

Summary of
proposals



Opportunities for Convergence and Regional Cooperation

Unity Summit of Latin America and the Caribbean

Riviera Maya, Mexico
22 and 23 February 2010



UNITED NATIONS

ECLAC

Alicia Bárcena

Executive Secretary

Antonio Prado

Deputy Executive Secretary

Oswaldo Rosales

Chief of the Division of International,
Trade and Integration

Susana Malchik

Officer in Charge
Documents and Publications Division

The coordinator of this document was Oswaldo Rosales, Chief of the Division of International Trade and Integration of the Economic Commission for Latin America and the Caribbean (ECLAC).

LC/L.3202 • February 2010

© United Nations • Printed in Santiago, Chile

2010-103

SUMMARY OF PROPOSALS

The Economic Commission for Latin America and the Caribbean proposes focusing regional cooperation efforts on eight areas: four of them refer to intraregional issues (fostering trade within the region, investment in infrastructure, social cohesion and reducing asymmetries) and the other four to cooperation for addressing global challenges: innovation, forging closer ties as a region with Asia-Pacific, reforming the international financial system and climate change. Specific proposals for action are presented for each of these areas.

Advances in the selected areas would benefit from a unified and more effective institutional framework within the region. A representative framework of this kind could help to reconcile any opposing interests that may arise between countries, while paying special attention to the interests of the smallest or relatively less developed countries.

A. PROPOSALS FOR PROMOTING REGIONAL COOPERATION

1. Fostering intraregional trade

A programme for fostering intraregional trade should be set up, supported by more substantial financial resources and concerted trade facilitation measures. Attracting more inflows of aid for trade would help to achieve this. It is not necessary to establish new institutions but rather to generate coordination mechanisms between existing ones, drawing on their strengths and mobilizing financial resources.

Financing for trade. The recent crisis demonstrated how important it is to strengthen international financial institutions by building up their capital and capacity for rapid response in order to forestall possible balance-of-payment crises, as well as regional financial institutions, by promoting their capitalization and by ensuring greater complementarity with development banks. In the short term, national and regional financial agencies must cover risks and boost liquidity for foreign-trade operations, while ensuring that the necessary credit is available. In the medium term, financial institutions must ensure that businesses are kept abreast of the characteristics of their instruments and understand the techniques of risk assessment and compilation of data on trade financing.

An integrated approach to trade facilitation. This means not just reducing the amount of bureaucratic formalities involved in foreign trade or the time needed to complete them but also speeding up trade transactions, notably by ensuring the availability of transport infrastructure and information and communications technologies (ICT) at internationally competitive prices. Emphasis should be placed on public policies that facilitate access by small and medium-sized enterprises (SMEs) to these improvements.

In terms of trade facilitation, the region must go beyond the Doha Round. The countries of the region should consider implementing the proposals they themselves put forward at the Doha Round at the national, subregional or regional level. Indeed, at the regional level, it is possible to go beyond the scope and depth envisaged within the World Trade Organization. To this end, steps must be taken to strengthen coordination between regional finance agencies and regional research and advisory bodies, such as ECLAC. In this way, Governments can receive assistance in updating their technical know-how and in building capacities in trade facilitation and other related areas.

At the national level, this means not just improving coordination between the Government agencies involved but also relying on various public-private partnership mechanisms that reinforce communication between stakeholders as well as dialogue on policy reforms and the commitment of business organizations to innovation and competitiveness.

At the subregional and regional level, the following suggestions are made: (i) facilitate the convergence of procedures, in particular with respect to their interoperability and standardization by advancing in successive phases to harmonize, streamline and interconnect customs and foreign-trade procedures in general; and (ii) move forward more rapidly to obtain legal recognition of modern business instruments and procedures, such as electronic billing, electronic certificates of origin and inter-agency single windows for foreign trade.

The Latin American and Caribbean region should increase its share of aid-for-trade flows, which stood at 8% in 2007, compared with 42% for Asia and 37% for Africa. To improve their share, the countries of the region must make aid for trade a central component of their requests for international cooperation, establish priorities and present relevant projects to secure new flows of resources. The focus should be on attracting funds towards projects such as the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) and the Meso-American Project, in which several countries participate and which have a clear trade-facilitation component.

