




Creation of Complementary Economic Zones as a strategy to deepen coordination and convergence among the countries of Latin America and the Caribbean

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Creation of Complementary Economic Zones as a strategy to deepen coordination and convergence among the countries of Latin America and the Caribbean

Intra-Regional Relations

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F O R E W O R D

This study has been drafted pursuant to Activity I.1.6 of the Work Programme of the Permanent Secretariat of SELA for the year 2015, "Establishment of Complementary Economic Zones as a strategy for deepening the coordination and convergence among the countries of Latin America and the Caribbean".

The document is divided into six chapters: (i) Conceptual aspects of complementary economic zones (CEZ); (ii) economic goals of a CEZ among ALBA-TCP, MERCOSUR, CARICOM and PETROCARIBE; (iii) norms for the instrumentation of CEZ; (iv) norms for the installation and development of investments on CEZs; (v) impact of CEZs on intra-regional trade, and lastly, conclusions.

This study was requested by the Illustrious Government of the Bolivarian Republic of Venezuela, which recommended consultant Ramón París for its preparation.

The Permanent Secretariat of SELA remarks that only format adjustments have been made to the original draft. Writing, contents, opinions, and recommendations are the exclusive responsibility of the author.

EXECUTIVE SUMMARY

Regional Trade Agreements (RTAs), as well as economic integration processes and Free Trade Agreements (FTAs), are the biggest commercial response in world economy at present, despite the existence of the World Trade Organization (WTO). Since the 1990s, when liberal trends began to gain momentum, until now, regional trends were a response to the so-called globalization. Firstly, regional trends were defences for the preservation of economic integration. Secondly, they were within the framework of associated search, probably because of the unequal response vis-à-vis the so-called globalization, due to or in spite of the WTO.

This is a notable phenomenon, because since 2010, 457 RTAs have been notified before the WTO. From that figure, 266 are already in effect.

However, these RTAs were not an exclusive behaviour. They seem to be part of a trend, since academics and policymakers have devoted to generate new ways of thinking, or supporting growth and development of the nations, also appealing to the combined regional efforts. All this comes from the success of the Chinese with Special Economic Zones (SEZ), and the huge call for foreign investment that this country achieved. Until now, China has capitalized on such these investments, in economic terms and in terms of specialized knowledge.

Regarding SEZ, generating a space with services, infrastructure, and improved regulations reduces the cost and risk of operations of the investments located there. Not all examples are good, there are also stories that lead to think SEZ are a no-man's land. The reason for this is that, because in order to provide efficiency to the capital, fundamental (environmental and labour) rights are violated, even human rights. This speaks negatively about this type of mechanism.

Along with these situations, the countries of the Bolivarian Alliance for the Peoples of Our America – Peoples' Trade Treaty (ALBA-TCP) have reached a common position about exploring new mechanisms for consolidating integration. ALBA-TCP countries have been concerned mainly about the low and very low levels of commercial response within the processes in Central America and the Caribbean, and about the relations among these integration processes and the Southern Common Market (MERCOSUR). Some agree that economic relations among integration processes are scarce, almost marginal, and that is why there is a space for innovating integrating formulas supported on that construction space, which is not completely used yet.

Even in the internal debates within the ALBA-TCP, a concrete option has been contemplated, which deals with regional concerns; promoting, in 2008, the creation of Shared Development Economic Zones for articulating production, services, and trade among the member countries, but giving up savage capitalism, which are a threat for these regional initiatives. All of this is promoted by the idea of productive complementarity, which focuses on developing initiatives for manufacturing in sectors or product branches. Its goal is to promote the development of concrete mutual capacities.

At the XLVII Summit of Heads of State of MERCOSUR, carried out in Caracas in July 2014, ALBA, PETROCARIBE, CARICOM and MERCOSUR integration processes were highlighted within the agreements of the States represented in that meeting for establishing a Complementary Economic Zone.

This document is a proposal for the definition and organization of such zone, proposing participation conditions and norms for the creation of said economic zone, which are inspired on the principles of sustainable development. This document also proposes best practices for labour

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management, and even on the basis of respect for human rights. These elements generate a unique definition for those spaces, thus making a clear statement of principles against savage capitalism and its consequences.

These RTAs have a long story in which convention imposes and points out that these zones are not located within the customs territory of the countries with those agreements. That is why they are not subject of study of trade politics of State, at least, not being an object of study so clear as someone located within national customs territory.

What has not been achieved within the norms is a point of agreement, coexistence, or exploitation for the member countries of RTAs, particularly of integration processes, to gather the best of both models. Finding a solution for this seems very convenient in order to improve trade and production dynamism.

This solution can be supported by the productive complementarity, which, as said, aims at generating productive dynamism models in sectors or product branches, and in SMEs of involved countries; all of this under the guideline of trade scarcity among the partners of the four processes of multinational association already mentioned. This hopes to count with a greater proportion of trade from the countries in the region, according to the rules of common participation of productive forces of the aforementioned countries.

However, along with trying to promote the creation of CEZ (Complementary Economic Zones), there is the historic responsibility of not falling to the easy and counterproductive temptation of making workforce pay (through their exploitation), or making the environment pay (through irresponsible manufacture techniques), or, in general, alienating sustainable development and human rights; all this with the goal of cutting prices on production and increasing profitability. It is about working towards an integrating paradigm that generates some extra expenses, but does so in order to preserve the environment, and within it, man, the human being.

In order to do so, it is necessary to search for methods and norms that support trade generated in special conditions (preserving the environment, labour democracy, and human rights). This search can be carried out through commercial tools for this necessary compensation. This paper deals with both concepts and experiences of fair trade that show how to compensate the effort, in spite of externalities, in order to respect these fundamental principles.

A fundamental discipline related to all these purposes refers to the origin of the merchandise. Calculating the accumulation of origin, for example, is an instrument for the productive integration by allowing productive processes to add value to a product from different phases of the same process. Likewise, it could also be designed for supporting what the CEZ produces, if, for example, externalities are met and manufacturing is rewarded with the access to a given market.

An element that could announce a possible treatment of the production of those zones is what was discussed at the integration processes. At those processes, the norms about the treatment of what is produced on Free Zones or Special Economic Zones are not clear in every case for maintaining the product treatment (of third countries) conceded to the products manufactured in these zones.

The intention of Complementary Economic Zones is to build complementary economies to national productions from national offers. This is so as long as products generated in said

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economies do not become factors for unfair competition to legally constituted productions within the regional market.

There is still a lot to clarify talk about this subject, which is why this paper intends to be didactic, in order not to clinch unnecessarily to conventions. There could be the key the CEZ tries to produce, linked to principles everyone agrees on and expects rewards from. There, convergence should be accomplished with the effort of understanding the scope and the possibilities of its accomplishments.

INTRODUCTION

Countries from the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Treaty (ALBA-TCP) have reached a common position about the need to explore new mechanisms for deepening integration. These nations look with concern the low and very low levels of commercial response within the processes of Central America and the Caribbean, mainly, and also the relations established between these integration processes and the Southern Common Market (MERCOSUR). There are coincidences in which economic relations between integration processes are scarce, almost minimal. That is why there is still an innovation space with integrating formulas, still not taken advantage of.

At the XLVI Summit of Heads of State of MERCOSUR, carried out in Caracas in July 2014, participating authorities of member states of ALBA-TCP, PETROCARIBE, CARICOM, and MERCOSUR expressed their will to move forward towards the establishment of a Complementary Economic Zone (CEZ) among the four mechanisms.

This paper is a proposal towards the definition and organization of this Zone, posing criteria and participation conditions, as well as norms for its creation inspired on sustainable development, positive work practices on the basis of human rights. What is proposed with CEZs is to build complementary economies to national productions from national offers. This is so as long as products generated in said economies do not become a factor for unfair competition to legally constituted productions within the regional market.

CEZs take geographical spaces within national borders of a given country. In said country, there is a different set of business rules, which are generally more liberal those prevailing on national territory. When providing with a space with services, infrastructure, and an improved regulatory environment, CEZs reduce costs and risks for enterprises and the investments that form them.

In this regard, this paper is divided into six chapters that deal with concepts of CEZ, the economic goals that a CEZ should pursue among ALBA-TCP, MERCOSUR, CARICOM, and PETROCARIBE, the factual norms for its implementation within the framework of regional integration in effect, ways to promote those norms, the determination of norms for the installation and development of national and foreign direct investments (FDI), and finally, an exercise to determine the impact of CEZ on intra-regional trade.

I. DEFINITION AND CONSIDERATIONS ABOUT THE CONCEPT OF COMPLEMENTARY ECONOMIC ZONE (CEZ)

Regional Trade Agreements (RTA) included in integration processes generate a very important environment for international trade. That happens because of their capacity to reduce barriers to regional or sub-regional trade; thus enhancing the potential for achieving larger economies of production among their members. Regional trade agreements stimulate both national and foreign investment for enterprises within the space they are building.

The reaction of different countries is empirically identified in several sites around the world in order to foster Regional Trade Agreements in diverse geographical spaces. A reason for this is maybe the lack of dynamism of the World Trade Organization (WTO) in order to solve problems of regarding world trade.

Furthermore, actual data confirm that there is a provable behaviour of what is happening. Since February 2010, 457 regional trade agreements have been notified before the WTO; 266 of which are already in effect. These figures are expected to continue increasing.

Apart from RTAs, more initiatives have been developing that have to do with the increase of the export capacity. These initiatives seek desperately to increase flexibility for production conditions, without capacities for the relation with regional and world markets. Special Economic Zones (SEZ) are an expression of those changes. They are limited geographical areas within national borders of country where business rules are different; generally, more liberal than those prevailing on national territory.

Providing a space with an improved regulatory environment, and better infrastructure and services, the special economic zones reduce costs and risks for companies and their investments. Of course, not all people have the same perception about the phenomenon of SEZs.

Many will refer to the Shezhen miracle: a fishing village in China that was transformed into a cosmopolitan city whose Gross Domestic Product has grown 100-fold in the 30-year period since it was designated as a SEZ. Others will think of an industrial park in a developing country, surrounded by poor neighbourhoods, but made up by multinational enterprises enjoying exemptions that come with the package of a SEZ. Other people could think about Singapore, a small country located in Southeast Asia. It is now a hub for services for the Pacific region, currently holding the first place in the world regarding per capita income. Interestingly, all three of the previous examples are correct.

Another relevant observation is the different approach in the European Union, mainly, where they have dedicated to work on common strategies to SEZs, applied to European customs territory. Examples of this are industrial agglomerations, or clusters. Likewise, SEZs gain a different meaning at the North American Free Trade Agreement (NAFTA) regarding the idea of *maquila*, which generally, but not exclusively, is installed in borderline areas.

Trying to study the relation between delimited zones and RTAs (included integration) imposes some disciplines and important lessons from the start. The first problem that arises when checking what this category covers is different terminology and design the countries count on to refer apparently to the same subject. Free Zones, Free Ports, Industrial Free Ports, Exports Processing Zones, Special Customs Zones, etc, are just some names used around the world to refer to the subject. Frequently, other customs regimes are used. Also, other export-promotion mechanisms,

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such as rights devolution, temporary imports, active processing, customs deposits, etc, more often than not manage to confuse the unprepared or uninitiated.

Lessons that can be learned are clearly identified as follows: treatment themes of limited zones on RTAs have a long story where technical recognition imposes that these zones are not located within customs territory of their countries. That is why they are not the subject of interest of State trade policies, at least, not with the same interest of somebody located within customs national territory.

What is not explained in studies is the conciliation, coexistence, or exploitation points for member countries of RTAs, particularly in integration processes, so that they can take advantage of their process and also of the delimited zones, since these do not belong to the customs national territory or to the wider market. Seeking a solution for this seems very convenient for the improvement of commercial and productive dynamism. This could redraw some important free zones in Latin America and the Caribbean for their own benefit and better future. It is convenient to try to accomplish synergy between RTAs and delimited zones.

Aside from this reality, in order to materialize a new integrating vision, the countries of the ALBA-TCP, develop debates about the best way to found an *ad hoc* vision of productive complementation. That is why some debates have presented the creation of an Economic Zone of Shared Development (EZSD) as greater aspiration regarding productive integration. This was pointed out at the VI Summit ALBA-TCP (26 January 2008), or as it is called today Complementary Economic Zone (CEZ). Such a zone would articulate productions, services and trade among member countries giving up ideas that privilege capital, or at least eradicate savage capitalism, which is the completion of competitiveness at any price, through any means, only with the end of an optimal remuneration.

The ALBA-TCP project and process conceives ALBA-Zone as a "Grandnation", where "grandnational" projects must be carried out in order to comply with the principles and goals of ALBA-TCP. Those projects are to be conducted through "grandnational" enterprises which according to the document "Conceptualization of Projects and Grandnational enterprises within the ALBA framework" are fundamental economic instruments for the creation of EZSD or CEZ.

This "Grandnational planning", whose main executors are Grandnational enterprises according to the VI Summit of ALBA, must be "based on the optimization of every available resource towards the achievement of linkage, productive efficiency, satisfaction of needs, and fair prices".

Economic complementation is considered as a relation in wide economic sectors among countries. It is an encounter between heterogeneous spaces that pursue general economic goals. Classical economic integration through Economic Complementation Agreements (generally through RTAs) is based on this principle. On the other hand, productive complementation is focused on particular or specific spaces (*sectors or product branches*) and their goal is to increase and strengthen concrete mutual capacities.

Both ways of relations are close to integration. However, it is important to point out that the application of both ways of relations between countries have been used irregularly in Latin America and the Caribbean; focusing on commercial ends for the first one (what is called economic complementation) almost exclusively.

This is mentioned in order to highlight the importance of maintaining the use of instruments in its highest aspiration, and thus reduce significantly the mistakes of the past. This is so in order to try to generate programmes and projects that take great advantage of this historic opportunity given by the ALBA to start an integration process that includes and utilize the recognition of regional asymmetries. All of this within the framework of Sustainable Development and not depending on competition factors with the sole perspective of economic remuneration.

But the goals of the ALBA-TCP go beyond; it intends to generate a process that takes a greater dimension, coverage for "the Americas". That is the reason for the desire to define and make up a Complementary Economic Zone compatible with regional integration (where strengthening and diversifying efforts for national productive processes are given much importance) and also to provide a basis for new regional trade dynamism, non-predatory but with future. This dynamism should surpass the regions defined by ALBA, PETROCARIBE, MERCOSUR and CARICOM as pioneer spaces for this innovating effort. This was ratified by the XVLI Summit of MERCOSUR, carried out in Caracas on 29 July 2014, where the will of member states was highlighted to move forwards in the establishment of a Complementary Economic Zone.

1. Contents

Depending on the structure of the CEZ, enterprises participating in it can be from any country. This is so as long as investments arriving to this space, zone, or regime, can comply completely with the established demands. Enterprises belonging to sectors of the economy like production, commerce or services can be established as long as the enterprise shows in its project and development process that its action is engaged with complementation entrepreneurs effectively built.

2. Structure

There are several modes of how a CEZ can be:

- a. Regulatory regime with free location (conceptual characterization that the countries can adapt to any region).
- b. Policies and instruments applicable on selected enterprises.

3. Mechanisms

- a. Preferential access to free trade zones or customs unions of the region.
- b. Possibility of adding recognizable origin within any other process of regional integration, in order to be complemented within the CEZ or from the CEZ with products located within customs territory of member countries.
- c. For the enterprises located within the CEZ, the possibility of providing services internally or to enterprises located in the customs territory of member states.
- d. Definition of incentives by friendly manufacture conditions with the environment.
- e. Access to preferential financing from development banks.

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II. DETERMINATION OF ECONOMIC AND SOCIAL GOALS OF A CEZ AMONG ALBA-TCP, PETROCARIBE, MERCOSUR AND CARICOM

Regional integration processes seek the promotion of the complementation among the countries of the region. While this is the goal of the negotiations, results differ because of the conception of the complementation; more than an economic complementation by the framework of options that are opened by the agreements, such as supported productive complementation, directed by policies agreed on by States of the region. That is reason for the promotion of an initiative like the CEZs.

