

# Regional Integration Observer

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## Editorial

At a first glance it seems surprising that for a region like Central America, with people talking the same language and having a very similar cultural background, it took so long to take serious steps in its integration process. As this new edition of the Regional Integration Observer (RIO) describes, a central reason for this impasse was the fact that for a long time the region has suffered from internal conflicts and seemingly irreconcilable contradictions.

Although those struggles are over and gave room to new integration efforts and a stronger institutional setup in the 90s, there are still deficits. Important institutions like the Central American Court of Justice or the Central American Parliament have only weak influence and moreover there are differences in the economic efficiency of the member states. It is obvious that the region is facing vital challenges for the future.

To analyze these challenges, ZEI has designed this current edition of the RIO together with the "Universidad Estatal a Distancia" (State Distance University - UNED) in San José, Costa Rica. It should serve as an incentive for further engagement of the educational sector in the field of Central American regional integration. In this context, UNED will open up soon a research institute on European and Central American integration.

Scholars from Central America and Europe have provided their expertise and own experience to examine the most important issues of Central American regional integration. Articles reflect the regional security model and deal with prospects of an Association Agreement with the European Union. In the RIO interview we are glad to include a voice of one of the main stakeholders of integration efforts in the region, the Secretary-General of SICA.



Matthias Vogl, Junior Fellow at ZEI



Opening plenary session of the 6th round of EU-Central America negotiations on an Association Agreement, 26 January 2009, Brussels. © Ministry of Foreign Affairs, Costa Rica.

## A New Model: Democratic Security in Central America

\* Roberto Herrera Cáceres

### 1. Security to achieve a lasting peace.

In the last decades of the 20th century, peace in Central America was seriously disrupted by armed uprisings in several countries of the region, activated by the ideological confrontation between East and West but had a deeper cause in structural problems, which had to and still have to be solved by peaceful democratic change.

The highest representatives in the Central American states realized that apart from the ideological aspects, this situation was the result of different perceptions of life and the structure of power in their democracies. They concluded that peace in Central America could only be a product of an authentic, pluralist and participative democratic process that implies the promotion of social justice, the respect for human rights, sovereignty and territorial integrity, as well as the right of all nations to determine their economic, political and social model freely and without any foreign interference. This

decision then had to be regarded as the will of the people. At the same time, the heads of states indicated that it was necessary to initiate a process of regional integration (Declaration of Esquipulas I, Guatemala, 25 March 1986) in order to solve the existing crisis and to contribute to the development of Central American countries.

The following presidential summits of the so-called "Process of Esquipulas" led to a compromise to create a new model of regional security in 1990 (Declaration of Puntarenas, Costa Rica, 17 December 1990). However, negotiations on the project of a "Central American Treaty on Security," with a traditional military content and scope but including articles on cooperation and confidence building, continued simultaneously.

It was Honduras that took the initiative to promote the change that ended the ambiguity concerning the nature of security in Central America. New threats to regional security were identified on the basis of dangers defined by different presidential summits. Moreover, Honduras added to those

threats other aspects such as fight against corruption and the link between security and development, democracy, peace and freedom. For this systematization we also looked at the new approaches discussed by the “Conference on Security and Cooperation in Europe” laid down in the Final Act of Helsinki in 1975 and the Charter of Paris for a new Europe in 1990.

On 12 October 1991, Honduras presented to the Central American governments the draft treaty called: “Charter of the Community of the Central American Isthmus”. This document suggested establishing a new organization to strengthen regional integration and transform Central America into a region of peace, liberty, democracy and development. Therefore, it included, among others, the will to build up a new model of regional security with a special focus on democracy and sustained human development. The model was conceived beyond the traditional concept of national security. Thus, it should contribute to overcome extreme poverty, protect the environment and eradicate violence, corruption, terrorism and drug-trafficking. These efforts for regional security should be seen as an answer to the need to secure sustainable peace and liberty through the creation of conditions appropriate for human development and a dignified life for all inhabitants, which should be facilitated by pluralist and participative democratic institutions.

The new model for regional security was formally pointed out on 13 December 1991, when the “Protocol of Tegucigalpa,” to the “Charter of the Organization of Central American States” (ODECA), was signed. This protocol founded the Central American Integration System (SICA) as a successor to the ODECA. In this Protocol, the rational balance of forces and the arms trade were added as additional components to the aspects already mentioned in the Charter presented by Honduras. The implementation of this new model was to be the object of a special treaty.

