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**Cleaning  
Products** 2017  
LATIN AMERICA

# REGULATORY CONVERGENCE AND TRADE IN LATIN AMERICA: CHALLENGES AND OPPORTUNITIES

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# TOPICS

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A person's hands are shown holding a globe of the Earth. The globe is positioned centrally, with the continents of Africa and Europe visible. The background is a blurred, high-angle view of a city street with buildings and cars. A semi-transparent dark blue rectangular overlay covers the middle portion of the image, containing the title text.

# GLOBAL TRENDS

## GLOBAL TRENDS

### WHY TALK ABOUT REGULATORY CONVERGENCE?

- Regulations are necessary and mostly domestic
- Regulations may pose (intentionally or not) a barrier to trade
- Convergence saves money, and
- Convergence is needed for the (global) common good

**Regulations** are normative measures generally created by governments to increase social welfare. They are essential tools for promoting public health and safety, safeguarding the environment and rights of citizens, and ensuring the proper functioning of markets.

In a more connected world with **Global Value Chains (GVCs)**, where different firms in different countries undertake different stages of producing a good or service, regulating at domestic level is insufficient to guarantee safety.

*Imports that the United States (US) Food and Drug Administration (FDA) regulates, for example, grew nearly sixfold (from 6 million to 35 million shipments) over a 12-year period and now involve more than 300,000 facilities across at least 150 countries (FDA 2012).*

## WHY TALK ABOUT REGULATORY CONVERGENCE?

As tariff preferences have diminished in importance, **non-tariff measures** have become relatively more significant as determinants of market access.

The **TBT and SPS Agreements** include provisions to encourage nondiscriminatory mutual recognition and equivalence, but those provisions do not provide a framework for regulatory authorities to adopt regulatory cooperation arrangements .

### Convergence is good for business:

- ✓ Cut the red tape: faster, easier processes to import/export
- ✓ Access to new markets
- ✓ Economy of scale

Also, international regulatory cooperation is needed for sectors involving **global public goods**, that include global warming, nuclear proliferation, financial contagion, and pollution. Regulating these goods cannot occur through market forces alone or without international coordination.

## HOW TO CONVERGE?

Strategies range from modest measures, such as transparency and information sharing to more robust work-sharing arrangements.



Regulatory convergence requires a **deeper degree of integration and commitment** between countries; it consists of standardized rules, that is, common to all. It requires an integration of national regulatory agencies, procedures, decision-making processes, and reduces national autonomy. It is necessary to make regulatory systems more alike to an ideal, and reduce inconsistencies, redundancies and gaps.

Regulatory cooperation consists of an agreement or arrangement, formal or informal, between countries (bilateral, regional or multilateral) aimed to promote coordinated work to establish, monitor, and verify regulations (OCDE, 2016).

## HOW TO CONVERGE?

- Integration/ harmonization through supra national institutions (ex.: EU)
  - Specific agreements
  - Formal partnership for regulatory cooperation
  - Joint standards through international organizations (ex.: WTO, WHO, OIE, Codex, ISO, ICCR- International Cooperation on Cosmetics Regulation)
- Preferential Trade Agreements
  - Mutual recognition agreements
  - Unilateral convergence through good practices
  - “Soft law”: principles, guidelines and codes of conduct
  - Dialogues and exchange of information



**HOW TO CONVERGE?** The new generation of agreements goes beyond liberalization of markets through tariffs.

- The Transpacific Partnership (TPP) represents a more advanced standard of coherence and cooperation in regulatory affairs.
- In the Trans-Atlantic Trade and Investment Partnership (TTIP), the EU included the concept (2013):  
*The Agreement will include **cross-cutting disciplines on regulatory coherence and transparency** for the development and implementation of efficient, cost-effective, and more compatible regulations for goods and services, including early consultations on significant regulations, use of impact assessments, evaluations, (...).*
- United States-Korea Free Trade Agreement (KORUS):  
*Art. 9.4. The Parties shall **strengthen their cooperation in the field of standards, technical regulations, and conformity assessment procedures** with a view to increasing the mutual understanding of their respective systems and facilitating access to their respective markets.*
  - Includes specific measures related to the automotive sector, telecommunications, medicines and medical equipment
- EU- Korea (KOREU)
  - Makes reference to international organizations of standards (ISO, IEC, UIT, WHO)
  - Also includes specific sectors (auto, electronics, chemical and pharmaceutical)

