ECLAC – Mesoamerica Project cooperation: Support for the facilitation of trade and transport in Mesoamerica

This edition of the FAL Bulletin analyses the activities performed by ECLAC and the Mesoamerica Project related to issues linked to infrastructure services, particularly with regards to the physical integration, facilitation and operation of multimodal services in Central America. The authors of the document are Carlos Trinidad from Executive Management, and Vinicio Martínez, Infrastructure and Competitiveness Coordinator, both of the Mesoamerica Project. For further information, please contact c.trinidad@proyectomesoamerica.org

Background

The Mesoamerica Integration and Development Project is an integration and development mechanism promoted by Mexico, Belize, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Colombia and the recently adhered Dominican Republic, within the framework of the Tuxtla Dialogue and Coordination Mechanism, a political, economic and cooperation forum coordinated by the region’s governments.

Better known as the Mesoamerica Project (MP), it was officially launched during the 10th Summit Meeting of the Tuxtla Mechanism held in Villahermosa, Tabasco, Mexico, on 28 June 2008, although it has been working to benefit the region since 2001.

Its objective is to promote integration between south-southeast Mexico and Central America by undertaking infrastructure-related and social projects aimed at fostering development, making the region more competitive, and thus have a positive impact on
the population. With a long-term perspective, the governments involved in the MP are effectively facing regional challenges, making use of the Tuxtla Mechanism of Dialogue and Cooperation and articulating its components with the Central American Integration System (SICA) and its different Councils of Ministers in order to promote cooperation between the member States.

It is governed by the Summit of Heads of State and Government and the Executive Commission (EC), comprising the Presidential Commissioners appointed by the different governments, who are responsible for coordinating the project’s agenda. Executive Management is housed in a regional office in San Salvador, El Salvador.

In sum, the MP is involved in cooperation, development and integration and its agenda contemplates different issues such as transport, energy, telecommunications, facilitation of trade and competitiveness, health, the environment, natural disasters and housing.

The following international agencies form part of the Institutional Technical Group, which handles the necessary funding and is actively involved in the project: Inter-American Development Bank (IABD), Central American Bank for Economic Integration (CABEI), Corporación Andina de Fomento (CAF), General Secretariat of the Central American Integration System (SICA), Secretariat for Central American Economic Integration (SIECA) and the Economic Commission for Latin America and the Caribbean (ECLAC), among others.

Following are some of the main subjects contemplated by the MP.

**Transport and facilitation of trade**

The development of transport infrastructures and the facilitation of regional trade have always been focal points in the history of this integration mechanism.

From the transport perspective, the major challenge has been, and continues to be, to create a road and multimodal transport infrastructure capable of providing efficient connectivity and first-class logistic services between the states of south-southeast Mexico, Central America and Colombia, benefiting the population in terms of mobility, trade, economic impact and generation of opportunities and employment, among others. By promoting road system integration, the objective is to facilitate the region’s trade and competitiveness, ensuring that Mesoamerica is not left behind in international trade and bringing social development to the people.

From the perspective of facilitation of trade, the MP focuses its efforts on helping to encourage trade between countries by means of activities aimed at reducing the cost of inter-regional trade, especially in relation to logistics and financing. In the Mexican States of Yucatan, Quintana Roo, Campeche, Chiapas, Tabasco, Veracruz, Oaxaca and Puebla, for instance, it identifies the Central American market’s potential for exporting goods and services, while in Central America it also sees an opportunity to
access the market in south-southeast Mexico in logistically favourable conditions. The underdeveloped road network, contradictory legislation and regulations and the delays affecting customs formalities have hindered trade between the two regions for decades.

**International Mesoamerican road network**

One of the highlights of the MP is the International Mesoamerican Road Network, one of the emblematic programmes that the governments have been promoting since 2001, in order to increase the domestic and foreign connectivity of the region's economies by improving road transport infrastructures.

The plan contemplates the construction, rehabilitation and maintenance of 13,132 kilometres of roads in 5 regional corridors crossing the different countries:

- Pacific Corridor
- Atlantic Corridor
- Caribbean Tourist Corridor
- Transoceanic logistic corridors
- A series of supplementary roads and connections.

The Pacific Corridor starts in Puebla, Mexico, and follows the Pacific coast from Mexico to Panama. Although there has been significant progress in the corridor’s rehabilitation, the objective in 2009 with a view to 2015 is to accelerate this process to create a 5-star Pacific Corridor, compliant with international traffic and road safety standards and creating the shortest route between Mexico and Panama, equivalent to 3,160 kilometres of road across 6 borders and through 7 countries. It will be capable of transporting 95% of the products traded in the region. This is an integral project, as it not only contemplates road infrastructures but also agile customs procedures and controls (customs, migration, quarantine, etc.) to facilitate trade.

