

Sistema Económico
Latinoamericano y del Caribe

Latin American and Caribbean
Economic System

Sistema Económico
Latino-Americano e do Caribe

Système Economique
Latinoaméricain et Caribéen

ALBA-TCP as a mechanism for cooperation with a regional scope

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Intra-Regional Relations

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F O R E W O R D

This report on the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Agreement (ALBA-TCP) was prepared in compliance with Activity 1.1.6 of the Work Program of the Permanent Secretariat for 2013, entitled "Follow-up and support to new forms of regional integration and cooperation within the framework of ALBA-TCP, SUCRE, UNASUR, PETROCARIBE and the Alliance of the Pacific, highlighting the possibilities for complementarity with existing integration schemes."

For this purpose, that mandate deems it advisable to make analytical efforts and disseminate relevant information, in order to keep track and analyze the evolution of these agreements in the various institutional, economic and social fields, from the perspective of their implications for the regional integration process.

In addition, the report highlights the need of outlining proposals of a regional scope on the reports in order to promote the progressive coordination and convergence of integration processes in the region, based on the experiences of these new modalities of integration and cooperation.

EXECUTIVE SUMMARY

Since the 2000s, a new generation of integration processes has emerged in Latin America and the Caribbean, featuring new models and schemes: the Bolivarian Alternative (now Alliance) for the Peoples of Our America - Peoples' Trade Agreement (ALBA-TCP); Union of South American Nations (UNASUR); the Community of Latin American and Caribbean States (CELAC), and most recently, the Alliance of the Pacific.

The Alliance ALBA-TCP is a novel integration proposal, as it focuses on the social dimension, particularly the fight against poverty and social exclusion. Moreover, the Alliance is aimed at creating mechanisms to compensate the existent asymmetries, in order to develop their economies and foster social well-being. To achieve that, the Alliance gives priority to Latin American and Caribbean integration and negotiations through bilateral agreements; and opens new consultancy and coordination spaces among the signatory States in order to identify common interests, to build strategic alliances and take up common stances before third parties.

This study describes the evolution of its main institutional instruments and the agreements that have been reached in areas such as trade interchange, productive, social, and cultural development.

Instruments for cooperation are carried out through agreements among each member country of the Alliance with Venezuela, given the impossibility of incurring debts or economic commitments on behalf of ALBA-TCP, as it lacks a legal personality; so in consequence, the States subject to public international law serve as actors.

Despite the fact that this Alliance has not a constituent treaty and therefore, lacks a formal founding instrument, it does have institutions and mechanisms that have complied with that formality of public international law, such as the ALBA Bank, and the Regional Clearance Unitary System (SUCRE).

The report summarizes the projects and companies termed "grand national" in the fields of education, culture, trade, food, health, telecommunications, transport, tourism, industrial mining and energy. In parallel, another field which has registered outstanding progress is the establishment of a sort of monetary-financial architecture among the Member States of the Alliance. Such progress has taken place in two areas: the Alba Bank and the SUCRE.

Another highlight of the study is the importance of the endorsement of the Economic Space of ALBA-TCP (ECOALBA-TCP) in April 2013. This instrument is intended to formulate legislations and invigorate economic relations among the Member States of the Alliance, by boosting complementary productive and trade chains. In that sense, the Agreement establishes the economic principles that will rule the shared development process, from the perspective of an ensemble; not of a simple aggregation of individual countries, which should also allow for a better positioning of the Alliance in the international scope.

Finally, the study closes with some assessments and recommendations on the possibilities for complementarity and convergence of the Alliance with the pre-existing integration schemes, taking into account the participation of the members in several pre-existing integration schemes. This issue has been widely discussed in different Summits and meetings including regional integration in their agenda.

In this connection, the first element to be discussed in an effort to achieve complementarity and convergence of the Alliance with the remaining processes of

integration would be determining if that possibility should be evaluated before or after the incorporation of the members of the Alliance into the adopted mechanisms, namely the ALBA Bank, the Sucre, and the “grand national” enterprises and projects.

Strengthening the Alliance is advised before assessing options of complementarity and convergence with other existing mechanisms, throughout the consolidation of its projects and progress towards a greater articulation and internal cohesion. Likewise, the Alliance's legal personality is another element that should be considered.

The second aspect is that complementarity and convergence should arise out of recognition and analysis of the diversity implied in the regional and sub-regional integration schemes in which the Member States of the Alliance take part. It can be deduced that if the Member States of the Alliance participate individually in other integration schemes, then convergence points could be established to facilitate articulation and cooperation of the Alliance together with other mechanisms, based on the experiences of its Member States.

