

Central America: International Cooperation and Future Development

*Seminar organized by the Inter-American Dialogue in cooperation with the
Canadian Foundation for the Americas (FOCAL)*

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- FOCAL Report -

The Inter-American Dialogue, in cooperation with the Canadian Foundation for the Americas (FOCAL), organized a meeting to assess the challenges and opportunities confronting Central America's recovery and longer-term development in the post-Hurricane Mitch period. The meeting was held in Washington, D.C. on February 8-9, 1999. Participants were carefully selected from the Central American countries, Panama, the United States and Canada. Representatives from major international donor countries, Sweden, Japan and Canada were also present, in addition to officials from the Inter-American Development Bank, and other multilateral agencies in Washington, D.C..

This diverse group of experts, including representatives from the academic community, non-governmental organizations, legislators, educational leaders, corporate executives and women leaders provided a range of political, professional and national perspectives on the substantive challenges which Central America must overcome for both the short-term and long-term recovery. The group emphasized two themes: political and economic integration amongst the five Central American republics, and the integration of the region into the world economy, particularly its relations with its NAFTA neighbours.

The meeting began with a public session, inaugurated by Senator Bob Graham (D-FL), Representative Jim Kolbe (R-AZ), and Dialogue President Peter Hakim. The key message communicated by the speakers was that while the immediate humanitarian response to the disaster in Central America was proceeding well, further institutional responses to the crisis were still needed. Both speakers agreed that trade enhancement, market access and expansion of the Caribbean Basin Initiative to include the region would be required to ensure long-term recovery, beyond the short-term debt relief that is being put together by donor countries. Both Senator Graham and Representative Kolbe underlined the strong U.S. self-interest in Central America's recovery and sustained stability due to the pressure of refugee flows and illicit activities such as drug-trafficking and organized crime from the region, in addition to the slower growth of the Central American markets.

Central America's Recovery: Issues and Challenges

The public session continued with two substantial assessments of the needs of the region, provided by the President of the Inter-American Development Bank, Enrique Iglesias, and by the President of CARE, Peter Bell. Commentary was provided by Sonia Picado from Costa Rica and by Richard Aitkenhead from Guatemala. There was a general view that the crisis presented by Hurricane Mitch should be looked at in the positive, providing the region with a historic window for change, and an opportunity to review its strategy for growth. Merely recovering to the pre-October 1998 status quo will leave Central America behind, and might engender disillusion and resentment amongst the region's poor who have been most affected by the Hurricane. Speakers called for transparency and accountability in the region's management of international aid, and further involvement of civil society and the private sector in the long-term development agenda. Despite the disparities amongst each country, there was an emerging consensus that a regional approach to setting priorities, adopted by both the governments of Central America and international donor countries, might ensure true sustainable development. Peter Bell presented key mid-term challenges for the region such as: unemployment, land distribution, water supply, food production, reform of social institutions, and reinstatement of public order.

Setting the Longer-Term Development Agenda

The meetings then proceeded in a roundtable format with key participants in a private exchange of ideas and experiences about the significant immediate challenges which remain in the short-term recovery task in Central America, and assessing what the longer-term development agenda of the region must address. Emphasis was placed on the priority-issues such as sustained economic growth, debt moratorium versus debt forgiveness, addressing the chronic poverty of the region, environmental degradation, educational disparities and needs, common crime, the need for fundamental institutional reform and decentralization, improvements in governance and democratic participation by citizens in the region. Speakers suggested that Hurricane Mitch has only exposed the fact that the region continues to suffer from the same weaknesses which have always impeded development: low food production, low job creation, lack of export capacity, lack of economic diversity and agricultural diversification, poor environmental protection and management and lack of involvement of civil society in determining local needs and priorities. There was emphasis on the need for economic development to be accompanied by the strengthening of democratic institutions.

