



INTER-AMERICAN DEVELOPMENT BANK

---

INTEGRATION AND REGIONAL PROGRAMS DEPARTMENT

*Intal*

Institute for the Integration  
of Latin America and the Caribbean

*ITD*

Integration, Trade and  
Hemispheric Issues Division

*STA*

Statistics and  
Quantitative Analysis Unit

# Regional Banks and Regionalism: A New Frontier for Development Financing

Robert Devlin  
Lucio Castro

# Regional Banks and Regionalism: A New Frontier for Development Financing

Robert Devlin  
Lucio Castro

*Intal* ITD-STA

October, 2002  
Working Paper 13

The Institute for the Integration of Latin America and the Caribbean (INTAL), the Integration, Trade and Hemispheric Issues Division (ITD) and the Statistics and Quantitative Analysis Unit (STA) of the Integration and Regional Programs Department of the IDB have organized a joint publication series:

***WORKING PAPERS***

Refereed technical studies providing a significant contribution to existing research in the area of trade and integration.

***OCCASIONAL PAPERS***

Articles, speeches, authorized journal reprints and other documents that should be of interest to a broader public.

Inter-American Development Bank  
Integration and Regional Programs Department

Institute for the Integration of Latin America and the Caribbean IDB - INTAL  
Esmeralda 130, 16<sup>th</sup> and 17<sup>th</sup> Floors (C1035ABD) Buenos Aires, Argentina - <http://www.iadb.org/intal>  
Integration, Trade and Hemispheric Issues Division  
Statistics and Quantitative Analysis Unit  
1300 New York Avenue, NW. Washington, D.C. 20577 United States - <http://www.iadb.org/int>

The opinions expressed herein are those of the authors and do not necessarily reflect the official position of the IDB and/or INTAL-ITD-STA, or its member countries.

Printed in Argentina

INTAL-ITD-STA  
Regional Banks and Regionalism:  
A New Frontier for Development Financing  
Buenos Aires, 2002. 48 pages.  
Working Paper 13  
Available in pdf format at:  
<http://www.iadb.org/intal/pub> and/or <http://www.iadb.org/int/pub>

I.S.B.N. 950-738-135-x

US\$ 5.00

Editing:  
Mariela Marchisio

## CONTENTS

I.	REGIONAL INTEGRATION AND DEVELOPMENT	1
	The Concept of Regional Integration	1
	The New Regionalism	3
	<i>The Objectives of the New Regionalism</i>	3
	<i>The Potential Costs of the New Regionalism</i>	6
II.	TRENDS IN REGIONAL INTEGRATION	7
	Regional Integration in Africa	7
	<i>Trade</i>	8
	<i>Financial and Monetary Cooperation</i>	9
	Regional Integration in Asia	10
	<i>Trade</i>	10
	<i>Financial and Monetary Cooperation</i>	13
	<i>Other Cooperation</i>	14
	Regional Integration in Latin America and the Caribbean	14
	<i>Trade</i>	14
	<i>Financial and Monetary Cooperation</i>	19
	<i>Other Cooperation</i>	20
III.	ON THE FRONTIER OF REGIONAL INTEGRATION: FUTURE CHALLENGES	23
	The Strategic Fronts of Activity	23
	<i>South-South Integration Initiatives</i>	23
	<i>North-South Initiatives</i>	25
	<i>Multilateral Initiatives</i>	25
IV.	THE ROLE OF REGIONAL DEVELOPMENT BANKS	27
V.	CONCLUSIONS AND SOME QUESTIONS	31
	APPENDIX	33
	BIBLIOGRAPHY	



# **REGIONAL BANKS AND REGIONALISM: A NEW FRONTIER FOR DEVELOPMENT FINANCING \***

**Robert Devlin \*\*  
Lucio Castro \*\***

*The 1990s witnessed the parallel forces of globalization and regionalization strongly at work. While seemingly contradictory, they are in fact complementary aspects of market development. This paper will focus on the latter, and its special aspects of regionalism; i.e., policy driven regional cooperation. Particular attention will be given to the recent advances and challenges in two crucial aspects of regionalism: regional trade and financial cooperation. The other important area of concern of the paper is how regional development banks are supporting regional initiatives and identifying emerging issues which they should be preparing to deal with.*

*The first section clarifies some basic concepts and the underlying development objectives of the regionalism emerging out of the 1990s. This is followed by a review of advances in regional integration and other forms of regional cooperation in Africa, Asia and Latin America and the Caribbean. After this, there is a review of the emerging new challenges in regional integration and the role of regional development banks in supporting the processes. The last section formulates conclusions and some basic questions about the preparedness of the banks to respond to members' demands for support of their regional initiatives.*

## **I. REGIONAL INTEGRATION AND DEVELOPMENT**

### **The Concept of Regional Integration <sup>1</sup>**

Regional integration occurs naturally, albeit very unevenly, during the course of the development of private markets. "Natural" market integration is a process characterized by progressive convergence of economic and social parameters between locals and regions and increasing degrees of interdependence.

Regional integration also can be driven by policy-induced regional cooperation, or regionalism. This is the area of concern of the present paper. Formal policy-induced integration can emerge in

---

\* Paper prepared for the Conference on "Financing for Development: Regional Challenge and the Regional Development Banks", organized by the Center for Global Development and the Institute for International Economics, Washington, D.C., 19 February, 2002.

\*\* Deputy Manager and Research Fellow in the Integration and Regional Programs Department of the Inter-American Development Bank. Opinions are those of the authors and not necessarily reflective of those of the Bank. We thank Antoni Estevadeordal, Gary Hufbauer and Jaime Zabludovsky for their helpful comments and María de la Paz Covarrubias for her assistance.

<sup>1</sup> This section draws substantially on Devlin, Estevadeordal and Krivonos [2002].

the economic, social, political spheres. In many developing countries there is a particularly extensive Post-War experience with economic integration. The most typical starting point of economic integration has been creation of free trade areas or customs unions, often with the objective of deepening into a common market or community.

Regional Cooperation between two or more countries also can take place without pretensions of regional integration as such (Belassa [1961]). This more "functional" regional cooperation involves an adjustment of policies and activities between countries to achieve outcomes that the parties prefer to the status quo. Mutually beneficial functional regional cooperation is possible in practically any field of public policy, ranging from security matters to environment, disaster management, epidemiological issues, etc. While functional regional cooperation can and does emerge independently of formal integration processes, it also can constitute a parallel track to a formal regional integration process, or through time contribute to the emergence of such a formal process.

Reciprocal preferential trade agreements are very often the point of departure for formal regional integration for several reasons. First, trade usually attracts support from the relatively well-organized and financed private business communities. Second, unlike many other economic arrangements, the mutual benefits of trade agreements and their distribution can be reasonably assessed ex-ante by participants and monitored and enforced ex-post as they usually contain very precise legal clauses, while the institutions for negotiating cross-border agreements and administering them are usually already in place. Third, trade agreements accommodate nationalistic sentiments of society as they can be designed in ways that initially involve little concession of national sovereignty, as in the case of free trade areas. Fourth, these trade agreements are subject to certain multilateral rules and procedures in the World Trade Organization (WTO). On the other hand, the difficulty of negotiating non-trade areas is related to the very nature of such issues: whereas preferential trade arrangements, the typical starting point of formal economic integration, are concerned with *removal* among partners of distorting policies, integration in other economic areas as well as in social and political fields often requires *introduction* of additional policies, which can be more difficult to deal with as they impinge upon sovereignty. Moreover, non-trade areas often have less installed institutional cross-border capacities than the area of trade. Finally, a critical mass of regional trade among partners acts as a "hanger" on which other areas of regional cooperation can be draped.

Indeed, as mentioned earlier, growing and mutually beneficial economic interdependence among partners typically induces demands for additional regional economic cooperation to exploit more fully the revealed advantages of a maturing regional market. Moreover, demands for non-economic and even political cooperation arise from the social externalities generated by closer economic ties. In effect, the centripetal forces of trade among partners can be an effective handmaiden of deeper formal integration whether planned or not. There is the contemporary example of Western Europe where growing interdependence through trade has served to drive forward a political agenda of certain partners of the agreement for very deep integration and broad-based cooperation. In effect, regional market opening became functional to widening the scope of cooperation, or in the words of García Herrero and Glocker [2000], to "integration by stealth".

Policy-induced financial integration is complex and usually lags integration of goods markets. It involves liberalization/harmonization of money and capital markets to facilitate payments and provide a primary source for medium to long-term securities and debt-instruments, which are essential for investments in the regional market. As a whole, it includes all capital markets'

institutions, such as commercial banks, private financial institutions, investment funds, insurance companies, etc. (UN [2001]).<sup>2</sup>

While experience has demonstrated that liberalization of goods and services trade is a vital strategic instrumental force in regional integration processes, other forms of regional cooperation can effectively bring countries closer together as well.

### **The New Regionalism** <sup>3</sup>

The 1990s witnessed a wave of New Regionalism (Ethier [1998]). The New Regionalism of the 1990s was led by trade agreements with objectives of creating free trade areas or common markets. The big defining difference between the New Regionalism and earlier Post-War experiences was the policy environment. The policy framework encircling the "old" Post-War regionalism in developing countries involved an inward-looking and protectionist/state-led import substitution strategy (often in the context of authoritarian regimes). Meanwhile, the New Regionalism is inserted into a framework of policy reform that promotes open and competitive private market-based economies in a modern democratic institutional setting. Indeed, the New Regionalism is an extension of that very policy reform process.

But perhaps the most dramatic change in character was the gradual shift during the 1990s from the traditional intra-regional focus for integration ("South-South") to growing interest in inter-regional ("North-South") agreements, which link up commercially with industrialized countries in reciprocal free trade (in contrast to the traditional non-reciprocal relationships), often in conjunction with ambitious functional cooperation programs. This is something that would have been politically inconceivable before the new policy framework. This trend is seen in Mexico joining NAFTA; Canadian free trade areas with Costa Rica and Chile; Chilean negotiations for a free trade area with the U.S.; EU FTA/Cooperation agreements with Mexico, Chile and South Africa and on-going negotiations with MERCOSUR, Chile and the CARICOM countries; the Western Hemisphere's Summit Process and Free Trade Area of the Americas (FTAA) negotiations, Asia-Pacific Economic Cooperation Forum (APEC) and Singapore's recent Free Trade Agreement (FTA) with Japan.

#### *The Objectives of the New Regionalism*

Developing countries' interest in pursuing regional integration agreements involves more than securing stable access to markets. The broader motive is to strengthen structural reform and the capacity to participate in globalization. This can be seen by examining some of the objectives of the new regional integration.

---

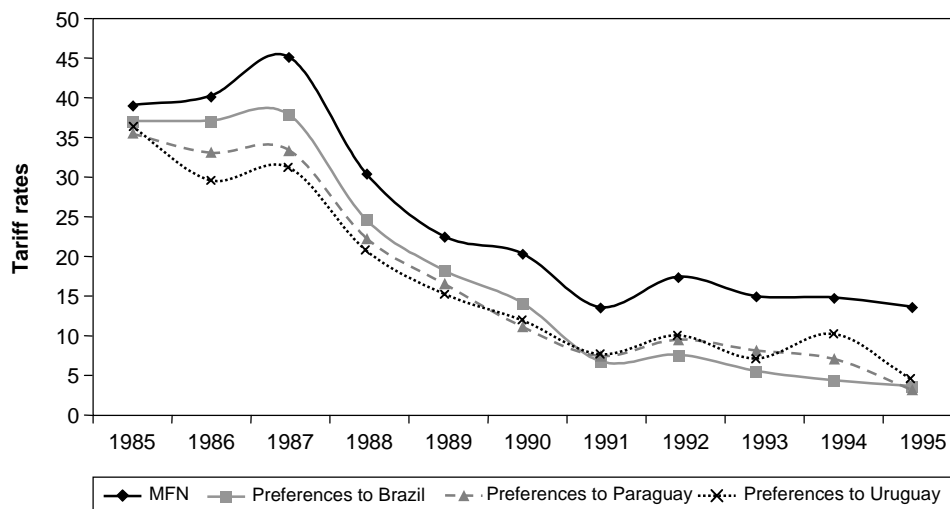
<sup>2</sup> Financial integration also can be driven by market forces. Foreign direct investment, the internationalization of financial systems, in particular the banking sector, might generate a "non-institutionalized financial integration" among different economies. As an example, during the 1990s in Latin American and the Caribbean the increasing participation of foreign banks and investment funds has driven a *de facto* integration of financial markets across the region (Zahler and Budnevich [1998]).

<sup>3</sup> This section draws substantially on Devlin and Estevadeordal [2001].