The Atlantic Corridor is 2,906 kilometres long, from the port of Coatzacoalcos, Veracruz, Mexico, to Panama, along the Atlantic coast of south-southeast Mexico, Belize and Honduras. The Caribbean Tourist Corridor is a road network designed to provide excellent communications between the major Maya World tourist centres to Villahermosa, Tabasco, Mexico. These 1,446 kilometres of road start in Cancun, Mexico and cross Belize and the Tikal region of Guatemala.

The Transoceanic Logistic Corridors, or “dry canals”, that also form part of the International Mesoamerican Road Network aim to connect the Pacific with the Atlantic ocean in different parts of the Mesoamerican region. The El Salvador-Honduras dry canal is currently under construction. It aims to provide a first-class road between the port of Cutuco, El Salvador (Océano Pacífico) and Puerto Cortés, Honduras (Atlantic ocean). Important progress has also been reported in the El Salvador-Guatemala
logistic corridor, from the port of Acajutla, in the Pacific, to the Caribbean ports of Guatemala, Puerto Barrios and Santo Tomás de Castilla.

In general terms, the estimated investment totalled US$ 7.19 million up to June, 2009. At that time, approximately 50% of the construction and modernisation work had been completed, equivalent to 6,629 kilometres of roads. Of this, 14%, or 1,811 kilometres, were under construction and the necessary financing was being sought for the remaining 36%, representing 4,692 kilometres.

As an example of recent work, the El Ceibo-Lagunits road between El Petén, Guatemala, and the State of Tabasco, Mexico was opened in October 2009, and the border post between the two countries was modernised on occasion of the official visit of the Mexican President, Felipe Calderón, to Guatemala. This road is part of the Mesoamerican Tourist Corridor, designed to create tourist development opportunities.

Other important projects were also completed in 2009, including the Río Hondo international bridge (Mexico-Belize) and the La Amistad transborder bridge (El Salvador-Honduras). A source of financing was identified for the construction of an international bridge over the Sixaola river (Costa Rica-Panama) and there was some progress in the studies for the rehabilitation and construction of a new international bridge on the “Anguiatu” border between El Salvador and Guatemala. Furthermore, in March 2009, within the framework of the MP, the region’s countries agreed to standardise weights and dimensions in the design of transport infrastructures (roads and ports) in Mesoamerica.

**Other forms of transport**

The Mesoamerica Project’s transport agenda also included different initiatives such as maritime transport, cabotage (short distance shipping) and rail transport. Following the mandates of the 10th Tuxtla Summit, the countries involved, coordinated by Panama, have established a plan of action for the development of cabotage, based on four major areas: customs procedures, port facilities, legislation and shipping standards. In 2009, the IABD approved a technical cooperation project in the amount of one million dollars for a feasibility study, which should be ready in 2010. This project is expected to foster the development and modernisation of shipping in the region.

On the other hand, the possibility of promoting a project to establish a railway system in Central America is also being explored. A feasibility study costing around one million dollars was also presented to the IABD in 2009. It has now been approved and is pending completion of the technical consultation process.
Promotion of investment to modernise road infrastructures, cabotage and rail transport in the region has given rise to the development of intermodal transport infrastructure and system planning. In this respect, ECLAC has organised two regional workshops to date:

- Integral Transport Service and Infrastructure Planning in Mesoamerica (Antigua, Guatemala, September 2008)
- Intermodal Transport System Planning for an Efficient Supply Chain in Mesoamerica (Antigua, Guatemala, 27 to 30 July 2009)

As a result of these workshops, the regional transport agenda has grown, and now includes the harmonisation of vehicle weight and size standards and specifications and the subject of road safety. ECLAC has provided support and advisory services, generating important regional agendas and even presidential mandate proposals, such as the “Mesoamerican Road Safety Declaration”, which establishes road safety as a priority in the region’s countries. It was presented to the Ministers of Transport at their meeting on 16 July 2009, in San José, Costa Rica, and they decided to establish a regional road safety task force and to include acceleration of the Pacific Corridor in the priority programme to be presented at the summit as part of the road safety agenda.

Subsequently, at the 11th Presidential Summit held in Guanacaste, Costa Rica, the Presidential Declaration referred to the need to harmonise vehicle weight and size and road safety standards. Progress will be assessed at the next summit, to be held in Colombia in June 2010.

**Electric interconnections**

In the energy field, the MP has promoted important projects aimed at establishing the Regional Electric Market, which will enhance trade. These are regional projects creating opportunities for trading electricity and creating new companies in the sector.

