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Trade and competition policies to promote innovation and productive transformation in Latin America and the Caribbean

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C O N T E N T S

F O R E W O R D

This study provides an overview of the progress made in productive transformation and innovation in Latin America and the Caribbean. It takes stock of existing trade and competition policies at the regional level that promote innovation and productive transformation in the respective national areas.

In addition, it analyses the importance of linking trade and competition agencies in order to improve insertion into national and regional production chains and explores the challenges and opportunities they would have to adapt to or incorporate into production processes.

Thus, progress is being made in the treatment of major regional trade agreements on the inclusion of trade and competition policies on e-commerce, intellectual property and public procurement.

It concludes with reflections, as conclusions and recommendations, on opportunities for cooperation within the framework of trade and competition policies at the regional level.

It should be noted that this study was presented as a substantial contribution of the Permanent Secretariat of SELA at the IX Annual Meeting of the Working Group on Trade and Competition of Latin America and the Caribbean (WGTC), which it organizes with the collaboration of the United Nations Conference on Trade and Development, complying with Activity II.1.4 of the Work Programme for 2019.

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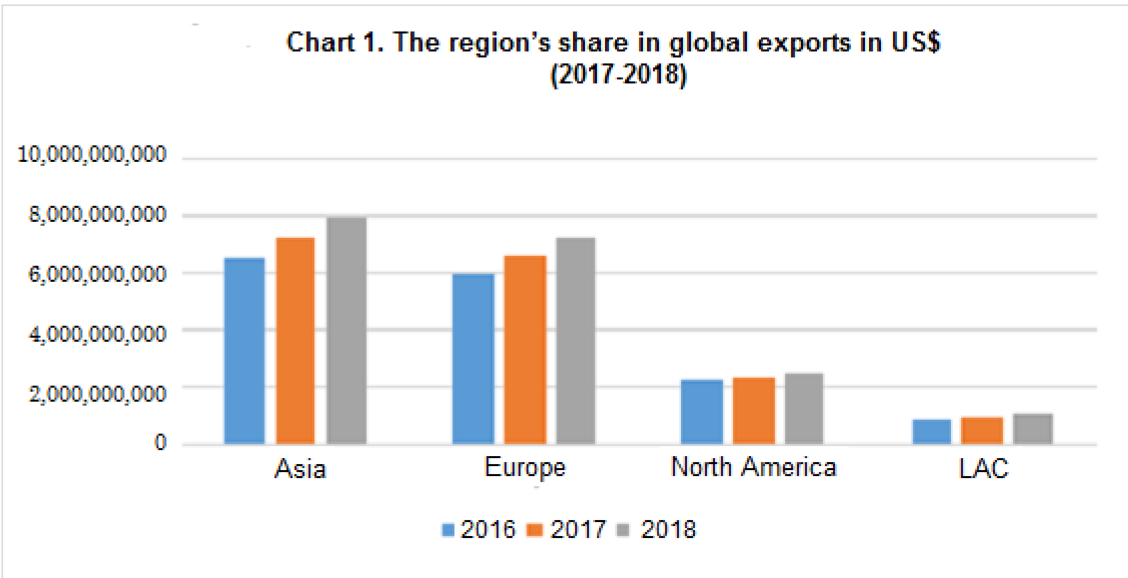
INTRODUCTION

In the last few years, global value chains (GVC) have gained strong momentum as they configurated global production and trade.

"A value chain refers to the sequence of production units that perform tangible and intangible activities, adding value for the creation of a good or service, and range from conception to final delivery to consumers. When a value or production chain includes facilities in different countries, it can be considered a global value chain" (Bianchi – Szpak, 2015:10).

All governments promote different public policies in order to insert their goods and services into GVCs. Latin America and the Caribbean are no exception. Until now, the most competitive and mostly internationalized companies have successfully joined GVCs in the most valuable link of the chain. However, as shown in Chart 1, Latin America and the Caribbean's share of total global exports remains low.

CHART 1



Source: Prepared by the author, based on data by the Trade Map (2019).

However, insertion into GVCs is not only a concern of the State, but also of the private sector. Globalization has changed the landscape and mutated itself. If at the beginning it was an economic phenomenon driven by the development of science and technology and led by the internationalization of transnational corporations, today it has become a factor that reconfigures political, social, cultural, energy, environmental and demographic relations, to name just a few. The changes it generates are constant and unexpected. Therefore, countries that share common interests try to adjust their international agendas and design coordinated responses. Thus, the agendas of integration projects show both offensive (liberalization for active integration into global chains) and defensive elements (against the effects of globalization: "inclusive integration").

As a result, our region needs to undergo productive transformation. It is a profound transformation, in which trade and investment are vital, but that relies on the ability to innovate, invest in science and technology, education and the quality standards of our production, among others.

In this context, the trade and competition policy for productive transformation is a mechanism that aims to promote insertion into GVCs. Its agenda is visualized nationally through all those programmes that seek to attract investment, diversify the export basket, streamline and hinder logistics, innovate and improve the quality standards of our products, strengthen MSMEs, create the conditions for increasing e-commerce and regulating intellectual property rights. And it is visualized internationally in the inclusion of these same issues in multilateral, bilateral and regional negotiations.

Consistent with the above, this working paper reviews trade and competition policies to promote innovation and productive transformation in Latin America. To that end, it is structured in three main axes of analysis. In the first, global productive reconfiguration is addressed and the impact of GVCs in this region is analysed. At this point and for illustrative purposes, a brief presentation is made of the chains linked to the coffee, textile, electronic, food, footwear and leather, and dairy sectors, of which some LAC countries form part.

The second section deals with the challenges of productive transformation and inclusion into GVCs for trade and competition policies at the local level. To that end, an analysis is made of different variables, such as institutional management and regulatory frameworks. For illustrative purposes, cases of specific countries are included, such as the *Fábricas Productivas* Programme (Colombia), the National Productive Transformation Programme promoted by the Government of Argentina, and industrial policies for productive transformation of the Government of Chile.

A third section addresses the characteristics of foreign trade policies, in particular those related to e-commerce, intellectual property and public procurement. In addition, a review is made of the texts of the main regional trade agreements on the inclusion of these disciplines and other competition-related disciplines in the field of work referred to in this document.

It concludes with a number of recommendations and future reflections on opportunities for cooperation within the framework of trade and competition policies at the regional level.

I. GLOBAL PRODUCTIVE RECONFIGURATION: LATIN AMERICA AND GLOBAL VALUE CHAINS

1. Introduction

The phase between the 1980s and 1990s is called "second disaggregation of globalization" by the literature, and is characterized by strong advances in information and communications technologies, reduction of transport costs, trade liberalization and the increase in foreign direct investment, thereby making progress in the geographical fragmentation of the processes of production of goods. In other words, in the production of goods composed of materials, parts, components and services, manufactured in different countries (Bianchi – Szpak, 2015:10).

This territorial distribution of production led to a sharp increase in trade in intermediate goods among the different countries involved in the same value chain, and in productive terms, countries began to specialize in productive tasks or activities instead of entire industries.

Consequently, the share of exports of intermediate goods in the U.S. and Europe global trade declined significantly from 1995 to 2009, while the corresponding Asian exports increased by almost 10 percentage points. As regards imports, those of intermediate goods make up more than 60% of all Asian imports, showing the global role that this region plays in GVCs (WTO-IDE-JETRO, 2011).

China is not only the largest importer of intermediate goods in Asia, but also the world's largest importer of goods, taking the lead among emerging economies as a manufacturing producer in GVCs. In contrast, LAC, Africa, Australia and Oceania show a low level of imports of intermediate goods with respect to their total imports (less than 30%) (Bianchi – Szpak, 2015:12). In 2011 in Latin America, 10% of intra-regional exports were intermediate goods, which accounted for the level of fragmentation of production processes.

According to ECLAC, GVCs have been organized on the basis of a hub-and-spoke structure around a regional (more than global) centre. But how much value added generated by GVCs is in the hands of developing countries? According to experts, most developing countries are increasing their share in global value chains. The participation of these countries in global value-added trade increased from 20% in 1990 to 30% in 2000 and more than 40% today. However, difficulties remain in accessing global value chains in sectors other than natural resource exports (Ferrando 2013, 9).

Thus, GVCs represent a new instance of trade globalization in which the pattern mutated, the existing relations among trade, production, growth and development changed, the income arising from this change were realigned, and the global trade governance structure, already outdated, is trying to be reconfigured.

In this context, the challenges of the countries relate to this change from the promotion of foreign trade in final goods to that of intermediate goods. "Traditional" trade involves international movements of products that are manufactured in one place and sold in another. Trade policies then focused on such movements, and international trade agreements sought to reduce the barriers that such trade undermined.

According to Baldwin, the idea of globalization, which made sense for 175 years, focused on two key aspects:

A country's economy connected with the world mainly through product markets. Further globalization was seen as an intensification of competition in product markets.

Emerging and declining sectors were associated with different assessment groups. In the richest countries, emerging sectors tended to hire skilled workers and use high-tech much more than in declining sectors. The winners of globalization were related to skilled workers and advanced technology; losers, with non-specialized workers and low technology (Baldwin, 2016:82).

New globalization, with the emergence of GVCs, means that trade and trade governance will increasingly focus on helping countries make things and not just sell them. In other words, GVCs are seen as factories that cross borders. The production stages that were previously organized within a single factory are now distributed internationally.

This transformed trade. The flows of products, people, ideas, investments, training, technical knowledge, etc. that used to go through the factories of developed countries also become part of international trade. In addition to radically expanding the complexity of international trade, the GVC revolution created new links among these flows, which has been called the trade-investment-service-intellectual property (IP) nexus.

Thus, GVCs can enable nations to become competitive by entering supply chains, and industrialization appears as the densification of participation in these international production networks. This can happen faster as GVCs eliminate bottlenecks. And while GVCs can open doors, most hard work must be done domestically, with national reforms that favour innovation, education and investment.

2. Latin America in Global Values Chains

Over the past two decades, most countries in the region have taken substantive steps towards liberalizing their economies. Not only did many countries in the region make liberalization commitments under the GATT Uruguay Round (1986-1994), but also they promoted open regional integration projects and boosted unilateral opening-up processes of their economies for much of 1990s.

In particular, from 2003 to 2007 Latin America showed a strong growth performance due to a favourable international context – including high prices for its major export commodities – and a cautious macroeconomic scenario, particularly in fiscal matters, along with an economic policy that aimed to maintain high exchange rates, which, in turn, led to a dynamic export performance. However, the region has been losing relative positions on the international stage for several decades (Kosacoff – López, 2008:19).

Taking for example the period 1995-2015, LAC foreign trade has been characterized by significant dynamism, albeit with unequal rhythms over the period. On the one hand, there has been an increase in levels of exchange, thus participating in a global trend that has responded to unique factors in the region. This new landscape is not limited to goods alone, but also involves trade in services. However, the high presence of exports of raw materials and natural resources remains a dominant note in most countries in the region (Carciofi, 2017).

Carciofi also reports major changes over the past two decades: Asia-Pacific and the "rest of the world" gain ground as Latin American partners. In the first group, China and, to a lesser extent, India, Japan and the Republic of Korea stand out; while the second includes Canada, Russia, Switzerland and Middle Eastern countries. The greatest relative importance of these blocs, in all subregional groupings, comes at the expense of the traditional partners of Europe and the United States, albeit with significant differences between them (2017).

In analysing the region's insertion into the GVCs, it should be noted that "Latin American countries" as a whole are, in fact, a highly heterogeneous set. And within the largest countries in the region, a great internal heterogeneity can also be noticed.

Latin America does not constitute, as a space, a GVC, but some countries or group of countries (such as Mexico and Central American countries with the GVC articulated by the United States) and some companies from some countries (such as some Chilean firms with Asia) have been incorporated into some GVC.

Thus, in 2011 in Latin America, 10% of intra-regional exports were intermediate goods. This low percentage is due to the fact that two-thirds of intermediate goods exports in the region are destined for the United States, while regional trade remains concentrated in the exchange of final industrial goods (Cerqueira Cesar, 2013).

In this connection, the participation of Latin American and Caribbean countries in GVCs, as well as the trade links within the region itself, can be analysed in relation to the three main chains currently operating in the world economy: The so-called "North America factory," "Europe factory" and "Asia factory."

With GVCs being considered this way, there is a marked heterogeneity in the insertion of the region’s countries into international production networks, with two clearly distinct patterns: one with greater links with the United States and the "North America factory" – Mexico and Central America – and another with a strong focus on subregional still incipient production networks, namely South America and the Caribbean (ECLAC, 2013:7).

Central American and Caribbean countries are integrated through the availability of cheap labour, which allows them to export, primarily to the U.S., from garments to medical or electronic instruments using "maquila" or similar schemes. They have also provided tourist, financial or transport services.

Among the largest economies are two different models, one more based on cheap labour – similar to that described in the previous paragraph (Mexico) – and another where integration occurs largely due to the availability of abundant natural resources, complemented in some cases with relatively large domestic markets (Argentina, Chile, several Andean countries and, to some extent, Brazil are also part of this group).

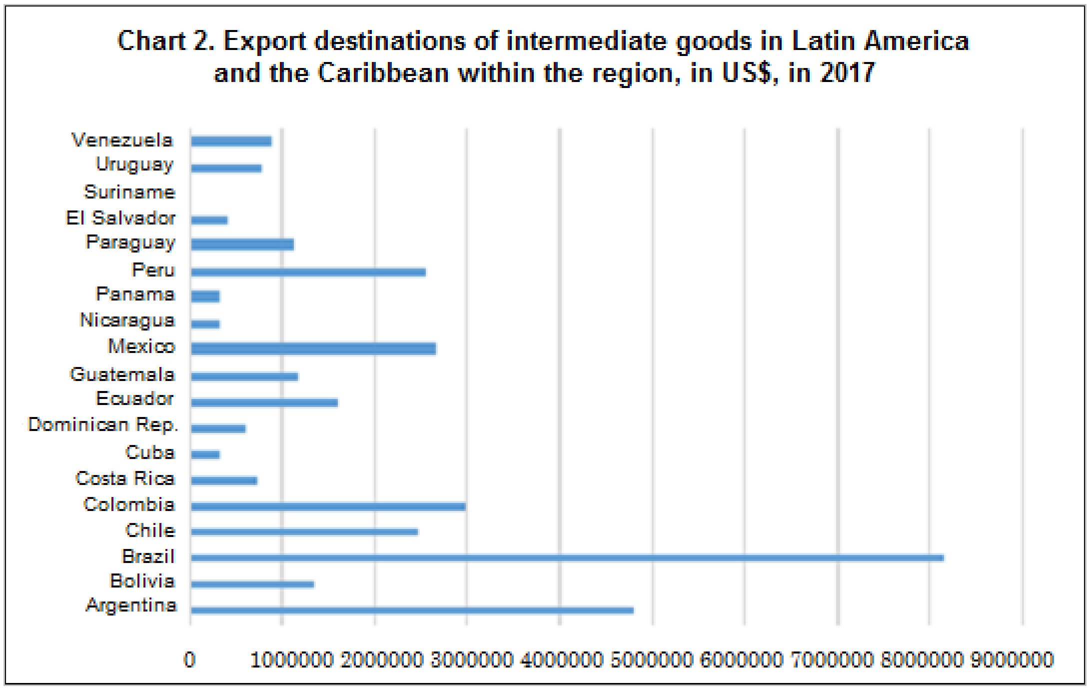
As can be seen, entry to GVCs is more difficult for domestic firms with national capital, and once inside, they are subject to strong pressures of costs, time, quality, etc. to maintain their place. Meanwhile, for subsidiaries of foreign companies in Latin America, entry is obviously easier, but they tend to be more detached from the rest of the economy of the host country (Bair and Dussel Peters, 2006; Giuliani et al, 2005).

While there are cases of Latin American companies achieving levels of global excellence in their respective industries (e.g., Techint in Argentina, Cemex in Mexico, Petrobras in Brazil) and even some competing in activities subject to rapid technological change or where competition via design and innovation is key -Embraer (Brazil) in the aeronautical sector, Telmex and América Móviles (Mexico) in telecommunications, IMPSA (Argentina) in energy equipment- these are exceptions in an undynamic context of creation of companies capable of globalization.

In South America (CAN, MERCOSUR), the presence of countries in comprehensive production chains is scarcer and rather referred to relations among few countries: Argentina–Brazil, Colombia–Ecuador–Peru, Brazil–Uruguay. The main chains: Automotive and auto parts, electronics, aeronautics, garments, among others. In Central America, GVCs are articulated around all countries, and to a lesser extent around Nicaragua. The main chains: Chemistry and petrochemicals, steelmaking and metalworking, the pharmaceutical industry. A second group of light industries: Agribusiness, textiles, paper and cardboard.

The following chart shows the export destinations of intermediate goods produced in Latin America and the Caribbean.

CHART 2



Source: Prepared by the author, based on data by the World Bank's World Integrated Trade Solutions (2019).

In addition, it should be noted that few countries are involved in GVCs, and they do so at the lower value-added links, which, in addition to the low level of national integration and the lack of internalization of a dynamic innovative core, weakens the emergence of potential spillover effects within national economies.

The causes behind these trends are several and diverse: From factors specific to the international level (restrictions on trade in destination markets, strategies of transnational corporations, forms of GVC governance), to others, very relevant, belonging to the local/regional sphere (small number and limited technological dynamics of "multilatinas", heterogeneous productive and social structure, scarce technology and production-oriented human capital, poorly coordinated national innovation systems, lack of public policies to stimulate competitiveness and technological improvement).

In this connection, the impact of macroeconomic volatility and instability of institutions or rules of the game has not been small, affecting the development of activities with long-term returns –e.g. investment in physical capital, R&D tasks– and promoting the search for short-term income, behaviours that have even spread to much of foreign companies with investments in the region.

According to the above and for illustrative purposes, following are some value chains in which different Latin American countries participate.

3. Cases

According to the above, there are different GVCs in the different countries and regions that make up Latin America. Thus, the main ones are addressed, indicating the place where they take place.

3.1. Coffee: Colombia

Colombian coffee is inserted into a GVC. Although the first stages are developed in Colombia -cultivation, harvesting, pulping, treatment by which coffee shell is removed, drying, distribution, marketing, threshing and sorting, packaging, seal of approval- the subsequent stages of transformation (packaging and distribution) correspond mainly to the activities with the highest added value and are carried out by multinationals dedicated to the global marketing and processing of coffee. Links involved in the global and local coffee supply chains are clearly differentiated as regards the type of market, activities and processes they develop (García Cáceres/ Olaya Escobar, 2006:203).

