



# Convergence of regional integration

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Negotiations have been in progress since August 2007 towards adopting a Free Trade Agreement between SICA and CARICOM

Taking into account its geographic proximity, historical ties, common interests and objectives, as well as the strategic importance of the Caribbean Sea, the group of developing countries whose coasts are bathed by that Sea and which includes Mexico, the countries of Central America (including El Salvador, although it does not have a Caribbean coast), the island countries of the Antilles, in addition to Colombia and Venezuela, have enjoyed a series of significant achievements in the framework of the Association of Caribbean States (ACS), this is especially so in its four programme areas – Trade, Transport, Sustainable Tourism and Disasters – which are particularly relevant for the process of harmonisation and convergence of Latin American and Caribbean integration.

It should be borne in mind that based on the significance of the Caribbean Sea as a common asset, the need to promote shared responsibility for the ecological preservation of that space and its potential to serve as a unifying element for the development of the peoples of the Greater Caribbean, the Convention Establishing the ACS defines the Association as an organisation for consultation, cooperation and concerted action. It states that its purpose is to identify and promote the implementation of policies and programmes designed to develop the collective capabilities of the Caribbean to achieve sustained cultural, economic, social, scientific and technological advancement.

The ACS has also been created to: develop the potential of the Caribbean Sea through interaction among Member States and with third parties; promote an enhanced economic space for trade and investment with opportunities for cooperation and concerted action, to increase the benefits which accrue to the peoples of the Caribbean from their resources and assets, including the Caribbean Sea; and establish, consolidate and augment the institutional structures and cooperative arrangements responsive to the various

cultural identities, developmental needs and normative systems within the region, objectives that are essential and inescapable to support the future coordination and convergence of the integration schemes existing among its Member States.

It is relevant to highlight among the activities underway in the area of trade, for example, the execution of several projects that are key to promote reciprocal exchanges and facilitate business undertakings in the Member Countries of the Association, as a response to the need to achieve the gradual and progressive liberalisation of the flow of goods and investment in the region and their projection abroad. In that respect, it is crucial to emphasise that negotiations have been in progress since August 2007 towards adopting a Free Trade Agreement (FTA) between the Central American Integration System (SICA) and the Caribbean Community (CARICOM) which, once concluded, may become the key instrument for expanding trade and achieving productive development between the Member Countries of both integration schemes.

SICA-CARICOM trade has remained at low levels over the years, even though it has been growing in a sustained fashion in recent times. Exports from Central American countries to CARICOM members in 2009 barely exceeded US\$400 million and represent a little less than 2 per cent of their total exports; while their imports from the Caribbean are not recorded beyond US\$150 billion, that is to say, they account for almost 0.5 per cent of their total imports. The FTA between both schemes would be called to reverse this trend by virtue of the liberalisation of customs tariffs and the elimination of non-tariff barriers and other obstacles to reciprocal trade that it would offer. Moreover, the establishment of preferences in the framework of the FTA would provide legal support for that process to expand trade and business between both integration schemes.

In addition, significant advancements have been made in the area of trade facilitation, by way of the



liberalisation of customs procedures among Member Countries, heeding the fact that there are many procedures and systems that have not marched to the same beat of technology and production and distribution methods. Different strategies have been developed for the purpose of improving customs procedures and reaping the benefits of greater efficiency as a result of optimal trade procedures, all of which helps to facilitate trade and achieve synergies throughout the length and breadth of the Greater Caribbean.

Emphasis should also be placed on the various projects geared towards improving the efficiency of maritime transport among Member Countries by means of greater mutual cooperation, as well as those projects associated with sustainable tourism. It is fitting to recall that according to international statistics, of the 14 most important tourism regions in the world, in terms of their size, the population of the Caribbean islands is more dependent on tourism-generated revenue than any other part of the world. In 2008, the Tourism sector contributed US\$28,400 million to the Gross Domestic Product, 13 per cent of the total; and US\$19,000 million or 16 per cent of the services and goods exported. More than one fifth (21.7 per cent) of all capital investments is linked to tourism, an amount that represents more than double the global average. In several Caribbean islands, tourism accounts for more than 90 per cent of the GDP and is the primary export sector.

All of these aspects could be strengthened through deeper integration pledged to the broadest sectors of the society and more extensive economic and technical cooperation among the Member States of the Association and among the organisations heading the integration processes.

