

CALL FOR RESEARCH PROPOSALS

ECONOMIC INTEGRATION IN LATIN AMERICA: THE ROLE OF REGULATIONS, ADMINISTRATIVE PROCEDURES AND PHYSICAL INFRASTRUCTURE

Most countries in the region have undertaken an important economic integration process over the last few decades, particularly since the '90s. In this period, much progress was made in the number of trade agreements reached. These agreements brought about a significant reduction in tariffs and some non-tariff barriers (i.e. quotas, antidumping, etc.) for member countries. However, trade and, more generally, integration levels, both within countries in the region and with the rest of the world, are far from reaching their full potential, due to the persistence of other sources of trade costs.

These costs include administrative costs associated with international trade, customs procedures or border regulations. The reduction of these barriers can promote integration, complementing the achieved reduction in tariff and non-tariff barriers. Furthermore, other types of regulations such as certifications, labeling rules, and regulations of internal and cross-border transport services, among others, can act as barriers to trade, both because they create restrictions per se or because they introduce heterogeneity and unnecessary complexity on administrative duties between countries.

Furthermore, a significant share of trade costs is determined by the quantity and quality of countries' physical infrastructure. Physical infrastructure does not only affect bilateral trade costs, but also how production and population are allocated within the economy. Transport infrastructure that allows the flow of people and goods, ICT infrastructure that facilitates communication and service provision, and energy infrastructure that reduces production costs and improves the provision of energy services are key determinants of trade costs and integration possibilities between countries in the region. A promising way of improving infrastructure is by creating integrated logistic corridors. These can either be international, such as a bi-oceanic corridor, or national, connecting two key locations within the same country, and can integrate multiple transport modes as well as the transport network with other types of infrastructure, such as energy and ICTs.

Regional economic integration also implies the penetration and operation of foreign firms in the domestic economy. Foreign direct investment (FDI) can expand the baskets of final and intermediate goods available to consumers and firms, increasing variety and reducing prices. At the same time, multinational firms usually bring knowledge and productive innovations that can spill-over to domestic firms, with positive effects on human capital investment and on firms' productivity. Since trade costs affect the location decision of firms, FDI can be thought as substitute of trade or as complement in the production process.

This call aims at supporting research proposals that contribute to a better understanding on how different dimensions of the economic and regulatory environment, such as trade facilitation, homogenization of standards and regulations, and physical infrastructure affect trade and integration in the region, as well as the effects of FDI on domestic economic outcomes. In line with these objectives, the following is a non-exhaustive list of topics that research proposals could address:

- The effects of trade facilitation and homogenization of trade regulations in the region.
- Effects of physical infrastructure on trade costs, both within and between countries.
- Effects of infrastructure on the spatial distribution of production, both within and between countries.
- Effects of FDI on productivity, employment, skill composition, spillovers, among others.
- The effects of integration of energy markets on the cost of energy, the performance of the energy sector, and energy trade. Special focus on electricity and/or natural gas.
- The effect of ICT infrastructure on trade costs, trade levels, and trade composition.
- Determinants of regional integration levels (trade, FDI) in the last three decades.
- Determinants of FDI flows in the region.
- Interaction between ICTs and transport infrastructure in trade and production location decisions.

Special consideration will be given to research proposals that present evidence for Latin America.

Important information:

- Proposals must be sent to investigacion@caf.com by 23:59 on **February 25th, 2020**. To apply, the following [online form](#) should be filled. (Note that a google e-mail account is needed to fill the form.)
- Proposals must include three files: i) a document of **maximum 4 pages and maximum 2000 words** presenting the **research question** and describing the **methodology and data** (if it is an empirical work); ii) the **list of members of the research team**, with their current affiliation and contact details; and iii) an **updated CV of the corresponding author**. These documents can be presented in English or Spanish. Clarity in the description of the project and the identification strategy (in the case of empirical works) will be highly valued. Failure to comply with the specified maximum length will imply the automatic disqualification of the proposal.
- A maximum of **3 winning proposals** will receive a prize of **USD 15.000** each to finance the project.
- Winners will be announced by **March 16, 2020**.
- A first draft of the paper must be submitted by August 28, 2020. During September 2020, the corresponding author (or any member of the research team in the case of collective projects) will present a preliminary version of the paper in a Seminar in a Latin American city to be determined. CAF will cover travel expenses (economy class airfares and lodging) for one author of each of the selected projects.
- The **final version of the paper** must be submitted by **November 27, 2020**. This version will be published in CAF Working Paper Series. The authors will be free to publish the work in scientific journals.
- A two-page **policy brief** summarizing the main points and conclusions of the project must be submitted jointly with the final version of the paper.
- The committee in charge of assessing the proposals is integrated by Irene Brambilla (Universidad Nacional de La Plata), Lorenzo Caliendo (Yale University), Klaus Desmet (Southern Methodist University), Pablo Fajgelbaum (University of California, Los Angeles), Lian Allub (CAF), Guillermo Alves (CAF), Walter Cont (CAF), Christian Daude (CAF) y Pablo Sanguinetti (CAF).

Answers to frequent questions can be found in the [Frequently Asked Questions document](#). In case of further questions, please contact us at investigacion@caf.com.