According to WIPO's report on intangible capital, there are two key forms of intangible capital in the coffee value chain: the technology associated with coffee cultivation and the transformation of coffee into an attractive, high-quality consumer product. From patents granted and related to coffee, it is clear that the most innovative stages of the value chain are the closest to the consumer, including the processing of coffee beans and, above all, the final distribution of coffee products. The last stage includes espresso machines and coffee capsules (WIPO, 2017).

Reputation and brand image are among intangibles that allow consumer products companies to differentiate their offer from that of their rivals. In addition to technology-linked assets and brands, companies that run the global coffee value chain benefit from long-standing relationships with distributors operating in the latter stages of the chain. As a result, the global coffee value chain is largely run and dominated by a relatively small number of multinational companies based in large coffee-consuming countries (WIPO, 2017).

The domain of consumer preferences in the configuration of the chain has determined its transformation: It has passed from consumption at home of standardized products, whose price variation depends on the quality, to customers who prefer to consume coffee in a social environment (products range from typical Italian *spresso* to more elaborate blends of coffee and sparkling milk with the quality of the coffee beans used and voluntary sustainability standards: Consumers are informed about the origin of coffee and fair wages for farmers). Finally, there have been coffee consumers whose palate is demanding, who are willing to pay higher prices: The origin of the coffee beans, the techniques of cultivation and the best way to prepare the coffee in order to appreciate the maximum flavour, body, aroma, fragrance and texture in the mouth becomes crucial. Coffee beans tend to be of higher quality than those used in the other two market segments (WIPO, 2017).

The first wave still accounts for 65% to 80% of the total amount of coffee consumed, but only 45% of the value of the world market. This means that unit prices in the second and third waves are higher. The second and, more recently, the third wave are redefining control of the global coffee value chain. In particular, the supply of coffee in the first wave used to be adapted to market demands, and buyers mixed different types of coffee from different parts of the world. The introduction of voluntary sustainability standards in the second wave established more direct links between coffee producers and actors in the latter stages of the value chain. These relations have become even more important in the third wave and, in fact, have shortened the value chain by eliminating intermediaries in the coffee trade (WIPO, 2017).

The change in consumer preferences associated with the second wave, and especially with the third wave, has created opportunities for greater participation of coffee growers in exporting countries. The emphasis on this market segment is similar to the taste profile in the wine industry, which enhances terroir, grape variety and craftsmanship in its production (WIPO, 2017).

More and more coffee growers are striving to differentiate their product from generic coffee, adopting their own brand strategies. In addition, some coffee-producing countries work to promote their original coffees in foreign markets, while coffee producer associations and other entities seek to protect their branded assets in consumer markets through IP rights –for example, the brands Juan Valdez, from Colombia, and Jamaica Blue Mountain Coffee.

Producers obtain better prices, but while in the first wave they received 1.45 out of 4.11 (the price of the roaster), i.e. 35.27% of the price of the final product, in the second wave they got 34% (2.89 out of 8.50) and in the third wave, 29.45% (5.14 out of 17.45). Finally, it is worth noting that the strategy of valorisation of Colombian coffee (in particular, the construction of the brand Café de Colombia and Juan Valdez) is not a recent strategy but the systematic work of the National Federation of Coffee Growers since the 1930s.

One of the options to advance in the chain is the development of Juan Valdez stores with the aim of making Colombian coffee relevant in the gourmet segment and obtaining greater income for coffee growers. Other strategies, such as the offering to the hypermarket segment through the sale of Juan Valdez coffee, are also highlighted, and coverage with private brands of supermarkets is expected to be expanded in the future (Parente Laverde, 2017).

3.2. Textiles: El Salvador

The textiles and clothing industry in several Central American countries has internationalized its production. According to Gereffi and Memedovic (2003), the yarn-textile chain is basically articulated in five major segments: networks of raw materials, components, production, export and market/design, which in terms of actors refers respectively to the presence of primary producers, manufacturers of synthetic fabrics and fibres, producers of clothing, exporters and retailers, as well as suppliers of brands.

As regards control of value generated in the chain and its governance, power is in the hands of traders, such as large department stores, etc., as well as of brand designers, which can be characterized as "manufacturers without factories."

Thus, in terms of typology of governance modes of GVCs, this corresponds to the 'buyer driven' type of Gereffi and Korzeniewicz (1994). It should also be noted that innovation dynamics are a relevant factor in the relative capacities of competitiveness and value appropriation within this GVC.

Schematically, there is a difference in the technological development of raw materials, with synthetic fibres carrying more knowledge content with respect to natural fibres, which are less elaborate. However, an analysis of innovation processes shows that there are significant changes in both types of raw materials, and therefore the role assigned to knowledge-based innovation within competitive strategies is decisive. Industries focused on natural fibres are predominant among CACM producers, while synthetic industries are developed by producers in Asia (Padilla, 2013).

Some analyses highlight that, in recent decades, manufactured fibres have gained importance to the detriment of natural fibres due to lower unit costs and increased strength of materials, allowing to make garments at lower costs, which is a key factor in competition. However, in new fashion trends, products made from natural fibres again gain prestige for their quality. This is in line with the strategy of greater differentiation, which allows producers to position themselves in the market with higher prices (Rozenwurcel and Bezchinsky, 2013).

In the manufacturing segment, CACM countries joined this GVC under three major business models. The first, which was the biggest initially, was composed of companies that only produced through the assembly of parts, taking advantage of its abundance of cheap labour and regulatory advantages in the United States.

The second model is the so-called "full package," which began to develop in a limited way since the 1990s in some countries in the region. In this model, the manufacturer not only assembles as the traditional maquiladora, but also fulfils other activities (looks for raw material, collaborates in design, etc.). However, with increased international competition and reduced barriers to market access, those selling branded products have put pressure on producers in the region operating with the simple maquila model to evolve into a full-package model.

Finally, there are the vertically integrated companies with own brand, which are very few (Bair and Dussel 2006).

In particular, the textile and clothing sector is one of the main drivers for development of Central American countries, in particular El Salvador, which has a value chain that has consolidated and been integrated with higher value-added products. The dynamic process of vertical integration of the industry has managed to incorporate all the productive activities of the textile-clothing chain, from the production of fibres to the manufacture and finishing of yarns and fabrics, the design, cutting and making of garments and the associated logistics, also offering countless opportunities for new businesses to enter at the top and bottom end of the value chain and related activities. As a result, El Salvador has managed to position itself as a reference textile centre due to its proximity to large consumer markets in North and South America, its integrated value chain and competitive and highly productive human capital, thus providing outstanding logistics and infrastructure, rapid response and a dollarized economy.

However, the fabric deficit in the Central American region makes investment in the sector of fabrics made from synthetic fibres attractive (nylon, microfibers and others), as they receive preferential access to the United States. Fabrics from other regions such as Asia pay a 32% fee when entering the United States. The global industry is increasingly demanding a decrease in product delivery times. El Salvador has the advantage of having a vertically integrated industry and being close to the target markets, allowing for fast deliveries and responses, which is important for fashion goods in which styles and colours change relatively frequently.

El Salvador produces garments classified in the category of "simple transformation," which enter the United States market duty free. This category allows for making garments in the country using fabrics from anywhere in the world. The clothing products classified under this category include brassieres, girl dresses, boxers, pyjamas and suitcases, among others.

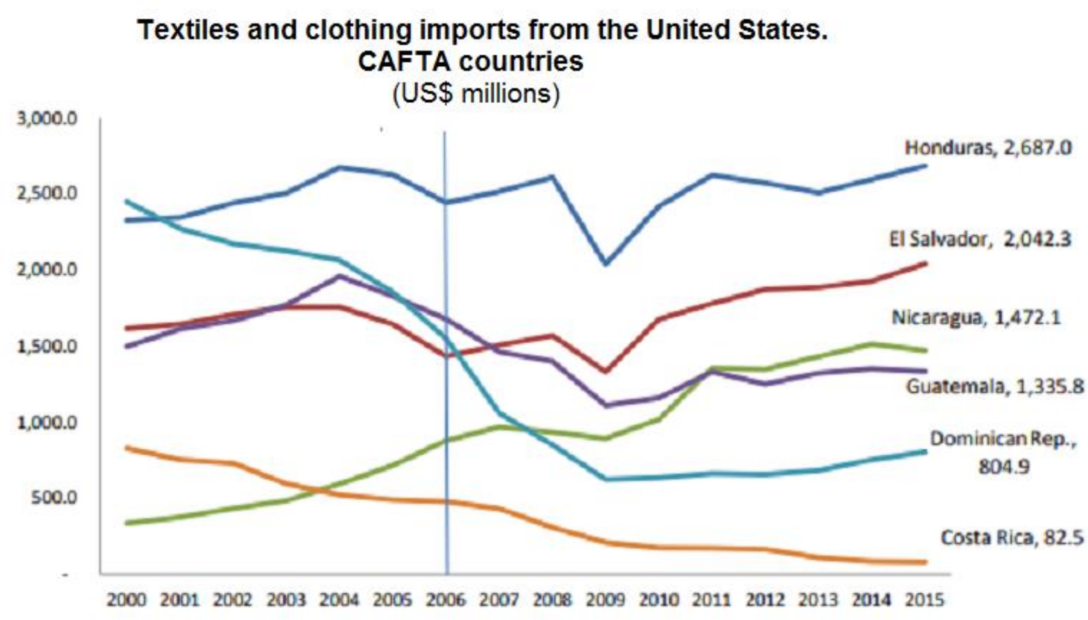
Furthermore, it should be noted that textile exports have a share between 68% and 77% of the total, in the period 2006 to 2015. The growth rate of textile exports shows a positive result in 7 out of 10 years of CAFTA (except for 2006 with -0.4%, 2009 with -17.6% and 2014 with -1.1%), and on average they have grown by 3.1%. El Salvador's exports without textiles and clothing have increased by 5.0% compared to the rest of the world, whose average rate was 5.1% for exports of textile and clothing and 6.3% without textile and clothing. It should be noted that, in the evolution of exports, 2009 was marked by the international financial crisis and the weakness of the U.S. economy during that period (Central Reserve Bank of El Salvador, 2015).

For the purposes of this study, which focuses on trade policies, it should be noted that since 2005 the textile and clothing item suffered the effects of the implementation of the WTO Agreement on Textiles and Clothing (ATC), which eliminated existing quota systems and resulted in a fairly strong share of quota-containing countries, particularly China, which weighed 17% and currently covers 40% (Central Reserve Bank of El Salvador, 2015).

Thus, the CAFTA was a lifeline after the expiry of the ATC, since the agreement gives origin to the goods as long as they incorporate raw materials from the region or NAFTA countries, while previously the yarn used as a raw material should come from the United States; this allowed for a better ability to resist open competition from the giant exporters. Under these conditions, El Salvador's share of U.S. purchases fell from 2.1% in 2004 to 1.8% today. Other competitors, such as Mexico, reported a higher drop of 9.4% to 4.4%; Honduras rose from 3.2% to 2.4%; and on the opposite side Bangladesh went from 2.5% to 4.9%. In the case of El Salvador, the decline in the first year of the dismantling of quotas (2005) was 2.4% to 1.8%, and with CAFTA, which operated from the following year, the country managed to maintain the 2005 quota until the present day (Central Reserve Bank of El Salvador, 2015).

Chart 3 shows U.S. textile and clothing imports from CAFTA countries in millions of US dollars.

CHART 3



Source: Central Reserve Bank of El Salvador, 2015

3.3. Asparagus: Peru

Latin America continues to be positioned as a provider of raw materials. However, if the structure of current trade is compared to what was observed twenty years ago, the emergence of new products is seen.

In some cases, these have expanded the traditional supply, which allowed for greater diversification of national economies, such as rice in Uruguay. But in many cases, the change is linked to the advent of "non-traditional" sectors, such as salmon in Chile or the asparagus boom in Peru, which enabled these countries to advance towards further export diversification. In other cases, the arrival of a new product displaced the pre-eminence of others, such as the soybeans in Argentina or shrimps in Panama. A fourth case is represented by Brazil, where the expansion of the agricultural frontier allowed for broadening the basket of pre-existing varieties and introducing new crops.

Despite the growing prominence gained by demand, numerous chains continue to be articulated by supply. The relevance of the GVC approach is useful in observing whether, as a result of globalization, there have been significant changes in the region's major food value chains or if the above has meant new restrictions and greater challenges.

When analysing agri-food chains, it is appropriate to consider some relevant aspects in the reconfiguration of these chains, specifically three: i) the rise of the supermarkets; ii) the emergence of new contractual schemes; and iii) the presence of new regulatory standards aimed at ensuring qualitative aspects, but also, and increasingly, environmental, labour and social conditions.

Local companies have also made progress in commercializing what the region produces, and some have ventured to produce abroad, although this is more in line with Brazil and less so with the other countries. This is also more appropriate in certain sectors, for example meat or fruit, but less so in all others.

From a macro perspective, the importance of raw materials and manufactured products originated from them remains relevant, which is a step forward. However, many exports classified as manufacturing involve commodities without further processing and/or with little market value.

Considering FAO data up to 2017/18 for 26 products, it is noted that, among ten of them, one of the South American countries is a market leader: Argentina (soybean cake, soybean oil, concentrated lemon juice), Brazil (chicken meat, grain coffee, yerba mate, refined sugar), Chile (apples and grapes), Colombia (sugar cane) and Peru (asparagus).

Undoubtedly, this value chain has been subject to multiple mutations in recent decades, involving changes in demand, supply and institutional shape.

On the demand side, change could be generalized in the emergence of a new type of consumer, much less influential than its predecessors, while growing its veto and choice power. The result has been greater volatility of markets.

In terms of supply, changes are linked to technological efforts, which have transformed the countryside and seas into technology-intensive industries. In this connection, changes in transport and communications should not be overlooked, as without them many of the advances seen in recent years would not have been possible to commercialize. However, not all advances are linked to science and technology. In many countries, new land was added to the production chain, especially in Brazil.

Finally, it could be said that much of the above would not have happened without the institutional changes experienced in recent decades. The economic openness and deregulation in the South enabled the northern countries, basically their multinational companies in the sector and the new global players (supermarkets), to procure new sources of supply as well as new markets.

In this regard, and by way of example, the case of asparagus illustrates the point of technological innovation. Indeed, the "asparagus" agri-food chain has undergone profound changes at the global level over the last few decades. The emergence of new hybrids of increasingly uniform production and new management techniques aimed at optimizing production requires an evaluation under different crop management situations: Traditional and under cover.

Globally, asparagus has become highly important with a global production of 800,000 t in an area of 231,500 ha, with production being highlighted in order of importance: America (315,000 t), Asia (235,000 t) and Europe (230,000 t), while in cultivated area: Asia (93,500 ha), America and Europe (65,000 ha each), Oceania (4,750 ha) and Africa (3,250 ha). In South America, Peru (20,000 ha), Chile (2,700 ha), Argentina (1,300 ha) and Colombia (2,000 ha) (Laemers, 2008) stand out.

The agri-food asparagus chain has two main stages: Productive and post-harvest. As regards the life cycle of green asparagus plants, this can be divided into four phases: Early growth, the first two years from the plantation, characterized by strong vegetative development; increasing productivity (3rd - 4th year), corresponding to the first two years of harvest; stable productivity (4th - 10th year), and finally decreasing productivity (10th year onwards). The most critical phase corresponds to the planting of the crop (Falavigna, 2004). Any errors can affect the production and quality of harvested turions throughout their useful life; it is therefore essential to have adequate crop planning, which includes the choice of hybrid to grow, the starter system, the planting framework, etc. The post-harvest stage is also very important, as it corresponds to the possibility of offering the product to consumers in its best conditions (Falavigna, 2004; Risso, 2012)

Among the innovative techniques applicable to this perennial crop are the so-called defence techniques, such as the use of mulching (most applicable in white asparagus) and the semi-forced system, i.e. greenhouse crop management, in order to advance market entry for better positioning optimization (Castagnino et al., 2009).

In this regard, Peru has redirected its economy outwards, determining important changes in the scenario where the country's export activity is developing. Thus, it has promoted joint ventures or foreign direct investment in the sector, making progress in production. In this connection, the line of export legumes and vegetables became the main generator of foreign exchange within the agro-export sector, surpassing others such as natural dyes, cocoa derivatives and fruits. This is explained by the comparative advantages of this country for asparagus cultivation, due to the exceptional climatic conditions for this crop. That is why over the past six years the asparagus industry has reported impressive growth as a result of the growing demand for this product in the main consumer markets, crop substitution in Taiwan, and the decline of asparagus areas in Spain due to high labour costs (Mathews, 1994).

3.4. Footwear and leather: Argentina

Footwear and leather chains prevail among developing countries, in particular those rated as emerging. In terms of leathers, in Latin America, production has a great tradition in countries such as Argentina, where leather exports predate the country's independence.

Along with the textile and clothing industry, footwear production is one of the most labour-demanding sectors, particularly in the manufacture of leather shoes. This often leads to them being catalogued under the name of industries or "wage-goods" chains. This also explains the State's continued interest in keeping this industry competitive, either in a real (technological effort) or artificial way (trade and investment rules). Both actions can be observed among developing and emerging countries, as well as in the developed world.

The leather production chain comprises three major stages. First, the skin is transformed into leather, which is chrome-tanned, giving rise to the so-called wet blue. Before removing the flesh, the skin is preserved, either by freezing, using chemical products or salting. From there to chrome tanning there are a number of steps (defleshing, unhairing, deliming, enzymatic purge and pickling), where different chemical processes are involved. The material obtained has a stabilized and rot-proof character. In the next stage, the leather is tanned, sorted and dried, although it can also be dyed or retanned before the last step. The leather is thus semi-finished or crust. Finally, in the last phase, leather is prepared for further use by the manufacturing industry. To that end, semi-finished leather is subjected to various chemical processes.

In what makes the organization of the chain, the tanneries can respond to four large specialization models (Azevedo, 2004). A first integrated scheme, where the company receives raw leather and sells finished leather, while the remaining schemes imply a vertical disintegration of the production process. Thus, some tanneries only transform raw leather into wet blue. The latter is acquired by another company that transforms it into crust and finished leather. Finally, a fourth type of company that uses semi-finished leather as raw material to produce finished leather. Leather is also used as an input in the manufacture of furniture, clothing or the automotive industry, with the latter reporting an increasing demand; thus, it can be argued that leather today has "own dynamics" (Miranda da Cruz, 2013).