## 2. Security linked to the human dimension.

The “Framework Treaty on Democratic Security” was signed on 15 December 1995. In order to be qualified as “democratic”, security had to follow the objectives of peace, development, democracy and liberty, as

well as promote the principle of human dignity in Central America. Thereby the old doctrine focusing on the national security of states was rejected.

Against this background, the framework treaty stands for the philosophy of democratic humanism laid down in the “Protocol of Tegucigalpa” and specified by the regional strategy for sustained development (Alliance for Sustained Development of Central America, Nicaragua, 12 October 1994). The organs for the application of the framework treaty are: The summit of Presidents, the Council of Foreign Ministers, the Commission for Security and the Consultative Committee. The participation of civil society on a regional level in the Consultative Committee refers only to the security of persons and their goods and does not concern security issues between the states. This limitation is contrary to the nature of the new model of democratic security.

The principal threats to the security of inhabitants and to the stability of democratic societies in Central America, according to the treaty are: the lack of subordination of the military to the civil power; the absence of ideological pluralism, economic freedom and sustainable development; the lack of consumer protection, the protection of environment and the cultural heritage; poverty, violence, corruption, impunity, terrorism, drugs, the arms trade and the regional imbalance of forces.

In facing these threats it was agreed that the principal object of protection should be the human being (human security) as well as the defensive security of territory and national sovereignty. Because of that the Central American model of security is closely linked to the human dimension, whose essential requirements are the respect for human dignity, the improvement of the quality of living and the full development of the potential of Central American inhabitants. As a consequence, the framework treaty links the solution of the problems of human security in the Central American region to a comprehensive vision, interrelating all aspects of sustainable human development, be it in the political, economic, social, cultural or ecologic realm.

Therefore, the national and regional application of the security model has to lead

the existing resources to focus more and more on social investment. Member States are obliged to adjust their national budgets, taking into account the different realities in every country, to the benefit of the social sector including health, education and other sectors which contribute the improvement of the quality of living of every citizen, especially the weakest members of society.

For the implementation of the obligations summarized under the headline “security of persons and their goods” agreements on certain crimes like terrorism, drug-trafficking, transnational organized crime, illegal arms trade, car theft and on the prevention and mitigation of disasters and aspects of touristical security were prioritized (Regional Strategy and Mechanism on the Coordination of Disasters). In order to enhance the fight against corruption, the “Declaration of Guatemala for a Region free from Corruption” was signed in November 2006.

With regard to the new security concept for Central America, the treaty implementation has privileged military and police measures. What has hampered the equilibrium and the orientation towards the elements that have an explicit importance to valorize the model of “democratic security” in its particularity such as the formulation of the regional strategy on sustainable human development, the self-determination of Central America and the establishment of the preventive early warning mechanism for all categories of threats for regional security. These elements are needed to fulfill the purpose of the framework treaty, in particular human dignity, which fundamentally inspired its formulation and led to create a “Central American Mechanism of Information and Communication” where it highlights the implementation of an “Index of Central American Security”. This index shall include all possible kinds of threats for the regional human security and provide a systematic monitoring element to verify the effectiveness of the new model. When a certain threat occurs, it shall give early warning signs and contribute to the solution of the problem. This information component shall be complemented by a permanent mechanism of communication to prevent incidents.

The new concept of regional security foreseen in the “Protocol of Tegucigalpa” is juridically binding for the seven states of Central America. However, up to now the application of principles and mechanisms presented by the “Framework Treaty of Democratic Security in Central America” has only come into force in Belize, El Salvador, Guatemala, Honduras and Nicaragua. On the international level, the “Special Conference on Security” and the “Organization of American States” formulated declarations on the model of “democratic security” in June 2004, confirming its progress and underlining its innovative vision and multidimensional perception of security and high-



**New ZEI Publication - Detailed Analysis of the Treaty of Lisbon**

Andreas Marchetti/Claire Demesmay (eds.): *Der Vertrag von Lissabon: Analyse und Bewertung*, Schriften des Zentrum für Europäische Integrationsforschung (ZEI), Vol. 71,

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lighting the substantive contributions of the SICA to this hemispheric security scheme.

