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## A Survival Technique for the 21<sup>st</sup> Century: Regional Integration in Central America

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## Abstract

This working paper discusses the Central American regional Integration system (SICA) that tries to unite all Central American states into one economic and political union. SICA is one of the more advanced regional integration systems in world, and yet the academic literature on regional integration and regionalism tends to ignore it. The first attempts to integrate Central America date back to the immediate aftermath of the independence from Spain in the beginning of the 19th century and they have been evolving ever since. Arguments of a shared history, culture and language, combating shared problems as well as the benefits of economies of scale and the added value of a single Central American voice in international diplomatic forums pushed the governments of the more than 50 million Central Americans citizens closer and closer together. But due to various limitations to the actual (institutional) framework, we can still not speak of a true 'regionalization' of the Central American Isthmus. These issues and more will be dealt with in this working paper.

## Introduction

Since the aftermath of the Second World War, most of the European countries have been cooperating more and more intensely on a wide range of issues. Whereas it used to be only economic cooperation and ‘integration’ through the creation of the European Single Market, now the European Union deals with a very wide range of policy matters such as education, employment, maritime and fishery issues, migration policy and even a shared common foreign and defense policy. It is correct to say that on the European Continent, 28 countries have given up parts of their sovereignty to form a (nearly) fully-fledged economic as well as political regional integration system<sup>i</sup>. But it is not only on the European continent that a regional integration system has been (and still is being) set up. ASEAN (the Association of South East Asian Nations) in South-East Asia, the African Union on the African continent and MERCOSUR (the Common Market of the South) in South America are usually the three other regional integration systems that are referred to when talking about ‘other’ regional integration systems<sup>ii</sup>. But there is another one that is often neglected in the academic literature and which many scholars tend to ignore: the Central American regional Integration system (SICA) that tries to unite all Central American states in one economic and political union. The first attempts to integrate Central America date back to the immediate aftermath of the independence from Spain in the beginning of the 19<sup>th</sup> century (Mahoney, 2001) and they have been evolving ever since. Arguments of a shared history, culture and language, combating shared problems as well as the benefits of economies of scale and the added value of a single Central American voice in international diplomatic forums pushed the governments of the more than 50 million Central Americans closer and closer together<sup>iii</sup>. However, it was not until 1991 that things seriously changed: in that year the Central American Regional Integration System (SICA) was born. Within this framework, all eight Central American countries<sup>iv</sup> are increasingly ‘integrated’ and represented via a shared parliament, administration and political forums. Efforts have been made to set up a true Central American single market; a shared customs union and some even want a single currency union<sup>v</sup>.

But what does the Central American regional integration process really look like in practice? Does it meet expectations? And what are its limitations? In order to find out, we have conducted over 40 expert interviews in both Central America and Europe (especially Brussels) with diplomats of both groups of countries, experts of the ministries of foreign affairs, EU administrators that work on a daily basis on Central America and also administrators of Central American regional integration bodies and institutions like the Central American Parliament (PARLACEN) and the general secretariat of the Central American Regional Integration System (SICA) (See the annex for the list of interviewees). The interviews were semi-structured and, although encompassing other issues as well (notably EU-CA interregional relations), they lasted on average one hour. The questions that were posed regarding regional integration in Central

America were on (1) the exact reasons for setting up their own regional integration system, (2) its current state of play, (3) its positive and negative aspects, and (4) how they saw it evolving over time. The acquired data was then analyzed by using an online qualitative data analysis software tool called “Dedoose”<sup>vi</sup> and the results are shown below.

This working paper is divided into three parts. In the first part we will briefly look at some academic insights regarding regionalism and regional integration in general. Especially the theory of ‘new regionalism’ put forward by Warleigh-Lack and Rosamond (2011) and T. Shaw (2012) that seems to be of particular use since it combines both economic and the political science schools of thought in order to explain the phenomena of ‘regionalism’ and ‘regional integration’. The (limited) theoretical framework that will be set out in the first part will be subsequently used in order to analyze the acquired data/information on the Central American integration process in part two. This part focuses on the exact reasons for creating an integration system on the Central American Isthmus and looks at how it was put into practice. Part three will then critically assess the current framework and point out some of its limitations. Finally, the conclusion will reflect on the added value of these new empirics for the study of regionalism and regional integration.

## **Regionalism around the world: an alternative to globalization and response-specific regional demands**

Regional integration is “a concept used by policymakers and social scientists to refer to the strengthening of interconnections between neighboring states”<sup>vii</sup>. It is not an entirely new concept as the first forms of regional integration date back as early as the 19<sup>th</sup> century<sup>viii</sup>. Since then, regional organizations have been created all over the world. Scholars such as Dicken (2007) have closely studied the genesis and evolution of regional cooperation/integration systems and describe four different “waves of regionalism” each with its own characteristics<sup>ix</sup>. The first “wave” goes back to the 19th century and lasted until the First World War. The second wave of regionalism lasted until World War II and the third wave until the 1970s. Since the 1980s, we are experiencing the fourth (and so far the last) wave of regionalism, which is also dubbed “New Regionalism”. However, as Van Langenhove (2011) correctly argues the third and fourth waves of regionalism are particularly important as they were studied properly having attracted much attention by truly *challenging* the actual Westphalian world order which is (still) dominated by states<sup>x</sup>. Right now, the world (map) is characterized by a “complex landscape of hundreds of regional groupings”<sup>xi</sup> and “contrary to the world of states, that world of supra national regions does not resemble a jig-saw-puzzle, but looks more like a ‘spaghetti bowl’ as the regional groupings are overlapping and sometimes nested”<sup>xii</sup>. In Latin America too, there are various (overlapping) regional integration systems actually active, which lead

Mark Keller to come up with the “ alphabetic soup of regional integrations” in order not to “confuse the jumble of acronyms and abbreviations of the region’s multilateral organizations”<sup>xiii</sup>. So how should we best define this regional integration process (trend) then?

