

*2005 Conference on the Future of
EU-Andean Community Relations*

Brussels, May 2005

*Scenarios for Regional Integration
in Latin America*

Antoni Estevadeordal

Integration and Regional Programs Department

Inter-American Development Bank

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(Thinking about...)

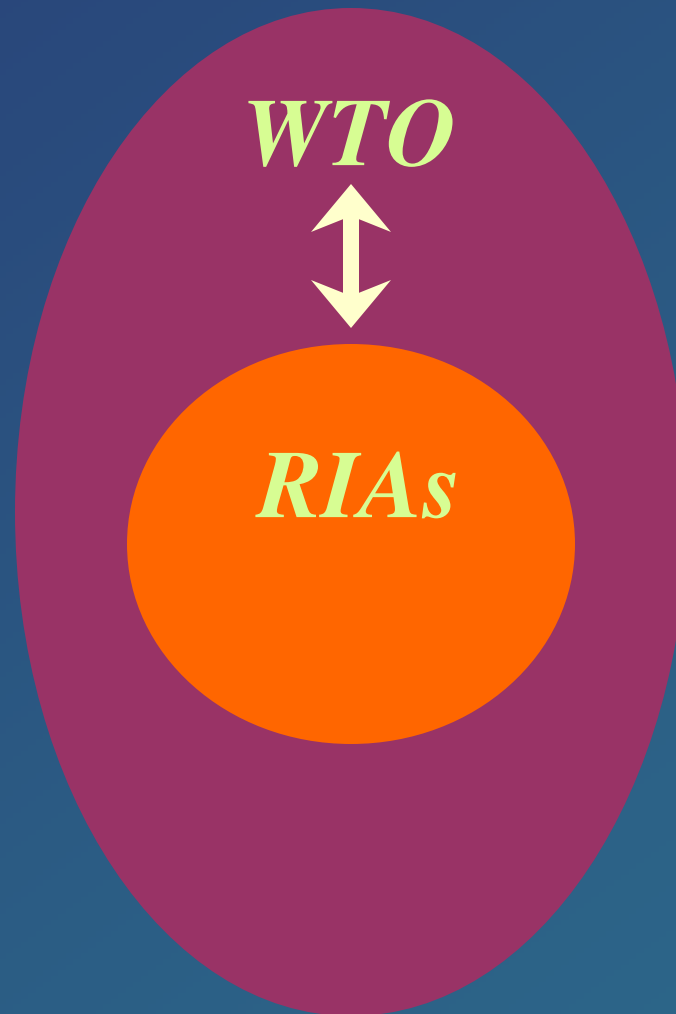
*Scenarios for Regional Integration
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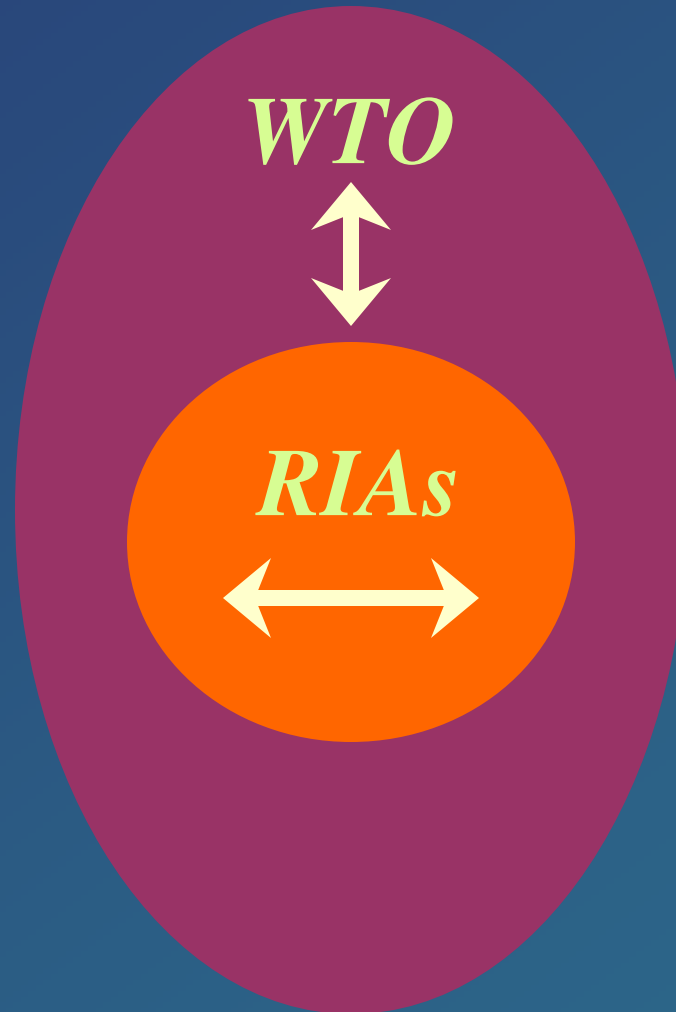
Integration and Regional Programs Department

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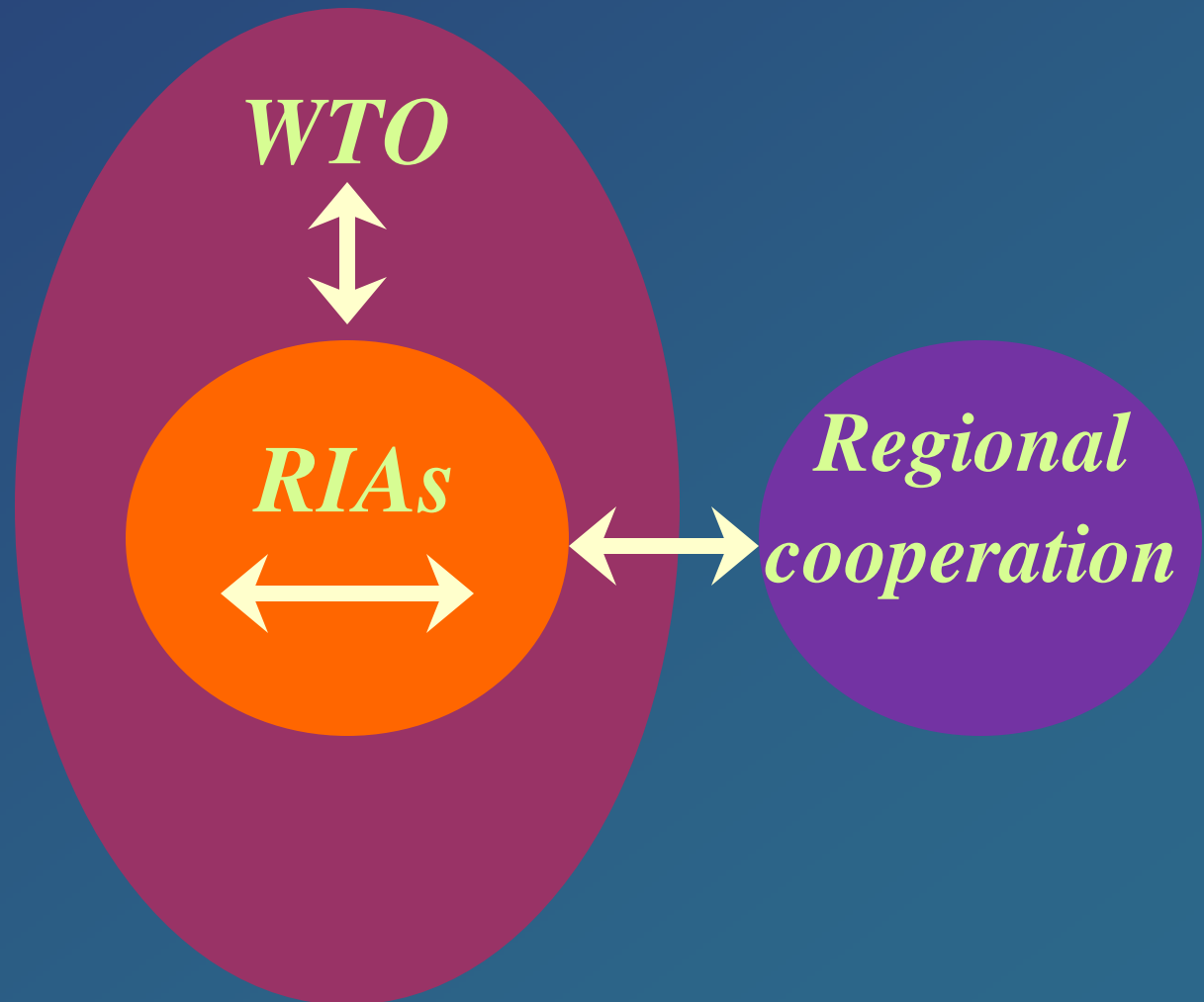
First, consider the “old”...still important interaction Regionalism & Multilateralism