A third aspect is the possibility of spreading the SUCRE to third-party countries. It can be an instrument to foster complementarity and convergence with other mechanisms or countries.

I. INTRODUCTION

The objective of this study is to comprehensively analyze the emergence, features, and evolution of the ALBA-TCP, a cooperation and integration scheme of regional scope, including among its members countries of the Caribbean, Central America, and South America.

The document is made up by five chapters. Following the introduction, the second chapter deals with the background, membership, legal and institutional instruments, the objectives, as well as the main documents issued during the evolution of this Alliance. It should be noted that the Alliance is a mechanism that does not have an international legal personality yet, hence, the conventions and agreements subscribed have a bilateral character.

The third chapter focuses on trade and productive aspects. It begins with an explanation of the principles of the Peoples' Trade Agreement (TCP) and the cooperation modalities and mechanisms employed, regulations and procedures applied, trade agreements, the features of the participating economies, and the characteristics of trade exchanges against the backdrop of the Alliance, including a description of the effects of the Regional Clearance Unitary System (SUCRE) on trade.

Another highlight is the Economic Complementarity Agreement ECOALBA-TCP, recently subscribed by the Member States of the Alliance, under the auspices of the Treaty of Montevideo (1980) and against the backdrop of the Latin American Integration Association (ALADI). The chapter describes the origins, features, and objectives of the agreement.

Then, the projects and enterprises termed “grand national” are discussed. First, the concept is presented; then, the grand national projects and enterprises that have been created are listed. The bilateral nature of the enterprises and projects, as well as the levels of participation of the members of the Alliance are other aspects underlined on this chapter.

Afterwards, the financial and monetary mechanisms are described, namely the ALBA bank, the ALBA Caribbean Fund, and the SUCRE; including their structure, functioning, objectives, and reach, as well as the impact those mechanisms had had on the support to grand national enterprises and projects that have been applied in each country, and how cooperation within the Alliance is combined with that of Petrocaribe, even though it is presented as an action of the Alliance.

The fifth chapter highlights the social agreements subscribed within the Alliance. Also, the Funds that have been created, and cooperation with the Republic of Haiti are described through official indicators.

The sixth chapter suggests possible actions to identify issues in which complementarity modalities of the Alliance with the pre-existing integration schemes could be brought forward.

The analysis is based on official publications about the evolution of the ALBA-TCP process and the knowledge on the subject that the Permanent Secretariat of SELA has acquired, by virtue of the remarks made by ALBA-TCP authorities in several meetings and seminars held in SELA headquarters over the last years. Similarly, other sources include information contained in the following documents *"Report on the Regional Integration Process"* and *"Institutional Architecture for Integration in Latin America and the Caribbean,"* prepared annually by the Permanent Secretariat.

II. ALBA-TCP AS A COOPERATION MECHANISM

1. Objectives

ALBA-TCP is an alliance focused on the development of cooperation and integration in the economic, trade, and productive areas, with emphasis on the social dimension.

The following objectives and principles were established in its origins: ¹

- a) Trade and investment must not be an end in itself, but instruments to reach a sustainable development. In order to achieve it, an effective participation of the State as a regulator and coordinator of the economic activity is needed.
- b) Special and Differential Treatment, which takes into account the level of development of the various countries and the dimension of their economies, should guarantee the access for all the nations that take part in the benefits that stem from the process of the integration.
- c) The economic complementarity and the cooperation between the participating countries and productions should be in such a way that promotes a productive, efficient and competitive specialization which is compatible with the balanced economic development in every country, with the strategies of fighting against the poverty and with the preservation of the cultural identity of the peoples.
- d) Cooperation and solidarity that are translated into special plans for the least developed countries in the region, should include a Continental Plan against illiteracy, using modern technologies; a Latin-American and Caribbean plan of free

¹ Declaration of the I Summit of ALBA, held in Havana on 14 December 2004. See Web site www.alba-tcp.org.

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health care to citizens who lack such services and a scholarships scheme of regional character in areas of major interest for economic and social development.