As various scholars have pointed out, it is quite difficult to come up with one clear definition of regionalism, as the phenomenon under study is a moving target itself. Furthermore, as regional cooperative mechanisms have become more diverse over time (cfr infra), it is almost unavoidable to come up with a loose definition, as it requires a certain degree of flexibility in order to cover all varieties of regionalisms. Nevertheless, and based on definitions of P. De Lombaerde and L. Van Langenhove (2007) and P. De Lombaerde et al (2008), we can put the following possible definition forward: “a regional integration process is a multi-dimensional process of social transformation whereby actors, associated with sub national governance levels and belonging to a limited number of different states, intensify their interactions through the reduction of obstacles, the implementation of coordinated or common actions and policies, and or the creation of regional institutions, thereby creating a new relevant regional space for many aspects of human behavior and activities”<sup>xiv</sup>. As stated before, the last two waves of regionalism have been studied extensively.<sup>xv</sup>

### **From Old to New regionalism: less Eurocentric, broader and driven from below**

In “Old Regionalism” studies, scholars looked at the regional blocs that began to emerge during the 1950s and 1960s: most notably the European Economic Community (EEC), but also the Latin American Free Trade Area (LAFTA), the Central American Common Market (CACM), and the Andean Group (AG) were looked at (to limited extent)<sup>xvi</sup>. In the field of economics, the study of these regional (trade) agreements focused mostly on the welfare effects of the RTAs and their impact on multilateral trade liberalization<sup>xvii</sup>. Within the political science research agenda, these regionalist tendencies became labeled as regional integration systems and mainly focused attention on the regional integration process that was taking place on the European continent<sup>xviii</sup>. However, with the break up of the Berlin Wall and the end of the bi-polar world order at the end of the 1980s, newly independent states were left in “political uncertainty and instability”<sup>xix</sup>. Furthermore, as (economic) globalization accelerated at a fast pace, more and more countries began to look for regional cooperation schemes in order to counterbalance the wide-ranging effects of worldwide economic interdependence<sup>xx</sup> (Söderbaum & Van Langenhove, 2005, p. 256). This led to the creation (or evolution of pre-existing ones) of so-called “New regionalist” cooperation/integration schemes such as the EU and MERCOSUR. Following Hettne and Inotai (1994, 7-8) and de Melo et al (1993), this new regionalism can be defined by contrasting it with the old

regionalism: (1) the current new regionalism is a truly worldwide phenomenon and not so (2) Eurocentric anymore, (3) it has broader and more comprehensive aims than the rather narrowly defined defensive and economic oriented aims of old regionalism and encompasses political, cultural and social aspects too, and finally (4) the process of integration can be driven or initiated “from below” instead of “from above”.

But should new regionalism only be seen as an all-encompassing state strategy in order to deal with economic globalization? There are other motives<sup>xxi</sup> that could lead to regional integration. Farrell (2005) tried to single out a shared *rationale* of the various motivations by stating that the premise of regional integration is that they are exactly formed to meet the specific challenges/demands of their particular member countries as well as their regions. This is linked to the idea that the new regionalist schemes are formed “from below” and “from within” a particular region. In that sense, MERCOSUR was designed to bring Brazil and Argentina closer together, as was the case of France and West Germany at the beginning of the European reconstruction<sup>xxii</sup>.

Finally, regional cooperation and integration systems can vary in depth and in type. As L. Kritzinger and Van Niekerk (X) noted, we can distinguish three levels of regional integration depending on the scope of activities and loss of sovereignty: regional cooperation, regional harmonization and true regional Integration<sup>xxiii</sup>. Whereas regional cooperation is a rather “issue-focused arrangement” and related to knowledge and best practice sharing etc., regional harmonization goes a little further as it is more intended to address inconsistency in policy content<sup>xxiv</sup>. Integration proper implies a loss of sovereignty and also tends to apply to a broader scope of issues and subjects<sup>xxv</sup>. Similarly, there are four different types of regional (economic) integration, which can be distinguished according to H. Heinonen (2006)<sup>xxvi</sup>. The first type of regional integration is a free trade zone, which takes place when trade restrictions between the party member states are removed. Secondly, when member states also have a common external trade policy towards third parties/countries, then we can speak of a customs union. Thirdly, when there is also free movement of services, capital and labor that is permitted between the member states as well as common trade barriers, the phase of a “common market” is achieved. Finally, when economic and monetary policies are also decided on by a supranational institution, we can speak of a true economic union. Most of the regional integration systems are in the first stage of integration such as is NAFTA and ASEAN, and arguably only one is in the final phase as described: the European Union. Let us now have a look at how the two last waves of regionalism have been translated into concrete regional integration/cooperation mechanisms in Central America.

## Regional integration in CA: how concrete projects match the demand

First of all, is there a need for regional integration in Central America<sup>xxvii</sup>? According to all our interlocutors, this was surely the case because of six main reasons. Arguments of “economies of scale”, “combatting transnational challenges” together with “responding towards globalization” are the top three main *rationales* behind the Central American regional integration system as the following figure shows. In what follows, we will discuss them in depth.

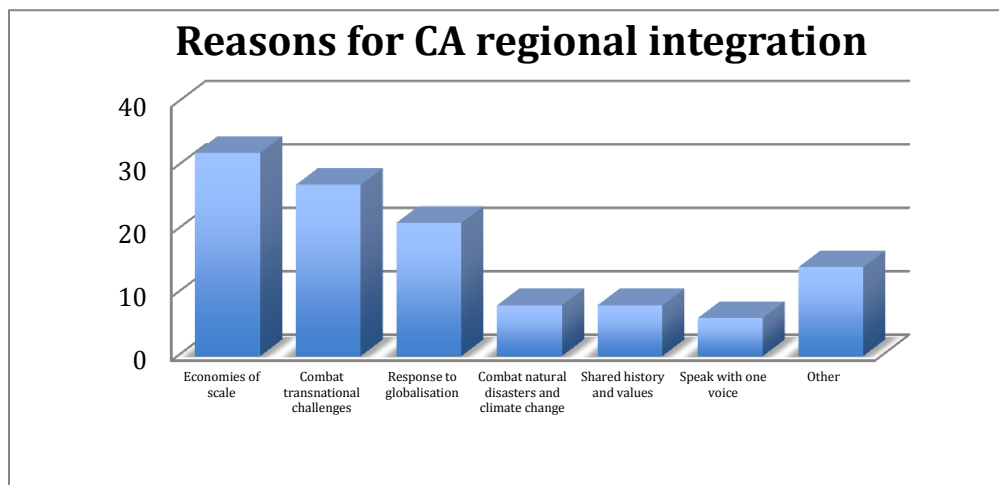


Figure 1 : Reasons for CA regional integration

### Economies of scale and responding to globalization: a survival technique in the 21<sup>st</sup> century

It appears that above all, economic reasoning is behind the creation of the Central American Regional Integration System. As the Central American countries all have more or less the same economic DNA, they are also exposed to more or less the same economic challenges<sup>xxviii</sup>. So in order to compete in a globalized world and to still attract foreign direct investment, it is of great interest for Central America to pool resources and strengths together and to create a shared free trade zone, common market or even economic union. Doing so would make their industries more efficient, as infrastructure could be shared, customs duties and taxes limited or eliminated, and the effects of bigger production schemes for a bigger (now Central American) market felt. But also to be able to cope with the ever-increasing competition, fierce prices and other aspects of doing business and trade in a more and more globalized world, the Central American countries would have no choice but to adopt a regional integration model in order to “survive the challenges of the 21<sup>st</sup> century”.