2. Preserving and boosting investment in infrastructure

Regional cooperation should seek to reduce the “infrastructure gap” characteristic of Latin America and the Caribbean. To this end, the proposals are as follows: (i) agree on a regional or subregional indicative target for investment in infrastructure, which could be of the order of 5% of GDP, bearing in mind the specificities of each subregion or country; (ii) set up regional or subregional infrastructure funds with inputs from public resources, financial institutions and regional development banks; (iii) strengthen capital markets and their regulation in such a way as to ensure that capital and pension funds play a more important role in infrastructure financing; (iv) reinforce support at the highest level for physical infrastructure initiatives in the region, monitoring and resolving rapidly any bottlenecks that may develop; and (v) step up convergence between land-traffic and multimodal regulation and control systems.

At the national level, the following steps should be taken: (i) develop integrated infrastructure, transport and logistics strategies that can be

sustained over time; (ii) review policies for regulation of infrastructure services, seeking to ensure that improvements in this area not only boost private participation but also are transmitted effectively to society and become channels for achieving greater efficiency, productivity and competitiveness; (iii) strengthen national public investment systems, improving the quality of projects and effective opportunities for securing external financing; (iv) support the development of benchmarking systems for the main categories of infrastructure works, by facilitating the comparability of projects and avoiding overpricing in relevant bidding processes. Once these proposals have been successfully implemented, it will be easier to move towards adopting an integrated regional infrastructure, transport and logistical strategy that can be sustained over time.

3. Strengthening the social aspect of integration

What is needed is regional competitiveness that is compatible with social equity. This implies addressing issues relating to social cohesion and inclusion as well as multicultural and gender policy issues. One of the merits of the Bolivarian Alliance for the Peoples of our America (ALBA) has been to give prominence to social issues as being central to regional cooperation and integration efforts. It is recommended that steps be taken to: (i) improve the quality of social statistics at the national level while seeking to harmonize them and make them comparable at the regional level; (ii) identify regional best practices on corporate social responsibility; (iii) evaluate ways to reduce remittance costs for migrants sending funds to their countries of origin; (iv) promote the certification of labour skills across countries, so as to stimulate intraregional movement of less-skilled workers; (v) obtain reciprocal recognition of professional qualifications; (vi) support the implementation of portable social protection schemes; (vii) encourage investment in infrastructure and integrated production development strategies along border areas, including social policy measures for the protection of migrants; (viii) set up a structural fund for social cohesion to help finance restructuring production and labour and reproduce the best experiences of social protection during crises; and (ix) create a social inclusion observatory that can provide Governments, academics, parliaments and civil society with the information necessary to monitor social policy, share experiences and disseminate good practices.

4. Improving treatment of asymmetries

The issue of asymmetries is horizontal in nature. Therefore, a special effort is required to ensure that in each area of regional cooperation described herein an approach is taken that adjusts for asymmetries to the benefit of the relatively less developed economies. In this context, a special effort on behalf of Haiti is imperative as the region's commitment to solidarity should manifest itself fully in this case.

Without undermining the comprehensive treatment that should be given to asymmetries, the following specific actions are proposed: (i) strengthen structural fund systems aimed at relatively less developed countries along the lines of the positive experience of the MERCOSUR Structural Convergence Fund (FOCEM) and similar initiatives in other subregional systems; (ii) encourage larger partners to open their markets to exports from relatively less developed countries, which would include reducing not only tariff but also non-tariff barriers; and (iii) encourage larger partners to consider carefully the impacts their macroeconomic policies and incentives for investment and exports have on the competitiveness of the smaller economies.

B. BUILDING REGIONAL CAPACITY TO ADDRESS GLOBAL CHALLENGES

1. Increasing regional cooperation in innovation and competitiveness

The knowledge economy presents new challenges to the region's countries. Science, technology and innovation play increasingly important roles not only for their integration into the global economy but ultimately in their prospects for economic and social development. However, with few exceptions, the countries of the region allocate limited amounts of resources to these issues. Therefore, it is essential that national efforts be combined, giving preference to associative approaches, an example of which would be to engage technology centres in integrated, multinational research and business activities, creating synergies and generating a critical mass of human and financial resources. At the national level, this approach also requires

the following: (i) greater coordination among the various public agencies involved in competitiveness issues; and (ii) the creation of public-private alliances that allow information to be shared and objectives to be defined by common agreement.

In this context, the following actions are proposed: (i) establish a regional innovation forum that will facilitate cooperation and joint actions by countries in addressing the challenges of innovation and technological development; (ii) create a regional innovation cooperation fund that will finance programmes or actions as determined by the regional forum or by other cooperation initiatives; (iii) promote the creation and development of regional corporate foundations for innovation; (iv) prepare an annual report on regional innovation initiatives, to serve as a guide for national and regional efforts on this issue and as a compendium of experiences to be shared; (v) continue with comparative analyses of national strategies relating to the information society, through country reviews; (vi) support the White Book of e-Government Interoperability in Latin America and the Caribbean as a common framework for regional action and discussion on ICT; and (vii) develop the region's capacity to use ICT effectively in sectors such as e-government, ICT-related industries, high-speed networks, health and education.

