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Your Gateway to International Practice

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International Trade Committee Newsletter

in this issue

Welcome

Welcome to the ABA International Trade Committee quarterly newsletter. The newsletter is intended to assist Committee members stay up-to-date on current international trade issues and Committee activities. The newsletter also provides a forum to discuss international trade ideas and opinions.*

The Committee's website contains additional information about and resources from the activities of the Committee, like notices of upcoming events, past publications, and materials from previous programs. These materials are updated regularly. To visit the Trade Committee's website, click here [http://apps.americanbar.org/dch/committee.cfm?com=IC776000].

The Committee is now also on LinkedIn and you can join the group here [https://www.linkedin.com/groups/ABA-International-International-Trade-Committee-3707319/about]. Members of the Committee are encouraged to become involved, and we look forward to hearing from you.

ABA INTERNATIONAL TRADE COMMITTEE NEWS

Recap of Committee Sponsored Programs at the 2014 Fall Meeting in Buenos Aires

by Laura El-Sabaawi

The ABA Section of International Law's 2014 Fall Meeting was held October 21-25 at the Hilton in Buenos Aires, Argentina. The International Trade Committee was particularly active in the meeting's programming, sponsoring or co-sponsoring no fewer than seven programs over the three days of panels.

One such panel was *Doing your Due Diligence: Deals with International Players*, held on Thursday, October 23. The program focused on issues for companies to consider when engaging in due diligence related to global mergers

**Please note that the views and opinions expressed in the newsletter are those of the authors and may not represent the views and opinions of the ABA or the Trade Committee.*

and acquisitions ("M&A"), where cross-border regulatory compliance issues often arise. Despite its late afternoon time slot, the panel was well-attended and the audience engaged.

Speakers on the panel included moderator Randall Hanson of Womble Carlyle Sandridge & Rice, LLP in Greensboro, NC; Marcelo A. den Toom of M. & M. Bomchil Abogados in Buenos Aires, Argentina; David Hackett of Baker & McKenzie in Chicago, IL; Christine H. Martinez of Barnes, Richardson & Colburn, LLP, also in Chicago, IL; and Laura El-Sabaawi of Wiley Rein LLP in Washington, DC. The program was co-sponsored by the Customs Law, Export Controls and Economic Sanctions, International Antitrust Law, and International Environmental Law Committees. Guided by Mr. Hanson, an experienced deal attorney, each panelist provided advice to potential M&A parties targeted to a different important element of global M&A due diligence.

- Mr. den Toom's presentation covered antitrust issues in the international due diligence context, emphasizing common antitrust pitfalls that companies must be careful to avoid and tips to successfully complete a transaction while abiding by all applicable antitrust regulations.
- Ms. Martinez provided an overview of due diligence issues related to both customs and international trade compliance, including potentially variable antidumping and countervailing duty liabilities.
- Ms. El-Sabaawi spoke about due diligence related to a potential target's anti-corruption and export controls compliance, and key questions were raised about the extent of due diligence that must be conducted on agents of the target and other third-party intermediaries.
- Finally, Mr. Hackett closed the panel with a description of important environmental regulatory developments around the world and related issues that can arise in the context of international M&A.

Other meeting panels sponsored by the International Trade Committee included *Global Anti-Corruption Enforcement Efforts in the Post-Recession World: Latin America* and *Beyond and Taming the Hydra: The Role of Corporate Counsel in Inter-Jurisdictional Legal Issues*.

Upcoming Events

2015 Spring Meeting in Washington, DC
April 28 - May 2, 2015
Contacts:
Cortney Morgan
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Committee Sponsored Programs:

Free Trade Agreements: A-Changin´ Through the Ages, But Is It For the Better?
Thurs. April 30th, 2:30 PM - 4:00 PM

Export Control Reform and Its Impact on Global Aerospace and Defense
Fri. May 1st, 11:00 AM - 12:30 PM

Committee Sponsored Events:

YIN Mentor Dinner
Date and Time TBD

2015 Fall Meeting in Montreal, Quebec
October 20-24, 2015
Contacts:
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Canada and the Ambitious Free Trade Agenda: Free Trade Meets Election Politics

by Andrew M. Lanouette

On October 17, 2013, Canadian Prime Minister Stephen Harper and European Commission President Jose Manuel Barroso signed an Agreement in Principle for a Comprehensive Economic and Trade Agreement between Canada and the European Union (the "CETA").[1] The CETA is the culmination of negotiations that began in 2009 and,

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1 Jason Fekete, "Compromises on both sides led to 'excellent deal' on European trade, Stephen Harper says," Postmedia News (19 October 2013), online: http://www.canada.com/business/Compromises+both+sides+excellent+deal+European+trade+Stephen+Harper+says/9052470/story.html.

once finalized, it will be Canada's most significant regional trade agreement since the North American Free Trade Agreement ("NAFTA"). This, however, is not the only trade agreement on Canada's radar. Canada is currently in negotiations for no fewer than 12 free trade agreements or modernizations of existing agreements and is engaging in exploratory discussions for four more.[2] Notably, Canada is signatory to only nine bilateral or regional trade agreements. The question then becomes: why is Canada in such an aggressive push to enter into free trade agreements with the likes of the Transpacific Partnership, Japan, and Korea when it was previously a very minor player in international trade negotiations? The answer is not free trade ideology but Canadian politics.

To understand Canada's current trade policy, a brief understanding of Canadian politics is required. Canada has three main political parties: the National Democratic Party ("NDP") the Liberal Party of Canada ("Liberals") and the Conservative Party of Canada ("Conservatives").[3] In terms of political ideology, the NDP is leftist, the Liberals are centre-left and the Conservatives are centre-right. Elections are always a fierce competition for centrist voters since no Canadian political party fits neatly into the centre. As a result, Canada has alternated between Conservative and Liberal Governments over the past 30 years.

Another important contextual element is Canada's experience with the Canada-U.S. Free Trade Agreement ("CUSFTA") – which was subsequently superseded by the NAFTA. Canada, under the Conservative government of Brian Mulroney, proposed a free trade agreement with the United States on September 26, 1985. Canada's main goals and strategies in this negotiation concerned market access – getting privileged access to the prize trading partner's market. The issue of free trade and whether Canada should enter into this type of agreement was hotly contested. In fact, the issue forced Prime Minister Mulroney to call an election, which was consequently fought over that single issue: should Canada sign the CUSFTA.[4] In what was to become the great free-trade election of 1988, the Conservative Party adopted the pro-trade stance and the Liberals adopted the anti-trade stance. The Conservatives won the election and signed the agreement.