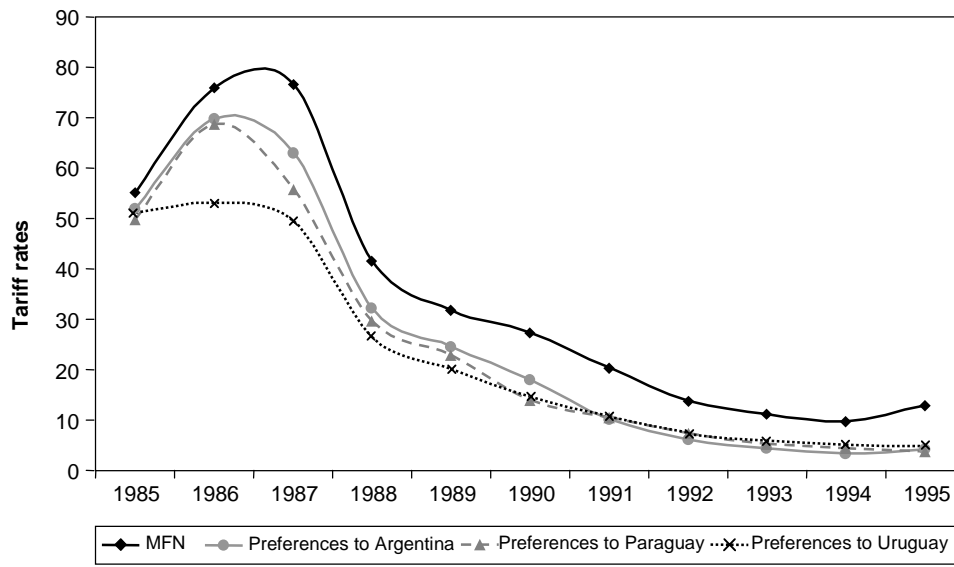
- **Trade Liberalization.** The clearest link to the structural reform process is enhancement of commitments to trade liberalization, which has been a central feature of many developing countries' development strategy. In effect, regional economic integration has become the third tier of a three tier process, with the first two being unilateral and multilateral opening. Moreover, the regional opening is facilitated by political economy considerations: full reciprocity, binding rules-based commitments, and the possibility of signaling liberalizing commitments to the private sector, especially when it is not feasible to pursue unilateral or multilateral opening. The three tiers have worked in tandem to mutually reinforce each other (e.g., see MERCOSUR's Brazil and Argentina in Figure 1). The regional opening goes beyond what can be achieved through the unilateral and multilateral approach, lowers average levels of protection and raises competition. Meanwhile, the commitment to unilateral and multilateral opening gives credibility to the commitments to liberalize more ambitiously at the regional level.<sup>4</sup>
- **Institutional modernization.** Regional trade agreements, especially those with deep objectives, or the so-called "second generation" free trade areas which go beyond traditional market access in goods, encourage modernization of institutions directly through the disciplines they introduce and indirectly through the increased demands brought about through regional competition.
- **Lock-in.** Regional agreements establish disciplines in a framework of legal rights and obligations and hence are more difficult to retract than unilateral commitments (Fernández [1997]).
- **Export growth and diversification.** Reciprocal opening, guarantees of market access, preferences, etc., provide new opportunities for export and diversification. Regional markets also serve as an outlet to an important array of products like textiles, dairy, meat, food processing, etc., which confront very high levels of international protection.

FIGURE 1  
ARGENTINA (1985-1995)



<sup>4</sup> In Latin America during the 1960s, it was the strong overall commitment to high levels of protection that eroded the credibility of programs to liberalize regionally (Devlin and Estevadeordal [2001]).

### BRAZIL (1985-1995)



Source: Esteveordal, Goto and Saez [2000].

- Economic transformation.** The New Regionalism is designed to create trade. But regional integration builds on longer term strategic considerations arising from imperfect and incomplete markets at home and abroad, which handicap the spread of efficiency gains in certain sectors and the development of new productive patterns with progressively higher degrees of value-added (Devlin and French-Davis [1999]). In effect, dynamic transformation effects are sought through the catalyst provided by access to a secure enlarged market, more specific information flows and defined market competition and identifiable export opportunities, all of which can induce investment, greater specialization via economies of scale, product differentiation, increased productivity, competitiveness, employment and growth. In the process, regional integration also can contribute to completing markets in labor, finance, technology, etc.
- Attraction of Foreign Direct Investment (FDI).** As Ethier [1998] has pointed out, there is now a world-wide competition in developing countries to attract FDI for its potential contribution in areas of export networks, technological and know-how spillovers and institutional modernization. A regional agreement, through the creation of a larger liberalized rules-based regional market, can serve to distinguish member countries and help them compete for, and attract, FDI (Bloomstrom and Kolkko [1997]). Moreover, FDI tends to cluster, so initial success in this area can lead to more.
- Geopolitics.** A group of like-minded countries can use their regional scheme to, among other things, establish a security network for fragile democracies, promote disarmament and peace among neighbors, and enhance bargaining power in international fora.
- Functional Regional Cooperation.** The New Regionalism also reflects itself in increased interest in functional regional cooperation in economic, social and political areas to deal with externalities arising from increasing interdependencies in regional and world markets.

Finally, the reason developing countries are showing increasing interest in "North-South" agreements is the perception that an agreement anchored by a credible industrialized country will magnify the benefits outlined above.

## *The Potential Costs of the New Regionalism*<sup>5</sup>

Regional integration agreements (RIA) are part of the reform process; they, like any other structural reform, require adjustments which bear costs for the participating countries. These costs should be minimized where possible. Some of the costs that typically emerge for the participating countries are:

- **Trade diversion.** Preferences (and rules of origin) in regional trade agreements can potentially divert trade away from more efficient locations in non-member countries (Bhagwati and Panagariya [1996]; Yeats [1996]). Some trade diversion is inevitable in preferential arrangements, which has costs for domestic consumers and non-members. This must be weighed against trade creation and the potential for the trade diversion to evolve into cost-reducing and welfare enhancing dynamic transformation effects (Corden [1972]; Ffrench-Davis [1980]). Some analysts point out that "North-South" RIAs present less risks of trade diversion than "South-South" arrangements (Venables [2002]).
- **Redistributive effects.** When there are serious asymmetries in the average tariff levels between partners of an economic integration agreement, the loss of tariff revenue in the high tariff country can have a serious redistributive impact between partners (Panagariya [1996]). In effect, part of what would have been realized as tariff revenue on imports from the partner country prior to the agreement is transferred to the partner's producers as tariffs are eliminated.
- **Asymmetric Impact.** In the absence of corrective mechanisms, the benefits of regional integration are often asymmetrically distributed among partners with concentration in some partners, while others are dependent on uncertain spillovers (Puga and Venables [1997]).

Regional integration also presents risk for third parties:

- An explosion of economic integration agreements with preferences creates a "spaghetti bowl" of different trade and investment rules which reduce transparency and raise administrative costs in world trade (Wonnacott and Wonnacott [1995]).
- While enlarged regional markets and preferences can attract FDI, they potentially could divert FDI from more efficient locations (Winters [1997]).
- The emergence of agreements can create a "gang effect" which leaves outside countries with little option but to join the agreement (Winters [2001]).
- Regional integration could distract attention from, and hence weaken, the multilateral system (*Ibidem*).

A RIA is not an end in itself but an instrument to achieve an objective. Hence an evaluation of the benefits of a RIA, and weighing those benefits against the costs, is the only way to determine whether an agreement makes sense for the participating countries and the rest of the world. Unfortunately empirical evaluation is inherently difficult due to extremely serious gaps in data availability, the complex causality of dynamic productive transformation effects (where one expects the big numbers to lie) and the methodological difficulties in generating plausible conclusions from "broad" counterfactual analysis.

---

<sup>5</sup> This section draws substantially on Devlin and Ffrench-Davis [1999].

## II. TRENDS IN REGIONAL INTEGRATION

### Regional Integration in Africa <sup>6</sup>

Regional integration has been present in Africa's development strategies for most of the Post-War period. In part as a result of the de-colonization process, the number of regional integration initiatives boomed in the 1960s. Today, as reflected in the treaty establishing the African Economic Community (1994), integration remains as a key strategy for overcoming African problems of poverty and scale and promoting economic growth. Nonetheless, most of the regional groupings created in the 1960s no longer exist and the record of contemporary agreements in terms of effective economic integration has been, according to the United Nations, unsatisfactory at best.<sup>7</sup>

The current integration landscape of the region consists of a wide array of RIAs of varying design, scope and objectives. Five subregional integration arrangements encompass all of the countries of Africa.

- Arab Maghreb Union (AMU) whose five members include all of North Africa,<sup>8</sup>
- The Common Market of Eastern and Southern Africa (COMESA), which includes all but one country of Eastern Africa and parts of Southern Africa,<sup>9</sup>
- The Economic Community of Central African States (ECCAS) whose 10 members encompass all of Central Africa,<sup>10</sup>
- The Economic Community of West African States (ECOWAS), which covers all of West Africa,<sup>11</sup> and
- The Southern African Development Community (SADC) whose 14 members encompass all of Southern Africa.<sup>12</sup>

In addition, there are eight other RIAs that are subsets or part of large RIAs. They include the Central African Economic and Monetary Community (CEMAC), a group of six countries of ECCAS; the Great Lakes River Basin (CEPGL), consisting of three members of ECCAS; the East African Community of COMESA, members Kenya and Uganda and SADC member Tanzania; the Indian Ocean Commission (IOC) grouping 5 countries, 4 of which are in COMESA and one of which

---

<sup>6</sup> This section is based on UN [2000].

<sup>7</sup> Many of the problems in Africa seem to reflect the shortcoming of Latin America's Latin American Integration Association (ALADI): preferences are not universal, only partial and lack permanency.

<sup>8</sup> Algeria, Libya, Mauritania, Morocco, and Tunisia.

<sup>9</sup> Angola, Botswana, Burundi, Comoros, Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, South-Africa, Sudan, Swaziland, Uganda, United Republic of Tanzania, Zambia, and Zimbabwe.

<sup>10</sup> Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, and Sao Tome and Principe.

<sup>11</sup> Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea Bissau, Ivory Coast, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

<sup>12</sup> Angola, Botswana, D.R.C., Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe.

(Reunion) is a dependency of France. Others are the Intergovernmental Authority for Development (IGAD) embracing seven countries in the Horn of Africa and the northern part of East Africa; the Mano River Union (MRU) with three countries all of which are members of ECOWAS; the West Africa Economic and Monetary Union (UEMOA) encompassing eight members of ECOWAS; and the Southern African Customs Union (SACU), consisting of five member countries of SADC and the East African Community (EAC), consisting of one member of SADC, Tanzania, and two members of COMESA, Uganda and Kenya.

### Trade

After decades of market integration policies and experimentation, levels of intra-African trade remain extremely low. On average, trade within African regional agreements has reached only around 10% of their total trade in the last decade. Table 1 indicates that the East African Community (EAC) is ranked first among all the RIAs in the proportion of its total trade within the regional arrangement. Africa's most sluggish trade performers are IOC, the Interstate Committee for Drought Control in the Sahel (CILSS) and the Nile Basin Initiative (NBI). At the same time, the pattern and direction of commerce continues to be largely oriented towards trading partners in the Western countries, mostly European. On average, African exports to the European Union represented around 43% of their total exports, in contrast with only around 10% for intra-region exports (IMF [2001]).

**TABLE 1**  
**AFRICA INTRA-REGIONAL TRADE AS PERCENTAGE OF TOTAL TRADE, 1989-1999**  
(Intra-regional Trade - %)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	1995-1998 Average	1999
<i>Africa</i>	6.64	7.58	7.45	7.88	8.26	8.97	9.74	10.36	10.66	10.06	10.20	<b>10.21</b>	10.20
CEMAC	N.A.	N.A.	N.A.	N.A.	0.78	1.91	2.57	1.79	N.A.	N.A.	N.A.	<b>N.A.</b>	N.A.
EAC	N.A.	N.A.	N.A.	N.A.	N.A.	34.69	18.06	24.55	10.74	19.97	19.27	<b>18.33</b>	19.27
ECOWAS	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	17.83	10.46	7.50	7.09	4.09	<b>10.72</b>	4.09
WAEMU	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3.47	8.59	19.83	12.59	11.99	<b>11.12</b>	11.99
SADC	N.A.	45.10	47.78	1.70	2.94	4.74	8.31	4.67	3.84	3.05	3.20	<b>4.97</b>	3.20
CBI-RIFF	N.A.	6.63	4.93	2.38	3.18	10.65	7.38	10.80	5.28	11.08	10.73	<b>8.64</b>	10.73
CILSS	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.76	0.75	2.96	5.32	1.52	<b>2.70</b>	1.52
ECCAS	N.A.	N.A.	N.A.	N.A.	0.92	2.13	2.82	1.86	N.A.	N.A.	N.A.	<b>N.A.</b>	N.A.
NBI	N.A.	N.A.	N.A.	0.62	N.A.	3.58	4.79	4.35	2.16	3.94	3.59	<b>3.81</b>	3.59
IGAD	N.A.	N.A.	N.A.	0.52	N.A.	33.70	11.80	18.80	3.49	14.86	31.96	<b>12.24</b>	31.96
IOC	N.A.	0.85	0.34	1.15	1.51	0.87	1.17	1.35	1.63	1.76	1.33	<b>1.48</b>	1.33
MRU	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.14	0.06	0.04	N.A.	N.A.	<b>N.A.</b>	N.A.
COMESA		6.55	4.87	2.01	3.12	4.25	4.68	4.25	2.54	3.95	3.43	<b>3.86</b>	3.43
SACU	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	<b>N.A.</b>	N.A

Notes: Nomenclature: Harmonized System (HS) classification; HS6 1992-96

Intra-regional trade = [(Intra-regional imports) x 2]<sup>(1)</sup> / [Total exports + Total imports]

<sup>(1)</sup> Calculation in light of data shortcomings on exports.

Source: UN [2000].