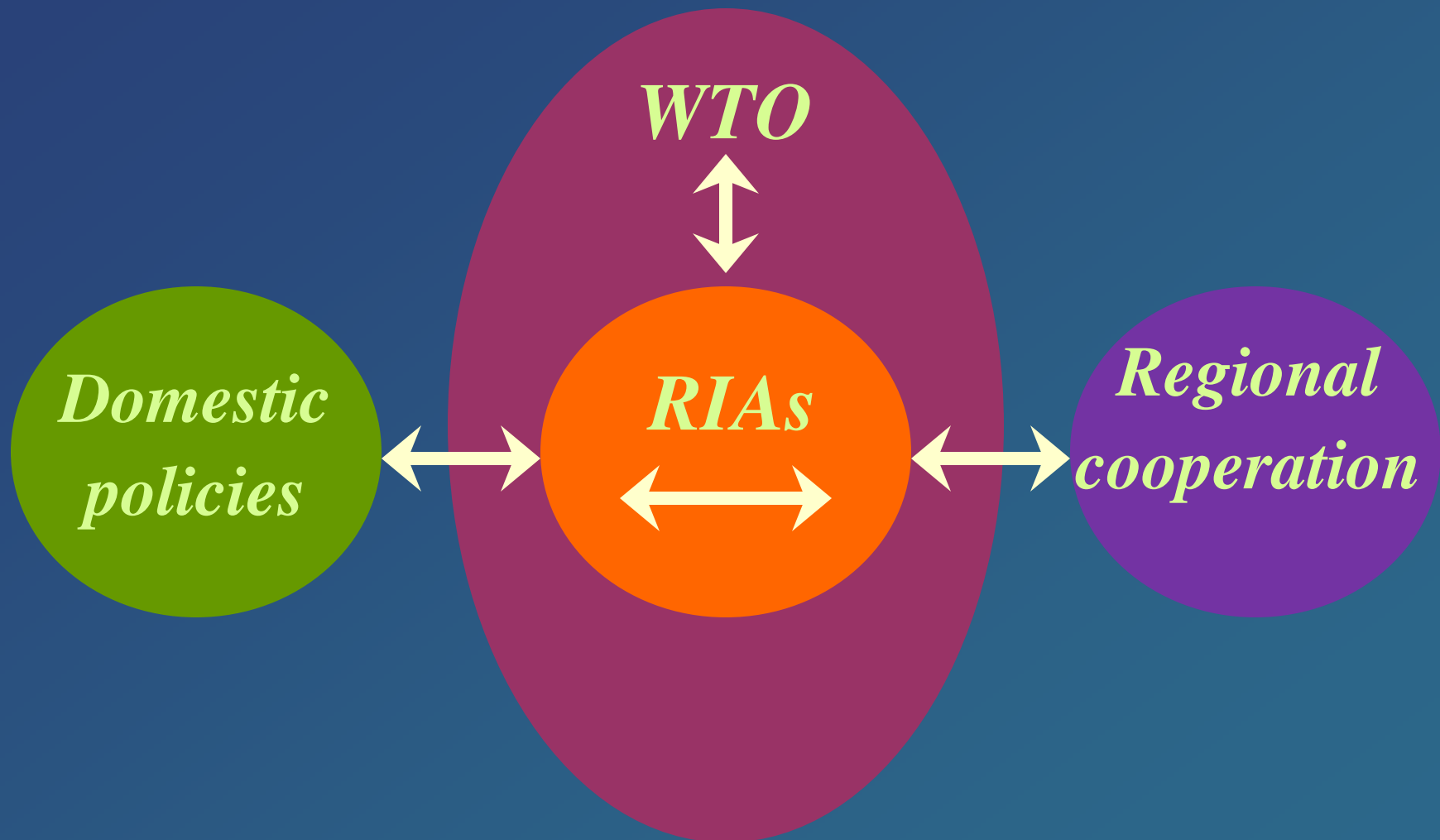
*Second, consider the underlying dynamics
of the Spaghetti Bowl of RIAs*



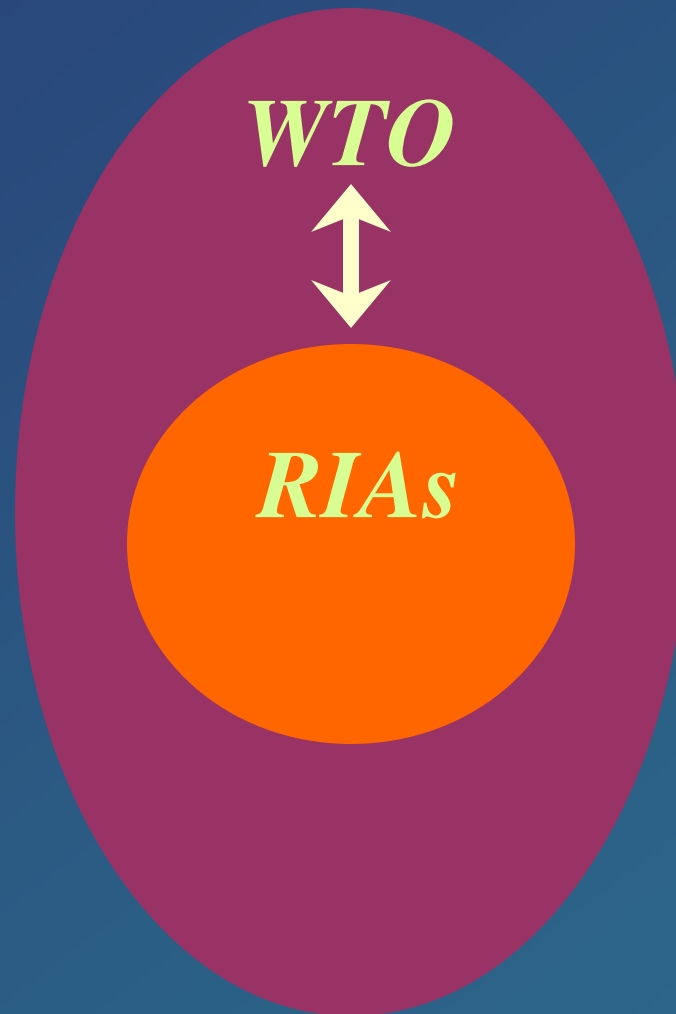
Third, consider RIAs “Forward Linkages”



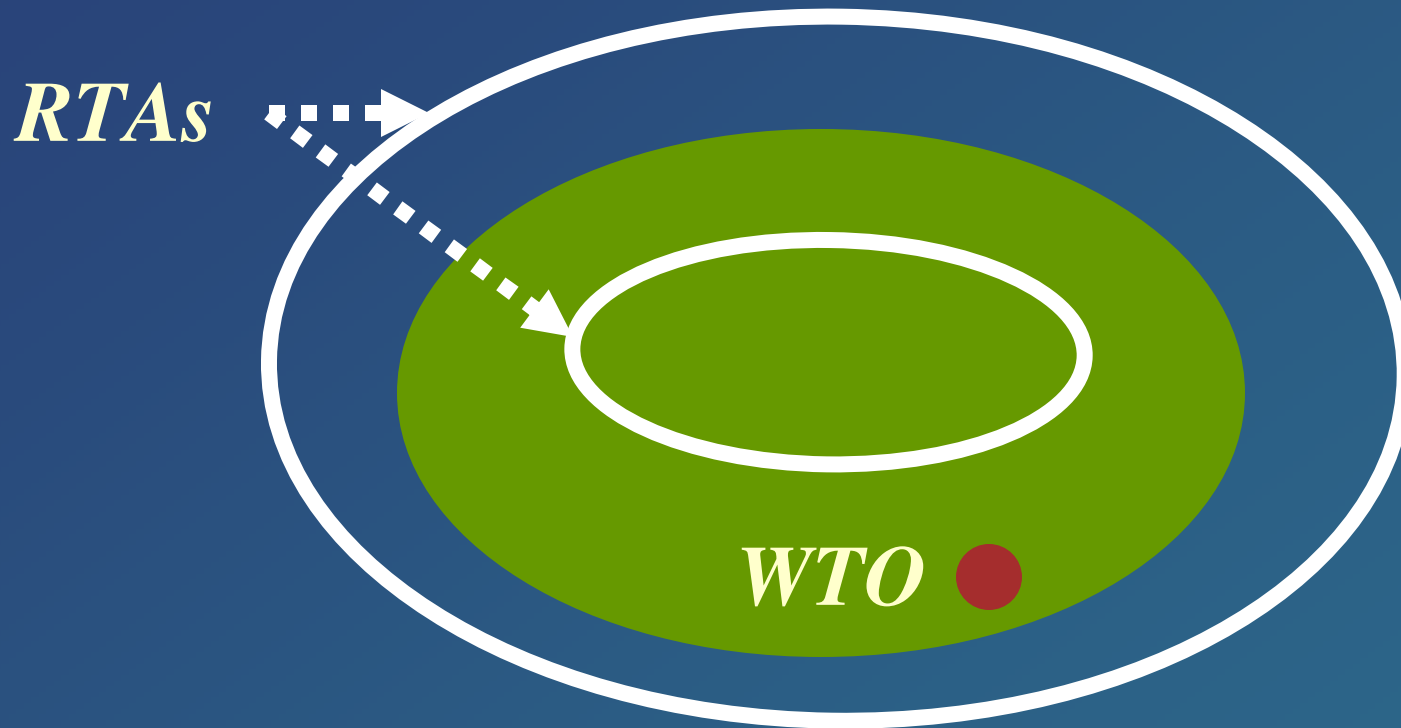
Fourth, consider RIAs “Backward Linkages”



*First, consider the “old”...still important
debate*

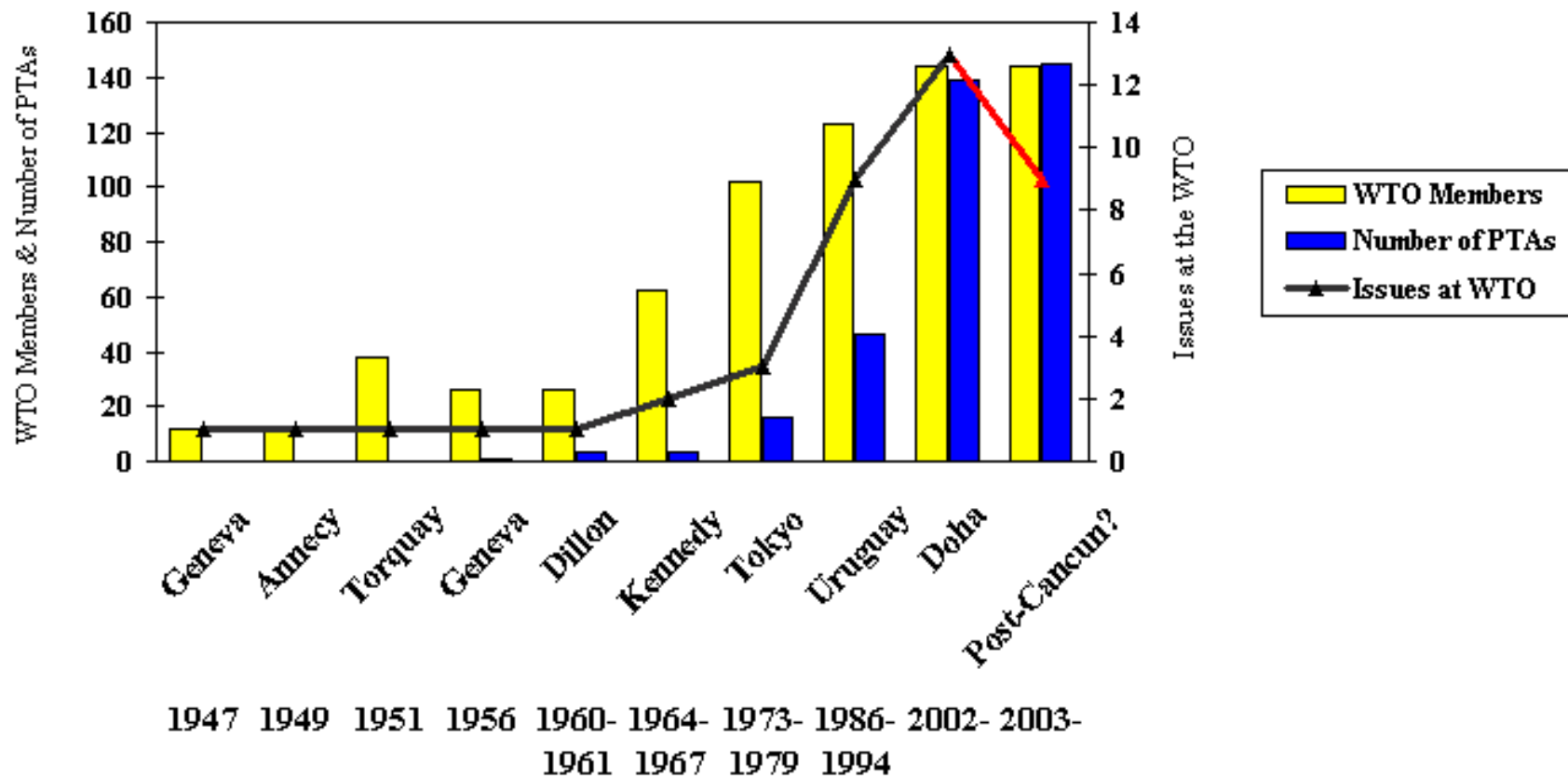


WTO and RTAs



WTO as the “Center of Gravity” of the World trading System: New Regional Rules? ●