CUSFTA was generally viewed as hugely successful by Canadians within a few short years after it was signed. While there were some growing pains in the initial years, bilateral exports grew from $100 billion to $350 billion by 2000 and bilateral investment grew over fourfold.[5] The vast majority of Canadians became satisfied that free trade was beneficial for Canada. Consequently, political parties are now all "pro-trade" and none operates under a party platform of anti-trade.[6] This political climate informs significantly the Conservative government's current trade policy and strategy.

When the Conservative government obtained a majority government in 2008, the Minister of International Trade, Stockwell Day, introduced the Global Commerce Strategy. In that document, the Conservative government committed to a five-year plan, investing $50 million in a number of international initiatives, including market access.[7] They also identified 13 "priority markets," which included Latin America, the Caribbean, ASEAN, China, India, Japan, Korea, and Europe. From this point forward, the government essentially adopted as its key platform "economic growth through trade."[8] Essentially, the Conservative government was seeking to distinguish itself from the predecessor Liberal government by "branding"

2 Foreign Affairs, Trade and Development Canada, "Negotiations and Agreements", online: http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/fta-ale.aspx?lang=eng.

3 See "J.J.'s Complete Guide to Canada: Political Parties of Canada", online: http://www.thecanadaguide.com/political-parties.

4 Robin Sears, "The great free-trade election of 1988", The Globe and Mail (1 October 2012), online: http://www.theglobeandmail.com/globe-debate/the-great-free-trade-election-of-1988/article4576124/.

5 John Ibbitson, "After 25 years, free-trade deal with U.S. has helped Canada grow up", The Globe and Mail (29 September 2012), online: http://www.theglobeandmail.com/report-on-business/economy/after-25-years-free-trade-deal-with-us-has-helped-canada-grow-up/article4576313/?page=all.

6 See, for example, the position of the NDP on the CETA described in Bill Curry, "Muclair keeps options open on EU deal", The Globe and Mail (5 November 2013), online: http://www.theglobeandmail.com/news/politics/mulcair-keeps-options-open-on-eu-deal/article15260726/.

7 Government of Canada, "Seizing Global Advantage: A Global Commerce Strategy for Securing Canada's Growth & Prosperity" (March 2009), online: http://www.international.gc.ca/commerce/assets/pdfs/GCS-en.pdf.

8 John Ibbitson, "Harper's re-election chances may hinge on trade deal with Europe," *The Globe and Mail* (10 June 2013).

itself as the party that would aggressively seek out trade deals and conclude them. This branding exercise is what is driving Canada's current trade agreement push.

One simply has to look at Canada's historical experience with free trade agreements and compare it with the Conservative government's more recent experience. As noted earlier, a Conservative Government brought about the turning point in Canada's free trade agreement negotiations in 1989 with the signing of the CUSFTA. That Conservative government expanded the CUSFTA through the NAFTA (although it bears noting that the NAFTA was concluded under a Conservative Government but entered into force under a Liberal Government). From 1993 to 2006, the Liberal Government commenced 10 free trade agreement negotiations but only succeeded in concluding three minor agreements with relatively low-volume trading partners: Israel, Chile, and Costa Rica. When the Conservative government came into power in 2008 with a majority government (it held a minority from 2006 to 2008), it quickly finalized four of those outstanding agreements: Colombia, Peru, European Free Trade Association, and Honduras. Indeed, since coming into power as a minority government in 2006, the Conservative government launched an unparalleled 12 negotiations in seven years – an agenda that seems very ambitious as compared to the 10 negotiations in 11 years by the previous Liberal government.

But could the Conservative government and Canada's push for free trade deals simply be genuine belief and interest in a greater commitment to international and free trade? One only has to look at the Conservative government's record as it pertains to foreign investment into Canada to see that it is not really acting as a free trader "open for business." Canada has legislation called the Investment Canada Act, which allows the government to "veto" a purchase of a Canadian company if it would not provide a "net benefit to Canada."[9] The ultimate decision to do so lies with the Minister of Industry, a Cabinet member of the government. While the Act was established in 1985 and over 1,600 takeovers were reviewed, the first veto did not occur until 2008 – by the Conservative government.[10] The Conservative government rejected the foreign takeover of MacDonald Dettwiler and Associates, an information systems, satellite, and space mission business, by American firm Alliant Techsystems. The Conservative government rejected another takeover in 2010, this time dealing with the acquisition of PotashCorp by BHP Biliton Ltd. Lastly, in 2012 the Conservative government initially rejected a takeover of Progress Energy Resources Corp. by Malaysian state oil company Petronas but accepted it after a revised bid.[11] A true free trader, who believes in the free flow of goods, services, and investment, would not simply block international investment. The Conservative government's actions in this respect speak against "pro-trade ideology" as justification for its ambitious free trade agenda.

In sum, the Conservative government came into power in 2008, wrapped up a number of existing free trade agreement negotiations, then kicked off several more in its efforts to brand itself as the party that gets trade deals done. Canada's free trade and "pro-trade strategy is essentially a product of domestic politics and is not a commitment to free trade ideology. Indeed, the Conservative government's experience with the Investment Canada Act points away from a free trade ideology justification for the orientation. The aggression by Canada to make and conclude agreements is due to the political platform of the Conservative Party and, consequently, their chances of re-election now hinge on concluding a key deal. In fact, before elections in 2015, it appears that the Conservatives may only have the CETA to tout as their success as talks with Korea, the Trans-Pacific Partnership, Japan, and India stall. While that may just be enough to secure re-election, it remains to be seen whether Canadians will be satisfied with the progess of the other deals under negotiation and the government's apparent inability to conclude them. Regardless of the reasons, the Conservative government's push for trade deals will no doubt benefit Canada as it did in the past, the question is merely one of degree.

9 RSC 1985, c 28 (1st Supp). For more information about the Investment Canada Act, see Industry Canada, Investment Canada Act", online: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/home.

10 "The 'net benefit' of foreign takeovers", CBC News (29 October 2010), online: http://www.cbc.ca/news/business/the-net-benefit-of-foreign-takeovers-1.911712.