The production process of footwear involves five distinct stages (Correia de Andrade, 1996). First, modelling or design, where the shoe is conceived; thus, it might not be unreasonable to consider it the most important stage of the production process. It is followed by the cutting stage, which can be done manually or mechanically/computerized. The third stage involves stitching tasks, where the pieces are prepared before assembly. This is one of the most labour-intensive stages. Then comes the stage of sewing, where the head is sealed to the sole. For this purpose, various methods can be used, the choice of which depends on the type of footwear (walking, trekking, etc.) and costs. The final stages are assembly and welding (albeit simultaneous to cutting and sewing), where the unnatural materials are used. The industry can be divided into two large segments (sports and non–sports), which in turn can be differentiated according to quality.

In terms of prices, sports footwear obtains better prices, a differential that is linked to brand and/or technology aspects. That is why companies dedicated to producing sneakers show a larger size, as well as the significant concentration shown by the sector.

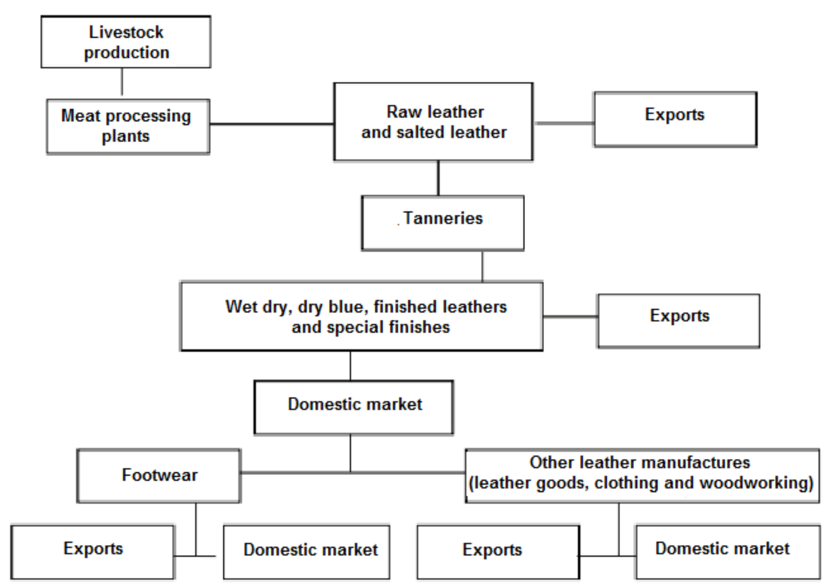
Sports footwear is also distinguished by the increased use of synthetic materials, as well as by a growing technological component. The lower complexity of the shoe making process compared to the production of leather shoes (Suzigan, et al, 2005) should also be taken into account. The production of footwear is nourished by leather, plastics and rubber, textiles and other materials.

Latin America has become one of the most important leather producing regions in the world (Miranda da Cruz, 2007). Countries such as Argentina or Brazil have become relevant market players, including the US, China, India and Italy.

Chain structure in Argentina: The leather and footwear production complex in Argentina is composed of different links ranging from primary production to distribution (both towards the internal and external market) of a wide range of manufactured products (ECLAC, 2013:343).

In the first stage, leathers, as secondary by-products, come from the dressing of animals for meat production; therefore, their prices do not move independently, but depend on that market. The first process through which leather passes is related to its preservation (to prevent bacterial degradation). The most used method of preservation is salting, which, in many cases, can be performed in cold stores. Large tanneries directly agree with the cold stores the price to be paid, which is the reference for the rest of the market. This reference price, in turn, usually has a high correlation with the international prices of tanned leather, since at this level of processing the product is considered a commodity. Given the existence of high tariffs for the export of raw leather, the almost only market for cold stores are tanneries, and this means that they end up accepting the price paid by the latter, even if it is very low (ECLAC, 2013:343).

Chart 4. Productive chain of leather and footwear



Source: ECLAC.

In addition, it can be said that the power of large tanneries is very high in setting the price of raw leather, and this has traditionally guaranteed them access to their main raw material at very competitive prices. After leaving the cold stores, (both raw and salted) leathers go through several processing processes at the tanneries that allow for generating a first set of by-products, including the Wet Blue (tanned leather), semi-finished leather, vegetable leather and special finishes (nubuck, suede and patent). These products involve production processes of different complexity (and obviously different value-added levels) (ECLAC, 2013:345).

The final destination of these leathers is also different depending on the level of production. For example, Wet Blue (as well as salted leather) is generally not aimed at the external market because of high retention rates.

In Argentina, just over two hundred companies operate in this sector, of which only 40 (approximately) are large or medium-sized and are able (given their scale and technology) to access international markets. Indeed, while the whole sector of leather tanning and finishing is surplus in terms of international trade and represents the largest percentage of the chain's exports, there is a remarkable level of concentration, considering that, out of the 41 companies that exported leather in 2009, the first four (Sadesa, Arlei, Fonseca and Toredo) concentrated about 50% of the foreign currencies generated.

In fact, these companies made significant investments throughout the 1990s that have enabled the renewal of machinery and technological equipment. The other companies (micro and small-sized), which represent most firms in this sector, are exclusively oriented to the domestic market because of their scale, technology and, in many cases, the lower quality raw material they find.

The characteristics of the production process (relatively complex and with economies of scale) and the need to generate products that are used as inputs for a range of final goods (shoes, wallets, suitcases, garments, upholstery) that have to meet the demands of different types of consumers lead stakeholders to constantly keep up to date with technology in production plants in order to enter and consolidate their position in international markets.

It must be borne in mind that the production of leathers (tanned, semi-finished and finished) involves processes that can have a negative impact on the environment. Thus, in order to continue exporting to certain markets (particularly the countries of the European Union), it is necessary to make investments to modify production processes and improve waste treatment so that damages to the environment are reduced.

In addition, in the manufacture of some products, such as leathers intended for the automotive upholstery industry in which Argentina has an important presence in the international market, the quality requirements make the ISO 9001 and 9002 certificates necessary.

These elements facilitate the processes of concentration and inflow of foreign investments, which have indeed occurred in the tannery sector as of the 1990s.

The importance of tanneries (37% of value added) and the leather footwear industry (26% of the total, including the manufacture of footwear parts) is evident, with the clear orientation towards the external market of the former and the very low export vocation of the latter. Indeed, while all activities related to the production of tanned, semi-finished and finished leathers show an export coefficient of 59%, the leather footwear sector barely reaches 2%: the former is broadly surplus, while the second has a foreign trade deficit. At the territorial level, the chain's activities are concentrated first in the province of Buenos Aires (61% of the total value added of the chain), followed by the Autonomous City of Buenos Aires and the provinces of Córdoba and Santa Fe (ECLAC, 2013).

3.5. Dairy products: Central America

According to a study carried out by De Groot at ECLAC, the dairy GVC poses challenges in two major areas. On the one hand, at the national level, and on the other, at the regional level. At the national level, the sector not only has low productivity, but also challenges in relation to the quality of primary production. Better training of producers can support the primary production process and offer opportunities to explore new markets with higher value added. At present, a significant percentage of production receives little transformation, and therefore the value added of the sector is low. The presence of a large informal market does not support the development of innovative products either and represents an additional challenge.

The role of women in primary production is not sufficiently recognized, creating a social challenge for the sector.

In addition, there are environmental and animal welfare challenges. Although the Central American consumer of dairy products is not very demanding in these areas, including them in the sector strategy would offer a competitive advantage in the future.

At the regional level, informal markets and cross-border smuggling are also a major problem for producers entering intra-regional trade. Despite the integrated market, there are still several non-tariff barriers and lack of cooperation in relation to the settlement of trade disputes.

Finally, outside Central America, the export of dairy products to the United States faces challenges related to export quotas and macroeconomic conditions.

This chain is important to Central America, as it exported more than US$ 400 million of dairy products regionally in 2015 and imported more than US$ 600 million of the same sector. However, from 2006 to 2015, in each country, except for Panama, exports grew more than imports, over 10% per year in some cases; Central American production also grows annually and is about 0.5% of the world's production. From 2000 to 2014, fluid milk production grew by 26% to 49% in various countries in the region.

According to De Groot (2018), the different links in a standard production chain are as follows:

a) The main production of milk, which is carried out by farmers. They may be small producers, as in the case of Nicaragua, or larger producers, as in the case of Costa Rica. In Nicaragua, most producers own five to 15 heads of cattle each; it is a mainly familiar and, in almost all cases, dual-purpose production (milk and meat). Costa Rica has a different model, with a significant share of production in the hands of medium-sized producers (50 to 100 heads of cattle) and also some large producers. In Guatemala, there is a mixed model, with family production in remote areas and both medium-sized (60-200 heads of cattle) and the most professional production in more populated areas.
b) In turn, farmers use various inputs for milk production; one of the most relevant ones is semen for reproduction and induction of lactation in animals. In Costa Rica and Guatemala, this product is imported from other countries, including the United States, the Netherlands, Denmark and Brazil. In the case of Nicaragua, the reproduction of animals occurs mainly

naturally. During animal husbandry, farmers use various services for livestock health care, such as vaccinations, other veterinary services and production quality controls. Finally, in countries with professionalized production, the use of specialized food known as "concentrate" is important.

c) In marketing, the informal market in Central America is a very important space. Although it is not common for the informal market to form a productive autonomous link, its role, so important in Central America, merits being regarded as an analysis unit of its own.

d) In the formal market, farmers sell their product to modern and large industry. In some countries, there is an intermediate step between the producer and the food industry: the collection centres, which collect milk from primary producers and then distribute it to industrial plants.

e) In the transformation link, the food industry processes milk and its derivatives using national services, such as quality controls, transport and marketing, and imported and domestic inputs such as artificial flavours, fruits, sugar, chemical complexes, milk powder and packaging. The purchase of these products depends on their availability in the local market, costs and convenience for companies.

f) The final link is the sale to consumers. As in the informal market, the formal market also has three main markets: national, regional and extra-regional.

g) Transport is a link that plays a very important role throughout the regional value chain. Milk and other dairy products need refrigerated transport to ensure a high quality product, and this is part of a cold network necessary to preserve the quality and safety of products, but not all countries have this type of transport, and in such cases the cold net is weak or incomplete.

3.6. Metal products: The Caribbean[1]

Value chain development is at a relatively early stage in the Caribbean compared to East and Southeast Asia in terms of developing company-level linkages and relationships that characterize GVCs, in particular the forging of connections between large leading companies in international markets and local suppliers of goods and services (tasks). However, there is some evidence of the development of value chains in some sectors, such as (processed) food and beverages, and metal products (Shepherd, 2016).

Although value chains are best known in manufacturing sectors, they are also developing in agriculture. Value chain analysis for an agricultural product would emphasize all the necessary steps to bring the product to market, from obtaining seeds and other inputs and financing these and other farm operations through harvesting methods, post-harvest treatment and storage, processing at various stages into processed agricultural products, logistics and handling, transport and distribution to the final consumer through outlets, such as supermarkets or specialty shops.

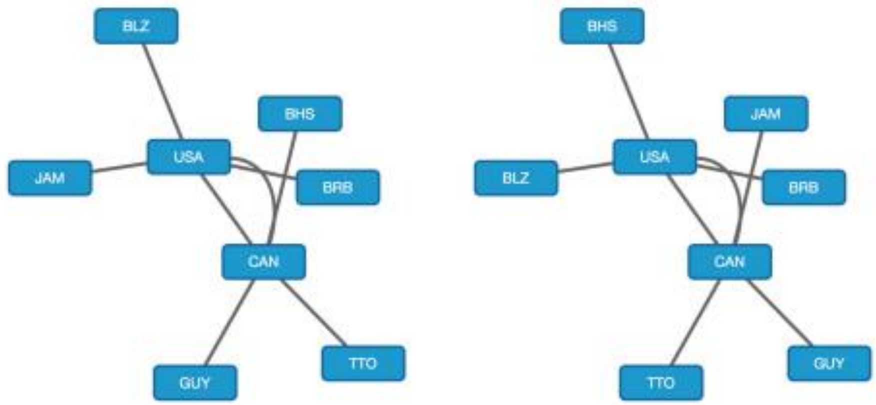
In this context, intermediate inputs are often services, such as transport, logistics and distribution, as well as goods such as seeds, fertilizers, and products used in food processing.

In the metal products sector, the concept of a value chain incorporates all the necessary steps to obtain a manufactured product from the conceptual stage to acquisition by a consumer, and post-consumer stages. Activities involved include design, component manufacture, assembly

[1] Although we have conducted a thorough survey of information in order to analyze the GVCs with intermediate inputs from Caribbean countries, the truth is that official Web sites, as well as the information available in this regard, are incomplete or biased. Thus, a decision was made to take only this chain to show that the Caribbean also participates in them in different ways, taking advantage of the trade agreements of which it forms part.

of finished products, transport to the market where the final consumer is located, marketing, sales and distribution.

CHART 5
Network representation of value-added trade in metal products in the Caribbean, trade flows among the partners considered, 2000 (left) and 2012 (right)



Note: Country codes are the Bahamas (BHS), Belize (BLZ), Barbados (BRB), Canada (CAN), Guyana (GUY), Jamaica (JAM), Trinidad and Tobago (TTO), and the United States (USA). Data on the remaining Caribbean countries are not available.

Both network representations show the participation of Caribbean countries in GVCs linked to metal products and the role played by the USA and to a lesser extent Canada. In both cases, networks are quite stable over time due to the specialization that each country has developed in the network of these products.

In this sector, value added is very important, since these products represent significant export volumes for the Caribbean economies, although the main commercial activity is tourism (Shepherd, 2016).

II. GLOBAL VALUE CHAINS AND PRODUCTIVE TRANSFORMATION: CHALLENGES FOR TRADE AND COMPETITION POLICIES IN LATIN AMERICA

1. Introduction

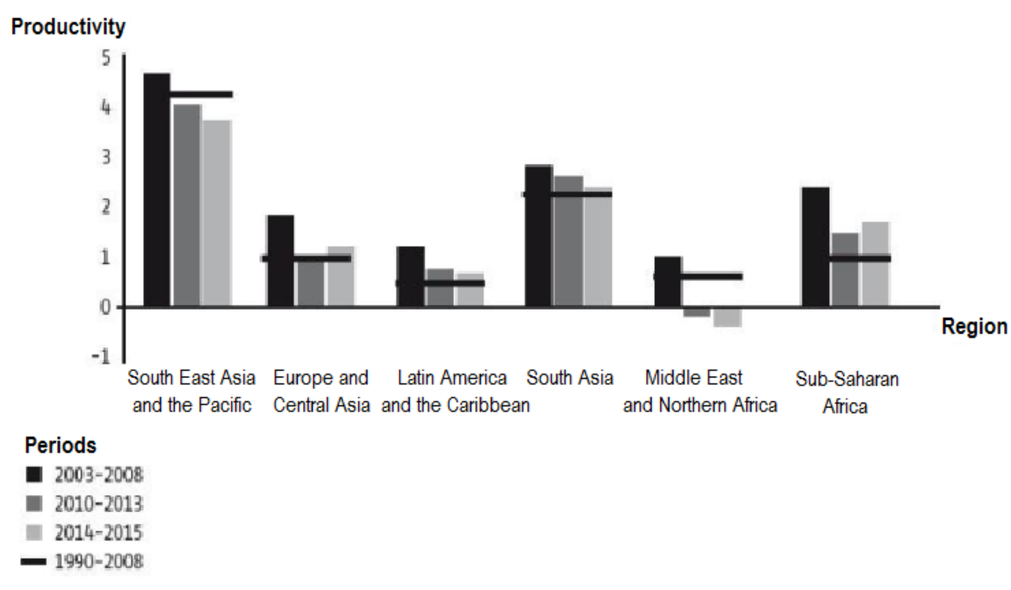
Despite progress in Latin America in recent years, South America still depends on the production and export of raw materials (and therefore, it is vulnerable to price volatility) and on Central America's production and exports of manufactures with little added value to the United States.

The region needs to underpin its growth through increased productivity and competitiveness. In this regard, progress is needed on a productive transformation agenda that focuses on bridging the infrastructure gap, improving the quality of education and fostering innovation. These are key elements for increasing the productivity of the region (Ríos, 2016:53).

In addition, particularly, achieving productive transformation in Latin America involves undertaking a series of reforms that allow the region to add value to the production of raw materials or manufactures and diversify its export basket. One of the elements to support this strategy is to attract foreign direct investment (FDI) which, whenever possible, should be accompanied by financing, technology transfer and training of human capital.

Chart 6 shows the evolution of productivity in Latin America over several periods, compared to other regions. It can be seen that, in addition to little productivity growth, Latin America lags behind other developing regions.

CHART 6
Productivity evolution in Latin America (several periods)



Increase in total factor productivity.

Although the list of reforms is extensive, and in many cases depends on the context of each country, there are some areas in which Latin America faces common challenges. Particularly, in relation to trade and competition defence policies, efforts must be aimed at promoting innovation, bridging the digital divide, improving the quality standards of our products, and making the logistics of trade more efficient and reliable, and less costly, among others.

On the one hand, it is a question of formulating an international trade policy that improves market access, particularly for some of the "factories" currently in a dominant position. This no easy task because it is carried out within a context of trade warfare between the United States and China and a loss of WTO centrality in trade negotiations and, therefore, a fragmentation of negotiations in various fora (ranging from the G20 to the Free Trade Agreements). And it is also a national trade policy focused on strengthening the structure and institutional management, the performance of SMEs, the quality of our products and bridging the digital divide.

On the other hand, it is a question of formulating a competition policy that includes issues such as the enforcement of competition laws and the work of promoting competition, considered as central elements for inclusive liberalization. Enforcement is a tool to counter cartels, abuses of a dominant position and anti-competitive concentrations that undermine citizens' purchasing power, hinder competitive opportunities and impede development (Pérez Motta, 2016).

In this vein, this section focuses on the local dimension of trade and competition policies for productive transformation. First, we address the institutional organization for trade policy management. Then, we present some productive transformation programmes with an emphasis on the problem of SMEs; we also deal with the issue of quality standards; and finally we outline the main challenges for competition policies.

2. Institutional management

The issue of institutional design for international trade in Latin America was central during the 1990s, mainly because of the shift of most countries in the region towards greater trade liberalization, the adoption of integration projects based on "open regionalism" and the implementation of the commitments under the GATT Uruguay Round Agreements. Against this backdrop, Latin American countries embarked on a restructuring of their State agencies in order to account for their readiness to open up markets and export products, and to generate institutions that would allow them to link another way with the private sector. As a result, all countries proceeded to create specialized agencies for the promotion of international trade, directorates responsible for international trade negotiations and administration agencies for trade defence instruments.

