

## 2005 Agency Reports

### Inter-American Development Bank (IDB)

by

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The Inter-American Development Bank (IDB) is committed to support regional integration in Latin America and the Caribbean as one of the four pillars of its institutional strategy.

To assist member countries in this task, the Integration and Regional Programs Department (IDB-INT) is developing analytical instruments, preparing studies on the economic and social impact of trade liberalization and regional integration, promoting policy dialogue and civil society outreach initiatives and providing regional technical assistance programs.

IDB-INT is strengthening the analytical capacity of member countries to evaluate the potential impact of trade liberalization and regional integration, including through the support and dissemination of CGE model applications and the improvement of the underlying databases. This is a centerpiece of the Bank's regional integration strategy.

In 2004 IDB-INT carried out the following activities:

#### **Cooperation Activities in Latin America and the Caribbean**

IDB-INT supported CGE modeling capacity building in the framework of Cooperation Agreements between the Bank and several countries of the region.

In the Andean region, the Cooperation Agreements concluded in 2003 with Peru, Colombia and Ecuador have been evaluated and IDB-INT is currently programming new activities aimed at responding to the emerging challenges of the trade agenda of these countries. A manifestation of interest expressed by Bolivia may lead to the conclusion of a Cooperation Agreement in a near future. Meanwhile the commencement of the execution of a Regional Technical Cooperation program with the Andean Community's Technical Secretariat is meant to strengthen its capacity to carry out independent simulations and to promote synergies within the sub-regional CGE community, particularly government agencies.

Upon the joint request of the five Central American governments to the Bank for assistance in the development of CGE models, IDB-INT is in the process of concluding CGE Cooperation Agreements with all the countries of the region. Accordingly IDB-INT is planning specific technical cooperation activities to be developed in the future.

In the Southern Cone, IDB-INT is negotiating CGE Cooperation Agreements with Argentina, Uruguay and Paraguay.

### **Update of the IDB-INT CGE Tariff Database**

IDB-INT continued the development and update of a comprehensive CGE compatible tariff database. In the Western Hemisphere, the dataset covers the five main sub-regional agreements, some 30 ALADI agreements (bi-regional, bilateral and partial scope agreements), three key US preferential schemes (the Andean Trade Preference Act - ATPA, the Caribbean Basin Initiative - CBI, and the Generalized System of Preferences - GSP) and the Canada's General Preferential Tariff (GPT). Outside the Western Hemisphere, the database includes the preferential treatment granted by the European Union. When relevant, the database includes *ad valorem* equivalents of specific and compound tariffs and of Tariff-Rate-Quotas. This database serves for all CGE related activities carried out by IDB-INT.

### **CGE Simulations for Smaller Economies**

IDB-INT developed the Social Accounting Matrixes (SAM) and conducted new simulations to measure the economic and social impact of trade liberalization in the smaller economies of MERCOSUR (Paraguay and Uruguay), which supported national and regional policy dialogues on trade and integration with government officials that are incorporated in the relevant IDB's country and regional programming papers. In addition, the development and update of the SAMs of the countries belonging to the Andean Community (including Bolivia and Ecuador) and the preparation of policy-oriented studies evaluating the economic impact of hemispheric and bilateral agreements of these countries with the U.S. are under way.

### **CGE Model Development for MERCOSUR**

IDB-INT is executing a Regional Technical Cooperation project with the objective of constructing a new CGE model specifically tailored for MERCOSUR. The objective is to enable individual countries to carry out economy-wide and comprehensive trade and integration analysis. In addition to identifying key sectors and trade partners, the model accommodates new features including scale economies and imperfect competition. The model is developed in collaboration with academic experts and public institutions originating in Brazil and Argentina and will be released to MERCOSUR countries when ready. This effort is meant to be a pilot project that may be replicated in other sub-regions.

### **CGE Model Development for Central America**

IDB-INT started a project aimed at measuring the impact of the Central American Free Trade Agreement (CAFTA) on Central American countries, with special emphasis on labor market adjustments and income distribution among households. The project is

designed to accommodate the five individual Central American countries. This involves the construction of the SAM for each country of the region and the identification of several labor types and household categories.

### ***Publications***

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Monteagudo, J and M. Watanuki, (2004) “Agricultural Reform in the Western Hemisphere and the European Union: Effects on Latin America”, Chapter 2 of the *Agricultural Liberalization in the FTAA and the WTO*, edited by Marcos S. Jank, Inter-American Development Bank, Washington DC.

Monteagudo, J and M. Watanuki, (2003) “What Kind of Trade Integration Helps Latin America the Most?”, *Cooperation South Journal*, UNDP, No.2, 53-76.

### ***Policy Reports***

Giordano, P.(2004) “Mirando al MERCOSUR y al Mundo: Estrategia de Comercio e Integración para Paraguay”, INTAL-ITD Occasional Paper, BID-INTAL: Buenos Aires.

Giordano, P. and F. Quevedo (2005) “Uruguay: Nota Técnica sobre Comercio e Integración”, mimeo, BID-INT

### ***Presentations***

Watanuki M. (2004) “The New Challenges of the Regional Trade Agenda for the Andean Countries”, (with J. Monteagudo and L. Rojas), paper presented at the 7th Annual Conference on Global Trade Analysis: Trade, Poverty and the Environment, Washington D.C., June.

Giordano P. (2005) “Instrumentos Analíticos para la Evaluación de la Opciones de Política Comercial”, presentation given at the Inauguration of the First Capacity Building Workshop of the “Programa de Apoyo a las Negociaciones Comerciales”, Andean Community Secretariat, April.