11 Euan Rocha, "Canada's rejection of Petronas throws spotlight on takeover laws", Reuters (22 October, 2012), online: http://www.reuters.com/article/2012/10/22/canada-investment-laws-idUSL1E8LMBA320121022.

Trends in Trade Policy in Latin America: Liberalization v. Protectionism

by José Mafla and Marta Palacin***

Latin America is a developing and influential region, comprised with countries that share many similarities, such as culture, language, wealth redistribution issues, and natural resource. In recent years, the two mutually exclusive trade policy trends, liberalization v. protectionism, have been frequently used to label Latin-America's economic policies. However, the simplistic approach of classifying over 20 economies in just two categories overlooks the divergences in terms of country size, political orientations, and economic development. Although Latin America is often considered as a trading block in the multilateral forum, its economic diversity and individual national interests play significant roles in the international trade policy development. Trade policy requires addressing the needs of its beneficiaries, and trade policies within the region are far from being harmonized. In many occasions, Latin-American countries seemed to be growing in different directions in the ocean of international trade.

The article aims to provide an illustration of Latin America's kaleidoscopic trade policies and to provide further analyses of particular measures adopted by a sample of evolving economies of Latin America in the last years: Argentina, Colombia and Brazil.[1]

Argentina has been actively applying trade measures as an instrument to achieve its short-term goals to contain inflation and maintain the balance of payments and ultimately, its long-term goals to promote industrialization, development and self-sufficiency. Specifically, Argentina has implemented measures such as domestic supply agreements with producers and export duties in order to mitigate the effects of fluctuations in international prices of its exports. Additionally, Argentina is allegedly using compensation agreements and import licensing apparently intended to protect its domestic market and, thus, to alleviate the country's balance of payments crisis.

In recent years, Argentina's trade policy has been designed to promote both domestic production and exports. However, the simultaneous implementation of measures boosting exports and of measures promoting domestic production could trigger opposite effects. For example, the Argentine government has offered tax incentives to foster the production and exportation of NAMA products[2] meanwhile it has imposed export duties and export registration requirements on certain agricultural products. Moreover, these policies aim to promote Argentina's export capacity, but on the other hand, these policies, specifically the imposition of import licensing and other administrative import-related measures, have brought forth an increase in the production costs and have undermined the competitiveness of Argentine exportations in the global market. In terms of regional and bilateral trade negotiations, Argentina has not been very active. From 2007 to 2012, Argentina signed 5 preferential trade agreements, but only two have entered into force so far (India and Israel). In another area of development, Argentina has used trade remedies more vigorously in recent years. According to the WTO Trade Policy Review, Argentina imposed 57 anti-dumping duties from 2006 to 2011 and is ranked fourth among its Members that have resorted to anti-dumping measures.[3]

In connection with Foreign Direct Investment (FDI), Argentina has been quite interventionist, sounding the alarms and raising concerns of lack of legal certainty and protection of foreign investments within the country. From 2007 to 2012 International Centre for Settlement of Investment Disputes (ICSID)[4] registered 14 claims[5] against Argentina on, among others, expropriation issues[6],

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1 Part of the analysis has been based on the last Trade Policy Reviews of the Secretariat of the World Trade Organization (WTO). For more information, please, visit: http://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm

2 NAMA refers to all products not covered by the Agreement on Agriculture of the WTO. In practice, it includes manufacturing products, fuels and mining products, fish and fish products, and forestry products. See: http://www.wto.org/english/tratop_e/markacc_e/nama_negotiations_e.htm.

3 See Trade Policy Review, Report by the Secretariat - ARGENTINA, February 13, 2013, WT/TPR/S/277.

4 http://icsid.worldbank.org/ICSID/FrontServlet.

5 See paragraph 47 of WT/TPR/S/277.

6 Such as Teinver S.A., Transportes de Cercanías S.A. and Autobuses Urbanos del Sur S.A. v. Argentine Republic (ICSID Case No. ARB/09/1).

restructuring sovereign debt[7] or concession contracts[8]. The pending claims principally concern transport services, and gas and water supply services. Between 2007 and 2012, shares were expropriated in Aerolíneas Argentinas S.A., Austral Líneas Aéreas Cielos del Sur S.A. and the enterprises under its control[9], and in Yacimientos Petrolíferos Fiscales (YPF) S.A. and Repsol YPF GAS S.A[10].

Finally, in the last five years, Argentina has been actively involved in the WTO dispute settlement –12 cases (6 as complainant and 6 as respondent). It is also a third party in 29 disputes. This relevant participation in the WTO dispute settlement confirms the main role that trade policy is playing in the Argentine Republic –either as a way to promote exports or boost domestic production.

As juxtaposition to Argentina's protectionism, **Colombia** has continued its commitment to achieve greater trade liberalization by a closer integration with Latin America and the Caribbean as well as the rest of the world through the negotiation of preferential trade agreements in order to enhance its external trade and foreign investment flows. In less than 5 years, 7 preferential trade agreements have entered into force or application, 5 have been signed and 2 negotiations are in process. It is worth highlighting the entry into force of the Trade Agreements between Colombia and the U.S., Colombia and Canada and Colombia and the E.U., respectively. Moreover, Colombia together with Chile, Mexico, Peru and recently Costa Rica have being negotiating what is supposed to be the most comprehensive trade and economic integration in which Colombia has been involved so far.

7 See, among others: Abaclat and others v. Argentine Republic (ICSID Case No. ARB/07/5); Giovanni Alemanni and others v. Argentine Republic (ICSID Case No. ARB/07/8); Ambiente Ufficio S.p.A. and others v. Argentine Republic (ICSID Case No. ARB/08/9);

8 See, among others: Urbaser S.A. and Consorcio de Aguas Bilbao Bizkaia, Bilbao Biskaia Ur Partzuergoa v. Argentine Republic (ICSID Case No. ARB/07/26) or Impregilo S.p.A. v. Argentine Republic (ICSID Case No. ARB/07/17).

9 In 2008, Argentina declared of public utility and subject to expropriation the shares of Aerolíneas Argentinas S.A., Austral Líneas Aéreas Cielos del Sur S.A. and the enterprises they controlled, in order to guarantee the public air transportation service in Argentina.

10 In 2012, the Argentine Republic declared of public utility and subject to expropriation 51% of the shares of Yacimientos Petrolíferos Fiscales (YPF) S.A. and those of Repsol YPF GAS S.A. in order to achieve "hydrocarbon sovereignty".