The Rise of Regionalism: Regionalism and Multilateralism



World Trading System: Modalities of Liberalization (4 wheels)

UNILATERAL

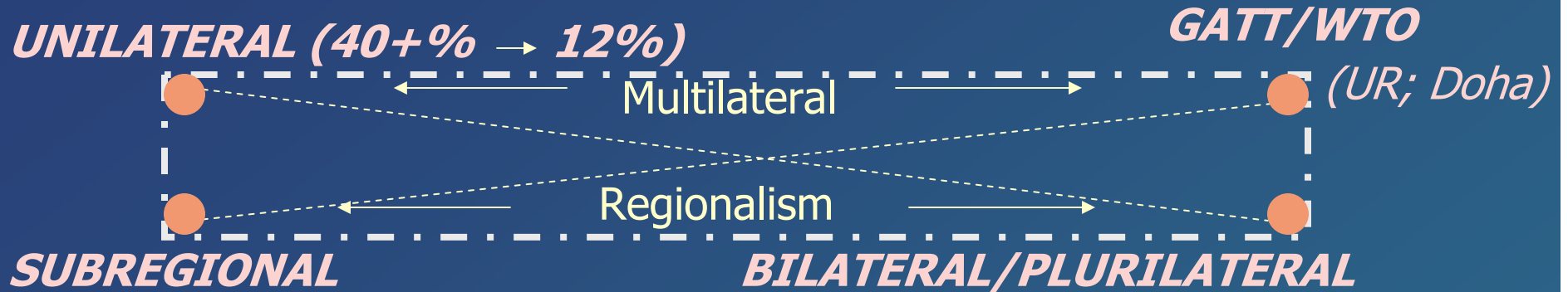
GATT/WTO



SUBREGIONAL

BILATERAL/PLURILATERAL

Latin America 1990s: 4 Wheel Drive 4 x 4



- MERCOSUR
- CACM
- Andean Community
- CARICOM
- NAFTA

REALIZED

- CR-Canada
- CH-USA
- CH-Canada
- CH-EU
- CH-S Korea
- CH-LAC
- MX-LAC
- MX-EU
- MX-Japan
- Mercosur-CAN
- CACM-USA
- DR-USA
- PAN-Taiwan

IN PROGRESS

- | <u>N-S</u> | <u>S-S</u> |
|---------------------------|--------------------|
| •PAN-USA | •BR-Rusia |
| •COL-USA | •PR-Thailand |
| •PR-USA | •CH-China |
| •EC-USA | •MERCOSUR-S.Africa |
| •BOL-US(?) | •PAN-Singapore |
| •CACM/4-Canada | •PR-Singapore |
| •CARICOM-UE | •MX-Singapore |
| •MERCOSUR-UE | •Guatemala-Taiwan |
| •FTAA | •MERCOSUR-China |
| •APEC | •MX-S. Korea |
| •New Zealand-CH-Singapore | |
| •Japan-CH | |
| •New Zealand-MX | |

1990s World Trading System with LAC's Four Wheel Drive = Powerful Synergies

- *Unilateral >>> Regionalism*
 - *Insert Regionalism in a framework of Liberalization (“Open Regionalism”)*
 - *Reduce Risks Trade Diversion*
- *WTO >>> Regionalism*
 - *Systemic Topics (Agricultural Subsidies, Antidumping, Regional Rules)*
 - *Incentive to trade and investment regionalization*

*1990s World Trading System with LAC's
Four Wheel Drive = Powerful Synergies*

- *Regionalism >>> Unilateral*
 - *Reduce Average Protection*
 - *Maintain Momentum of Liberalization/Signal to Private Sector*
- *Regionalism >>> WTO*
 - *WTO +*
 - *Laboratory for New Topics (Singapore issues; agriculture liberalization ...)*
 - *Learning & Bargaining Power*
 - *Deal with neighborhood issues (especially subregional integration)*

*Since 2003...The World Trading System
is loosing traction: Now is only 4 x 1*

- 1. Unilateral – Few Iniciatives*
- 2. WTO – Cancun failure*
- 3. Subregional integration desoriented*
- 4. Bilateral/plurilateral*
 - Bilateralism hyperactive (N-S)*
 - Plurilaterals (N-S) – Problems in Advancing*
 - FTAA (?)*
 - APEC (?)*
 - UE-LAC (?)*

Leveraging Bilateralism in the World Trading System

- *Potential Advantages of N-S Bilateralism N-S in current 4 X 1 environment*
 - *Opportunity to maintain forward momentum*
 - *Limited number of players facilitates agreement*
 - *Window for access to major export market*
 - *Consolidate and expan preferential access*
 - *Minimimize cost of trade diversion*
 - *Source FDI Attraction*
 - *Adoption Modern Institutions*
 - *Plataform for Technical assistance*

Leveraging Bilateralism in the World Trading System (cont.)

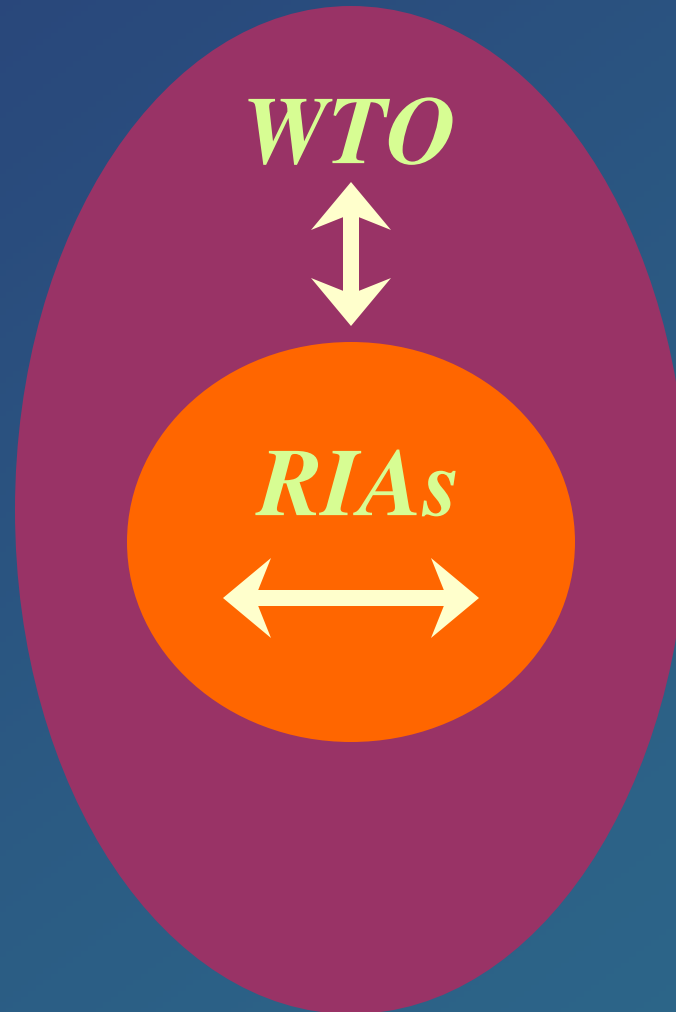
- *Potential Risks of N-S Bilateralism N-S in current 4 X 1 environment*
 - *Loss of synergies of 4x4*
 - *Aggravate the “spaghetti bowl” (esp. without FTAA)*
 - *Increase Asymmetric Bargaining Power N-S*
 - Christmas Tree*
 - Expand Hub and Spokes*
 - Increase Pressure on Non-Trade Issues*
 - *Distract Attention from:*
 - WTO / Subregional Integration*

A Need to Restore Balance...

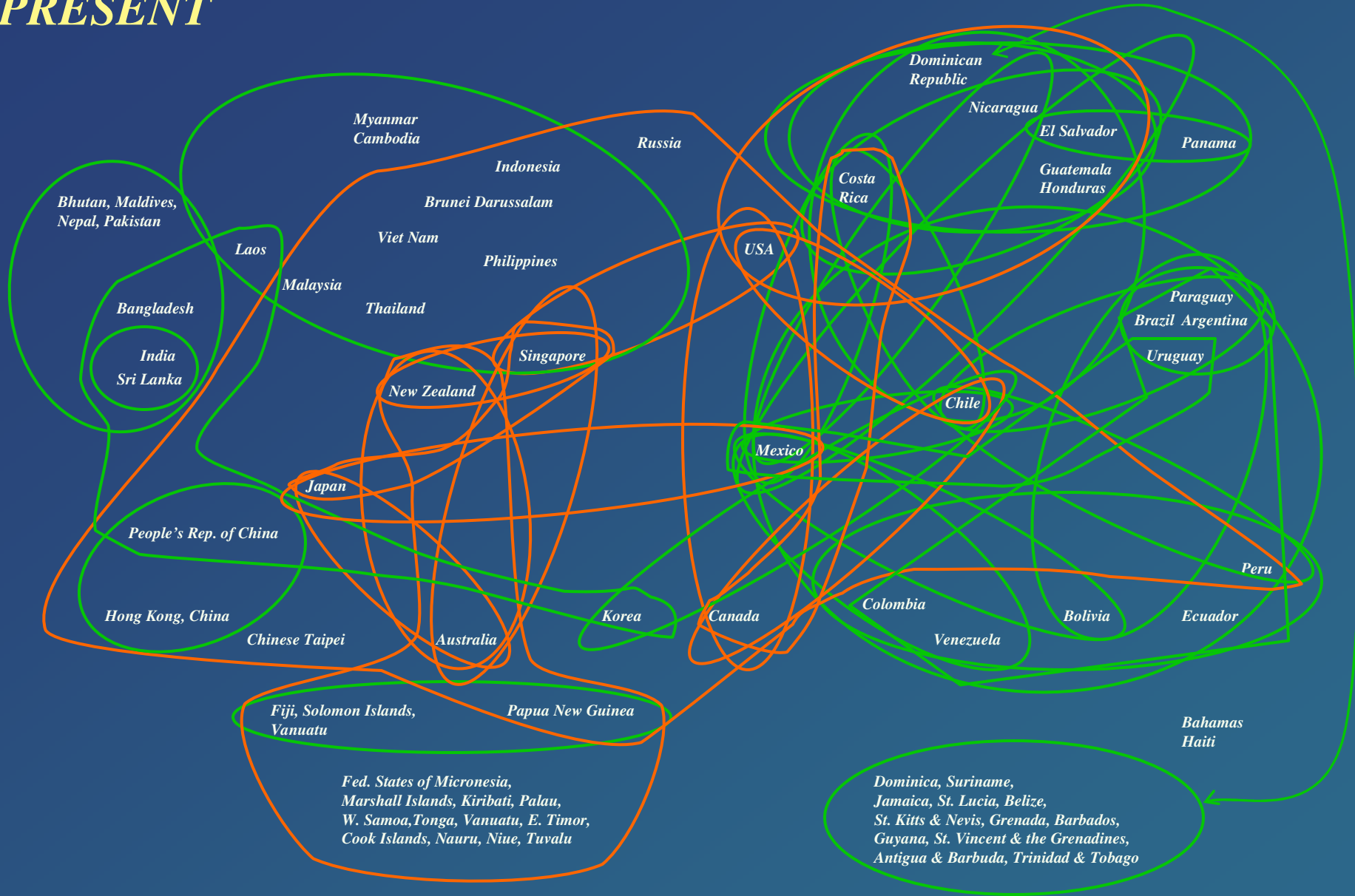
Scenarios Beyond Bilateralism:

- *Put Doha Back on Track*
- *Renew Deepening of Subregional Integration*
- *Gradual Unilateral Opening (including CETs)*
- *Complete big plurilateral agreements (e.g., FTAA, EU-ALC, APEC)*

*Second, consider the underlying dynamics
of the Spaghetti Bowl of RIAs*



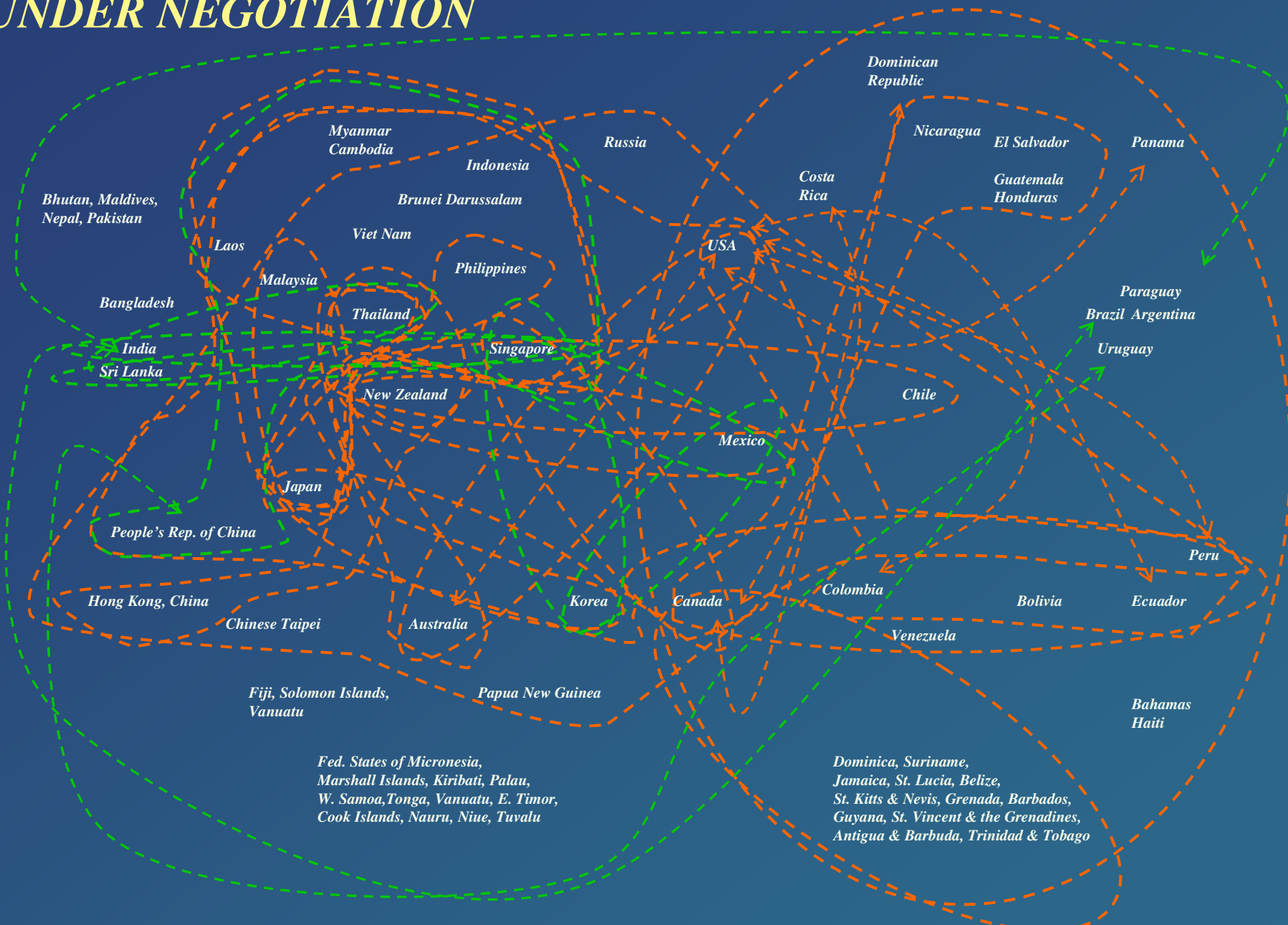
PRESENT



ASIA

AMERICAS

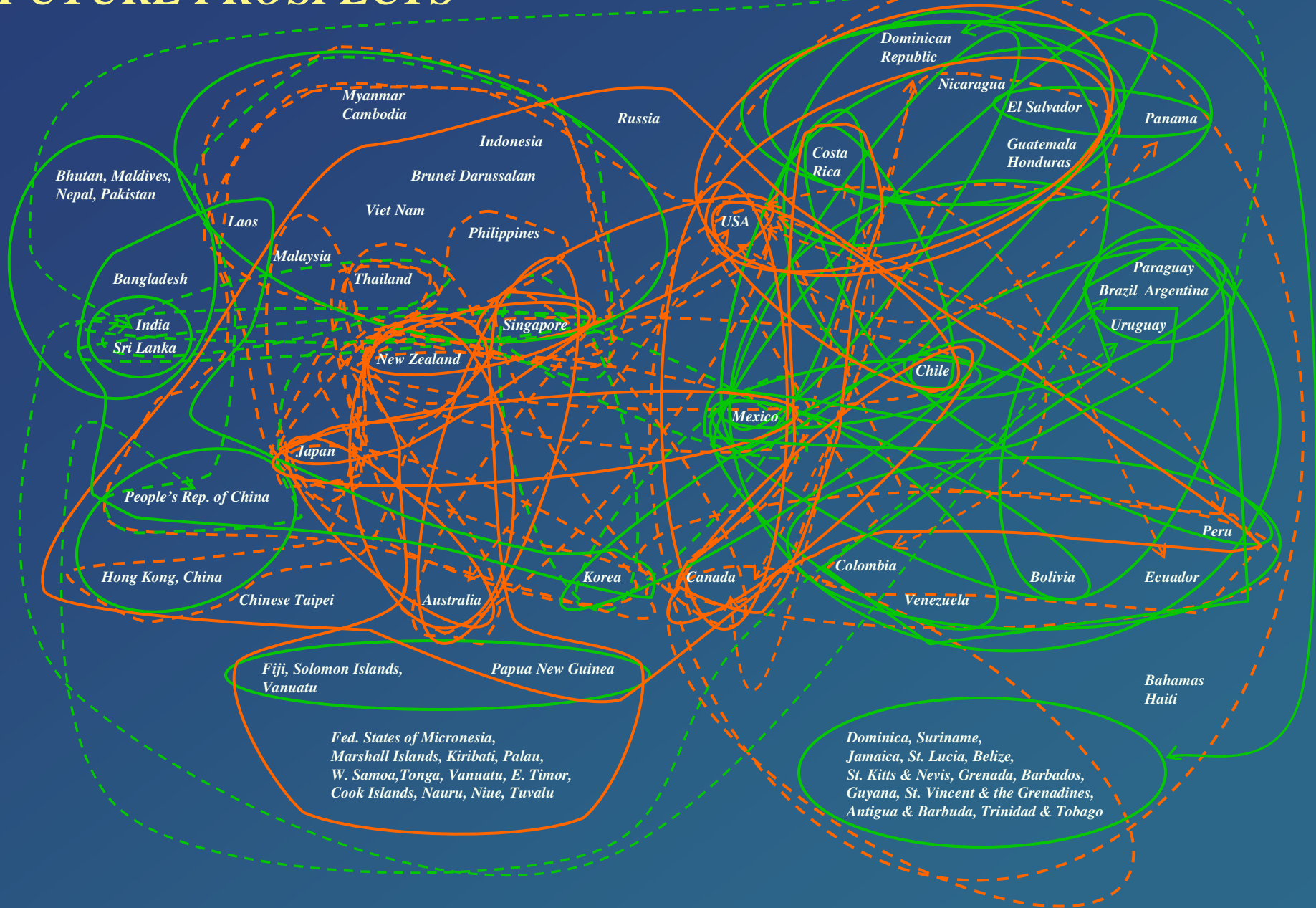
UNDER NEGOTIATION



ASIA

AMERICAS

FUTURE PROSPECTS



ASIA

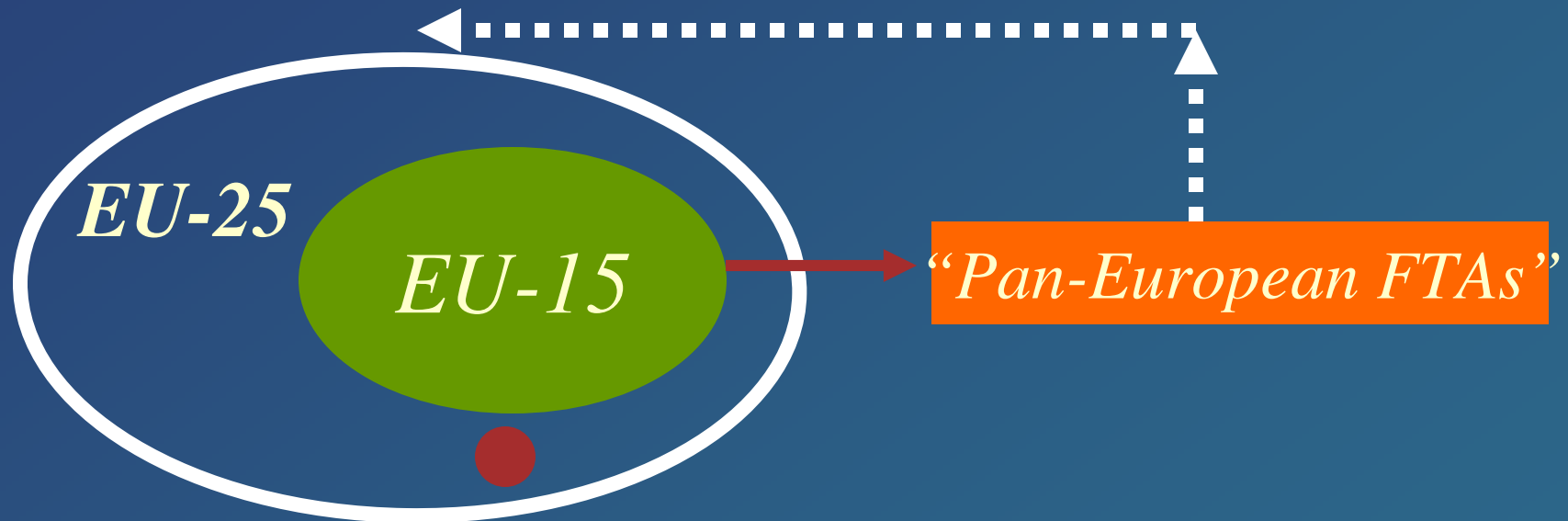
AMERICAS

Understanding the evolution of the RTAs “Spaghetti Bowl” Scenario

- *Regional Integration in Europe:
RTAs and European Enlargement*
- *Regional Integration in the Americas:
RTAs and the FTAA*
- *Regional Integration in Asia-Pacific:
RTAs and APEC*

