

REGIONAL INTEGRATION IN THE WESTERN HEMISPHERE: AN OVERVIEW.



Raquel Artecona
Economic Affairs Officer
Economic Commission for
Latin America and the Caribbean
Washington D.C., 10 April 2008

Agenda

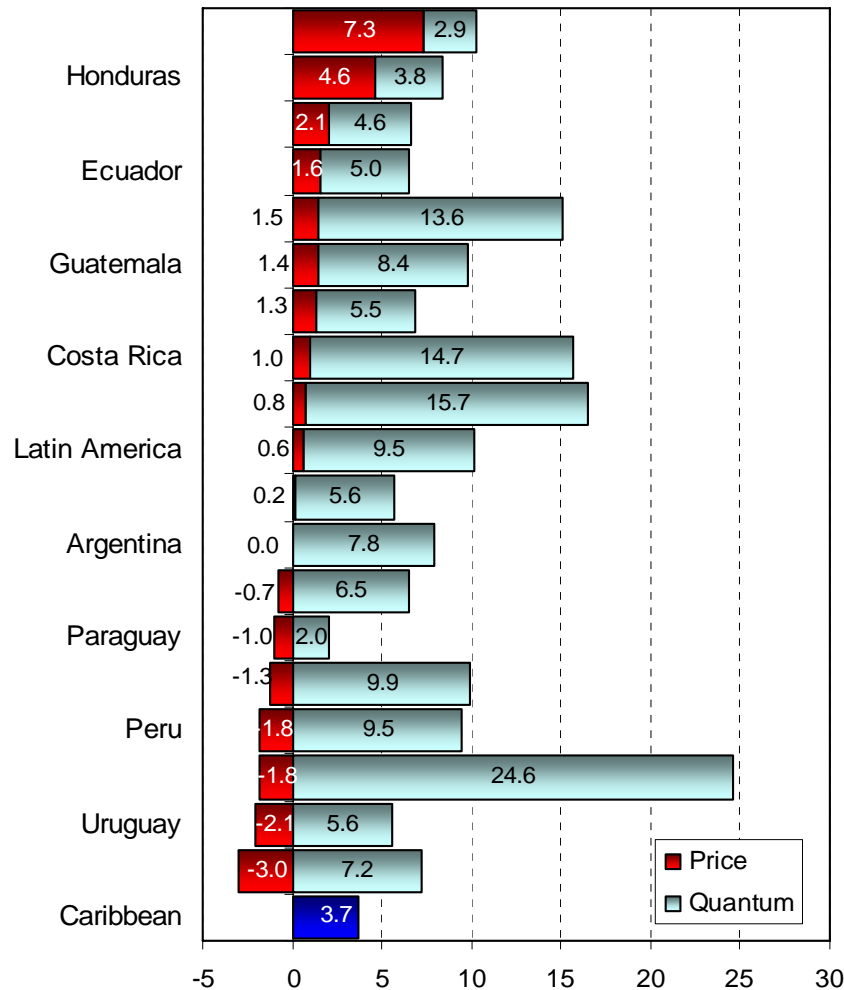
- **Western Hemisphere integration process: new phase**
- **The world economy continues to provide a conducive environment for growth in Latin America and the Caribbean**
- **Indicators of growth in regional trade in goods and services**
- **Asia-Pacific, a region of growing importance**
- **Regional integration and proposals for convergence**
- **Some conclusions**