In addition to its active participation in bilateral and regional trade negotiations, Colombia attaches great importance to conciliate its trade policy strategy in the WTO. Colombia recently added the Information Technology Agreement. Additionally, and despite not being negotiated in the WTO framework, Colombia is also part of the Trade in Services Agreement (TISA) –as well as Mexico, Panama, Costa Rica, Paraguay, Peru and Chile. In regard to its participation in the WTO dispute settlement mechanism, Colombia, unlike Argentina's approach, has solely participated as respondent in the recently initiated dispute with Panama due to the adoption of measures relating to the importation of textiles, apparel and footwear.

Regarding Colombia's FDI policy, national treatment is granted to foreign investments in mostly all sectors excepting few sectors where the Colombian Government maintains limitations or prohibitions. As a general rule, foreign investment does not require prior authorization.

Colombia has a substantially open trade regime, and the average tariff rate has been decreasing. As a result, the average tariff has been reduced from 12% to 6.2% in last years[11]. Moreover, Colombia has made efforts to simplify the customs and administrative procedures by establishing a single window for imports and exports (VUCE). However, imports in Colombia are subject to customs taxes which include both VAT and tariffs.

Considering non-tariff measures (NTF), the importation of certain goods is prohibited in Colombia due to public health or morality issues[12]. Additionally, Colombia imposes automatic (known as "free importation regime") and non-automatic licensing systems (known as "prior licensing regime"). The "prior licensing regime" was recently amended by virtue of Decree 925 of 2013, which reduced the scope of application of this non-automatic licensing system. Currently, the "prior licensing regime" applies to: i) the importation of products classified under 187 tariff subheadings, ii) the importation of sales ("saldos"), iii) the importation of goods in special market conditions, iv) the

11 Trade Policy Review, Report by the Secretariat – Colombia, May 22, 2012, WT/TPR/S/265.

12 In particular, Colombia prohibits the importation of chemical, biological and nuclear weapons, and on nuclear and toxic waste (Article 81 of the Political Constitution), and war toys (according to Law 18 of 1990).

importation of goods when requesting tariff tax exemption, v) the importation of goods controlled by the National Narcotics Fund, the National Drug Council, and the Military Industry, vi) imports intended to the Armed Forces and National Police under certain circumstances, and vii) imports using the Annual License System.

All licensing are requested before and processed by the Ministry of Trade, Industry and Tourism through the online electronic interface of VUCE.

Brazil has played an important role in the boost of further negotiations in the multilateral trading system either individually or as part of the BRICS group[13]. Its trade policy has been particularly shaped by its participation in the WTO, considering this multilateral trading system an essential instrument in the development of its objective on sustainable economic growth. Furthermore, Brazil's leadership on boosting negotiations in the WTO has been enhanced by the appointment of Roberto Azevêdo as the sixth Director-General of the WTO. Despite his recent appointment, Mr. Azevêdo has already achieved major results, such as the approval of the Bali Package, i.e. the first global agreement for the WTO since its creation in 1995. Since 2008, Brazil has initiated three complaints under the WTO dispute settlement mechanisms, being challenged once during this period [14].

One of Brazil's trade policy goals is to reinforce the regional economic integration, either through MERCOSUR or through preferential trade agreements with Latin American countries –such as with Suriname and Guyana through the Latin America Integration Association (LAIA)[15]. Particularly, and taking into account that Brazil's major trade partner is the European Union (EU), Mercosur re-launched negotiations for a free trade agreement with that regional group.

In terms of FDI, the Brazilian Constitution, amended in 1995, provides equal treatment and protection to investors, whether foreign or domestic, in most sectors[16]. Nonetheless, FDI is restricted in many key areas, such as health, mass media, and telecommunications, aerospace industry, rural property, maritime and air transport.

Despite of its effort to simplify and modernize its customs procedures in recent years, Brazil maintains a system of automatic and non-automatic licenses for the importation of certain products non-origin based. Concerning tariffs, Brazil is not willing to reduce tariffs in order to protect its industry from massive importations –the simple average MFN tariff applied in 2012 was above than the applied in 2008[17]. Regarding exports, Brazil foresees the application of export taxes of 30%, which is subject to adjustment up to 150%[18] so as to accomplish foreign exchange or trade policy objectives, as well as it has a strong policy for export promotion through several programs designed to improve competitive export-oriented enterprises.

Similar to Argentina, Brazil aggressively applies antidumping duties. In the first nine months of 2012, the Brazilian government initiated 47 new investigations, and in mid-2012, 83 antidumping measures were in place[19].

As a final point, as part of Brazil's goal to promote production and regional development and integration, it maintains a strong regime of Free Trade Zones (FTZ) for imports and exports, such as the Manaus Industrial pole located in the state of Amazonas.

The trade policy developments in Argentina, Colombia and Brazil capture a comprehensive outlook of Latin America's trade agenda, which encompasses diversity of national goals and interests. In other words, not all liberalization policies implemented by Latin-American governments can be classified and considered as similar, as not all protectionism policies adopted can be deemed to be the same. Each government adapts the policy to the particular objectives it wants to accomplish. Nevertheless, what seems a fair conclusion is that trade policy in Latin America, although influenced by political orientation of the

13 BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.
14 Brazil — Certain Measures Concerning Taxation and Charges (2013).
15 Including Bolivia, Chile, Colombia, Cuba, Ecuador, Mexico, Peru and the Bolivarian Republic of Venezuela.
16 See Article 172 of the Brazilian Constitution.
17 See paragraph 3.1 of WT/TPR/S/283.
18 See paragraph 3.5 of WT/TPR/S/283.
19 See Trade Policy Report, Report by the Secretariat – Brazil, May 17, 2013, WT/TPR/S/283.

administration in power in each country, plays an essential role within the region and, any trade-related decision adopted in this region has a worldwide impact.