It is important to note other key features of Africa's intra-trade (Yeats [1998]):

- The relative importance of intra-regional trade experiences changes frequently due to unstable political conditions, volatile commodity prices and natural disasters. Extreme trade instability has had a negative impact on the prospects for industrialization and growth derived from intra-African commerce.
- African intra-regional trade is also highly concentrated within subregional groups with almost no trade taking place between East and West Africa as well as South and North Africa. That seems to indicate that transportation and cultural barriers are important obstacles to intra-African trade.
- Intra-regional trade is driven by a few primary commodities; for example, petroleum alone accounts for about one-third of this exchange and cotton, live animals, maize and cocoa add a further 18%. In contrast, African intra-regional trade in machinery and transport equipment accounts for less than 4% of this exchange.
- Almost no intra-industry trade occurs among African countries, or between Africa and developed countries.

A main factor underlying the deceptive history of African trade integration is that the elimination of barriers to intra-regional trade has been, in most of the RIAs, slow and incomplete. As an example, the average rate of actual tariff reduction in COMESA by the end of 2000 was only 66.5% of the agreed tariff reduction plan. Moreover, overall restrictiveness of African trade regimes remains high. The simple average of most favored nation (MFN) tariffs in 2000 was 19% in SSA, compared to 12% in Asia and Latin America. In addition, NTBs in the region have been especially pervasive.

Moreover, Africa displays a real "spaghetti bowl" of regional arrangements, with its multiple and overlapping membership of integration groupings. In fact, eleven African countries are members of at least two regional agreements. Yet at the same time the integration has not generated much trade, diversification or intra-industry specialization.

In addition, many African governments rely heavily on tariffs and other trade taxes for their tax revenues and therefore are reluctant to pursue further trade liberalization. These are the typical difficulties associated with regional integration agreements among small economies, where losses from tariff revenue elimination offset gains from trade volume increases (Schiff [1996]). Moreover, all the RIAs in the region, with the exception of EU-South Africa, are South-South arrangements.

Finally, apart from the trade-related factors, recurrent domestic political and economic disturbances have seriously hampered trade among African countries.

### *Financial and Monetary Cooperation*

In spite of the fact that several African agreements have made provisions for macroeconomic policy harmonization and other similar measures, Africa's prevailing economic conditions have made implementation an extremely complex and difficult task.

High levels of international indebtedness, largely underdeveloped financial markets, and sizeable budget deficits are common features in most of the African economies. These difficulties are only aggravated by economies at different levels of development and liberalization. There is one stock exchange of regional dimension, the Regional Exchange Market of Transferable Securities (BRVM).

Overall, the record of African regional arrangements in terms of financial integration has been mixed. Full monetary and financial integration has been achieved in the monetary unions (CEMAC and UEMOA) as this was part of their structure from the outset. Also, monetary and financial harmonization occurs in the SADC countries through official links between the Reserve Bank of South Africa and monetary authorities of the other members. Other regional groupings, such as COMESA and ECOWAS, have established criteria for macroeconomic harmonization with a view to achieving an economic and financial union. They also have established clearing houses, and regional development banks. COMESA, in particular, has developed guidelines for harmonization of procedures in the capital and money markets. However, it is clear that most of the countries involved in the implementation of convergence criteria implementation are still far from completing some of the targets. As an example, in COMESA almost half of the members were unable to meet the inflationary and external debt targets. A similar poor record can be observed in other regional arrangements. Other RIAs have not yet established such convergence criteria.

### **Regional Integration in Asia**

The number and depth of RIAs in Asia is less than other regions. Most of the Asian RIAs are partial preferential trade agreements, or at best, free trade areas. There is no example of customs or monetary unions. Political differences, economic disparities and a past plagued by conflict and war have historically hampered regional cooperation. In East Asia, in particular, intra-regional trade traditionally advanced by means of a "market-led integration" not as consequence of regional protection (Hosono [2001]).

However, in part as a response to the worldwide wave of RIAs and the negative impact of a common financial crisis, efforts towards regional economic cooperation received new impetus by the mid-1990s. Two East Asian RIAs have dominated the integration efforts in Asia during the last decade: the Asia-Pacific Economic Cooperation (APEC) and the Association of South East Asian Nations (ASEAN). In other Asian subregions, regional integration initiatives have been by far less successful. For example, in South Asia, the South Asian Association for Regional Cooperation (SAARC) has been seriously hampered since its beginnings by the Indo-Pakistani conflict and competing country members' exports.

#### *Trade*

The ASEAN comprises today all the South East Asia countries, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Even though it was created in 1967, this preferential trade agreement has only started to show some results on trade liberalization since the 1990s. Today, ASEAN is considered as the most important and promising RIA in Asia.

In January 1992, the ASEAN Free Trade Area (AFTA) was established during the fourth ASEAN Summit meeting in Singapore. The original goal of AFTA was to reduce tariff rates on intra-ASEAN trade to between zero and 5% within 15 years beginning in January 1993, through the adoption of a Common Effective Preferential Tariff (CEPT) scheme. Later, in September 1994 the planned tariff liberalization was accelerated by reducing the initial period of 15 years to 10. Vietnam, which joined ASEAN in 1995 and AFTA in 1996, was granted a ten-year implementation period ending in 2006.

Driven by these renewed trade liberalization efforts, intra-ASEAN trade has reached significant levels through the 1990s. On average, intra-regional trade has represented around 21% of total ASEAN trade between 1993 and 2000. The importance of the region in ASEAN's total trade varies across countries, ranging from 35% in the case of Brunei Darussalam to 13% in the case of Philippines.

**TABLE 2**  
**ASIA INTRA-REGIONAL EXPORTS AS PERCENTAGE OF TOTAL EXPORTS**  
(Intra-regional Trade - %)

	1970	1980	1985	1990	1995	1996	1997	1998	1999
APEC	57.8	57.9	67.7	68.3	71.9	72.1	71.8	69.7	71.9
ASEAN	22.9	18.7	19.8	19.8	25.4	25.4	25	21.7	22.2
SAARC	3.2	4.8	4.5	3.2	4.4	4.3	4	5.3	4.7

Notes: APEC = Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, USA, and Vietnam.

ASEAN = Brunei Darussalam, Cambodia, Indonesia, Laos P.D.R, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

AARC = Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

Source: World Bank [2001].

Extra-ASEAN exchange is mostly concentrated in developed countries, in particular the United States and Japan. In fact, according to ASEAN [2001], trade with the U.S. represented around 18% of total ASEAN trade in 1993-2000. Again, the importance of the U.S. market as destination ranges from only around 7% in Brunei's total trade to around 25% in Malaysia. Japan closely follows the U.S. as ASEAN's principal trade partner, with around 17% of total trade. The European Union is the third most important partner for the ASEAN countries, comprising around 14% of their total trade. Among developing countries, China has recently acquired an increasing share of ASEAN trade, from around 2% in 1993 to around 8% in 2000 (ASEAN [2001]).

The APEC initiative was launched in 1993 with the goal to promote the free exchange of goods, services and investment among its members as a tool for sustainable economic growth and development. APEC belongs to the new wave of inter-regional "North-South" RIAs, which link up commercially developing and industrialized countries. Free trade was placed on the APEC agenda in 1994, setting up the very ambitious objective of free trade in the region by 2010 for developed countries and 2020 for developing ones. In 1995, the Osaka Action Agenda established the practical mechanism to achieve that goal: the Individual Action Plans (IAPs). The mechanism is quite unique for a RIA in as much as the IAPs are voluntary agreements for unilateral MFN



liberalization (i.e., not preferential) in trade and investment. The main criticisms have been that IAPs do not provide liberalization beyond WTO disciplines or already determined domestic liberalization schedules (Bergsten [1997]; Aggarwal and Morrison [1999]).

When combined with national unilateral programs, the regional liberalization effort has resulted in an important reduction in protection levels. In fact, the APEC average unweighted tariff reduction was around 50% between 1988 and 1998, from 15.4% to 7.6% (Lee [1999]).<sup>13</sup> APEC intra-trade levels increased explosively through the first part of the 1990s, but were hindered by the financial crisis of 1997. Moreover, trade liberalization progress has been scant in certain sectors, in particular the so-called "sensitive industries" such as fishing and wood (Feinberg [2000]).

The APEC defines and funds at each year's Ministerial Meeting work programs for three committees, one sub-committee, ten working groups and other APEC forums. The committees are the Committee on Trade and Investment (CTI), Economic Committee (EC) and Budget and Management Committee (BMC). The CTI aims to create an APEC perspective on trade and investment issues and to pursue liberalization and facilitation initiatives. The CTI is responsible for implementation of the Osaka Action Agenda (OAA), including work on tariffs, non-tariff measures, services, deregulation, dispute mediation, implementation of WTO obligations, investment, customs procedures, standards and conformance, mobility of business people, intellectual property rights, competition policy, government procurement and rules of origin. The core activity of CTI is implementation and enhancement of the Collective Action Plans (CAPs) which are the main vehicle for advancing APEC's agenda on trade and investment facilitation. The main function of the EC is to analyze economic trends and issues in support of APEC's trade and investment liberalization and economic and technical cooperation agendas.

In South Asia, attempts also have been made to encourage regional trade under the aegis of the SAARC, established in 1985. In 1993 a South Asian Preferential Trade Agreement (SAPTA) was drawn up, providing for bilateral reduction in tariff and non-tariff barriers on specified commodities on a reciprocal basis, but with special provisions given to the least developed countries. The ultimate but failed goal for SAPTA was to be realized by 2001 in a South Asian Free Trade Area (SAFTA), based on multilateral tariff reductions. As noted by CSIS [1999], "although tariff concessions have not been negligible, they have been introduced on items that represent no more than 1% of the total" of this regional grouping. In sum, the achievements of SAARC and SAPTA in terms of trade liberalization have been very modest indeed.

Finally, a new North-South RIA emerged recently when Japan signed its first FTA, with Singapore, and another one may be forthcoming if a Chinese proposal for a Pan-Asian FTA prospers. These new RIAs belong to a recent wave of new bilateral free trade areas and subregional arrangements across the region, in particular among the East Asian countries (Hosono [2001]). In fact, by now there are at least 20 new preferential initiatives at various stages of negotiation, planning and study.<sup>14</sup>

---

<sup>13</sup> This must be interpreted with care since the average is affected by extra APEC commitments: the Canada-U.S. FTA, NAFTA, the Uruguay Round liberalization, etc. Thanks to Jaime Zabludovsky for this observation.

<sup>14</sup> See Scollay and Gillbert [2000] for a list of the initiatives as of 2000.

The financial crisis that affected all the region's countries has propelled monetary and financial regional cooperation initiatives among the Asian countries. In the immediate aftermath of 1997's Asian crisis several proposals were advanced in order to strengthen cooperation in those areas. These efforts have been focused on three topics:

- (a) **Information Exchange and Surveillance:** three initiatives have been taken in this area. First, the Manila Framework Group was established in November 1997. It meets annually with the presence of deputies from central banks and finance ministries from 14 countries and different international and regional financial organizations in order to provide surveillance reports. Second, the ASEAN Surveillance Process was established in 1998 to monitor policymaking in economics and social issues, and includes provisions for capacity building and institutional strengthening. Finally, the ASEAN+3 (Japan, China and South Korea) Surveillance Process was formalized in November 1999. Finance ministers of 13 countries and the ASEAN Secretary General meet twice a year for policy coordination. Under its framework some provisions have been taken to monitor private capital flows and to establish a regional early warning system.
- (b) **Resource Provision Mechanism:** Although the original Japanese proposal of a US\$100 billion Asian Monetary Fund (AMF), was strongly resisted by countries within the region, the experience of the 1997 financial crisis and its consequences have brought new impetus to the idea of a regional stabilization fund. Recently, in May 2000, the ASEAN+3 launched what is known as the Chiang Mai Initiative (CMI). The CMI has been considered as a potential "first step toward the setting up of a Framework for Regional Monetary Stabilization (FMRS)" (Sussangkarn [2000a]), in the way of the initial AMF idea. The Initiative's main goal is to establish a regional financing arrangement to supplement existing international facilities. Some progress has been made under the CMI Framework. An ASEAN Swap Arrangement was setup, covering all ASEAN members and with funds of around US\$ 1 billion. In addition, a network of Bilateral Swaps and Repurchase Agreements (BSAs) was enacted, including also this time, China, Japan and the Republic of Korea. The BSAs main goal is to provide short-term liquidity assistance in the form of dollar denominated swaps. Seven BSAs are now in place out of 30 possible. However, it is worth noting that the amounts involved in these initiatives are small compared to total cross-border capital flows. Finally, there are also provisions within the CMI framework to establish repo agreements to provide liquidity through securities trade, among other initiatives (Sussangkarn [2000a] and [2000b]).
- (c) **Regional Exchange Rate Agreements:** in this area, progress has been slower than in the two previous ones. Efforts have been focused more on conducting some detailed studies on implementing concrete steps towards macroeconomic and exchange rate policy harmonization. For example, an ASEAN Task Force on "Currency and Exchange Rate Mechanisms" was established in March 2001. Other regional projects are exploring the potential of monetary and financial cooperation within the region. The Kobe Research Project is an initiative of Asia-Europe finance ministers to promote monetary cooperation in East Asia. Among other

---

<sup>15</sup> This section draws in large part on ADB [2002].

studies in the project are those concerned with: (i) information exchange, surveillance, regional financing facilities; and (ii) regional exchange rate arrangements and coordination mechanisms. The projects' ultimate goal is development of a road map for ASEAN+3 cooperation in this area.

