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Central American integration

Together again, after all these years?

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A new togetherness, whether politicians like it or not

AFTER decades, nay centuries, of on-and-off romance, there is a sense in Central America that the region might finally be moving toward some sort of federal get-together—if not a full-blown marriage, then at least a European-style “ever closer union”.

Backed by all five of the isthmus's current pro-American free-market governments, the momentum toward integration has been given a fillip by plans to set up a Central American Free-Trade Agreement (CAFTA) between Costa Rica, Nicaragua, Honduras, El Salvador, Guatemala and the United States—with Panama tagging along in a separately negotiated agreement.

Three countries—El Salvador, Honduras and Guatemala—have already ratified CAFTA. Despite growing fears that American congressional opposition could scuttle the agreement—President Bush was due to meet the five Central American presidents on May 12th in a bid to rally support for the deal—it need not mean the end of the whole project. The other signatories could decide to set up a trading block of their own, without America. There is already talk of their being “very close” to a unified customs union.

Besides, over the past decade, other forces have been driving along regional integration at what has sometimes seemed a relentless pace—despite the politicians. Even before CAFTA, this had raised hopes of a new love-match.

But, the sceptics scoff, this is not the first time Central America has been down this road. Ever since the Spanish were booted out of the region in 1821, the isthmus's seven small countries (with a total population of 36m in 2000) have been trying to hitch up. But it has always ended in tears.

First came the United Provinces of Central America, modelled on the United States. But by 1840, it had broken up. Then, in 1960, the Central American Common Market was set up. But it, too, had fallen apart by the end of the decade. So why should things be any different this time?

Because, argue the integrationists, there is now an unstoppable trend towards regional economic integration from the bottom up. This, they believe, should be enough to diminish, and eventually eliminate, all the nationalist niggles that seem to dog closely packed neighbours.

Since the end of Central America's civil wars in the mid-1990s, there has been an unparalleled level of regional business consolidation, argues Arturo Condo, an economist at INCAE, the region's leading business school. This has given rise for the first time to recognisable regional brands. These are breaking down political and geographic barriers faster than the politicians ever could, he argues.

In financial services, for example, Nicaragua's successful BAC and Banco Uno banks have both expanded across the region. In aviation, El Salvador's TACA has bought up several other airlines to make it a Central American titan, alongside Panama's Copa Airlines. And in the supermarket sector, Guatemalan and Costa Rican brands can now be found everywhere.

But tourism could prove an even more powerful integrating force, Mr Condo believes. While Costa Rica is already a world leader in eco-tourism, most other Central American countries remain relatively under-developed, largely because of the damage done to their reputations during their civil wars. Stressing the region's environmental or archaeological assets could help foster cross-border tourism, he says. The rainforests of Panama, Costa Rica and Nicaragua already form an obvious tourist "niche"; the ancient Maya sites of Guatemala and Honduras another.

The need to improve the region's dreadful infrastructure, almost untouched since the 1960s, should also help foster integration. Governments are already starting to work together on joint projects, such as the new container port at La Unión in El Salvador, which is part of a plan to link the Pacific and Atlantic coasts.

Many of the region's social challenges, such as the continuing high levels of poverty and illegal immigration into the United States, could also benefit from a more unified approach. One of the biggest scourges in Central America are the *maras*, the dangerous and well organised gangs that plague the region and, increasingly, America too. A decision to mount a joint campaign against them together with the FBI could eventually lead to the creation of regional law-enforcement bodies.

For the current generation of Central American leaders, such practical steps are a far better way to ensure long-term integration than sounding off about regional parliaments, unified currencies, common flags and the like, as previous generations were apt to do. That sort of thing can come later. Even if the American Congress refuses to ratify CAFTA, many believe this will not block what the integrationists say is now an unstoppable march to eventual union. The sceptics remain dubious.