The struggle for generating a more consequent development with improvement of social response, and diminishing of asymmetry levels in the region, is a strong motivation for generating a more determined process of productive complementation. All of that in order to promote development, and to reduce poverty and social exclusion. It is understood that promoting a strategy of complementation in the region can collide with some opinions regarding the current model of world interchange, which in the end does not generate options for economic growth that would make the world a better place. It should come from the national effort, along with solidarity and cooperation, and closing of ranks for a greater and better regional response.

The formation of a political mechanism of dialogue among MERCOSUR, ALBA-TCP, CARICOM and PETROCARIBE will check options and arrange mechanisms for promoting the constitution of a CEZ, pursuing the target of more dynamic political and economic relations, strengthening the development of a new perspective for trade through maximal efforts of productive complementation with balance and justice for responding to the highest development interests of the peoples.

The effort will have to appeal to formulas that contribute to greater currents of trade from the region. This does not imply generating unfair competition with the products already established as exports within the space of Latin America and the Caribbean (LAC).

For that purpose, strategies of cooperation that support efficiently investments of the countries of the region that contribute to form complementary economic zones will be developed.

The design and launch of a Complementary Economic Zone among the countries forming MERCOSUR, ALBA-TCP, CARICOM and PETROCARIBE will increase cohesion among those regional processes; it will allow for a greater understanding of the regional reality and will also help to overcome some problems in the region. These problems are mainly related to the need for generating productive labour on the basis of sustainable proposals regarding employment, the environment, respecting basic human rights, under the environmental principles of non-predation.

Deepening cooperation will help reaching a common effort (towards CEZ) in the search for new alternatives of complementation and the eventual alternative way for sub-regional integration. This will provide with coherence to new forms of convergence among the processes.

Initiatives from the public and private sectors of the member states in new ways, with more dynamism, (as well as a new space for regional science and technology) should promote the foundation of a new perspective for the innovation and promotion of environmentally friendly technologies. Along with this, the formation of instruments and mechanisms should allow CEZs to develop small and medium enterprises (SMEs) in the region.

Within all this vision, the development of commercial initiatives that provide CEZ with the possibilities of generating regional added value is necessary, combining the productive effort with the generation of services that increase dynamism of value chains, thus defining a new space in the region for the manufacture within a modern conception of production management. This modern approach will have to be defined from the non-predation, friendliness towards men and the environment, ethics and equality on the production and distribution of commercial benefits, and technology assimilation for creating a new paradigm based on the postulates for sustainable development.

The aforementioned aspects should not be opposed to productivity and competitiveness criteria. Also, it should not be opposed to productive needs that limit productive efficiency of the installed processes. All of that must result diversely on the improvement of living standards of our regions.

These ideas should agree with ALBA postulates that obey to social and cultural principles. The agreement of those principles will be fundamental for directing the effective destination of CEZ. The relevance of this subject continues under discussion since it is absent at the moment from the permanent agenda of MERCOSUR.

III. DETERMINATION OF REGIONAL INSTITUTIONAL REGULATIONS FOR THE IMPLEMENTATION OF THE CEZ WITHIN THE CONTEXT OF THE REGULATIONS FOR COMMERCIAL AND ECONOMIC INTEGRATION. THE LIMITS OF REGIONAL INTEGRATION

In order to generate a regional institutional set of rules that allows arranging a Complementary Economic Zone as delimited or political zone and their applicable instruments to enterprises in the region. The study of elements of production is imposed, mainly of trade elements that affect regional interchange. It is estimated that the study of circumstances that weigh on regional economic activity can throw clues for establishing a model of behaviour to form a regulative project of Complementary Economic Zone in terms that are characteristic of it.

First, derivative situations are presented for the formation of Industrial Free Zones, generally other delimited zones, and their technical equivalents (Free Exports Zones, Free Industrial Ports, among others) about the set of rules applicable on these zones. Second, considerations are studied about regional integration processes that impose certain conditions on a project of delimited zones with preferential treatment. Finally, the alternate format will be studied: making the CEZ a policy, along with their instruments of selective application.

As corollary, the activities inherent to the environment that interact with commerce and international trade are a field of study and academic attention on international politics forums dealing with economics and production.

Regulations related to Free Industrial Zones and Special Economic Zones as a base for developing a regional approach that serves as a foundation for Complementary Economic Zones

Around the world, special regimes have been created to attract investments, especially those related to exports (special imposition regimes, re-export regime, prompt procedures, among others). Of these, the most common regime is the one at Free Zones or Free Industrial Zones, which, according to the theory, are geographically delimited areas. Generally, these are considered as external zones to the customs territory of a country in which special provisions are applied.

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Most of the times, those provisions are more favourable to production and exports than on customs territory. Enterprises located at these special spaces receive frequently fiscal benefits like tax-free imports and tax exemptions, apart from other special public services.

Establishing Free Industrial Zones is part of an economic policy (a trade policy, specifically) strives to promote investment flows to the delimited zone. In recent times, it also motivates investments within customs territory of the country or countries linked to the Zone. This phenomenon occurs increasingly in some delimited zones. A reason for this could be the bond that becomes tighter among the activities conducted in the free zone and the customs territory. This is one of the foundations that makes the free zone more modern in order to articulate production, trade, and services to producers within the delimited zone with producers in a customs territory. As long as the treatment of these special territories evolves, they become more relevant, to the point of identifying an evolution on the mechanism known now as Special Economic Zone.

However, the essential strategic component, from the official point of view, is still to promote the production, trade, and services at an international level. This is done through tax exemptions on imported goods (raw material, intermediate goods, and capital goods) that get incorporated to manufacture conducted on the delimited zone in order to make the production on these regions easier and more competitive.

Undoubtedly, this first definition could be shared completely to be applied on Complementary Economic Zones, especially if those exemptions and support do not go against any purpose for the relevance of the competition. However, it is convenient to explore the legitimacy of that competition if, according to CEZ proposals, production is forced to comply with that concept and with the concept of Sustainable Development in all of its facets.

Another discussed subject, but still without conclusions, is the articulations of productions within the customs territory and outside of it, specifically on delimited zones. However, it is convenient to postpone the analysis of this aspect until the end of the chapter.

Incentives for exports and Foreign Direct Investments (FDI) are of a fiscal nature. That is why they are based on national laws that promote delimited zones (Free Zones, SEZ, and now CEZ).

However, the WTO considers special regimes as subsidies to exports through specific actions that affect trade and go against WTO Agreement on Subsidies and Countervailing Measures (ASCM).

Article 27.4 of the GATT agreement foresees a temporary exemption applicable to low-income countries, and also deadlines for the elimination of subsidies to medium-income countries. Honduras and Nicaragua are not affected by the prohibition of subventions to exports (Annex VII (b) of the ASCM) while their GDP per capita is lower than US\$ 1,000 for three consecutive years. Guatemala and the Dominican Republic enjoyed this exemption temporarily: in 2007 they were excluded from the list for surpassing the limit of US\$ 1,000. Every developing country not included on Annex VII of the ASCM (considering also excluded ones like Guatemala and Dominican Republic) had the obligation of eliminating subsidies to exports during eight years. This came in effect on 31 December 2002.

However, at the request of smaller countries, the ASCM Committee issued an increase of exemptions for five years, and additional years for achieving the gradual removal of subsidies.

In 2007, the WTO General Council issued another extension (until 31 December 2013) for finally getting rid of those subsidies. Central America and the Dominican Republic benefit from this extension (WT/L/691, OMC 2007b).

It is well known that the WTO request is to identify inconsistent measures to the ASCM agreement. Also, it requires designing and promoting the development of a plan for the gradual elimination of said measures, and finally, applying said plan. Costa Rica and Panama have undertaken a legal restructuring for substituting FZ and SEZ, in order to comply with the demands on subsidies of the WTO. El Salvador and Guatemala are developing a normative restructuring plan containing norms opposing the WTO.

Many of the aforementioned instruments are used for the promotion of delimited zones, particularly, FIZ and SEZ. The most commonly used instrument deals with income taxes and direct taxes.

Regional Regulations on Merchandise Origin

Along with the ASMC, the Rules of Origin are the fundamental regulations that determine the course of delimited zones.

The regime of the rules of origin is an integration process or trade agreement that establishes criteria to determine the origin of merchandise, allowing only those goods or merchandise produced with local, or mainly local, consumables to benefit from negotiated tariff preferences.

Otherwise, a phenomenon called deflection or triangulation of trade would be generated. This phenomenon *grosso modo* involves the fact that pirated merchandise can benefit from a free trade situation, coming into the country with or without tax exemptions, and then coming into the partner country with tax exemptions.

The origin regime determines in a precise manner the volume of extra regional goods that a product must contain in order to be preferred over another.

When Customs Union is perfected, logic parameters change. On that integration level, no rules of origin should exist because of three reasons:

- All imports from third countries are subject to the same tariff level (Common External Tariff).
- Tariff collection is carried out by using the same policies, and generally, inside the same department.
- There is free circulation of any merchandise once the Common External Tariff is paid.

Another situation can come up when one of the countries within the integration processes or the free trade area decides to give preference to extra-regional supplies (from third countries). This generates some consequences, because such supplies would benefit from their access to tariff-free preferential zones. Integration processes and free trade agreements often dictate norms that prevent this type of preferences from happening.

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The regime of origin determines the precise level of regional components that products should have to be labelled as original and benefit from the special treatment. Restrictions on mechanisms of exoneration for regional supplies control tariff levels at extra-regional level, in order to avoid the trade triangulation. This is the logic on integration agreements.

However, when integration processes and free trade agreements of the region are revised, it is evident that there is no homogeneous treatment for goods manufactured in delimited zones. Sometimes, even the regulations are not specific towards these territorial regimes. Most of the times, regulations refer to Special Regimes or devolution programs or tax differing, but not always FIZ or SEZ are explicitly discussed. More specific instruments are quoted, such as drawbacks, tax exemptions, active perfecting, *maquila*, temporary imports, among others.

In any case, it is important to identify every regime whose common denominator is certain merchandise (supplies or capital goods) are entered into a country's territory tax-free, or favoured by suspension regime. In general, the merchandise is required to be re-exported within a peremptory period, or supplies of other kind must be exported. It is important to remember that systems can contain various exemption or suspension regimes within delimited zones. Also, additional benefits are conceded to the taxpayer, such as direct tax exemption, mainly from income tax. All of this is done for promoting exports and attracting FDI.

Regarding the Caribbean Community (CARICOM) and the Central American Common Market (CACM) it was simply agreed not to give special treatment for original merchandise. That means, theoretically, that the merchandise produced under these regimes, including delimited zones, should pay the Common External Tax (or a corresponding one) if they want to get incorporated into preferential customs territory.

On the other hand, regarding the agreement between the Dominican Republic and CARICOM, in the Andean Community and the agreement between the Dominican Republic and Panama, there are no specific rules.

In the North American Free Trade Agreement (NAFTA), it was also agreed to reject that products manufactured in this zones (FIZ and SEZ) enter preferential territory with corresponding tariff exemptions. There are other situations that can be highlighted.

Canada established a restrictive approach on its FTA with the United States in 1989. This agreement was incorporated into the NAFTA. However, on the agreements with Chile and Costa Rica the acceptance of policies of tax exemption was conditioned. Likewise, a satisfactory notification for their interest was necessary; also, that the benefits of the FIZ in Costa Rica and that the policy of simplified benefits in Chile is not given to the merchandise coming from Canada. By making specific reference to programs of each country (which are not everyone in effect in that country), the space, and the reach of the obligation is lower and only covers those programs. It could be applied, for example, some refund program that does not imply subsidies to exports. There is greater flexibility under this perspective.

In the case of the FTAs of Mexico with Costa Rica and Nicaragua, there are restrictions about refund programs or tariff exemptions in effect, seven years after the effective application of the agreement. In the case of the FTA with Bolivia, it lasts eight years. However, on such agreements the imposed discipline does not eliminate the possibility of maintaining elimination programs for tariff exemptions. The idea is that such programs are not excessive and do not become subsidies to exports. Nevertheless, Mexico uses exemption clauses to prevent those flexibilities from

generating an unexpected increase in the level of exports that could be detrimental to local producers.

There are other interesting cases such as that of Dominican Republic in some of its agreements (and some Central American countries as well) when conceding a form of national treatment within its customs territory to goods coming from its delimited zones. In other words, products manufactured in delimited zones can be imported within the terms of national legislation for the entry of merchandise from their own zones.

Finally, evaluating the normative situation, some reasons for rejecting the incorporation of products manufactured under special regimes can be identified.

Firstly, of course, is the triangulation that becomes a form of perforation of the tariff policy of a country.

Secondly, allowing the access of products could endanger local producers of the same good; it would be against the interest of competitors located in delimited zones, who could import supplies or machinery without paying importation tariffs.

Thirdly, dealing with countries that participate in an integration process (the immense majority), producers are incited to manufacture supplies produced within the wider economic space achieved by integration, promoting the intra-industrial integration: a goal the agreement and their policies persecute.

Fourthly, in general, producers located in delimited zones receive additional tariff benefits through direct or indirect tariffs, and their exemptions are temporary or permanent. Also, other incentives linked to FDI or to exports (depending on the zone). Those incentives have to do, for example, with training, exchange, bonuses, or finances; they are not received by manufacturers located within customs national territory.

As can be seen, there are many reasons. But these reasons are applicable in the countries (from the region, particularly) differently, according to their problems and needs.

The limits of regional integration

The problems stemming from the coexistence of integration agreements or regional trade agreements and SEZ are related to: commerce through triangulation, promotion of the economic integration in the region, and competitive position of producers within the customs territory.

As already mentioned about the Andean Community, the problem of harmonizing special customs regimes has not been solved (at least regarding SEZs).

According to the Andean norm: "Duty-Free Zones (and any other zone that offer tax benefits) form part of the national territory of each Member Country of the Andean Community, as duly limited. Merchandise introduced in such zones will be considered, in general, as not being within the Community's customs territory regarding rights, taxes, and surcharges. Duty-Free Zones are governed by the provisions established in the national legislations of each member country".

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The Andean Community CAN decided not to regulate delimited zones at a community level. They leave this decision up to their Member States (national legislation): to condition the access to products manufactured in delimited zones.

It is known that some products of the Manaus Special Customs Zone and some delimited zones of Colombia have access thanks to the Economic Complementarity Agreement (ACE 59) within the Latin American Integration Association (ALADI) to the territory of other countries. With it, the discretion principle on the application of this specific norm by the CAN countries is accomplished, under their own legislation.

To sum up, the subject of delimited zones does not benefit from the Andean legislation, even though the fact of leaving it up to each country marks recognition of these countries as political actor in the economy of the Andean partners.

Regarding MERCOSUR, although the situation is clearer from the legal point of view, the reality is not very different from that of the CAN. As already mentioned, Decision 8/94 of MERCOSUR regulated these regimes from an orthodox point of view.

Article 2. Unless otherwise dictated, the Member Countries shall apply the common external tariff to goods coming from commercial and industrial free zones, export processing zones and special Customs areas”.

In other words, legislation prevents trade of merchandise from outside customs territory of MERCOSUR.

However, the norm releases from this obligation and allows that the Special Customs Areas of Manaus and Tierra del Fuego (given their depressed zones) maintain their legal status until 2013. Moreover, it is known that this situation was postponed until 2023.

It is important to recall that within MERCOSUR a mechanism was set up for “bilateral commercial liberation” among products manufactured in the Special Customs Areas of Manaus (Brazil), Tierra del Fuego (Argentina), and Palmira/Colonia (Uruguay), in order to allow imports and exports of products manufactured in these SEZ. That means that they can move around these zones without paying the Common External Tax. That flexibility is registered on the norms.

Additionally, the elimination of market share of products from delimited zone is not obligatorily prohibited. MERCOSUR status opens up regional possibilities at least for the negotiation of access to markets of products coming from those zones:

Article 11 – The trade negotiations between MERCOSUR and third parties or blocs shall not exclude *a priori* products produced in free zones of any kind, or Special Customs Areas in Member Countries. Specific conditions regarding each case will be defined by GMC.