- e) Inclusive development of the communications and the transport between the Latin-American and Caribbean countries, which includes joint plans of roads, railroads, maritime routes and airlines, telecommunications and so on.
- f) Actions to enable the sustainability of the development by means of procedures which protect the environment and encourage a rational use of resources.
- g) Energy Integration among the countries of the region, which secures the stable supply of energy products in the interests of the Latin-American and Caribbean companies, as the Cooperation Agreement PETROAMERICA promotes.
- h) Promotion of Latin American capital investments within Latin America and the Caribbean, with the aim to reduce the dependence of the countries of the region on the foreign investors. To that effect, a Latin-American Investment Fund, a Bank of Development of the South, and the Latin-American Mutual Guarantee Company would be created.
- i) Defence of the Latin-American and Caribbean culture and of the identity of the peoples of the region, with particular respect for and promotion of the autochthonous and indigenous cultures. Creation of the Television of the South (TELESUR) as an alternative instrument to the service of the dissemination of the realities of the signatory countries.
- j) Measures for intellectual property norms, while protecting the heritage of the Latin American and Caribbean countries, must not become an obstacle to the necessary regional cooperation.
- k) Coordination of the positions in the multilateral spheres and in the processes of negotiation of all kinds with countries and blocks of other regions, including the fight for the democratization and transparency in the international organizations, particularly in the United Nations and its agencies.

The ALBA-TCP does not have a constitutive act, as traditionally known in public international law, meaning that it is not subject to international law like other integration mechanisms, such as the Southern Common Market (MERCOSUR) or the Union of South American Nations (UNASUR). The need of providing a legal personality to the Alliance is a subject that has been on the agenda at the highest levels; however, the most suitable way and moment to tackle it has not been decided yet.

Despite the fact that a formal founding treaty is lacking, the Alliance counts on institutions and mechanisms that have complied that formality required by public international law, such as the ALBA Bank and the Regional Clearance Unitary System (SUCRE).

2. Membership

The Member States of ALBA-TCP are the following:

TABLE 1
Membership of ALBA-TCP

Country	Date of entry	Comments
Cuba	14 December 2004	
Venezuela	14 December 2004	
Bolivia	29 April 2006	
Nicaragua	11 January 2007	
Dominica	26 January 2008	
Honduras	25 August 2008	Honduras announced its withdrawal in 2009, and ratified it in 2010
Ecuador	24 June 2009	
Saint Vincent and the Grenadines	24 June 2009	
Antigua and Barbuda	24 June 2009	
Saint Lucia	31 July 2013	

Source: Prepared by the author.

This membership gives the Alliance particular features, namely:

- It is a process that includes countries from Central America, South America and the Caribbean. Therefore, it has a regional reach.
- Its members also take part in other subregional and regional processes, such as the Andean Community (CAN), the Southern Common Market (MERCOSUR), the Union of South American Nations (UNASUR), the Caribbean Community (CARICOM), the Organization of Eastern Caribbean States (OECS), the Central American Integration System (SICA), and the Association of Caribbean States (ACS).
- Most of its members hold close economic and trade relations with the United States. For instance: the US is the main trade partner of Venezuela and the Central American countries;² Nicaragua subscribes the Dominican Republic-Central America (CAFTA-DR) Free Trade Agreement, and the legal tender in Ecuador and El Salvador is the US dollar.

There are two additional membership categories, namely:

- Permanent Guest Member: Haiti
- Special Guest Members: Suriname

These two categories were established formally in the XI Summit of the ALBA-TCP, held in Caracas on 4 and 5 February 2012.

Flexibility and gradualism are other features of the Alliance. Although all members take part in most part of its initiatives, not all its members take part in the SUCRE and the ALBA Bank, key projects for the Alliance's economic relations. This shows openness to different national stances, and broad criteria for the admission of new members.

² For further information, check the Statistical Information Section of Venezuela for year 2012 on the Web site of the Central Bank of Venezuela: <http://www.bcv.org.ve>

TABLE 2
Participation in SUCRE and the ALBA Bank

Initiative	Participating countries	Remarks
SUCRE	Bolivia, Ecuador, Cuba, Nicaragua, and Venezuela	The Caribbean countries do not participate in SUCRE
ALBA Bank	Bolivia, Cuba, Nicaragua, Saint Vincent and the Grenadines, and Venezuela	Ecuador, Antigua and Barbuda, and Dominica do not participate

Source: Prepared by the author.

2. Institutional Structure³

The first steps to achieve an institutional structure for the Alliance started to consolidate in 2009 in the VIII Summit of the ALBA, held in Cuba. The establishment of the ALBA General Secretariat, headquartered in Caracas, has been a decisive step for the progress and follow-up of the topics discussed in the Alliance. In hierarchic order, the structure and functioning of the Alliance is described bellow:⁴

The ALBA-TCP Presidential Council is made up by the Heads of State and Government of the member countries. It is the highest instance for decision-making and deliberation.