- (d) **Monetary Union:** The primary emphasis of the countries is financial and monetary cooperation; however there are expressions of interest in undertaking some initiating actions on the issue of a common currency, which in any event is a long term proposition if Europe offers any lessons in this regard.

**TABLE 3**  
**REGIONAL COOPERATION PROGRAMS IN ASIA**

Agreement Name	Areas of Cooperation						
	Trade-related Cooperation	Non-trade Cooperation					
		Economic	Political	Social and Cultural	Environment	Human Resources and Science & Technology	Other
<b>APEC</b>	Deregulation, dispute mediation, implementation of WTO obligations, customs procedures, standards and conformance, intellectual property rights, competition policy, government procurement and rules of origin	Macroeconomic policy, financial stability, structural reforms, economic infrastructure, business facilitation, financial systems, free movement of investments, mobility of business people, capital markets, energy, tourism, fisheries, transportation, telecommunications, small and medium enterprises, agriculture, rural infrastructure, food production and biotechnology	Political dialogue through Ministerial Meetings	Social safety, social development and gender integration	Environmental protection and marine resource conservation	Industrial science and technology, human resources development, knowledge and skills development, information and communications technology and electronic commerce	Emergency preparedness
<b>ASEAN</b>	Customs, dispute settlement, standards and conformance	Macroeconomic and financial stability, freeing movement of capital, investment facilitation, industrial development, infrastructure, food, agriculture and rural development, forestry, mining, energy, tourism, transport and communication	Political and security cooperation	Human and social development, poverty reduction, women and youth issues, cultural cooperation	Environment	Science and technology, human resources development, information and communications technology and electronic commerce	Combating the abuse and traffic in narcotics and drugs and transnational crime

Source: Devlin, Estevadeordal and Krivonos [2002].

### *Other Cooperation*

ASEAN and APEC have an extensive array of other regional cooperation programs (see Table 3).

## **Regional Integration in Latin America and the Caribbean**

### *Trade*

Since 1990 Latin America and the Caribbean has launched more than 20 free trade areas or customs unions with pretensions of becoming a common market or community (see Table 4). Initially these agreements were intra-regional, but beginning with Mexico's entry into an agreement with the U.S. and Canada, there emerged a wave of interest in North-South type agreements.

**TABLE 4**  
**LAC BILATERAL AND PLURILATERAL PREFERENTIAL**  
**TRADE AGREEMENTS IN THE AMERICAS AND BEYOND**

Agreement	Entry into Force
<i>First Generation Agreements</i>	
Chile-Mexico (ALADI model)	1992
Chile-Venezuela	1993
Bolivia-Chile	1993
Colombia-Chile	1994
Chile-Ecuador	1995
Chile-Mercosur	1996
Bolivia-Mercosur	1997
Chile-Peru	1998
<i>Second Generation Agreements</i>	
Central American Common Market (CACM) <sup>3</sup>	1960
Andean Community (AC) <sup>3</sup>	1969
Caribbean Community (CARICOM) <sup>3</sup>	1973
Southern Cone Common Market (MERCOSUR)	1991
United States-Canada	1992
North American Free Trade Agreement (NAFTA)	1994
Costa Rica-Mexico	1995
Group of Three (G-3) <sup>1</sup>	1995
Bolivia-Mexico	1995
Canada-Chile	1997
Mexico-Nicaragua	1998
Chile-Mexico	1999
Mexico-European Union	2000
Mexico-Israel	2000
México-EFTA	2000
CACM-Dominican Republic <sup>2</sup>	2001
Caricom-Dominican Republic <sup>2</sup>	2001
CACM-Chile <sup>2</sup>	2001
Mexico-El Salvador/Guatemala/Honduras	2001
Mexico-European Union Association Agreement	2001
Costa Rica-Canada <sup>4</sup>	2001
Costa Rica-Trinidad and Tobago <sup>4</sup>	2002
El Salvador-Panama <sup>4</sup>	2002
Chile-European Union	2002
Chile-European Union Association Agreement <sup>2</sup>	2002

Notes: <sup>1</sup> Colombia, Mexico, and Venezuela.

<sup>2</sup> Pending full legislative approval.

<sup>3</sup> Relunched in the 1990s.

<sup>4</sup> Awaiting ratification.

Source: IDB [2000].

The major intra-regional blocs are MERCOSUR,<sup>16</sup> the Central American Common Market (CACM),<sup>17</sup> the Andean Community,<sup>18</sup> CARICOM<sup>19</sup> and NAFTA.<sup>20</sup> The CACM, the Andean Community and CARICOM have their origins in early Post-War initiatives and underwent renewal in the 1990s. MERCOSUR and NAFTA were launched in the 1990s. All have objectives of common markets or communities, except NAFTA, which is an ambitious second generation free trade area.

The change in the global policy framework in the region contributed to a fundamental change in the modalities and instruments of regional integration. Liberalization of the regional market paralleled a dramatic reduction of third party external protection as average MFN tariffs declined from an average of more than 40% in the mid-1980s to 12% in the mid-1990s. Moreover, the traditional laborious positive lists for regional trade liberalization were abandoned for more automatic schedules that liberalize the bulk of trade within 10 years, generally with a very limited number of negative lists (Devlin and Estevadeordal [2001]). Meanwhile, free trade objectives began to go beyond traditional goods liberalization to incorporate so-called new issues such as services, investment, government procurement, intellectual property, etc.

As can be seen in Table 5, parallel to the emergence of these agreements, intra-regional trade grew considerably faster than extra-regional trade, creating commercial and economic interdependencies among many of the countries for the first time in their history. Nevertheless, the U.S. remains the major market for most countries, with the EU's importance increasing the further South one goes (see Table 6). Asia is an important market only for a few countries, but especially Chile.

**TABLE 5**  
**LATIN AMERICA EXPORTS AS PERCENTAGE OF TOTAL EXPORTS**  
(Intra-regional Trade - %)

	1970	1980	1985	1990	1995	1996	1997	1998	1999
MERCOSUR	9.4	11.6	5.5	8.9	20.3	22.7	27.8	25	20.5
Andean Community	1.8	3.8	3.2	4.1	12.0	10.3	11.8	13.9	9.3
CARICOM	4.2	5.3	6.3	8.1	4.6	13.3	14.4	17.3	15.3
CACM	26.0	24.4	14.4	15.4	21.7	22	18.1	15.6	11.6
NAFTA	36.0	33.6	43.9	41.4	46.23	47.6	49.1	51.7	54.6
G-3	1.1	1.8	1.3	2	3.2	2.4	2.8	2.7	1.8

Notes: MERCOSUR = Argentina, Brazil, Paraguay and Uruguay.  
 Andean Community = Colombia, Ecuador, Peru, and Venezuela.  
 CARICOM = Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.  
 CACM = Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.  
 NAFTA = Canada, México, and U.S.  
 G-3 = Colombia, Mexico and Venezuela.

Source: World Bank [2001].

<sup>16</sup> Argentina, Brazil, Paraguay and Uruguay, with Bolivia and Chile as free trade associates.

<sup>17</sup> Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

<sup>18</sup> Bolivia, Colombia, Ecuador, Peru and Venezuela.

<sup>19</sup> Antigua and Barbuda, the Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>20</sup> Canada, Mexico, and U.S.

**TABLE 6A**  
**U.S. MARKET PARTICIPATION IN LAC TRADE**  
(Percentages)

Country	Exports	Imports	Total Trade
Honduras	88.7	73.1	80.7
Mexico	88.7	73.1	80.7
Venezuela	52.4	37.6	47.5
Colombia	49.8	40.2	45.3
Costa Rica	49.1	50.9	50.0
Nicaragua	37.9	24.2	27.9
Ecuador	36.4	26.0	32.0
Guatemala	36.0	39.6	38.3
Peru	27.4	23.4	25.3
Bolivia	24.0	22.0	22.9
Brazil	23.9	23.1	23.5
El Salvador	23.7	34.2	31.5
Chile	16.5	19.8	19.1
Argentina	11.8	18.7	15.2
Uruguay	7.8	9.7	9.0
Paraguay	3.9	7.2	6.2

Source: IDB, Integration and Regional Programs Department.

**TABLE 6B**  
**LATIN AMERICA: TRADE WITH EUROPEAN UNION AS SHARE OF TOTAL**  
(Percentages)

Country	Exports	Imports	Total Trade
Brazil	25.0	25.9	25.5
Chile	24.6	20.6	22.6
Argentina	16.2	21.6	18.7
Costa Rica	24.8	11.4	18.1
Uruguay	15.3	18.5	17.3
Peru	16.4	15.1	15.7
Colombia	13.6	17.0	15.3
Ecuador	14.4	14.0	14.2
Paraguay	16.0	8.6	10.8
Venezuela, Rep. Bol	6.4	17.5	10.6
Bolivia	9.5	9.8	9.7
Guatemala	6.5	8.9	7.9
El Salvador	6.1	8.3	7.7
Mexico	4.0	10.1	7.1
Nicaragua	9.3	4.6	6.3
Honduras	6.5	4.2	5.2

Source: IDB, Integration and Regional Programs Department.

Some of the specific characteristics of the intra-regional trade are worth noting:

- The opening up process during the 1990s brought a flood of imports to LAC. Had intra-regional trade not grown as fast as it did, there could have been balance of payments problems and more protectionist pressures in the region (IDB [2000]).
- More than half of Latin America and the Caribbean's (LAC) exports of manufactures not based on natural resources go to intra-regional LAC markets (IDB [1998]). Hence regional integration is serving as a basis for diversification into more value-added products.
- Excluding NAFTA, there is very little regional trade between the major subregions.
- The array of agreements does create a "Spaghetti Bowl", although this is slightly mitigated by common "frameworks" which encase many of the agreements. There is the NAFTA framework around the Mexican bilaterals, and the ALADI framework around the South American agreements.
- Available empirical studies suggest no evidence of systematic trade diversion (Devlin and Estevadeordal [2001]). But there is limited evidence to suggest that regional markets have provided sectors with opportunities for efficiency gains. Indeed, interindustry trade appears to be a significant dimension of intra-regional trade (IDB-INTAL [1999, 2000, 2001]; Echavarría [1998]; Giordano [2001]).
- Except in NAFTA, services trade liberalization in the region has not undergone much liberalization at all. However, the extensive network of Mexican bilaterals does include services, usually in the form of "standstills", but subject to important exceptions.
- The four major LAC subregions (MERCOSUR, CACM, CARICOM, and the Andean Community) all have objectives of deep integration and were launched with the formation of a customs union. All have a relatively free circulation of goods, but the common external tariff (CET) is in varying degrees of incompleteness and tariff revenue is still in the national domain. The most advanced customs union project is the Andean Community, while MERCOSUR's CET is in serious disarray.
- The old nemesis of macroeconomic instability has upset some of the integration processes of the 1990s. This instability reflects incompleteness, or policy inconsistencies, in the structural reform process and shortcomings in the international financial architecture.
- Unilateral action, as opposed to rules-based dispute settlement/compensation, was a characteristic of the old Post-War integration and, except in NAFTA-inspired agreements, remains a problem in the New Regionalism.

There are other dimensions of the Latin American experience worth noting:

- MERCOSUR, the Andean Community and CARICOM countries began in the 1990s to negotiate jointly trade agreements with third parties. MERCOSUR and the Andean Community partners also have worked together to stave off threats to democracy in their respective regions.
- With the exception of Mexico in NAFTA (see below), Latin American and Caribbean attraction of FDI seems to have been primarily driven by national dynamics, especially privatizations

(ECLAC [1998]). It is still to be determined what the exact power of regional integration has been, but it clearly has been secondary.<sup>21</sup>

- Integration schemes in Latin America and the Caribbean generally have weak institutions and personnel and unstable budgetary support.
- Notwithstanding propensities for unilateral action, and without any hard empirical proof, the authors suspect that regional schemes and collective peer pressure, particularly where there is some form of customs union disciplines, have restrained backtracking on liberalizing commitments.
- Mexico's experience with NAFTA has pointed to potential advantages of North-South agreements and certainly influenced other countries' interest in this type of strategy. Since 1993, goods exports have more than tripled to in excess of US\$100 billion, more than 85% directed at NAFTA partners. Mexico's exports also display strong structural change, evolving from petroleum to machines, including growing intra-industry trade with NAFTA partners (Perry [2001]). Trade diversion does not seem to be an issue (Krueger [1999, 2000]) and risks may have been further reduced by Mexico's FTA with the EU. Foreign direct investment flows jumped from 1% of GDP in 1987-1993 to 3% in the post-NAFTA period, with little presence of privatization in the latter (López Córdova [2001]). There was some fear that Mexico diverted FDI from the Caribbean Basin, but this was mitigated by the U.S.'s granting of "NAFTA parity" to the area. Redistribution of tariff revenue does seem to have occurred (Panagariya [1999]), although this may be interpreted as payment of "dues" for more secure entry into the North American market. Lock-in effects are evident as NAFTA partners have been spared from some Mexican MFN tariff increases. Meanwhile, the effects of NAFTA have been asymmetrically distributed in favor of the Northern part of the country (Perry [2001]).
- The FTAA process has advanced steadily since its launch in 1995 and is on track.<sup>22</sup> Even though the FTAA is not scheduled to finish negotiations until 2005, it has generated a number of very positive externalities for LAC in terms of capacity building and for the rest of the world in the areas of transparency and customs facilitation (Iglesias [1999]).
- Regionalism has not diminished interest in the multilateral system. LAC countries were active in Doha and some were quite instrumental in the launch of a new round. Chile almost was the site of the last WTO ministerial and Mexico will be the site of the next ministerial. Moreover, some trade initiatives such as the FTAA and MERCOSUR-EU will depend on WTO negotiations to complete their agendas.