MERCOSUR/CMC/Decision 069/00

Flexibility of regional integration with rules of origin opens a way for thinking that products from SEZ can be original and/or accumulate origin regarding customs territory of involved countries. Particularly, this is so if it does not become direct competition of important productions of countries in the region, or if the manufacture process, complementary as it is, advocates to

articulate processes that add dynamism to trade without causing deviations (according to David Viner).

These normative issues can be applied to delimited zones or to productions elaborated within the framework of policies and applicable instruments selectively to enterprises of the region.

1. Conceptual contributions to the creation of a CEZ

Two relatively modern concepts may be permanently associated with the CEZ given the characteristics of its structure.

The first is the value chain that accounts for an abstraction which explains the form of productive organization of modern enterprises that incorporate in the manufacture of products, design, manufacturing and services, associated in a joint effort to add value to the good that will result from this combination of efforts. The second refers to the business clusters, which are groups of enterprises, generally of different ownership and legal right, coming together to contribute to a manufacture, whether of parts, pieces or services, thereby adopting various arrangements with one or several major companies.

The developing countries often enter the value chains and business clusters in the level of lower technological complexity, performing tasks that require unskilled work and using confined areas. Slowly or gradually, they may consider increasing the complexity of their contributions in the chain or cluster, to improve their economic performance or be better placed to face their conditions of competition, against potential rivals. They can later move towards developing critical components, to reach a stage of the utmost importance such as innovation.

It is understood that this process in the outlined stages, is complex and usually is achieved when there is an industrial policy that supports business efforts.

Having identified, in previous sections, the limitations that a CEZ could have, it is time to review the factors that may contribute to defining and generating it. To this end, it is convenient to introduce certain concepts related to value chains, which ultimately lead to partial or general contributions to a process installed anywhere in the world.

Since the concept of competitiveness was imposed some time ago, increasingly sophisticated productive internationalization activities have been identified. Relocation can be understood as the transfer of partial or total operation areas of a business to somewhere else (usually to another country) that offers more favourable manufacturing conditions for business competitiveness. Of course, there are different kinds of investment locations which are often based on the process and the final objectives implemented towards its success. Usually, the causes of relocation are the costs, labour costs in particular. This is why an in-depth analysis of this situation may result controversial.

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PHASES OF AN INVESTMENT PROJECT

Technology	Production	Marketing
<ul style="list-style-type: none"> ▪ Design ▪ Research and Development ▪ Organization ▪ Product Technology ▪ Process Technology ▪ Development 	<ul style="list-style-type: none"> ▪ Supply logistics ▪ Production of modules ▪ Production of systems ▪ Final Assembling ▪ Quality Control ▪ Packaging ▪ Inventory Management 	<ul style="list-style-type: none"> ▪ Distribution logistics ▪ Wholesales ▪ Retail sales ▪ Advertising ▪ Brand management ▪ Post sales services

A first level guideline for the CEZ is the characteristic of the processes and the contribution made by the parties for the development of the project. These three major phases, Technology-Production-Marketing, could be the fundamentals for analyzing the contribution of each investor and, above all, a way of approaching what should result from the great managers of the project.

In other words, this subdivision can help organize the complementation and, above all, identify the substantial contribution of any element that could become the key to the process.

There may be a process of developing harvest machines, whose contribution can come from some ALBA nations. The truth is that, as process and product technology, Argentine partners probably should be included in the initiative since that country is characterized for manufacturing and exporting this type of product. Of course, if we look closely, the Argentina industry has covered the cycle of knowledge on manufacturing and marketing the product in its entirety and thus may be present in various phases of the complementation project installed in the CEZ.

Another view on this issue that is not opposed to the first derives from the initiative by the Productive Integration Group of Mercosur. MERCOSUR State Parties with the intention of generating and coordinating initiatives aimed at improving the competitiveness of their cooperatives, micro, small and medium enterprises in MERCOSUR, through Productive Integration as one of the focal points for the development of the Agreement, have created a mechanism for the promotion of these business efforts. Among the specific activities being developed there are those related to the promotion of business partnerships, creating instruments of technical and financial support and coordination with various government organizations for the development of productive integration projects. This is an example of what is meant by policies and instruments.

A concrete example of this activity is given by the MERCOSUR toy industry: This initiative is developing a model of sectoral pioneer productive integration in the Agreement, having obtained significant achievements to date, including a larger participation in the regional market and a reduced reliance on products from outside the region. These results emanate from joint work aimed at developing local suppliers, generating quality jobs and reducing consumer prices.

During the Presidency Pro Tempore Argentina 2014, MERCOSUR approved the Production Integration Programme for the toy industry through **CMG Resolution N° 52/14**. It includes various activities based on three work areas – business articulation, competitive improvement and promotion of joint trade – aimed at:

- Identifying opportunities for implementing productive integration projects
- Strengthening design capacities and quality assurance
- Coordinating actions to promote joint trade
- Stimulating development of regional suppliers

- Fostering technology innovation and update
- Encouraging the formation of human resources
- Encouraging harmonization of technical certifications regionally
- Identifying support instruments to strengthen the sector
- Contributing to the increase of intra-regional trade and reduction of asymmetries

Another level of feedback that should be explored is the definition of strategic areas susceptible to encouraging productive integration. In that case the initiative of Posadas Industrial Park can be seen, located in the geographic centre of the regional bloc, together with the richest and most productive areas of Brazil and Paraguay. At the same time, the National Territorial Strategic Plan has defined that city as the core that would give structure to the framework of the Bi-Oceanic Connectivity corridor, which connects northern Chile with the most productive area of Brazil. In this context, the idea of Posadas Industrial Park is launched. This would be a case of defined area.

The Port of Posadas complements and enhances the industrial park, forming the Productive Logistics Platform. It will be a multimodal port in which barges, transport of containers and bulk goods may be operated. The Departments of Itapua and Alto Parana in Paraguay and the States of Rio Grande do Sul, Santa Catarina and Parana in Brazil are the regions with the highest agricultural and industrial production in these countries, and are located on the border with Misiones. This opens numerous possibilities for markets and productive complementation, established in a document issued by the Ministry of Development.

The priority sectors are wood, metalworking, tractors and machines for sawmills. In Mercosur these estimates are based on the possibility of engaging in the development, a foreign producer, usually as a financial arm or owner of the process and product technology.

2. Environment

In view of its links with the legitimate rights of citizens worldwide such as health, becoming an international public commodity, international trade regulations have notable exceptions. These allow opening of possibilities to design public policies that support development of environment related sectors.

It is a very important sector intending to develop a defined area, due to the options it offers from the principles of the WTO itself and, among the most important exemptions, are those described in Article XX of the former General Agreement on Tariffs and Trade (GATT) which led to the WTO, on general exceptions, which may apply even in cases where a specific measure is inconsistent with one of its main provisions; for example, Articles 1 and 3 on the Most Favoured Nation agreement and the national agreement, or Article 11 on the reduction of tariffs and other customs controls.

According to Article XX of GATT, "the WTO Members may adopt policy measures that are incompatible with the disciplines of that institution, but necessary to protect human, animal or plant life or health (point b), or relating to the conservation of irreplaceable natural resources (paragraph g). This is possible, provided that the measure is not a means of arbitrary or unjustifiable discrimination and a disguised restriction on international trade". This information is relevant to apply to the CEZ design.

These exceptions provided by the GATT allow countries to design support and development policies – incentives and even subsidies –, sanitary and phytosanitary measures and technical measures that would otherwise be considered trade barriers. The Appellate Body of the WTO has

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highlighted that conditional access to its market, to comply with rules and policies unilaterally prescribed by the importing country, falls within the scope of the exemptions of Article XX of GATT.

This means that countries could design and implement programs, incentives or subsidies that are clearly linked to the protection of the health and lives of people and animals, to preserve plants, or maybe can relate to the conservation of irreplaceable natural resources. This would also encourage programs for productive restructuring, imports restriction and support to companies or sectors, such as the case of recent U.S. public support for the restructuring of its automotive industry to make it more efficient in terms of energy.

It is important to note that, according to the Appellate Body of the WTO, the measures taken under the exception in Article XX of the GATT should show the link with the objectives that such exemptions indicate, show that they are necessary measures for the impartial preservation of natural resources, that is, that they affect both imported and domestic products.

In order to invoke an exception under paragraphs b) and g) of the mentioned Article XX in the case of an environmental measure related to trade, the Member State must establish that there is a link between its established objective of environmental policy and the measure in litigation. The measure must be:

- necessary to protect human, animal and plant life or (section b)) or
- related to the conservation of irreplaceable natural resources (paragraph g)).

To determine whether a measure is "necessary" to protect the health and lives of people and animals or to preserve plants in accordance with paragraph b) of Article XX, the Appellate Body has used a weighing and balancing process and a series of factors are dealt with, including the contribution of the environmental measure to the policy objective, the importance of the common interests or values that the measure protects and the effects of the measure on international trade. If this analysis acquiesces a preliminary conclusion that the measure is necessary, this result should be confirmed by comparing the measure with possible alternatives which may be less trade-restrictive while providing an equivalent contribution to the achievement of the objective.

3. Survey of rules and regulations

In this range of factors regarding the rules for the establishment of the confined areas or the policies and instruments selectively applicable to companies in the region, we find a set of rules and regulations that will allow the initial structuring of CEZ. For this purpose, the following rules or social or productive regulations are highlighted:

- ✓ The rules of origin, on the understanding that the CEZ products in their condition of complementary productions, could receive the benefit of a certain preferential origin recognition that besides being purely regulatory elements may be complemented by externalities related to the requirements for the preservation and conservation of the environment.
- ✓ Labour standards in the case of the CEZ should result in a comprehensive human benefit system, promoting freedom of association and recognition of collective negotiation, elimination of all forms of forced and coerced labour, abolition of child labour and eradication of all forms of discrimination in the working environment.

- ✓ Development of human capital in the form of a healthy workforce and with academic preparation.
- ✓ Various kinds of environmental standards, linked to good environmental management practices (ISO 14001); like specialized environmental standards such as those related to visual pollution, solid waste limits or those establishing the so-called product life cycle, and encourage all environment respecting technology.
- ✓ Make sustainable exploitation of natural capital in the form of natural resources, land and ecosystems that provide services such as waste absorption.
- ✓ The conditions for the flow of commodities, raw materials, capital goods and all products from CEZ that need to benefit from trade preferences due to the way the goods are produced, within the sustainable development framework.
- ✓ Sustainable development focused on three basic pillars: society, economy and environment. No matter the context, the basic idea remains the same: people, habitats and economic systems are interrelated.
- ✓ Full compliance with Phyto and Zoosanitary standards when the productive sector so requires.
- ✓ The particular situation of trade in services, which will serve as a dynamic factor of production or value chains installed under the concept of CEZ.
- ✓ The fight against all forms of corruption.
- ✓ Emphasize fair trade experience that, in recent decades, has proven that supplying sustainable products to the niche market constitutes a replicable experience.
- ✓ Develop forms of social capital in the form of institutions and social networks.
- ✓ Preserve financial capital, and produced capital such as machinery, buildings, telecommunications and other infrastructure, within the same concept of sustainability given also the scarcity of these resources.

The evolution of CEZ will require a higher level of rules and regulations to be adopted with regard to the sustainability of the factors and elements, and in the adaptation of new technological ways that allow progress in the learning trend and achievement of stages of other development.

IV. PROMOTIONAL, GEOGRAPHIC AND / OR SYSTEMATIC CHARACTERIZATION OF CEZ

The CEZ are based on a classification or natural stratification that has to do with the diversity of the countries comprising them; mainly by the size of their economies, their culture, their historical production characteristics and their regional and extra-regional trade relations, understanding that this coordination and convergence is sought on a political and economic reality that has implicit and consolidated individual and regional interests. In this regard, in a particular manner, the Caribbean and Central America have deepened a set of commitments and trade agreements (CACM and CARICOM) that enable them, under their rules and conditions, to conform their regional development space, which does not have communication beyond traditional statements in scenarios of cooperation and political coordination with South America. This limited trade agreement space is an opportunity that allows establishment of a geographic space with dynamic rules and obligations to integrate from the aforementioned diversity the establishment of a CEZ.

The implicit challenge in CEZ is the incorporation of a limited geographical area or a set of dynamic rules and obligations in productive activities for defined goods and services that complement the current situation of small countries, some of them with little industrial development, (the majority from CARICOM) and with service economies vocation. Competing with a number of continental countries that also have significant differences and asymmetries, but the

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size of their markets themselves would be an advantage to advance the consolidation of different commercial and productive territoriality within the already observed reality. All this, within the framework of the existing obligation to generate a geographical area to prepare for future challenges that are now being negotiated within the framework of the Free Trade Agreement between the European Union and the United States (TTIP), the Trans-Pacific Pact (TPP) and the Asia-Pacific Economic Cooperation (APEC) Forum.

The CEZs are based on the principle of a regulatory support, yet to be developed (this document provides some general considerations in this regard), that allow the generation of productive commitments based on increased regional market and the potential extraterritorial market, having as a scope of this internal market a space that goes beyond the regional trade agreements and comprises LAC entirely. This being originally an initial strategy that is also supported by preferences from some CARICOM and CACM countries with large markets such as the United States and the European Union, achieved by them in existing trade agreements.

In political terms, what is relevant to the structuring of the CEZ is the regional interest expressed in various declarations on the need to close commercial agreements of a continental scope (Latin America and the Caribbean), to take advantage of all existing opportunities and those not yet developed, within the framework of a trade agreement.

In addition to the above and as highlighted in various documents of SELA, CAN and MERCOSUR, there are coincidences of criteria that the current domestic market in each of the integration systems of ALC leaves many open spaces so that proposals such as CEZ have small and medium market niches that allow them, as part of a special and convergent trade policy, to materialize the increase of trade flows in that area upon commencement of the process. In this regard, intraregional trade statistics currently show a very important space for CEZ to access markets in a preferential manner and understanding this new geographical space as the starting point so that in the medium and long term it would be the support for promoting more competitive markets outside the region.

The strategy proposed for the development of CEZ is not based on the generation of a large-scale industrial space (this in a first phase) with the characteristics of the development of the production of traditional goods and services, but rather market niches that can be exploited in a complementary manner and with a strategy focused on the establishment of regional value, with guiding principles for incorporating productive sectors that otherwise would not have the possibility of joining these value chains as part of the national and regional development. This strategy should be complemented with models already in place in Asia and Africa with significant contributions of foreign capital for the consolidation of new forms of production.

The characterization of CEZ arises from principles different from traditional trade, which does not mean it will use part of its basics to create a formal and productive framework that allows successful access to intraregional markets. Possible guidelines on which the CEZs are based have the following characteristics:

- Productive development in harmony with the environment, understanding that large industrial developments and mass production scale of LAC have difficulties with the preservation of natural spaces. These CEZs have the capacity to support their productive expansion on a smaller scale on principles of environmental maintenance and protection, which should have a regional certification that confirms such reality. There are experiences in advancing fair trade that would be the starting point so that the goods produced in these

- conditions have a special certification in the region. Currently, there are consumer market niches that favour the purchase of these products at higher prices understanding that they contribute in some way to maintain production externalities as the environment.
- Productive processes where compliance with labour regulations is an element that incorporates an added value to goods and services produced, in line with principles on quality employment by the International Labour Organisation (ILO). In the production of traditional goods and services in many cases it is advanced on a thin line on labour issues. Generally, EEZs must contribute to the formation and incorporation of labour force that, in many cases, are not part of the production process and its incorporation strengthens national and regional economy, which does not exclude existing projects, but aligns them with a way of producing where work is paid fairly and these are part of the social security system of each of the countries where the social production model is implemented. The intension for these CEZ to be quality work bases in the medium term is a comparative advantage when seeking access to competitive markets based on criteria other than the price of the goods, but rather on their relationship with the environment and work.
 - The economic activities subject to the productive process, in sectors that demand primary and intermediate commodities that generally are produced regionally to generate as much as possible greater value chains and a multiplier effect on other related activities, under no circumstance exclude the possibility of using regional or extra-regional inputs that allow increase of their competitiveness.
 - Regional strengthening relies on supporting small and medium producers who, given their scale and technology, have more demands for work and have the ability to give dynamism to the CEZ, and these productive experiences can serve as an example to other geographical areas that, with similar characteristics, also incorporate into this chain and productive complementarity of value.