2. Deepening regional integration through closer ties with Asia-Pacific

Asia-Pacific, the most dynamic region in the world economy, offers multiple opportunities to Latin America and the Caribbean in areas such as mining, energy, agriculture, infrastructure and science and technology. Given the vast size of Asia's markets, it will only be possible to take full advantage of these opportunities through a coordinated partnership-building effort among the countries of the region. Nevertheless, until now no coordinated strategy has been developed among countries or groups of countries to forge strategic investment and trade links with Asia-Pacific; rather, there have mainly been sporadic, individual attempts.

The countries of Latin America and the Caribbean need to take a more coordinated approach to building closer ties with Asia-Pacific.

The countries of the region should strengthen their trade ties and increase their productive complementarity with Asia-Pacific, striving to integrate into Asian production and export chains. To do so, they will need to form trade and investment partnerships that go beyond free trade agreements. Although these agreements may be important, they are not enough to generate the scale and critical mass needed to encourage trade and technology partnerships between the two regions, or to reduce the marked asymmetry between the large volumes of trade and small reciprocal levels of investment.

Joint efforts to strengthen ties with Asia-Pacific through multinational business and ministerial missions would help to promote project portfolios in infrastructure, energy, banking, tourism and logistics, to the benefit of both regions. Reaching consensus on such a portfolio, as well as on other trade and investment initiatives, might be a first step for holding technical meetings with Asian counterparts, including the Association of Southeast Asian Nations, the Asian Development Bank and the China Development Bank. Subsequently, high-level political meetings could be held to raise the level of dialogue with Asia-Pacific on the basis of a shared regional agenda. A collective response to the Policy Paper on the relations of the People's Republic of China with Latin America and the Caribbean, presented in late 2008, is still pending.

3. Reforming the international financial system

The governance of the institutions that make up the international financial architecture must undergo a thorough reform. Such a reform should ensure that decisions are taken and rules established in such a manner as to take account of the requirements of all countries, especially developing ones. The lack of representation of developing countries at multilateral forums makes these institutions' analyses and recommendations on regulatory policies incomplete, which leads to significant mistakes, as evidenced by the oversight and regulatory failures that were among the leading causes of the recent crisis. The region should do more to make the most of the presence of Argentina, Brazil and Mexico in the Group of Twenty (G-20) in order to take common stances and defend them in this and other important forums.

Subregional financial cooperation must play a significant role by complementing reforms to the global financial architecture. Stronger subregional institutions would serve as an additional line of defence against the effects of future financial crises and prevent them from spreading. Hence, it is necessary to: (i) strengthen the Latin American Reserve Fund; (ii) consolidate the regional and subregional capital markets; and (iii) give a larger role to subregional development banks.

4. Jointly tackling climate change challenges

For the region, the best way to reduce the risks associated with unilateral, protectionist measures by the industrialized countries is to reach a sound multilateral agreement on climate change. Consequently, there is a need to move forward with efforts to reach a binding agreement in 2010, based on the modest results of the fifteenth Conference of the Parties to the United Nations Framework Convention on Climate Change, held in Copenhagen in December 2009. The region needs to prepare well for these negotiations, because, if it fails to do so, within a few years it might have to comply with global standards that overlook its interests and to face environmental and energy standards that limit its ability to become more competitive.

The region must strengthen and broaden its initiatives for regional cooperation on the adaptation and mitigations policies that are part of national and regional development strategies. Some cooperation activities in this field are as follows: (i) creation of a climate-change policy observatory to monitor discussions and progress on the topic and corporate- and public-policy measures; (ii) development of specific studies and methodologies for evaluating the economic impacts of climate change in the various sectors and subregions; (iii) implementation of programmes to support the development of renewable energy and energy efficiency in consumption, production and transportation, and of clean industries, among others; (iv) sharing of experiences with carbon-market projects; (v) cooperation on adapting national finance institutions and granting facilities to fund projects for mitigating the impact of climate change; (vi) a proposal on mechanisms that will make it possible to obtain joint access to international funds for capacity-building and technology transfer, for both adaptation and mitigation; (vii) agreement on necessary carbon-market reforms, including the evaluation of mechanisms

used to finance adaptation measures; (viii) coordination of policies for boosting lower-carbon investments; and (ix) building of a regional consensus on a set of public policies for moving towards less carbon-intensive economies.