## **Combat transnational challenges including natural disasters and climate change**

However, the negative effects of globalization on Central America are not only economic in nature. As national borders become less and less rigid and international communication and cooperation less and less difficult, organized crime groups and drug gangs also benefit from globalization. Their ‘business as usual’ is indeed facilitated by globalization, and they are able to expand their networks and intensify their activities as well. In order to combat these groups (in particular, international illegal drug trafficking), the Central American governments are almost forced to cooperate more intensely together. Regional integration through intensified police/judicial cooperation and shared action programs and policies to combat the roots of the issues at hand appear to be seen as the most proper solution to these (now) *regional* problems. Linked to this challenge is the serious state of human security and the arms race in the Central American countries. It seems that in order to find appropriate solutions to this problem, the Central Americans look as much as possible over their frontiers in order to combat it more effectively together<sup>xxix</sup>. Other transnational challenges that the region faces include migration issues, poverty eradication, lack of transparency in public sector management, functioning of the electoral systems and political party structures, lack of protection of fundamental freedoms, impunity, vulnerability to natural disasters<sup>xxx</sup> and the consequences of climate change are all mentioned as (possible) topics that should also better be dealt with at the regional level.

## **Other reasons including shared history and values, to speak with one voice, alternative growth model and key for a new social order**

Many other reasons have also led the Central Americans towards regional integration. The first one, which is surprisingly more stressed by EU diplomats than by people of the Central American ministries of Foreign Affairs, relates to a shared “Central American” common identity. It was argued that as the Central Americans all speak the same language, have (at least partially) a shared history, similar political presidential political systems but also the same cultural habits, folkloristic (and sports) preferences and even similar food habits, it does not make any sense *not* to integrate or at least work closely together. Furthermore, as was argued, whereas Central America has already been one big Republic before<sup>xxxi</sup>, it should strive to become one again. Next to this, and linked to the first set of arguments, Central America would benefit from a unified and single voice<sup>xxxii</sup> within international organizations and negotiations. Not only economically, but also politically and (geo-) strategically it is of interest, as with a unified position, Central America would have more leverage and negotiating power within the UN, OAS or towards

important partners such as the USA, EU, Japan, Korea and China. In the same sense, it would have a *bigger presence* in world politics too. Another reason that was (only) sporadically mentioned is that regional integration could provide an alternative growth model and serve as a *game changer* for a new social order<sup>xxxiii</sup>. It could do so by reducing income differences, assuring better social services, impose a more equal wealth distribution system and standardize (and upgrade) minimum living conditions. Whether this is realistic remains to be seen.

Finally, it was also mentioned that regional integration could counterbalance the vast consequences of the global economic crisis in Central America. Now that the EU and the USA are in crisis, economic opportunities for Central America are limited. Through deeper integration, other economic opportunities within Central America itself could open up as an alternative to limited international opportunities.

### Institutional set up of the Central American Regional Integration System

Figure 2 visualizes the four most important CA Regional Integration bodies as created by the Tegucigalpa Protocol of December 1993: the Summits of Central American Presidents, the Central American Court of Justice, the Central American Parliament (PARLACEN) and SICA. The meeting of Presidents is for the Central American Regional Integration System the supreme organ where all presidents of the member states meet every six months or extraordinarily if requested. It defines the overall integration strategy and process and is the highest organ in which disputes from other ministerial councils are settled. Finally, the meetings of Vice-Presidents, who meet biannually as well, also advise it. Figure 3 visualizes this too.

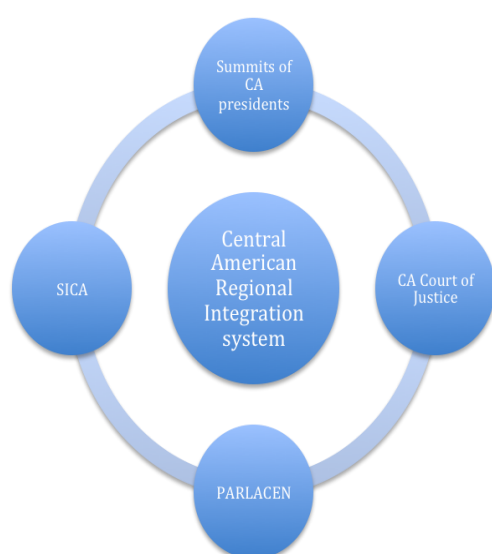


Figure 2 : Four essential CA regional integration bodies

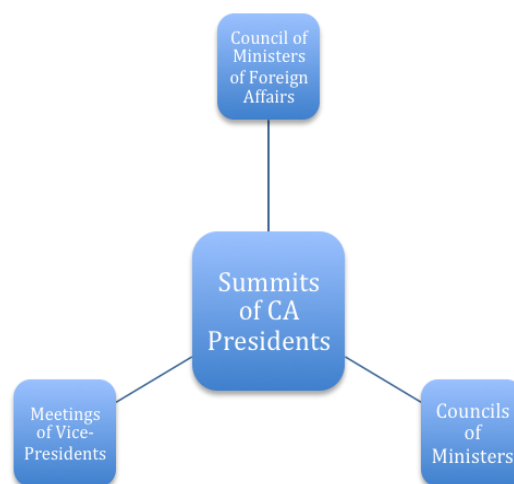
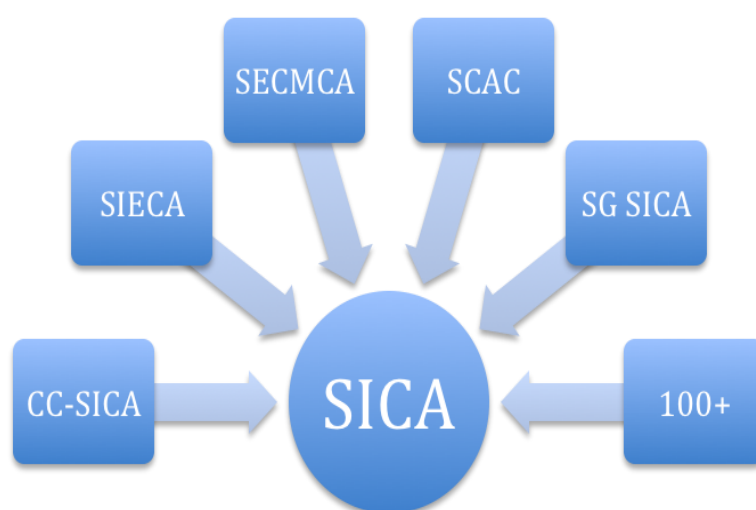


Figure 3 : Executive organs of the integration system

The Central American Parliament (PARLACEN) is constituted of 20 representatives from each of the member states. They are directly elected for 5 years. It does not have any legislative powers (yet), and serves mainly as a consultative and advisory body. The judicial arm of the system is represented by the CA court of justice, which is composed of two regular judges for each of the states that signed its statute and “guarantees respect for the law in the interpretation and execution of the Protocol of Tegucigalpa with amendments to the Charter of the ODECA and its supplementary instruments or acts pursuant to it”<sup>xxxiv</sup>. Finally, the fourth important body of the Central American Regional Integration System is the SICA administration. This entity can be regarded as the focal point for deeper regional integration and has the constitutive role to ensure the efficient execution of the decisions adopted in the Meetings of Presidents. Next to the General Secretariat (SG SICA), it consists of an executive committee (CE-SICA), a consultative committee (CC-SICA), the Central American Secretariat for Economic Integration (SIECA) and other secretariats and specialized institutions such as SECMCA, SCAC, SISCA, SITCA etc. that serve the same goals but in different policy fields. Figure 4 is a visualization of this arrangement<sup>xxxv</sup>. Now, while looking at this institutional set up, it is clear that an important number of institutions and cooperation schemes have been set up on the Central American Isthmus. How do they deliver? Are they working accordingly? Are they truly providing the hoped for solutions as described above?