Regional Integration in Europe

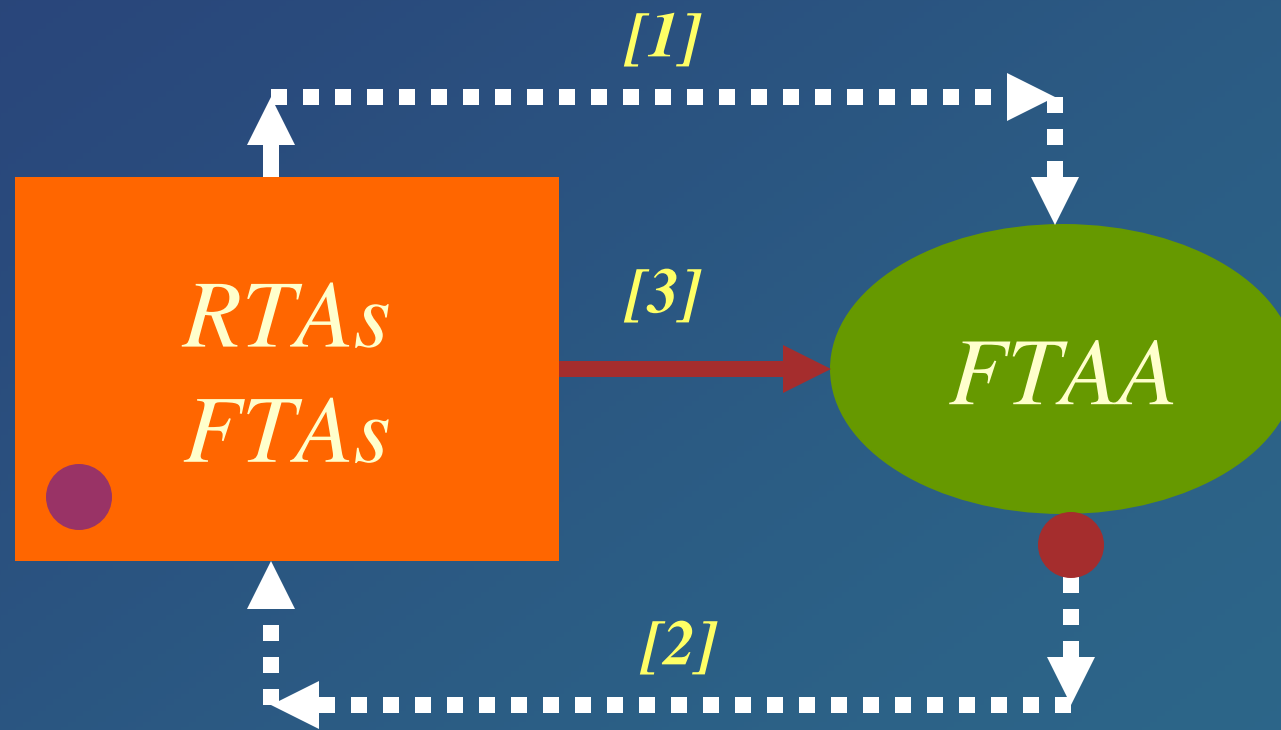
FTAs in European Expansion



*EU-15 “center of gravity” of an
“Pan-European System of FTAs”*

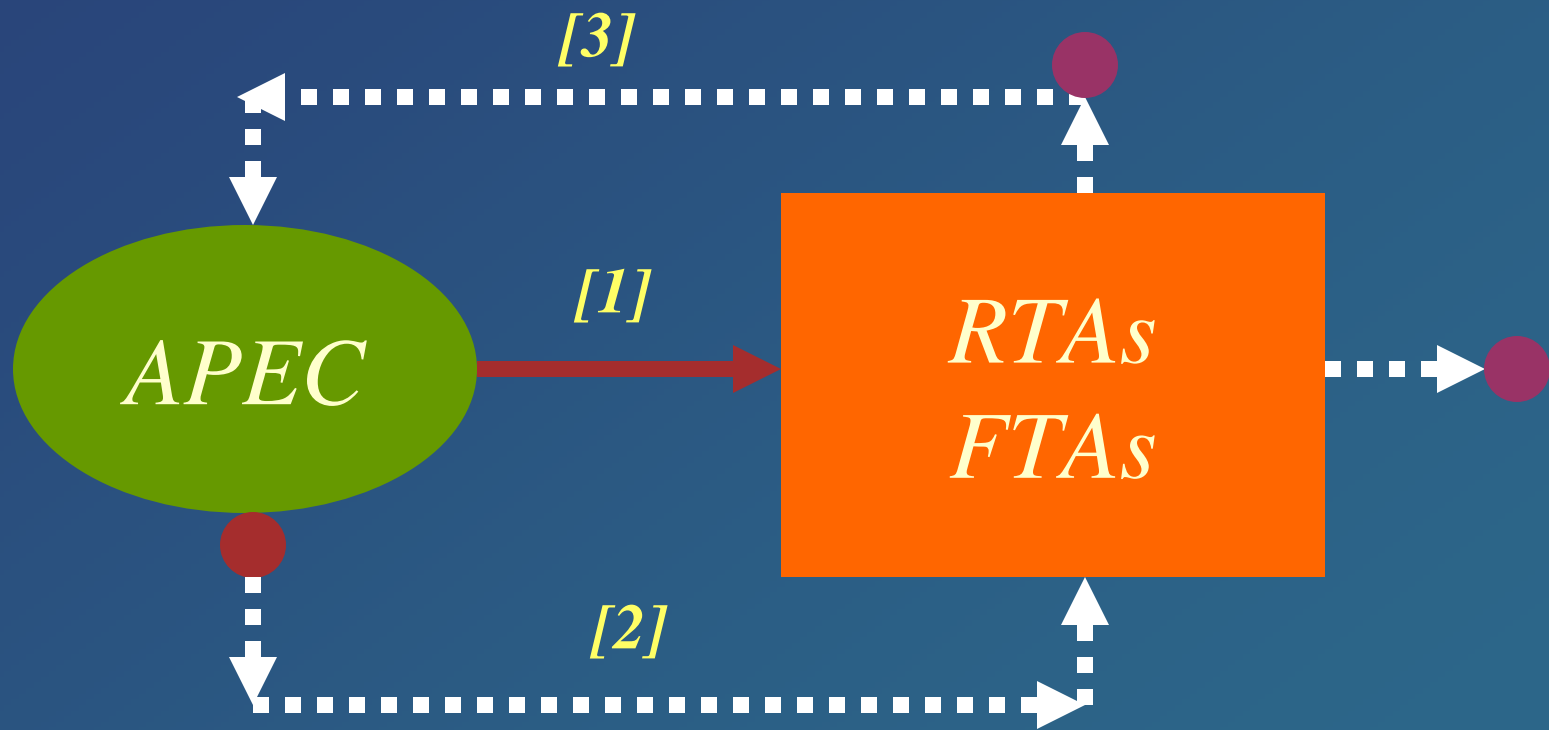
Regional Integration in the Americas

RTAs and The FTAA



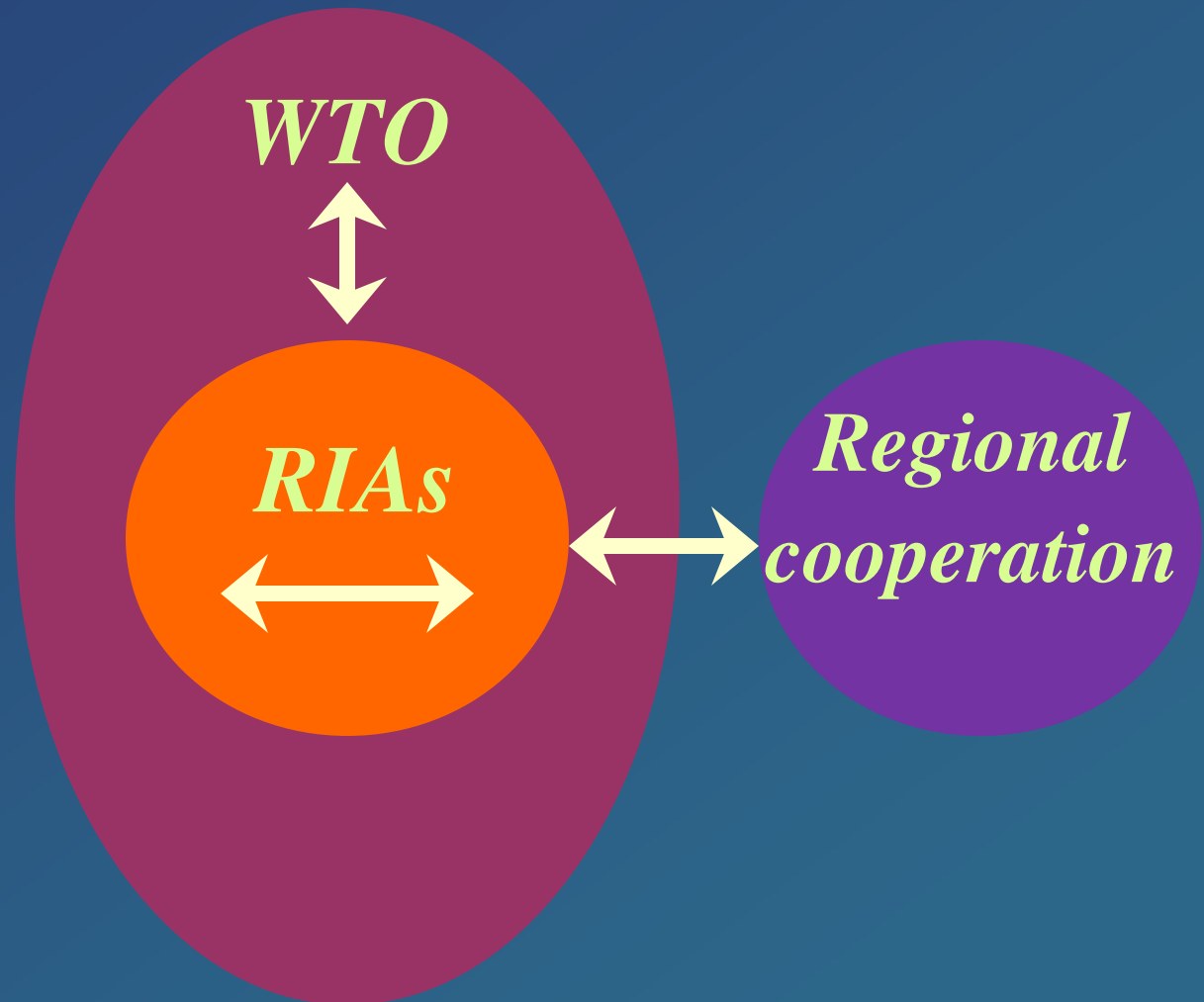
*Is the FTAA still the “Center of Gravity”
in The Americas?* ●