J. Jordana and C. Ramió conducted a comprehensive study on the distribution of responsibilities within the governments at the time, formal coordination procedures, mechanisms for the participation of private actors and human resources systems operating in the public organizations in some Latin American countries. These authors argued that in Latin America four models were set up and that their effectiveness depended on how consistent they were with development strategies, whether they had high or low organizational fragmentation and the existence of a public service capable of promoting sufficient professionalism and stability in the human resources involved in the design of foreign trade policies (Jordana and Ramió, 2003).

Among the challenges highlighted by Jordana and Ramió are: "1) find the right way to strengthen political influence, as well as the technical and strategic capacities of the organization that has the basic responsibility for policy-making in a country; 2) implement efficient mechanisms to manage the growing need for inter-departmental coordination resulting from increased sectoral diversity of international trade agreements; 3) effectively overcome the problems of asymmetric information between the policy-making core and other government sectors, private actors and partners in other countries; and 4) find appropriate mechanisms to filter and coordinate the sectoral interests of the country's social and business actors in order to ensure that national interests prevail" (Jordana and Ramió, 2003).

Out of these difficulties, all of which persist to a greater or lesser extent, the need for inter-agency coordination appears to have become more exacerbated as a result of the current regulation of external trade activities in ministries and disciplines. One novel need is to ensure high and efficient standards of logistics operations, in view of the impact they have on trade in intermediate goods, which is much more dynamic than the traditional one of final goods, as well as on electronic commerce.

Along this line, by way of example, e-commerce requires aligning regulations as diverse as those relating to infrastructure, communications, the protection of personal data and intellectual property issues, among others. And for all the Foreign Trade Single Window (FTSW) initiatives in the region it is certainly very unlikely to integrate themselves into GVCs or take advantage of e-commerce without competitive logistics (in terms of costs, timing and security) that organizes, coordinates and accelerates trade flows.

In this connection, one of the key points in productive transformation for innovation is the incorporation of communication technologies into production. The Latin American Telecommunications Congress (2018) – and generally speaking – emphasized that the institutional issue is key because political leadership to carry forward the transformation agenda is occasional, it can emerge and then get lost. In addition, it was noted that in the field of telecommunications the State fulfils multiple and different functions and, therefore, it is necessary to align the State agencies (the Ministry of Finance intervenes in the field of taxation, the Ministry of Education in terms of computer literacy, the Ministry of Production with commodity strategies, etc.) and set priorities. Some congressional participants pointed out that sometimes the State work agenda is a "patchwork" resulting from the agendas of the various agencies, without a common thread. Some participants argued that "sometimes the agendas contain 150 objectives". It was also noted that it was necessary to count on the participation of enterprises (including public companies, not just telecommunications), logistics, transport, manufacturing, etc. Finally, some participants remarked, in relation to how each country is organized institutionally, that there is no single practice, but that in any case the most important thing is that there always has to be an agency or organ that leads and coordinates the actions. It can be a unit within the presidential sector, or within a ministry, among others, as stated at the VII Latin American Congress on Telecommunications (2019), held in Havana, Cuba.

Two final remarks on institutional management should be made. The first one is that a more comprehensive vision of the institutional issue should include the debate on the State and the public administration. Ramió first analyses a scenario of loss of State power and influence – a critical situation that can be very deep and dangerous. However, when the author incorporates the current and future changes at the technological, economic, social and political level planned for the next few years, a surprising but viable scenario emerges: A possible empowerment and expansion of the State in the future. This is a speculation surrounding the internal contradictions of capitalism, in particular the existence of the quasi-monopolies of technological companies and the expansion of the collaborative economy combined with the social tensions arising from these discrepancies. These tensions could strengthen the role and competences of the State, in the sense that it is one of the main drivers of social welfare (along with the markets, the tertiary sector and the family). It would be something like the government in power defending the common good, not the State in its nation-State dimension, which is in clear recession in favour of local institutions (government of large cities) and macro regional institutions or associations of States (Ramió, 2016).

The second remark concerns the question of public employment, more specifically, its professionalisation. Although all Latin American countries foresee stability in public employment, fewer countries have articulated professional careers (very few have the competences, for example). In addition, in many countries public sector wages are not competitive in comparison with those of the private sector and this produces a lot of migration of workers who, once trained and highly specialized in international trade issues in and by the State, migrate to the private sector or to international organizations.

We bring up here a novel experience documented by Joice Toyota that takes place in Brazil. The central idea is that "changes in demographic structure, social values and the labour market are giving rise to a generational transformation that favours the attraction of young talent for the public sector. However, the Brazilian State faces structural obstacles in taking advantage of this window of opportunity and training a new generation of public professionals, including the disorganization and inconsistency of their careers and jobs, their fragility as an employer brand and the outdated tools for staff recruitment, selection and development" (Toyota, 2019).

In this context, Toyota refers to the work of Vetor Brasil, an NGO that created a program to attract, select and develop young talent for the public sector (Trainee Programme of Public Management). Since 2015, "the programme has already attracted more than 60,000 candidates, located 280 professionals in local governments from all the federal units of Brazil, and has a committed and diverse network of professionals, capable of generating cultural changes in the public sector and reinforce Vetor's mission" (Toyota, 2019).

After three years of operation, the perspectives opened by the programme are innumerable and there is confidence that its teachings can serve as an example and inspiration for the development of a growing ecosystem of civil society organizations interested in accelerating innovation within the State. This experience is open to the participation of recent graduates of all ages and training areas with an interest in working in public management in a professional manner. Less exposed to State-specific restrictions, the implementation of the programme allows Vetor to make an unprecedented assessment of the effects of assigning new professional profiles to government structures.

In a nutshell, there are several challenges that still persist regarding institutional and disciplinary coordination between agencies. Notwithstanding, it is important to underscore that most countries in the region already have agencies whose objectives revolve around the promotion of international trade, as well as the defence of competition and investment.

TABLE 1
Foreign trade and investment promotion agencies of the countries making up SELA

Country	Denomination	Objectives
Argentina	Argentine Agency of Investment and International Trade	• Provide free and comprehensive assistance to Argentine companies and entrepreneurs in order to help them navigate from end to end on the road towards exports and expand their businesses in international markets.

		• Become a contact space for local and international investors. • Detect opportunities and promote niche sectors. • Assist investors in their landing processes in the country by providing key information to develop their businesses, by simplifying processes, and eliminating bureaucratic hurdles.
Bahamas	Bahamas Trade Commission	• Facilitate trade with the government.
Barbados	Invest Barbados	• Attract, gain and maintain international investment in Barbados. • Help develop and manage Barbados' international trade brand. • Promote the entry of foreign direct investment. • Supply relevant, timely, current and quality information to investors. • Ensure that Barbados' environment is favourable for foreign direct investment.
Belize	BelTrade	• Improve Belize's prosperity by fostering investor confidence, entrepreneurship, business growth and innovation.
Bolivia	Bolivia Promotion Centre (CEPROBOL)	• Disseminate information on trade, promote Bolivia's exportable offer and its strategic sectors for investment.
Brazil	Brazilian Export and Investment Promotion Agency (Apex-Brazil)	• Develop competitiveness of Brazilian companies, by promoting the internationalization of their businesses and attracting FDI.
Chile	PROCHILE	• Promote the country's exports of products and services, while contributing to the dissemination of foreign investment and the promotion of tourism.
Colombia	PROCOLOMBIA	• Promote tourism, Foreign Investment, Non-Mining Energy Exports and Colombia's image.
Cuba	Centre for the promotion of foreign trade and foreign investment (Procuba)	• Provide specialized services to enterprises exporting, importing and producing goods and services and to potential foreign partners for development, promotion and marketing of its goods and services, in addition to identifying business opportunities with foreign investment in Cuba.
Ecuador	Institute for Promotion of Exports and Investment	• Promote, in a strategic and sovereign way, the country's economic and commercial integration within the international context, so as to contribute to Latin American integration and support changes in the productive matrix, through the design, planning, direction, management and coordination of foreign trade

		policy, trade promotion, attraction of investment, bilateral and multilateral trade negotiations, regulations on imports and selective and strategic import substitution, in order to contribute to the country's economic and social development.
El Salvador	Organization for promoting Exports and Investments in El Salvador (PROESA)	• Articulate and coordinate the national public-private system for promotion and facilitation of exports, investments and public -private partners, as well as promote the country brand, monitor the business environment and submit proposals for improvement, thus contributing to growth.
Guatemala	Guatemalan Association of Exporters (AGEXPORT) Invest in Guatemala	• Promote export growth, thus contributing to Guatemala's economic and social development in a sustainable manner.
Guyana	GO-Invest (Guyana Office for Investment)	• Contribute to Guyana's economic development by promoting and facilitating investment and exports from the local and foreign private sectors, in accordance with country-approved investment and export strategies.
Haiti	Centre for Facilitation of Investments (CFI)	• Promote investments and help potential investors find and seize opportunities in Haiti. • Support investors from the early stages of interest to the subsequent establishment of their enterprises.
Honduras	PROHONDURAS	• Encourage growth in investment and exports in line with an aggressive implementation of the promotion of the country's image and brand, and regarding competitiveness, ensure 100% access to international markets and the effectiveness of the operation of the foreign trade regime; facilitate business management; foster employment creation by promoting competitiveness and productivity of MSMEs, and ensure consumer protection.
Jamaica	JAMPRO	• Promote business opportunities for exports and investments for the local and international private sector. By facilitating the implementation of investment and export projects, this organization is a key advocate of the Government's policy and adviser on issues related to improving Jamaica's business environment and developing new industries.
Mexico	PROMEXICO (It has been absorbed by the Secretariat of the Treasury)	• Promote the attraction of foreign direct investment and exports of products and services, as well as the internationalization of Mexican enterprises so as to contribute to the country's economic and social development, and to

		strengthen Mexico's image as a strategic partner to do business.
Nicaragua	PRONICARAGUA	• Generate economic growth and job creation in Nicaragua through the promotion of quality investments. Its services are free for qualified individuals and companies who want to explore business opportunities in the country.
Panama	PROPANAMA	• Develop and implement government policies concerning domestic trade and industry, foreign trade, promotion of foreign investment and international trade negotiations on behalf of the Republic of Panama.
Paraguay	Export and Investment Network (REDIEX)	• Promote local and foreign investments so as to help promote social and economic development of the country. • Support the export of the country's most productive sectors through networking with all key players: government, entrepreneurs and civil society organizations in order to generate joint actions that project the export of products.
Peru	PROMPERU	• Position Peru in the world by promoting its image, tourist destinations and export products with added value, thus contributing to the sustainable and decentralized development of the country.
Dominican Republic	Dominican Republic Export and Investment Centre (CEIRD)	• Create value and serve to optimize attraction of investment and improve our export presence in international markets by incentivizing quality jobs.
Suriname	Suriname Trade, Investment and Export Promotion Agency (INTRACEN)	–
Trinidad and Tobago	Ministry of Trade and Industry	• Work as an innovative team, defending business growth, trade and investment to improve global competitiveness and promoting consumer interests to improve common well-being.
Uruguay	Uruguay XXI – promotion of exports, investments and country image	• Promote exports, investment and country image. • Enhance the export capacity and competitiveness of Uruguayan enterprises, promote the country as an attractive destination for productive investments and boost the natural Uruguayan Country Brand in the world.
Venezuela	National Investment Promotion Council (CONAPRI), Foreign Trade Bank with promotional functions together, Ministry of Tourism and Trade.	• Disseminate business opportunities in Venezuela.

Source: Prepared by the author, based on the Web pages of the various institutions.

3. Trade agenda, productive transformation programmes and SMEs

According to a report from the International Trade Centre (ITC) and to the database of trade strategy documents, whereas more than 40% of business strategies identify trade integration and regionalism as crucial policy areas, less 3% of strategies are of a regional nature. Particularly, regional strategies tend to focus on services, and the central or core topics are trade facilitation, quality standards or information issues (ITC, 2018).

The ITC survey also shows that business strategies are regarded as an opportunity for diversification, but only for a small number of products, mostly agricultural. Agriculture accounts for at least half of the covered sectors. Plant and animal products, textiles, clothing, food, as well as forest products are the most popular (ITC, 2017).

According to the Report, the sectors remain highly focused on prioritizing, therefore all the regions prioritize plant products, Asian countries make emphasis on textiles and clothing, Africa and the Caribbean concentrate on primary products. However, national initiatives focus rather on manufactures and some interesting sectors, such as insurance, finance, ICTs, while transportation, travel, construction, cultural and personal services are losing strength (ITC, 2017).

Strategies have also begun to emphasize modern service sectors. Therefore, the ITC recommends putting at the centre of the business strategy scene the high value-added sectors that have the potential to lead to transformation. Sector-specific analyses indicate that more than half of the sectors in the database, education and tourism have been granted the highest priority (ITC, 2008).

The other feature that can be seen in the survey is that trading strategies deal with a considerable number of sustainability issues. Sustainability and inclusion dominate the trade and development agenda. Poverty reduction, environmental protection, gender and youth issues, as well as training are common topics. However, there is a lot of distance between national and international initiatives, because in the latter there is more predominance of least developed countries (ITC, 2018).

Finally, another interesting point is that the mainstreaming of trade issues into the national development agenda is falling. The share of trade documents totalled 30% in 2005 and 22% ten years later, in 2015. And as part of international development initiatives, trade has also declined from 45% to 22%. Nationally, on the contrary, it rose a little from 18% to 22%. (ITC, 2017).

A common trait for all LAC countries is that they have productive transformation plans and programmes in general and also some specifically targeted on SMEs. We present below some of these programmes making special mention to the problem of SMEs.

SMEs share the macroeconomic and institutional context of all companies, but they add specific problems arising from their size and management structure. They tend to have financing problems, lack of experience in international scene, and quality issues and quality certification are more complex for them. In this context, the experiences concerning partnerships and the need to conduct market research and participate in fairs, among others, become crucial.

SMEs are a key component of the economic fabric. According to some traditional measurements based on surveys of companies such as the World Bank's Enterprise Surveys, 90%

of enterprises in the region can be considered SMEs (Lederman et al., 2014). These surveys are limited to formal manufacturing companies with more than five employees, so while they are useful, they do not allow us to describe the entire business universe of the region. Another limitation of these surveys is that they use a single threshold to define large companies (100 employees) that does not necessarily match national definitions. The difference between labour market participation and value-added generation suggests a significant productivity gap for SMEs (Lederman et al., 2014).

In Latin America, most SMEs participate in low value-added sectors and low levels of human capital, competing in markets with little differentiated products, such as retail and agriculture. Therefore, these enterprises are highly exposed to operating at low rates of return and being displaced by larger firms capable of benefiting from economies of scale and more competitive production and distribution costs. In contrast, only a small group of enterprises are integrated into value creation chains by providing specialized goods and services according to the specific requirements of their customers, or by providing intermediate goods and services to larger companies. The latter firms, though scarce, often operate with high levels of human capital and higher levels of innovation (OECD/CAF, 2019: 35).

The weak international integration of SMEs in the region is partly explained by its difficulties in making the innovations needed to access export markets (Frohmann et al, 2016). These export innovations concern compliance with international certifications or standards, the adaptation of their products to international demand, and the selection of appropriate marketing channels. In turn, the challenges of innovating for SMEs are related to significant market failures, such as the high cost and lack of guarantees to access credit, the high cost of accessing information on export markets, the low level of training for workers and the difficulties in accessing public resources to strengthen human capital, among others (Frohmann et al, 2016).

Public policies in Latin America with regard to SMEs have been designed with three main objectives: a) job creation, b) solution of market failures, and c) increased competitiveness. However, other issues such as human capital development and innovation capabilities have also been considered as core objectives by some of the national strategies (Ferraro, 2011; SELA, 2015). There are also other promotion mechanisms that include a variety of areas in the political sphere.[2]

Following is a summary of the various modalities that have been adopted in order to promote productive transformation in the cases of four countries: a) Colombia; b) Argentina, c) Chile and, d) Costa Rica.

[2] According to Ferraro and Stumpo, 2010; Ferraro, 2011; SELA, 2015; GEM, 2016; Dini and Stumpo, 2018 – to name just a few – thefollowing mechanisms can be mentioned: 1) Enabling factors: Macroeconomic stability; infrastructure development; physical and legal security; 2) Regulatory framework: They usually have a special legal framework; 3) Tax transfers and benefits: Tax benefits and/or non-refundable transfers; 4) Reduction of barriers to entry: Simplified regimes for creation and operation of enterprises; 5) Access to financing; 6) Technical assistance, technology transfer and training; 7) Innovation and improvement of production processes: Subsidies, financing and technical assistance programmes, and business cooperation schemes; 8) Export incentives: Promotion with external market entrepreneurs, provision of potential market information, legal and technical consulting and advisory services, preferential financing lines, and guarantee schemes for access to credit, among others; 9) Cooperation and articulation in value chains: Programs seeking peer-to-peer integration with a sectoral and/or regional approach to exploiting the benefits of partnerships in terms of technology transfer and business area knowledge; 10) Public procurement, among others.

3.1. Box 1: Productive Manufacturers (Colombia)

Fábricas de Productividad is a programme of the Ministry of Trade, Industry and Tourism, which is led by the Productive Transformation Programme.
The programme seeks to improve the profitability indicators of small, medium and large enterprises that form part of the manufacturing, agribusiness and services sectors, and increase their ability to compete in and out of the country.
The Programme is carried out by Confecámaras, the SENA and the chambers of commerce of Bogotá, Bucaramanga, Cali, Medellin and Manizales. In addition, it is supported by the Private Competitiveness Council and the National Planning Department for monitoring its results and its impact.
Fábricas de Productividad gathers the best practices from the technological extension initiatives and programmes that have been conducted since 2012. Especially, it is based on the Technological Extensionism Pilot Programme led by SENA and DNP, the *Colombia Productiva* Programme led by the Productive Transformation Program, the Productivity Factory Pilot and other business improvement initiatives.
Although Colombia's Productivity Total Factor (PTF) grew in 2018, the average of this indicator between 2006 and 2016 was negative (-0.3%). The lag in productivity in Colombia is affecting the growth of the economy. As matter of fact, studies reveal that the increase in productivity accounts for about half of the increase in Gross Domestic Product (Lederman & Maloney 2014), and therefore making efforts to increase it is indispensable for the sustainable growth of the economy.