The following Ministerial Councils are at the same hierarchic level and bellow the Presidential Council. However, given the nature of its functions and responsibilities, the Political Council, consisting of the Ministers of Foreign Affairs, stands out.

Political Council: consisting of the Ministers of Foreign Affairs, its main function is to advise the ALBA-TCP Presidential Council regarding strategic topics. Likewise, it plays a role in the coordination and guidance for the functioning of the ALBA-TCP.

Social Council:⁵ It is composed of the Ministers of the social areas of the member countries of the Alliance. It shall implement, deepen and follow-up the carrying out of the ALBA-TCP Social Programmes. The Working Groups in the field of education, health, employment, housing, culture, sports and others form part of the Council. In addition, the Woman and Equal Opportunity Committee reports to it.

Economic Complementarity Council: It is composed of the Ministers designated by each member country in the fields of industries, economy, finance, trade, planning and development. The Council will serve as an instance of coordination of strategies, policies and projects for the productive, agro-food, industrial, energy, commercial, financial, and technological complementarity, in order to structure an Economic Area of Shared Development of ALBA, which will be governed by the Peoples' Trade Treaty (TCP).

³ For further information, visit the ALBA-TCP official Web site: www.alba-tcp.org

⁴ Endorsed at the VIII Summit of the ALBA, held in Havana in 2009.

⁵ This Council is also indistinctly entitled "Social Policies Council" and "Social Affairs Council" on official ALBA-TCP documents.

Social Movements Council: It is a mechanism that facilitates integration and direct social participation in the Alliance. Its mission is to articulate the Social Movements of the member countries of the ALBA-TCP and the non-member countries which identify with this effort.

Political Commission: This Commission is composed of senior officials of Foreign Affairs, reporting directly to the Political Council of the Alliance, which is the main instance of coordination and operational political agreement.

Committee for Nature Protection: Consisting of the Ministers of Environment of the member countries. The Alliance has assumed the protection of Mother Earth, looking forward to greater harmony with nature and promoting a development model that respects the environment.

Permanent Defence and Sovereignty Committee: It is a body consisting of the Defence Ministers of the member countries intended to promote military training and educational exchange, and to define an integral defence strategy.

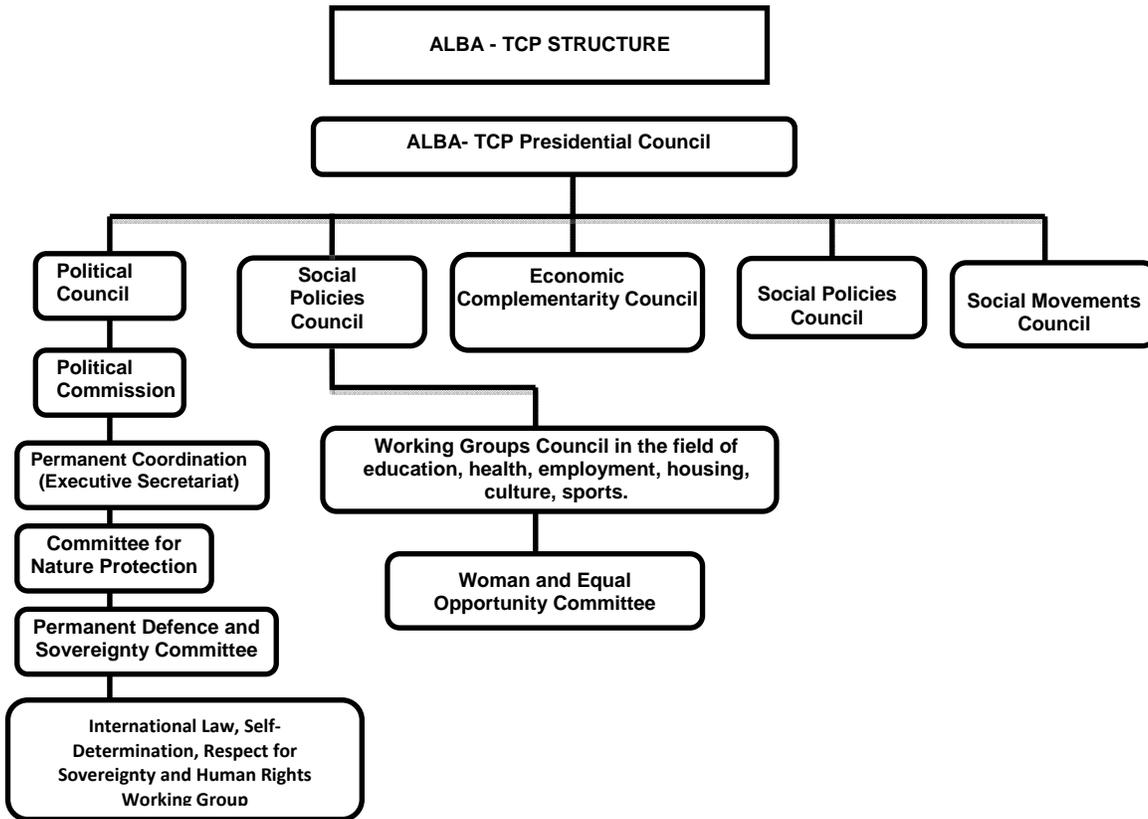
International Law, Self-Determination, Respect for Sovereignty and Human Rights Working Group: It is an instance subordinated to the Political Commission, whose mission is to develop a proposed guideline for the creation of a respective instance which permits to strengthen the Alliance and contribute to the debate and international positioning.