*Figure 4 : SICA and other advisory councils and expert institutions*

## Current framework and limitations

In order to analyze the state of play of the actual Central American Regional Integration System, we asked all our interviewees about the “good” and “bad” things about the system. What follows is an overview of the findings. The system’s positive aspects are its role in making economic integration unfold (and the positive benefits that come out of that) but it also relates to enhancing peace and stability in the region after the troubled 1980s. The system also has various flaws: not least on an institutional level. However, there is also a lack of high-level political will for further (political) integration as there are still various inter-state conflicts that block or at least hamper deeper integration. Let us first discuss the aspects of the system that were (very well) regarded positively.

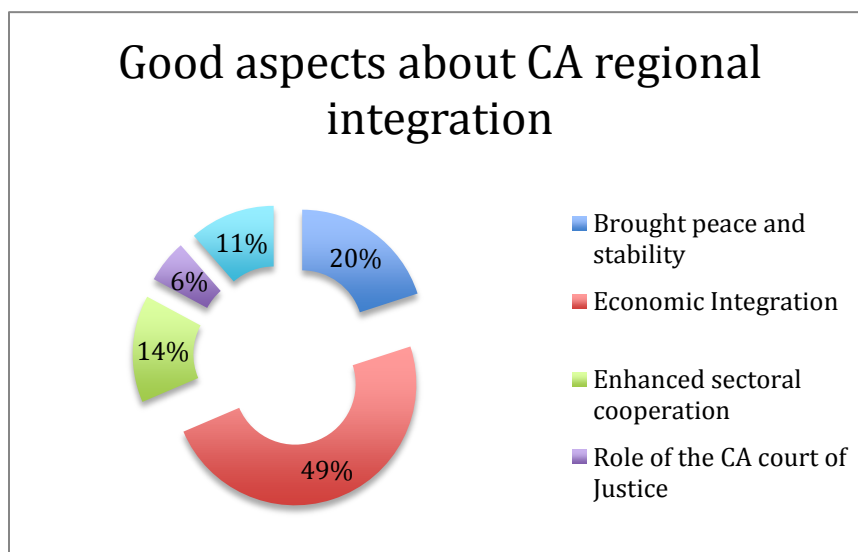


Figure 5 : Good aspects about CA regional integration

### Brought peace and stability *and* continues to do so

First of all, regional integration contributed (considerably) to the promotion of peace and stability in the region as it brought the different Central American governments together and forced them towards dialogue and cooperation. It was also key for *keeping* the region stable, much like in the role regional integration played in the European Continent in the aftermath of the Second World War. Although this is

quite often neglected or even forgotten in times of peace and stability (and prosperity), it remains a considerable function of regional integration (all across the world).

### **Economic regional integration: seen as a success story**

However, it is in the economic sphere that the Central American regional integration is mostly appreciated, as figure 5 shows. Central American intra-regional trade is bigger than trade with the EU and only surpassed by trade with the US. Especially in areas such as telecommunications, agriculture, construction and banking, various Central American countries were able to truly *conquer* the entire Central American market<sup>xxxvi</sup>. Now with the accession of Panama and the Dominican Republic (as a steppingstone to the CARICOM region) to the economic integration system, new opportunities lie ahead. The regional body that drives the economic integration is SIECA<sup>xxxvii</sup> and works on (amongst other things) the functioning of the Free Trade Zone and customs union, harmonization of the industrial policies, standardization of technical norms and standards, common regulation of sanitary and phytosanitary measures etc. Without entering into too much (technical) detail on this issue, we can state that the Central American region is almost a fully-fledged customs union but not (yet) a common market. Goods originating in CA enjoy free trade, except for a limited number of products for which customs duties are still due. This is mainly because of technical objections<sup>xxxviii</sup> and the “suspicion“<sup>xxxix</sup> that one country would unequally benefit.

### **Sectorial cooperation, the functioning of the Court of Justice and its role as a diplomatic forum**

Finally, various other aspects of the system were (sporadically) mentioned. First of all, its function as diplomatic/international forum as it allows all Central Americans to easily find each other in order to discuss various issues and find ways of cooperation. Secondly, the more enhanced sectorial cooperation in the fields of tourism, renewable energy and rural development were stressed too. Finally, for some (especially Central American academics), the Central American court of Justice is delivering good work and introducing the concept of *Rule of Law* to the region at large.

## Limitations to the current framework

Let us now turn to the flaws and limitations of the current Central American Integration process. As was stated above, various interviewees (and especially EU diplomats and administrators) were not tempted to confirm a trend towards more interregionalism between the two blocs of countries. As it takes two to tango, they believed that there were some considerable drawbacks in the Central American regional system, which hamper further region-to-region dialogue at the expense of the EU-to-CA countries dialogue. During the interviews, it became clear that there are some (serious) limitations/flaws in the actual CA integration system and processes. The following figure provides an overview of the most stated types of limitations, which we will briefly discuss now.