### *Financial and Monetary Cooperation*

Advances in formal processes have been very limited. With the exception of NAFTA, there has not been much progress in regional financial services liberalization beyond approval of protocols.

---

<sup>21</sup> IDB-INTAL has just completed studies in this area.

<sup>22</sup> For a detailed analysis of the process see Schott [2001].



The major subregional agreements, all of which have goals of a common market or deeper, are in very incipient stages of macroeconomic coordination and monetary cooperation even though levels of economic interdependence among certain partners is quite significant and there are risks of contagion in relations with international capital markets. CARICOM and the CACM have a regional mechanism to monitor macro and monetary convergence indicators. Meanwhile, MERCOSUR (including free trade associates, Bolivia and Chile) and the Andean Community have established formal targets for fiscal deficits, foreign public debt and inflation. The governments in MERCOSUR also have committed to a review process should a partner fail to comply with the targets. The small islands of the Association of Eastern Caribbean States (part of CARICOM) have a long functioning common currency and central bank.

Other areas of financial cooperation include subregional development banks in Central America (Central American Bank for Economic Integration, BCIE), the Andean area (Andean Development Corporation, CAF) and in CARICOM (Caribbean Development Bank, CDB) and a Latin American Reserve Fund which provides forms of balance of payments support to the Andean Community Countries.<sup>23</sup> Meanwhile, the ALADI has a reciprocal payments system to finance trade among members.<sup>24</sup> The system, designed to overcome foreign exchange obstacles to trade, recently facilitated a US\$1.7 billion payment from Brazil to Argentina. More extensive monetary cooperation is hindered by the fact that no LAC country has a hard currency or an abundance of reserves.

### *Other Cooperation*

One interesting development is the emergence of important intersubregional and inter-regional functional cooperation. The twelve South American countries have joined together in a South American Regional Infrastructure Initiative (IIRSA) to coordinate and finance environmentally sustainable and development-oriented regional infrastructure projects. Mexico and Central America/Panama have joined together in the Puebla-Panama Plan, which is a comprehensive initiative to cooperate in the development of regional infrastructure and tourism, and pursue functional cooperation in the preservation of the environment, natural disaster control, and human resource development.

The four major subregions have functional cooperation mechanisms in the economic, social and political areas. The network of mechanisms is quite extensive in CARICOM and the CACM, and in all cases these mechanisms are of highly varying intensity and effectiveness.

Ambitious North-South functional regional cooperation initiatives have also become prominent: the Western Hemisphere Summit Process, the EU-Latin American and Caribbean Initiatives, and APEC each involve more than 20 areas of functional regional cooperation among participating countries (examples are presented in Tables 7 and 8 of Cooperation in the Hemisphere and with the EU; see again Table 3 for APEC).

---

<sup>23</sup> The CAF and the Reserve Fund have recently extended membership to countries outside the Andean subregion.

<sup>24</sup> Latin countries in South America, Mexico and Cuba.

**TABLE 7  
MIAMI SUMMIT AREAS OF ACTION**

**PRESERVING DEMOCRACY**

Protecting Human Rights  
Invigorating Community Participation  
Promoting Cultural Values  
Combating Corruption  
Combating Illegal Drugs Crime  
Eliminating Threat of Terrorism  
Building Mutual Confidence

**ECONOMIC INTEGRATION AND FREE TRADE**

Free Trade of the Americas  
Capital Markets Development and Liberalization  
Hemispheric Infrastructure  
Energy Cooperation  
Telecommunications and Information Infrastructure  
Cooperation in Science and Technology  
Tourism

**ERADICATING POVERTY**

Universal Access to Education  
Equitable Access to Basic Health Services  
Strengthening Role of Women in Society  
Encouraging Microenterprise and Small Business  
Creation of an Emerging Development Corps

**SUSTAINABLE DEVELOPMENT**

Sustainable Energy Use  
Partnership for Biodiversity  
Partnership for Pollution Prevention

Source: Devlin [2002].

**TABLE 8**  
**MERCOSUR-EU INTER-REGIONAL ASSOCIATION AGREEMENT**  
**AREAS OF NEGOTIATION**

<b>POLITICAL DIALOGUE INCLUDING:</b>
Peace and Stability Confidence and Security Building Measures Protection of Human Rights, Democracy and Rule of Law Sustainable Development Action on Drug Traffic, Arms Traffic, Organized Crime and Terrorism
<b>COOPERATION</b>
<i>Economic</i>
Industrial Cooperation Technical Regulations and Conformity Assessment Services Investment Promotion Macroeconomic Policy Scientific and Technological Cooperation Energy Cooperation Transport Telecommunications Agriculture Fisheries Customs Procedures Statistics Environment Consumer Protection Data Protection
<i>Social and Cultural Cooperation</i>
Social Cooperation Education and Training Social Dialogue Drugs and Organized Crime Culture
<i>Financial and Technical</i>
Public Administration Modernization Inter-institutional Cooperation Cooperation on Regional Integration
<i>Trade</i>
Group 1: Market Access (broadly deferred) Group 2: Services, Intellectual Property, Investment Group 3: Government Procurement, Competition and Dispute Settlement

Source: Devlin [2002].

### III. ON THE FRONTIER OF REGIONAL INTEGRATION: FUTURE CHALLENGES

Notwithstanding the encouraging instrumental focus of the New Regionalism, and some important advances in the 1990s, at the beginning of the 21<sup>st</sup> Century many developing countries find themselves in the shadow of major challenges in trade and regional integration, challenges that will define the rules of the game in commercial, economic and even political relations with their neighbors and the rest of the world over the coming decades. Also, growing externalities due to regional and international market integration have raised demands for cooperation in non-trade areas. Confronting these challenges successfully will create many opportunities for enhanced economic growth, development and poverty reduction, while failure to do so would have significant negative economic and political repercussions.

The challenges are formidable in both scope and depth. This is best expressed by reviewing the multiple fronts in which countries are undertaking initiatives.

#### **The Strategic Fronts of Activity**

##### *South-South Integration Initiatives*

Many South-South RIAs and their member countries are engaged in an effort to preserve their hard won gains in regional trade liberalization in the face of protectionist pressures at home on account of domestic economic/political problems and a world economic slowdown abroad. Macroeconomic and political instability in domestic economies is a major enemy of regional integration -above all in early stages- as it turns attention away from collective purpose to more narrow domestic problems (Machinea [2002]). Many RIAs are struggling to consolidate common external tariffs on the road to developing real customs unions, this latter promising to, *inter alia*, facilitate trade and complete a necessary stage for achieving the goal of a common market or community.<sup>25</sup> Credibility regarding the rule of regional law is another fundamental challenge because without it investment in the regional market will be below potential and skewed to the larger market members at the expense of balance, equity and ultimately the stability of the pact. Then there is the need to greatly strengthen the regional institutions, their personnel and finance, and local counterparts to support these objectives. Finally, political sensitivities concerning the potential benefits of regional integration must be raised in regions like Asia that have a limited tradition in the practice of regionalism (ADB [2002]).

The above are all quite basic foundations for economic integration which many RIAs are still grappling with. However, superimposing itself on the fundamental challenges is a new emerging agenda for deepening that is becoming increasingly relevant for harvesting fuller benefits from existing commitments and increasing the socio-economic returns from regional integration. Moreover, this future road to regional integration is much more challenging because it involves complex multisectoral and multidisciplinary regional cooperation with increased institutional and political demands:

---

<sup>25</sup> The benefits of a customs union are clear, but the institutional hurdles are formidable: a common customs and tariff collection/distribution system with a regional authority able to administer the system.

- Overcoming the limited coordination in the development of regional infrastructure as well as border development<sup>26</sup> is essential for the competitiveness of the regional market, and to maximize the benefits and distribute them more equitably among the population.
- Eliminating non-tariff barriers and dysfunctional regulatory asymmetries in regional markets will significantly enhance the development effects of integration, but are very difficult measures to pursue as these impinge directly on domestic policy.
- While regional integration is designed to attract FDI, without harmonization of fiscal incentives costly "investment promotion wars" can sour collective commitments.
- Advancing in financial services integration is especially important for development of regional capital markets. However, financial markets, even more than goods markets, can be an important transmission mechanism of external shocks, or contagion, among a region's economies. Therefore, financial integration demands a set of essential pre-conditions or requirements (Machinea [2002]; Zahler and Budnevich [1998]; and Zahler [2001]). Especially important is strengthening and eventually harmonizing regulations of the financial system. This should include convergence to world class disciplines with similar capital and liquidity requirements among partners as well as minimum time mismatches between assets and liabilities as a way to constrain short-term borrowing by banks (Machinea [2002]).
- Cooperating in the area of macro economic policy also is difficult, but increasingly necessary where partners have attained a significant degree of economic interdependence/dependence through trade, investment and risks of financial contagion. One of the major threats to regional integration is macroeconomic instability in partner countries. Macroeconomic stability is a national responsibility. However this can be encouraged through collective commitments. Developing relevant convergence targets (inflation, fiscal deficits, external debt, external current account deficits, etc.) and corresponding collective data bases, realistic systems to provide surveillance and incentives for compliance all are new areas of work. Regional payments systems for trade and balance of payments cooperation also are instruments that can contribute to stability (*Ibidem*).
- While currency unions are usually considered only appropriate for conditions of optimal currency areas, experience also shows that unions can endogenously drive integration processes. Hence, perfecting these unions where they exist, or building a strategic road map for eventual currency union, can also have a place in RIA's with deep objectives.

Functional cooperation, which may or may not be encased in a formal South-South RIA, is a growing area of interest in the world of New Regionalism and should not be overlooked. In view of the integrating forces of the world economy and externalities it creates among countries, functional cooperation can be expected to be a growth industry even among countries without formal integration objectives. An especially ripe area in volatile developing economies is functional cooperation in the macro finance and monetary areas.

---

<sup>26</sup> Border development is an important, but often overlooked strategic component of regional integration. Borders often encompass a mini "subregion", the development of which is truncated by a national border divide which houses dysfunctional regulatory asymmetries and creates coordination problems between authorities on each side of that divide. This is unfortunate since border areas are primary corridors for regional trade and often represent serious pockets of poverty (See Pardo [2001], for the example of the Andean area).

### *North-South Initiatives*

As mentioned, developing countries have shown increasing disposition to link up with industrialized country markets in free trade areas. As mentioned earlier, countries are undertaking the challenge of integrating with industrialized countries in order to, *inter alia*, secure access to major export markets, anchor economies and attract foreign direct investment as well as to "import" institutional modernization. Indeed, just focusing on market access, models suggest that agreements such as the FTAA or EU-MERCOSUR would provide significant export and growth opportunities (Monteagudo and Watanuki [2001]). However, compared to South-South RIAs, trade liberalization in these agreements' have much stronger implications for competition, redundant capital and labor and fiscal revenue loss; they also invariably push the envelope on some of the so-called new second generation trade issues and politically sensitive areas such as labor and environmental standards.

Another complex dimension of these agreements is that they often have a comprehensive multidisciplinary functional cooperation agenda parallel to the FTA. In principle this is an extremely useful complement given the strong asymmetry in levels of development. However, as mentioned, functional cooperation has much less cross-border experience than trade negotiations. Successful regional cooperation requires an effective architecture involving clear objectives, work programs and defined outputs; monitoring and follow-up as well as effective mechanisms of evaluation; and adequate financial and technical support. All this has proven elusive in many cases, eroding the credibility of the trade and cooperation nexus that the initiatives promise to construct (Devlin [2002]; Devlin, Estevadeordal and Krivonos [2002]).

### *Multilateral Initiatives*

As mentioned, trade is usually a core component of regional integration. RIA's are subject to multilateral rules and those rules attempt to enhance regionalism's articulation with the rest of the world. Doha launched a new round in the WTO, which is ambitious in scope and content. It also includes negotiations on regional issues. This is the third front that must be attended to.

Another complexity, cross-cutting in nature, is that many of these initiatives have their own strong *raison d'être* and moreover are vital complements, making it strategically difficult to focus on one at the expense of the other. Since regional agreements are by definition WTO+ and apply to a limited group of like-minded countries, they are a separate product from that which is produced in the multilateral system, involving more than 140 countries. Yet the two processes have strong positive synergies. For instance, the Doha launch will help regional initiatives like the FTAA and the various EU-Latin America and Caribbean negotiations to complete certain negotiation items. An example is reduction of distortions in agricultural trade which would be difficult or impossible to do without negotiations at the multilateral level. Moreover, since the WTO is the baseline for regionalism, the strengthening of the multilateral system and its rules spills over to create stronger regional arrangements. Meanwhile, as was witnessed in the NAFTA negotiations, ambitious regional agendas are catalysts for advancing the scope and depth of multilateral negotiations. Indeed, innovations in regional negotiations often serve as a laboratory for the multilateral system.