### 3. Efficiency of the new model.

The model of democratic security in Central America is the first conventional scheme of integral human security in the world. It has been the object of international recognition due to its innovative humanistic character, which is in accordance with the universal principles of democracy. The model has institutionalized a new vision of human security and regional defense which goes beyond a defensive meaning of national security and develops a conviction of human security as preventive and cooperative, rooted in the rule of law. The model is valid and applicable on a national as well as on a regional level. Even today, its implementation, through a series of agreements referring to the security of persons and their goods and to regional security, has revealed a tendency towards military aspects and aspects of control and sanction. Even though these aspects are important as well they cannot be the only answer to the essential core of the new model which task is to prevent negative effects of certain threats to the populations, eradicate structural causes of insecurity and provide de-

mocratic governability in Central America.

Even 13 years after entering into force, the framework treaty on democratic security in Central America still has not been ratified by Costa Rica and Panama. There is now an evaluation planned to determine possible modifications. Nevertheless, what is needed even more than modifications is the implementation of the framework treaty. This is essential due to its significance as one of the successive treaties of the Central American integration process, taking into account its objective and goal that must be respected by the countries even if they did not ratify the treaty. The Vienna Convention on Treaty Law established this principle.

Thus, efficiency of the model of democratic security can only be achieved and the model can only be implemented if the following two requirements are fulfilled:

1. Its interaction with the whole regional judicial order of Central America, particularly the Protocol of Tegucigalpa, which institutionalized SICA and the acts derived from or complementary to this protocol such as the Alliance for Sustainable Development for Central America (ALIDES), the Treaty of Central American Social Integration, the Protocol of Guatemala to the General

Treaty of Central American Economic Integration, the Statute of the Central American Court of Justice and others.

2. Its interpretation according to its objectives including the respect for human rights of all Central American citizens, the continuing improvement of living standards, the active participation of civil society and the consolidation of the rule of law to finally create a region in peace, freedom, democracy and development.

The functioning of the model of democratic security in Central America depends on the coordination, harmonization and convergence of the member states' policies as well as on the concrete political, social, economic, cultural and environmental actions of the institutions of SICA. In other words, the new model of democratic security on the regional and the national level is a public good, a basic presupposition to transform Central America into a region of sustainable human development in peace, democracy and freedom.

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## A Preview of the EU-LAC May 2010 Summit in Madrid

*\* Felix Peña*

"Towards a new phase of the bi-regional association: innovation and technology for sustainable development and social inclusion" is the central theme of the 6th Summit between the European Union (EU) and Latin America and Caribbean (LAC) countries that takes place in Madrid next May 18th.

After a ten-year experience with mixed results, which began at the 1999 Rio de Janeiro Summit, Madrid could be a unique opportunity to adapt to new global and regional realities with the goals, agenda and working methods of these bi-regional transatlantic relations.

The world, EU and LAC are very different today from what they were when the original idea for a strategic bi-regional association was launched making adaptation necessary. It is necessary to conceive the new phase with a pragmatic vision of the future and to draw concrete and very flexible action plans for the next ten years (2010-2020). But assuming that there are strong reasons for cooperation, emphasis should be placed more on defining how to work together on priority issues of interest for both regions.

In particular, on some of the difficulties that have been faced in the last ten years.

These difficulties may account for the meager results obtained until now as a result of diversities and asymmetries that exist between the forms of organization of both regional geographic spaces.

On the one hand, in Europe there is a relatively solid institutional construction with a great potential for irreversibility, in spite of the difficulties that have become manifest by the differentiated effects of the global financial crisis. While, in LAC the integrations efforts are still fragmented and precarious. On many issues, the region does not speak with a common voice.

Still, it is possible some of the outstanding issues in the transatlantic bi-regional relationship could be resolved before or during the Madrid Summit. These include the association agreement between the EU and Central American countries and the negotiations with some if not all the member countries of the Andean Community. These would add to the existing agreements with Chile and Mexico. The EU has also concluded a strategic alliance agreement with Brazil that does not include commercial preferences but encompasses a wide spectrum of joint actions. Even if it has not yet been possible to finalize the bi-regional association agreement between the EU and Mercosur, both sides have recently signaled their intention to advance in their negotiations during this year.

The main issues of the bi-regional agenda, however, go beyond the preferential trade negotiations. They are related to some of the issues that demand collective answers at the global level, such as those of climate change and the environment; reform of international financial institutions; conditions for the integration of transnational production chains; food safety; new sources of energy; migrations, and collective security, among others.