Substantive discussion centred around the priorities for the long-term recovery agenda. The work of the Latin American Center for Competitiveness and Sustainable Development (INCAE) and the Harvard Institute for International Development on a Strategy for Central American Reconstruction and Transformation was presented, debated and assessed. The principal obstacles to recovery and integration emerged as the border divisions within the region and the lack of political will amongst the governments of the region to promote a true regional approach to international cooperation, in addition to the region's chronic debt load to international financial institutions. Several needs were identified, including the need for environmental management of the region's waterways, the need to ensure that women and children are the primary recipients of education and health programs, the need for a merit-based civil service for each country, as well as in the regional institutions, and the need for more efficient public policy addressing topics such as pension, access to credit, market regulations, land

title, immigration and customs laws. There was a general agreement that there is a need for harmonization in standards, benchmarks, strategies in all areas of policy-making.

Revitalizing Central American Regional Integration and Integration into the North American and World Economy

Two further sessions followed addressing the issue of revitalizing regional integration, and analyzing the possibilities of Central America's integration into the North American economy. The speakers in these sessions suggested that Central American integration, while desirable, necessary and indispensable, will also require realistic goals and expectations, given the uneven levels of development in each country, and the uncertain commitment of governments of the region to integration, many of which will face elections in the next two years. Suggestions were also made that integration can proceed at informal and formal levels, and at varying paces. Existing arrangements such as the Treaty for Democratic Security, the "Sistema de la Integración Centro Americana" (SICA), the competition initiative of the Central American presidents, the Alliance for Sustainable Development, and the semi-annual meeting of leaders of the Central American governments need to be built upon. The discussions also addressed issues such as NAFTA-parity for Central America, and CBI enhancement to include the region. The key issue is granting the region access, equal to that of Mexico, to the North American market.

Participants also expressed concern for the future of the region, such as the risk of a more protectionist agenda pursued by Central American governments, the risk of popular disillusion, and the risk of polarization of the region's societies, prompting a return to conflict and authoritarianism.

The meeting did not attempt to develop a consensus view on any of the particular needs or priorities for the region. Instead the sessions allowed for a rich exchange of ideas and experiences among participants. A general agreement emerged, however, that an integrated regional approach to development for Central America is desirable, but will face major political obstacles. Over the long-term, there is a need to build technical support for regional integration through changes to national legislation, regulatory frameworks, national bureaucratic systems and policy capacity. The citizens of these countries must be the ones that demand this integration. There was also substantive discussion about the expectations and planning for the Stockholm Consultative Group meeting in May 1999 between international donor countries with Central American governments, with a consensus emerging that governments will have to prioritize their requests for international aid. Participants suggested that among the priorities which Central American governments must target for international donor funding are: a regional commitment to education, reform and revitalization of municipal government, transparency in management of donor aid, attention to marginalized sectors of the region's population and institutional reform.

A Permanent Forum on Central America's Recovery and Future Development

In the final session of the meeting, participants discussed the future of this group - whether a permanent forum of private citizens calling for Central American integration should emerge, how it might best be organized, how to make its views known within the region, and what its agenda should be. There was general agreement as well that the group would monitor the implementation of the Stockholm commitments, and ensure sustained follow-

up to recovery efforts for Central America. As the group deliberated these issues, the experience of the Sanford Commission was drawn upon. The group agreed that governmental participation in this forum will be necessary, as will multi-sector representation and participation. In addition, an institutional base in Central America for the proposed forum would be strongly advisable. Consideration was also given to the fact that the forum could promote its commitment to Central American integration around the time of the Stockholm Consultative Group meeting.

It was agreed that:

- the Inter-American Dialogue and FOCAL would synthesize the discussions into a brief report for wide distribution;
- a proposal for the establishment of the forum will be circulated for consideration by members of the group;
- the Inter-American Dialogue would maintain contact with Swedish International Development Agency (SIDA) and the Inter-American Development Bank (IDB) regarding the preparation of the Stockholm Consultative Group.