Steps to enrol an enterprise in *Fábricas de Productividad*:
Step 1. Entrepreneurs can apply for their companies through the Web site's online platform, www.fabricasdeproductividad.com. Once the requirements are validated, they will be informed of the steps to follow.
Step 2. A local manager (linked to a chamber of commerce) will contact the enterprise to schedule a visit and make a diagnosis (designed by the PTP) that allows for identifying its challenges and potential for improvement.
Step 3. With the help of the local manager and the PTP, the employer will define the services that are necessary to work in order to improve indicators.
Step 4. Specialized consultants (extensionists) in the region begin the technical assistance process of up to 80 hours. The consultants will make the technical assessment according to the needs of each enterprise and will count on the assistance of the local manager and the PTP. The cost of the technical assistance is covered, mostly, by the National Government and the chambers of commerce. Beneficiary entrepreneurs contribute a smaller amount, according to their size.
Step 5. Once the technical assistance process is completed, the evolution and results of the enterprise will be evaluated, and it will be agreed whether the company continues in a process of continuous improvement through a new cycle.
Enterprises are expected to:
1. Improve time frames and optimize costs for sourcing, production and delivery of the product or service (process improvement).
2. Optimize energy consumption in production so that the final price of the product is more competitive (energy efficiency).
3. Meet the minimum quality requirements that companies need (quality).
4. Manage human talent to avoid high staff turnover (human capital).
5. Promote the chains of supplier companies.
6. Develop products and services with more added value and sophistication.
7. Increase the use of technological tools to improve processes. productivity and competitiveness.
8. Incorporate sustainable practices into production processes.
9. Improve logistics processes to deliver products to the customer on time, without excessive cost but quality.

Source: Prepared on the basis of information from the Programme "Colombia Productiva", 2019.

3.2. Box 2: National Programme for Productive Transformation (Argentina)

The National Programme for Productive Transformation (PNTP) aims to enhance the productivity and competitiveness of enterprises through their productive conversion and to support the reintegration of those workers who are affected by the reconversion processes of these companies.
Institutionally, it operates within the Secretariat of Productive Integration of the Ministry of Production and Labour.
There are several types of "transformations":
1. Competitive Transformation: Such transformation occurs within the same sector/industry, which requires boosting its performance by improving its processes, machinery, personnel, technology, development of new products and/or new business units, among others. Competitive Transformation: that transformation that occurs within the same sector /industry, which requires boosting its performance by improving its processes, machinery, personnel, technology, development of new products and / or new business units, among others.
2. Lateral Transformation: The transformation occurs within the same sector/industry, which requires boosting its performance by changing or reorienting the type of activity it performs, either in whole or in part.
3. Transformation with Integration and Consolidation: That transformation occurs within the same sector/industry or between different sectors/industries, between several companies that need to boost their performance through a process of merger or acquisition, or partnership of any kind.
The expected benefits are as follows:
1) Financial and/or credit benefits, cash benefits and or granting of guarantees to the beneficiary enterprises.
2) Technical and professional assistance for the diagnosis and/or evaluation and/or improvement of a transformation project ("Transformation Project"), and for the productive expansion project ("Investment Project").
3) Money loans to workers to face their unemployment situation.
4) Money loans to workers to support their reintegration into the labour market.
5) Provision of capacity building and labour training and/or professional training for workers to improve their labour skills and employability conditions.
The benefits to be granted, as well as the amounts, deadlines and requirements depend on the type of project and beneficiary company concerned.
In order to receive the benefits of the "National Program for Productive Transformation" (PNTP), Dynamic Enterprises must incorporate human resources from a Productive Transformation Company, which implies an increase in their staffing at the time of approval of its Investment Project, in the forms and conditions established by the Implementing Authority.
Dynamic enterprise: It is a subsidy for those companies that create employment (a subsidy is granted for each job created: Up to nine minimum wages, vital and mobile wages, and credits of $1,000,000 with bonus rates of up to 6%).
Enterprise in Transformation: It is a programme that grants guarantees for credits, as well as receiving the bonus of six percentage points of the interest rate of the credit requested.
Benefits for workers of the programme: Unemployment insurance extended for up to 6 months. Workers' work profiles are derived from dynamic companies, accelerating the job reintegration processes. Skills training and certification. Family assistance and allowance to relocate elsewhere in the country.

Source: Productive Transformation Programme, 2019.

3.3. Box 3: Industrial and Technological Policies for Productive Transformation (Chile)
Policies for the modernization of existing enterprises:
A) Innovation and Investment Support Programmes:
- a) Tax Incentive to R&D,
- b) Business Technological Innovation Programme (Innova Chile); and
- c) Guarantees (FOGAPE and FOGAIN).

B) Capacity Building Programmes in Enterprises:
- a) Capacity Building Programme to Innovate;
- b) Quality Promotion Programmes.

C) Promotion Programmes for linkages to the SIN:
- a) Dissemination programme and technological extensions,
- b) Partnership Programmes for Development,
- c) Supplier Development Programme, and
- d) Regional clusters

Particularly, as far as tax incentives are concerned, Law 20570 introduced some interesting changes even though it maintains the same percentages as tax incentives (65% accepted as spending, 35% tax credit.). The Law expands the modality to include projects carried out by the enterprise and with third parties (previously, it was only projects with CORFO-certified centres). It also increases the profit limit (15,000 UTM, US$ 1.2 million) and in the included expenses it accepts no limit as percentage of sales (previously, it was 15%). Finally, it includes intellectual property expenses.

Source: ECLAC, 2017 and Law 20 570.

3.4. Box 4: SMEs Internationalization Programmes (Costa Rica)

The Costa Rican economy underwent a remarkable structural change over the past 25 years. Export-related activities have been redirected to goods and services of greater technological complexity. As for national productive activity, services have gained increasing weight, which have absorbed a very significant proportion of employment, but with a negative dynamics in productivity.

Indeed, Costa Rica was the first Central American country to begin its process of unilateral opening and international insertion, which gave it some advantage and leadership, including in creating the appropriate institutional framework for that process.

This country develops several lines of work to facilitate the internationalization of small and medium-sized enterprises. These lines of work can be grouped into four large groups:

a) Export promotion (international fairs, trade missions, business agendas, consortia formation, etc.)
b) Trade intelligence (market research, logistics, export statistics, development projects)
c) Advice and training for exporters (logistics consultancies, special regimes, etc.)
d) Facilitation of formalities and strengthening of productive chains. The origin of this program is found in the MIL Programme (Improvement of Local Industry), promoted by CINDE in the 1990s, and the Business Link Development Programme (PROFOVE), which was promoted by PROCOMER during the same decade. Those programmes were consolidated into the *Costa Rica Provee* Programme, an IDB-funded pilot project that began in 2001 and was concluded in 2005. Once the pilot project was completed, the programme was assumed by PROCOMER, incorporating it into its organizational structure as the Directorate of Chains for Export.

There is also the Fund for the Development of Micro, Small and Medium-sized Enterprises (FODEMIPYME), which was created by Law 8262 and is managed by the People's Bank and Community Development (BPDC). The same law created the Small and Medium-sized Enterprise Support Program (PROPYME), administered by the National Council for Scientific and Technological Research (CONICIT) (it provides non-refundable funding, for up to a maximum of 80% of the cost of the activity or project).

Finally, in 2012, and through an Executive Decree, the *"Integral Reform to the General Regulations of the Law for Strengthening Small and Medium-sized Enterprises"* was launched, creating the Institutional Network to Support SMEs and Entrepreneurs as the mechanism of inter-institutional coordination with the institutions or organizations represented in the SME Joint Advisory Council, and by all those public institutions and private organizations that develop or may develop actions, programmes and projects to improve competitiveness levels.

Thus, the SME SUPPORT NETWORK is a grouping of institutions and public and private entities, whose common denominator is their interest in responding to the needs of the country's micro, small and medium-sized enterprises, through the provision of services. It is an open, flexible and agile organization, whose benefits for the entities that make it up are derived from the communication and synergy of activities and efforts in the different services offered to SMEs.

The aforementioned NETWORK carries out trainings, seminars, workshops and coexistences in order to generate synergies between institutions so that they can respond as a single unit.

Source: ECLAC, 2017 and Ministry of Economy.

4. Sanitary and phytosanitary quality standards

As for product quality standards, particularly for those countries exporting agricultural goods, competitiveness today is determined by the ability to build comparative advantages based on quality and safety, but also certifications and quality standards management.

In this scenario, the rules contained in the Agreement on Sanitary and Phytosanitary Measures, as well as the rules of the WTO Agreement on Technical Barriers to Trade, were and are key to ensuring that sanitary and phytosanitary measures have a scientific basis and that technical measures are not a discretionary and unjustified barrier to trade. The combination of multilateral rules imposing scientific justification and an efficient dispute resolution system made it possible for many countries in our region to participate more actively in global trade.

To have an idea of the relevance of these issues for trade, we just need to take a look at the statistics of concerns and consultations brought within the SPS and TBT Committees in the WTO. For example, in the CSPS, in the period 1995-2016, 416 concerns were presented, 32% of them related to safety issues, 24% to plant health, 38% to animal health and 6% related to other issues, such as certification requirements or control or inspection procedures. And developing countries were actively involved in this instance: They submitted 240 concerns compared to 238 presented by developed countries and 5 by the least developed countries. Out of the 416 concerns raised, 36% were reported as resolved, 8% as partially resolved and 236 did not report any solution at all.

However, two factors are undermining this scenario: a) the pressure on the WTO dispute settlement system that may end in its paralysis, and b) the emergence and increasing relevance of private standards, in particular those related to sustainability, many of which arise from untransparent sources. And while the issue has been on the agenda of the WTO SPS Committee for many years now, countries have failed to coordinate an effective multilateral response. Private standards are *de facto* mandatory for exporters. But they cannot be questioned at the WTO because they are not State measures.

Private standards are standards developed by private entities, such as firms, non-governmental organizations or coalitions. These standards vary in scope, ownership and objectives. The objectives range from environmental conservation, food security or the protection of human or social rights (by promoting best agricultural or manufacturing practices). Private standards can be numerical (define a product characteristic such as waste limits) or process standards (prescribing product processes) or performance goals) or they can be related to management systems and document requirements (ITC, 2002).

Among the most commonly used standards in the agricultural and food sector is the GlobalGap. For primary production, Tesco's Nature's Choice; the British Retail Consortium (BRC) and HACCP for the fruit packaging process, and ISO 22,000 and 14,000 for Food Security and

Environmental Management System. In relation to corporate social responsibility, FAIR TRADE and SEDEX certification are used, with the latter being not certifiable, but auditable. That is, the auditor issues a certificate, but his audit report is uploaded to the SEDEX database in England in order to be consulted by customers of that system. In addition, many companies must certify protocols and standards from customers who audit them and do not grant them a certificate (such as the new Tesco and Tesco certification for packaging) whose costs must be covered by the producer "voluntarily". In all the studies that highlight the situation of enterprises vis-à-vis private standards, there is a broad consensus that the lack of harmonization of voluntary private standards is one of the main problems facing the sector (Idígoras – Papendieck, 2018).

But private standards are not limited to product quality issues, but now mostly deal with sustainability (in a broad sense), human rights, transparency and working conditions, among other issues. In terms of sustainability, particularly, certifications of measurement and reduction of the environmental footprint are crucial because the need to incorporate sustainability criteria in production and export will go *in crescendo*. In this connection, it is needless to say that technical capacities to collect and process data need to be strengthened, in addition to undertaking a joint work between the public and private sectors. In this regard, the public sector can mobilize resources, coordinate public-private spaces, design public policies that give the right signals and lead the development of national emission factors and carbon calculators for key sectors. In addition, States are creating certifications to account for a "responsible consumption".

Thus, Argentina, for instance, has the certification of the Argentine Organic Seal, the Seal "Argentine Foods, a natural option" (a requisite to obtain such a certification is to comply with the Good Agricultural Practices, the Good Manufacturing Practices and the HACCP, or the Sustainable Hotel Management Label. Chile created the S Seal of Sustainable Tourism, the Seal *Manos Campesinas*, the EE seal of Energy Efficiency and the National System of Certification of Wood. In turn, Colombia established the certification *Hecho a Mano* (handmade), the Energy Efficiency Labelling and the Ecological Food Seal, among others (Monaco and Modesto, 2016).

Likewise, certifications have been established in Guatemala, Costa Rica, Honduras, El Salvador and Nicaragua, where they have a certificate regarding the labelling of processed foods. Costa Rica, as well, has its own certifications regarding foodstuff and organic products. In Costa Rica there is a certification for organic products issued by independent companies, in addition to the national ECOLOGICA certification.

5. Competition policies

Competition policies in Latin America have evolved, among other factors, due to the changes in the orientation of the countries' economies, trade activity and the trade agreements in which they participate. Although competition policy is conceived and implemented according to the economic, social and environmental circumstances of each country, the need to deal with anti-competitive practices is generally imperative, especially when they affect the most disadvantaged sectors (Alvarez Herrera, 2017).

Competition contributes to the well-being of the country by improving efficiency, promoting innovation, diversifying the supply of goods and services and improving their quality, ultimately contributing to consumer welfare (UNCTAD, 2015). It does not merely respond to economic problems, but also addresses social and environmental issues. Some jurisdictions provide exemptions to promote SMEs. These require market entry facilities and access to inputs at competitive prices in order to produce and export (Alvarez Herrera, 2017).

Usually, the region's legislations may have several general objectives: “promoting and defending competition, promoting economic efficiency and consumer welfare, freedom of initiative, opening markets, fair and equitable participation of medium and small-sized enterprises, the deconcentration of economic power, and the prevention of monopolies and misuse of dominance positions” (ECLAC, 2002).

As globalization progresses and economies are increasingly interconnected, competition challenges are growing. There is a risk that enforcement of competition laws can be used as a tool for discrimination or exclusion from markets. While multiple international initiatives have been adopted to formalize the interrelationship between trade and competition policies, none of such initiatives has resulted in a binding framework (Pérez Motta, 2016).

Competition policies, including enforcement of competition laws and competition promotion work, are a central element for an inclusive trade liberalization. They provide an essential tool for countering cartels, abuses of a dominant position and anti-competitive concentrations that undermine citizens' purchasing power, hinder competitive opportunities and hamper development (Pérez Motta, 2016).

Thus, competition policies are necessary to safeguard international trade and for the GVCs to operate in a normal manner, providing for the participation of all actors on an equal footing.

Therefore, in view of the recent developments in the global economic landscape, it has become increasingly important for communities linked to competition and trade policies to participate in a constructive strategic dialogue in order to ensure that the anti-competitive and trade-restrictive measures do not impede gains in terms of growth and efficiency, as happened in past decades (Pérez Motta, 2016).

The aforementioned author (2016) proposes four measures to gradually optimize the ecosystem of international competition, which, in turn, will strengthen the international trade agenda:

1) Intensify a multidimensional awareness raising about the type and impact of current anti-competitive practices, and mutual reinforcement of the objectives and interconnections of trade and competition policy agendas.
2) Improve coordination and collaboration at the international level because competition organs are increasingly examining multi-jurisdictional mergers and investigating conducts that have cross-border effects.
3) Move towards bilateral and regional mechanisms for dispute settlement and appeals.
4) Promote convergence of competition regimes through peer review.

For their part, with the exception of Guatemala, where several bills have been submitted to Congress, Central American countries have a competition legislation and authority. These authorities have faced obstacles linked to resource scarcity, institutional and economic dependence, limited scope for action confined to the national territory and the low amount of fines, all of which weaken their deterring role (Escolán and Schatan, 2016).

The bases underpinning competition policy are both the institutional strength and the quality of the rules that define it. In sum, Latin American regulations are reasonably up-to-date and close to what could be defined as a frontier of knowledge in this area. However, in some countries, there are still symptoms of institutional weakness, which does not play down the progress made to date (Celani and Stenley 2003).

Finally, the most direct relationship between foreign trade policy and competition policies occurs in the negotiation and inclusion of the issue of competition in regional agreements. In accordance with the foregoing, and because of the more direct relationship between competition and trade policies, different Economic Complementation Agreements concluded under the 1980 Montevideo Treaty creating ALADI have incorporated clauses in this regard, linked or not to State and/or private enterprises.

5.1. Box 5: Competition within the framework of ALADI's Economic Complementation Agreements

The provisions may simply contain a commitment to improve efforts or may define the design of competition regimes to be established in the signatory countries or even determine which anti-competitive practices should be addressed by the parties.

Economic Complementation Agreement No. 33 (Colombia, Mexico and Venezuela):

"*Article 16-02: Monopolies and State-run enterprises.*

1. Each Party undertakes that its State-run enterprises grant to the legal or natural persons of the other Parties non-discriminatory treatment in its territory, with respect to the sale of goods and services for similar commercial operations.

2. Each Party undertakes that its government monopolies and its State enterprises should: a) act only in accordance with commercial considerations in the purchase or sale of a good or service to the monopolised market in the territory of that Party, including with regard to its price, quality, availability, sales capacity, transportation and other terms and conditions for purchase and sale; and b) do not use their monopoly position in their territory to carry out anti-competitive practices in a non-monopoly market, which may adversely affect persons of another Party.

3. Paragraph 2 does not apply to the acquisition of goods or services by government monopolies or State enterprises for official purposes, and: a) without the purpose of commercial resale; b) without the purpose of using them in the production of goods for commercial sale; or c) without the purpose of using them in the provision of services for commercial sale.

4. As regards the sale price of a good or service, paragraph 2, section a), applies only to the sale by government monopolies and State enterprises of: a) goods or services to persons engaged in the production of industrial goods; b) services to persons engaged in commercial resale; or c) services to companies producing industrial goods.

5. Paragraph 2, section a) shall not apply to those activities of a governmental monopoly carried out in accordance with the terms of a designation and respecting the principles enshrined in paragraphs 1 and 2, section b). Article 16-03: Committees.

Within three months of the entry into force of this Agreement, the Commission shall establish the following committees: a) a competition committee made up by representatives of each Party, which shall submit reports and recommendations to the Commission as regards further work on relevant issues within the relationship between competition laws and policies and trade in the free trade area; a committee which, in order to identify practices of State enterprises that may be discriminatory or *contrary to the provisions of this Chapter, shall draw up reports and recommendations with respect to such practices."*

Economic Complementation Agreement No. 35. (Argentina, Brazil, Chile, Paraguay and Uruguay)

"Article 18.- The Contracting Parties shall promote actions to agree, as soon as possible, on a regulatory mechanism based on internationally accepted provisions and practices, which constitute the appropriate framework for disciplining possible anti-competitive practices.