The Central American Electric Interconnection System (known as SIEPAC), an important part of this integration mechanism, consists of the construction of approximately 1,790 kilometres of electric power lines from Guatemala to Panama and the connection of 15 transformer substations, at a cost of more than 500 million dollars, which will facilitate trading up to 300MW of power and the establishment of a regional electric market. The SIEPAC has been under construction for 2 years under the responsibility of the Distribution Network Owner, headquartered in San José, Costa Rica, and is scheduled to become operational in 2010. Construction is currently reported as 69% complete.
The electric interconnection between Guatemala and Mexico was officially opened in October 2009, when the Mexican President, Felipe Calderón, visited Guatemala. Electricity can now be traded between the two countries. When this line is connected to the SIEPAC network, Mexico will be able to trade electricity with the entire Central American region.

Future plans include extending the electric interconnection to Colombia when the Panama-Colombia line comes into operation. In March 2009, these Governments signed an agreement to implement an operative regulatory framework. Likewise, *Interconexión Eléctrica Colombia-Panama* (ICP), the company responsible for building and operating the line, was also created. The length of the line is 614 kilometres, part of which will be laid under the sea in order to prevent environmental impact on the Darién Gap. The project has a cost of 300 million dollars.

Furthermore, one of the Mesoamerica Project’s goals is to strengthen national power transmission systems, foster the use of renewable sources of energy and support national rural electrification plans.

The regional electric system will also include a regional fibre optic network known as the Mesoamerican Information Highway. It will reduce the digital gap in Mesoamerican countries and enable the development of more efficient information and communication technologies, consistent with world programmes such as e-LAC, promoted by ECLAC, and other goals.

Furthermore, biofuel production is being promoted by means of regional cooperation between Colombia, Central American countries and Mexico. Indeed, two pilot plants using Colombian technology were recently opened in El Salvador and Honduras; similar plants are currently under construction in Chiapas, Mexico, and Guatemala. These plants represent the first step in the establishment of a Mesoamerican Biofuel Science and Technology-Sharing Network.
International freight transport

With regards to the modernisation of customs systems and border crossings, the Mesoamerican International Freight Procedure is now applied on the El Amatillo border between El Salvador and Honduras, to reduce the time required for migratory and customs formalities. The pilot project, undertaken by the Secretariat of Central American Economic Integration, was able to reduce bureaucratic processing times at the border by 75%, from 1 hour and 15 minutes to only 8 minutes.

Other improvements have also been made, including the use of more efficient computer tools and systems for control purposes, statistical systems and logs for risk analyses, and on-line availability of information for authorities, freight carriers and exporters, among others, to track specific transport operations.

The next step will consist of extending this system to other Mesoamerican countries, with a direct impact on the region’s competitiveness and trade flows.

These are some of the Mesoamerica Project’s main achievements, and its specific contribution to the facilitation of trade. Integration between south-southeast Mexico and Central America is progressing and becoming stronger, and the accomplishments we see today are merely the result of the efforts made by the governments involved by means of this integration mechanism. This is precisely the goal of the MP: it identifies and promotes connectivity and development projects, maintains high level contacts, promotes countries’ policy-making goals, seeks synergies and consensus, identifies sources of financing and, ultimately, ensures coordination between the agencies undertaking different projects.

A portfolio of projects currently valued at 7,947 million dollars is financed with contributions from the governments involved and the support of GTI.

For further information about these projects and other activities, please go to: http://www.proyectomesoamerica.org.
ECLAC – Mesoamerica Project cooperation in the future

On 19 October 2009 there was a meeting in the Bolivar Palace of Panama City, which houses the Foreign Ministry, for the coordination of cooperation activities between the ECLAC and the Mesoamerican Integration and Development Project (MIDP).

The purpose of the meeting was to establish a coordination and analysis project with the Mesoamerica Project’s presidential commissioners and the experts responsible for the project’s infrastructure and transport area, in order to coordinate ECLAC-MIDP activities and define an agenda and increase ECLAC involvement as part of the MP Inter-institutional Technical Group in the development of studies, proposals, programmes and projects of interest for sub-regional integration and development. This is an initiative of the ECLAC Infrastructure Services Unit, in Santiago de Chile, and the international trade and industry unit of the ECLAC regional office in Mexico City.

The event was opened by the Deputy Minister of Foreign Affairs and the MP’s Presidential Commissioner on behalf of the Panama Government, Melitón Alejandro Arrocha and by Arturo Castillero Hoyos, Assistant Presidential Commissioner for the Mesoamerica Project, who expressed their interest in supporting ECLAC-MP cooperation and specific MP activities.

The meeting highlighted the need for coordination between the two organisations, as the most efficient way of the member States achieving economic and social development.

It also emphasised the importance of a cooperation matrix to coordinate and articulate the different multilateral efforts currently ongoing in the region.