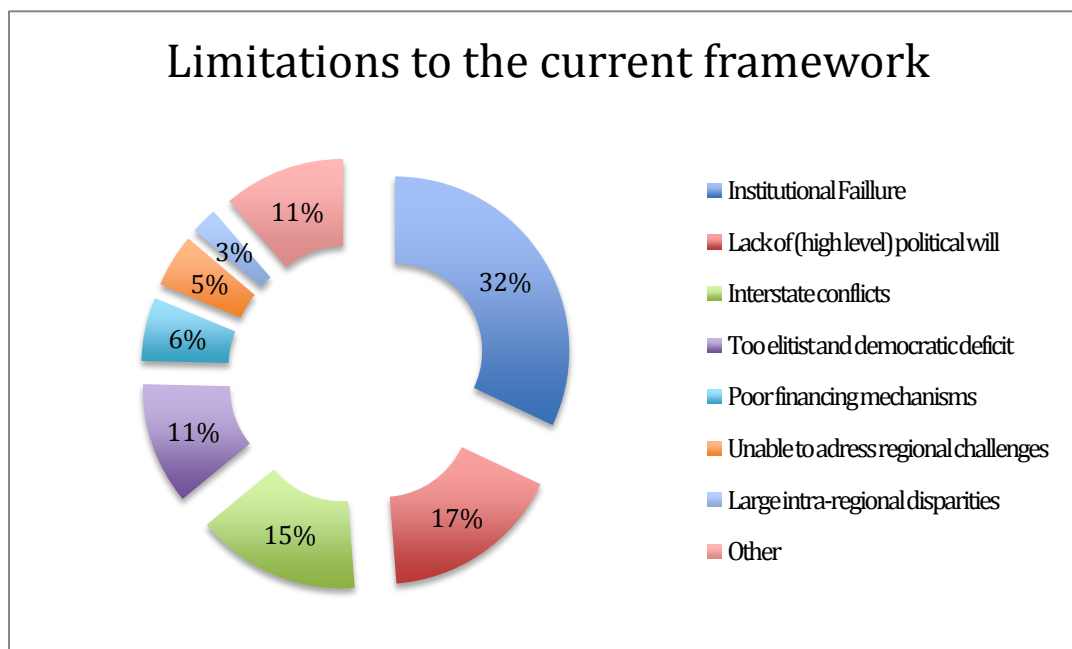


Figure 6: Limitations to the current Integration framework

### Institutional failure: the greatest obstacle for further regional integration is the integration system itself

When asked about the major drawbacks of the Central American integration system, all interviewees agreed that the institutional set up creates many problems. As we have briefly discussed in chapter II.b, there exist a wide variety of institutional bodies and organizations. This is seen as a sign of bureaucratic perversity: the more institutions and bodies you create, the more integration there would be. Today,

institutions and regional bodies are spread all over Central America in order to officially *promote* regional integration but unofficially just to *please* all national governments so that they all have *their own* institution or body that might generate some jobs back home. Now, looking at the SICA administration, which is believed to be at the center (or close to it) of the integration system, a lot of criticisms were also formulated regarding its composition and inefficient functioning. In fact, no one really *knows* exactly how many people work there. What is more, the ones that do work there are quite often politically appointed rather than appointed on the basis of merits. Some states tend to be poorly represented including Costa Rica and Panama.

Most of the criticisms were directed at the Central American Parliament: PARLACEN. In fact, it was quite fiercely rejected/disapproved as interviewees referred to it as “a joke”, “corrupt”, “waste of money” and some even went further by stating that “they steal our money”, “it has no right to exist” and “it is an expensive place for pensioned politicians that we don’t want to have anymore at home”. This is due to its composition, which appears to be all but democratic, and its very limited role due to the fact that it has only consultative powers. Next to this, the non-binding nature of the regulations and resolutions of the regional organizations was also seen as a serious limitation towards further integration, as was the still too intergovernmental decision making process.

### **Lack of high level political will and various inter-state conflicts**

The second and third biggest challenges towards further regional integration are related to (international) politics and strategies of the CA member states themselves. One question kept on repeating itself during the various interviews: “*do the Central American Presidents really want to integrate?*” First of all, it is important to stress –once again- that it appears that the Central American presidents are the ones that actually could make things happen. That is, it is neither the administration, nor the common parliament or court of justice that is perceived to have the leverage to make integration *really* happen.

Secondly, the word *really* is of interest too as it hints at a hidden agenda or something similar that would stand in the way of further regional integration. Indeed, many interviewees have stated that there is a discrepancy in what the high-level politicians (presidents, but also ministers) say, communicate and *promise* on the one hand, and how these statements are translated into actual policy. A European diplomat talked about “cognitive dissonance” when referring to this issue: it appears that they are extremely well trained and experienced in making nice statements and speeches about their willingness for deeper regional integration, but in the end, when the actual programs and budgets need to be approved and

political decisions (which could sometimes be unpleasant to take considering specific national politics) need to be taken, the high level politicians all of a sudden have quite a different (and often even opposite) point of view. How can this be explained? The answer is two-fold.

First of all, Central American presidents still have a more national than regional agenda. And they are not to blame: in the end, it is exactly the *national* citizen that (re) elects them to become president (or minister...). When in regional meetings, the various high level politicians still think *nationally* and try to find the best solutions for his/her country. It goes without saying that when negotiating and debating with a *national* point of view and interest, it might well conflict with *regional* interests and thus hamper more regional integration.

Secondly, the various Central American countries still face several inter-state –border-conflicts that make them look at each other suspiciously, further limiting regional integration (and even cooperation). Especially the border disputes between Belize and Guatemala, but also even more fundamentally regarding the statute of Belize itself, the dispute between Costa Rica and Nicaragua on the San Juan river and the dispute between Honduras, El Salvador and Nicaragua on the Gulf of Fonseca pose great challenges towards greater regional integration. Next to border disputes, other issues play an adverse role. For example, the issue of the treatment of Nicaraguan migrants in Costa Rica which has been a topic of heated (inter-state) debate.

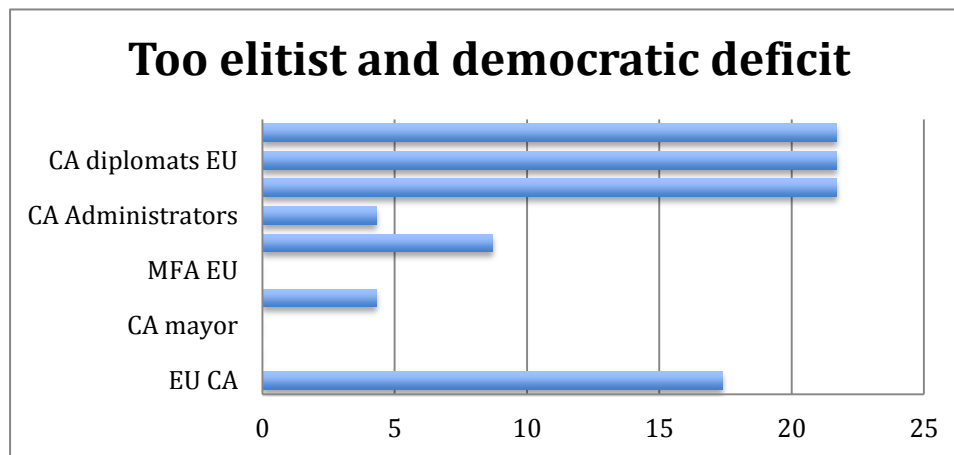
Finally, the various countries, governments and presidents have (very) diverse concepts and ideas on Central American regional integration. Whereas the ‘northern triangle’ of Guatemala, El Salvador and Honduras generally wants to pursue further integration, Costa Rica and Panama have a more pragmatic approach and want to first integrate economically, and then see if the time is right for political integration too. But also the divide between more leftwing (such as Nicaragua) and more rightwing countries (such as Honduras or Guatemala) poses challenges to find agreement on the exact path to take.