The Alba Permanent Coordination consists of the National Coordinators designated by each member country. It relies on a Permanent Coordinator who will coordinate its management with other member countries for a period of two years on a rotational basis. It is headquartered in Caracas.

The Executive Secretariat: It is the instance reporting to the Permanent Coordination that serves as operational body for the follow-up of the mandates issued by superior instances of the Alliance. The executive secretary coordinates the functions, supported by the assistant secretary and the directors of each Working Group.

The Executive Secretariat controls and monitors the different Working Groups; follows up statistics; provides and processes information on the Alliance; and supports all its instances.

CHART 1



Source: www.alba.tcp.org.

III. CONSTITUENT ELEMENTS

1. Peoples' Trade Agreement

The Peoples' Trade Agreement (TCP) is an instance of integral cooperation among its member countries which underscores what has been termed the social dimension of integration.

During the VIII Summit of the ALBA-TCP, held in Cochabamba, Bolivia on October 17, 2009; the Heads of State and Government subscribed a Document entitled "Fundamental Principles of the Peoples' Trade Agreement (TCP)". Some regulations, principles, and operative rules can be highlighted from such document, namely:

- Trade with complementarity, solidarity and cooperation, so that together we reach a worthy life and living well.
- Sovereign trade, without conditioning nor interference in internal affairs
- Complementary and solidarity-based trade among the peoples, the nations and their companies.
- Protection of national production interest, for the integral development of all the peoples and nations.
- Solidarity-based treatment for the weakest economies.
- Recognition of the States' role in the socioeconomic development, and the regulation of the economy.

- Promotion of the harmony between the man and the nature, respecting the Rights of Mother Earth and promoting an economic growth in harmony with the nature.
- The contribution of trade and investments to strengthening of the cultural and historical identity of our peoples.
- The favouring to the communities, communes, cooperatives, companies of social production, small and medium companies.
- The development of the sovereignty and food security of the member countries based on a social and integral quantity and quality food for our peoples.
- Trade with tariff policies fit to the requirements of the developing countries.
- Trade protecting the basic services as human rights.
- Cooperation for the development of different services sectors.
- Respect and cooperation through Public Procurements.
- Execution of joint investments in trade issues that can adopt the form of Grand National companies.
- Partners and no bosses.
- The overlapping of the right to development and health to intellectual and industrial property.
- Adoption of mechanisms that entail monetary and financial independence.
- Protection of the labour rights and the rights of the indigenous peoples.
- Publication of trade negotiations in order that the peoples can exert its protagonist and participative role in trade.
- The quality as the social accumulation of knowledge, and its application in the production based on the satisfaction of social needs of the peoples.
- The free mobility of the people as a human right.

2. Cooperation mechanisms and modalities

Cooperation within the Alliance is carried out through bilateral agreements. Venezuela is the main buyer of products and main supplier of energy to the signatory countries. Bilateral financial cooperation has been important for some of these economies:

"In the case of Nicaragua, the comparative evolution of its economic and trade relations with Venezuela can be illustrated by outlining that in 2007, financial cooperation from Venezuela represented 2.4% of GDP; also, the amount of Nicaraguan exports to Venezuela accounted for 0.1% of GDP. For its part, Venezuela covered 23% of total oil demand that year."⁶

As for cooperation with social purposes, Cuba has had an outstanding position. Its experience has been vital for the development of Missions and Social Projects promoted by the signatory countries.