As pointed out in Chapter III, the rules of the WTO contains legal spaces in addition to the empirical evidence produced in Central America, allowing rethinking of CEZ as a reality within a new impetus to the process of integration among the Caribbean and Latin America, this, added to the existence of new regional market niches (detected from the beginning), and the political disposition to make trade a real instrument for local and regional development.

The structuring of CEZ is based on the principle of a framework agreement among all countries that are part of SELA which, in turn, are members of different integration systems, with particular standards and realities, where the possibility is conceived for negotiating a group of tariff items subject to a productive program, based on actual capacities and exportable offer from the countries comprising CEZ. In order to guarantee this proposal under a special Regime of Origin, that allows the free movement of goods and services produced under the aforementioned characteristics and for the purpose of stimulating the growth of intra-regional markets. This, as a direct consequence of the development of defined geographical spaces which contribute not only to regional impetus, but also to social cohesion and strengthening of the of regional integration culture.

To make implementation of CEZ attractive and viable within the framework of existing regional integration processes, some technical and commercial fundamentals should be agreed among LAC States which, in general, could be the following:

- i. Grant subsidies to a company, making it depend on its results in export (Performance requirements)

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- ii. Full or partial exemption, remission or deferment, specifically relating them to exports of indirect taxes or social security contributions payable by companies. For direct taxes, the income tax on salaries, on interest, rents, royalties and any other form of income and property taxes are recognized.
- iii. Any deduction granted to exporters based on the calculation of direct taxes which becomes more favourable than that applied to local producers.
- iv. Exemption or remission of indirect taxes on production and distribution of exported products, for an amount that exceeds the tax received on the production and distribution of similar products when sold in the domestic market. Recognized indirect taxes are: sales tax; consumption; value-added business volume, franchise, stamps, transmissions and inventory and equipment, border tax adjustments, any other tax that differs from direct taxes, as well as import charges (customs duty and any other fee or charge that is levied by imports).
- v. The remission or refund of import charges for an amount exceeding those levied on imported supplies that are consumed in the production of the exported product.
- vi. Internal transport and freight charges on exports provided or mandated by authorities, more favourable than those applied for domestic shipments.
- vii. Government supply of goods and services for use in the production of more favourable goods than the supply for domestic production.
- viii. Guarantee systems or credit insurance for export at subsidized rates, as well as subsidized export credits.
- ix. Many of the instruments mentioned are used in the promotion of the defined areas particularly IFZs and SEZs. The most frequently used is that which refers to income tax and direct taxes.

This set of policy proposals and technical considerations enhance CEZ with particular characteristics within the framework of regional interest, not only by expanding markets through the sale of goods and services, but also by seeking new ways of integration beyond the free trade agreements and customs unions into a geographical area with policy asymmetries and internal markets, outlining in the medium and long term new elements that contribute to national and regional development.

V. CHARACTERIZATION OF THE CONDITIONS THAT GOVERN THE INSTALLATION AND DEVELOPMENT OF NATIONAL AND FOREIGN INVESTMENTS

Presently, the definition of development contains multiple considerations that go far beyond the quantitative, the per capita indices where the gross domestic product (GDP) or income level of a country is divided by relating absolute values with the number of inhabitants, which today are only one data when making decisions or the development of public policies. In this sense, there is currently a general consensus that, within the concept of development, should include a set of values and rights such as democracy, civil liberties, freedom of choice and expression, tolerance and equal rights regardless of race, social status or sexual orientation, access to justice, health and education on equal terms. While some of them are being pointed out here, the debate on this issue remains open.

These issues are mentioned in the reports from the United Nations Development Program (UNDP) and, in general, are designed taking the information from official sources and non-governmental institutions (NGO) which can provide guidance to strengthen the comprehensive vision of these crucial issues.

As the above is an open debate, the issue of economic and productive development under a different framework from the traditional, it is not less controversial and, in that sense, the definition of Fair Trade as a referential framework led various international organizations (FLO-Fair Trade Labelling Organizations International, IFAT-International Fair Trade Association, NEWS-Network of European Worldshops and EFTA-European Fair Trade Association) to agree on a common concept:

“Fair trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers - especially in the South. Fair Trade organizations (backed by consumers) are engaged actively and in supporting producers, awareness raising and in campaigning for changes in the rules and practice of international trade.” Freres and Sanahuja (2005)

Taking as a reference the above and on the principle that the CEZ may be a certain geographical area or a set of rules governing the production of agreed goods and services and with different forms of production from those regulating international trade. This, within the framework of an agreement among the countries participating in the consolidation of the CEZ, not only as suppliers but also as purchasers of goods and services exported, based on a list of that will benefit from the privileges of transit of these goods to be placed in regional markets, as well as fulfilling the requirement from an agreed origin, a production process should be developed to take into account three possible phases in the short and medium term:

- i. Encouraging the production of small and medium-sized enterprises (SMEs) or productive enterprises that are already exporting to the region. This phase entails determining which products already have regional markets and foster adjustment of production processes to optimum practices from the use of the environment as the labour issue, to enhance based on the benefits obtained for trading of a production that take advantage of the tariff preferences granted and keep its productivity without infringement of the efficiency by incorporating new elements in the framework of fair trade for the goods offered.

Phase I must be supported by all marketing benefits that the productive reengineering entails in order to move from a traditional production process to one that involves raising the quality of the goods to utilize CEZ, the improvement of these results not only in the preparation of exportable products, but also in the application of requirements for sustainable development, extended environmentally, good labour practices homologated to the domestic products with added national principles on quality employment from the ILO and supported by the models of fair trade.

There is consensus on the part of the purchasers of these goods labelled under the criteria of fair trade, that their price is a bit higher than the competition, which should not entail a difficulty, since this mechanism is based on a shared responsibility assuming externalities associated with the production; the proper treatment of the environment, higher quality raw materials and labour equilibrium as the engine of this form of production. There are also enterprises that already use these methods, which will be able to take advantage of new benefits offered and to be, in case where required, drivers so that these production techniques can be applied in other areas.

The effect of increasing exports of these goods to complementary regional markets would have a short-term impact, since they benefit directly from one of the proposed mechanisms

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for the creation of CEZ such as the selection of a list of goods subject to preferential treatment, provided that they comply with the necessary origin requirement and a certification of the production process, not being a threat to local traditional production, as their vocation is different and demanding. With this they certainly could also strengthen exports to territories outside the region such as the United States and the European Union, with which many of these countries have trade agreements and already enjoy the benefit of a distribution chain of great importance.

- ii. Phase II hinges on the productive complementation and investment of national and regional capitals in activities successfully developed in Phase I, the mirror effect allows experiences in a region to be replicated in the same geographical area or even to other countries so that they also can, for these goods, enjoy the benefits of the movement of goods in the area of the States that integrate CEZ. In this connection, they could begin to form small business clusters or consortiums of companies working in the same industry and which collaborate strategically to achieve common benefits.

In the first case of productive complementation, the new demand for intermediate goods for the production of goods subject to the regulations of CEZ, would generate in the countries demands for primary or intermediate goods that are part of the final product to be placed in the economic zone or in countries with established trade agreements and treaties and which enjoy benefits prior to this process. Even depending on sectors (products or goods) that are traded, domestic added value can be generated. There are examples in the marketing of goods in the form of fair trade, where an important part of the inputs are produced by medium and small companies with quality processes accompanying the final certification of goods for fair trade.

This investment of national and regional capitals covers far beyond the fair trade market. Many Caribbean countries, over the issue of tourism, have the vocation of service production which requires quality goods to meet the users demand. In this sense, in the framework of CEZ, there can be a growth in trade derived from new domestic demands to increase the production of finished goods. It should be noted that, today, there are uncertainties for extra-regional capital that does not involve the same risk for the capital in the zone since, in many cases, temporary and recurring situations may be scary at first but later be transformed into opportunities for investors in the region.

Phase 2 will increase, due to the aforementioned elements, the regional productive capacities, with a growth of regional and extra-regional trade and also allow regional planning due to the profitability of the sectors, possible scenarios of new ventures with other scales and with different production volumes.

- iii. Foreign Direct Investments – defined as those coming from the countries that make up the CEZ – which can be substantially done in CEZ could only be done in certain geographical areas for such purpose. In this regard, the benefit of products that can be made outside these economic zones would be compatible for small and medium businesses, as explained in the previous phases. Relocating foreign investments to these geographically defined zones allows enterprises of the previous phases the possibility of strengthening their productive capacities without being absorbed by companies with different production scales.

The conditions under which these investments are made are supported on the aforementioned principles (respect for the environment and working relationships compatible with ILO standards), with benefits such as the possibility of producing on a large scale to a regional market with consensual tariff preferences on agreed goods, besides being able to access other extra-regional markets arising from trade agreements with the countries where they are implemented.

This Phase 3 is expected to be long term given that, initially, essential for the CEZ is the strengthening of productive sectors with tradition, but which lack political support and medium-scale investment to make them more competitive and enjoy the benefits achieved by the establishment of these special zones. For this reason, the characterization of this phase would be the outcome of reflection and observation of the results obtained from all the above.

References on Fair Trade in the region

In addition to the specific examples in member countries of the regional integration systems (CACM, CARICOM, CAN and MERCOSUR), it is important to note that the organization or platform has been developed to support Fair Trade in the region. This reality is overwhelming in the sense that they have been commissioned to defend, position and promote a way of producing, complying with very high standards recognized in markets in the United States, the European Union and Japan, mainly, and possibly entering into a distribution and sales circuit with about 45,000 establishments in the EU alone, according to FINE (2015). This structure visualizes many products in the region and generates a dynamic market, which was consolidated with the passing of the years.

In Mexico, the Mexican Coordination of Small Farmers and Fair Trade, brings together a network of producers of: coffee, marmalades, juices and concentrates, as well as other artisan producers who are dedicated to goldsmithery. In Central America, there are in Guatemala (Chajulense Association Val Vaq Quilo), Nicaragua (PRODECOOP and SOPEXXCA), Costa Rica (COPELDOS), among others that have been commissioned to strengthen the productive processes in different agricultural sectors such as mainly coffee, cocoa, bananas, that benefit in export markets and are demanded because of their different competitive prices because of their production characteristics, which is internationally certified.

The aforementioned examples also have, in Caribbean countries such as Belize, or South American countries such as Bolivia, Ecuador, Peru, Colombia and Venezuela, the expression in exporting goods to high-income markets, both regional and extra-regional, notably positioning themselves. This is an incentive that confides in the possibility of developing Phases I and II in these products with standardized production processes and complying with all the requirements of Fair Trade and to be a factor of regional development.

VI. ANALYSIS OF THE IMPACT THAT THE CEZ COULD GENERATE ON REGIONAL TRADE

In defining the strategy and creating the regulatory conditions and characteristics on which CEZ would be implemented, hypotheses can be generated regarding the regional impact these would have on trade zones in the region, that would, initially, be the medium-term development of phases I and II. Further long term estimation will depend on the final conditions on which the political and economic viability of the overall proposal is sustained. For the analysis, a set of conditions are estimated in order to plan a specific scenario between 2017 and 2018.

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The decision to project over the years 2017 and 2018 is on the assumption that the negotiation for the implementation of this CEZ has a maturity and negotiation period among countries wishing to form part of the agreement. The projected hypothesis is supported also on their exportable offers and the amounts currently exported among the most important integration systems in the region, namely: CACM, CARICOM, CAN and MERCOSUR, hence the projections are made directly among them.

The development of Phases I and II, under certain conditions for mobility of such goods, and ensuring an agreed origin management, would allow the possibility of extending trade in more favourable conditions for both producers and consumers, as a result of the characterization contained in the goods that are encouraged in order to increase their export volumes.

Regional impact hypothesis:

i. Caribbean Community (CARICOM)

CARICOM exports destined to the CACM

Increases of 1% and 2% in 2017 and 2018, respectively, were estimated in export volumes from CARICOM to the CACM. The percentage considered refers to the average absorption capacity of the economy existing generally in the countries of this regional system, as shown in Table No. 4 and Chart No. 4. The exported goods are petroleum derivatives, gas and ferrous products. Certainly, the exploration of this market under different trade conditions would generate new business conditions and hence an increase in the traded values.

If Phase I commences, most likely in the short term there will be many incentives for increased trade. CACM countries, given the geographical proximity and production scale of medium and small producers, would adjust to the size of the market and to the implicit demand for goods that would benefit from new preferences and additional incentives and, in turn, would be the platform to develop Phase II as already explained above.

CARICOM exports to MERCOSUR and CAN

In the case of MERCOSUR, an increase in trade was projected at 2% and 3% for the years 2017 and 2018 respectively, understanding that the countries involved have stronger economies with greater absorption capacity, which allows future predictions of increased demand for exported goods. The characteristics of goods are derived from hydrocarbons, petrochemicals and iron as the fundamental basis. As shown in Table 5 and Chart No. 5, this increase can be inferred from the impact of the growth of these countries, preferentially Brazil as regional dynamic.

In the case of CAN, an increase in trade was projected at 1.5% and 2% for the years 2017 and 2018 respectively, given that the member countries have a lower absorption capacity than the countries of MERCOSUR and the logistical issue (with the exception of Colombia) for the transport of goods from these countries complicates trade. Trade data and projections are reflected in Table 6 and Chart No. 6, respectively.

ii. Central American Common Market (CACM)

CACM exports to CARICOM

An increase in export volume was estimated at 1.5% and 2.5% in 2017 and 2018, respectively, from CACM to CARICOM. This projection of increased regional trade is based on the types of goods

exported which are generally intermediate and final consumption, such as glass bottles, cardboard boxes, plastic containers, among others, which serve final production processes for sale. In addition, foods, drinks and medicines which, in the context of regional growth, would need to demand larger amounts of these products. The data is shown in Table No. 8 and Chart No. 8, with their details.

If Phase I commences, probably in the short term there will be many incentives for increased trade. CARICOM countries have a very important tourism service economy and this will serve as a basis even for new products entering in this trade, some of them under the Fair Trade certification, creating a new dynamism to trade relations and, most importantly, it would become the platform for the development of Phase II, explained above.

CACM exports to MERCOSUR and CAN

The CACM has market niches in the MERCOSUR food sector, resulting from the quality of exports carried out; this, considering that the regional destination group is, undoubtedly, the largest producer of food worldwide. In this regard, products processed under the Fair Trade certification and high quality standards have permeated in this competitive market. This reality is shown in Table No. 7 and Chart No. 7 which, beyond the amount of dollars negotiated, is the capacity to penetrate these types of markets, and also there are other marginal markets for iron and aluminium derivatives which have the potential to increase production in Phases I and II. These goods would be guaranteed markets with the tariff preferences granted for the establishment of CEZ, hence the reason for estimating a growth of 2% and 2.5% for the years 2017 and 2018, respectively.

As for exports to CAN, there is a variety of final consumption and intermediate goods which, being low dollar amounts, could become opportunity to enter with greater volume if the tariff preferences were applied for the establishment of CEZ. Colombia has good access options under preferential conditions in the region, given its interests in an area that is very important to this country and would probably increase its purchase of goods from CACM by 1.5% and 2.5% in the years 2017 and 2018, respectively.

iii. CAN and MERCOSUR

In Table N° 1 and Chart N° 1, CAN exports are shown, and in Table N° 10 and Chart N° 10 the total export values are shown. But, from the viewpoint of economic and political importance, it would be essential for both CARICOM and CACM to initially be the first beneficiaries of CEZ given that its production and exports to these South American integration systems do not imply any risk of loss of markets to domestic producers and, far less, business pressure from domestic associations. Instead, the progress of these integration systems gives vital strength to the regional integration process.

