12-7-2011

Mexico Solidifies Ties with Central America, other Latin American Countries

Carlos Navarro

LADB Article Id: 78437
ISSN: 1054-8890

Mexico Solidifies Ties with Central America, other Latin American Countries

by Carlos Navarro
Category/Department: Trade and Regional Integration
Published: 2011-12-07

The global economic crisis has prompted Latin American countries to seek a more independent course, including a reduced reliance on the US economy, and this trend was evident in early December. Just days after 33 countries from Latin America and the Caribbean met in Caracas to create the Community of Latin American and Caribbean States (Comunidad de Estados Latinoamericanos y Caribeños, CELAC), Mexico announced its own moves to consolidate economic integration in the hemisphere. At concurrent summits in Mérida, President Felipe Calderón formalized a free-trade agreement with a bloc of five Central American countries and formed an economic-integration bloc with Chile, Peru, and Colombia.

Mexico participates in new regional bloc

Calderón was a prominent figure at the Caracas meeting on Dec. 2-3, even though Mexico was not immediately given a leadership role in CELAC. The new Latin American and Caribbean bloc will be led by Chile, Venezuela, and Cuba. The inaugural CELAC meeting allowed the Mexican president the type of visibility he sought ahead of the two concurrent regional meetings scheduled for Mérida on Dec. 4-5.

Calderón said CELAC is not only another vehicle for regional integration but also an instrument to promote democracy, peace, human rights, and the welfare of the inhabitants of the region. "It is necessary to boost access to health, food, and education," said the Mexican president.

Visions differ within the CELAC countries about the purpose of the 33-country regional bloc. For countries like Venezuela, Bolivia, and Ecuador, CELAC offers an alternative to the Organization of American States (OAS), which they say is too oriented toward the needs of the US. Not coincidentally, the US and Canada were the only two countries in the hemisphere not invited to participate in the bloc.

Other countries—including Chile, Colombia, and Mexico—see CELAC as a forum to resolve conflicts, build closer economic and trade ties, and develop a common strategy on regional problems such as drug trafficking. Chilean President Sebastián Piñera, who will host the next CELAC summit in Santiago in 2012, said the forum gives countries a space to build regional cooperation despite political differences.

Pacific Alliance seeks to promote business ties

In the immediate aftermath of CELAC, Calderón and several other leaders flew to Mérida for summits of the Pacific Alliance (Alianza del Pacífico) and the Tuxtla Dialogue and Agreement Mechanism and the Mesoamerican Initiative (Mecanismo de Diálogo y Concertación de Tuxtla). The latter involves cooperation efforts between Mexico and Central America.

The Pacific Alliance gathering resulted in some important agreements, including the decision to create working groups to study greater economic integration among the four countries. Joining

LADB Article Id: 78437
ISSN: 1054-8890

Calderón at the summit were Piñera, Colombian President Juan Manuel Santos, and Peruvian Foreign Minister Rafael Roncagliolo. The four signed a document setting the framework for formalizing the Pacific Alliance at a follow-up meeting in Santiago sometime in mid-2012. Mexico, Chile, and Peru are members of the Asia-Pacific Economic Cooperation (APEC) bloc.

The bloc will be primarily economic, promoting investment and trade and also creating opportunities to form alliances among private-sector organizations. "This alliance seeks to consolidate an area of deep integration with the goal of facilitating an exchange of goods and services and the flow of investment, and intensifying collaboration among our nations," Calderón told reporters.

But the Pacific Alliance agreements are only aimed at cooperation, and there were no formal talks on tariff reductions, the backbone of full trade accords. Mexico has bilateral agreements in place with Peru (SourceMex, June 14, 2006) and Chile (SourceMex, March 28, 2007). Mexico and Colombia have kept their tariff-reduction mechanisms in place even though the trilateral Group of Three (G-3) agreement with Venezuela no longer exists on paper (SourceMex, Sept. 10, 2008).