The level of risk at the global level has risen

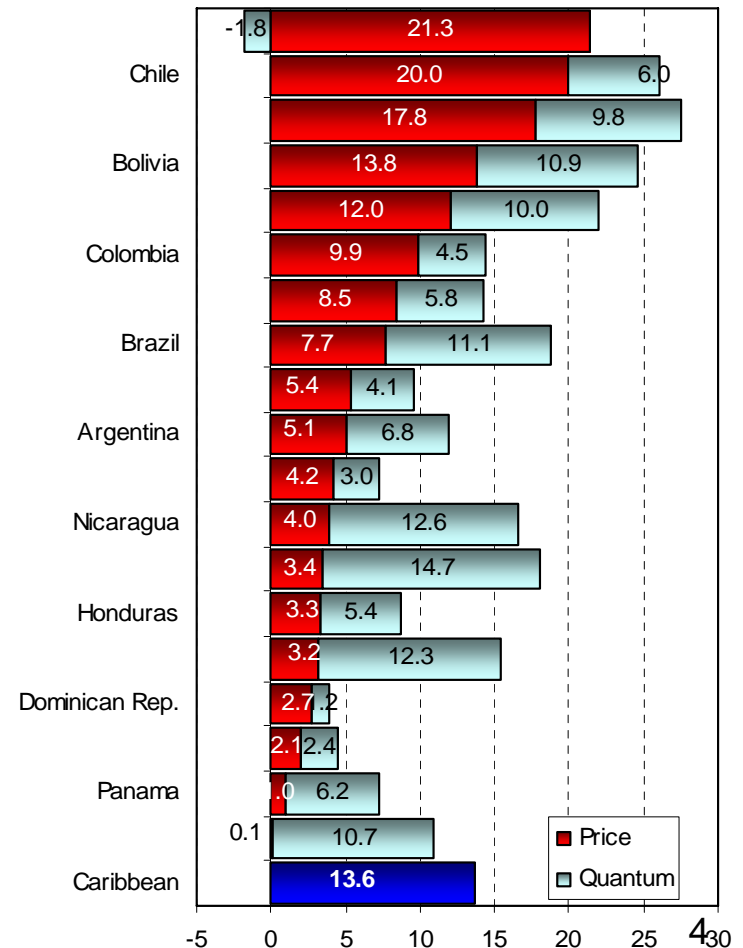
- **The crisis in the mortgage market has begun to affect the international economy**
 - Economic slowdown in the United States
 - Impact on world economy
 - Increased risk of protectionism
 - Impacts on international financial markets
 - Uncertainty about the derivatives market
 - Contagion and credit crunch in emerging markets
- **Further increases in oil prices generate inflationary risks and give rise to political concerns**
- **China ceases to exert deflationary pressure**

Between 2001 and 2006, the expansion of merchandise exports was the dominant factor in price rises, especially for metals and petroleum

1990-2000 (Annualized rates)