Additionally, new non-preferential modalities should be included in the future bi-regional agenda as well. These would include for example, cooperation to increase trade and investment flows; financial support for infrastructure projects to improve the quality of the physical connections among markets, and joint projects in the field of innovation and technology for sustainable development and social inclusion – the last one being the main theme of the Madrid Summit. Some of those issues are included in the main proposals presented last September to the EU Commission through a Communication on "The European Union and Latin America: Global Players in Partnership".

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# The Association Agreement between Central America and the European Union and its Effect on Central American integration

\* *Fernando Ocampo*

The Central American Integration System (SICA), as it is known today, is the result of a long, evolutionary process that allowed the region to establish a scheme that facilitates commercial and political exchange between the Central American countries. In this context, SICA's institutions have been established and adapted against the background of the present challenges. Still, the Central American integration process has proved to be difficult to be implemented with regard to political as well as economic aspects. One reason for the difficulties is that the objectives set have often been beyond the reality within the Member States. This is due to important differences in the countries' political institutional setup.

In order to understand Central American integration from a commercial perspective one has to start at its origins in 1951, when the Organization of Central American States (ODECA) was founded. Later, with the General Treaty on Economic Integration (TGIECA), a customs union was planned for the region, which was to eliminate all obstacles to the exchange of goods by establishing a common external tariff. Still, the internal conflicts in different Central American countries in the 1970's and 1980's had an extremely negative effect on regional integration efforts.

Nevertheless, despite these two decades of conflict, today's Central America is one of the most integrated regions in the world and has established a set of instruments that allow the region to integrate even further. In 1991 the judicial framework of ODECA was transformed into a more dynamic entity, which became the Central American Integration System. For this step as well as in the whole history of regional integration in Central America, the work of the European Union (EU) that through its integration had developed to an important international actor with a stable institutional setup and par-

ticipation of civil society, served as a source of inspiration.

Since the meetings of the San José Dialogue in 1984, which were the basis of the cooperation between the EU and Central America, pacification, political stability and the creation of a mechanism to support economic development and integration have been defined to be the main priorities of partnership. In the final declaration of the Summit of Guadalajara in 2004, the objective to promote regional integration as a means to implement projects of sustainable economic, cultural and human development on a regional level was reaffirmed. In recent times, apart from general development and integration, the programs of economic transformation and liberalization in Central America have drawn Europe's interest. The sectors of trade, cooperation and investment have also drawn the interest of Europe and have played a role in influencing the agenda between the two regions.

Because of this mutual interest and the capacities for trade, which Central America has developed in the meantime, there is pressure to establish new measures that strengthen the trade relations and political cooperation between the EU and Central America even more. Therefore, after several years of dialogue and rapprochement with Europe, within the context of the EU-LAC Summit in Vienna in 2006, the Heads of State have taken the initiative to negotiate an Association Agreement between the European Union and Central America.

In the framework of negotiations it is important to see that the mandate contains a series of requirements, with many of them referring to an enforcement of the regional integration process as a precondition for the Association Agreement. From an analytical perspective, these requirements are a typical component of third generation Association Agreements and an important clue in determining the influence the negotiations have on Central American integration.

The Association Agreement includes three pillars of negotiation: trade, politics and cooperation. Therefore, it belongs to a complex category of agreements. In general, a mandate for a bi-regional agreement was formulated at the Summit of Vienna. Still, from the Europeans' point of view, certain conditions emanate that have to be considered before the negotiation starts. One of these requirements is the condition to facilitate concrete progress in regional integration. This, no doubt, represents a difficult objective for Central American countries, because with an acceleration of regional integration, basic state processes are affected that are directly linked to very different



realities within the countries, be it the level of commercial development or the capacity to implement norms of International Law.

From a more commercial perspective, an essential goal of Europe is an integrated Central American region that facilitates the free circulation of goods produced in the region. Since March 2006, the first steps have been taken in this direction. At that time the Central American Heads of State met in Panamá and decided on a series of arrangements to establish a customs union and strengthen the institutional infrastructure for regional integration. The customs union is very advanced in its implementation. Of the goods 99 % enjoy free trade at the present and the common external tariff has been harmonized in 94% of the customs sector. This percentage is one of the highest of all integration schemes on the American continent and in the whole developing world.