Post-Recession Trade in Latin America

By José Francisco Mafla and Jeffrey S. Herscott***

Introduction

As the world continues to recover from the global recession, countries have begun to reinvent the way they pursue international trade. Many nations have been actively pursuing trade liberalization and diversification in order to grow their economies. Several Latin American countries, for example, have begun to look within their regional borders as well as overseas for prospective trade partners[1]. Countries like Chile, Peru, Mexico, and Colombia, for example, have found attractive trading partners amongst themselves, with Asia, with Europe and, they remain close with the United States. This liberalization, the opening of domestic economies to foreign trade, contributes to the growth of already healthy Latin American economies. This article will approach recent trade liberalization trends through the perspective of Colombia, one of the most rapidly growing South American countries with a fairly liberal trade agenda. Colombia's recent growth and liberalization represents the trend in Latin America to liberalize and diversify trading schemes to grow both domestic and regional economies. Colombia's current trade agenda includes the incorporation of trade partners within the Pacific Alliance, with the United States, with Europe, and even with traditionally inward-looking countries in the Mercosur bloc (although some Mercosur nations, however, have instead chosen to pursue more isolationist trade policies)[2]. Finally, after discussing Colombia's activity in the past few years, this article will touch on other similarly situated countries and their trade agendas and, ultimately, whether we truly are in a post-recession climate and whether that has any impact on the progress being made in Latin America.

Case Study: Colombia

The Pacific Alliance

In Latin America, trading blocs are growing more aggressive in order to take advantage of regional economic growth. Accordingly, Peru, Chile, Colombia and Mexico joined together in 2012 to create the Pacific Alliance. The trading bloc's general goals are to integrate their own markets and economies as well as to build an economic bridge from Latin America to Asia to take advantage of economic development there . Regarding the impressive statistics of the member countries, the four founders were responsible for US$445 Billion in exports in 2010, 60% more than rival trading bloc Mercosur[4]. The Alliance also represented 36% of Latin America's GDP and, if counted as a single country, would be the sixth largest economy in the world with a PPP GDP of US$3 Trillion[5]. Some more specific goals of the Alliance include the integration of all four stock exchanges into one, the reduction of trade barriers and tariffs among the founders and with other parts of the world, and the integration of domestic market[6]. The development of the Pacific Alliance evinces a desire for these Latin American nations to take advantage of the improving post-recession economy, by diversifying and liberalizing trade within their own regional bloc. The Pacific Alliance is even planning a passport integration program, like the Schengen Area in Europe[7], where citizens of the

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1 For example the Pacific Alliance members Chile, Peru, Colombia and Mexico. See Ramírez, Socorro. "Regionalism: The Pacific Alliance | Americas Quarterly."Regionalism: The Pacific Alliance | Americas Quarterly. Americas Quarterly, Apr. 2013. Web. 07 July 2014.

2 For example Argentina, at least in terms of trade with the U.S., has decreased its percentage of imports from the U.S. in the past decade likely because of isolationist policies also attributable to a more self-sufficient economy. *See* Hornbeck, J.F. "U.S.-Latin America Trade: Recent Trends and Policy Issues.*"U.S.-Latin America Trade: Recent Trends and Policy Issues* 7.5700 (2011): 98-840. Congressional Research Service. Web. 7 July 2014.

3 *Id.*

4 Ramsden, Neil. "Latin America's Pacific Alliance to Become Dominant Force in Tuna by 2020." *UndercurrentNews*. N.p., 23 May 2014. Web. 7 July 2014 (citing the WTO Report on Exports).

5 "Report for Selected Countries and Subjects." *Report for Selected Countries and Subjects.* International Monetary Fund, 15 Apr. 2014. Web. 07 July 2014.

6 Ramírez, Socorro. "Regionalism: The Pacific Alliance | Americas Quarterly.*"Regionalism: The Pacific Alliance | Americas Quarterly.* Americas Quarterly, Apr. 2013. Web. 07 July 2014.

7 The Schengen area allows the free flow of European Community residents across borders without the need for passports. This means they can work, invest, travel and live throughout the Schengen area without worrying about passport integration issues. See "Schengen Area" at ec.europea.eu.

founding countries can freely move, and freely conduct business, among the member states.

The Alliance is perhaps most interesting from the perspective of Colombia. While the US-Colombian trade relationship is free, and getting freer[8], the adoption of the Pacific Alliance shows Colombia's drive to liberalize trade by diversification. For example, the Alliance permits Colombia to enter both the healthy Asian markets and the rapidly growing Peruvian and Chilean markets without stunting trade restrictions. The attractive Peruvian market, for example, grew 6.4%, and the Chilean market grew 4.4%, in the past decade[9]. Moreover, poverty has fallen in Peru from 55% to 28% and Chile boasts South America's second lowest poverty rate at 12%[10]. Other statistics continue to show Peru and Chile's rapid economic development; for example, inflation has average less then 3% in Peru and 3.5% in Chile[11]. Overall, the data shows that the economies of Peru and Chile are experiencing unprecedented growth, making them attractive locations for trade and investment. Trade partners like Colombia can rest assured that business and trade conducted with Chile and Peru is safe and protected. Nicknamed the Latin Tigers, more than 95% of each country's trade is covered by Free Trade Agreements (FTAs)[12]. So what does this research indicate? While Mercosur, the largest regional trading bloc in Latin America, has faltered of late, the Pacific Alliance was born to further liberalize trade throughout the region, within its bloc, and overseas. For a country like Colombia, this bodes well for its domestic economy, which is growing steadily on its own, and now has further access to its neighbors' economies and the economies of Asia.

<u>U.S. – Colombia Free Trade Agreement</u>

While the Pacific Alliance contributes to Colombian growth, the historically amiable relationship between Colombia and the United States is also getting stronger. For example, under the recent Free Trade Agreement signed between the U.S. and Colombia, 80% of trade tariffs were immediately eliminated and many more tariffs will be gradually phased out[13]. In addition, the agreement provides for duty free treatment for certain farm products between both countries[14]. As the U.S. economy rebounds from the recession, it looks abroad for safe and welcoming trade partners. Under this FTA, it is estimated that trade with Colombia alone will expand U.S. exports by US$1.1 Billion and expand U.S. GDP by US$2.5 Billion[15]. These figures present Colombia's value as a South American trade partner. With the elimination of tariffs, the investment protection undertakings, and the steady relationship between the two nations, the U.S. will likely invest even more capital in Colombia and further trade, especially to support Colombian infrastructure. With stronger infrastructure, free trade between the two should be increasingly more efficient and profitable.

<u>Colombia and Mercosur</u>

While Colombia maintains strong political and trade relationships with the United States and its Pacific Alliance neighbors, the country has also diversified its trade agenda across ideological fault lines. For example, although Colombia is not a founder of the bloc, it is an associate member of Mercosur[16]. Although Mercosur was founded on the basis of a more leftist ideology, Colombia's understanding of regionalism has led it to consider alternative trade options like Mercosur. Colombia's activity on the periphery of Mercosur indicates that, as Colombia liberalizes its trade agenda by strengthening its bonds with the Latin Tigers, the U.S. and Asia, the country still recognizes the importance of its involvement in continental trade affairs.