Regional Integration in Asia-Pacific RTAs and APEC



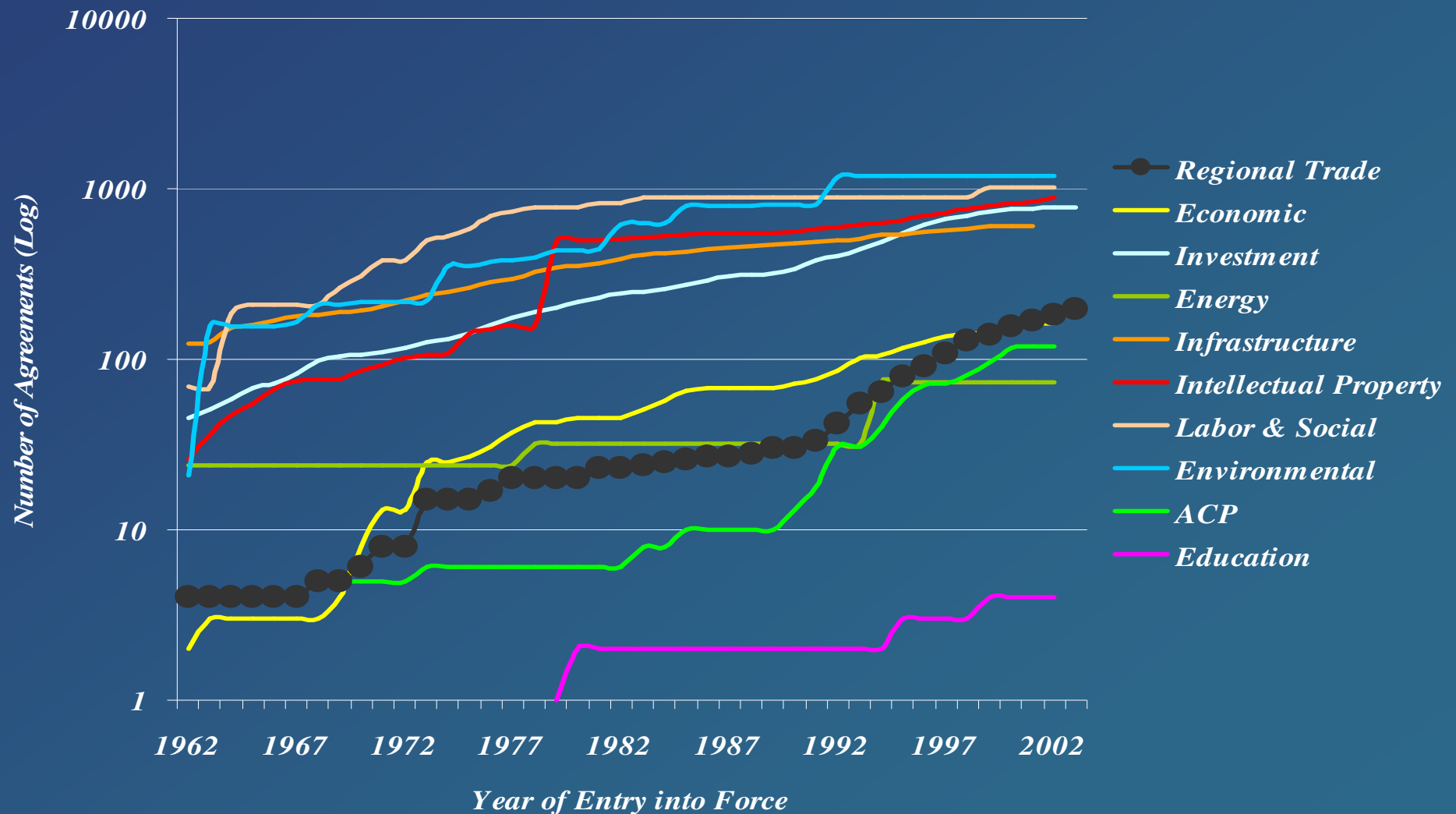
*Is APEC still the “Center of Gravity”
in Asia-Pacific?*

Third, consider RIAs “Forward Linkages”



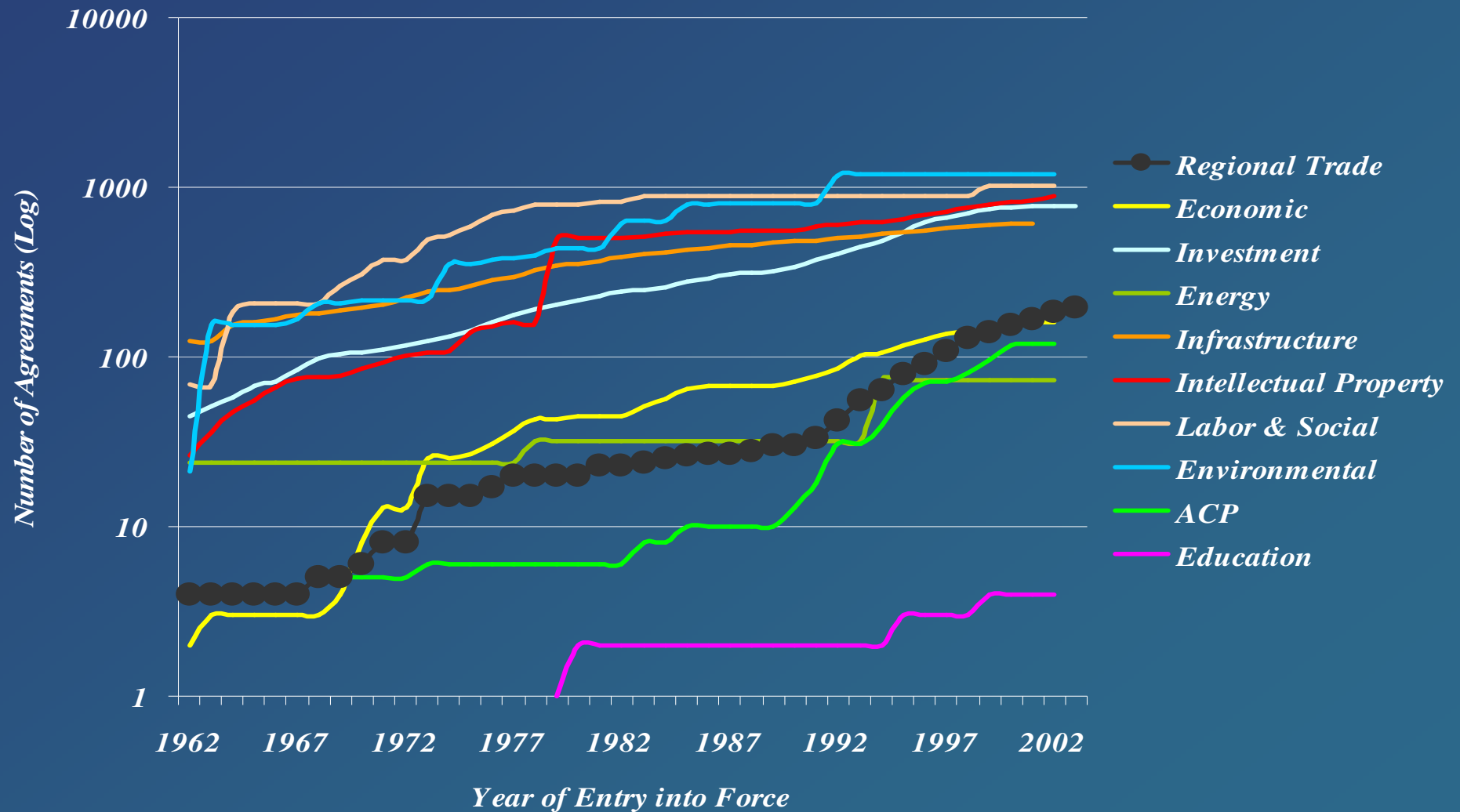
Are RTAs (T) building blocks for RCA s (C)

RTAs (T) and Regional Cooperation (C)



Are RTAs (T) building blocks for RCA s (C)

RTAs (T) and Regional Cooperation (C)