For this reason the analysis of trade flows from CAN and MERCOSUR must be made by following the development of Phase I and II, meaning that the productive and commercial potential of the above mentioned integration systems can solely, and without the support of a CEZ, increase their export volumes.

CONCLUSIONS

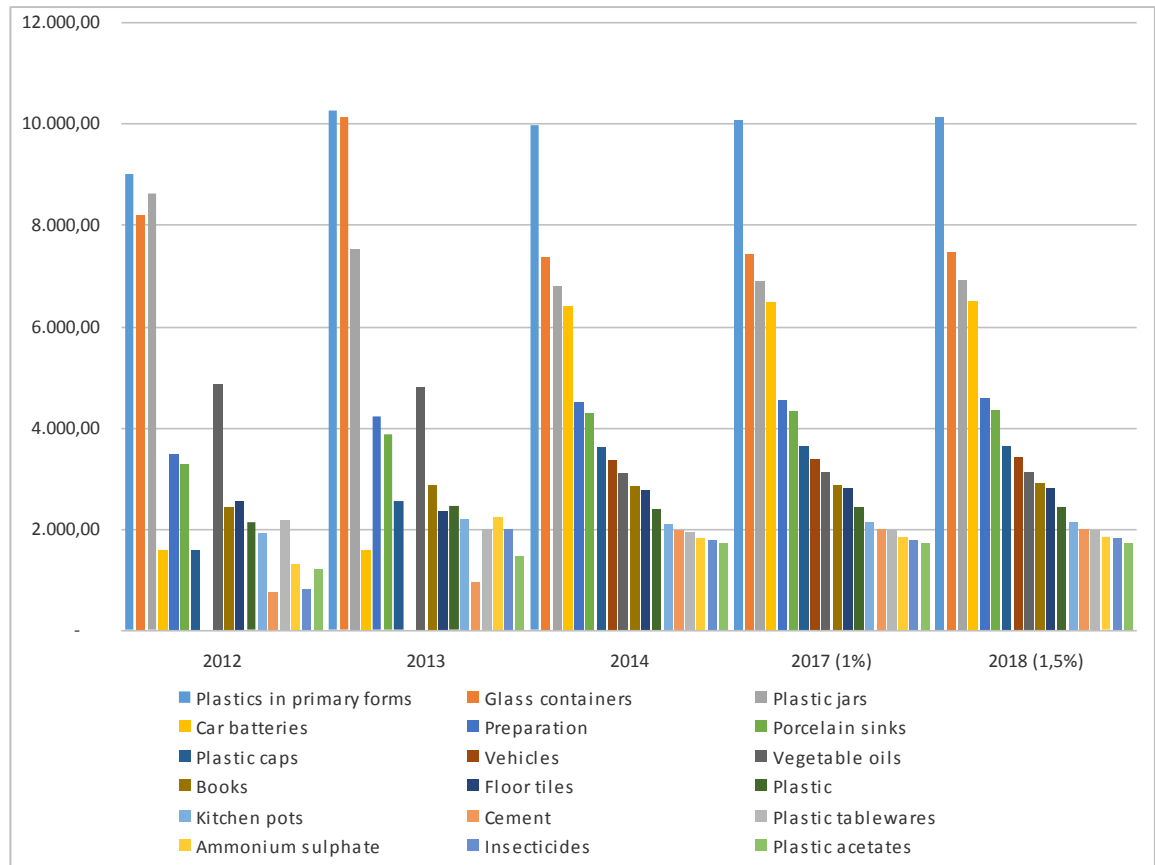
- The establishment of CEZ is due to the need expressed by the Heads of State and Governments from Latin American and Caribbean countries, in the sense that the process of regional integration is under construction which is reflected in various declarations agreed at the political level. In this sense, cooperation has become the first step to advance the project of creating regional integration different from the present.
- The process of regional integration of CARICOM, CACM, CAN and MERCOSUR, according to their statistics, has an intraregional trade that leaves space for the formation of CEZ. In this regard, it seems that possible increases in trade can be achieved without affecting national or regional productive mechanisms.
- CEZ comprise an integration mechanism defined geographically or favouring goods to be produced under special characteristics. These, in turn, may move freely, provided they comply with the negotiated origin requirement in order to form regional value chains and encourage the formation of small and medium sized clusters.
- CEZ should constitute a first phase to develop small and medium enterprises. This, from the need to create jobs associated with the investment from the beginning; the low volumes traded by SMEs would not pose a threat to regional trade in these dimensions; this would certainly be a learning process to make foreign investment viable with other dimensions and production structures.
- CEZ may become an option that relies on relations of origin (value added) and not on tariff preferences as has traditionally been done. The trend of large current negotiations is based on the same paradigm.
- Fair Trade can become an instrument that enhances the consolidation of CEZ, understanding that there is an experience validated by facts and in regional and extra-regional markets to which exports are done with this certification.
- CEZ, as participatory experiment of regional producers and investors, can become the creation laboratory of the first experiences of the development of regional value chains, grounded in the paradigm of sustainable development.
- This document proposes a characterization divided into phases that preserve existing production and export supply in the first phase, to be enhanced by technology and regional capitals in the medium term, leaving open a discussion in the third phase, which allows access of international capital and large-scale production located in certain areas.

TABLE N° 1
EXPORTS FROM CAN TO CARICOM
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (1%)	2018 (1,5%)	Accumulated
TOTAL		1.410.765,00	1.392.487,00	1.511.562,00	1.526.677,62	1.534.235,43	7.375.727,05
270900	Petroleum oils	852.698,00	728.721,00	934.073,00	943.413,73	948.084,10	4.406.989,83
271019	Refined crude oils	209.239,00	287.211,00	267.295,00	269.967,95	271.304,43	1.305.017,38
392020	Plastics in primary forms	9.014,00	10.261,00	9.983,00	10.082,83	10.132,75	49.473,58
701090	Glass containers	8.214,00	10.132,00	7.353,00	7.426,53	7.463,30	40.588,83
392330	Plastic jars	8.615,00	7.514,00	6.802,00	6.870,02	6.904,03	36.705,05
850710	Car batteries	1.567,00	1.590,00	6.401,00	6.465,01	6.497,02	22.520,03
340220	Preparation	3.482,00	4.215,00	4.507,00	4.552,07	4.574,61	21.330,68
691010	Porcelain sinks	3.292,00	3.864,00	4.265,00	4.307,65	4.328,98	20.057,63
392350	Plastic caps	1.584,00	2.527,00	3.597,00	3.632,97	3.650,96	14.991,93
870290	Vehicles	-	-	3.352,00	3.385,52	3.402,28	10.139,80
151190	Vegetable oils	4.845,00	4.790,00	3.077,00	3.107,77	3.123,16	18.942,93
490199	Books	2.421,00	2.878,00	2.838,00	2.866,38	2.880,57	13.883,95
690890	Floor tiles	2.548,00	2.339,00	2.767,00	2.794,67	2.808,51	13.257,18
392010	Plastic	2.128,00	2.448,00	2.379,00	2.402,79	2.414,69	11.772,48
732111	Kitchen pots	1.884,00	2.197,00	2.089,00	2.109,89	2.120,34	10.400,23
252329	Cement	756,00	918,00	1.970,00	1.989,70	1.999,55	7.633,25
392410	Plastic tablewares	2.148,00	1.993,00	1.941,00	1.960,41	1.970,12	10.012,53
283322	Ammonium sulphate	1.282,00	2.205,00	1.803,00	1.821,03	1.830,05	8.941,08
380893	Insecticides	813,00	2.009,00	1.763,00	1.780,63	1.789,45	8.155,08
390521	Plastic acetates	1.197,00	1.449,00	1.695,00	1.711,95	1.720,43	7.773,38

Source: ITC, Trade Map.

**CHART N° 1
EXPORTS FROM CAN TO CARICOM
(THOUSANDS US\$)**



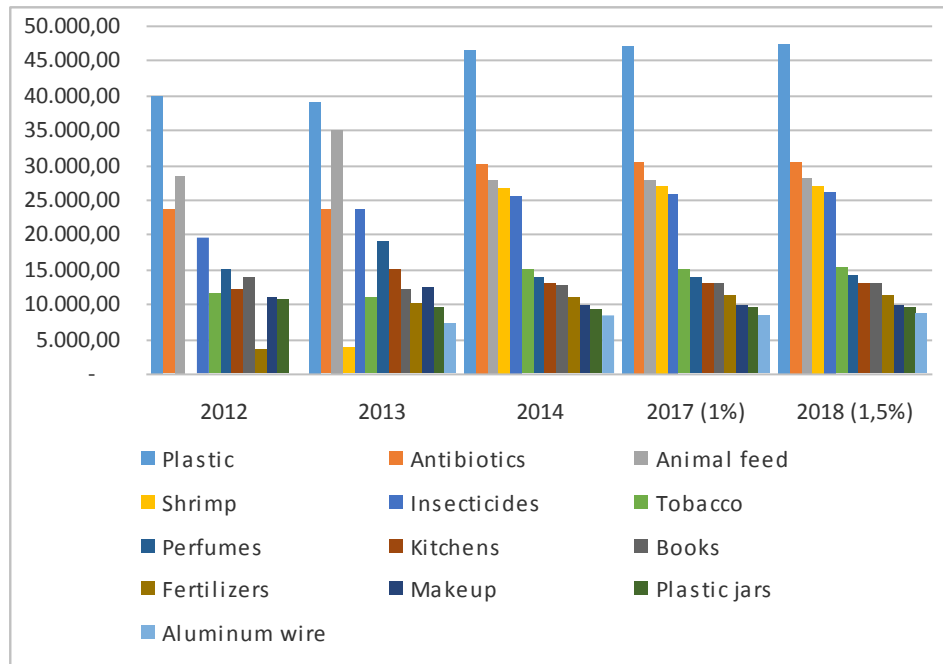
Source: ITC, Trade Map.

TABLE N° 2
EXPORTS FROM CAN TO CACM
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (1%)	2018 (1,5%)	Accumulated
TOTAL	All products	1.751.091,00	1.856.084,00	1.174.829,00	1.186.577,29	1.192.451,44	7.161.032,73
271019	Petroleum oils	516.031,00	724.592,00	128.116,00	129.397,16	130.037,74	1.628.173,90
270112	Bituminous coal	52.392,00	48.903,00	107.213,00	108.285,13	108.821,20	425.614,33
392020	Plastic	39.819,00	39.049,00	46.634,00	47.100,34	47.333,51	219.935,85
300490	Antibiotics	23.641,00	23.696,00	30.122,00	30.423,22	30.573,83	138.456,05
230990	Animal feed	28.535,00	35.182,00	27.734,00	28.011,34	28.150,01	147.612,35
30617	Shrimp	-	3.728,00	26.743,00	27.010,43	27.144,15	84.625,58
380892	Insecticides	19.676,00	23.615,00	25.629,00	25.885,29	26.013,44	120.818,73
240110	Tobacco	11.565,00	10.985,00	14.893,00	15.041,93	15.116,40	67.601,33
330300	Perfumes	15.001,00	18.823,00	13.783,00	13.920,83	13.989,75	75.517,58
732111	Kitchens	12.067,00	14.938,00	12.791,00	12.918,91	12.982,87	65.697,78
490199	Books	13.711,00	11.977,00	12.724,00	12.851,24	12.914,86	64.178,10
310520	Fertilizers	3.493,00	10.084,00	11.011,00	11.121,11	11.176,17	46.885,28
330499	Makeup	10.984,00	12.499,00	9.708,00	9.805,08	9.853,62	52.849,70
392330	Plastic jars	10.657,00	9.609,00	9.291,00	9.383,91	9.430,37	48.371,28
760511	Aluminum wire	110,00	7.250,00	8.378,00	8.461,78	8.503,67	32.703,45

Source: ITC, Trade Map.

**CHART N° 2
EXPORTS FROM CAN TO CACM
(THOUSANDS US\$)**



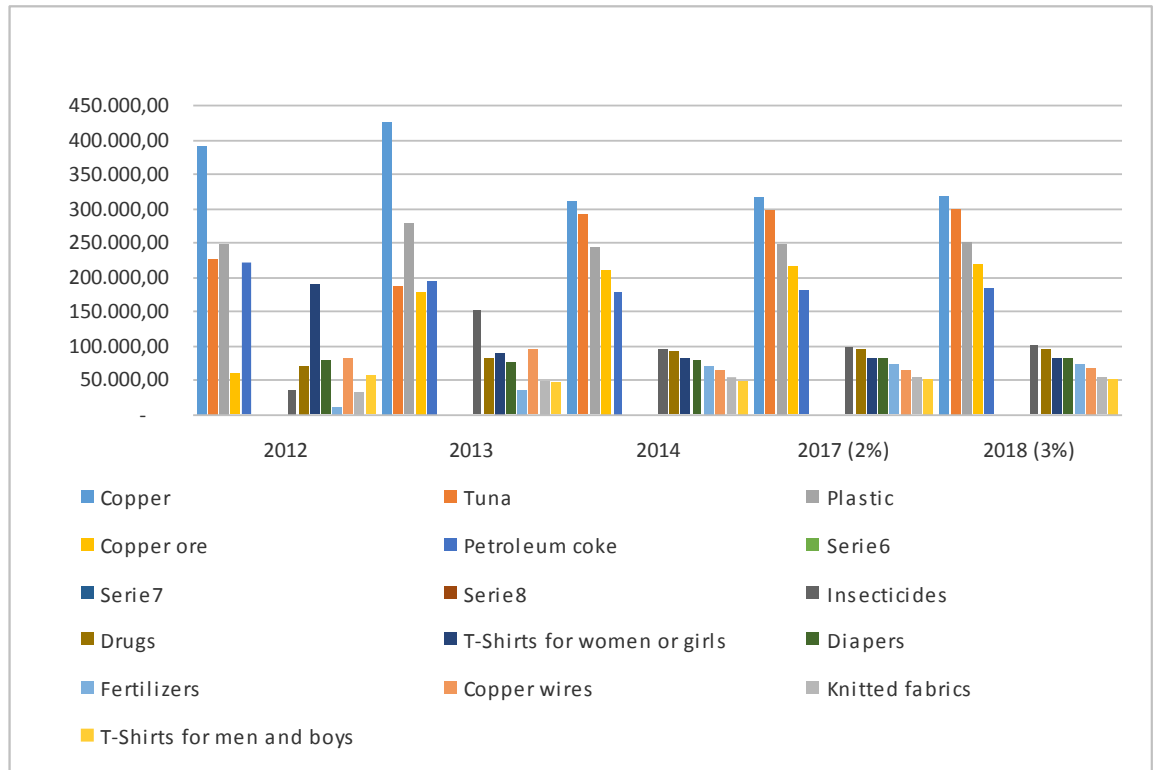
Source: ITC, Trade Map.

TABLE N° 3
EXPORTS FROM CAN TO MERCOSUR
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (2%)	2018 (3%)	Accumulated
TOTAL	All products	14.404.683,00	14.531.163,00	13.613.234,00	13885498,68	14.021.631,02	70.456.209,70
271121	Natural gas in its gaseous state	5.902.238,00	6.524.854,00	6.264.806,00	6390102,12	6.452.750,18	31.534.750,30
270900	Crude oils from petroleum or bituminous minerals	229.550,00	359.981,00	438.738,00	447512,76	451.900,14	1.927.681,90
270112	Bituminous coal, including powdered, non-agglomerated coal	368.605,00	310.841,00	406.310,00	414436,2	418.499,30	1.918.691,50
740311	Copper	390.693,00	427.007,00	308.629,00	314801,58	317.887,87	1.759.018,45
160414	Tuna	227.226,00	186.275,00	291.354,00	297181,08	300.094,62	1.302.130,70
390410	Plastic	246.653,00	277.119,00	242.007,00	246847,14	249.267,21	1.261.893,35
260300	Copper ore	60.357,00	178.638,00	211.187,00	215410,74	217.522,61	883.115,35
270400	Petroleum coke	219.879,00	194.308,00	177.151,00	180694,02	182.465,53	954.497,55
380891	Insecticides	35.052,00	150.512,00	95.523,00	97433,46	98.388,69	476.909,15
300490	Drugs	70.985,00	80.874,00	92.607,00	94459,14	95.385,21	434.310,35
610910	T-Shirts for women or girls	188.636,00	89.683,00	79.499,00	81088,98	81.883,97	520.790,95
961900	Diapers	76.850,00	76.362,00	78.980,00	80559,6	81.349,40	394.101,00
310520	Fertilizers	10.998,00	35.972,00	71.270,00	72695,4	73.408,10	264.343,50
740811	Copper wires	79.822,00	94.438,00	64.170,00	65453,4	66.095,10	369.978,50
600410	Knitted fabrics	31.788,00	49.829,00	53.132,00	54194,64	54.725,96	243.669,60
610510	T-Shirts for men and boys	57.717,00	44.474,00	49.293,00	50278,86	50.771,79	252.534,65

Source: ITC, Trade Map.