### **Democratic deficit and too elitist**

Closely linked to the question of institutional failure and especially the malfunctioning of PARLACEN and the vast numbers of political appointments, is the argument that the CA integration process is “too elitist” and characterized by a democratic deficit. It lacks social ownership, as large sections of the Central American (civil) society are isolated from the integration process: be it because of the lack of effective participative mechanisms or because of the (lack of) benefits from the process for *all*<sup>vi</sup>. The following figures show that it is particularly the academics from both Europe and CA that put this



argument forward, even though it was sometimes also mentioned in interviews with Central American policy makers/diplomats.



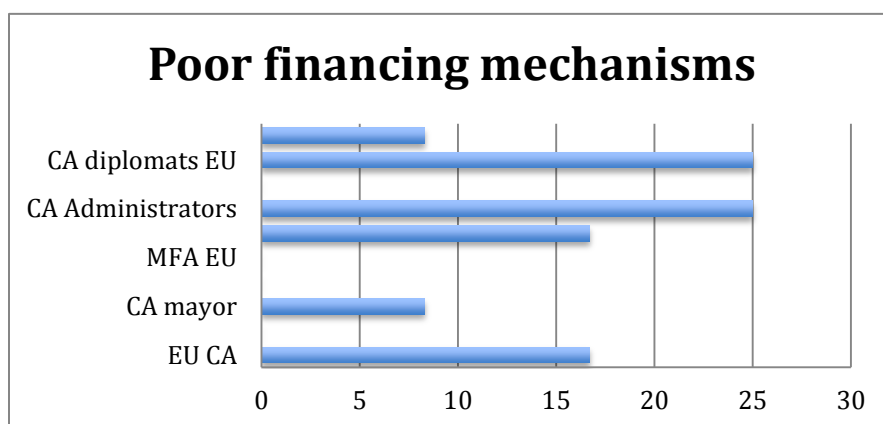
*Figure 7: Limitation to the CA integration system: its undemocratic and elitist character*

As it is too bureaucratic, poorly communicated to the citizens and not working on the challenges the vast majority on the population truly faces<sup>xli</sup>, the Central American integration system has a serious credibility problem. Finally, as a Central American professor himself acknowledged: “ the CA regional integration system might also just be a scholarly exercise and interest but not more than that”.

### Poor financing mechanisms

The lack of commitment and the economic constraints of the region do not help to create a proper financing mechanism of the integration process. The actual financial mechanism foresees that all the member states contribute an equal amount on an annual basis, but seeing the big differences amongst the member states themselves (Costa Rica against Nicaragua for example), many criticize this method that it is not the right way to do it<sup>xlii</sup>. Furthermore, as these contributions are (very) limited, the integration system is very much dependent on external (financial) cooperation. This has led a Central American high-level administrator to the conclusion that the system “basically lives and dies with EU funding”. It is also interesting to see who exactly believes that the financial means are too limited. As the following figure shows, all Central Americans (with the possible exception of the CA honorary consuls) believed this and expressed their concern on the issue. The EU administrators mentioned this issue as well, but more in the

context of its large and unhealthy dependence on external financial contributions than that the budget would be too small.



*Figure 8: Limitation to the CA integration system: poor financing mechanisms*

#### Four other obstacles for further integration

Finally, four other obstacles towards further regional integration were mentioned: the large intra-regional (economic) disparities; its inability to truly address regional challenges; its “à la carte” format; and the role of international politics. Even though the Central American republics are often, at least from an outside position, viewed as rather “similar” in terms of economics, politics and culture, if one has a closer look various intra-regional differences appear<sup>xliii</sup>, especially with regard to the level of income and economic weight (and growth) of the various countries. This poses great difficulties regarding the exact direction and form regional integration should take.

Secondly, and linked to the first as well as the other flaws as stated above, according to various interlocutors, the Central American regional integration system has not been able to meet expectations. As described in II.b, there are various transnational issues that should be dealt with on a regional level: *Maras*, health care, environmental challenges, money laundering, organized crime, trafficking in drugs, illegal sales of arms etc. So far, the integration system has not delivered accordingly as the level of violence keeps growing and the spread of organized crime, trafficking in drugs and arms sales have not halted (sustainably) yet.

Thirdly, and perhaps surprisingly, some aspects of international politics also (and continue to) limited the integration process. Whereas all the Central American countries except Costa Rica have recognized Taiwan and established diplomatic as well as politico-economic relations with it instead of with

(mainland) China, this poses (serious) difficulties to forge a shared common foreign (and security) policy. Next to this, it was also stressed that other integration schemes such as ALBA and CELAC might pose some delay in the Central American integration process. Finally, as the different countries decide whether or not they form part of one or the other integration scheme/body, it looks as if it is “integration à la carte”. This of course has a very negative impact on the coherence and depth of the integration process.

## Conclusion

In part one, we outlined the growing trend towards a “regionalization of the world order” (Van Langenhove, 2011). As states encounter various problems regarding their size, different levels of wealth/poverty and numerous inter-state conflicts, and as they are continuously challenged because of globalization, emerging policy networks and an inefficient multilateral governance system, we are moving away from a state-centered world order. There were three possible ways of addressing these difficulties, and it is ‘regionalism’, through cross-border cooperation, devolution and regional integration, that seems to be preferred. When looking deeper into the issue of regional integration and regionalism, we have seen that there can be various types and forms of it, and clearly defining the process/concept appeared a rather difficult (scholarly) attempt. Nevertheless, Van Langenhove (2011) (as well as others) believe that these regions will be at the center of a new world order and the influence of states will be limited accordingly.

When looking at the empirical evidence on Central America, can we confirm this trend/theory? Partly. As part two showed, regional integration in Central America mostly takes place because of the (negative) economic impacts of globalization. Furthermore, it was argued that current Central American states are challenged by various (serious) transnational problems such as illegal arms/drug trafficking, which can only be solved through enhanced regional cooperation/integration. But challenges such as combatting climate change and jointly facing natural disasters together also lead the Central American states towards the need for greater regional integration. So too do various other reasons: a shared history and values in order to speak with one voice, or the quest for an alternative growth model and/or new social order.

However, part three made it clear that there are various (and considerable) limitations to the actual framework of the CA regional integration set up. The most important one seemed to be that CA governments and more particularly the presidential offices still dominate the whole process completely and tend to follow their national interests instead of pursuing a regional agenda. The same conclusions could be drawn when looking at the difficulties PARLACEN encounters, as well as the limited financing mechanisms of the system and the inter-state conflicts that still very much hamper the integration process.

This leads us to conclude that for the Central American sub-continent, true regionalization is not (yet) the case. However, as part two also showed, the seeds/ideas/needs for a true regional governance structure are there. Perhaps what is needed is greater zeal to implement existing disciplines. This will require time.