Cooperation within the Alliance has been organized into four categories, namely:

- Trade
- Productive investment projects
- Monetary and financial mechanisms
- Social Projects

The development of trade exchanges considered as the possibility of achieving true productive chaining among their economies has been a constant objective of the

⁶ Republic of Nicaragua. Ministry of Development, Industry and Trade. "Report on Nicaragua – Venezuela Trade Relations 2011". An electronic version of this report can be retrieved on the Web site: <http://www.mific.gob.ni>.

Alliance. In this regard, a “*Map of commodities*” is being prepared in order to identify the sectors where complementarity can be developed, as well as the needed capabilities and political will to undertake projects to develop trade exchanges in the selected products.

An important element to take into account is the mono-export nature of the Alliance’s economies,⁷ and that, in some cases, since the exporting capacity is focused on the provision of services, innovation and joint work is needed to achieve further trade interchange. Trade among the countries of the Alliance has grown over the last years, featuring, as mentioned before, Venezuela as is the main importer of products and main energy supplier.

It should be noted that the use of the Regional Clearance Unitary System (SUCRE)⁸ has been a major factor for the development of such interchange, which has developed upwards since its creation until present.

3. The SUCRE and intra-ALBA-TCP trade

Traditionally, the success of an economic integration process is evaluated through reciprocal trade among its members. In the case of the countries of the Alliance, the SUCRE as a qualitative leap in diversification, strengthening, and progress of trade among its members will be evaluated.

If this criterion is applied, it can be noted that the Alliance is developing a successful process of integration, in terms of trade; to the extent that between 2010 and 2012, intra-ALBA-TCP trade climbed from 10 million Sucres to 852 million Sucres (1.065 billion dollars). During the III Extraordinary Summit of the ALBA-TCP, held on 26 November 2008, a *Monetary Zone* was created, including, at the beginning, the member countries of the ALBA and Ecuador,⁹ through the establishment of a common currency unit, termed *sucre*, and a Chamber for Payment Compensations.¹⁰

⁷ Such nature does not downplay the significant export capabilities and potential of these countries’ economies. It only makes reference to the fact that in each of those countries there is an item (oil in Venezuela’s case) which is determining and features a higher relative weight compared to the remaining production. The ALBA-TCP countries have a remarkable export offer, which can be reviewed on the official SUCRE Web site (<http://www.sucrealba.org>).

⁸ See SELA (2009) “Regional Clearance Unitary System (SUCRE): Purpose, background and necessary conditions for its implementation” (SP/DI No 1-09), Caracas, January.

⁹ As of that date, Ecuador was an “observer country” of the ALBA-TCP. Dominica would participate as an observer of that initiative.

¹⁰ The Declaration of that III Special Summit (2008) clearly states that the creation of that monetary zone goes together with the establishment of a stabilization and reserve fund made with contributions from member countries that will finance comprehensive demand policies to face the economic crisis and sustain an investment policy for the development of complementary economic activities.

TABLE 3
Operations conducted through SUCRE

YEAR	NUMBER OF OPERATIONS	AMOUNT IN SUCRES	REMARKS
2010	6	10.00 million	
2011	431	216.13 million	
2012	2,647	852.07 million	Equivalent to 1.065 billion dollars Payment operations grew by 513.9% compared to 2011

Source: Report on SUCRE management 2012.

In this Summit, in addition to the SUCRE proposal, included in its Final Declaration, other proposals were brought forward, such as the creation of a Global Monetary Council, whose main purpose would be to "coordinate the concretion of monetary agreements among regional blocs. The priority functions of this global monetary council will be to establish international monetary, financial and banking regulations and to create a world currency that ensures transparency and stability when issuing and moving capitals, and provides resources for development."¹¹

*"The Regional Clearance Unitary System (SUCRE) is a mechanism to settle international payments resulting from reciprocal trade operations among its member countries. This System is based on the use of a virtual currency, the 'sucre', exclusively for the register of operations between the central banks, while local settlement (payments to exporters and charges to importers) will be settled in the corresponding local currencies of the member countries (US dollars in Ecuador)."*¹²

According to Article 01 of its Constitutive Treaty, the SUCRE is defined as a "mechanism for economic and financial cooperation, integration and complementarity, aimed at the promotion of integral development in the Latin-American and Caribbean region, as well as coordinating the functioning of such system with the guidelines set by the ALBA-TCP Economic Complementarity Ministerial Council."¹³

The ultimate decision-making body of the SUCRE system is the Regional Monetary Council (CMR), which is composed of: the SUCRE, the Central Chamber for Payment Compensations, and the Reserves and Trade Convergence Fund. The CMR consist of the Executive Directorate and the Executive Secretariat.