**CHART N° 3
EXPORTS FROM CAN TO MERCOSUR
(THOUSANDS US\$)**



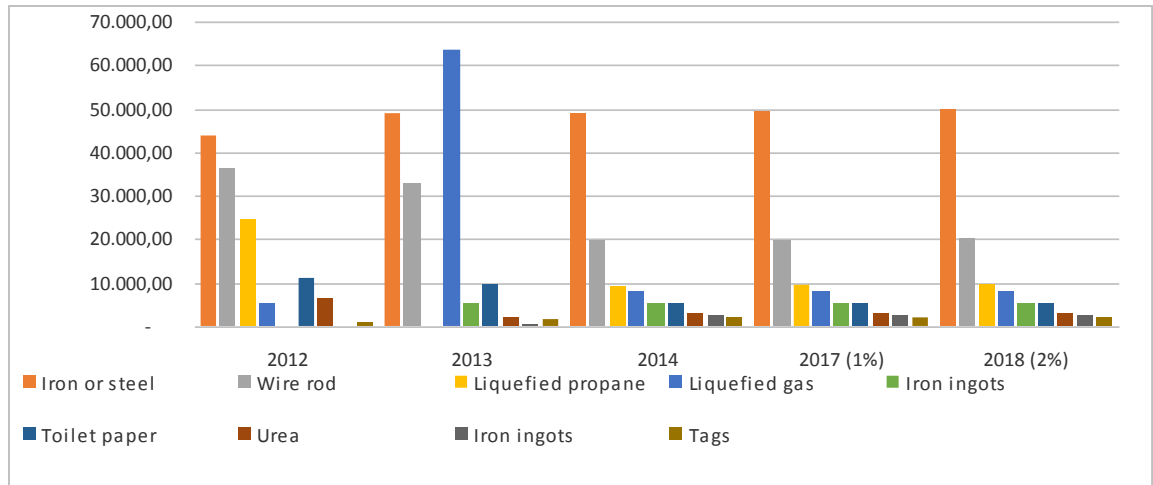
Source: ITC, Trade Map.

TABLE N° 4
EXPORTS FROM CARICOM TO CACM
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (1%)	2018 (2%)	Accumulated
TOTAL	All products	169.430,00	387.618,00	253.573,00	256.108,73	258.644,46	1.325.374,19
271019	Petroleum oils	5.741,00	179.211,00	111.076,00	112.186,76	113.297,52	521.512,28
720720	Iron or steel	43.748,00	49.011,00	48.933,00	49.422,33	49.911,66	241.025,99
721391	Wire rod	36.339,00	32.898,00	19.669,00	19.865,69	20.062,38	128.834,07
271112	Liquefied propane	24.479,00	-	9.256,00	9.348,56	9.441,12	52.524,68
271111	Liquefied gas	5.311,00	63.544,00	7.744,00	7.821,44	7.898,88	92.319,32
720610	Iron ingots	-	5.309,00	5.211,00	5.263,11	5.315,22	21.098,33
480300	Toilet paper	11.081,00	9.360,00	5.149,00	5.200,49	5.251,98	36.042,47
310210	Urea	6.177,00	1.885,00	2.692,00	2.718,92	2.745,84	16.218,76
721550	Iron ingots	-	372,00	2.264,00	2.286,64	2.309,28	7.231,92
482110	Tags	772,00	1.532,00	1.917,00	1.936,17	1.955,34	8.112,51

Source: ITC, Trade Map.

**CHART N° 4
EXPORTS FROM CARICOM TO CACM
(THOUSANDS US\$)**



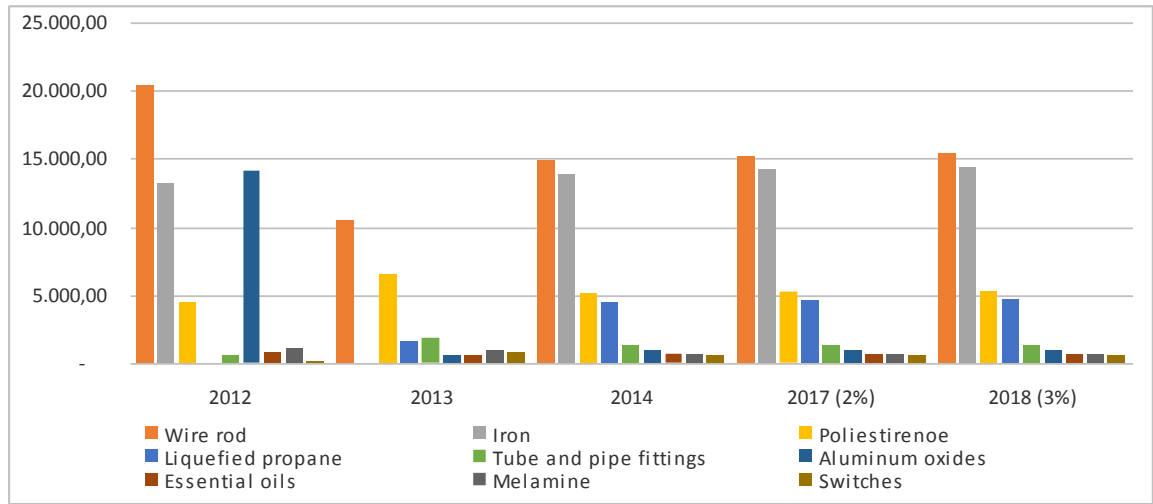
Source: ITC, Trade Map.

TABLE N° 5
EXPORTS FROM CARICOM TO MERCOSUR
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (2%)	2018 (3%)	Accumulated
TOTAL	All products	2.803.738,00	3.645.642,00	3.207.014,00	3.271.154,28	3.303.224,42	16.230.772,70
271111	Liquefied natural gas	2.282.653,00	3.046.383,00	2.616.524,00	2.668.854,48	2.695.019,72	13.309.434,20
290511	Alcohol methyl (methanol)	45.658,00	120.929,00	183.792,00	187.467,84	189.305,76	727.152,60
281410	Anhydrous ammonia	230.961,00	174.039,00	169.323,00	172.709,46	174.402,69	921.435,15
721391	Wire rod	20.431,00	10.480,00	14.936,00	15.234,72	15.384,08	76.465,80
720310	Iron	13.280,00	-	13.930,00	14.208,60	14.347,90	55.766,50
390311	Poliestirenoe	4.505,00	6.490,00	5.103,00	5.205,06	5.256,09	26.559,15
271112	Liquefied propane	-	1.539,00	4.513,00	4.603,26	4.648,39	15.303,65
730799	Tube and pipe fittings	565,00	1.788,00	1.280,00	1.305,60	1.318,40	6.257,00
281820	Aluminum oxides	14.190,00	488,00	858,00	875,16	883,74	17.294,90
330129	Essential oils	724,00	572,00	663,00	676,26	682,89	3.318,15
293361	Melamine	986,00	885,00	633,00	645,66	651,99	3.801,65
853690	Switches	87,00	818,00	561,00	572,22	577,83	2.616,05

Source: ITC, Trade Map.

**CHART N° 5
EXPORTS FROM CARICOM TO MERCOSUR
(THOUSANDS US\$)**



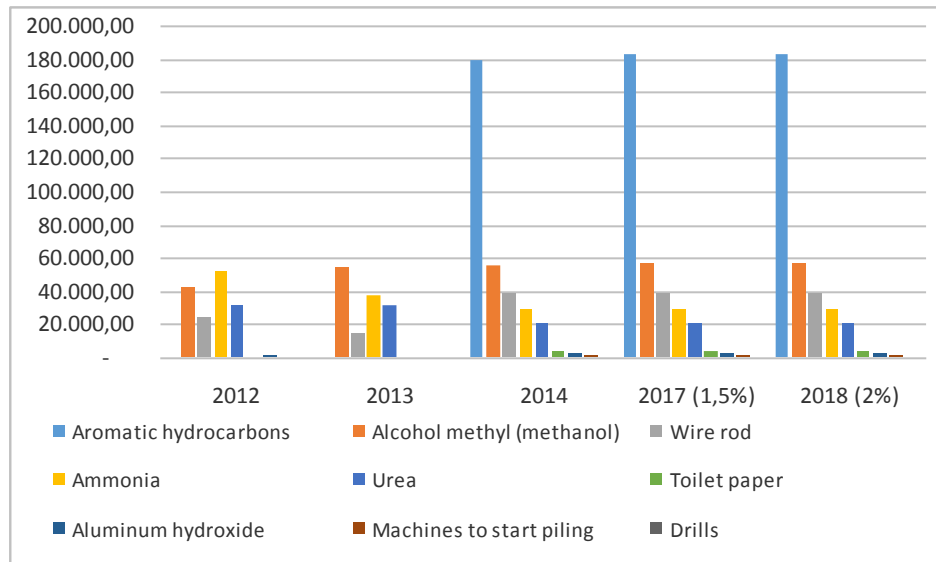
Source: ITC, Trade Map.

TABLE N° 6
EXPORTS FROM CARICOM TO CAN
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (1,5%)	2018 (2%)	Accumulated
TOTAL	All products	626.126,00	593.660,00	1.547.963,00	1.571.182,45	1.578.922,26	5.917.853,71
270900	Petroleum oils	-	90.473,00	808.782,00	820.913,73	824.957,64	2.545.126,37
270750	Aromatic hydrocarbons	-	-	180.050,00	182.750,75	183.651,00	546.451,75
290511	Alcohol methyl (methanol)	42.400,00	54.008,00	55.737,00	56.573,06	56.851,74	265.569,80
721310	Wire rod	24.528,00	14.177,00	38.131,00	38.702,97	38.893,62	154.432,59
281410	Ammonia	51.209,00	37.027,00	28.639,00	29.068,59	29.211,78	175.155,37
310210	Urea	31.776,00	31.290,00	20.481,00	20.788,22	20.890,62	125.225,84
480300	Toilet paper	78,00	90,00	3.704,00	3.759,56	3.778,08	11.409,64
281830	Aluminum hydroxide	894,00	341,00	2.183,00	2.215,75	2.226,66	7.860,41
843010	Machines to start piling	283,00	-	1.187,00	1.204,81	1.210,74	3.885,55
843143	Drills	575,00	169,00	399,00	404,99	406,98	1.954,97

Source: ITC, Trade Map.

**CHART N° 6
EXPORTS FROM CARICOM TO CAN
(THOUSANDS US\$)**



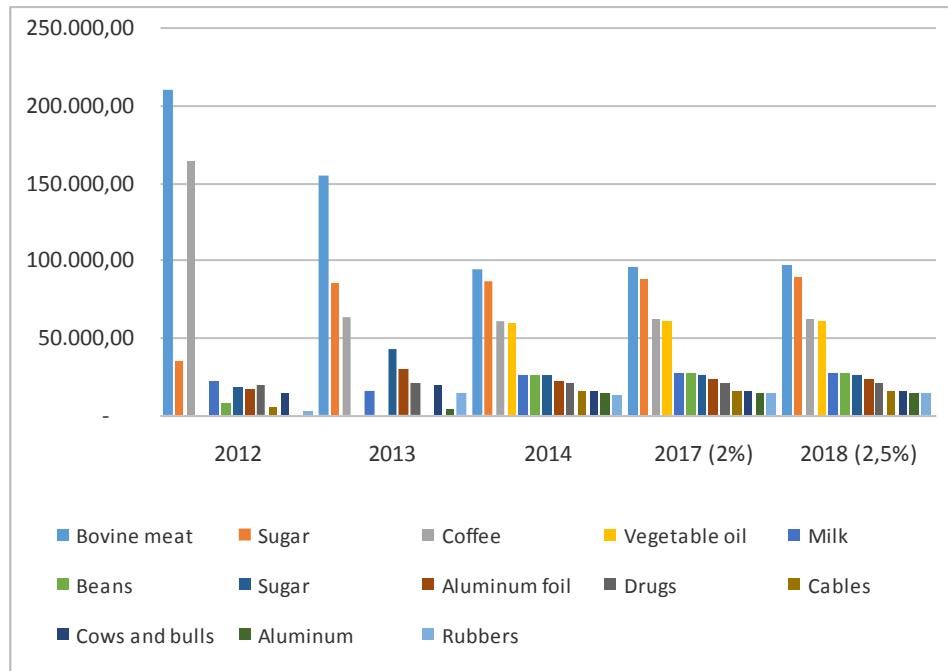
Source: ITC, Trade Map.

**TABLE N° 7
EXPORTS FROM CACM TO MERCOSUR
(THOUSANDS US\$)**

Code	Description	2012	2013	2014	2017 (2%)	2018 (2,5%)	Accumulated
TOTAL	All products	740.369,00	683.435,00	652.751,00	665.806,02	669.069,78	3.411.430,80
20230	Bovine meat	209.446,00	155.276,00	93.701,00	95.575,02	96.043,53	650.041,55
170113	Sugar	34.190,00	85.399,00	86.374,00	88.101,48	88.533,35	382.597,83
90111	Coffee	163.795,00	62.904,00	60.608,00	61.820,16	62.123,20	411.250,36
150790	Vegetable oil	83,00	135,00	58.997,00	60.176,94	60.471,93	179.863,87
40120	Milk	22.494,00	15.256,00	25.976,00	26.495,52	26.625,40	116.846,92
71333	Beans	7.631,00	-	25.927,00	26.445,54	26.575,18	86.578,72
170114	Sugar	17.926,00	42.433,00	25.519,00	26.029,38	26.156,98	138.064,36
760711	Aluminum foil	17.024,00	29.927,00	22.185,00	22.628,70	22.739,63	114.504,33
300490	Drugs	19.193,00	20.811,00	20.034,00	20.434,68	20.534,85	101.007,53
854430	Cables	5.014,00	-	15.474,00	15.783,48	15.860,85	52.132,33
10229	Cows and bulls	14.105,00	19.440,00	15.162,00	15.465,24	15.541,05	79.713,29
760200	Aluminum	174,00	3.659,00	13.918,00	14.196,36	14.265,95	46.213,31
400122	Rubbers	2.861,00	14.794,00	13.381,00	13.648,62	13.715,53	58.400,15

Source: ITC, Trade Map.