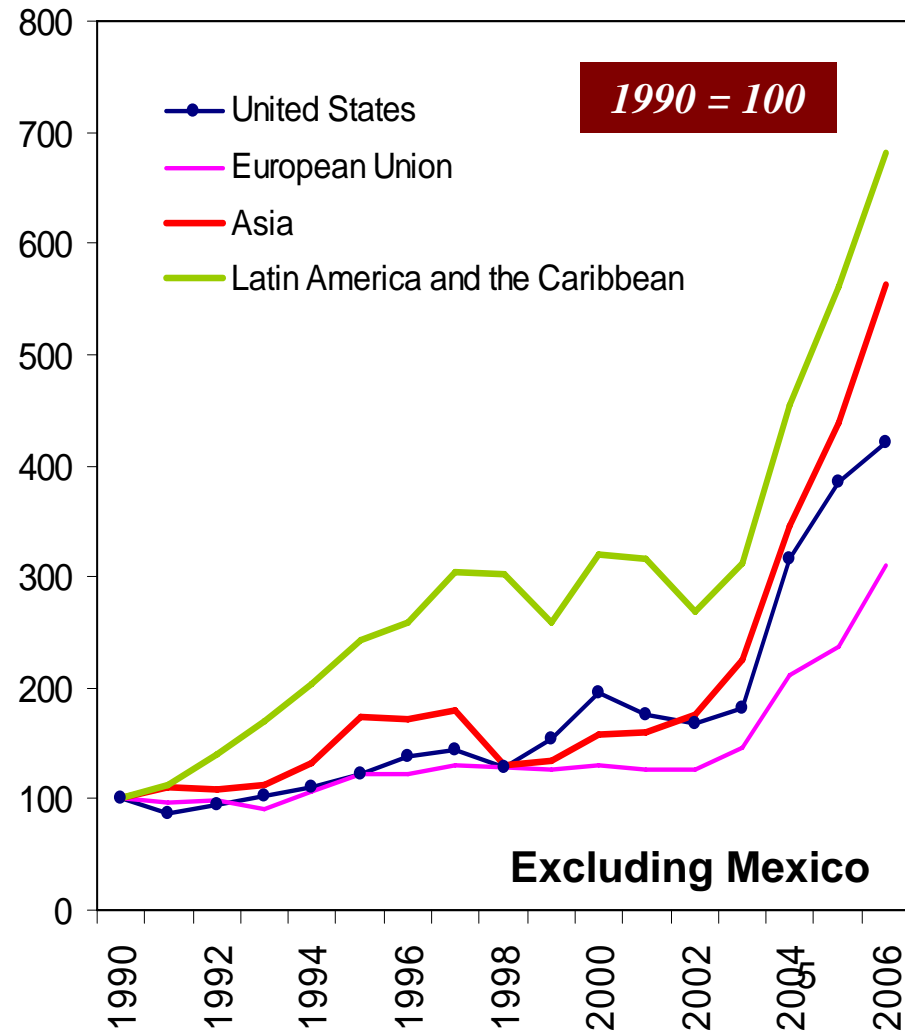
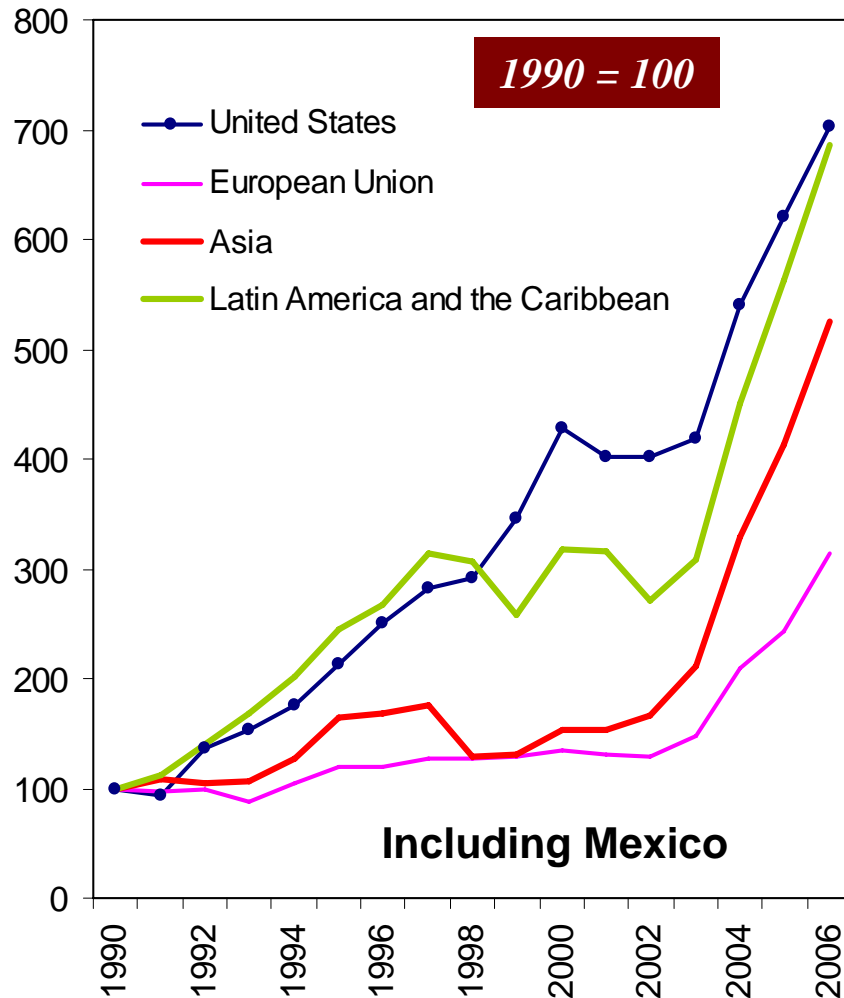


2001-2006 (Annualized rates)



