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Leaders Call For Regional Integration

by LADB Staff

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Central American representatives met in Madrid March 8, 9 to discuss development plans and aid funds with the Consultative Group for the Reconstruction and Transformation of Central America. Unlike previous meetings with the donor group, this one focused more on what Central American governments could do for themselves than what donor countries could do for them.

The Central American presidents agreed to strengthen regional unity as a way to spur economic development. In a separate meeting, El Salvador came away with less than it expected in earthquake recovery aid. Present at the meeting were Presidents Francisco Flores of El Salvador, Carlos Flores of Honduras, Miguel Angel Rodriguez of Costa Rica, and Arnolando Aleman of Nicaragua. Also present were Vice Presidents Arturo Vallarino of Panama and Francisco Reyes of Guatemala, Prime Minister Said Musa of Belize, and Spain's President Jose Maria Aznar.

The meeting was co-hosted by Spain and the Inter-American Development Bank (IDB). The final Declaration of Madrid called for improvements in economic integration through a regional free-trade zone and a customs union as steps toward full economic union. Regional agencies such as the Sistema de la Integracion Centroamericana (SICA) and the Banco Centroamericano de Integracion Economica (BCIE) should play an increased role in regional development.

Other aspects of the declaration called for foreign-debt reduction including debts among themselves, reduction of border and other bilateral conflicts, protection of the environment and human rights, and promotion of a climate encouraging to foreign investment. The document also thanked host country Spain for its humanitarian assistance after Hurricane Mitch in 1998 and the earthquakes in El Salvador this year (see NotiCen, 2001-01-25). It offered support to Spain in its ongoing struggle against terrorism by the Basque separatist organization ETA.

Behind the generalizations were substantive issues, mainly economic assistance. The group promised to work for foreign-debt reduction debts owed mostly to the donor countries and multilateral institutions controlled by them and to improve the flow of aid funds aimed at increasing regional economic integration. Several of these points were tactful expressions of the group's disappointment with how Central American governments have handled aid and the development of democracy and other issues. "Additional efforts are still required in the consolidation of democracy, in respect for human rights, in the strengthening of institutions, and in the improvement in governability," said the document.

At the 1999 meeting of the group in Stockholm, the donor nations promised US\$9 billion in reconstruction assistance. Since then, the recipient countries, especially Honduras and Nicaragua, have complained about late or irregular disbursement of those funds. But the Consultative Group has complained about the lack of accountability for how the recipient governments spend the funds (see NotiCen, 2000-02-17, 2000-06-11).

In Madrid, the group promised to follow through on its commitment "to evaluate the reconstruction processes and the transformation of each Central American country." Central American presidents may have expected more emphasis on reconstruction. Unlike the Stockholm meeting, the group was not interested in hearing individual short-term reconstruction plans or unrealistic longer-term plans. Instead, the donors insisted on solid regional planning for the long term. That is why the declaration stressed the importance of working through existing regional agencies like SICA, the Parlamento Centroamericano (PARLACEN), and BCIE. Consequently, the governments presented some 30 plans for regional application including poverty reduction, sustainable economic development, and regional competitiveness in a global market.

The most ambitious proposals were for two regional corridors. The Corredor Logistico is a trade and transportation network that could become part of the Puebla-Panama project proposed last year by Mexican President Vicente Fox (see, NotiCen, 2000-09-21, SourceMex, 2001-02-28). The Corredor Biologico is a regional environmental project.

Development ideas criticized as inadequate

Several nongovernmental organizations (NGOs) have criticized the meeting, saying that the regional plans submitted neglected real problems especially the high rates of unemployment and poverty in the interest of promoting large capital projects. The NGO Comite Consultivo del Sistema de Integracion Centroamericana (CC-SICA) called for a "permanent, frontal, and coordinated attack on the vulnerability of the population." In some of their speeches in Madrid, government heads blamed economic problems on hurricanes and earthquakes or on previous administrations instead of on their own administrations and their economic models.

The Managua daily El Nuevo Diario reported that one Salvadoran business executive said in Madrid, "In Central America, there is little corruption." Nicaraguan Foreign Minister Francisco Aguirre Sacasa claimed there was only a 10% unemployment rate in his country. "It doesn't seem like that man lives in Nicaragua," said Silvio Prado, a representative of the NGO Red de Desarrollo Local. Prado described the meeting as "a failure." He and other representatives of civil society said there was little follow-up from the Stockholm meeting, participation by NGOs was restricted, and little attention was paid to the "real" problems of environmental degradation, corruption, and poverty.

Ministers were absent much of the time from workshops, he said, and presidents described their countries as if all problems were under control. Even the seemingly innocuous calls for regional integration came under attack for being imposed from the top down instead of coming from the internal needs to protect labor, environmental, and other rights.

El Salvador disappointed by donor response to earthquake

In a separate meeting March 7, the group discussed assistance to El Salvador for reconstruction after the January and February earthquakes but offered only US\$300 million in new aid funds for the period 2001-2005. Flores had asked for US\$2 billion. The government estimates the earthquake

damage at US\$1.6 billion. Flores said he was disappointed that he did not receive a commitment for more funds, but he said El Salvador had the capacity to borrow. With a ratio of foreign debt to GDP of 22%, Flores said the country could absorb new obligations of up to US\$1 billion and could also turn to the private sector for infrastructure investment. He also held out the hope that, by impressing donors with its efficiency and transparency in managing aid already received, the government could go back for a "second harvest" of funds later on.

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