Article 19.- The Contracting Parties shall take joint actions aimed at establishing specific rules and commitments, so that their products enjoy treatment no less favourable than that granted to similar domestic products, in aspects related to consumer protection.

Article 20.- The organs competent in these matters in the Signatory Parties shall implement a cooperation scheme to achieve in the short term a first level of understanding on these issues and a methodological scheme for the consideration of concrete situations that may arise."

***Economic Complementation Agreement No. 41**. (Chile and Mexico):*

"Article 14-02: Legislation on the subject of competition.

1. Each Party shall adopt or maintain measures prohibiting anti-competitive business practices and shall take appropriate action, recognizing that these measures will help to achieve the objectives of this Agreement. To this end, the Parties shall, from time to time, consult on the effectiveness of the measures taken by each Party.

2. Each Party recognizes the importance of cooperation and coordination between its authorities in charge of promoting the effective implementation of competition law in the free trade zone. The Parties shall also cooperate on matters relating to compliance with competition law, including mutual legal assistance, communication, consultation and exchange of information relating to the application of competition laws and policies in the free trade zone.

3. None of the Parties may resort to the dispute settlement procedures of this Agreement with respect to any matter arising under this Article.

4. No investor of a Party may submit a dispute under Section C (Dispute Settlement between a Party and an Investor of another Party) of Chapter 9 (Investment) for any matter arising under this Article."

***Partial Scope Agreement No.40, covered by Article 25 TM80 (Cuba and CARICOM)**:*

"The Parties shall discourage anti-competitive commercial practices and shall work with a view to the adoption of common provisions preventing such practices.

2. The Parties shall undertake to establish measures and mechanisms to facilitate and promote a competition policy, which must ensure their implementation among the Parties."

Economic Complementation Agreement No. 72 (Argentina, Brazil, Uruguay, Paraguay and Colombia)

A special title (Title VI) dedicated to free competition is incorporated and states: "Article 17.- The Contracting Parties shall promote actions as may be necessary to have an adequate framework for identifying and sanctioning possible practices restricting free competition."

Source: ALADI, Trade Agreements.

For its part, and at the regional level, the Andean Community has a Community legislation to promote free competition and to correct business practices that prevent or limit it (Decision 608).

According to some authors, Decision N° 608 was a milestone: "It modernized the regulation of restrictive agreements and acts, conferred powers and instruments on supranational authorities for the imposition of sanctions in cases of infringement, and above all, mitigated the lack of general anti-competitive rules in both Ecuador and Bolivia by establishing as mandatory the application of the Andean legislation in these countries until they issued the relevant national rules". They add: "The merit of Decision 608/2005 was having achieved minimal harmonization on the subject, which was indispensable for advancing and deepening the process of economic integration, while strengthening the defence of competition" (Ortiz Baquero and Solano Osorio, 2016).

Despite the improvement brought about by Decision 608, a survey made on its first eight years of validity resulted in almost zero use (with the exception of one case). Some explanations, such as the scarcity of resources, have been argued as limiting the dissemination of Decision 608 and the ex officio work that could be carried out by the General Secretariat; e.g. that there has been a disconnection between private operators and the Community rule, because there is little confidence in its practical usefulness. In this regard, small and medium-sized operators, for example, would prefer to tolerate anti-competitive conduct rather than becoming the subject of possible retaliation by dominant operators given their mistrust or lack of knowledge about the Community system as an alternative; ignorance of the competition legislation and policy as justification, as in the cases of Ecuador and Bolivia, which have just a nascent practice in this field (DAF/COMP/LACF, 2013).

MERCOSUR has the 1996 Protocol on the Defence of Competition, but no practical application of such protocol has been registered. Perhaps its institutional structure could be a significant weakness: the MERCOSUR Competition Committee has no binding power, i.e. its decisions do not apply directly and it is made up by the competition agency authorities of each member country (not an independent organ).

In turn, the Partnership Agreement between Central America and the European Union, *inter alia*, provides that by 2020 the Central American competition treaty and a regional authority responsible for implementing it must be operational. By then, each country must have a competition law.

In CARICOM, Article 8 of the Treaty of Chaguaramas regulates the defence of competition.

Similarly, the Pacific Alliance has broad guidelines as regards competition. Thus, according to Cristina Bas Kana (2016), the following actions have been implemented in this area: a) Participation/concurrence in International Forums; b) Inter-Agency Cooperation Agreements; and c) Competition Policy Chapters in Trade Agreements. With regard to the latter action, it can be said that the objectives of the Chapters on Competition Policy are intended to: a) Prevent anti-competitive practices from harming or eliminating the benefits of the trade agreement, and b)

Promote Cooperation and Coordination. The Agreements also incorporate different principles regarding competition policies, such as: a) Non-discrimination, b) Transparency, and c) Due Process.

With the updating of NAFTA into the USMCA (Chapter 21), the relevance of competition authorities in the three countries is maintained, namely: the Federal Commission on Economic Competition (COFECE) in Mexico, the Competition Bureau in Canada, and in the United States, the Bureau of Competition within the Federal Trade Commission, and the Antitrust Division within the Department of Justice. The USMCA stresses the importance of transparency in legal processes undertaken by competition authorities, as well as transparency in how to define fines for those who violate competition laws. The Agreement highlights the fact that fraudulent commercial activities transcend borders, and therefore commits authorities of the three countries to work together in order to implement laws to protect consumers.

Broadly speaking, RTAs supporters argue that they promote new markets, innovation, increased competition, job opportunities, investment, as well as access to more specialized goods and services. In this regard, the effects at the national level should not be underestimated, as the RTAs may compromise political, economic and cultural sovereignty. In addition, they are also an incentive for transnational companies to the detriment of SMEs (Álvarez Herrero 2017).

6. Best practices at the local level: The case of Argentina and Paraguay

Argentina has a "Guide" on defence of competition for associations and business chambers and professional colleges and associations whose objective is to: "Clarify the limit, sometimes diffuse, between the right to associate and the duty not to incur in practices that may harm competition in markets. To this end, certain guidelines and recommendations are established for entities that group together companies or professionals competing with each other on those issues that they must take into account in order to comply with the obligations set out in the Law on Defence of Competition, thereby preventing them or their associate members from engaging in practices contrary to the law."

The Guide makes a series of general recommendations as tools to adapt the activity of these entities to the best practices in defence of competition. These recommendations seek to reduce the risk that these organizations carry out activities that may result in violations of the Law on Defence of Competition and that consequently lead to the application of the sanctions set out in the current competition regime."

6.1. Box 6: Summary of best practices provided by the Guide developed by Argentina's National Commission for the Defence of Competition

1) What practices should employers' associations, business chambers and professional colleges and associations adopt in order to prevent violations of the competition law?

In order to reduce the risk that business chambers and associations may face of being sanctioned for violations of the Law on Defence of Competition, a recommendation is made so that they take the precautions set out below.

a) Report to the implementing authority those practices with the purpose or effect of limiting, restricting, falsifying or distorting competition or access to markets, or constituting an abuse of a dominant position, so that it may prejudice the general economic interests. To this end, it is possible to file a complaint with the implementing authority, in accordance with Chapter VI of the Law on Defence of Competition.

b) Establish internal policies and compliance programmes, and promote the adoption of such policies among partners. The implementation of internal policies and compliance programmes in the field of competition defence is a tool developed at the international level that can benefit both business associations and chambers and its members. On the one hand, promoting the adoption of policies favouring competition will prevent violations of the law. On the other hand, these programmes are often used for early detection of anti-competitive practices, which will allow the fine to be applied for the violation of anti-competitive rules to be lower and will enable those responsible to initiate the leniency application procedure earlier, with respect to the other participants involved in the practice.

c) Ensure compliance with the principles of impartiality and non-discrimination under the conditions of affiliation. To this end, the requirements for becoming a member of a business association or chamber must be objective, clearly outlined and not subject to discretionalities.

d) When holding meetings:

i. Record meetings. In this way, the associations and all the attendees will have a means of providing evidence in the event of an illegal activity. Associations should monitor meetings, in order to prevent them from being an instance for exchanging sensitive information between competitors on the same market, formally or informally.

ii. Keep a detailed agenda of the topics to be discussed in the meetings, a record of attendance, minutes and the agreements reached. In order to have an endorsement of the topics discussed in the meetings and the decisions made by their members, it is recommended to carry out a detailed agenda of the topics to be dealt with and a record detailing who were the attendees of the meetings and what decisions each one of them made on the issues discussed.

iii. Leave the meeting in case any attendee understands that any conversation or topic discussed could lead to violations of the competition defence regime.
iv. Count on the advice and assistance of specialized professionals. At all times during the course of their activities, it is appropriate for the associations and chambers to rely on the advice of a professional who can identify competition-sensitive issues and provide advice about them, both by analysing the proposed topics set out on a meeting agenda and in the daily activities of the entities.
v. Maintain the same principles for virtual and face-to-face meetings. Since both face-to-face and virtual meetings can lead to acts contrary to the competition defence law, a recommendation is made so that the same principles govern both face-to-face and virtual meetings.
e) Avoid purchases, sales, management, collections, and other similar activities from being undertaken by the sole order of associated members. Each member country must remain completely independent to set its own prices and decide when and with whom to sign a contract and under which conditions.

2) What practices should employers' associations, business chambers and professional colleges and associations NOT adopt in order to avoid violations of the competition law?

a) They should not establish rules that prevent members from making independent business decisions.
b) They should not intervene in the negotiation of prices and/or trading conditions for sales of its associated members.
c) They should not be a channel for exchanging sensitive information among members (information about future prices, customers, future production plans, costs; etc.).
d) They should not issue recommendations on prices, discounts, trading conditions, quantities to be marketed or produced, opening and closing times.
e) They must not agree or exchange information about prices, areas, customers, exclusive zones or similar terms.
f) They should not develop rules that prevent members from advertising their prices, discounts or business practices, as long as it is conventional advertising that does not affect the essential interests of the association.
g) They should not require other members to share sensitive information.
h) They should not discuss or encourage discussions on public tenders in which partners may participate or agree on partners’ positions in public tenders, or in tenders called by private or state-owned enterprises.
i) They should not use association or membership requirements as an element to exclude or discriminate against competitors.
j) They should not prohibit Partners from dealing with non-associated competitors.
k) They should not use the business association or chamber as a means to boycott a supplier or customer.
l) They should not impose accession to standard contracts affecting the contractual freedom of members.
m) They should not set standards for the industry without a technical basis or that artificially exclude competitors from the market.

3) Best practices associated with the management of commercial information

Finally, in order to prevent the exchange of information from having restrictive effects on competition, a recommendation is made to take into account the following principles when sharing information:
a) Avoid the exchange of sensitive business information. This refers to information on pricing, billing, costs and production volumes, customers, advertising expenses, etc., in particular when this information is recent or refers to future projections.
b) Collect only information of a historical nature and with a certain lag. While the age of the information may vary depending on the market in question, it is generally understood that the information is “historical” when it dates back from at least 12 months at the time of publication or exchange.
c) The frequency of requests for information to associates must be low and such requests must explicitly indicate that its delivery is voluntary.

d) The information must be disclosed in an aggregated manner, on general subject matters and for general reference purposes only, avoiding references to specific companies.
e) The information disclosed must be accessible to non-associated third parties interested in it.

Source: National Commission on Defence of Competition of Argentina, 2018.

In turn, Paraguay has compiled its best practices from the conduct of officials performing functions in the National Commission on Competition, and has issued Resolution N° R14/2015, approving the Code of Ethics of the National Competition Commission (CONACOM).

6.2. Box 7: Code of Ethics of the National Competition Commission

The Code of Ethics contains provisions on the following issues:
Title I – Targets, obligatory nature, purpose and interpretation.
Article 1: Targets of the Code of Ethics.
Article 2: Obligatory nature.
Article 3: Purpose.
Article 4: Interpretation.

Title II – Values of the officials
Article 5. Values of the officials as public servants.

Title III – Ethical duties of officials
Article. 6. Ethical duties and rights of officials.
Article 7: Honesty.
Article 8: Respect.
Article 9: Objectivity.
Article 10: Prudence.
Article 11: Propriety.
Article 12: Responsibility.
Article 13: Service.
Article 14: Quality.
Article 15: Suitability.

Title IV – On the Ethics Tribunal for officials
Article 16: Competition.
Article 17: Obligation to present excuses.

Title V: On the Ethical Responsibility trial
Article 18: Legitimation.
Article 19: Establishment and form of the denunciation.
Article 20: Responsibility of the complainant.
Article 21: Liminal rejection of the complaint.
Article 22: Admission or rejection of the complaint.
Article 23: Withdrawal of denunciation.
Article 24: Independence from the ethical responsibility process.
Article 25: Additional procedural rules.

Chapter II. On the Ethical Resolution
Article 26: Resolution.
Article 27: Effects of the Resolution.

Final and transitional provisions

Article 28: Entry into force.
Article 29: Training and dissemination.

Source: Prepared by the author, based on Resolution N° 14/2015 of CONACOM approving the Code of Ethics of the National Competition Commission of the Government of Uruguay.

III. PRODUCTIVE TRANSFORMATION, FOREIGN TRADE POLICY AND REGIONAL INTEGRATION

1. Introduction

Foreign trade policy is changing at the pace of productive reconfiguration into global value chains, the digital revolution and the hot trade war between the U.S.-China. Beyond the particular interests of developing and developed countries, emphasis must be made on the development of issues and tools in international trade policy to promote integration into the GVCs as leverage instruments for productive transformation. This means that the impact of (productive and political) transformation can be evidenced in the emergence of a trade negotiation agenda that includes e-commerce, intellectual property and government procurement as relevant issues. We devote this section of the document to these issues.

2. E-Commerce

As stated in the first section of this study, e-commerce as an area of work on the trade and competition agenda poses challenges that include not only liberalization of trade in services, but also developing the necessary infrastructure, refining trade facilitation tools, designing an appropriate (and internationally harmonized) tax regime, and implementing specific intellectual property policies, among others.

In this vein, measures and instruments to facilitate e-commerce include: a) electronic signature, b) Foreign Trade Single Windows and c) paperless commerce (promoting the digitization of public documents related to transactions to the extent that national and regional legal parameters for the acceptance of commercial documents submitted electronically are respected in order for the digital version of the documents that enable trade have legal equivalence with its paper version).

Similarly, the issue of electronic payments is not minor. This is not only about making them available and secure, but also accounting for local particularities, such as payment in instalments. Counting with regulatory frameworks that foster consumer confidence also poses challenges

Regulatory measures should be based on the principle of a free and secure Internet, relying on initiatives to coordinate a common position and thus avoid the fragmentation of regulatory frameworks, to the detriment of those involved in their fields. This must be accompanied by the necessary guarantees for the protection of consumers and their personal data. On this point, international work should be carried out on proposals that are balanced and protect consumers from unfair, fraudulent or misleading business practices, when they participate in e-commerce, and measures to maintain a safe environment in online business activities should also be adopted. These instruments should guarantee consumers their right to information, which must be clear, accurate, sufficient and easily accessible throughout the whole e-procurement process.

Similarly, it is important to agree on a coherent architecture that provides for the protection of the personal information of e-commerce actors without constituting unnecessary barriers to trade.

For data protection issues, some have proposed a "smart regulation", a multi-actor-based model that can be either regional or global harmonization or an independent regulator. In the first case, the regulation is strengthened with an interconnection between the organs of the different countries, in our case it could be the LAC countries. The second model proposes something similar at the supranational level, which takes the focus away from countries and makes inclusive policy proposals (Espiñeira – Sastre, 2019).

Undoubtedly, one of the key points in productive transformation for innovation is the inclusion of communication technologies and through them into production. This, however, requires developing infrastructure that improves interconnectivity and allows for greater Internet penetration.

Although Brazil, Mexico and Colombia have already published their plans and have held consultations for 5G, much of the region does not have 4G coverage yet. The Commissioner of Mexico's Federal Telecommunications Institute presented statistics that highlight the positive impact of the Internet (and therefore justify the effort that should be made on this issue), saying that the reduction in child mortality by 7% may be attributed to impacts associated with the Internet, as well as a 33% increase in productivity of agricultural producers. The impact of Internet on education is not less significant: 11% more language tools, 12% more learning tools, 19% better digital skills (Samsung); and on productivity overall, 25% (Fromow, 2019).

On the other hand, the Commissioner noted that 5G implies new challenges: increased demand for data (spectrum allocation, network laying and investment security), in terms of the digital environment (cybersecurity and privacy, net neutrality, technological preparation), new ways of competition (new business models, convergence services), and digital gaps (coverage, access and appropriation) (Fromow, 2019).

In this context, some authors are re-examining the question of the nature of regulations: To what extent does the existence of network effects mean that Internet platforms should be regulated differently than traditional markets? To what extent do dominant platforms represent an obstacle to innovation, erecting barriers to the entry of new firms? Is consumer information control a source of power dominance and an entry barrier? How should the regulator treat products that are offered to consumers for free? How do we define the concept of consumer harm? In this connection, Raul Katz argues that competition policies are based on universal premises (that markets are efficient, that the pricing mechanism provides a framework for efficient allocation of resources, that the objective of the competition authorities is to monitor markets to benefit consumers and to prevent market failures and collusion). However, the new paradigm adapted to the context of emerging markets would be that competition policies and models are not universal and common to all environments; that the competition model should reflect the economic and social context in which it is applied; and that transplanting policies and legal frameworks for competition can have unexpected effects (Katz, 2019).

In line with the above, we can ask ourselves: How is e-commerce to be incorporated into multilateral and regional trade instruments? In this regard, we deal here specifically with the agreements or chapters on electronic commerce and then address the issue of intellectual property and government procurement, which are undoubtedly also instruments of electronic commerce.

At the multilateral level, the 1998 WTO Ministerial Conference in Geneva adopted the *"Declaration on Global Electronic Commerce"*,[3] which established a Work Programme to examine the elements of e-commerce that most affect international trade. The implementation of the programme was not carried out in a single institutional space but within the scope of four different spaces within the WTO: the Council for Trade in Services; the Council for Trade in Goods; Council on Intellectual Property Rights (TRIPS) and the Committee on Trade and Development (CTD).

Since the establishment of that Work Programme, the activity was limited to the exchange of experiences, under a deliberative and non-negotiating mandate, which, together with the segmented approach of work in the different organs, prevented the progress of the discussions. The only action taken in this regard was the commitment not to impose customs duties on electronic transmissions until the end of the Work Programme, a commitment extended at successive WTO Ministerial Conferences from 2001 to the present date.