<u>Colombia/Peru and the European Union</u>

Colombia also maintains a trade agreement, which was signed in 2012, with Peru and the European Union, allowing the nation further access to the European

8 Villarreal, M. Angeles. "The U.S.-Colombia Free Trade Agreement: Background and Issues." *Congressional Research Service* 7.5700 (2014): 1-23. *Congressional Research Service*. 14 Feb. 2014. Web. 7 July 2014.
9 Collyns, Charles. "The Latin Tigers: Peru and Chile Make Strides in Inclusive Growth and Development." *U.S. Department of Treasury.* United States Government, 7 Aug. 2012. Web. 07 July 2014.
10 *Id.*
11 *Id.*
12 Id.
13 "Increasing American Competitiveness: U.S.-Colombia Trade Agreement Now In Force." *Office of the United States Trade Representative.* United States Government, Web. 07 July 2014.
14 *Id.*
15 *Id.*
16 "Mercosur: En Pocas Palabras." *Mercosur.* N.p., n.d. Web. 7 July 2014. http://www.mercosur.int/t_generic.jsp?contentid=3862&site=1&channel=secretaria&seccion=3.

markets[17]. Despite Europe's economic struggles at the height of the recession, Colombia has still had healthy success in trade to and from the European Markets. For example, 2013 trade flows between the EU and Colombia recorded a total of €13.6 Billion (€ 5.8 Billion in exports and € 7.7 Billion in imports) making Colombia the EU's 5th largest trading partner in Latin America[18]. Although this trade agreement was signed between Peru/Colombia and the EU, Ecuador has recognized the value of access to European markets and has begun the process of joining the agreement[19]. Colombia and its neighbors in Latin America have done a thorough job of linking their markets and economies with counterparts all over the world. The 2012 EU agreement and the inclusion of Ecuador in 2014 only further Colombia's diversification of trade partners to take advantage of the many lucrative post-recession trade opportunities worldwide.

Conclusion

The brief case study regarding Colombia's recent trade moves shows that Colombia's actions are representative of the Continent as a whole to liberalize trade and diversify trade partners; Colombia is one of the leaders in that category. Whereas several decades ago, Colombia and other countries may have only relied on fewer, larger trade partners, today the Pacific Alliance is looking both inward and outward to liberalize trade and free up the movement of goods throughout the Latin America region and throughout the world. Additionally, Colombia, like Mexico, Peru, and Chile, has bolstered its already strong relationship with the United States through its recent FTA. In 2012 Colombia and Peru signed a trade agreement with the EU allowing those countries access to attractive European markets. Finally, Colombia has also recognized the importance of regionalism and amicable relationships with its continental neighbors, however different ideologically, in liberalizing continental trade, to the extent possible, amongst countries in the Mercosur bloc and potentially with Ecuador via the recent 2014 inclusion of that country in the 2012 Peru/Colombia-EU trade agreement. Colombia is not yet at its final destination. As the global economy continues to improve post-recession, Colombia and its neighbors will reap the fruits of liberalized trade agendas and will likely see a marked improvement in economic growth, GDP, poverty rates and infrastructure improvement.

Colombian Elections

Colombia's economic development has the country in step with the Latin Tigers. That progress, however, can easily be continued or curtailed by politics, especially presidential elections. On Sunday, June 15th, 2014, Colombia held a runoff election between incumbent Juan Manuel Santos and Óscar Iván Zuluaga. President Santos won the election and remains President of Colombia. Santos has been active in international trade and was president during the formation of the Pacific Alliance (for which he serves as President pro tempore), the Free Trade Agreement with the United States and the Trade Agreement with the EU. The question, however, is to what extent will Santos' next presidential term further Colombian trade objectives? Santos has been quite vocal in the recent past about his desire to leverage international trade in order to grow the Colombian economy[20]. According to Santos, Colombia maintains 11 current trade agreements and aims to complete 16 agreements with over 50 countries that would account for approximately 60% of the world's imports[21]. Santos has stated that he is confident that an aggressive approach to trade agreements and competitive import/export policies will position Colombia for greater growth internationally and solid economic growth at home. Santos also believes that one of the most effective ways to "internationalize" is to improve Colombian infrastructure[22]. Accordingly, Santos' administration continues to make infrastructure development a priority[23]. At the end of 2012, Santos' administration had doubled national infrastructure investment to US$3.3 Billion and invited the private

17 The European Union. European Commission. *COUNCIL DECISION of 31 May 2012 on the Signing, on Behalf of the Union, and Provisional Application of the Trade Agreement between the European Union and Its Member States, of the One Part, and Colombia and Peru, of the Other Part. Official Journal of the European Union.* EU, 31 May 2012. Web. 24 July 2014. http://eur-lex.europa.eu/resource.html?uri=cellar:06994b68-59ad-11e2-9294-01aa75ed71a1.0006.04/DOC_29&format=HTML&lang=EN&parentUrn=uriserv:OJ.L_.2012.354.01.0001.01.ENG.

18 European Commission. Trade and Commerce. *EU and Ecuador Conclude Negotiations for Trade and Development Agreement. Europa Press Releases.* N.p., 17 July 2014. Web. 23 July 2014. http://europa.eu/rapid/press-release_IP-14-845_en.htm?locale=en.

19 *Id.*

20 "The Will to Grow: INTERVIEW: H.E. Juan Manuel Santos." *The Business Year*. N.p., 1 Jan. 2013. Web. 07 July 2014. http://www.thebusinessyear.com/publication/article/13/2050/colombia_2013/the-will-to-grow.

21 *Id.*

22 *Id.*

23 *Id.*

sector to assist in further financing of infrastructure[24]. Santos stated that the Fourth Generation of Concessions infrastructure plan was the "most ambitious infrastructure plan in Colombia's history", comprised of 30 projects valued at more than US$22 Billion in conjunction with Public-Private partnerships[25].

