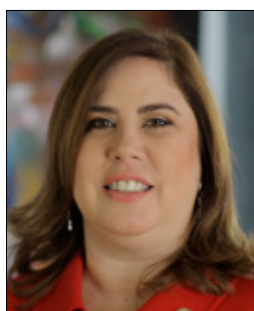


# Sharing the benefits of integration

## INTERVIEW WITH CARMEN GISELA VERGARA

SECRETARY GENERAL, SECRETARIAT FOR CENTRAL AMERICAN ECONOMIC INTEGRATION



**CARMEN GISELA VERGARA** was appointed Secretary General of the Secretariat for Central American Economic Integration in July 2013. She is the second woman to hold this office. Panamanian born, Ms Vergara has served her country in an array of different positions, including Minister of Commerce and Industry, Vice Minister of International Trade, Director at CABEL, as well as setting up Panama's business incubator. Ms Vergara holds a Masters in Private International Law and a post graduate degree in international negotiations.

Secretary General Vergara with Guatemala's Minister of Economy, Sergio De La Torre and Vice Minister María Luisa Flores at the SIECA meeting of the Council of Ministers of Economic Integration, April 2015

**It is almost 25 years since the Tegucigalpa Protocol heralded the creation of SICA, and five years since the Presidents of the isthmus nations decided to relaunch the process of Central American integration. What is your assessment of the current state of the integration movement, in particular from an economic standpoint?**

The process of economic integration actually began in 1960 with the General Treaty of Economic Integration, which was modified in 1993 with its protocol, also known as the Guatemala Protocol. Over 50 years of history have led Central America, as a bloc, to be its own second biggest trading partner, and have strengthened the political and social ties that bind it together.

The process of economic integration is very much alive and dynamic; just last year, two countries expressed their interest in joining the sub-system of economic integration as Panama did recently. This year, Guatemala and Honduras decided to move faster than the rest of their peers by agreeing to establish a Customs Union by the end of the year. After the end of the WTO's Bali Round, Central America began working as early as January 2014 to prepare itself for the entry into force of the Agreement on Trade Facilitation.

As we can see, the process, led by the Council of Ministers of Economic Integration, is ambitious and

pursues the different stages of economic integration established in the General Treaty and its Protocol. The Council of Ministers of Economic Integration have ensured that the process remains up-to-date by taking into consideration topics discussed in international fora that have an impact on trade.

**What do you regard as the most significant achievements of the organisation to date? What are your key objectives for the next five, ten, fifteen years, and beyond?**

There are several milestones that can be discussed. In 1960, four countries were signatories to the General Treaty of Economic Integration; in 2015 there are six, and two other countries are considering joining the process.

In 1960, the list of excluded goods had over 500 items, now it has only six, ensuring free trade for almost all Central American goods. During the financial crisis of 2008, while trade with the rest of the world shrank, intraregional trade in Central America actually grew, allowing Central American countries to achieve economic growth levels higher than the Latin American average. But perhaps the most important achievement is that the process remains useful and is moving forward, at a speed it had not seen in the past 50 years.



In the next five years, SIECA will support and foster trade facilitation in the region. Working together with our Members, we will be able to reduce trade costs by up to 30 per cent, making Central American exports much more competitive than they are now. Additionally, the spill-over effects of trade facilitation are quite exciting. Not only will the region be more attractive to FDI, but Central American value chains will be able to further develop and consolidate themselves advancing tremendously the process of economic integration.

In the long term, our objectives are set out in the Guatemala Protocol, namely: 1) The consolidation of the Free Trade Area of Central America, 2) Common external trade policy, 3) Central America's Customs Union, 4) Freedom of movement of all factors of production, and 5) Monetary and financial integration.

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**Guatemala has traditionally been one of the strongest advocates of regional integration. How successful has the country's pro tempore presidency (PTP) been in advancing the aims of SICA, and what are your expectations for the forthcoming Summit in Antigua Guatemala at the end of June?**

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Each Central American country has played a vital role in the process of economic integration; if one was missing it would not be as robust because the process is founded on each of our Members' complementarities. What some countries lack, others have in abundance. When each Member takes up the PTP they try to leave an imprint of their vision in the process, which is what makes the process so rich.

What was particular about Guatemala's 2015 PTP was that the Council of Ministers of Economic Integration, the supreme organ of SIECA, and the Council of Ministers of Foreign Affairs, the supreme organ of SICA, shared a common vision for their presidency: economic integration. This has resulted in important progress towards the Customs Union. Additionally, this joint effort between both Councils has created the space for joint meetings between the Council of Ministers of Economic Integration, Finance and Foreign Affairs. Their work in unison has set a new standard for results of future PTP, therefore we expect great results from the Presidential Summit.

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**What progress has been made in implementing the measures agreed at the Punta Cana SICA meeting in 2014?**

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Two major areas are being worked on. The first involves five trade facilitation measures that will allow countries to harvest 'low hanging fruit'. The five measures were worked on last year with the IDB, USAID and SIECA, and were later validated by the

Council of Ministers of Economic Integration. These measures will be implemented with non-refundable cooperation from the IDB and are expected to be implemented by the end of this year. The five measures are: Cameras and informational videos on Border Posts, RFID (radio-frequency identification) readers, integrated migration processes, advanced rulings and electronic transmission of documents.