Just as regionalism and the multilateral system are not substitutes, nor are many of the regional agreements. For example, the FTAA is a major opportunity for Latin America and the Caribbean, but it is not a substitute for deepening of subregional integration. The subregional schemes have

deeper common market objectives and are driven by more than business. Indeed, a subregional agreement can attend to local interests and opportunities which could not be easily replicated by a hemispheric "business only" "hypermarket" such as the FTAA. Moreover, moving beyond free trade to a common market would allow member countries to combine their factors of production more effectively to compete in the FTAA. Likewise, the FTAA and the EU negotiations are not substitutes since each offers vital market access and involves a unique trade-cooperation nexus with major market and political partners.

The challenges of the multiple initiatives emerging out of the New Regionalism encompass: (i) preparedness for negotiations; (ii) implementation of agreements; and (iii) adjustments both at the macro and sectoral levels.

Good and sustainable agreements require good negotiations. As developing countries pursue multiple agreements with industrialized countries, many of them find themselves in an asymmetric position regarding capacity to negotiate, both in terms of the skill and numbers of negotiators *vis-à-vis* agenda items and their complexity, as well as in terms of information and support services of a logistical and technical nature. Moreover, as governments are operating in democratic settings, there are urgent demands to develop formal mechanisms of consultation with civil society during the course of negotiations. Given that many countries are negotiating in subregional blocs, all these demands can involve a degree of intergovernmental coordination not seen before. In Latin America and the Caribbean, for example, many trade ministries operate in an institutional milieu more reflective of an era when trade was not so central to the region's development strategy and those trade negotiations that did take place were with neighbors of a roughly similar capacity.

Second, it is one thing to negotiate an agreement and another is to implement it. Developing countries have displayed institutional weaknesses in implementation at the regional and multilateral levels. The new issues of the multilateral system go beyond the traditional area of tariffs to affect domestic policy, legislation and institutions. Agreeing to disciplines but not effectively implementing them can lead to under-exploitation of opportunities, trade and investment disputes and even political problems. Countries also have witnessed difficulties in implementing intra-regional agreements in those areas that go beyond trade in goods, which has stalled agendas for deepening and created loss of momentum and even backtracking. For countries to successfully implement there is need to augment available national resources for this purpose, strengthen regional institutions and their national counterparts and train personnel.

Third, integration and trade agreements create demands for adjustment. These adjustments are magnified when involving large industrialized countries because very different levels of development bring about marked changes in competition and relative prices. Countries need to confront macro adjustments such as efficient substitution of tariff revenue for other sources of fiscal income and protect against surges of capital flows *cum* overvaluation of exchange rates in order to maintain macroeconomic stability and competitiveness. At the micro level firms and sectors need a supportive environment to compete and labor markets will need social protection networks and retraining.<sup>27</sup> All these adjustments, of course, complicate the on-going structural adjustment process, which, as mentioned earlier, is in many cases very incomplete and already the cause of serious vulnerability on the external front.

---

<sup>27</sup> Schott [2001] analyses readiness and adjustment issues for Latin America and the Caribbean's entry into the FTAA.

#### IV. THE ROLE OF REGIONAL DEVELOPMENT BANKS

Regional integration and functional cooperation are a type of impure public good<sup>28</sup> that can be coined a "regional public good". In a pure market environment the production of regional public goods is inherently difficult and suboptimal. This is because from an individual, or national, point of view benefits are to a significant degree non-exclusive and indivisible (not fully internalized). Moreover, there are coordination, or collective action, problems among actors arising from informational asymmetries and political and institutional limitations on establishing certainty regarding commitments (Devlin, Estevadeordal and Krivonos [2002]).

It is the public goods dimension of regional integration and functional cooperation that makes support action of regional institutions so vital.

Regional Development Banks traditionally have had national rather than regional focuses for their financial and non-financial products. The Inter-American Development Bank (IDB) has had a mandate to support regional integration since its inception. Its 8<sup>th</sup> Replenishment restated regional integration as a primary objective and regional integration is one of the 4 support pillars of the Bank's new Corporate Strategy. The Bank has always had a unit in Headquarters dedicated to the issue of regional integration and since 1995 an entire Department. That unit has had the task of preparing regional programming (regional support strategies) for the Bank and has been markedly reinforced since 1995. Since 1965 the Bank also has had an institute in Buenos Aires (INTAL) dedicated to supporting training, research and regional technical cooperation projects. Notwithstanding its special attention to regionalism, IDB activity is overwhelmingly nationally-oriented. Loans for regionalism are about 2% of nearly US\$8 billion of authorizations and non-reimbursable Regional Technical Cooperation is about US\$12 million annually.<sup>29</sup>

During the 1990s the Bank's support of subregional integration strategically centered on consolidating market access issues, an essential first step in the formation of regional markets, and supporting functional cooperation in diverse areas of the structural reform agenda. Country lending has also been supportive, especially in the areas of infrastructure and structural reform programs. The Multilateral Investment Fund (MIF) has had extensive programs supporting convergence to modern regulatory frameworks.

Since the mid-1990s the IDB has developed a new niche in the support of regional cooperation. With the emergence of the Hemispheric Summit Process in 1995 governments requested that the Bank provide technical and financial support. In the case of the FTAA this was carried out along with the Organization of American States (OAS) and the UN Economic Commission for Latin America and the Caribbean (ECLAC) (the three institutions have a Tripartite Committee). The novelty is that not only did the Bank contribute resources through a traditional regional technical cooperation project, but it directly executed the projects out of Headquarters and complemented that with direct expert staff support as well. The Bank's "FTAA team", working in the context of

---

<sup>28</sup> A pure public good is non-exclusive and indivisible, while an impure public good is only partially so (Sandler [1992]).

<sup>29</sup> The first figure is an underestimate because it does not include national loans which facilitate integration, e.g., roads. In the mid-90s available Regional Technical Cooperation was US\$50 million annually. These resources fell off sharply after the HIPIC debt relief program for least developed countries.



the Tripartite Committee, has provided well received direct technical support to the negotiation tables as well as the FTAA's temporary Administrative Secretariat (which it helps finance). These services have leveled the playing field by ensuring homogeneous support to governments with very different institutional capacities, and has contributed to the remarkably steady pace of progress since the launch in 1995. When the Bank received requests from governments to support the South American Regional Infrastructure Initiative and the Puebla-Panama Plan, it borrowed from its FTAA experience to provide somewhat similar modalities of support services (collaborating with CAF and the Financial Fund for the Development of the River Plate Basin (FONPLATA) in the former and ECLAC and BCIE in the latter). By establishing priorities for support of functional cooperation programs in the Hemispheric Summit Process (IDB [2001]), the Bank also indirectly signaled the need for the Process to do so as well.

Among other innovations are:

- The establishment of a Special Loan Facility to allow for wholesale modernization of national trade-related ministries,
- An agreement with the WTO Secretariat to finance their training courses throughout the region,
- Establishment of Regional Policy Dialogues in 7 areas<sup>30</sup> whereby twice a year high level policy makers deliberate in Bank Headquarters on national and regional issues with the Bank covering the cost of technical and logistical support.
- A program of high profile visiting scholars in the Bank to explore policy responses to many of the challenges listed above.
- Support for evaluation of impacts of trade liberalization and for "outreach" to civil society.
- Special attention to border development issues and identification of projects.
- Creation of a Japan Program designed to bring Asia and LAC closer.

The **Asian Development Bank** (ADB) is a multilateral development finance institution for Asia and the Pacific, established in 1966. The ADB is mandated to promote regional cooperation by its Charter, which provides that ADB should give priority to regional, subregional, and national programs and projects that contribute most effectively to harmonious economic growth of the region. The ADB's *Long-Term Strategic Framework for 2001-2015* identifies support to regional cooperation and integration for development as one of three cross-cutting themes that will both broaden and deepen the core areas of ADB's intervention.

Specifically, ADB's support to regional cooperation and integration for development reflects the need to: (a) support the development of ADB's developing member countries through cooperation; (b) provide wider development options through greater access to resources and markets; (c) address shared problems that stretch across borders; and (d) take advantage of opportunities for sharing knowledge and information.

---

<sup>30</sup> Trade and Integration, Macroeconomic Policy, Poverty and Social Protection Networks, Education and Human Resources, Transparency and Public Policy Management, Management of National Disasters and Environment.

ADB supports a number of broad-based regional and subregional cooperation initiatives to accelerate the development of participating countries. The Greater Mekong Subregion initiative, however, is the most prominent example. ADB has also led regional cooperation efforts in South Asia and Central Asian Republics. Under its policy supporting regional cooperation, the ADB has provided considerable support through regional technical assistance and complementary project investment in national infrastructure to promote and realize cooperation among its DMCs. Regional Technical Cooperation funding is about US\$12 billion annually. Recently, ADB's Regional Economic Monitoring Unit initiated the process of regional economic monitoring to complement economic and financial surveillance at national and global levels. This ADB Unit is also supporting the ASEAN Surveillance Process. A number of the macroeconomic and monetary cooperation initiatives outlined in the earlier section on Asia also received ADB support.

The promotion of economic cooperation and regional integration has been an integral part of the activities and goal of the **African Development Bank (AFDB)** since its inception.<sup>31</sup> Recently, the AFDB has strengthened this commitment in its strategic operational document "A Re-Invigorated Bank: An Agenda for Moving Forward" (AFDB [1999]), which emphasizes regional integration as one of the focal points of the Institution. In pursuit of this renewed mandate, the Bank has collaborated with other regional and international institutions, financed regional integration studies, and supported financing for regional projects and programs. In cooperation with other institutions, the AFDB has supported the creation of a joint ADB/ECA/OAU Secretariat, which coordinates those organizations' development efforts and initiatives. In addition, the AFDB has financed several studies aimed at facilitating regional integration. One of the most important initiatives recently launched by the Bank has been the Cross Border Initiative (CBI). Together with the World Bank, the IMF and the EU, the AFDB is creating a program aimed at promoting trade liberalization and investment and encouraging policy harmonization among the 14 participating countries in Eastern and Southern Africa and the Indian Ocean. The AFDB also has played a key role in the establishment of regional institutions, such as the Shelter Afrique, the Africa Project Development Facility (APDF), the African Management Services Company (AMSCO), among others. In addition, the Bank also established the Association of African Finance Associations (AADFI) to foster cooperation among national financial institutions on a regional basis. Finally, the AFDB has assisted in the development of regional infrastructure projects.

---

<sup>31</sup> This description of activities is based on ADBF and ADF [2000].



## V. CONCLUSIONS AND SOME QUESTIONS

Since the early 1990s there has been an important renewal of integration processes in developing countries. Even areas like Asia, which traditionally has not shown great interest in formal regional integration, have pursued important collective initiatives. Moreover, this New Regionalism generally is being approached in a way that is instrumental to structural reform and a more effective insertion into a globalizing world economy.

Latin America and the Caribbean seems to be the most advanced in these processes; Africa has many initiatives, but unsatisfactory results, while Asia has lurched forward with ambitious initiatives and appears to be the most advanced in financial and monetary cooperation. How far this latter cooperation can go without deeper reciprocal commitments to free trade is a matter that remains to be seen, although indications are that this may advance as well.

While overall progress is encouraging, many of the fundamental first steps of a regional integration process exhibit serious shortcomings at a time when growing interdependence/dependence in the regional and world economies has created demands for more complex forms of regional cooperation such as those in the monetary and financial areas. The new North-South initiatives such as the FTAA are placing great demands on the countries due to the complexity of the issues, the magnitude of the external opening that will be demanded, and the fragility of many of the economies in a period of slow world economic growth and restrictions on access to private credit for emerging markets. Furthermore, in November 2001 the comprehensive Doha negotiation has been added to every countries trade agenda.

In many cases the regional, North-South and Doha agendas all have their *raison d'être* and moreover exhibit positive synergies, making it difficult, if not impossible, to pick and choose among them. The agenda will clearly tax capacities in negotiation and implementation and require important adjustments at the macro and micro level.

How prepared are regional banks to support countries?

- A starting point for successful regional integration is pursuit of structural reform at the national level. How successful have regional development banks been in supporting consolidation of structural reforms and macroeconomic stability and growth in their members countries? Have national programs and bank policies assisted countries' preparation for regional integration, especially the North-South type? For example, have national programs tackled emerging regional issues such as transparency in government procurement and strong prudential regulation in financial markets?
- Has each regional bank developed a comprehensive vision of the role of regional integration and functional cooperation in the development of their respective geographical areas? Given the broad spectrum of possible areas of support, have they established strategic priority actions?
- Are the internal structures of the banks appropriate for providing support? Regionalism clearly is still a boutique activity in regional banks and can easily fall between the cracks of large nationally-based lending programs. The IDB, in order to nurture and mainstream support for regionalism, has established a special Department to serve as a focal point for identifying support of regional initiatives.