Perhaps most importantly, Santos sees Colombia as a one of the leading Latin American economies to emerge from the global recession. He predicts that Latin America will ride a wave of post-recession growth and triple its GDP in 2050 to US$18 Trillion. The president also views Colombia as the "regional leader" in the years ahead after recently becoming the 3rd largest economy in Latin America[26]. Economists forecast that Colombia's GDP will be at least US$1.1Trillion by 2050 as a result of competitiveness and investor protection[27]. Santos' major concern is attracting foreign investors to invest capital into the country to assist in its growth. To that end, Free Trade Agreements, bilateral investment treaties and further liberal trade policies will protect potential investors and reassure trade partners of Colombia's commitment to international trade and foreign investment. Regarding the effects of the global recession felt in Colombia, Santos assured that Colombia was "among just a handful" of economies to grow during the recession and he believes that the country will only continue to grow[28]. In fact, Santos' optimism has been realized in recent years, evidenced by Colombia's rapid economic growth. Bloomberg News reported that Colombia's economic growth from 2013-2014 beat economists' expectations with a 4.9% growth rate[29]. Other Bloomberg data affirms Santos' goal to grow the nation's infrastructure, as recent data from the last quarter of 2013 showed 18% growth in the infrastructure, construction and public works sectors of the economy[30]. The public works sectors are not the only ones experiencing solid growth, however. Oil and mining output rose 7.7% in 2013-2014 and social services expanded 6.3%[31]. The Bloomberg report indicates that Santos' general predictions as stated in his interview with the Business Year are largely coming true, even if the growth Colombia has experienced has been about 1.1% lower than Santos' target 6% growth per year.[32]

Other Countries and Similar Activity

Colombia was not the only Latin American country that grew during and after the Great Recession. As mentioned previously, Colombia's neighbors Chile and Peru have been at the forefront of economic growth. Both Chile and Peru's economies have experienced steady improvement and extremely little economic contraction outside of the manufacturing and construction industries during the height of the recession. Peru and Chile's growth can likely be attributed to smart liberal trade policies, market integration with Mexico and Colombia, diversification of investment and the reduction in tariffs between associated trade partners. Aside from Chile and Peru, a few other countries on the other end of spectrum are worth discussing.

Venezuela

Rich in natural resources but mired in political turmoil, Venezuela is an interesting country to watch while its neighbors to the west grow steadily. With the passing of socialist president Hugo Chávez, Nicolás Maduro became the nation's leader and did little to liberalize trade and economic policies in Venezuela. While Venezuela surprisingly is not the least active trade partner with the U.S. (that position belongs to Argentina whose import rate from the U.S. has actually decreased by 5.1% whereas Venezuela's U.S. imports have increased 43.1%)[33], it is still remarkably hostile to pure capitalism and the United States. That said, although Maduro won the democratic election in 2013 after serving as interim president, the results were hotly contested and more capitalist-friendly and trade-friendly challenger Henrique Capriles lost the election by less than 1.5%[34]. It remains to be seen where Venezuela will go from here. 2014 was wrought with more political turmoil and riots in Caracas, with many young voters and students opposed to the Maduro regime. If Capriles or his political party is able to secure a victory in the years to come, we

25 *Id.*
26 *Id.*
27 *Id.*
28 *Id.*
29 Bristow, Matthew, and Andrew Willis. "Colombia's Economy Beats Expectations With 4.9% Growth." *Bloomberg News.* Bloomberg, 20 Mar. 2014. Web. 11 July 2014. http%3A%2F%2Fwww.bloomberg.com%2Fnews%2F2014-03-20%2Fcolombian-gdp-rose-4-9-in-fourth-quarter-on-construction.html.
30 *Id.*
31 *Id.*

32 *Id.*
33 J.F. Hornbeck, "U.S.-Latin America Trade: Recent Trends and Policy Issues," in *Congressional Research Service* (February 8, 2011).
34 Peter Foster, "Venezuelan Opposition Demands Recount," in *The Telegraph* (April 15, 2013).

might witness trade liberalization, economic growth and improvement of infrastructure in Venezuela, similar to what has occurred in Colombia over the last 15 years. Rich in resources and linguistically related to most major regional neighbors, Venezuela has great potential to be a major player in Latin American economic growth once it embraces trade liberalization and regional integration especially given the economic and trade integration its neighbors have been a part of.

Ecuador

Historically allied with leftist ideologues Hugo Chávez and Evo Morales, Rafael Correa, president of Ecuador, has pursued more liberal trade policies of late. While still concerned about agricultural subsidies in trade partners such as the U.S. and certain labor issues, Ecuador has slowly opened up to western-oriented trade partners. For example, from 1998-2009, the United States imported 194.4% more goods from Ecuador than pre-1998[35]. Ecuador's trade position has not only improved with the United States, but it has also been pursuing membership within Latin American trading blocs to bolster its position amongst its neighbors in the integration of trade. Like Colombia, Ecuador is an associate member of Mercosur, allying itself trade with countries like Argentina, Venezuela and Brazil. Currently Ecuador maintains observer status in the Pacific Alliance and, although Correa has been critical of several of the Alliance's policies, he is open to a membership bid if the Alliance integrates in areas other than trade.

Additionally, according to a press release published by the European Commission, the most recent development in Latin American Trade is the entry of Ecuador into the pre-existing 2012 trade agreement between Colombia, Peru and the European Union[36]. This agreement represents yet another opportunity by Latin American nations to expand trade to other parts of the world. According to the press release: "The agreement will allow Ecuador to benefit from improved access for its main exports to the EU – fisheries, bananas, cut flowers, coffee, cocoa, fruits and nuts. The Agreement will also provide improved access to the Ecuadorian market for many key EU exports, for example in the automotive sector or for alcoholic beverages. However, the agreement will not only secure access to markets; more importantly it will also create a stable and predictable environment that will help boost and diversify trade and investment on both sides.[37]" Ecuador, although a bit further behind Colombia and the Latin Tigers in trade liberalization, has taken a significant step forward in opening up towards the EU and its own neighbors. Perhaps this trend will continue and other, similarly positioned countries in Latin America will follow by pursuing further trade agreements in an attempt to continue to grow local economies.

The purpose of introducing Venezuela and Ecuador is to show that, not only is Latin America growing, but there is a tremendous amount of untapped potential in the trade department. As soon as some of the traditionally leftist nations begin to liberalize their trade agendas, Latin America can potentially become a unified economic powerhouse, especially as parts of the U.S. and Europe continue to experience symptoms of the Recession.

Are We Really in a Post-Recession Economy? Does it Matter?