It was reported to the EU that the Central American region plans to establish more comprehensive rules for commerce, particularly in areas like customs, mechanisms for conflict resolution or data security to facilitate interregional trade. Still there are other areas where a lot of work has to be done, like for example taxation systems, technical standards, the medical sector or environmental protection. Here efforts are currently concentrated.

It can be concluded that the EU has, in general, had a big influence on Central American integration and that the most important objective has been to finalize the consolidation of the customs union in a sustainable way, without being forced to make compromises that impede any country from participating. In this context, it is a crucial challenge for the EU to perceive the limits of its requirements and demands and to avoid including problematic aspects that could make the Association Agreement fail, instead of helping. As negotiations are continuing now after the suspension because of the coup in Honduras, there is hope that the agreement will be completed this year. For the time being, we will continue to work on the complete implementation of the customs union.

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*The symbol of the System of Central American Integration with the pillars: Development, Liberty, Democracy and Peace.*

# Dysfunctional aspects and perspectives of Central American Integration

\* *Luis Arnoldo Rubio Rios*

To give a clear picture of the functioning and the future perspectives of Central American regional integration since its origins in 1960, and to know why that now after 50 years, this process has not developed as it was planned and hoped for, it is important to first of all take into account some disturbing factors that have occurred again and again from the beginning to the present.

The process of Central American integration started in the early years of the 1960's but was already put on hold for the first time with the war between Honduras and El Salvador in July 1969. This conflict began as a border conflict and was exacerbated by the migration of farmers from El Salvador to Costa Rica. In fact, it was a pointless war but it interrupted the integration process for a period of eight years in Central America. Finally, having solved this problem, the "Sandinistas" tried to overthrow the dictatorship of Somoza in Nicaragua and at the same time the movements to topple authoritative regimes in El Salvador, Guatemala and Honduras were growing stronger.

These struggles, which lasted approximately 15 years from 1972 to 1987, hampered regional integration because political leaders were more interested in solving their internal problems than steering the integration process back into the right direction. Moreover, after the regional peace of Esquipulas in 1987, the effects of the economic crisis in the 80's hit the economies of Central American Countries very hard. With the Protocol of Tegucigalpa in 1991, integration in Central America seemed to gain ground again: its institutions were reformed in preparation for a new vision of the region in the 21 century. But the world was again at that moment facing radical changes and being transformed from a bipolar into a more multi-polar world.

Apart from these political obstacles there were also natural disasters such as hurricanes, earthquakes, floods and other such disasters that have again and again distracted the integration process because of the resulting national urgencies. It is in the framework of these circumstances that an analysis of the structural defects and of the future options of regional integration in Central America has to take place.

## 1. What obstacles for regional integration?

a) It is said that Central American integration is faint because neither the process of industrialization nor the diversification of business, which had initiated hopes for development materialized. The effect of these two processes has been limited by the creation of an oligopolistic market, depen-



*Campus of the State Distance University in San José, Costa Rica.*

dent on transnational enterprises that did not produce foreign exchange and which, even worse, led to the need to import raw materials and other resources. Enterprises were dedicating their business more to consolidation than to the production of and specialization in consumer goods.

b) The process of industrialization did not enforce the transformation and development of the agricultural sector as it was expected and did not improve the living standard of the workers.

c) The leaders of industrialization, protected by the doctrine of National Security and in agreement with the conservative sectors of society, were neither interested in transforming nor modernizing the industry and did not want to include civil society. As it was a time of confrontation, hard power, the struggle between communism and capitalism, integration was born without a real connection to the societies but instead as a tool of the ruling elites.

d) The goal to promote regional integration without including civil society brought many social problems: poverty and social inequality, crime, lack of governability, deterioration of processes of democratic change, lacking respect for human rights, illiteracy.

e) The process of industrialization grew disproportionately. This unequal development led to problems concerning regional trade competition. The imbalance in terms of production hampered the competition between the different countries of the region.

f) Central American integration was more discourse than practice: There were agree-

ments and compromises made to enhance integration, also between Central America and the European Union, but in fact very little was done until now.

g) After the Protocol of Tegucigalpa in 1991, an institutional framework was established that did not respond to the existing challenges, especially to the goal of integrating civil society and bringing a hesitant Costa Rica closer to the integration process. Two of the Central American institutions, the Central American Parliament and the Central American Court of Justice, are generally questioned by Costa Rica, which is hampering the future of regional integration

h) As previously mentioned, Central American integration has been on a rocking road from its beginnings:

- From 1960 to 1968 the foreign investment in Central America, coming especially from the United States, was tripled from 1,6 million dollars to 5 million dollars. Because of its interest in gaining control and privileged access to Central America and to be able to influence the process of regional integration, the USA offered initial help of 100 million dollars, with which it had the opportunity to affect market rules. Meanwhile the initial goal of the United States to slow regional integration in Central America and thereby impede rapprochement of the European Community has transformed.

