5834.

Core Labor Standards and Development: Evaluating the Impact – The Carnegie Endowment for International Peace invites you to a seminar in which practitioners and analysts will discuss what we have learned in recent years about how core labor standards relate to the process of development. **Date:** Thursday, September 20, 2007 10 a.m. - 12 noon. **Venue:** Carnegie Endowment for International Peace 1779 Massachusetts Avenue, NW Washington, DC.

2007 Business Expo and International Pavilion – Organized by: The United States Hispanic Chamber of Commerce (USHCC). **Date:** September 21-22, 2007. **Venue:** Puerto Rico Convention Center. Contact: www.usfcc.com/2007 or call 202-842-1212.

Caribbean Export's Caribbean Gift and Craft Show – **Date:** September 27-30, 2007. **Venue:** World Trade Center, Curacao. **Contact:** Veona Maloney (vmaloney@carib-export.com)

The Challenge of Innovation – Organized by: The Caribbean Industrial Research Institute and Trinidad and Tobago's Ministry of Planning and Development. **Date:** October 22-24, 2007. **Venue:** Trinidad Hilton and Conference Center. **Contact:** bsu@cariri.com or 868-622-7161

The Haiti Trade and Investment Forum – **Date:** November 15-16. **Venue:** Port-au-Prince. This event is being organized the Government of Haiti, the OAS, and the IDB, with financial support from the Government of Canada. General information on the Forum, including a draft agenda, can be found at the Forum's website at: www.htif2007.org.

31st Annual Miami Conference on the Caribbean: A Region Poised for Growth – Organized by: Caribbean-Central American Action. **Date:** December 3-5, 2007. **Venue:** InterContinental Hotel, Miami, FL. **Contact:** Miami@c-cao.org or 202-466-7464 x 28