- Do the banks have a regional programming/support strategy exercise similar to the programming that is typically developed for national activities? Are regional and national support strategies sufficiently articulated to maximize synergies and consistency between national and regional programs and their effects on regional integration?
- Are regional integration, trade and functional cooperation mainstreamed in the banks' national programs? Have the banks created forums for national dialogues on regional policy issues in a way that is traditionally done for national policy? Are the banks proactive or reactive to the demands of regional integration?
- Given the public goods nature of regional integration, non-reimbursable funding can be an important tool to "grease" incipient collective initiatives. How adequate are these resources -especially after HIPIC- in view of the greatly enhanced interest in regional integration?
- In the face of the debate over regionalism and the real costs that can emerge when it goes array: do the banks have an internal capacity to evaluate the impact of regional processes and effective methodologies to evaluate the impact of specific regional integration projects, particularly non-reimbursable regional technical cooperation?
- Do the banks need new financial products for regional integration, e.g., a regional lending instrument?
- Are the banks developing new non-financial products to support regional integration?
- Are the banks sufficiently coordinated with other donors supporting regional initiatives? In view of the scarcity of non-reimbursable resources, can and should the regional banks assume a leadership role in coordinating other donors interested in supporting regionalism?
- In view of the need to maintain a complementary relationship between regionalism and the multilateral system, do regional banks have a working relationship with the WTO Secretariat? Should regional banks be in the Integrated Framework and what is their potential value-added to that Initiative?
- Can and should the regional banks condition support for certain national programs by compliance with regional commitments? Alternatively, can banks encourage regional commitments by linking them to "additionality" in the national loan pipeline?
- Do the regional banks have a systematic way of regularly exchanging experiences and best practices in the art of supporting regional integration?
- Can the regional banks help the IMF generate a view of regional dynamics and be better informed and sensitive to regional programs/objectives in the design of their national stabilization programs? Can regional banks play a supportive role with the IMF in regions that are pursuing systems of macroeconomic coordination and monetary cooperation?

## APPENDIX

### LIST OF ACRONYMS

AADFI	Association of African Finance Associations
ADB	Asian Development Bank
AFDB	African Development Bank
AEC	African Economic Community
AFTA	ASEAN Free Trade Area
ALADI	Latin American Integration Association
AMF	Asian Monetary Fund
AMSCO	African Management Services Company
AMU	Arab Maghreb Union
APDF	Africa Project Development Facility
APEC	Asia-Pacific Economic Cooperation Forum
ASEAN	Association of South East Asian Nations
BCIE	Central American Bank for Economic Integration
BMC	Budget and Management Committee
BRVM	Regional Exchange Market of Transferable Securities
BSAs	Bilateral Swaps and Repurchase Agreements
CACM	Central American Common Market
CAF	Andean Development Corporation
CAN	Andean Community
CARICOM	Caribbean Community
CBI	Cross Border Initiative
CDB	Caribbean Development Bank
CEMAC	Central African Economic and Monetary Community
CEPGL	Great Lakes River Basin
CEPT	Common Effective Preferential Tariff
CET	Common External Tariff
CILSS	Interstate Committee for Drought Control in the Sahel
CMI	Chiang Mai Initiative
COMESA	Common Market of Eastern and Southern Africa
CTI	Committee on Trade and Investment
EAC	East African Community
EC	Economic Committee
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States

## LIST OF ACRONYMS

ECLAC	UN Economic Commission for Latin America and the Caribbean
ECOWAS	Economic Community of West African States
EU	European Union
FDI	Foreign Direct Investment
FMRS	Framework for Regional Monetary Stabilization
FONPLATA	Financial Fund for the Development of the River Plate Basin
FTAA	Free Trade Area of the Americas
IAPs	Individual Action Plans
IDB	Inter-American Development Bank
IGAD	Intergovernmental Authority for Development
IIRSA	South American Integration of Regional Infrastructure Initiative
IMF	International Monetary Fund
INTAL	Institute for the Integration of Latin America and the Caribbean
IOC	Indian Ocean Commission
LAC	Latin America and the Caribbean
LARF	Latin American Reserve Fund
MERCOSUR	Southern Cone Common Market
MFN	Most Favored Nation
MIF	Multilateral Investment Fund
MRU	Mano River Union
NAFTA	North American Free Trade Area
NBI	Nile Basin Initiative
NTBs	Non-tariff barriers
OAS	Organization of the American States
OAU	Organization of African Unity
RIA	Regional Integration Agreement
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Customs Union
SAFTA	South Asian Free Trade Area
SADC	Southern African Development Community
SAPTA	South Asian Preferential Trade Agreement
UEMOA	West Africa Economic and Monetary Union (WAEMU)
UN	United Nations
WTO	World Trade Organization

## BIBLIOGRAPHY

- AFRICAN DEVELOPMENT BANK (AFDB) AND AFRICAN DEVELOPMENT FUND (ADF). *Economic Cooperation and Regional Integration Policy*. Abidjan, ADBF. 2000.
- AGGARWAL, V. AND MORRISON, C. "APEC as an International Institution", Working Paper presented at the Twenty-fifth Meeting of PAFTAD, Osaka, 1999.
- ASIAN DEVELOPMENT BANK (ADB). *Monetary and Financial Cooperation in Asia*. Manila, January. 2002.
- ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN). *Asian Trade Data*. 2001.  
*Http:www.aseansec.org*.
- BELASSA, BELA. *The Theory of Economic Integration*. Illinois: Irwin Inc. 1961.
- BERGSTEN, F. "APEC in 1997: Prospects and Possible Strategies" and "Open Regionalism", in C. Fred Bergsten (Ed.), *Whither APEC? The Progress to Date and Agenda for the Future*, Special Report 9. Washington, D.C.: Institute for International Economics. 1997.
- BHAGWATI, J. AND PANAGARIYA, A. *Preferential Trading Areas and Multilateralism*. Washington, D.C.: Economic Development Institute, World Bank. 1996.
- BLOOMSTROM, M. AND KOLKKO, A. *Regional Integration and Foreign Direct Investment*. Washington, D.C.: International Trade Division, World Bank. 1997.
- CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES (CSIS). "South Asia: Regional Trade Integration: Modest Progress", *South Asia Monitor*, Number 9. May, 1999.
- CORDEN, M. "Economies of Scale and The Theory of Custom Union", *Journal of Political Economy*, 80. 1972.
- DEVLIN, R. "The Free Trade Area of the Americas and Mercosur-European Union Free Trade Process: Can They Learn Something from Each Other?", *Vers un Accord entre l'Europe et le Mercosur*, Paris: Presses de Sciences-Po. 2001.
- DEVLIN, R. AND ESTEVADEORDAL, A. (EDS.). "New Frontiers in Development: Policies and Institutions for Trade and Regional Integration" (forthcoming).
- DEVLIN, R. AND ESTEVADEORDAL, A. "What's New in the New Regionalism in the Americas", in Victor Bulmer-Thomas (Ed.), *Regional Integration in Latin America and the Caribbean*, London: Institute of Latin American Studies; also INTAL-ITD-STA Working Paper N° 6, Buenos Aires: IDB-INTAL, 2001.
- DEVLIN, R.; ESTEVADEORDAL, A. AND KRIVONOS, K. *The Trade and Cooperation Nexus: How does the Mercosur-EU Process Measure Up*. Paris: Chair Mercosur, University of Sciences-Po. 2002.



- DEVLIN, R. AND FFRENCH-DAVIS R. "Towards an Evaluation of Regional Integration in Latin America in the 1990s", *The World Economy*. March, 1999.
- ECHAVARRÍA, J. J. "Trade flows in the Andean Countries: Unilateral Liberalization or Trade Preferences", in *Trade: Towards Open Regionalism*. Washington, D.C.: World Bank. 1998.
- ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC). *La Inversión Extranjera*. Santiago de Chile. 1998.
- ESTEVADEORDAL, A.; GOTO, J. AND SAEZ, R. *The New Regionalism in the Americas: The Case of MERCOSUR*, INTAL-ITD Working Paper N° 5. Buenos Aires: IDB-INTAL. 2000.
- ETHIER, W. "The New Regionalism", *The Economic Journal*. July, 1998.
- FEINBERG, R. "Comparative Analysis of Regional Integration in a Non-identical Twins Case: APEC and FTAA", *Integration & Trade*, N° 10, Vol. 4. Buenos Aires: IDB-INTAL. 2000.
- FERNÁNDEZ, R. "Returns to Regionalism: An Evaluation of Non-Traditional Gains from RTAs", Working Paper 5970. Cambridge, Mass.: National Bureau of Economic Research. 1997.
- FFRENCH-DAVIS, R. "Distorsiones del Mercado y Teoría de Uniones Aduaneras", *Integración Latinoamericana*, N° 44. Buenos Aires: INTAL. March, 1980.
- GARCÍA HERRERO AND GLOCKER, G. *Options for Latin America in a Globalized World: A Regional Monetary Union versus Dollarization*. European Central Bank. 2000.
- GIORDANO, P. *Economie Politique de l'Integration Regionale dans le Mercosur*. Paris: University of Sciences-Po. 2001.
- HOSONO, A. "Economic Integration in Asia and The Pacific: Experiences and New Initiatives", *Integration & Trade*, N° 13, Vol. 5. Buenos Aires: IDB-INTAL. 2001.
- IGLESIAS, E. "Statement", Fifth Free Trade Area of the Americas Trade Ministerial Meeting, Toronto, November, 1999.
- INTER-AMERICAN DEVELOPMENT BANK (IDB). *Cumbre de las Américas: La Agenda del BID*. Washington, D.C.: IDB. 2001.
- \_\_\_\_\_. *Periodic Note*. Washington, D.C.: Integration and Regional Programs Department. December, 2000.
- \_\_\_\_\_. *Periodic Note*. Washington, D.C.: Integration and Regional Programs Department. August, 1998.
- INTER-AMERICAN DEVELOPMENT BANK - INSTITUTE FOR THE INTEGRATION OF LATIN AMERICA AND THE CARIBBEAN (IDB-INTAL). *Mercosur Report*, N° 7. Buenos Aires: IDB-INTAL. 2001.
- \_\_\_\_\_. *El Impacto Sectorial del Proceso de Integración Subregional en la Comunidad Andina: Sector Lácteo y Sector Textil*. Buenos Aires: IDB-INTAL. 2000.

- \_\_\_\_\_. *Integration & Trade*, N° 7/8, Vol. 3. Buenos Aires: IDB-INTAL. 1999.
- INTERNATIONAL MONETARY FUND (IMF). *Direction of Trade*. Washington, D.C. 2001.
- KRUEGER, A. "NAFTA's Effects: A Preliminary Assessment", *World Economy*. June, 2000.
- \_\_\_\_\_. "Trade Creation and Trade Diversion under NAFTA", Working Paper 7429. Cambridge, Mass.: National Bureau of Economic Research. 1999.
- LEE, H. *An Assessment of APEC's Progress Towards the Bogor Goals: A Political Economy Approach to Tariff Reductions*, KIEP Working Paper 99-19. Seoul: KIEP. 1999.
- LÓPEZ CÓRDOVA, E. *Nafta and the Mexican Economy: Analytical Issues and Lessons for the FTAA*, INTAL-ITD-STA Occasional Paper N° 9. Buenos Aires: IDB-INTAL. 2001.
- MACHINEA, J. *Macroeconomic Policy Coordination in Mercosur*. Washington, D.C.: Integration and Regional Programs Department, Inter-American Development Bank. 2002.
- MONTEAGUDO, J. AND WATANUKI, M. *Regional Trade Agreements for Mercosur: the FTAA and the FTA with the European Union*. Washington, D.C.: Integration and Regional Programs Department, Inter-American Development Bank. 2001.
- PAIVA DE ABREU, M. "Financial Integration in MERCOSUR Countries", *Integration & Trade*, N° 13, Vol. 5. Buenos Aires: IDB-INTAL. 2001.
- PANAGARIYA, A. "The Regionalism Debate: An Overview", *World Economy*. June, 1999.
- \_\_\_\_\_. "The Free Trade Area of the Americas: Good for Latin America?", *World Economy*. September, 1996.
- PARDO, M. *Estudio Integral de Fronteras Intra-Andina/Plan Andino de Cooperación Transfronteriza*. Washington, D.C.: Integration and Regional Programs Department, IDB. 2001.
- PERRY, G. *Mexican Competitiveness: Are the Rankings Informative*. World Bank. February, 2001.
- PUGA, D. AND VENABLES, A. *Trading Arrangements and Industrial Development*. Washington, D.C.: International Trade Division, World Bank. 1997.
- SANDLER, T. *Collective Action*. Ann Arbor: The University of Michigan Press. 1992.
- SCHIFF, M. *Small Is Beautiful. Preferential Trade Agreements and the Impact of Country Size, Market Share, Efficiency, and Trade Policy*. Washington, D.C.: International Trade Division, World Bank. 1996.
- SCHOTT, J. *Prospects for Free Trade*. Washington, D.C.: Institute for International Economics. 2001.
- SCOLLAY, R. "Complex Intersections: East Asian-Latin American Trade Linkages in the Context of Recent Multilateral, Regional and Sub-regional Developments", *Integration & Trade*, N° 13, Vol. 5. Buenos Aires: IDB-INTAL. 2001.

SCOLLAY, R. AND GILBERT, J. "New Subregional Trading Arrangements in the Asia Pacific", paper presented at the Institute of International Economics. Washington, D.C. 2000.

SUSSANGKARN, C. "East Asian Monetary Cooperation", paper presented at the 7<sup>th</sup> Conference on Asia-Pacific Cooperation in the Global Context: Regionalism and Globalism, September 29-October 1, 2000, Hakone, Japan. 2000a.