Colombian President Santos said regional economic agreements are important because they provide an opportunity for Latin American countries to advance their common interests. "We will never be in agreement with mature economies, and it is especially difficult to reach accord with European nations," Santos said at a press conference in Mérida, referring to the meeting of the Group of 20 (G-20) nations in Los Cabos, Mexico, in June 2012. The G-20 includes only three Latin American countries: Mexico, Argentina, and Brazil.

The integration effort has already borne some fruit, with the stock exchanges from the four countries formalizing an agreement to coordinate their operations. The three South American stock markets had already established an agreement among themselves in November 2010 in an alliance known as Mercado Integrado Latinoamericano (MIL), and the latest effort seeks to incorporate the Bolsa Mexicana de Valores (BMV).

"The ultimate goal is to create a mechanism for the stock exchanges of the four countries to explore all aspects of market profile, operations, and technology that would allow an easy integration between the BMV and the MIL," said a communiqué.

Integration of the four financial markets would in effect create the second-largest stock exchange in Latin America, surpassed only by Brazil.

Among those signing a cooperation agreement were Luis Téllez of the BMV, Pablo Yrarrázaval Valdés of the Bolsa de Comercio de Santiago, Juan Pablo Córdova Garcés of the Bolsa de Valores de Colombia (BVC), and Francis Stenning of the Bolsa de Valores de Lima (BVL).

Other cooperation efforts emerged from the Pacific Alliance meeting, including an agreement among foreign-trade organizations to expand their ties. The accord, known as the Convenio de Colaboración Empresarial, was signed by Valetín Díez Morodo of Mexico's Consejo Empresarial de Comercio Exterior, Inversión y Tecnología de México, Andrés Concha Rodríguez of the Sociedad de Fomento Febril de Chile, Juan Camilo Nariño Alcocer of the Asociación de Empresarios de Colombia, and Humberto Especiani of de la Confederación Nacional de Instituciones Privadas de Perú.

LADB Article Id: 78437
ISSN: 1054-8890

Panamanian President Ricardo Martinelli was also present as an observer at the Pacific Alliance meeting, and there is a proposal to eventually incorporate Panama into the bloc. "I support the incorporation of Panama and other countries whose shores are bathed by the Pacific Ocean into this common effort," said Calderón.

New accord consolidates Central America agreements

While Panama is under consideration for the Pacific Alliance, that country is also part of a regionwide effort to expand economic ties among Mexico, Central America, and the Dominican Republic. Dominican President Leonel Fernández was also at the discussions involving the Central America agreement. The Caribbean nation is a member of the regional trade agreement with the US, the Central America Free Trade Agreement (CAFTA-DR).

Calderón, Martinelli, and Presidents Porfirio Lobo of Honduras and Álvaro Colom of Guatemala signed a memorandum supporting a recent agreement between Mexico and Central American leaders in San Salvador on Nov. 22. That accord includes Mexico, Guatemala, El Salvador, Honduras, Costa Rica, and Nicaragua. Panama is not a party to the agreement but supports the regionwide integration efforts.

Calderón touted the economic-development potential of exports for each of the participating countries. "Salaries linked to foreign trade have increased greatly in recent years and are about 50% higher than those in the rest of the economy," the Mexican president said at a press conference.

Salvadoran Foreign Minister Hector Dada said the Nov. 22 agreement, signed by the foreign ministers of the six countries in San Salvador, consolidates three trade agreements that Mexico already signed with countries in the region. They include bilateral accords with Costa Rica (SourceMex, March 9, 1994) and Nicaragua (NotiCen, Sept. 25, 1997) and a joint agreement with Guatemala, Honduras, and El Salvador (NotiCen, March 22, 2001). The broader accord covers more areas of trade and reduces existing trade barriers within Central America.

"This new agreement is very innovative because it fosters dialogue among companies, private investors, and governments," Mexico's Foreign Relations Secretary Patricia Espinosa said at the signing ceremony in San Salvador. Espinoza said the pact represents one of the priorities of the Tuxtla Dialogue and Agreement Mechanism and Agreement on the Mesoamerican Initiative to promote the integration of all parties.

-- End --