Regional Integration (T) and Regional Cooperation (C): models and Scenarios

(1) T

(2) C

(3) T & C or T // C

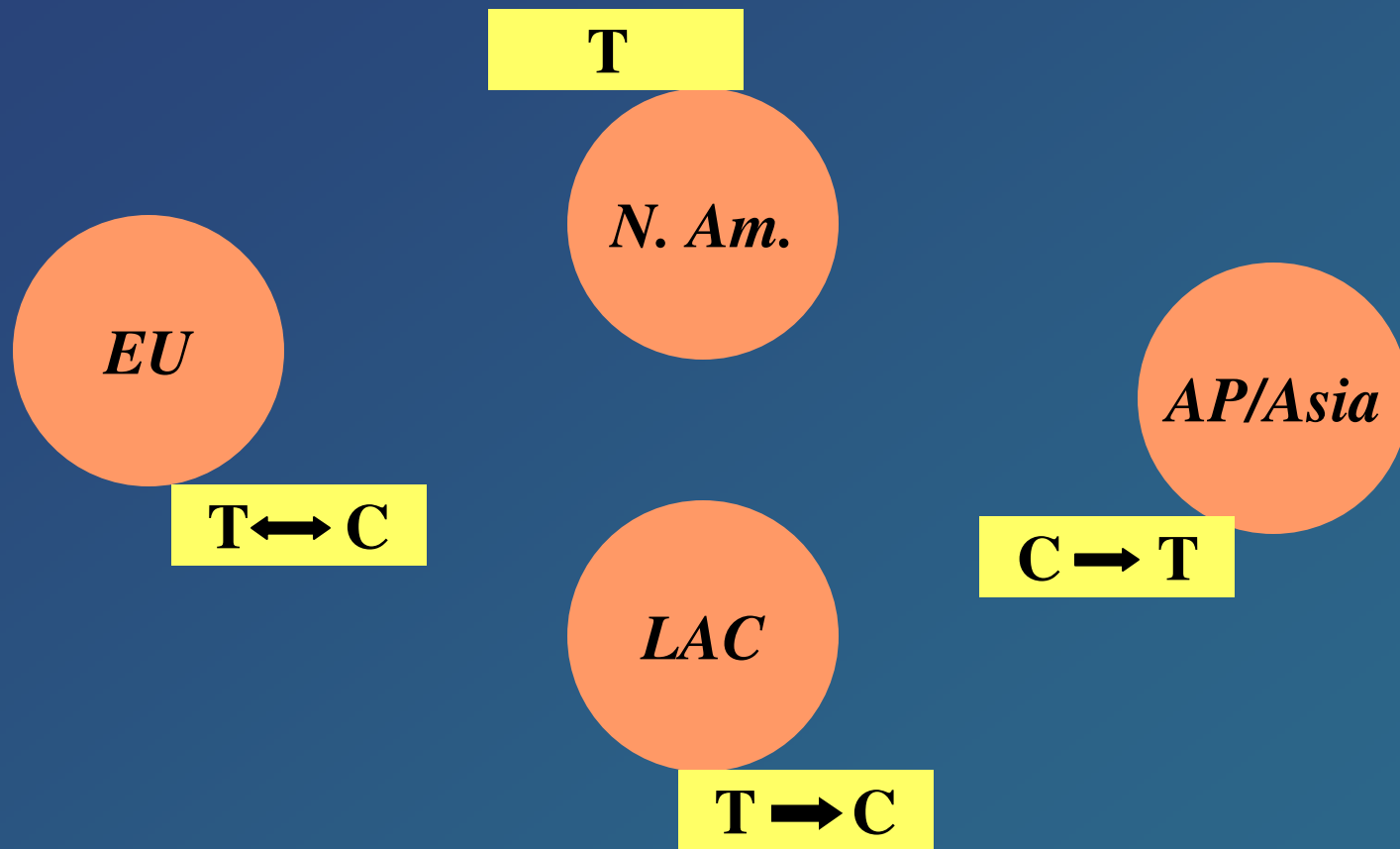
(4) T+C



$T \rightarrow C = (T+C)$

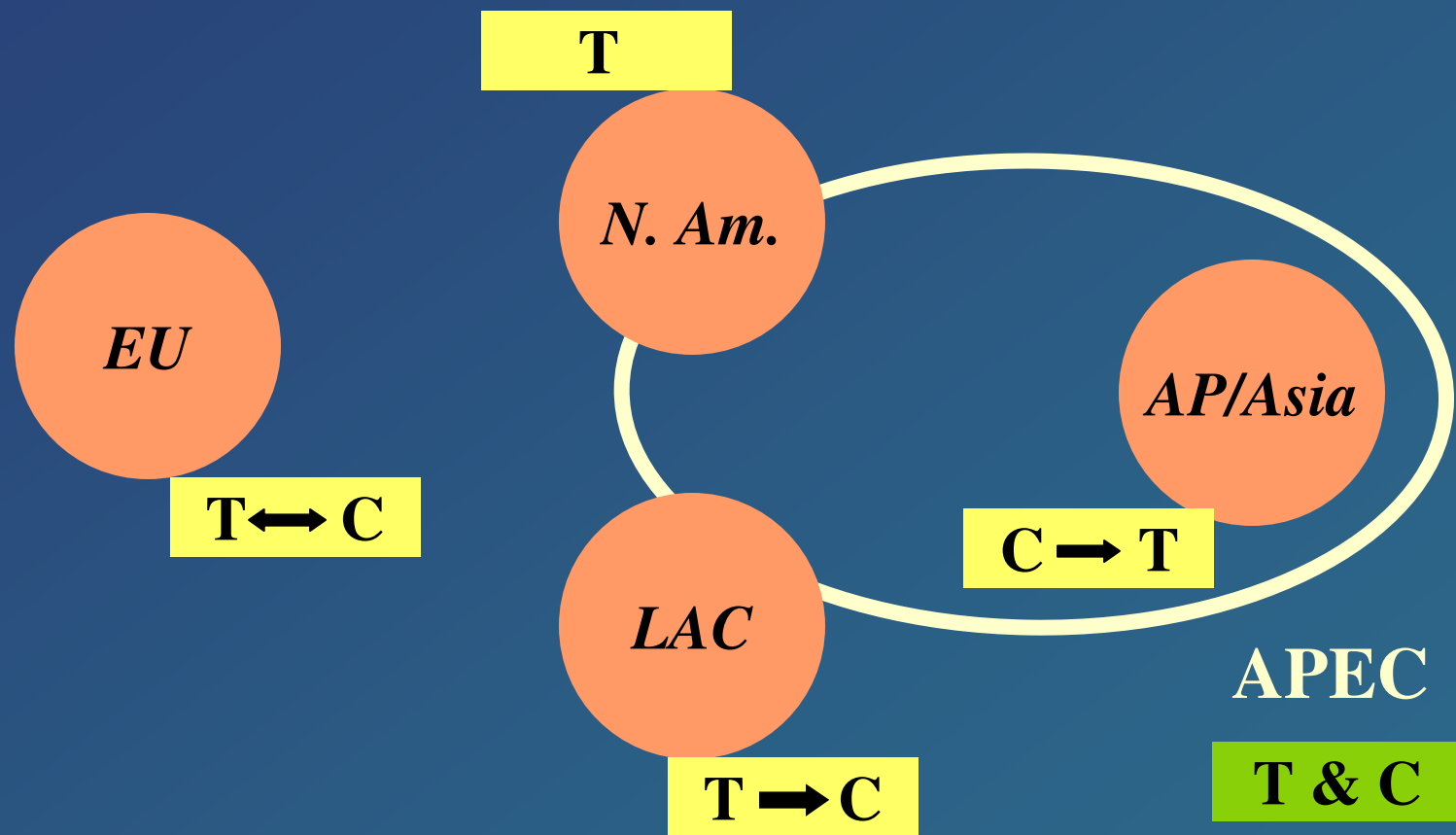
$C \rightarrow T = (T+C)$

RTAs (T) and RPGs / Cooperation (C) Models



North-South Examples

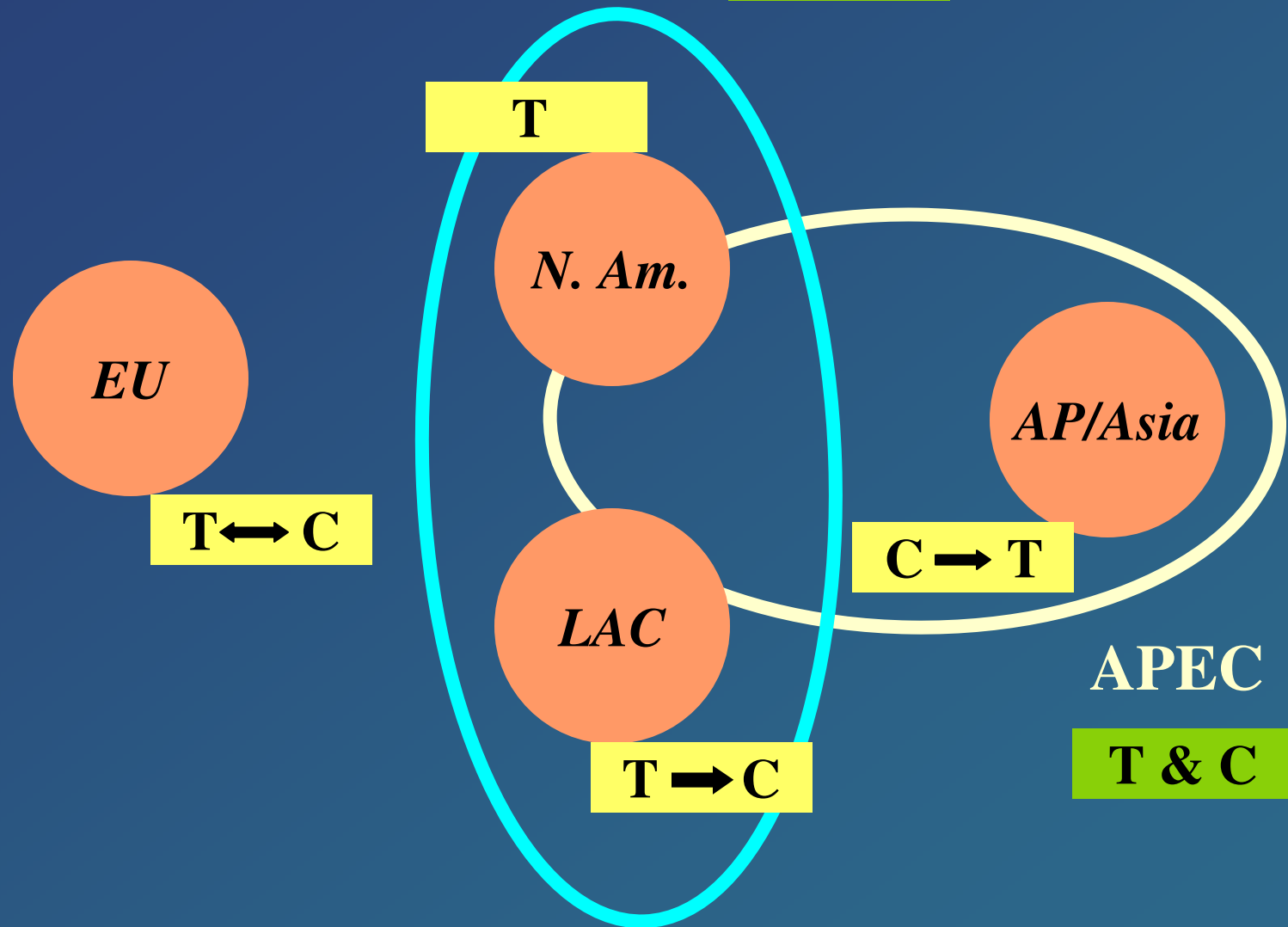
RTAs (T) and RPGs / Cooperation (C) Models