- From 1969 to 1977: Central American integration was paralyzed by the war between Honduras and El Salvador. Trade worked on a bilateral level but with great difficulties especially for goods from El Salvador, which could not circulate in Honduras. This period marked the beginning of the regional

political crisis that deteriorated the outcomes of integration.

- From 1978 to 1981: This period coincides with the term of President Carter who had to fight against the world economic crisis. Central American integration was still deprived and therefore so was its outcomes.

- From 1982 to 1991: These were hard times for the region because the government of the United States led by Ronald Reagan felt obliged to intervene militarily in the region but the intervention of the European Community thwarted these intentions. In 1984 the first agreement of San José was signed between Central America and the EU followed by the peace of Esquipulas. With these two events new expectations arose. But even though this was the beginning of a democratic process coupled with newly agreed peace it cannot be said these two aspects helped very much to increase the integration outcome. Also, Central American economies, with their traditional primary structures, did not especially contribute to an economic improvement.

- From 1991 to 2009: Trade has developed and export volumes have increased within Central America, as well as to the United States, Europe and Asia. Diversification of

the industry plays a role in this. There are now more and more exports from Costa Rica, Guatemala and El Salvador, but continued backlog of Honduras and Nicaragua in this respect. The face of regional integration is still more commercial than social.

## 2. What are the main challenges for the Central American integration process?

First and by definition, Central American integration needs to be enforced to better prepare the participating states to confront the current challenges of globalization.

a) Regional integration of the coming decade has to concentrate on issues such as better social cohesion, the diversification of development programs and the redistribution of responsibilities. The regional integration should focus on these aspects so that the operative dynamic of integration can spread to all countries of the region in the same way and not only be limited to the northern triangle.

b) The way that Central American integration is running at the moment, subordinated to a pyramid structure and the resulting exclusively from presidential decisions, it is not possible to advance in the aspired manner. The presidents of these countries have to find a mechanism that produces effective and immediate results. The universities of the region are one example for the lack of

inclusiveness: very few are participating in the development of community programs. There is little motivation by the leaders to include the universities by giving them special tasks and functions and the budget to fulfill these tasks.

c) Looking at the outcomes of the Central American integration process since 1960 until today, the following steps are of interest for the future:

- Common development policies have to be elaborated at long range that help to increase the per capita income, start action against crime, protect the environment, combat poverty, corruption and impunity and of course, modernize the judicial system, the customs system and guarantee a better distribution of customs revenues, build up a monetary union and a reform of the regional institution and others.

- It is imperative to strengthen regionalism so that all countries contribute in the same way to the realization of important projects.

- A greater success in the development of the region in the next 20 years depends foremost on human capital in the process of regional integration.

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## Interview with the Rector of the State Distance University of Costa Rica (UNED), Luis Guillermo Carpio

### 1. How should Central American universities participate in the process of regional integration?

They should be active in promoting and developing the integration process in our region, especially helping to enforce integration efforts in the education sector. We believe the initiatives that have been taken in the region in this respect have to be taken seriously and have to be further elaborated. UNED has contributed to this process in the last few years. The two most important institutions in this context are the Central American Council on Higher Education (CSUCA) and the Central American Integration System (SICA).

The sharing, linking and interacting of our universities are important tasks. Aspects such as academic research and the improvement of our systems of post-graduate studies are fundamental components in such a way that a virtual as well as a physical exchange between students and professors is facilitated and other common projects are developed.

### 2. What has been the contribution of the UNED to Central American region integration until now?

Several special actions have been developed: firstly, we now have a Master of European and Integration Studies and second-



ly, a research institute will soon open at the UNED that will be tasked to do research on European and Latin American integration.

