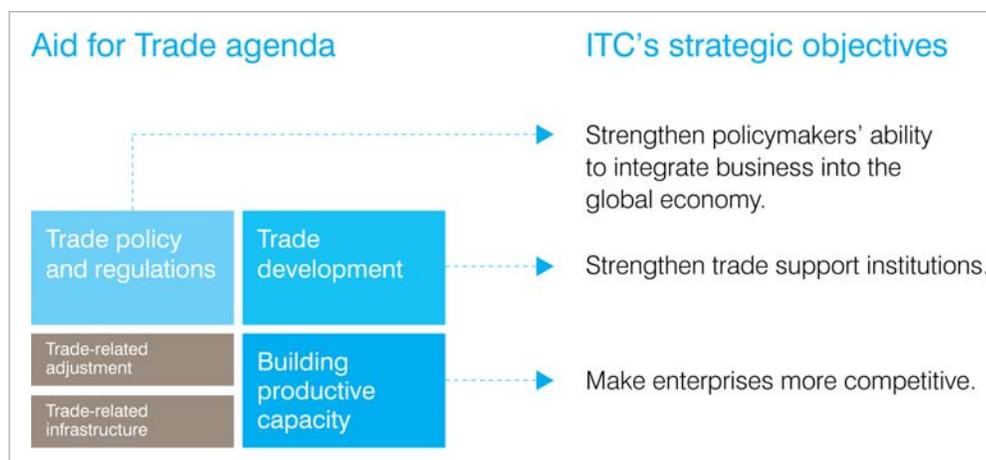


2ND AID FOR TRADE REVIEW FOR LATIN AMERICA AND THE CARIBBEAN MAY 2009, MONTEGO BAY, JAMAICA

ITC: 100% AID FOR TRADE



DELIVERING ON LATIN AMERICA AND THE CARIBBEAN PRIORITIES

The first Aid for Trade Regional Review for Latin America and the Caribbean (November 2007, Lima - Peru) set forth these Aid for Trade priorities:

- Competitiveness for small and medium-sized firms
- More capacity to meet SPS and other standards
- Lower costs, through better trade-related infrastructure and trade facilitation
- Trade finance that is greater and more effective
- Better leveraging of development assistance and multilateral lending
- Export diversification
- Stronger export promotion agencies
- Regional integration
- Harness public-private partnerships by mobilizing the private sector

Following the Lima meeting, ITC – with its mandate of Trade-Related Technical Assistance – met with stakeholders to explore new approaches that reflect Aid for Trade priorities and help more Latin American and Caribbean businesses to compete in global markets.

These activities are in line with ITC's mandate, as the joint agency of the United Nations and the World Trade Organization that enables small business export success in developing countries.

A CHANGING ECONOMIC CONTEXT

The recommendations of the first Aid for Trade review were made in a favourable international context. World economic activity was its most vibrant in 40 years in the 2003-2007 period, enabling Latin America and the Caribbean to attain its best economic performance. High demand for energy, food and other commodities boosted exports.

Today's context is radically different, and regional trade in both Latin America and the Caribbean has contracted sharply over recent months. Like elsewhere, the region suffers from a drop in trade due to a breakdown in global demand, an increase in market protectionism and the drying up of trade finance.

A fall in commodity prices and the drop in global demand for strategically important exports – from aluminium oxide, bauxite and clothing to tourism – has amplified the effects. Between September 2008 and February 2009, exports have dropped by an average of 45% in the Caribbean and 40% in Latin America.

Remittances, a longstanding backstop for many economies, are also dropping. These income transfers from abroad represent an important component of GDP for many countries. The Honduras, Nicaragua and El Salvador have about 20% of their GDP from remittances, for example, and the figure approaches 10% for the Dominican Republic.

Latin American countries face this crisis with a stronger macroeconomic position than was the case for other regions, for instance in the Asian crisis. The relatively strong growth in the period immediately preceding the crisis, which boosted fiscal revenues and reserves in many countries, has helped in coping with the situation.

The Caribbean has made great strides in improving human development over the past two decades, yet it has not grown as fast as comparable, high-performing developing countries. Yet nothing emphasizes the vulnerability of Caribbean economies more than the devastation caused by hurricanes in the past five years. Tourism and agriculture, the mainstay of the Caribbean economy, have been hit hardest. This comes on top of trade policies anchored on unilateral preferential access to the European and North American markets, which have not made business more competitive. Exports have concentrated rather than diversified. But the rapid economic growth of emerging economies offers new opportunities. Within the Caribbean itself, the opening of US markets to Cuba also needs to be factored in.

REGIONAL TRADE FOR GLOBAL GAINS

- [Making the most of Economic Partnership Agreements and Free Trade Agreements](#)

The Caribbean region can capitalize on the benefits of new trade agreements, including EPAs and FTAs. It can also benefit from analyzing new market opportunities based on changing realities in the region.

ITC's seminars, publications, market analysis services and collaboration with institutions in the region are designed to raise awareness and seize opportunities.

ITC's new guide on EPAs - trade in services is an example. The CARIFORUM-EC EPA will help build a regional market that will put the Caribbean on the map as an expanding market where traders and investors find opportunities for growth and security. There is greater access to EU markets in services for Caribbean companies and for young Caribbean professionals to gain EU work experience, for example, going beyond what Europe has offered before. The guide helps the business community understand the agreement and opportunities it offers.