The Executive Directorate is made up by a representative per country. It is the direction and decision-making body of the CMR. The President of the CMR will be chosen among those representatives for a three-year period, under the principle of alphabetic rotation. The CMR Presidency will hold the legal representation of the SUCRE, in addition to the functions entitled by the Treaty itself.

"The Executive Directorate of the SUCRE Regional Monetary Council, complying with the regulations of the System's operability, determines at the beginning of each half year period, the volume of allocations of

¹¹ Declaration of the III Special Summit of ALBA-TCP (2008). To date, this initiative has not been implemented.

¹² For further information, consult the Web site: <http://www.sucrealba.org>.

¹³ SUCRE Constitutive Treaty, Article 01.

common currency account 'sucres' required by the Party States, according to intra-regional trade projections, growth of gross domestic product and extra-regional trade."¹⁴

The Executive Secretariat is the technical and administrative body of the CMR, which is composed of the Executive Secretary, the officials appointed by the Executive Directorate and the *Ad hoc* Committees the Directorate deems appropriate. The Executive Secretary will be appointed by the Executive Directorate for a three year period, renewable for a second term. Currently, Venezuelan Nancy Castillo holds the CMR Executive Secretariat.

The Central Chamber for Payment Compensations is the instance in charge of "*carrying out all the activities related to the compensation and liquidation of all operations authorized by such Council.*"¹⁵

The Reserves and Trade Convergence Fund is a supporting body to the Central Chamber for Payment Compensations, whose main objective is to contribute to the functioning of the Central Chamber through the funding of temporary deficits arising in the Chamber. Also, it shall contribute to the reduction of trade asymmetries among the States Parties through different funding modalities to promote production and exports.

Venezuela is the economy that uses the SUCRE the most. Since the beginning of the System, the country has consolidated itself as a net importer from the remaining countries, especially imports from Ecuador, which, at the same time, has become the main trade partner of Venezuela against the backdrop of SUCRE.

*"In 2012, the Bolivarian Republic of Venezuela was the main importer of operations settled with SUCRE, reaching 92.78% of total operations; followed by the Republic of Ecuador and the Plurinational State of Bolivia, with 7.10% and 0.12% of total transactions, respectively. For its part, although the Republic of Cuba did not make imports operations through the System in 2012, the country carried out 10 exports operations amounting to XSU 2,733,731.94."*¹⁶

Private sector's participation in SUCRE has been determinant for its development and instrumentation:

*"As for distribution by institutional sector, the private sector took 92% of the processed transactions, followed by public enterprises (6.83%), and joint ventures 1.09%."*¹⁷

These figures show the importance of the private sector of the economy for strengthening trade relations among the countries of the Alliance. From 2009 to 2011, products such as tuna, urea, crude palm oil, paddy rice, sodium citrate, citric acid and milk¹⁸ prevailed in trade operations through SUCRE. In those two first years, the presence of Venezuelan public enterprises such as SIDOR and PEQUIVEN had transcendental importance.

¹⁴ SUCRE Annual Report 2012, p 21.

¹⁵ SUCRE Constitutive Treaty, Article 09.

¹⁶ For further information, consult the SUCRE "Management Report 2012" del SUCRE on its Web site: <http://www.sucrealba.org>.

¹⁷ SUCRE Management Report 2012.

¹⁸ According to official figures, these seven products represented 78% of intra-ALBA-TCP trade transactions.

From 2010 to 2011, trade transactions between the Venezuelan POLAR Group (through its enterprise Venezuelan Processor of Cereals PROVENCESA) and Corporate Group Vision of Ecuador (through its enterprise Fishing Technique and Trade C.A. TECOPESCA) were remarkable in tuna trade. In that sector, the participation of enterprises Mark Fish S.A (Ecuador) y Trader LGT (Venezuela) has also been outstanding.

Breaking down the SUCRE trade figures of 2012,¹⁹ it can be noted that an important share of trade transactions are made by international automobile enterprises with presence in Ecuador, especially MAZDA and KIA (whose parent companies are based in Japan and South Korea, respectively) with a share of 22.40%²⁰ of total SUCRE operations. The main destination of those exported vehicles from Ecuador was Venezuela.

In February 2013, the Central Bank of Ecuador (Official Notice DBCE-0119-2013) reported on the remarkable advance of the operations between Ecuador and Venezuela through SUCRE, particularly the increase in exports from Ecuador, which contributed to the surplus position that country records.