There were several projects realized at the regional level: videoconferences, seminars, colloquia and several information and capacity-building activities on regional integration matters. Moreover, three courses on regional integration topics were organized for young people from Central America and the Dominican Republic under the auspices of the CSUCA, PAIRCA and the European Commission. Additionally, seven panels to inform on the advances of the Association Agreement between the EU and Central America, one international seminar on community law and regional integration,

were formed. Along with the publication of a book together about the "Improvement of community policies in Central America in the light of European experiences". Further cooperation with other universities beyond Costa Rica is also planned.

Also, starting in July 2010 the UNED will hold the presidency of the CSUCA and we hope to intensify integration efforts with the support of experts.

### 3. What significance does the cooperation with European universities have for the UNED?

There is a special significance that can be summarized in two points. First, the facilitation of university networks to promote virtual and physical exchange and the development of common projects and investigations will increase the potential and quality of university education especially in the field of post-graduate studies.

Second, the Central American universities, must improve their quality and need to be present in international panels. This can be achieved, by developing research projects that deal with topics close to regional integration in Central America, as this is, in particular, a reflection of the core concepts of our future institute on European and regional integration studies.

# The EU's relations with Central America: Quo Vadis?

\* *María Belén Olmos Giupponi*

Over the past twenty years the relationships between the EU and Central American countries have gone through different periods. During the 80s the EU played an important role in the democratization of the Central American region. Indeed, within the framework of the external relations the European Community contributed to regional stabilization after years of armed conflict through the San José Dialogue Process. In the 1990s the reform of the regional integration process with the adoption of the Tegucigalpa Protocol (1991), which established the Central American Integration System (SICA) and the EU-LAC Summits, contributed to defining a new understanding between the regions. Over the first

decade of the 2000's interregional relationships focused on the adoption of a new regulatory framework: in 2003 a new Political Dialogue and Cooperation Agreement was signed and in 2007 negotiations for an Association Agreement were launched. Today interregional relationships face a new phase. From the EU's perspective, the Association Agreement is envisaged as a comprehensive Agreement, embracing all the relations of the EU with Central America and is comprised of three pillars: political dialogue, cooperation and trade. Through the agreement the EU attempts to enhance the political dialogue between both regions, intensify and improve cooperation in a vast variety of areas and to enhance and facilitate bi-regional trade and investments.

The EU decided that the conclusion of the Association Agreement would be based on two conditions: on the one hand, the outcome of the Doha Development Agenda and, on the other hand, the achievement of a sufficient level of regional economic integration in Central America. Since the EU and Central American countries decided to start discussing the conditions for the future Agreement, seven rounds of negotiation have taken place. An additional trouble encountered in the negotiation process was the political situation in Honduras. The EU held its position as an external actor supporting democracy and, accordingly, suspended negotiations in July 2009. After the recent elections in Honduras, negotiations are expected to soon get back on track.

Even today, one of the main obstacles in negotiations has been the slow progress of regional integration. Despite all the modifications operated recently, SICA is still an incomplete custom union that intends to become a common market. Besides, the economic integration process is mainly inter-governmental and its decision making process is based on the rule of consensus.

As for the issues related to trade, there have been interesting developments. The EU is the second partner in the Central American region after the US, which became stronger after the signing of CAFTA. Central America benefits from the EU's unilateral tariff preferences granted through the Generalized System of Preferences (GSP) Plus which permits preferential market access for countries committed to promoting sustainable development and good governance. In this framework, the EU sees the conclusion of the Association Agreement as a high priority because it will introduce a Free Trade Zone and strengthen economic links. The negotiation groups established have so far achieved significant progress on issues such as customs and trade facilitation, intellectual property and in the areas of competition, trade and dispute resolution. A pro-

blematic question regarding the so-called banana dispute has been recently settled by the adoption of the agreement reducing tariffs in December 2009.

Aspects concerning cooperation and political dialogue have been less controversial during the negotiations. The Central American region is facing challenges such as democratic instability, weakness of the rule of law and different human security threats (rising levels of social violence, migratory pressures, organized crime and drug smuggling). Consequently, the EU agenda not only included economic and commercial aspects but also social and political issues, such as sustainable development, social integration and promotion of democracy, good governance and respect for human rights. Furthermore, the EC Regional Strategy Paper (2007-2013) emphasizes the EU's role as a main contributor in Central America through the implementation of various cooperation programs.