**CHART N° 7
EXPORTS FROM CACM TO MERCOSUR
(THOUSANDS US\$)**



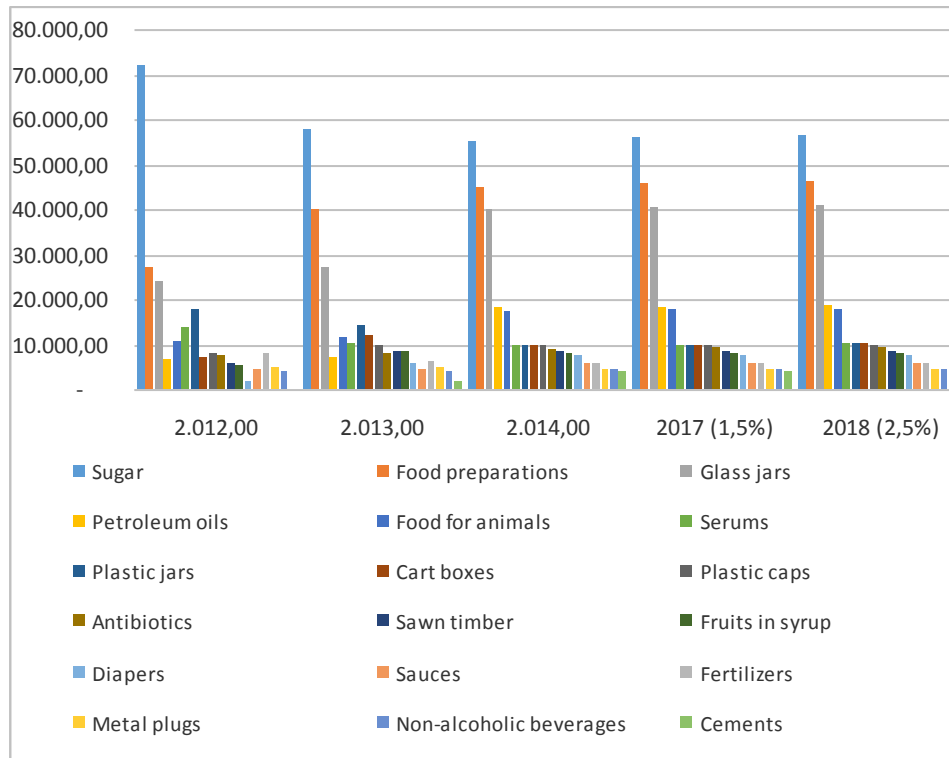
Source: ITC, Trade Map.

TABLE N° 8
EXPORTS FROM CACM TO CARICOM
(THOUSANDS US\$)

Code	Description	2.012,00	2.013,00	2.014,00	2017 (1,5%)	2018 (2,5%)	Accumulated
TOTAL	All products	424.841,00	463.902,00	468.359,00	475.384,39	480.067,98	2.312.554,36
170114	Sugar	71.914,00	57.901,00	55.211,00	56.039,17	56.591,28	297.656,44
210690	Food preparations	27.200,00	39.789,00	45.034,00	45.709,51	46.159,85	203.892,36
701090	Glass jars	23.834,00	27.236,00	39.909,00	40.507,64	40.906,73	172.393,36
271019	Petroleum oils	6.589,00	7.305,00	18.019,00	18.289,29	18.469,48	68.671,76
230990	Food for animals	10.850,00	11.535,00	17.497,00	17.759,46	17.934,43	75.575,88
300210	Serums	13.894,00	10.354,00	9.812,00	9.959,18	10.057,30	54.076,48
392330	Plastic jars	17.821,00	14.411,00	9.801,00	9.948,02	10.046,03	62.027,04
481910	Cart boxes	7.082,00	11.920,00	9.785,00	9.931,78	10.029,63	48.748,40
392350	Plastic caps	8.194,00	9.692,00	9.691,00	9.836,37	9.933,28	47.346,64
300490	Antibiotics	7.401,00	8.220,00	9.100,00	9.236,50	9.327,50	43.285,00
440710	Sawn timber	5.827,00	8.293,00	8.368,00	8.493,52	8.577,20	39.558,72
200899	Fruits in syrup	5.336,00	8.565,00	7.802,00	7.919,03	7.997,05	37.619,08
961900	Diapers	1.904,00	5.882,00	7.383,00	7.493,75	7.567,58	30.230,32
210390	Sauces	4.546,00	4.575,00	5.705,00	5.790,58	5.847,63	26.464,20
310520	Fertilizers	8.069,00	6.125,00	5.683,00	5.768,25	5.825,08	31.470,32
830910	Metal plugs	4.776,00	4.799,00	4.468,00	4.535,02	4.579,70	23.157,72
220290	Non-alcoholic beverages	4.162,00	3.926,00	4.314,00	4.378,71	4.421,85	21.202,56
252310	Cements	-	1.891,00	4.041,00	4.101,62	4.142,03	14.175,64

Source: ITC, Trade Map.

CHART N° 8
EXPORTS FROM CACM TO CARICOM
(THOUSANDS US\$)



Source: ITC, Trade Map.

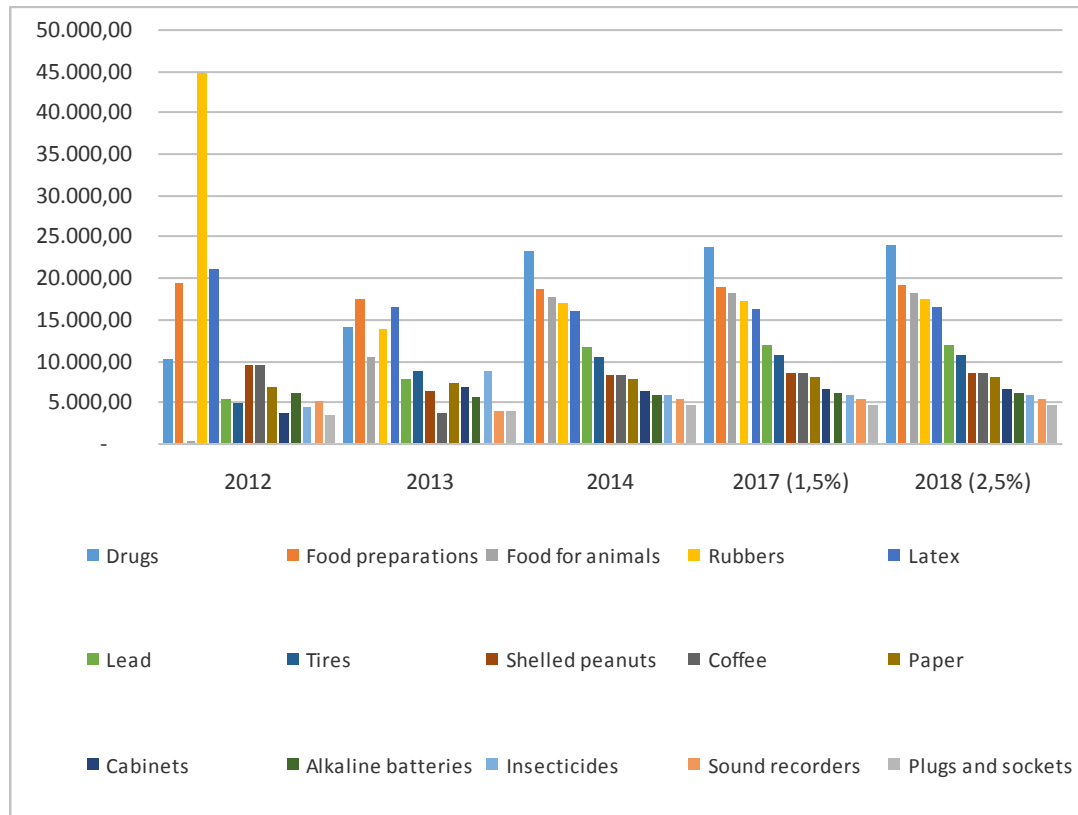
TABLE N° 9
EXPORTS FROM CACM TO CAN
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (1,5%)	2018 (2,5%)	Accumulated
TOTAL	All products	359.809,00	321.018,00	355.043,00	360.368,65	363.919,08	1.760.157,72
300490	Drugs	10.150,00	14.031,00	23.242,00	23.590,63	23.823,05	94.836,68
210690	Food preparations	19.248,00	17.329,00	18.562,00	18.840,43	19.026,05	93.005,48
230990	Food for animals	232,00	10.277,00	17.737,00	18.003,06	18.180,43	64.429,48
400122	Rubbers	44.593,00	13.692,00	17.013,00	17.268,20	17.438,33	110.004,52
400110	Latex	21.075,00	16.431,00	15.924,00	16.162,86	16.322,10	85.914,96
780191	Lead	5.400,00	7.788,00	11.626,00	11.800,39	11.916,65	48.531,04
401110	Tires	4.820,00	8.727,00	10.444,00	10.600,66	10.705,10	45.296,76
120242	Shelled peanuts	9.388,00	6.258,00	8.315,00	8.439,73	8.522,88	40.923,60
90111	Coffee	9.430,00	3.688,00	8.286,00	8.410,29	8.493,15	38.307,44
470790	Paper	6.739,00	7.324,00	7.783,00	7.899,75	7.977,58	37.723,32
841850	Cabinets	3.720,00	6.859,00	6.322,00	6.416,83	6.480,05	29.797,88
850610	Alkaline batteries	6.069,00	5.644,00	5.853,00	5.940,80	5.999,33	29.506,12
380892	Insecticides	4.304,00	8.715,00	5.677,00	5.762,16	5.818,93	30.277,08
852349	Sound recorders	5.183,00	3.902,00	5.239,00	5.317,59	5.369,98	25.011,56
853669	Plugs and sockets	3.478,00	3.926,00	4.561,00	4.629,42	4.675,03	21.269,44

Source: ITC, Trade Map.

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**CHART N° 9
EXPORTS FROM CACM TO CAN
(THOUSANDS US\$)**



Source: ITC, Trade Map.

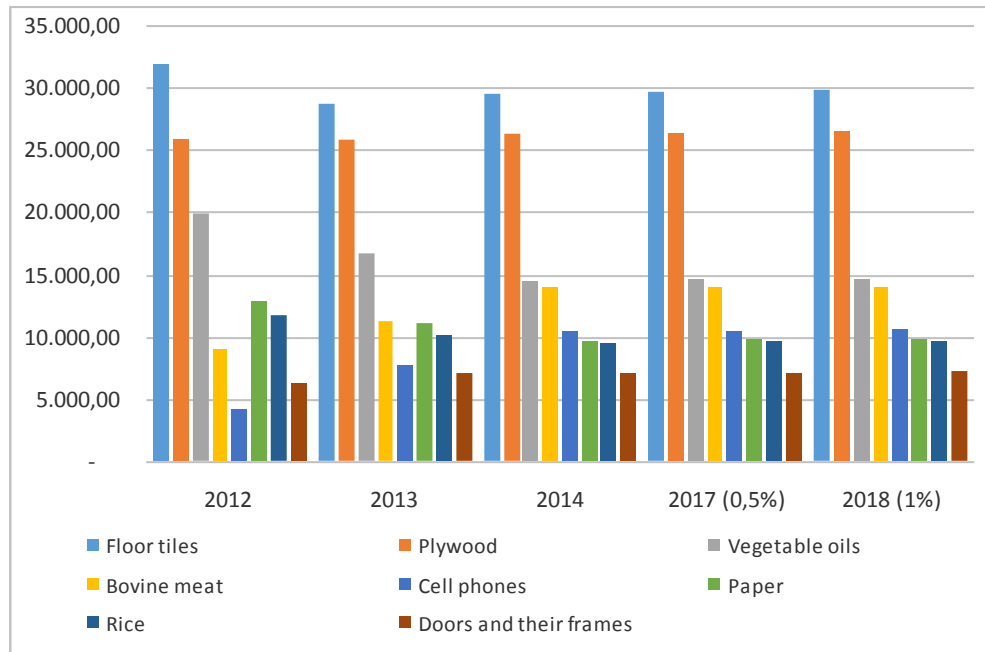
TABLE N° 10
EXPORTS FROM MERCOSUR TO CARICOM
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (0,5%)	2018 (1%)	Accumulated
TOTAL	All products	2.794.766,00	1.248.378,00	2.917.722,00	2.932.310,61	2.946.899,22	12.840.075,83
270900	Petroleum oils	1.597.872,00	227.873,00	1.935.694,00	1.945.372,47	1.955.050,94	7.661.862,41
260112	Iron ore	413.632,00	364.967,00	347.640,00	349.378,20	351.116,40	1.826.733,60
690890	Floor tiles	31.924,00	28.781,00	29.531,00	29.678,66	29.826,31	149.740,97
441239	Plywood	25.896,00	25.797,00	26.269,00	26.400,35	26.531,69	130.894,04
150790	Vegetable oils	19.955,00	16.653,00	14.486,00	14.558,43	14.630,86	80.283,29
20230	Bovine meat	9.001,00	11.167,00	13.903,00	13.972,52	14.042,03	62.085,55
851761	Cell phones	4.201,00	7.652,00	10.442,00	10.494,21	10.546,42	43.335,63
481159	Paper	12.765,00	11.021,00	9.678,00	9.726,39	9.774,78	52.965,17
100630	Rice	11.749,00	10.036,00	9.506,00	9.553,53	9.601,06	50.445,59
441820	Doors and their frames	6.207,00	6.993,00	7.107,00	7.142,54	7.178,07	34.627,61

Source: ITC, Trade Map.

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CHART N° 10
EXPORTS FROM MERCOSUR TO CARICOM
(THOUSANDS US\$)



Source: ITC, Trade Map.

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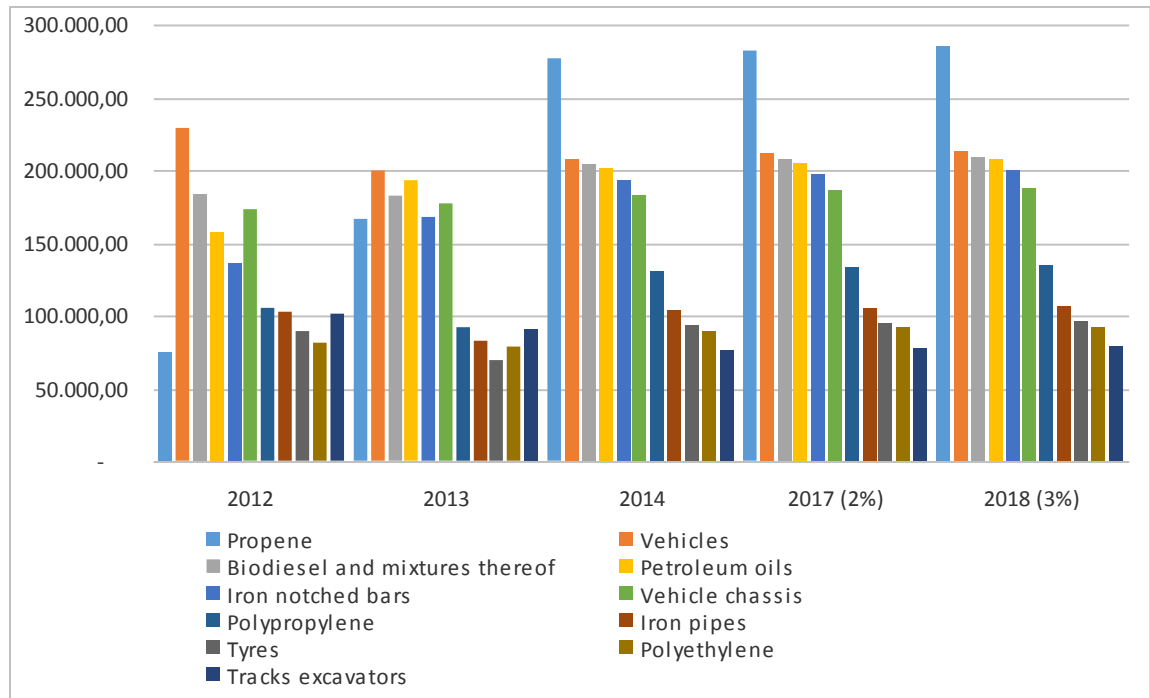
TABLE N° 11
EXPORTS FROM MERCOSUR TO CAN
(THOUSANDS US\$)

Code	Description	2012	2013	2014	2017 (2%)	2018 (3%)	Accumulated
TOTAL	All products	13.622.323,00	12.084.919,00	10.822.814,00	11.039.270,28	11.147.498,42	58.716.824,70
290122	Propene	75.089,00	166.605,00	276.831,00	282.367,62	285.135,93	1.086.028,55
870323	Vehicles	229.538,00	200.102,00	207.668,00	211.821,36	213.898,04	1.063.027,40
382600	Biodiesel and mixtures thereof	184.485,00	182.577,00	203.850,00	207.927,00	209.965,50	988.804,50
271019	Petroleum oils	157.447,00	193.486,00	201.782,00	205.817,64	207.835,46	966.368,10
721420	Iron notched bars	135.777,00	167.340,00	193.771,00	197.646,42	199.584,13	894.118,55
870600	Vehicle chassis	173.041,00	177.659,00	182.548,00	186.198,96	188.024,44	907.471,40
390210	Polypropylene	105.813,00	91.931,00	130.434,00	133.042,68	134.347,02	595.567,70
730429	Iron pipes	102.619,00	82.715,00	103.651,00	105.724,02	106.760,53	501.469,55
401120	Tyres	89.169,00	69.137,00	93.247,00	95.111,94	96.044,41	442.709,35
390120	Polyethylene	81.494,00	78.264,00	89.761,00	91.556,22	92.453,83	433.529,05
842952	Tracks excavators	101.441,00	90.014,00	76.467,00	77.996,34	78.761,01	424.679,35

Source: ITC, Trade Map.