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## VI. Annex: List of interviewees\*

Name	Country	Organization	Function	Date of the interview	by e-mail
Sergio Acosta	The Netherlands	Embassy of Honduras	Minister Counselor	10/12/12	
Noëlla Put	Belgium	Ministry for Foreign Affairs	Desk officer Central America	4/01/13	
Filip David	Belgium	Ministry for Foreign Affairs	Director External Relations of the EU	4/01/13	
Frank van de Craen	Belgium	Ministry for Foreign Affairs	Director Latin America and Caribbean desk	4/01/13	
Christian Meeûs	Belgium	Europe-Central America Chambre of Commerce (EURACEN)	President	7/01/13	
Alfonso Gahona	Belize	Ministry for Foreign Affairs	Director of International Affairs	16/01/13	
Ayesha Boyland	Belize	Ministry for Foreign Affairs	Diplomat EU affairs	16/01/13	
Jackie Brown	Belize	British High Commission	Deputy High Commissioner	16/01/13	
Richard Van der horst	Belize	European Commission Technical Office	Project Manager	17/01/13	
Allan Ramos	Honduras	City of Puerto Cortes	Mayor	20/01/13	
Edgardo Dumas	Honduras	British Honorary Consulate San Pedro Sula	Honorary Consul	21/01/13	
Patty Recarte	Honduras	British Honorary Consulate San Pedro Sula	Administrator	21/01/13	
Selvin Lopez	Honduras	University of Honduras (UNAH)	Professor International law and Judge	21/01/13	
Sylvanie Jardinet	Honduras	European External Action Service Delegation	Attaché for cooperation and trade	22/01/13	
Lisa Marcela Arias	Honduras	European External Action Service Delegation	Communications officer	22/01/13	
Jose Ruben Mendoza	Honduras	Belgian Consulate	Honorary Consul	22/01/13	
Luis Velasquez	Honduras	Ministry for Foreign Affairs, Center for Geopolitical Studies	Director General	23/01/13	
Juan Merino Cubillo	Honduras	Embassy of Spain	Deputy Ambassador	23/01/13	
Carsten Schneider	Honduras	Embassy of Germany	Counsellor	24/01/13	
Bernard Monot	Honduras	Embassy of France	Counsellor	24/01/13	
Allan Suazo	Honduras	Ministry for Foreign Affairs	Director Regional Integration	25/01/13	
Luis Asena	Honduras	Ministry for Foreign Affairs, Center for Geopolitical Studies	Diplomat	25/01/13	
Peter Versteeg	Honduras	European External Action Service Delegation	Head of Delegation	28/01/13	Yes
Luis Padilla Vassaux	Guatemala	University Rafael Landivar	Professor regional integration	28/01/13	
Jacques Remmerswaal	Guatemala	Embassy of the Netherlands	Counsellor	29/01/13	
Michael Fabri	Guatemala	Embassy of Germany	Deputy Ambassador	31/01/13	
Laurent Estrade	Guatemala	Embassy of France	Counsellor for Economical affairs and Trade	31/01/13	
Rubén Najera	Guatemala	SIECA	Project Director	31/01/13	
Hector Marroquin	Guatemala	Embassy of the United Kingdom	Prosperity Officer	1/02/13	
Gilberto Valdez	Guatemala	PARLACEN	Special Advisor	1/02/13	
Antonio Dal Borgo	Guatemala	European External Action Service Delegation	Attaché for security, justice and election programs	1/02/13	
Carlo La Face	Guatemala	European External Action Service Delegation	Attaché for trade and regional integration programs	1/02/13	
Carlos Monterrosa	El Salvador	Central American University	Program Director Centra American Regional Integration	4/02/13	
Jorge Umana Garcia	El Salvador	Ministry for Foreign Affairs	Director for Regional integration and CA relations	5/02/13	
Remy Ulinares	El Salvador	European External Action Service Delegation	Cooperation attaché	5/02/13	
Vincente Cano	El Salvador	Spanish Fund for the support of SICA (AECID project)	Senior Advisor	6/02/13	
Irene Diaz	El Salvador	Spanish Fund for the support of SICA (AECID project)	Project management	6/02/13	
Carlos Echeverria	El Salvador	General Secretariat - SICA	Director of Communications and Public Relations	6/02/13	
Edgar Chamorro Marin	El Salvador	General Secretariat - SICA	Executive Director	6/02/13	
Walter Leiva	El Salvador	General Secretariat - SICA	Communications officer	6/02/13	
Xavier Sales	El Salvador	Embassy of the United Kingdom	Attaché	8/02/13	
Philippe Vinogradoff	El Salvador	Embassy of France	Ambassador	8/02/13	
Thomas Le Vaillant	Belgium	European Commission DG TRADE	Coordinator Central America	5/03/13	
Luz Hated Castellon	Nicaragua	EEAS Central America Delegation	Regional projects desk officer	8/03/13	Yes
Kenneth Bell	Belgium	EEAS Mexico and Central Amrica	Head of Division	18/03/13	
Fransisco Duenas Leiva	Belgium	Embassy of Costa Rica towards the EU and Belgium	Ambassador	21/03/13	
Dolores Romeo	Belgium	European External Action Service	Responsible for EU-CA associate agreement	18/04/13	
Ivo Gombola	Nicaragua	EEAS Central America Delegation	Deputy Ambassador	28/04/13	Yes

\* DISCLAIMER : the views expressed by the interviewees do not represent (per se) the views and opinions of the organizations/countries they work for or represent.

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<sup>i</sup> For more on this issue: G. Morgan (2009) *The Idea of a European Superstate: Public Justification and European Integration (New Edition)*, Princeton University Press, New Jersey.

<sup>ii</sup> F. Laursen (2010) *Comparative Regional Integration: Europe and Beyond*, Ashgate Publishing, Burlington.

<sup>iii</sup> R. Sanchez (2009) *The politics of Central American Integration*, Routledge, New York.

<sup>iv</sup> Belize, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama and the Dominican Republic.

<sup>v</sup> For more, please have a look at SIECA (2011) "La Union Centroamericana", [online] available at: <http://www.mific.gob.ni/LinkClick.aspx?fileticket=5cKjT3InIEo%3D&tabid=191&language=es-NI> [Accessed 4 March 2013].

<sup>vi</sup> For more information on the tool, please go to the website: <http://www.dedoose.com>.

<sup>vii</sup> L. Van Langenhove (2011). *Building Regions: The Regionalization of World Order*. Ashgate Publishing, Ltd., Burlington, p.48.

<sup>viii</sup> A number of trade agreements were established in Europe, such as the customs unions between the Austrian and Nordic states.

<sup>ix</sup> P. Dicken (2007) *Global Shift: Making the Changing Contour of the World Economy*, 5<sup>th</sup> ed. Sage Publications, London, p.189.

<sup>x</sup> L. Van Langenhove (2011) op cit. p.52.

<sup>xi</sup> For a complete overview of all the regional integration agreements signed in the world, have a look at UNI-CRIS (2013) "Regional Integration database" [online] available at <http://www.cris.unu.edu/riks/web/arrangement> [Accessed 13 January 2013].

<sup>xii</sup> L. Van Langenhove (2011) op cit. p.55.