As can be perceived interregional relations are now at a crucial point. Despite all the difficulties found in the negotiations, both regions still have strong interests in the signing of the Association Agreement. On the part of the EU, the conclusion of such an Agreement will mean the consolidation of its political and economic influence in Central and Latin America. Additionally, the EU will reinforce its role in promoting cooperation, multilateralism, regional integration and social cohesion (reducing poverty and combating inequalities and exclusion). In this respect, the partnership represents an opportunity to move towards a comprehensive development including not only the economic and commercial aspects but also, and more importantly, social issues and cooperation for the Central America.

In conclusion, it can be said it is foreseeable, if all the requirements are met, the EU will conclude the Association Agreement sometime this year. Initially, the EU aims to finish the negotiations by the next EU-Latin America Summit scheduled for May 18th 2010 in Madrid. In this scenario, it is also important to remember that the future of the relationships will depend, in part, on how the EU places itself in the international arena after the implementation of the Lisbon Treaty. Even if it is difficult to predict the final outcome the recent visit of the EU Trade Commissioner in January 2010 to the Central American countries and the resumption of negotiations in February in Brussels indicates a clear commitment of the EU to bring the negotiations to a successful end.

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## SICA - Facts and Figures

### Members

Costa Rica, Belize, El Salvador, Honduras, Nicaragua, Panama, Guatemala. The Dominican Republic is an associated member.

### General

- Founded: Protocol of Tegucigalpa, 13 December 1991.
- Successor of the Organization of Central American States (ODECA)

### Objectives

Transform Central America into a region of peace, liberty, democracy and development.

- Consolidate democratic principles and human rights
- Bring about a new model of security
- Establish Central America as an economic block with a common currency
- Balance economic development and facilitate environmental protection

### Important Institutions

- Assembly of Presidents
- Central American Parliament
- Central American Court of Justice
- Council of Ministers
- Executive Assembly
- SICA Secretariat

The system furthermore consists of several sub-secretariats. Most important in this context is the general secretariat for Central American economic integration (SIECA) which supervises the creation of the common market and the customs union.

## Three Questions to Juan Daniel Alemán Gurdíán, Secretary General of the Central American Integration System (SICA)



*Dr. Daniel Alemán Gurdíán, Secretary-General of SICA, during cooperation talks with Dorothee Fiedler, Special Representative for Latin America in the German Federal Ministry for Economic Cooperation and Development.*

### **1. Which role did the Central American Integration System (SICA) play during the crisis in Honduras? What influence does SICA have in crisis situations?**

Let me say that the System of Central American Integration is relying on a Treaty of Democratic Security which establishes with clarity an agreement on the firm belief in the consolidation of democratic processes in every member state. Because of that, not only the non-compliance of the treaty by the events of 28 June 2009 in Honduras was expressed, but those events were even strongly condemned.

As a consequence, the reinstatement of President Manuel Zelaya was demanded. SICA continued to acknowledge Manuel Zelaya as president until the end of his term. In doing so, it was clearly proved that

all member states of the system support democratic values and the consolidation of their own democratic institutions.

### **2. The process of Central American integration does not have the same support of all member states! Which efforts are made to enforce the commitment for the integration process?**

The integration process does have the support of the governments of all eight member states. However, every country has its national interests. It is the task and obligation of the Secretary General of SICA to bring together and harmonize different positions to achieve regional objectives.

It has to be emphasized that we show commitment and that we see clear signs that member states do not only share a vision of

the region but also have common interests. It is obvious that Central America has an enormous capacity to find complementarities and to strengthen synergies, be it on the political, economic, social, environmental, cultural level or of course in the field of security.

Central America has a regional vocation and that is also how we are seen from abroad. This means that foreign investors and international actors are already regarding us from a regional perspective and that is why it is so important to further fill this vocation with life and implement our objectives which will have a direct impact on the Central American citizens.

### **3. What are the most ambitious projects for Central American integration in the years to come? Will there be an enforcement of supranational institutions?**

Central America has a variety of objectives and among them are the enforcement of its institutional structure. However, nowadays, it is first of all crucial to consolidate the free trade area and to relaunch the project of a customs union.

The institutional consolidation in an intergovernmental or supranational framework is something that depends on the will of the member states.

We already have the possibilities to initiate mega-projects, among others in fields like electricity, infrastructure interconnection, trade, in the fields of social cohesion and tourism. There is a particular interest to cooperate on environmental issues.

Furthermore, Central America also has great opportunities to improve the investment climate and to establish strategic enterprises on a regional level to facilitate a better quality of jobs.



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