North-South Examples

RTAs (T) and RPGs / Cooperation (C) Models

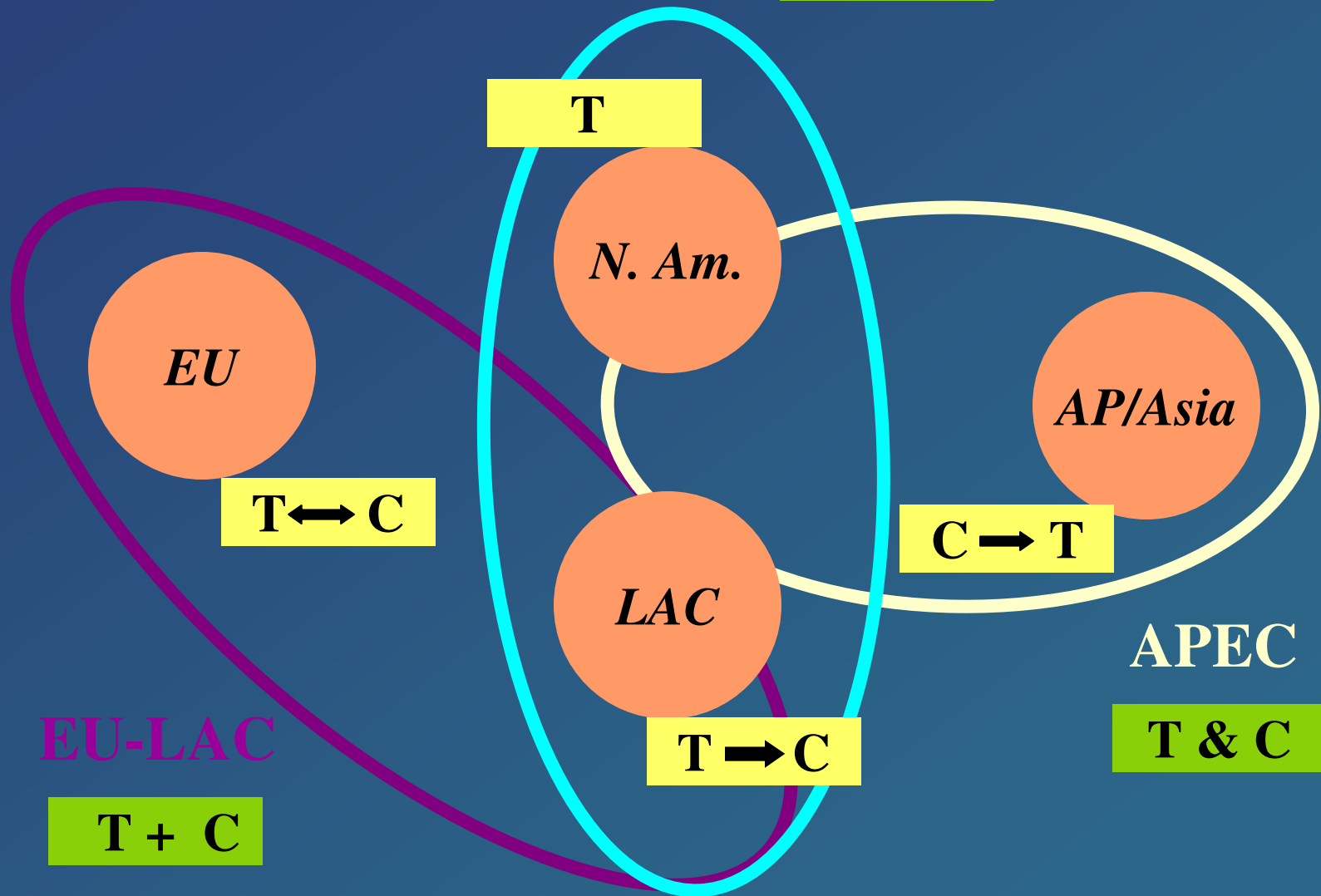
FTAA **T // C**



North-South Examples


RTAs (T) and RPGs / Cooperation (C) Models

FTAA **T // C**



North-South Examples

T and C Linkages


<i>MODEL:</i>	<i>T</i>		<i>C</i>
<i>Regional Initiative</i>			
<i>EU</i>			
<i>FTAA (Summit)</i>			
<i>APEC</i>			

T ↔ C

T // C

T & C

T and C Linkages


<i>MODEL:</i>	<i>T</i>		<i>C</i>
<i>Regional Initiative</i>	Objectives and Degree of Deepening T		
<i>EU</i>	“Full” T Integration		
<i>FTAA (Summit)</i>	“Classical” FTA +		
<i>APEC</i>	Open Regionalism Principles		

T ↔ C


T // C

T & C

T and C Linkages

<i>MODEL:</i>	<i>T</i>		<i>C</i>
<i>Regional Initiative</i>	Objectives and Degree of Deepening T		Objectives and Degree of Regional C
<i>EU</i> T ↔ C	“Full” T Integration		RPGs
<i>FTAA (Summit)</i> T // C	“Classical” FTA +		GPGs
<i>APEC</i> T & C	Open Regionalism Principles		Mix RPGs and GPGs

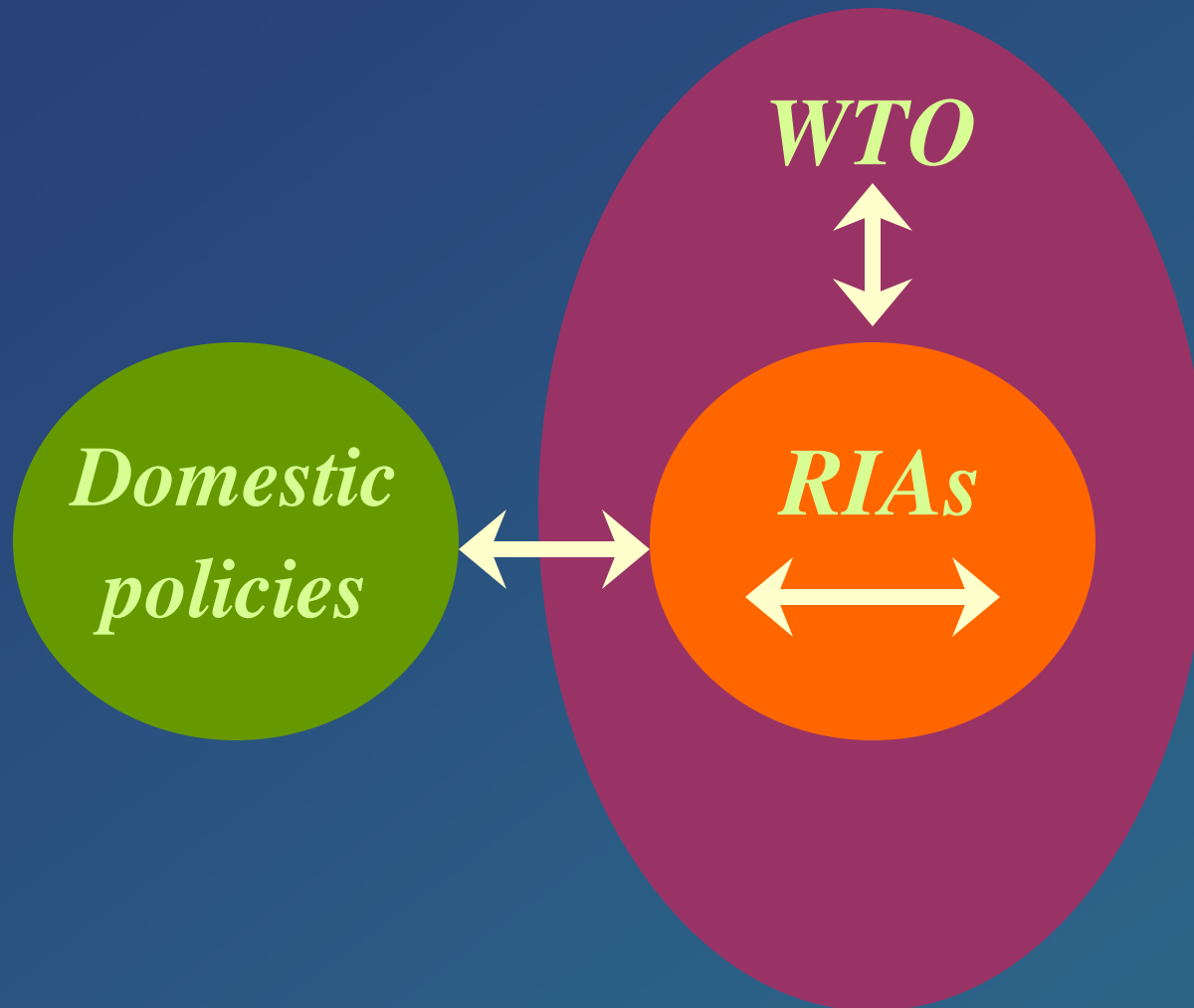
T and C Linkages

<i>MODEL:</i>	<i>T</i>		<i>C</i>
<i>Regional Initiative</i>	Objectives and Degree of Deepening T	Relationship between T and C: Instit. Dev.	Objectives and Degree of Regional C
<i>EU</i> T ↔ C	“Full” T Integration	“High” Institutionalality “Community Way” “Multilevel Issue”	RPGs
<i>FTAA (Summit)</i> T // C	“Classical” FTA +	“Low” Institutionalality	GPGs
<i>APEC</i> T & C	Open Regionalism Principles	“Medium” Institutionalality	Mix RPGs and GPGs

From “T” to “C” ?

- *“Spaghetti Bowl” in “T” as a “wiring” for Cooperation “C”*
- *Rationale: RTAs / FTAs provides “economic-commercial” incentives for the provision of Regional Public Goods through regional “C”*

Finally, consider RIAs “Backward Linkages”



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