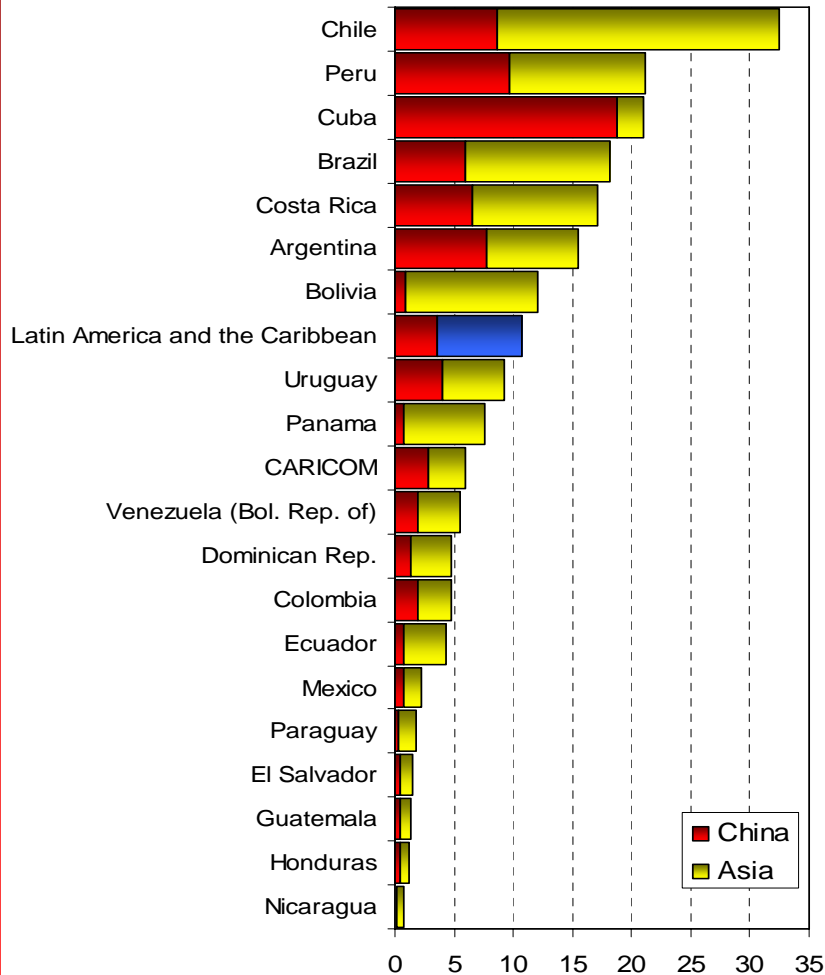
The United States is still the Latin American and Caribbean region's biggest trading partner

Index of merchandise export values, by main destination markets, 1980-2006 (2000=100)

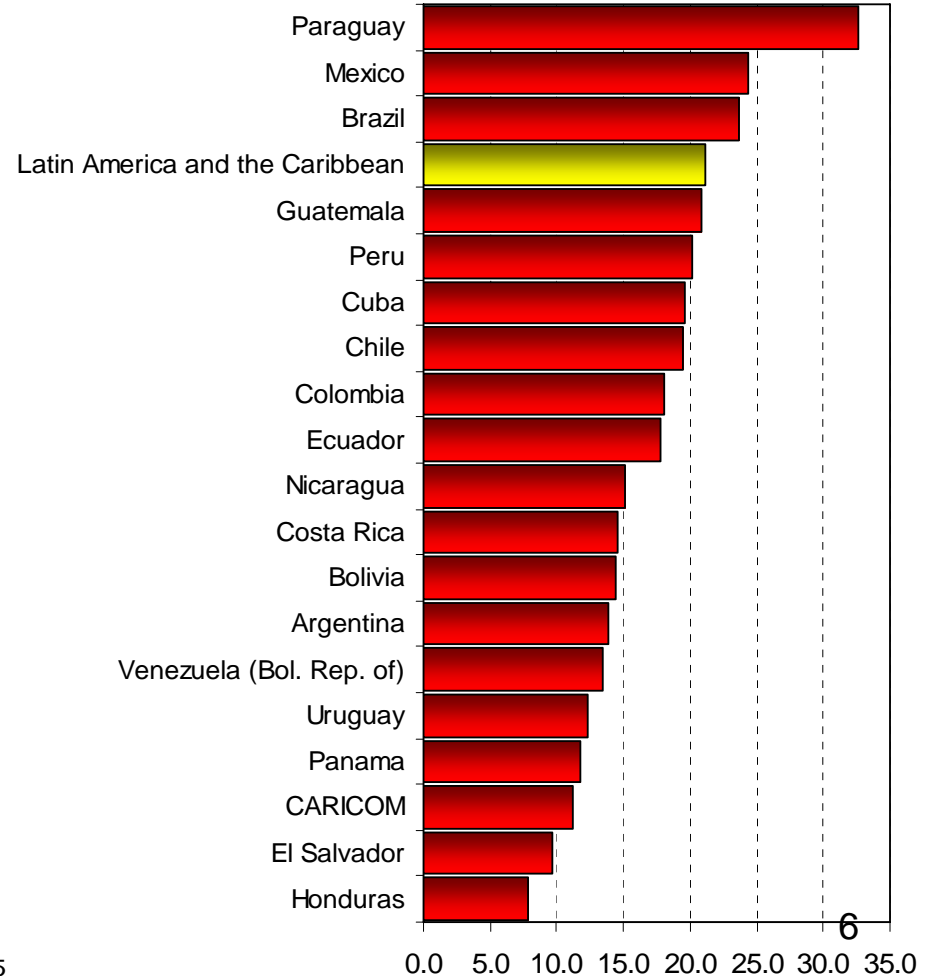


Asia-Pacific: Destination and source of a large share of the region's trade

Exports to Asia-Pacific
(% of each country's total exports)