<sup>xiii</sup> Full details : R. Glickhouse (2012) "Explainer: An Alphabet Soup of Regional Integration Organizations" [online] available at <http://www.as-coa.org/articles/explainer-alphabet-soup-regional-integration-organizations/> [Accessed 13 January 2013].

<sup>xiv</sup> T.M. Shaw, J.A. Grant and S. Cornelissen (2012) *The Ashgate research companion to regionalisms*, Ashgate Publishing, Ltd, Burlington, p.32.

<sup>xv</sup> For more on regionalism in Latin America, have a look at P. De Lombaerde, P. and L. J. Garay (2006) "The new regionalism in Latin America and the role of the US", *UNU-CRIS working papers*, Bruges.

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<sup>xvi</sup> For more, see Warleigh-Lack & Rosamond (2010, p.994) and Hettne (2005, p.549)

<sup>xvii</sup> More specifically, they looked at the influence of RTA's on trade creation and trade diversion, for more, read for example M.E. Burfisher, S. Robinson and K. Thierfelder (2004) *Regionalism: old and new, theory and practice*, International Food Policy Research Institute, Capri.

<sup>xviii</sup> Hettne op cit. p. 546.

<sup>xix</sup> Söderbaum and Van Langenhove op cit. p.255.

<sup>xx</sup> According to L. Van Langenhove (2011, p.48) the Westphalian world order has three built in deficiencies that make it difficult to come to just and efficient global governance scheme that also contributed towards the creation of new regionalist cooperation schemes: the differences in size of states that challenge the principle that all states are equal; the differences in wealth and power that allow some states to dominate others; and the non-binding aspects of the multilateral system.



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<sup>xxi</sup> For more on this issue, look for example at M. W. Schiff and L.A. Winters (2003) *Regional integration and development*. Oxford University Press, Oxford.

<sup>xxii</sup> Xuan Loc Doan (2010) *Regionalisation and Interregionalism in a Post-globalisation and Post-American Era*, London metropolitan University, London, p 16.

<sup>xxiii</sup> Kritzinger and Van Niekerk (X) "Regional Integration: Concepts, Advantages, Disadvantages and Lessons of Experience", The Worldbank, p. 6-7, [online] available at <http://siteresources.worldbank.org/EXTAFRREGINICOO/Resources/Kritzinger.pdf> [Accessed 4/03/2013].

<sup>xxiv</sup> Ibid.

<sup>xxv</sup> Ibid.

<sup>xxvi</sup> H. Heinonen (2006). *Regional Integration and the State: The Changing Nature of Sovereignty in Southern Africa and Europe*. Interkont Books, Helsinki, p.68

<sup>xxvii</sup> Two other important studies have also looked at this question: L. R. Cáceres (2007) "Los retos de la integración centroamericana", *Comercio exterior*, 55, 68. And P. C. del Pozo (X) *Organizacion y funcionamiento institucional del Sica la integracion centroamericana frente al reto institucional*, Instituto de Estudios Centroamericanos, Cordoba.

<sup>xxviii</sup> Especially a lack of competitiveness, due to a structural make-up that obliges them to heavily rely on exports of primary commodities and "maquila" industries, remittances, imported energy sources and tourism, which are all subject to fluctuation on the global markets. For more: read the EC Regional Strategy Paper 2007-2013, which is [online] available at [http://eeas.europa.eu/ca/rsp/07\\_13\\_en.pdf](http://eeas.europa.eu/ca/rsp/07_13_en.pdf) [Accessed 4/03/2013].

<sup>xxix</sup> Especially look at SICA (2011) "Central American Security Strategy" [online] available at [http://www.europarl.europa.eu/meetdocs/2009\\_2014/documents/dcam/dv/ca\\_security\\_s\\_/ca\\_security\\_s\\_en.pdf](http://www.europarl.europa.eu/meetdocs/2009_2014/documents/dcam/dv/ca_security_s_/ca_security_s_en.pdf) [Accessed 4/03/2013].

<sup>xxx</sup> Determined by the natural conditions of the region, which exposes CA to frequent natural disasters (earthquakes, hurricanes, floods and droughts) that have been accentuated over the past few decades due to the growing unsustainable (and often illegal) exploitation of natural resources.

<sup>xxxi</sup> Right before the Spanish occupation from 1821 to 1841.

<sup>xxxii</sup> J. A. Bolrbon and F. R. Aravena have (2012) have written a very interesting book on this issue. They looked at the Central American voting behaviour within international institutions such as the OAS and UN in order to analyse a possible common foreign policy and position.

<sup>xxxiii</sup> Central America is characterized by a serious lack of social cohesion: high levels of poverty and extreme poverty, highly unequal distribution of wealth and income, limited provision and access to essential social services, such as health and education for a significant portion of the population and high unemployment rates, particularly affecting youth, etc. Due to the global economic crisis, budget constraints as well as widespread tax evasion deteriorates things even more. The persistence of these phenomena leads to a vicious circle of poverty, the search for alternative options for survival (migration, criminality, etc.) social conflict and economic stagnation.

<sup>xxxiv</sup> SICA (2013) "SICA bodies and institutions" [online] accessible at [http://www.sica.int/sica/instituciones\\_en.aspx?IdEnt=401&Idm=2&IdmStyle=2](http://www.sica.int/sica/instituciones_en.aspx?IdEnt=401&Idm=2&IdmStyle=2). [Accessed 9/03/2013].

<sup>xxxv</sup> For a complete overview, start at the SICA (2013) "Homepage" [online] accessible at <http://www.sica.int/> [Accessed 9/03/2013].

<sup>xxxvi</sup> During interviews, it was for example sometimes even stated that Central American telecommunication market is "owned" by 5-6 entrepreneurial families. As an example of other *type* of companies that benefited largely from the Central American regional integration, we can give the example of "Pollo Campero" which is a Guatemalan originated fast food chain that has over 200 restaurants spread all over Central America.

<sup>xxxvii</sup> Headquarters in Guatemala City, Guatemala.

<sup>xxxviii</sup> Especially the issue that different earlier agreed upon national FTA's can't be kept with when a true customs union would be installed.

<sup>xxxix</sup> This is especially the case between Nicaragua and Costa Rica.

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<sup>xi</sup> The argument was put forward that the integration system merely serves already wealthy families and successful big (international) enterprises instead of the vast majority of *relatively* poor citizens and SME's.

<sup>xli</sup> Argued was that it should better work more on social issues like better housing, better services, greater standards of medicines, clean water etc.

<sup>xlii</sup> States' contributions have proven to be insufficient, irregular and often subject to delays (in some cases for political reasons due to bi-lateral conflicts), creating a strong dependency on external cooperation.

<sup>xliii</sup><sup>xliii</sup> Regarding education for example is the difference between Honduras and Costa Rica very big. For more details: UNESCO (2007) *Global Monitoring Report 2008: Education for All by 2015. Will We Make It*, UNESCO, Paris.