\_\_\_\_\_. "A Framework for Regional Monetary Stabilization", *NIRA Review*. Autumn, 2000b.

UNITED NATIONS ECONOMIC COMMISSION FOR AFRICA. *Annual Report on Integration in Africa (ARIA). Synthesis of Findings and Way Forward*. New York: United Nations. 2000.

VENABLES, A. "Regionalism and Economic Development", in R. Devlin and A. Estevadeordal (Eds.), *New Frontiers in Development: Policies and Institutions for Trade and Regional Integration*. 2002. (forthcoming)

WINTERS, L. A. *Regionalism and Multilateralism in the Twenty First Century*. Washington, D.C.: Integration and Regional Programs Department, Inter-American Development Bank. 2001.

\_\_\_\_\_. "Assessing Regional Integration Arrangements". Washington, D.C.: International Trade Division, World Bank. 1997.

WONNACOTT, P. AND WONNACOTT, R. "Liberalization in the Western Hemisphere: New Challenges in the Design of a Free Trade Agreement", *North American Journal of Economics and Finance*, N° 6. 1995.

WORLD BANK. *World Development Indicators*. Washington, D.C. 2001.

YEATS, A. *What can be expected from African Regional Trade Arrangements?*. Washington, D.C.: World Bank. 1998.

\_\_\_\_\_. *Does Mercosur's Trade Performance Justify Concerns About the Effects: Yes!*. Washington, D.C.: International Trade Division, World Bank. 1996.

ZAHLER, R. "Strategies for Monetary Cooperation/Union", *Integration & Trade*, N° 13, Vol. 5. Buenos Aires: IDB-INTAL. 2001.

\_\_\_\_\_. "Economic and Monetary Union in Europe and the Creation of the Euro: Their Relevance for and Impact on Latin America", *Integration & Trade*, N° 2, Vol. 1. Buenos Aires: IDB-INTAL. 1997.

ZAHLER, R. AND BUDNEVICH, C. "Integración Financiera y Coordinación Macroeconómica en el MERCOSUR", presented at the *Seminario Internacional Coordinación de Políticas Macroeconómicas en el MERCOSUR. Hacia una Moneda Unica*, organized by the Fundación Gobierno y Sociedad and the Secretaría de Planeamiento Estratégico de la Presidencia de la Nación, Buenos Aires, 1998.

## **INTAL PUBLICATIONS**

### **REGULAR PUBLICATIONS**

*Integration & Trade*. Three journal issues (English and Spanish) by subscription or individual issue purchase.  
*INTAL Monthly Newsletter* (English, Portuguese and Spanish - Internet).

### **SUB-REGIONAL INTEGRATION REPORTS**

*ANDEAN Report*. Annual publication (Spanish). English version: Internet.  
*CARICOM Report*. Annual publication (English).  
*CENTRAL AMERICAN Report*. Annual publication (Spanish). English version: Internet.  
*MERCOSUR Report*. Annual publication (English, Portuguese and Spanish).

### **SPECIAL REPORTS**

*Integración energética en el Cono Sur* (Spanish). Mario A. Wieggers. 1996.  
*Integración en el Sector Transporte en el Cono Sur* (Spanish):  
    *Transporte Terrestre*. José Alex Sant'Anna. 1997.  
    *Puertos y vías navegables*. Martín Sgut. 1997.  
    *Los ferrocarriles y su contribución al comercio internacional*. Ian Thomson. 1997.  
*El impacto sectorial de la integración en el MERCOSUR* (Spanish and Portuguese). Juan José Taccone and Luis Jorge Garay (eds.) 1999.  
*Impacto del TLCAN en las exportaciones de prendas de vestir de los países de América Central y República Dominicana*. Spanish (Internet).  
*INTAL: 35 años de Compromiso con la Integración Regional*. Spanish.  
*América Latina a principios del Siglo XXI: Integración, Identidad y Globalización. Actitudes y expectativas de las elites latinoamericanas*. Spanish (Internet).  
*Perspectivas y Desafíos del Proceso de Integración Argentino-Chileno a Diez Años del ACE 16*. Spanish.

### **WORKING PAPERS**

*The Integration Movement in the Caribbean at Crossroads: Towards a New Approach of Integration* (English). Uziel Nogueira. 1997.  
*MERCOSUL e Comércio Agropecuario* (Portuguese). Ives Chaloult and Guillermo Hillcoat. 1997.  
*Las relaciones de comercio e inversión entre Colombia y Venezuela* (Spanish). Eglé Iturbe de Blanco. 1997.

### **DISSEMINATION PAPERS**

*Integración y democracia en América Latina y el Caribe* (Spanish). Alvaro Tirado Mejía. 1997.  
*Estado de evolución en la elaboración e implementación de las Normas ISO 14.000 y CODEX Alimentarius* (Spanish). Laura Berón. 1997.

*Evolución institucional y jurídica del MERCOSUR* (Spanish). Vicente Garnelo. 1998.

*Comercio Electrónico: conceptos y reflexiones básicas* (Spanish). Gerardo Gariboldi. 1999.

*Cómo expandir las exportaciones de los países dentro de una economía globalizada* (Spanish). Rubens Lopes Braga. 1999.

*La dimensión cultural: base para el desarrollo de América Latina y el Caribe: desde la solidaridad hacia la integración.* (Spanish) Alejandra Radl. 2000.

*Capital social y cultura. Claves olvidadas del desarrollo* (Spanish). Bernardo Kliksberg. 2000.

*Los países pequeños: Su rol en los procesos de integración* (Spanish). Lincoln Bizzozero - Sergio Abreu. 2000.

## **DATABASES - SOFTWARE**

*DATAINTAL (CD-ROM) Sistema de estadísticas de comercio de América*

*Base INTAL MERCOSUR (BIM)*

*Base de datos bibliográficos (INTEG)*

*Directorio de las Relaciones Económicas de América Latina y el Caribe con Asia-Pacífico (CD-ROM)*

*Instrumentos básicos de integración económica en América Latina y el Caribe.* Updated to December, 2001.

*Rueda de Negocios*

## **INTAL/ITD/STA PUBLICATIONS**

### **WORKING PAPERS**

*Una evaluación de la homogeneidad macroeconómica y del desarrollo de la región centroamericana* (Spanish). Florencio Ballester. 1998.

*Towards an Evaluation of Regional Integration in Latin America in the 1990s* (English). Robert Devlin and Ricardo Ffrench-Davis. 1998.

*Negotiating Preferential Market Access: The Case of NAFTA* (English). Antoni Esteveordal. 1999.

*El ALCA y la OMC: Especulaciones en torno a su interacción* (Spanish). Jaime Granados. 1999.

*The New Regionalism in the Americas: The Case of MERCOSUR.* (English). Antoni Esteveordal, Junichi Goto and Raúl Saez. 2000.

*What's New in the New Regionalism in the Americas?* (English). Robert Devlin and Antoni Esteveordal. 2001 (also available in Spanish).

*Metodología para el análisis de regímenes de origen. Aplicación en el caso de las Américas* (Spanish). Luis J. Garay S. y Rafael Cornejo. 2001.

*A ALCA no limiar do século XXI: Brasil e EUA na negociação comercial hemisférica* (Portuguese). Antonio José Ferreira Simões. 2002.

*The Outlier Sectors: Areas of Non-Free Trade in the North American Free Trade Agreement* (English) Eric Miller. 2002.

*Las trabas no arancelarias en el comercio bilateral agroalimentario entre Venezuela y Colombia* (Spanish). Alejandro Gutiérrez S.

*Métodos casuísticos de evaluación de impacto para negociaciones comerciales internacionales* (Spanish). Antonio Bonet Madurga.

*Regional Banks and Regionalism: A New Frontier for Development Financing* (English). Robert Devlin and Lucio Castro

## **OCCASIONAL PAPERS**

*ALCA: Un proceso en marcha* (Spanish). Nohra Rey de Marulanda. 1998.

*The Caribbean Community: Facing the Challenges of Regional and Global Integration* (English). Anneke Jessen and Ennio Rodríguez. 1999.

*Government Procurement and Free Trade in the Americas* (English). Jorge Claro de la Maza and Roberto Camblor. 1999.

*Financial Services in the Trading System: Progress and Prospects* (English). Eric Miller. 1999.

*The FTAA: Some Longer Term Issues* (English). Robert Devlin, Antoni Estevadeordal and Luis Jorge Garay. 1999.

*The Free Trade Area of the Americas and MERCOSUR-European Union Free Trade Processes: Can they Learn from Each Other?* (English). Robert Devlin. 2000.

*Negotiating Market Access between the European Union and MERCOSUR: Issues and Prospects* (English). Antoni Estevadeordal and Ekaterina Krivonos. 2000.

*La integración comercial centroamericana: Un marco interpretativo y cursos de acción plausible* (Spanish). Jaime Granados. 2001.

*NAFTA and the Mexican Economy: Analytical Issues and Lessons for the FTAA* (English). J. Ernesto López-Córdova. 2001.

*Breaking from Isolation: Suriname's Participation in Regional Integration Initiatives* (English). Anneke Jessen and Andrew Katona. 2001.

*Regional Public Goods in Official Development Assistance* (English). Marco Ferroni. 2001.

*Search for a New Partnership in Trade and Investment between Latin America and Asia-Pacific* (English). Mikio Kuwayama. 2001. Spanish version: Internet.

*The Trade Policy-Making Process Level One of the Two Level Game: Country Studies in the Western Hemisphere* (English and Spanish). 2002.

*Mercosul em sua primeira década (1991-2001): Uma avaliação política a partir do Brasil* (Portuguese). Paulo Roberto de Almeida. 2002.

*Diseños institucionales y gestión de la política comercial exterior en América Latina* (Spanish). Jacint Jordana and Carles Ramió. 2002.

*A Study on the Activities of IFIs in the Area of Export Credit Insurance and Export Finance* (English). Malcom Stephens and Diana Smallridge. 2002.

## **INT/ITD PUBLICATIONS**

### **WORKING PAPERS**

*Common Market of the Southern Cone: MERCOSUR*. Martin Arocena. Working Paper # 204. September 1995 (also available in Spanish).

*From Miami to Cartagena: Nine Lessons and Nine Challenges of the FTAA*. Robert Devlin and Luis Jorge Garay. Working Paper # 211. July 1996 (also available in Spanish).

*Facts, Fallacies and Free Trade: A Note on Linking Trade Integration to Labor Standards.* Donald J. Robbins. Working Paper # 214. May 1997.

*What can European Experience Teach Latin America About Integration.* L. Alan Winters. Working Paper # 215. May 1997.

*Economic Integration and Equal Distribution.* Willem Molle. Working Paper # 216. May 1997.

*Towards Free Trade in the Western Hemisphere: The FTAA Process and the Technical Support of the Inter-American Development Bank.* Enrique V. Iglesias. Working Paper # 217. July 1997 (also available in Spanish)

*Convergence and Divergence Between NAFTA, Chile, and MERCOSUR: Overcoming Dilemmas of North and South American Economic Integration.* Raúl A. Hinojosa-Ojeda, Jeffrey D. Lewis and Sherman Robinson. Working Paper # 219. May 1997.

*Transport Infrastructure in Latin America.* Arturo Vera Aguirre. Working Paper # 221. July 1997 (also available in Spanish).

*MERCOSUR: Achievements and Challenges.* Carlos Sepúlveda and Arturo Vera Aguirre. Working Paper # 222. September 1997 (also available in Spanish).

## **SPECIAL PUBLICATIONS**

*Periodic Note on Integration and Trade in the Americas*, July 1995; February, August and December 1996; July and December 1997; August and December 1998; February and October 1999; October and December 2000. (also available in Spanish and 1997 versions are available in Portuguese).

*The Euro and its Effect on the Economy and the Integration of Latin America and the Caribbean.* Roberto Zahler. Paper presented at the Seminar "Euro and its International Impact" on occasion of the Annual Meetings of the Boards of Governors. France, March 16, 1999 (also available in Spanish).

*Extract from the Bank's 1996 Report on Economic and Social Progress in Latin America, Part II, Chapter 2: Trade Liberalization*, 1996 (also available in Spanish).

*European Economic and Monetary Union: Recent Progress and Possible Implications for Latin America and the Caribbean.* March 1997 (also available in Spanish).

*Globalization and Regional Integration: Consequences for Latin America.* Speech delivered by Enrique V. Iglesias at the Seminar on "A Critical View of Globality". Mexico City, November 1997 (also available in Spanish).

*Protection, Preferential Tariff Elimination and Rules of Origin in the Americas - An Overview.* Luis Jorge Garay and Antoni Estevadeordal. June 1995 (also available in Spanish).

*The New Face of Regional Integration in Latin America and the Caribbean.* Speech delivered by Enrique V. Iglesias at The Annual World Bank Conference on Development in Latin America and the Caribbean. Montevideo, July 1997 (also available in Spanish).

*Free Trade Area of the Americas: From Miami to Belo Horizonte.* Speech delivered by Enrique V. Iglesias at the III Business Forum of the Americas. Belo Horizonte, May 1997 (English, Portuguese and Spanish).

*Transpacific Partnership: Latin America's Role.* Speech delivered by Enrique V. Iglesias at the XII International General Meeting of the Pacific Economic Cooperation Council (PECC XII). Santiago, September, 1997 (also available in Spanish).