

Aid for Trade and the Mesoamerica Project



Vice Presidency for Countries
Country Department Central America,
Mexico, Panama and Dominican Republic
Vice Presidency for Sectors and Knowledge
Integration and Trade Sector



THE MESOAMERICA INTEGRATION AND DEVELOPMENT PROJECT (MP)

The MP facilitates and advances the process of integration and development in the Mesoamerican countries: *Belize, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.*



THE MESOAMERICA PROJECT (MP):

- Within the political framework of the Mesoamerican regional integration, the MP serves as the operational tool responsible for the execution of specific projects and programs.
- Foster the development, financing, and implementation of regional infrastructure, connectivity, and social development projects.
- Connect markets within the region, reducing transport and trade costs.
- Enhance trade competitiveness and increase foreign investment.

MP IN FIGURES:

- A portfolio of nearly 100 projects.
- More than US\$8 billion in investments in the areas of energy, telecommunications, transportation, competitiveness, trade facilitation, and natural disasters.
- Rehabilitation of more than 13,000 kms of roads under the International Network of Mesoamerican Highways initiative, **RICAM**, including two major corridors in the Atlantic and the Pacific. Two main highways in these corridors are expected to be completed in 2012.
- Installation of 2,000 kms of high voltage cables for the Electric Integration System of Central America, **SIEPAC**. Once completed in 2009 it will expand the electrical grid even to remote areas while cutting electricity prices by 15% to 20%. A reliable and affordable power supply will improve the competitiveness of the region.
- Independent access and high-quality broadband connections provided by the Mesoamerican Information Highway, **AMI**, through a fiber-optic network.

The IDB has strongly supported the project since its inception and serves as a catalyst of financial and knowledge resources needed to implement the projects.



AID FOR TRADE AND THE MESOAMERICA PROJECT:

The objective of the WTO's Aid for Trade (AFT) initiative is to help developing countries to build the supply-side capacity and trade-related infrastructure needed to implement and benefit from trade liberalization and enhanced market access, and more broadly to expand their trade.

Significant supply-side challenges exist across Mesoamerican countries and need to be addressed if these countries are to play an active role in the global trading system and to use trade as an instrument for growth and poverty alleviation. For some of these countries transport costs are significantly higher than tariffs, for both imports and exports and especially for intraregional trade.

Soft and hard trade-related infrastructure investments contemplated in the Mesoamerica Project aim at connecting markets and tackling these challenges within the region and are crucial for reducing transport and trade costs, enhancing trade competitiveness, developing foreign investment attraction potential and efficiently delivering goods and services to the global market-place.

At the same time, the MP will also help to promote the convergence of the Free Trade Agreements signed by countries of the region.

To maximize the potential of infrastructure projects it is essential to create the institutional framework needed to reduce trade costs generated by deficient procedures and poor coordination among national markets.



A VISION OF THE REGION IN 2012: ENHANCED TRANSPORT AND FACILITATED TRADE

The Pacific Corridor Highway (PC) constitutes the backbone of international trade in the region, transporting more than 95% of intra-regional commerce in Mesoamerica, valued at approximately US\$6 billion. It runs from Puebla, México, to Panamá and crosses six national borders. Once completed, the PC will cut this distance by approximately 300 kms, saving considerable time and cost to its users.

Currently the average speed of trucks that haul freight from one country to another in Central America is 10 km/h. Trucks often take 24 hours to travel along the 130 km stretch of highway from El Salvador through Honduras to Nicaragua. One of the main problems is repetitive and duplicated paperwork at the national border crossings, which reduces trade and increases freight charges significantly.

The International Transit of Goods (TIM) has allowed to cut average border crossing time from 60 minutes to 8 minutes at El Amatillo customs office, on the border between El Salvador and Honduras. The TIM is an innovative system for managing and supervising the movement of goods, based on cutting-edge technology, elimination of paper usage and harmonization of customs control procedures. The program is now being extended to the rest of the Mesoamerican countries.

By 2015, the PC is expected to become a five-star highway with enhanced infrastructure, equipment and transport systems in all borders, thus having a significant impact on the increase of trade and regional integration.

Other projects to develop regional maritime transport and railroad networks are underway. Currently, the IDB is providing approximately US\$ 25 million in grant financing for feasibility studies and technical assistance.





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