**MEGA-REGIONAL AGREEMENTS ARE NEGOTIATED AMONG A  
FEW BUT MAY **CREATE EFFECT ON ALL.****

## HOW TO CONVERGE? THE ROLE OF THE WTO

- Convergence contributes to cutting the red tape, but it can also reproduce the political and economic inequality between countries. In these cases, the WTO may be a forum to centralize these discussions.
- **The benefits the WTO offers are likely to be greatest in sectors where there is a regulatory need and an economic interest in a large and diverse group of nations working together.**
- E.g.: sectors dominated by GVCs, where countries involved are often diverse, including nations at different stages of development.

- The other context for regulatory cooperation at the WTO would be in sectors involving the global public goods mentioned above.

**THESE PROPOSALS HAVE BEEN DISCUSSED BUT WITH SLOW PROGRESS.**

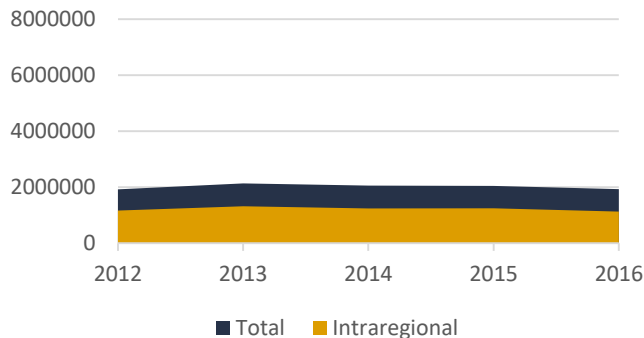


# REGIONAL SCENARIO

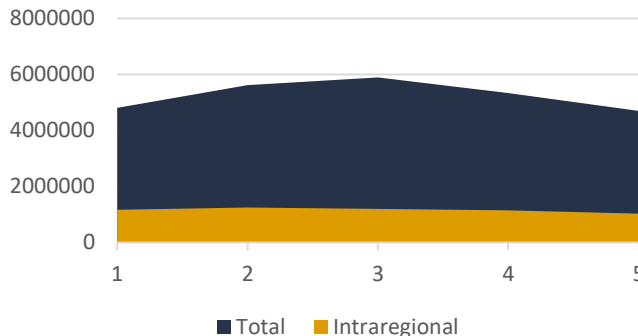
## OVERVIEW OF TRADE IN LATIN AMERICA: CLEANING PRODUCTS

- The Latin America Integration Association's (LAIA) countries present substantial trade deficits in the sector;
- About **60% of the exports are destined to Latin America**, but only about 20% of the total of imports are originated from the region.

Exports of Cleaning Products by LAIA's countries (2012 - 2016) - USD Dollar  
Thousand



Imports of Cleaning Products by LAIA's countries (2012 - 2016) - USD Dollar  
Thousand



## OVERVIEW OF TRADE IN LATIN AMERICA: CLEANING PRODUCTS

- Most of LAIA's countries export almost all cleaning products to other countries of the region.