Not only is that strategy desirable, but it is also absolutely necessary and feasible to implement in the short and medium term, in light of the effects of the global crisis. These include: the reduction in lines of financing from abroad; the increase in the cost of financing; the drop in the cost of raw materials; the deceleration of exports; the reduction in flows of remittances from migrants; the drastic decline in tourism that has noticeably impacted the islands of the Caribbean as well as other aspects that have inevitably affected not only the economic growth and social well-being of these countries in the short term, but also their investment decisions in the medium and long term.

An immediate consequence of the global crisis has been the significant cutback in Official Development

Assistance (ODA) since, as a result of having to dedicate greater efforts and resources to cater to their internal difficulties, donor countries have lessened their contributions drastically. Between 2008 and 2009, there have been reductions on the part of donor countries ranging between 1 per cent and 33 per cent, which include major industrialised countries with a few small exceptions such as France, Switzerland, Belgium and the United States.

If conventional North-South cooperation is reduced, South-South cooperation will have to gain more momentum. Our States with economic and technical capabilities have already begun to transfer these capabilities to those States that are less economically and technically favoured. An example of this is the programmes developed by Argentina, Chile, Colombia, Costa Rica, Cuba, Brazil, Mexico and Venezuela in favour of countries that are most in need. In other words, our countries must tap into all existing resources and resort to considerable imagination, dedication and effort, to promote economic and social development and maintain acceptable levels of well-being among their citizens, developing cooperation among themselves as a vehicle for facing the adversities arising out of the global crisis.

Included among the many opportunities available for fulfilling this objective are those stemming from regional integration and intra-regional cooperation, especially through formal economic and technical cooperation agreements with social objectives. These agreements should promote projects that

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Local produce market, Colombia





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Mexico has begun transferring its economic and technical capabilities to smaller States in the region

seek out complementation and industrial, trade and technological integration, for the purpose of optimising the use of the resources available, taking into account the benefit of mutually supporting improved productivity and competitiveness.

While crises intensify existing imbalances and magnify the weaknesses of countries and companies, they also create opportunities taking decisions that have been postponed and for undertaking efforts that have been cast aside. The region should take advantage of this opportunity to accelerate its productive transformation, make strides in terms of social equity, as well as achieve more competitive and diversified international insertion.

With respect to the institutionality of integration in the framework of the ACS and in terms of the progressive coordination and convergence of the processes underway, since all SICA Member States participate in the ACS, as well as 14 of the 15 Member States of CARICOM, the Association is a natural bridge for linking both sub-regional integration systems and a point of convergence for the group of states and territories surrounded by the Greater Caribbean Basin. It must therefore be borne in mind, its potential for becoming in the future, a mechanism for cementing integration and cooperation efforts in the vast Central American and Caribbean zone.

As an expression of the bonds existing between the ACS, SICA and CARICOM, the leaders of those countries agreed to intensify their efforts for the complete fulfilment

of the objectives of the ACS and, in particular, for the establishment of the Greater Caribbean as a Cooperation Zone. Subsequently, they pledged to promote a more extensive vision of relations between both schemes.

More recently, they met once again and emphasised the need to continue strengthening coordination among the three Secretariats and to exchange opinions regarding common objectives. The Secretariats agreed to hold consultations with their respective organisations so that they could enjoy closer institutional relations in different ambits. They also decided to promote greater participation by the ACS Secretariat in the development of the SICA-CARICOM Plan of Action, especially concerning issues associated with the environment, natural disasters, trade and investments, air transport, tourism and other Caribbean Sea matters.

The Latin American Economic System (SELA), in its capacity as a Founding Observer, has contributed actively to many of the efforts and activities developed by the ACS throughout its history. Both Secretariats have constantly maintained a close inter-institutional relationship which has developed into a fluent exchange of information, mutual attendance at important meetings and events held by each of them and reciprocal support in several programmes adopted by their respective authorities.

It is in SELA's interest, given the integrationist vocation and mandate of its Member States, to maintain an ongoing exchange of information and to foster cooperation between both Secretariats, with a view to rationalising the resources available, avoiding the duplication of efforts and providing mutual support for the fulfilment of their various common objectives. This corresponds with those proposed during the 1st Latin American and Caribbean Summit on Integration and Development (CALC) convened in Bahia, Brazil in 2008, which was attended by the Heads of State and Government of 33 Latin American and Caribbean countries. This summit discussed cooperation between the regional and sub-regional integration mechanisms and agreed to intensify dialogue, interaction and synergy among such mechanisms, strengthen cooperation between the Secretariats and establish priority issues for collaboration among those mechanisms. This was proposed and reaffirmed by the Cancún Unity Summit in 2010 which agreed to promote communication, co-operation, coordination, complementarity and synergy among sub-regional organisations and institutions. ■