However, the issue regained force since the Bali and Nairobi Ministerial Conferences (2013-2015) and finally in Buenos Aires in 2017, when several countries decided to start negotiating on a plurilateral basis in this area.

As a matter of fact, in the discussion process of the MC11, several countries raised the need to intensify discussions and obtain possible "deliverables". Several Latin American countries are among the founders of the *"E-Commerce Friends Group for Development"* (Argentina, Chile, Colombia, Costa Rica, Mexico and Uruguay) to expedite discussions. Within its framework, most of the proposals emerged in the negotiating process.

Beyond its specific contents, the topic was also subject of the systemic debate on *"non-traditional vs. traditional issues"*, in which countries such as India, the African Group and the Least Developed Countries hampered the debate in the absence of progress on the outstanding issues of the Doha agenda. Although there were differences about the work (whether or not to create a space different from the 1998 Program and a negotiating mandate vs. a exploratory work) there was a coincidence as regards the elements that should form part of the negotiation:

1. *Trade facilitation:* Electronic payments and signatures, digitization of documents, disclosure of trade secrets (e.g. source code), free cross-border movement of information, infrastructure (broadband access, local payment solutions, improvements in logistics and streamlining of dispatches).
2. *Opening of markets:* The permanence (or not) of the moratorium on the application of tariffs on electronic transactions, the question of mandatory requirements to operate in the markets (location of servers, use of certain technologies), and liberalisation commitments.
3. *Transparency:* Dealing with the issue in trade policy reviews, surveillance reports, increased exchange of information in regular WTO activities.
4. *Development:* Exploring capacity-building mechanisms to reduce the technological gap between developed, developing countries and least developed countries, and assess, in the face of any potential agreement, the incorporation of SDT for countries in need.

[3] To consult the Declaration click on this link: https://www.wto.org/spanish/tratop_s/ecom_s/mindec1_s.htm.

2.1. E-Commerce in Latin America's regional agreements

2.1.1. Within MERCOSUR

MERCOSUR does not have a common regulation for electronic commerce, but Resolution 24/2001 of the Common Market Group of MERCOSUR (GMC) created a Working Sub-Group on Electronic Commerce (SGT 13). The SGT 13 is in charge of prioritizing the issues to be worked on in intra-bloc relations, as well as in the bloc's relations with other countries.

From its inception, the SGT 13 gathered every year until 2010. Then there was an interruption and it resumed regular meetings again in 2017. Therefore, the period 2001-2010 was very active. Suffice it to mention that between 2004 and 2006 decisions were taken on access to information by consumers, as well as the effectiveness of electronic contracts and electronic signatures. Then, when the meetings resumed in 2017, work began on a Protocol that included not only the issue of signatures and contracts but also concepts such as data location, unsolicited electronic messages, data protection, data transfer for commercial purposes and consumer protection. The Protocol is not ready for adoption yet.

The SGT 13 has particularly recognized the relevance of the participation of the private sector in its discussions. To this end, MERCOSUR created a panel, the Digital Agenda Group, which has the mandate to work on the cross-cutting issues of electronic commerce (cross-cutting or transverse issues as seen from the public sector: matters that require the intervention of several ministries) in a fluid consultation with the private sector.

In addition, as part of the dialogue between MERCOSUR and the Pacific Alliance they signed an Action Plan that includes the Digital Agenda between the two blocs and promotes the exchange of information and best practices to develop e-commerce within the region.

In its free trade negotiations, MERCOSUR is promoting a chapter on e-commerce. Negotiations between MERCOSUR and the EU include a chapter on e-commerce (agreement in principle) and Argentina, in particular, is renewing its trade agreements within the framework of ALADI, including a chapter on e-trade containing clauses on: a) digital signature, b) online consumer protection, c) personal data protection, d) cross-border data transfer, e) unsolicited electronic messages, and f) cooperation.

Finally, it can be said that, despite the attempts at cooperation and harmonization, Brazil and Argentina still have different perspectives internally, thus creating gaps around regulatory convergence. For example, Brazil already has specific rules on freedom of expression and liability of online intermediaries, whereas Argentina is still discussed the draft legislation. In this particular area, Brazil and Argentina allow for different types of exceptions: while the former country could withdraw contents from the Internet under certain conditions without judicial intervention, this could not happen in Argentina (except in cases such as child pornography).

Data protection has also gone through a situation similar to the above, although Brazil has a legislation and standards that are similar to those of Europe, Argentina has a law that dates back from the year 2000 which is also being revised in line with the European regulation. Therefore, possible convergence will arise from European influence in national discussions rather than from the subregional level.

2.1.2. Within the Pacific Alliance

In this group, the Additional Protocol to the Pacific Alliance Framework Agreement contains a chapter on telecommunications and a chapter on electronic commerce. The CAF Digital Gap Report (2019) lists the main measures in the telecommunications chapter to address issues such as:

- Non-discriminatory interconnection.
- Number portability.
- Equitable allocation and use of scarce resources.
- International roaming.
- Competitive safeguards, which are important to prevent dominant actors from developing anti-competitive practices and facilitate entry into markets, effective dispute resolution, and universal service.

The chapter on electronic commerce applies to electronic transactions of goods and services, including digital products, in order to facilitate commerce by electronic means. Its main measures include (CAF, 2019):

- Facilitation of e-commerce, by avoiding and removing unnecessary obstacles.
- Customs rights.
- Advertising rules and procedures.
- Norms on consumer protection.
- Personal data protection
- Digital authentication and certificates.
- Cross-border information flows

2.1.3. In the Central and North American context

In turn, within the framework of CAF, the Mesoamerican Project seeks to strengthen regional integration and promote the economic and social development of its countries. Since its establishment, the Mesoamerica Project has contributed to the creation of regional projects and initiatives. In its first phase, it focused on the physical integration of electrical, telecommunications and transport infrastructures. In its second phase, it has promoted high social impact initiatives, such as health care and environmental protection. (CAF, 2019).

One of the main initiatives supported by the Mesoamerica Project is REDCA, an infrastructure project co-financed by CAF that provides neutral support to wholesale telecommunications services with regional scope. For its part, the Mesoamerican Program for the Integration of Telecommunications Services (AMIST) brings together regional and national actors in the sector and seeks to strengthen public policies at the regional level (CAF, 2019).

The roadmap for promoting a Single ICT Space was approved in February 2017, during the 28th Meeting of the Conference of Heads of Government of the Caribbean Community (CARICOM), held in Guyana. (CAF, 2019).

The objective is to facilitate the deployment of ICTs in the region, by harmonizing regulatory and legal frameworks for broadband deployment, information management systems and the provision of information technology services, while improving security of digital spaces and systems management.

2.1.3.1. Box 8: Provisions on e-commerce in the USMCA

Chapter 19 of the USMCA[4] foresees regulations as regards the following issues:

CHAPTER 19 DIGITAL COMMERCE
Article 19.1: Definitions
- algorithm
- electronic authentication
- commercial electronic communication
- management document
- electronic signature
- government information
- personal information
- computer installation
- covered person
- digital product
- information contents provider
- interactive computer service

Article 19.2: Scope of Application and General Provisions
Article 19.3: Customs Tariffs
Article 19.4: Non-Discriminatory Treatment of Digital Products
Article 19.5: National Framework for Electronic Transaction
Article 19.6: Electronic Authentication and Electronic Signatures
Article 19.7: Online Consumer Protection
Article 19.8: Protecting Personal Information
Article 19.9: Paperless Trade
Article 19.10: Principles on Access and Use of the Internet for Digital Commerce
Article 19.11: Cross-border Transfer of Information by Electronic Means
Article 19.12: Location of Computer Facilities
Article 19.13: Unsolicited Commercial Electronic Communications
Article 19.14: Cooperation
Article 19.15: Cybersecurity
Article 19.16: Source Code
Article 19.17: Interactive Computer Services
Article 19.18: Government Open Data
ANNEX 19-A

Noteworthy, in this agreement countries agreed that they will not impose tariffs on trade in digital goods, such as computer programmes, videos or audios, although other taxes that each country decides to impose in its territory to regulate digital commerce are permitted, nor can any country deny the legal validity of the signature solely on the basis of being an electronic signature.

In addition, e-commerce cannot be conditioned to establishing a commercial activity on installation of servers or other computer equipment within the territory where the activity is being developed, nor can countries prohibit a source code on technological companies as a determinant for its commercial use.

Source: Prepared by the author, based on Chapter 19 of the USMCA.´

[4] To consult the full text of Chapter 19 of the USMCA, click on the following link: https://www.gob.mx/cms/uploads/attachment/file/465801/19ESPComercioDigital.pdf

3. Innovation and Intellectual Property[5]

There is consensus both within the academia and between entrepreneurs and the political community that investment (both public and private) in R&D is beneficial. There is solid, well documented evidence that, by adding value, innovation promotes growth, and eventually development.

However, in addition to the necessary investment in R&D, the regulatory frameworks organize, among other things, the incentives for the generation of knowledge, as well as the mechanisms for its appropriation and exploitation by private and public actors in their economic and social action.

While competition is one of the main drivers of innovation, those incentives of innovation that involve the (temporary) suppression of competition must be carefully evaluated. Such is the case with intellectual property rights, which consist of exclusive rights to exploit processes or products for twenty years or more and must therefore be carefully balanced with other human rights and needs, such as access to health or environmental care.

As Abbott points out: *"There is a relatively consistent agreement among economists studying intellectual property rights that intellectual property protection standards vary depending on the level of development and other features of the country"* (Abbott, 2006). Countries simply design and implement their intellectual property policy in accordance with their development level and needs so as to achieve a balance between rights and obligations.

In this connection, countries that are producers/exporters of applied knowledge (innovations) prefer that the rules governing the exploitation of that knowledge (intellectual property rights) allow them to exploit these processes and products in monopoly for as long as possible and as widely as possible. And more often than not, this intention of extending and deepening intellectual property rules is more acute in the international field than in their national policies, where the need and obligation to ensure the public interest of its citizens and consumers is balanced with the needs and interests of intellectual property rights holders.

On the contrary, countries that are importers of technologies try to make their transfer cheaper as soon and broadly as possible.

However, with the value gained by intangible goods (trademarks, patents, copyrights, etc.) the international pressure from producing and exporting countries has been very strong on intellectual property rules.

Until the entry into force of the Agreement on Trade-Related Intellectual Property Rights (TRIPS), intellectual property rights were regulated, at the international level, through international treaties (such as the Convention 1883 on Industrial Property or the Berne Convention of 1886 for the Protection of Literary Works) which left considerable space for public policy. TRIPS, which regulates the main forms of intellectual property (patents, trademarks, copyright, industrial design, and geographical indications, among others) established global standards of protection and ensured compliance through the System of WTO Dispute Settlement Resolution.

[5] Based on Delich, 2019, and Delich, 2018.

These new protection standards were "high", i.e. they provide for more rights for intellectual property owners and less space to set limitations and exceptions in favour of users (public and private) at the local level.

Particularly, we can mention that TRIPS established 20 years of patent protection and precluded the possibility of excluding sectors from patentability (used in the pharmaceutical sector) by providing for, as a general rule, patentability for all inventions, whether products or processes, in all fields of technology, provided that they meet the three basic requirements of patentability (the invention must be new, highly inventive and susceptible to industrial application). The Agreement also incorporated a special procedural rule by reversing the burden of proof in civil proceedings related to procedural patents. In these proceedings, judges should be empowered to order the respondent (alleged infringer of a procedural patent) to prove that the procedure used to obtain a product is different from the patented process.

TRIPS also involved recognizing exclusive leasing rights for music recordings, computer programmes and films; and impose standards of protection for geographical indications.

One of the characteristics of the TRIPS that impacts on the dynamics of international trading is that it contains the MFN principle, but not its exception for commitments undertaken in free trade agreements after 1995. Therefore, when an agreement is reached on an FTA containing TRIPS plus standards (higher or deeper than those contained in the TRIPS) they should be automatically extended to all WTO Members.

Once the TRIPS came into force, in FTA negotiations and in mega regional negotiations, both the USA and the EU included on the agenda TRIPS plus issues (such as extending patent protection for administrative delays or to compensate for the time to obtain administrative authorisation to market; protection for exclusive rights of test data; and strengthening the enforcement of intellectual property rights through the creation of criminal sanctions, among others).

In particular, from the point of view of building a transparent and competitive market, the extension of monopolies via extension of protection conspires against the entry of competitors and generic medicines. It is well documented that the entry of generic medicines results in lower prices for medicines and increases the well-being of society as a whole, both in developed and developing countries.

Thus, in Latin America and the Caribbean, the status of intellectual property protection standards varies in those countries that signed Free Trade Agreements with the USA and the EU after the TRIPS. As a result, Chile, Colombia, Peru, Mexico, Ecuador and the CAFTA countries have higher standards than MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela). This is an extremely sensitive point when thinking about regulatory convergence in Latin America.

So, if we take into account that intellectual property rules at the international level are deepening further, that the new knowledge economy seems to need to loosen those rules and their uses because it seems to require turning to models of open innovation, and if we consider our (low) investment characteristics as well as our development needs, our main public policy objective emerges, in order to innovate and grow.

In this regard, it should be emphasized that our intellectual property rules should be of an internationally accepted type (such as those contained in the TRIPS) so as to attract investment, managed in a clear, transparent and predictable manner, they should incentivize but also include guidelines for enforcement, include intellectual property rights as an incentive to innovation and investment, but avoid abuses of the monopoly position and give rise to other players to enter the game. Finally, they should be flexible enough to allow us to implement other important policies such as promoting innovation in order to balance rights and obligations.

The dilemma of public policy involving the international negotiation of broader and more widespread intellectual property protection standards for developing countries has been highlighted by Alvaro Díaz, who argues: *"Unable to return to the pre-TRIPS or pre-WIPO era and without the margins of manoeuvre of countries such as Brazil and Argentina, the countries that negotiated have essentially two options: Either they establish intellectual property regimes that have only an impact on the formal economy, while continuing to deploy an informal economy and a black economy that compensates for the inadequacies of public policy, or they build a balanced system of institutions, where they intensively use the flexibilities available in intellectual property rules, expand competition and consumer rights systems, develop education and access to information and knowledge, while driving a science and technology policy that makes progress in terms of innovation and learning systems*". (Díaz, 2008)

Similarly, the region faces the complex problem of homogenization in order to promote competition around intellectual property. In this regard, it should be noted that, as seen above, most countries have laws for intellectual property and competition promotion. Both seek to promote innovation and consumer well-being, are geared towards correcting market failures (albeit of a different kind) and are based on the principle of economic efficiency. However, they do so through different mechanisms: the former establish a legal monopoly, while the aim of the latter is to boost competition (Ramello, 2002). As a result, these are approaches that involve significant regulatory and public policy conflicts. From the point of view of promotion of competition, intellectual property rights confer exclusive exploitation rights that could lead to anti-competitive conduct. This problem is exacerbated if the relevant legislation contains structural flaws or defects that facilitate monopoly abuse and predatory practices.

4. Public procurement

Another substantial aspect of productive transformation is public procurement, since the market opens up for different companies that will be able to offer their services and goods to the buyer, which in this case will be a State. It should be noted that the State is the largest buyer of goods and services in the economy. According to WTO estimates, the share of public procurement reaches between 10% and 15% of the world's gross domestic product. In LAC, the State is an indispensable player for the promotion of economic activity. Within this context, public procurement is extremely relevant not only because of the size of the resources involved, but also because of their ability to influence domestic enterprises, especially micro, small and medium-sized enterprises, or MSMEs (Rozenwurcel – Bezchinsky, 2011.11).

Increased dissemination of knowledge and information on public procurement and greater transparency in management meant a growing degree of competition for traditional suppliers, who had to compete in that market with a greater number of players (Rozenwurcel – Bezchinsky, 2011,12). Therefore, competition policies are closely linked to participation in public procurement, because governments open up their economies in order to promote the participation of more enterprises, and achieve better prices.

In view of such economic openness, and the possibility of participating through tenders in the field of public procurement, this discipline has been included in international economic negotiations, in order to promote the participation of foreign companies in the purchases of goods and services made by the States. While the WTO has a specific agreement on this matter, known as the Agreement on Government Procurement, characterized by being plurilateral, which means that not all WTO Members are Parties to it. At present, it has 20 Parties including 48 Members of the WTO. There are other 34 Member/Observers participating in the Public Procurement Committee as Observers, out of which nine are in the process of adhesion (WTO, 2019). The main objective of the Agreement is the mutual opening up of public procurement markets among its Parties.

As a result of several negotiation rounds, the Parties to the GPA have opened up to international competition. This agreement was revised in 2012 to incorporate certain issues not envisaged in the original negotiations, amended as follows:

a) The evolution of current procurement practices, particularly the use of electronic tools, is duly taken into account. Requirements are established in this area to ensure full compliance with general principles in the electronic age.
b) The provisions on special and differential treatment applicable to developing Members acceding to the GPA are clarified and improved.
c) The new express requirement is introduced that participating governments and competent procuring entities avoid conflicts of interest and prevent corrupt practices, demonstrating that the Parties consider that the GPA can contribute to the promotion of good governance.

Also, public procurement is present in the RTAs, which have begun to include provisions in this area. Thus, the first of these was NAFTA in its original version that provided for Chapter X, on "Public Sector Procurement". This agreement covered in 25 articles the different assumptions, procedures and provisions regarding this commercial discipline. Then, the USMCA provides for its regulation in Chapter 13 on Government Procurement. However, this Chapter applies only to the relations between Mexico and the United States. Public procurement between Mexico and Canada is regulated under the provisions of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), whereas exchanges between the USA and Canada are regulated by the WTO Agreement on Public Procurement, which should be interpreted along with the provisions of Chapter 21 of the same agreement on competition policies.

The importance of this issue, is that "understood as government contracts, government purchases or acquisitions, public procurement has traditionally been conceived as a purely bureaucratic procedure associated with satisfying collective needs under the charge of the State, or for the functioning of the State. This concept has evolved to be understood as a development tool that allows for incorporating vulnerable sectors of society into the overall economic process, and generate not only State expenses, but a great part of the dynamism of national economies, with effects on job creation, the channelling of investment and productive development." (SELA, 2015).

Because of their size, these public purchases are important in terms of the development of those suppliers generated by them, rather at the regional level, by allowing for competition in different grades and areas of governments to meet their needs. The RTAs, as mentioned above, promote such powers as long as foreign companies may freely compete with national enterprises while States – usually at the federal or national levels – call for tenders to supply themselves.

It should be noted at this point that many developed and developing countries have and promote public procurement policies in order to foster their productive development, but they are compatible with their multilateral and regional trade commitments.