Country	Total Value*	Intraregional Value*	Intraregional/Total (%)
Mexico	853925	170892	20,01%
Colombia	318873	296282	92,92%
Brazil	303595	231214	76,16%
Argentina	248456	239304	96,32%
Uruguay	77376	72708	93,97%
Peru	56971	52612	92,35%
Paraguay	32160	31584	98,21%
Ecuador	17431	16546	94,92%
Chile	14542	13313	91,55%
Bolivia	4032	4032	100,00%
Venezuela	3446	3079	89,35%
Panama	3101	945	30,47%
Cuba	163	56	34,36%
<b>Total</b>	<b>1934071</b>	<b>1132567</b>	<b>58,56%</b>

\* USD Dollar Thousand

## OVERVIEW OF TRADE IN LATIN AMERICA: EXPORTS OF CLEANING PRODUCTS

### Main regional exporters to the world (2016)

Origin	Value*
Mexico	853925
Colombia	318873
Brazil	303595
Argentina	248456
Uruguay	77376

\* USD Dollar Thousand

### Main destinations of LAIA's exports (2016):

#### ➤ Within the region:

Destination	Value
Brazil	283035
Argentina	170010
Chile	119742
Peru	100084
Ecuador	87031

#### ➤ Outside of the region:

Destination	Value
USA	513223
Guatemala	67346
Costa Rica	29394
Honduras	16996
Dominican Republic	13187

## OVERVIEW OF TRADE IN LATIN AMERICA: IMPORTS OF CLEANING PRODUCTS

Main regional importers from the world  
(2016)

Destination	Value*
Brazil	1399620
Mexico	1206556
Argentina	470271
Chile	324239
Colombia	321217

\* USD Dollar Thousand

Main origins of LAIA's imports (2016):

➤ Within the region:

Origin	Value *
Argentina	242336
Brazil	217285
Colombia	207134
Mexico	164718
Uruguay	72440

➤ Outside of the region:

Origin	Value*
USA	1743078
China	406891
Germany	314133
India	168617
Belgium	155460

## OVERVIEW OF TRADE IN LATIN AMERICA

### Main Cleaning Products Exported by LAIA's countries to the world (2016)

Product (HS Code)	Value*
Insecticides put up in forms or packings for retail sale or as preparations or articles (380891)	548514
Surfactant preparations for washing and cleaning (340220)	507867
Other surfactant preparations for washing and cleaning (340290)	167625
Finishing agents for textile industry (380991)	152152
Non-ionic organic surface-active agents (excluding soap) (340213)	133751

\* USD Dollar Thousand

### Main Cleaning Products Imported by LAIA's countries from the world (2016)

Product (HS code)	Value*
Insecticides put up in forms or packings for retail sale or as preparations or articles (380891)	1864817
Other surfactant preparations for washing and cleaning (340290)	419636
Non-ionic organic surface-active agents (excluding soap) (340213)	417941
Surfactant preparations for washing and cleaning (340220)	395525
Other lubricants, anti-adherents, anti-rust preparations (340399)	339891



## REGIONAL INTEGRATION & REGULATORY CONVERGENCE

### Latin America Integration Association's (LAIA)

- Members are committed to gradually eliminate all barriers to trade, including non-tariff barriers to the intra-regional flow of goods and services.
- **Selective harmonization** of regulations.
- Interamerican Accreditation Cooperation (IAAC): regional association of bodies of accreditation and related organizations part of the evaluation of compliance in the region.

### MERCOSUL

- After an initial attempt to harmonize the regulatory systems of member countries, as provided in the agreement, the Bloc sought less ambitious targets.
- Harmonization of systems are discussed mainly in the Working Group (SGT) n°3 and the Association of Norms (AMN).
- After years of its creation, the Bloc still has much to advance. Main challenge is the number and the difference between domestic institutions responsible for the norms and regulations.
- Prospective for the EU-Mercosul negotiations?

# FINAL REMARKS

## FINAL REMARKS



Domestic regulatory practices and International trade are ever more connected. The gap between national norms and regulatory systems create barriers to trade, diminishing the results of efforts to increase trade through tariff reductions.

**MEANINGFUL REGULATORY COOPERATION** will move forward only with the support and active participation of regulatory officials.

And **TRADE NEGOTIATIONS** provide the structure, resources, and high-level political commitment that many international regulatory dialogues lack.



*OBRIGADO! THANK YOU!*



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