The second involves the creation of the Central American Group on Trade Facilitation that is currently analysing the Central American Trade Facilitation Strategy, which will be presented to the second Presidential Summit of 2015 after approval by the Council of Ministers of Economic Integration.

Additionally, I would like to point out that at SIECA we have an online platform that allows the Secretariat and the Council of Ministers of Economic Integration to monitor the implementation of Presidential mandates.

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**The bilateral agreement signed earlier this year between Guatemala and Honduras creating a customs union between the two countries represents the single most important step yet towards meaningful economic integration, yet the majority of SICA members are adopting a wait-and-see approach. How soon do you expect to see other member states joining the union? What are the main obstacles to wider participation, in your view?**

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Article 6 of the Guatemala Protocol establishes that some or all members may advance within the process at the speed that they deem convenient. This is what we have witnessed with Guatemala and Honduras. El Salvador has already made a request to Guatemala and Honduras to be an observer of the Customs Union,

**During the financial crisis of 2008, while trade with the rest of the world shrank, intraregional trade in Central America actually grew**

Secretary General Vergara with Ministers and Vice Ministers of Economy of Honduras, Costa Rica, Guatemala, Nicaragua, Panama and El Salvador



What was particular about Guatemala's 2015 PTP was that the Councils of Ministers of Economic Integration and Foreign Affairs shared a common vision for their presidency

which sends a very positive message. However this does not mean that the rest of the SIECA Members have remained idle; quite the opposite. Significant efforts on trade facilitation measures have been made by countries that share a border, such as Costa Rica and Panama, Costa Rica and Nicaragua, and El Salvador and Honduras.

**What is SIECA's assessment of the economic impact of a wider customs union?**

There are many positive impacts that a wider customs union may have, yet I will focus on one. FDI in Central America focuses largely on natural resources and on a lesser amount strategic assets and efficiency. The area where Central America has more potential for growth in FDI is market penetration. In Central America, Guatemala is the country with the biggest population, close to 14 million, and Panama, with 3 million, is the smallest. If the Customs Union were to occur, the market would be expanded to close to 45 million and thus market penetration FDI is likely to increase. Additionally, one can mention economies of scale and cheaper and faster movement of goods within the region.

**What do you regard as the most significant economic trends affecting the region, and how can the member countries best turn these to their advantage? Where do you see the most promising engines of future growth?**

Value chains were used by the WTO to explain why a product was no longer made in country A or B, but rather 'made in the world' through all of its components. This analysis has allowed countries and regions to understand how they all contribute to a specific product. In light of this, SIECA and ECLAC have mapped out the existing and potential value chains in Central America. This is part of a programme we have called *Compite Centroamérica*, which seeks to improve Central America's competitiveness.

Additionally, the Council of Ministers of Economic Integration, has instructed SIECA to create spaces for dialogue where topics that could influence the process of economic integration are to be discussed. On 24 June 2015, the first of these fora will take place and it will discuss new drivers of economic growth for Central America, specifically in the creative industries. We have assembled a panel of world-renowned experts to share with a live audience their perspectives on how the creative industries can help transform Central America. During the second SICA Presidential Summit, the Forum will focus on the impact climate change will have on the process of economic integration. This Forum will focus on food security, new technologies to mitigate the impact on Central American Value

Chains, infrastructure and competitiveness. It will take place in San Salvador as El Salvador will hold the PTP.

**One of the common factors among political and economic unions is the necessity of convincing civil society in member countries that they have more to gain than to lose from the process of greater integration. How successful has SICA been in winning hearts and minds in this regard, and what lessons can the organisation learn from the recent experiences of the European Union?**

From an economic standpoint Central America is already an integrated region. Any product that is subject to the benefits of the General Treaty of Economic Integration must have a label in Spanish that reads "Central American Product made in (name of the country where the product was made)" further reinforcing to all Central Americans that we live in an integrated region. Moreover, the recent emergence of Central American Value Chains has come to reaffirm the fact that Central America and its industrial sector are integrated. The sports textile value chain in the northern triangle of Central America, and the beef and dairy value chain in the southern triangle of Central America are prime examples of this.

Over 90 per cent of Central Americans were born into an already integrated region, therefore we believe that it is not so much a case of convincing Central Americans about the benefits of an integrated region, but to visualise the process and raise awareness of how an integrated region benefits us all. In order to achieve this, SIECA is carrying out a set of efforts that include the Regional Economic Integration Fora, the Centre for Studies on Economic Integration (which is currently being built in SIECA), and the Central American Trade Network, to mention a few. These efforts seek to strengthen the ties with academia, civil society, the private sector and youth. The Regional Integration Fora already have over 60,000 people talking about them on social media, something that was unheard of a few years ago.

**One of the criticisms levelled at SICA, as with other regional blocs, is that it is overly bureaucratic. How do you think the organisation could be streamlined, and how would you go about improving its efficiency?**

The economic integration subsystem has a peculiar trait that makes it non-bureaucratic. All the resolutions, agreements and regulations adopted by the Council of Ministers of Economic Integration are incorporated into the legal instruments of economic integration and thus become national law. In case of conflict between national and regional legislation, the regional shall prevail. This streamlines the process and makes it very efficient. **F**