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CHART N° 11
EXPORTS FROM MERCOSUR TO CAN
(THOUSANDS US\$)



Source: ITC, Trade Map.

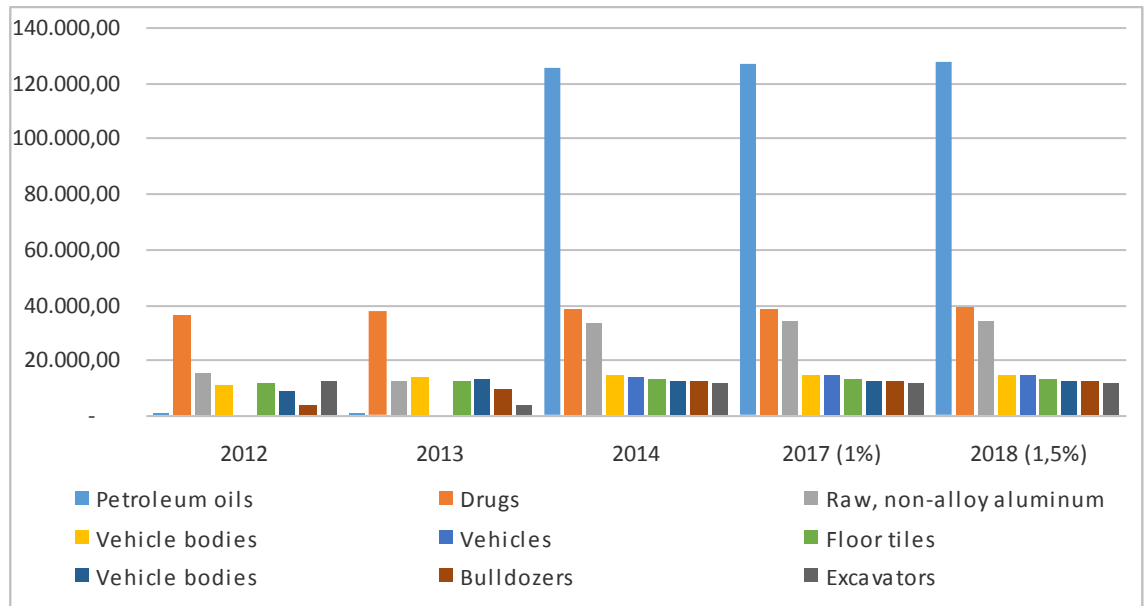
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**TABLE N° 12
EXPORTS FROM MERCOSUR TO CACM
(THOUSANDS US\$)**

Code	Description	2012	2013	2014	2017 (1%)	2018 (1,5%)	Accumulated
TOTAL	All products	1.422.581,00	1.352.702,00	1.701.053,00	1.718.063,53	1.726.568,80	7.920.968,33
271019	Petroleum oils	430,00	402,00	125.703,00	126.960,03	127.588,55	381.083,58
300490	Drugs	36.408,00	37.636,00	38.219,00	38.601,19	38.792,29	189.656,48
760110	Raw, non-alloy aluminum	15.402,00	12.038,00	33.376,00	33.709,76	33.876,64	128.402,40
870790	Vehicle bodies	10.821,00	14.050,00	14.390,00	14.533,90	14.605,85	68.400,75
870423	Vehicles	291,00	186,00	13.966,00	14.105,66	14.175,49	42.724,15
690890	Floor tiles	11.724,00	12.143,00	13.016,00	13.146,16	13.211,24	63.240,40
870600	Vehicle bodies	8.431,00	12.771,00	12.435,00	12.559,35	12.621,53	58.817,88
842911	Bulldozers	3.709,00	9.340,00	12.033,00	12.153,33	12.213,50	49.448,83
842952	Excavators	12.336,00	3.370,00	11.406,00	11.520,06	11.577,09	50.209,15

Source: ITC, Trade Map.

CHART N° 12
EXPORTS FROM MERCOSUR TO CACM
(THOUSANDS US\$)



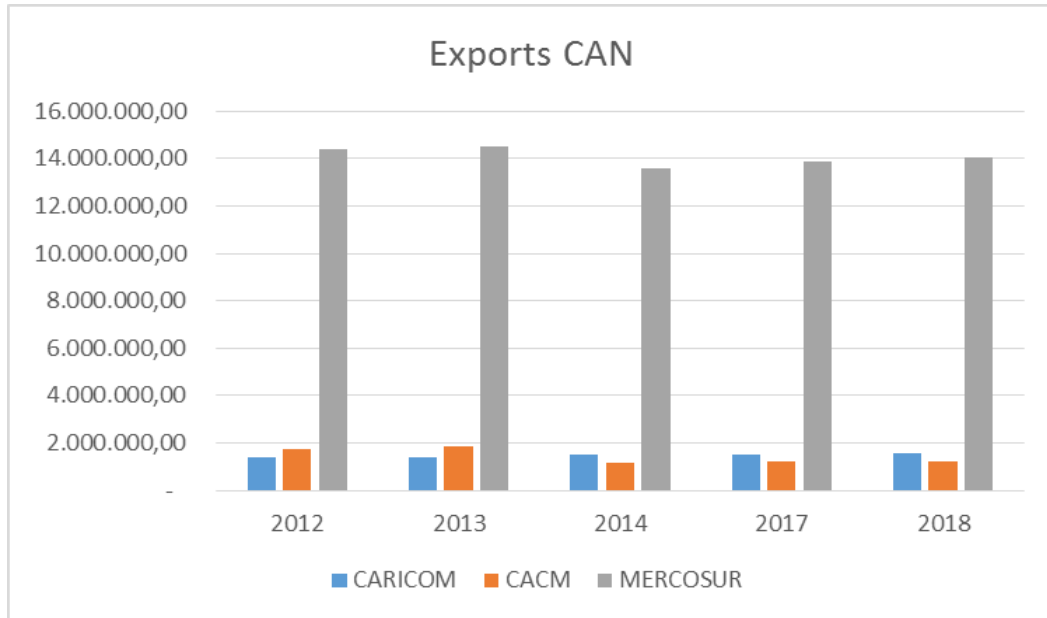
Source: ITC, Trade Map.

TABLE N° 13
EXPORTS FROM CAN
(THOUSANDS US\$)

	Exports CAN					
	2012	2013	2014	2017	2018	2012 -2018
CARICOM	1.410.765,00	1.392.487,00	1.511.562,00	1.526.677,62	1.534.235,43	7.375.727,05
CACM	1.751.091,00	1.856.084,00	1.174.829,00	1.186.577,29	1.192.451,44	7.161.032,73
MERCOSUR	14.404.683,00	14.531.163,00	13.613.234,00	13.885.498,68	14.021.631,02	70.456.209,70

Source: ITC, Trade Map.

**CHART N° 13
EXPORTS FROM CAN
(THOUSANDS US\$)**



Source: ITC, Trade Map.

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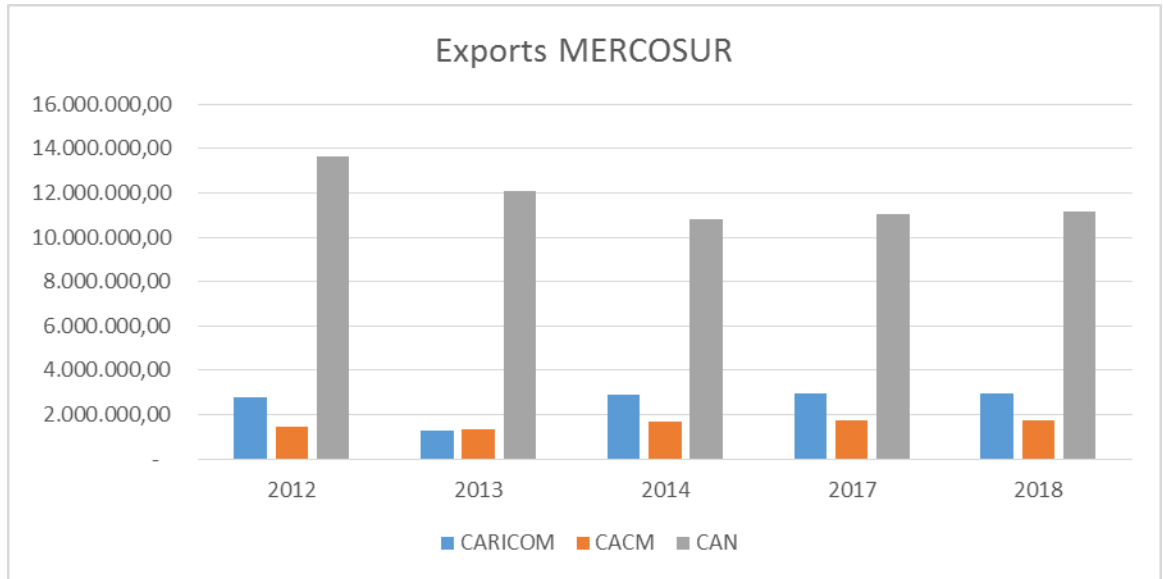
**TABLE N°14
EXPORTS FROM MERCOSUR
(THOUSANDS US\$)**

Exports Mercosur						
	2012	2013	2014	2017	2018	2012 -2018
CARICOM	2.794.766,00	1.248.378,00	2.917.722,00	2.932.310,61	2.946.899,22	12.840.075,83
CACM	1.422.581,00	1.352.702,00	1.701.053,00	1.718.063,53	1.726.568,80	7.920.968,33
CAN	13.622.323,00	12.084.919,00	10.822.814,00	11.039.270,28	11.147.498,42	58.716.824,70

Source: ITC, Trade Map.

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CHART N° 14
EXPORTS FROM MERCOSUR
(THOUSANDS US\$)



Source: ITC, Trade Map.

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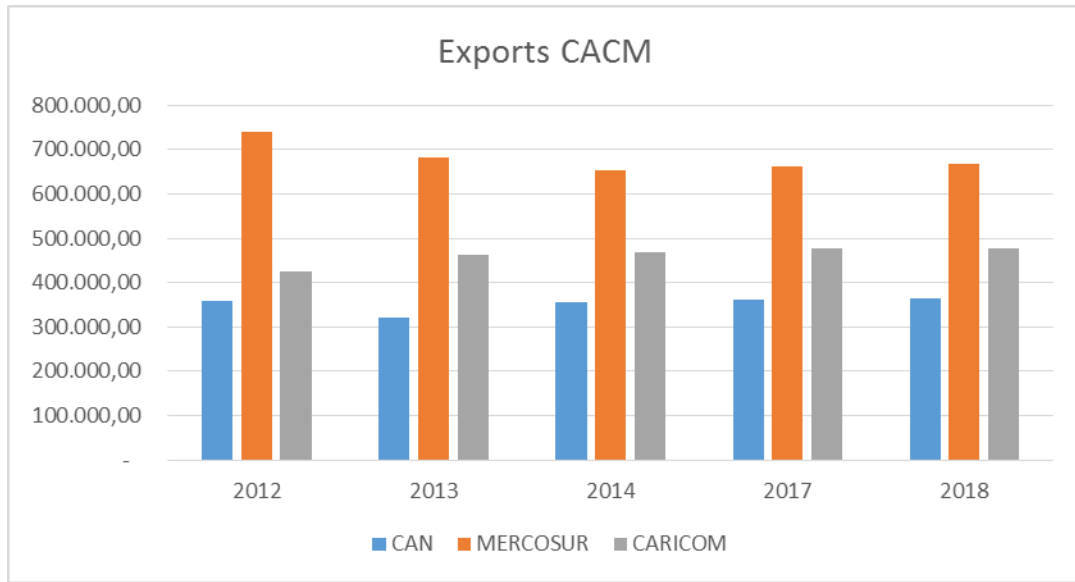
**TABLE N° 15
EXPORTS FROM CACM
(THOUSANDS US\$)**

	Exports CACM					
	2012	2013	2014	2017	2018	2012 -2018
CAN	359.809,00	321.018,00	355.043,00	360.368,65	363.919,08	1.760.157,72
MERCOSUR	740.369,00	683.435,00	652.751,00	662.542,27	669.069,78	3.408.167,04
CARICOM	424.841,00	463.902,00	468.359,00	477.726,18	477.726,18	2.312.554,36

Source: ITC, Trade Map.

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**CHART N° 15
EXPORTS FROM CACM
(THOUSANDS US\$)**



Source: ITC, Trade Map.

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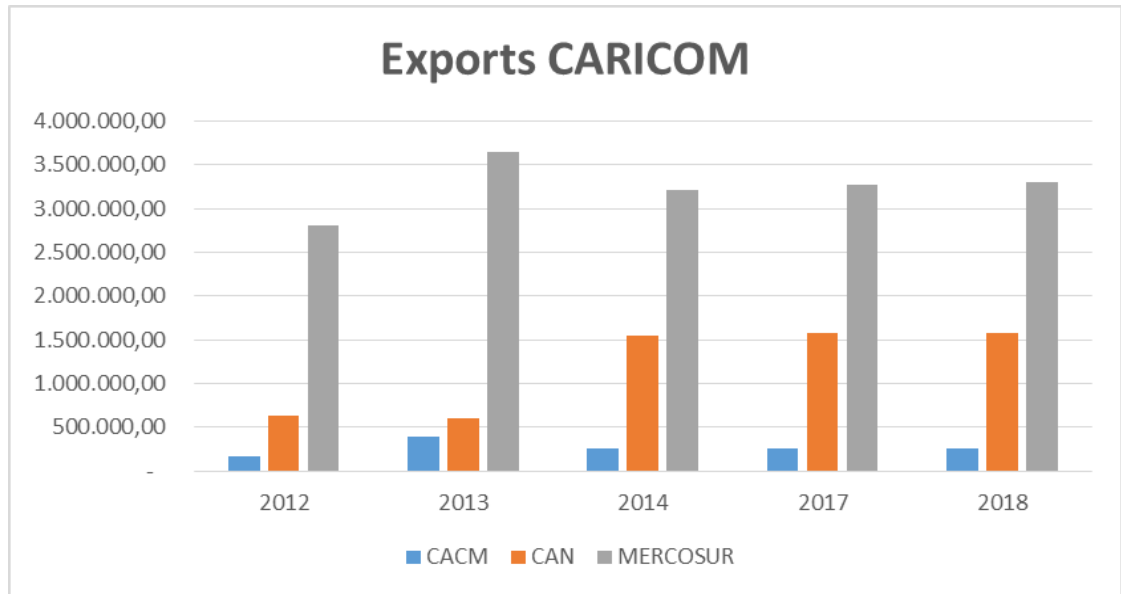
TABLE N° 16
EXPORTS FROM CARICOM
(THOUSANDS US\$)

Exports CARICOM						
	2012	2013	2014	2017	2018	2012 -2018
CACM	169.430,00	387.618,00	253.573,00	256.108,73	258.644,46	1.325.374,19
CAN	626.126,00	593.660,00	1.547.963,00	1.571.182,45	1.578.922,26	5.917.853,71
MERCOSUR	2.803.738,00	3.645.642,00	3.207.014,00	3.271.154,28	3.303.224,42	16.230.772,70

Source: ITC, Trade Map.

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CHART N° 16
EXPORTS FROM CARICOM
(THOUSANDS US\$)



Source: ITC, Trade Map.

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