It is debated whether or not the world has climbed out of the recession that gripped the global economy 6-8 years ago. The truth, however, is that South America did not experience a significant recession. Several authors describe 2009-2010 as the "recovery period"[38], indicating that the recession has ended. While the rest of the world may be "recovering," Latin America has been growing steadily. In fact, Santiago, Chile ranked 5th in a report of 150 metropolitan areas during the global "recovery period"[39]. Moreover, 10 of the top 50 cities in that report were Latin American[40]. Santiago is the leader along with Lima, Buenos Aires, Bogotá and several Brazilian cities among the Top 30[41]. The above data indicates that if we call

35 Hornbeck, J.F. "U.S.-Latin America Trade: Recent Trends and Policy Issues.*"U.S.-Latin America Trade: Recent Trends and Policy Issues* 7.5700 (2011): 98-840. *Congressional Research Service*. Web. 7 July 2014.

36 European Commission. Trade and Commerce. *EU and Ecuador Conclude Negotiations for Trade and Development Agreement. Europa Press Releases*. N.p., 17 July 2014. Web. 23 July 2014. http://europa.eu/rapid/press-release_IP-14-845_en.htm?locale=en.

37 *Id.*

38 *See* "Santiago's Post-recession Economic Recovery among World's Best." *This Is Chile*. N.p., 14 Nov. 2010. Web. 07 July 2014. http://www.thisischile.cl/2010/12/santiagos-post-recession-economic-recovery-among-worlds-best/?lang=en.

39 *Id.*

40 *Id.*

41 *Id.*

this the "recovery period," Latin America is recovering the quickest[42]. On the other hand, the data may simply indicate that Latin America never slowed while the rest of the world fell into recession. For example, Santiago, Chile was ranked 41st before the recession in terms of Metropolitan economic health and "post-recession" it has landed in the Top 5[43]. Whether or not we want to classify the state of the global economy as post-recession, recovery or recession is beside the point, because regardless of classification, Latin America is growing. Latin American nations, especially Pacific Alliance countries like Chile, Peru and Colombia, boast some of the healthiest and most stable post-recession economies. Additionally, according to a report by the Brookings Institute, South American cities were only lightly affected by the global downturn during the recession and all 8 major metro areas (Santiago, Lima, Bogotá, Buenos Aires, Sao Paulo, Rio de Janeiro, Belo Horizonte, Brasilia) ranked among the 32-best performing metro areas in the first year of the global economic recovery[44].

The Economist, however, provides some evidence of the existence of a recession in Latin America[45]. During the heat of the recession, employees were laid off in Mexican car factories, Brazilian aircraft plants and Peruvian building sites in early 2009[46]. During 2009, IMF economists predicted a 1.5% contraction followed by a growth of 1.6% in 2010[47]. The predicted contraction, albeit small, was preceded by 5 years of growth in Latin America where the average growth hovered around 5.5% with low inflation[48].

Latin America may have felt a slight sting of the global economic downturn, particularly in manufacturing, but free trade policies and smart leadership have led countries like Chile, Colombia and Peru into the limelight, diversifying their trade partners and growing faster than comparable metropolitan areas worldwide. Today, Latin American cities outpace their North American and European counterparts and their respective economies will only continue to grow as Europe and the U.S. slowly climb out of their recession. For example, although cities like Athens, Riga and Dublin are still in recession, as soon as struggling European countries and deteriorating U.S. cities resolve their financial woes, the international community will see more diversification and trade and the freer movement of goods and capital. Accordingly, it seems Latin America is getting the best of both worlds as it is currently growing by focusing on regional trade partners and Asia but, once the northern hemisphere climbs out of the recession, Latin America will get the benefit of trade and investment from that direction as well, given the trade agreements already in place between many Latin American nations and the US and EU. Aside from a few socio-political problems still lingering on ideological fault lines in pockets of Latin America, the general trend is healthy, which bodes well for the future of Latin America.

Conclusion

Latin America was not hit as hard as its counterparts in Europe and North America during the recession. In fact, many argue that Latin America never experienced a recession at all. Regardless, economists have observed steady, virtually unimpeded growth in Peru, Chile and Colombia. That growth is due, in part, to the trade policies of the new "Latin Tigers"[49], the integration of trade and markets amongst the Pacific Alliance nations, Free Trade Agreements with the U.S., and new trade bridges to Asia and Europe. Whether or not Latin America is in a state of Post-Recession is irrelevant, as the continent's economic position is growing, its countries are integrating and proceeding with trade agreements to improve their global positions. Ultimately, Colombia, along with Peru and Chile are the leaders of this uniquely Latin American post-recession economic development[50]. With solid growth, reduction in poverty and improvement in infrastructure, the recent growth of the Pacific Alliance nations is predicted

42 Cárdenas, Mauricio, and Camila Henao. "Latin America and the Caribbean's Economic Recovery." *Brookings Institution* (2012): 1-28. Web.
43 *Id.*
44 Berube, Alan, and Phillip Rode. "Global MetroMonitor: The Path to Economic Recovery." *Brookings Institution.* N.p., 30 Nov. 2010. Web. 7 July 2014. http%3A%2F%2Fwww.brookings.edu%2Fresearch%2Freports%2F2010%2F11%2F30-global-metro-monitor.
45 "Latin America's Economies: Pain But No Panis." *The Economist: The Americas.* The Economist, 30 Apr. 2009. Web. 7 July 2014. http%3A%2F%2Fwww.economist.com%2Fnode%2F13576459.
46 *Id.*
47 *Id.*
48 *Id.*
49 Collyns, Charles. "The Latin Tigers: Peru and Chile Make Strides in Inclusive Growth and Development." *U.S. Department of Treasury.* United States Government, 7 Aug. 2012. Web. 07 July 2014.
50 Cárdenas, Mauricio, and Camila Henao. "Latin America and the Caribbean's Economic Recovery." *Brookings Institution* (2012): 1-28. Web.

to continue and improve. As the rest of the world finally lifts itself out of the Recession, it will only help improve the Alliance's position by introducing new, diverse global trade partners. Perhaps the Pacific Alliance's neighbors, like Venezuela, will adopt similar policies and join in the growth as they realize the economic success achieved by other regional players. Whether or not this occurs, the future is bright for Latin America and the world will likely see continued and consistent growth, which might be attributed to liberal trade and increased flow of goods and capital into the region.

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