Imports from Asia-Pacific
(% of each country's total imports)



Structure of export of principal subregional integration schemes in Latin America and the Caribbean, 2004 (Percentages of total exports)

	Intra- group	Other LAC countries	United States	European Union	Asia (including Japan)	Other countries
MERCOSUR	12.9	15.4	18.3	23	15.7	14.8
Andean Community	10.4	16.8	46.6	11	9.6	5.6
Central American CM	17.7	8.5	57.8	10	2	4
Caribbean Community	17.1	3.9	51.7	14.5	3.1	9.7
Costums Unions	12.7	14.8	32.1	17.7	12.1	10.7

Source: ECLAC

**Structure of exports from main subregional integration schemes
in Latin America and the Caribbean, 2004
(Percentages of total exports)**

	Intra-group export coefficient within total exports		Exports (2003/2003) (growth rates: percentages)		Propensity to export manufactured goods (percentages)	
	1998	2004	Intra-subregion	Extra-subregion	Intra-subregion	Extra-subregion
MERCOSUR	25.3	12.9	36.2	25.8	83.8	67.7
Andean Community	14.2	10.4	58.5	35.5	85.7	35.1
Central American Common Market	17.5	17.6	11.8	7.2	84.2	78.3
Caribbean Community	21.5		16	1.2	78.4	55.6
Costums Unions	21.3	12.9	36.4	31.2	84.1	57.2

Source: ECLAC

Integration: Necessary and urgent

- **The global economy demands broad, unified markets and integrated international value chains**
- **Integration involves much more than just trade, but without trade, integration is more difficult**
- **There is a greater awareness of the need to deal with asymmetries and address the social aspects of integration**
- **It would be helpful to accept a plurality of options and different speeds, but they should all be directed towards a shared objective**
- **Private stakeholders should be involved more in decision-making on integration issues**
- **ECLAC advocates the convergence of trade agreements among the Latin American and Caribbean economies**

Proposals for convergence: integration secretariats and ECLAC

AREA	INTEGRATION SECRETARIAT	COMPLEMENTARY ECLAC PROPOSALS
Tariffs	Speed up tariff reductions	ECLAC supports this proposal
Rules of origin	Harmonization of standards	Gradually move towards accumulation of origin
Trade protection	Retain national provisions subject to WTO rules (anti-dumping and subsidies)	Eliminate anti-dumping measures in intra-zone trade in respect of originating goods
Safeguards	A general safeguard (trade safeguard) and a safeguard applicable to a small group of agricultural goods	Eliminate safeguards in intra-community trade, but retain the mechanism during a transitional period For third parties, retain individual WTO mechanisms

Three challenges

● **Accumulation of origin: a race against time**

- In free trade agreements with the United States?
- In association agreements with the EU?
- **Above all, in intra-South American agreements**

● **Links with China and Asia-Pacific**

- Individual efforts or regional initiatives?
- Only through natural-resource exports?
- Only trade, no investment?

● **Integration in South America**

- Strengthen integration institutions and convergence of trade rules to enhance interconnection among bilateral/regional trade agreements.
- Enforce agreements
- Improve rules and disciplines
- Promote convergence among trade disciplines
- Promote further trade

Some conclusions

- **The current uncertainty will lead to financial volatility in the coming weeks, but the international environment is expected to remain favourable**
- **Convergence of trade agreements in the region should be encouraged**
 - **Flexibility, variable speeds and a shared final objective**
- **Alongside trade negotiations, there is considerable scope for moving forward with regional cooperation initiatives on energy, infrastructure, ICTs, innovation and aspects of social cohesion**
- **A strategic examination of links with Asia-Pacific is called for**
- **Trade strategies should not be considered without reference to advances in competitiveness and technological innovation**