- [A regional approach to export strategy](#)

Many exporters in neighbouring countries face similar challenges. A regional approach to tackling business constraints can help regions achieve economies of scale. It also aligns regional and national

institutions to regional integration priorities. The outcome will be stronger regional capacity to support trade, building on existing business networks.

ITC has recently worked with six Caribbean countries to develop national export strategies: Belize, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines. Behind these strategies is extensive public – private collaboration. Business communities identified the same bottlenecks that prevent them from doing their best in exporting: lack of diversification, transport bottlenecks, high communication costs, little help in market identification, lack of official support for market entry efforts, skills shortages and lack of training, lack of financing facilities, difficulty in meeting export market standards.

ITC will work with stakeholders to develop a new business model anchored in sustainability and competitiveness. New networks will be built among trade institutions in the regions to share knowledge on market research and analysis, and provide training on compliance with sanitary and phytosanitary (SPS) and health standards, collective marketing, access to trade finance and better product packaging.

By pooling available resources and expertise, regions achieve economies of scale. Small and least developed countries may not have the resources to establish trade institutions for their own key export sectors. The outcome will be stronger regional capacity to support trade, build on existing business networks, identify promising industry sectors and rationalizing regional supply chains.

MARKET-LED APPROACHES

Market-led, ITC is focusing on opportunities that allow countries to position businesses to take part in global supply chains that will inevitably rebound after the current financial crisis, and diversify exports.

- [New approaches reduce poverty through trade](#)

In Brazil, ITC and Grupo Santander Brasil – the Brazilian arm of the largest financial group in Spain and Latin America – signed an accord in April 2009 to help local communities reduce poverty through sustainable tourism. This partnership will bring about synergies between complementary programmes that were working separately towards the same goals. The pact is designed to work with Brazilian communities where tourism takes place so that they can create new tourism-based jobs, and then apply the results to other tourist destinations in Brazil.

This is part of ITC's approach to reducing poverty through trade, tested in communities in 16 countries. Operational in Bahia, Brazil since 2004, ITC's approach has generated 2000 new jobs and local unemployment dropped from 30% to less than 5%. Salaries of 390 local women artisans have risen from US\$40 to US\$250. Another 2200 direct jobs and 1200 indirect jobs are likely to emerge in this next phase, with salaries for small-scale agricultural producers expected to double.

- [Trade intelligence tailored to national needs](#)

In Uruguay, designated as a “One UN” country, our dialogue with the stakeholders has identified trade information needs as a priority. Trade intelligence has, therefore, been singled out as a key area for improvement in the trade support system to improve international competitiveness, and it is even more important now to help businesses cope in this current economic crisis.

ITC has assessed demand and supply of trade information and, based on that assessment, it has defined trade information needs of the export community. In cooperation with Uruguay's External Relations Ministry and embassies, ITC is now helping Uruguay strengthen its capacity to provide trade information services for the export community. These recommendations and systems will also serve as a basis to implement a Uruguayan National Platform of Trade Intelligence.

In Brazil, ITC is currently providing APEX - the Brazilian TPO - with consultancy services to help develop a new trade intelligence platform, which combines trade information with artificial intelligence tools. APEX will be able to expand its range of clients, providing information that cannot be captured or processed by traditional research and analysis methods.

- Encouraging trade in services

Trade in services underpins all economic activity and are part of global trade in their own right. ITC has been working in Central America to build trade in services capacity through business networking and training. For example, over 150 entrepreneurs from Central America developed an action plan for software export development in El Salvador.

ITC has also carried out services capacity studies in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, trained service associations and providers and organized awareness raising workshops for government officials in each of the five Central American countries.

- Trade finance for SME competitiveness

Access to affordable finance is a key determinant of enterprise competitiveness. To alleviate the adverse impact of the financial crisis on SME lending, ITC has developed short and medium-term solutions to bridge the knowledge gap between small businesses and financial institutions, by encouraging dialogue and building trust amongst them. ITC is:

- Strengthening financial management capacities of SME managers to develop bankable proposals to access financial resources;
- Facilitating financial institutions' risk assessment of exporting SMEs, through an interactive screening tool that rapidly assesses real SME export potential and management of associated risk;
- Mobilizing long-term credit and guarantee lines from development banks for SMEs, hosted within commercial banks, using screening based on ITC certification methodology.

Pilot applications successfully conducted in India, Tunisia and Lao PDR (where over 200 SMEs already benefited) show promise for a similar initiative ITC is launching in Latin America and the Caribbean.

A ROAD MAP FOR THE PRIVATE SECTOR

- The business voice in Aid for Trade

ITC will work with the business community during the process to highlight private sector concerns, so that the business voice is included in the Aid for Trade process. ITC has a track record in organizing business advocacy events to support inclusion of the voice of business in the Doha Development agenda and Economic Partnership Agreements. The private sector will be helped to get organised and acquire technical competence to engage in effective advocacy to help harmonise policies and regulations across the region to resolve non-tariff barriers. The aim is to create a road map of actions to address private sector issues.

ITC also shares inspirational cases of public-private partnership. Other countries can adapt and develop their own approaches for an enabling business environment. ITC also continues to document business interests and concerns through its websites.

FOR FURTHER INFORMATION, PLEASE CONTACT



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