Thus, and by way of example, mention should be made of the case of MERCOSUR, which was able to explore this route with a regional perspective, while seeking for efficiency and transparency, promoting innovation and the development of SMEs and for adequate socio-environmental development, among other objectives (INTAL, 2017). To this end, MERCOSUR reformulated its Protocol on Public Procurement, following modern guidelines for promoting transparent policies to benefit the participation of MSMEs.

It should be recalled, however, that MERCOSUR had adopted Decision 40/03 in 2003, called "MERCOSUR'S PUBLIC PROCUREMENT PROTOCOL", which was replaced in 2017 by Decision 37/17 thereby approving the "MERCOSUR PUBLIC CONTRACTING PROTOCOL", mentioned above, repealing the rules that may oppose it.

4.1. Box 9: Provisions on public procurement and competition in the MERCOSUR Protocol on Public Procurement

a) Art. 10 – TECHNICAL SPECIFICATIONS: *"The technical specifications established the characteristics of the goods and services to be contracted, as well as the requirements relating to conformity assessment procedures, shall not be created, adopted or applied to annul or limit competition, create unnecessary barriers to trade or discriminate against bidders."*
b) Art. 12 – DISCLOSURE OF INFORMATION: *"States Parties shall not disclose any confidential information without the written permission of the supplier who provided it, when such disclosure could prejudice the legitimate business interests of a particular person or could harm fair competition among suppliers."*
c) Art. 15 – EXCEPTION RULES AND PROCEDURES FOR PUBLIC TENDERS: *"Provided that this provision is not used to impede competition among suppliers or in a manner that discriminates against suppliers of another State Party, or protects national suppliers, a procuring entity may use other procurement procedures only in the following circumstances: (...)"*

Source: Prepared by the author.

As set out above, this new Protocol to the Treaty of Asunción refers to practices in relation to trade policies on government procurement and their linkage with competition policies.

The Agreement signed between the EU and MERCOSUR on the regulation of public procurement contains similar provisions, including a specific chapter on this matter. In this regard, every year 250,000 European authorities make public purchases of goods and services for an equivalent to 16% of European GDP (approximately € 2.7 trillion). The agreement will allow enterprises for participating in this market, while preserving our own system of public procurement for SMEs in MERCOSUR. In addition, subnational public purchases (provinces, municipalities, etc.) are not included in the agreement unless they decide to abide by it. This promotes the participation of SMEs in this form of procurement in pursuit of their development and consolidation at the local and/or regional levels.

However, in view of the above, it must be argued that the use of government procurement increasingly ensures that a significant part of the large volume of government purchases, financed by the taxes paid by taxpayers (or by indebtness) obligatorily goes to SMEs or other companies with social objectives. In several of these cases, the instruments establishing a preference for public procurement to SMEs or to companies with social objectives are not necessarily accompanied by explicit discrimination against the foreign supplier (Nofal, 2016).

IV. FINAL THOUGHTS: OPPORTUNITIES FOR REGIONAL COOPERATION AND INTEGRATION

General Conclusions

This document depicts the challenges to trade and competition policies stemming from the reorganization of global production into value chains and our need for productive transformation. Because it is a vast field, we have organized the document by differentiating the challenges at the local agenda level and the external agenda. But it is only a functional distinction to present the challenges, since the daily work agenda of the public, private and academic sectors are inextricably intertwined.

Although trade in LAC during the period 2003-2013 expanded due to improved commodity prices and increased Chinese demand, and export destinations were modified to account for China's importance to the region, its share in the world trade remains around 6%. In addition, export baskets remain concentrated in few products with low added value. Finally, intra-regional trade has only declined. Within this context, diversifying exports and integrating into regional and global value chains seems to be crucial.

In analysing the insertion of the region into the GVCs, it should first be noted that LAC is made up by a series of heterogeneous countries. The insertion of the countries of the region into international production networks shows two distinct patterns: one with greater linkage with the U.S. and the "North American factory" (Mexico and Central America), and another one with a clear orientation towards subregional production networks that are generally still incipient (South America and the Caribbean) (ECLAC, 2013:7).

Central American and Caribbean countries are integrated through the availability of cheap labour, which allows them to export, primarily to the U.S., from medical or electronic instruments using "maquila" or similar mechanisms, but also by providing tourist, financial or transport services. Among the larger economies there are two different models, one more based on cheap labour – similar to the one described in the previous paragraph – (Mexico) and another where integration occurs largely due to the availability of abundant natural resources, supplemented in some cases with relatively large domestic markets (Argentina, Chile, several Andean countries and, to some extent Brazil are also part of this group).

Latin America is poorly integrated or it is integrated into a segment with little added value. As stated in the cases illustrated in Section 1, strengthening the opportunities to climb up the chain increasingly depends on innovation and intangibles.

Within this context, trade and competition policies for productive transformation are a driving force that seeks to promote insertion into the GVCs. Its agenda is envisaged at the national level in all those programmes aimed to attract investment, diversify the export basket, streamline and lower costs of logistics, innovate and improve the quality standards of our products, strengthen MSMEs, create the conditions for increasing e-commerce and regulate intellectual property rights. And it is internationally involved in the inclusion of these same issues in multilateral, bilateral and regional negotiations.

The first point in common on the local agendas across all sectors is the complexity of managing the productive transformation agenda in a coordinated manner. Although it is clear that, for many years now, the countries have faced the challenges of improving the technical and strategic capacities of the instances with the basic responsibility for the design of trade policy and of implementing efficient mechanisms to manage interdepartmental coordination needs (due to the increased sectoral diversity of international trade agreements), it seems that the growing need for inter-agency coordination has been exacerbated as a result of the fact that regulation of external business activities depends heavily on various ministries and disciplines.

Thus, this report shows that when it comes to the issue of e-commerce, it is necessary to align regulations as diverse as those relating to infrastructure, communications, protection of personal data and issues concerning intellectual property rights, among others.

The report also envisages the views shared by all participants in the Latin American Telecommunications Congress on the importance of institutional strength. The political leadership to carry forward the transformation agenda is usually occasional; it can emerge and then be diluted, and therefore the stability and professionalism of public policy managers for telecommunications is crucial. Similarly, it was noted that in the field of telecommunications the State fulfils multiple and different functions and, therefore, it is necessary to align the State agencies (the Ministry of Finance intervenes in the field of taxes, the Ministry of Education in digital literacy, the Ministry of Production with strategies in terms of raw materials, etc.) and set priorities.

Some participants in said Congress noted that sometimes the state work agenda is a "patchwork" resulting from the agendas of the various agencies, without a common thread. Other participants, too, underscored that "sometimes the agendas contain 150 objectives". It was noted that it is necessary to count on the participation of companies (including public companies, not only telecommunications agencies, but also instances in charge of logistics, transport, manufacturing, etc). Finally, some attendees made emphasis on that they way in which each country is institutionally organized does not follow a unique practice, but in any case the most important thing is that there must always be an agency or body that leads and coordinates the actions. It can be a unit within the presidential sector, or within a ministry, among others.

Although the institutional management of trade policy is undoubtedly local, the need to generate the same inter-agency and inter-disciplinary coordination also prevails in regional and subregional spaces. That is, subregional working or negotiating groups dealing with issues such as e-commerce, quality standards and intellectual property should also encourage the same coordination of State agencies and a combination of knowledge sources.

Given that international negotiations on e-commerce take place in multiple forums simultaneously, but it has particularly gained dynamism at the multilateral level, in the WTO, the negotiation and eventual coordination of regulatory prospects and rules at the subregional level is vital: Being fragmented, uncoordinated or without studies of local costs and benefits eliminates the possibility of influencing to achieve a balanced result that complements our regulatory needs.

On the other hand, a common trait to all LAC countries is that they have productive transformation programmes and plans in general and also some specifically targeted on SMEs. SMEs share the macroeconomic and institutional context of all companies, but they face additional specific problems arising from their size and management structure: They tend to have financing problems, lack of international experience, and quality and quality certification issues are more complex for them. Against this backdrop, the experiences of partnerships and the need to conduct market research and participate in fairs, among other things, become crucial.

On the other hand, many and diverse programmes are being implemented at the national level in LAC in relation to SMEs. However, the role that regional integration could play in integrating SMEs into trade flows needs to be strengthened. Beyond financial and tax mechanisms and aspects, institutions could work to centralize and circulate information on regional markets and opportunities, and address at the regional level sustainability certifications that are beginning to emerge in our target markets. It would also be valuable to note that SME chapters are already starting to appear in FTAs, and that FTAs should not expect for regulatory convergence to occur again following the signing of FTAs with extra-regional partners (as this Report documents for the case of electronic property).

Along this line, the TPP, considered a next-generation agreement, includes a chapter on SMEs containing commitments as regards information and transparency and the creation of the SME Committee. The Committee should work to identify ways to help SMEs to:

a. take full advantage of trade opportunities, exchange and discuss each Party's experiences and best practices in supporting and assisting exporting SMEs with respect to, *inter alia*, training programmes, trade education, trade financing, identification of trading partners in other Parties and the establishment of good business references;
b. organize and promote seminars, workshops and other activities to inform SMEs about available benefits;
c. explore opportunities for capacity-building in order to assist Parties in the development and improvement of export advisory, assistance and training programmes for SMEs; among others.

This report has also highlighted the problems faced by the digital economy in both the issue of infrastructure (physical and regulatory) and e-commerce. In this connection, as pointed out by CAF, in terms of strategies, in order to create a digital region "it will be necessary to support the work of subregional integration blocs to promote a common vision based on priorities, objectives, targets, concrete milestones, governance and a clear schedule. In addition, effective coordination and financing mechanisms, dialogue with the various sub-regional organizations, adequate technical staffing and monitoring and evaluation mechanisms will also be needed to ensure implementation."

As for product quality standards, particularly for those countries exporting agricultural goods, competitiveness today is determined by the ability to build comparative advantages based on quality and safety, but also on certifications and quality standards management. The most demanding standards at present which are determinant for market entry are private and deal with product quality issues, but mostly they now deal with sustainability (in a broad sense), human rights, transparency and working conditions, among others.

In terms of sustainability in particular, certifications of measurement and reduction of the environmental impact are crucial because the need to incorporate sustainability criteria in production and exports will continue to increase. In this connection, it is obvious that technical capacities to collect and process data need to be strengthened in addition to the joint work between the public and private sectors. In this regard, the public sector could mobilize resources, coordinate public-private spaces, design public policies that give the right signals and lead the development of national emission factors and carbon calculators for key sectors. In addition, the States are creating certifications to account for "responsible consumption".

If a recommendation seems to emerge from the situation regarding product sustainability standards, it is because Latin America will require an extremely active and well coordinated public diplomacy to intervene with its own vision in the global public dialogue on the care of the environment and the production of energy and food, veganism, consumer preferences and trade barriers, transparency and accountability for private quality standards, among others.

Of course, as economies become even more intertwined, competition challenges increase and become more complex. On the one hand, there is a risk that enforcement of competition laws could be used as a tool of discrimination or market exclusion (Pérez Motta, 2016). On the other hand, there is a risk that the lack of coordination of competition policies allows for abusive conduct on the part of dominant actors, particularly in the digital environment. As Pérez Motta emphasizes, while multiple initiatives have been taken at the international level to formalize the inter-relationship between trade and competition policies, none of such initiatives has resulted in a binding framework yet.

Finally, the status of intellectual property protection standards varies between those countries in the region that, after TRIPS, signed FTAs with the US and the EU and those that did not. As a result, Chile, Colombia, Peru, Mexico, and the CAFTA countries have deeper standards than MERCOSUR countries (Argentina, Brazil, Paraguay, Uruguay and Venezuela). This is an extremely sensitive point when thinking about regulatory convergence in Latin America.

In addition, it must be pointed out that our intellectual property rules should be of an internationally accepted type (such as those contained in the TRIPS) in order to attract investment; they should be managed in a clear, transparent and predictable manner; they should be encouraging but should also include guidelines for enforcement; they should include intellectual property rights as an incentive for innovation and investment but avoid concentration and open up the doors to other players to enter the game. Finally, they should be flexible enough to allow us to implement other important policies such as promoting innovation in order to balance rights and obligations.

In short, international trade, now organized into GVCs, could certainly contribute to growth and development in a significant way. In a context marked by the commercial confrontation between major trading powers and reconfiguration of international rules and institutions, improving trade insertion to serve as leverage for higher and better jobs, investment and technological updating requires, as regards trade and competition policies, the deployment of a policy that carries out the following objectives in a consistent and synchronized way:

a. Work for greater market access (and anchor it in agreements), diversifying destinations and products from our exporting baskets;
b. Participate in the process of reconfiguring rules and multilateral trade institutions by also generating proposals of their own, as some of the countries in our region have done in the field of e-commerce, but at a regional level to gain a stronger voice;
c. Synchronize, coordinate and make converge the agendas of regional agreements in order to turn Latin America and the Caribbean into a regional platform for innovation, focusing on the way we produce, share and leverage knowledge;
d. Institutionally manage trade and competition policies based on strong coordination (including interdisciplinary regulations), transparency, efficiency, and security;
e. Develop infrastructure and strengthen regulatory frameworks for the digital economy and e-commerce: Internet access, high-quality of communications, regulatory issues such as electronic contracts, digital signature, protection of data or intellectual property rights;
f. Develop modern financial instruments that are readily available to SMEs;
g. Develop a competition policy in line with globalization, in which companies' anti-competitive practices acquire an increasingly international scope;
h. At the regional level, strengthen cooperation (stable mechanisms for exchanging information and possibly peer review of competition cases), among others.

V. GENERAL RECOMMENDATIONS

- Trade and competition policies for productive transformation in LAC should be the driving force for insertion into GVCs. Its action agenda should include programmes to diversify export baskets, streamline and lower costs of logistics, innovate and improve the quality standards of our products, strengthen MSMEs, generate the conditions to increase electronic commerce, and regulate intellectual property rights.
- The need for inter-institutional coordination has become more imperious because the regulation of commercial activities strongly involves ministries and disciplines. For example, e-commerce requires aligning regulations as diverse as those concerning infrastructure, communications, personal data protection, and intellectual property issues, among others.
- In view of the multilateral negotiations on electronic commerce, and the negotiation and eventual coordination of regulatory prospects and standards at the regional and subregional levels is vital. Being fragmented, uncoordinated or without studies on local costs and benefits takes away the opportunity to exert influence in order to achieve a balanced or complementary outcome vis-à-vis our regulatory needs.
- Many different programmes are being implemented at the national level in LAC in relation to SMEs. However, the role that regional integration can play in integrating SMEs into the trade flows needs to be strengthened.
- Regional institutions should work to centralize and disseminate information on regional markets and opportunities, and address regionally the sustainability certifications that are emerging in the target markets.
- Chapters on SMEs have begun to appear in the FTAs, but Latin America and the Caribbean should not wait for regulatory convergence between their countries to occur as a result of the signing of FTAs with extra regional partners.
- With regard to product sustainability standards, Latin America will require an extremely active and well coordinated public diplomacy in order to participate with its own vision in the global public dialogue on environmental care, energy and food production, consumer preferences and trade barriers, transparency and *accountability* as regards private quality standards, among others.
- Trade and competition policies should be aimed at greater market access (and anchor it in agreements), diversifying destinations and products in our export baskets.
- LAC countries should participate in the process of reconfiguring rules and multilateral trade institutions also by generating their own proposals, as some of the countries in our region have done in the area of e-commerce, but they should do it at the regional level in order to gain a stronger voice.
- Trade policy management should synchronize, coordinate and make converge the agendas of regional agreements so as to transform LAC into a regional platform for innovation: to focus on how we produce, share and take advantage of knowledge.
- Trade and competition policies should be managed on the basis of a strong coordination not only inter-agency but inter-disciplinary, because the regulations required are of varying nature.
- It is required to develop a competition policy in line with globalization, in which the anti-competitive practices of companies acquire an increasingly international reach.
- At the regional level, it is necessary to strengthen cooperation (stable mechanisms for exchange of information and eventual peer reviews concerning competition cases), among others.

These are times of uncertainty and there is no recipe book of rules – which we should build – in order to deal with globalization. But even so, LAC countries should not move forward alone.

Leading, building and ordering a regional order would be more effective. LAC is a political project that groups together our ideas of peace, mutual trust and democracy in the region. Hence the need to continue to analyse and solve these challenges together at the regional level so as to address the different problems facing globalization, as well as the difficulties posed by GVCs for our international insertion, all this in pursuit of the evolution of our peoples.

LIST OF ABBREVIATIONS AND ACRONYMS

ALADI: Latin American Integration Association
AMIST: Mesoamerican Program for the Integration of Telecommunications Services
ATC: WTO Agreement on Textiles and Clothing
CACM: Central American Common Market
CAN: Andean Community of Nations
CM: Global Contract Manufacturers
CPTPP: Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSPS: Committee on Sanitary and Phytosanitary Measures
CTBT: Committee on Technical Barriers to Trade
CTD: WTO Committee on Trade and Development
DC: Developing Country
ECLAC: Economic Commission for Latin America and the Caribbean
EU: European Union
FDI: Foreign Direct Investment
FOCEM: Structural Convergence Fund of MERCOSUR
FTA: Free Trade Agreement
FTAs: Free Trade Agreements
FTSW: Foreign Trade Single Windows
GATT: General Agreement on Tariffs and Trade.
GCV: Global Value Chains
GMC: Common Market Group of MERCOSUR
GPN: Global Production Networks
I&D: Innovation and Development
IDB: Inter-American Development Bank
IP: Intellectual Property
ISO: International Standardization Organization
LA: Latin America
LAC: Latin America and the Caribbean
LDCs: Least Developed Countries
MC11: Eleventh Ministerial Conference of the WTO, held in Buenos Aires, Argentina in 2017
MERCOSUR: Southern Cone Common Market
MFN: Most Favoured Nation
MSMEs: Micro, Small and Medium-sized Enterprises
NAFTA: North American Free Trade Agreement
OBM: Original Brand Manufacturer
ODM: Original Design Manufacturer
OEM: Original Equipment Manufacturer
RTAs: Regional Trade Agreements
SDT: Special and Differential Treatment
SELA: Latin American and Caribbean Economic System
SMEs: Small and Medium-sized Enterprises
TPP: The Trans-Pacific Partnership
TRIPS Agreement on Trade-Related Intellectual Property Rights
USA: United States of America
USMCA: United States, Mexico and Canada Agreement
WIPO: World Intellectual Property Organization
WSG: Working Sub-Group of MERCOSUR
WTO: World Trade Organization

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