In the XXIV Meeting of the CMR Executive Directorate, held on 21 May 2013, the *Ad hoc* Committee for the integral assessment of the SUCRE was created, which will be coordinated by the Executive Secretariat. Its objectives will be:

- a) Revision of the compensation period
- b) Applicable mechanism to prevent unusual operation through SUCRE
- c) Mechanism for the instrumentation of the commodity exchange in SUCRE
- d) Revision of the objectives of the Reserves and Trade Convergence Fund
- e) Actions to foster operations among all the States Parties
- f) Feasibility of including services operations through SUCRE
- g) Revision of the SUCRE Informatics System

This *Ad hoc* Committee held a work meeting on 21 May 2013 at the headquarters of the Central Bank of Ecuador. Regarding the reduction of the compensation period, five recommendations were brought forward, out of which, the following can be highlighted:

- a) To request proposals as regards other alternative mechanisms to the reduction of the compensation period to the member countries.
- b) Prior to the beginning of the next compensation period, the Central Banks should carry out an analysis to be submitted to the CMR Executive Directorate on the updating and definition of assignments of Period 1.

The topic of trade in services²¹ within the System was discussed in that meeting; including the need of improving the current legal regulations, and improving control over trade in goods before including services, plus the convenience of including trade in services. Regarding this topic, the following recommendations can be highlighted:

- a) Not to include services operations in the System until control procedures over trade in goods operations through the System are fully consolidated.
- b) Identify the type of services that can be channelled through SUCRE.

¹⁹ "SUCRE Management Report 2012".

²⁰ *Idem*.

²¹ Trade in services has been acquiring relevance in global trade flows. Currently, these types of transactions are not included in the SUCRE. However, in its meeting of 23 April 2013, the Economic Complementarity Council of the ALBA-TCP mentioned the need of including services in the SUCRE and requested the member countries their stance on this topic with the purpose of assessing a pilot project to include tourist services through SUCRE.

4. ECOALBA-TCP Economic Complementation Agreement

The XI Summit of ALBA-TCP, held on 4 and 5 February 2012, saw the signing of the agreement for the establishment of the ALBA-TCP Economic Space (ECOALBA-TCP). In April 2012, during the VII Meeting of the Economic Complementation Council, general guidelines were issued on the need to make progress with the establishment of ECOALBA-TCP and to discuss specific steps towards greater economic integration through its implementation.

The final entry of Venezuela into MERCOSUR gave rise to a series of commitments and deadlines to be fulfilled by this country which had an impact on various topics, including ALBA-TCP. Two things should be noted in this regard: on the one hand, the adoption by Venezuela of a new Common External Tariff,²² and on the other hand, the requirement to duly register any Economic Complementation Agreements (ECAs) with ALADI, which meant that it was imperative to sign ECOALBA-TCP in order to meet the deadlines established by MERCOSUR.²³

During the X Meeting of the ALBA-TCP Political Council – held in Caracas on 28 February 2013 – an agreement was reached to perform all steps required for the approval of ECOALBA ECA.

In April 2013, the VIII Meeting of the ALBA-TCP Economic Complementation Council was held in the city of Guayaquil, Ecuador. During this meeting the final draft of ECOALBA ECA was presented and agreed upon by Bolivia, Cuba, Ecuador, Nicaragua and Venezuela before entering into force on 8 May 2013.²⁴

The following purposes of ECOALBA-TCP were identified by the Country Parties in the preamble of the text:

1. The planning and streamlining of economic relations among the Signatory Countries, thus reinforcing the complementary production and trade links. Within this context, this Agreement defines the economic principles governing the shared development process under the perspective of a bloc and not as a mere aggregation of individual countries, which will also allow for its positioning at the international level.
2. The circulation of assets and the coordination of production means among the Signatory Countries, which will facilitate full development of their production potentials and capacities in priority sectors in order to meet the needs of our peoples, taking into account intra-regional demand and fostering productive scaling up through various aspects, such as tariff relief, emphasis on the exchange of raw materials, capital assets and intermediate assets, and final consumption assets, and the application of a set of measures that will foster them, based on the Development Plans formulated by each Signatory Country.

²² Venezuela adopted the new Common External Tariff through Decree 9,430, dated 19 March 2013 and published in Extraordinary Official Gazette 6,097 on 25 March 2013. This new CET entered into force on 5 April 2013.

²³ It should be noted that trade negotiations following the accession of Venezuela to MERCOSUR (after the initial adaptation period) must be completed under MERCOSUR regulations.

²⁴ Article 19 of ECOALBA-TCP establishes that only two ratifications are required for the agreement to enter into force, which will occur five days after due notification. Venezuela was the first country to ratify the agreement on 24 March 2013, followed by ratification and notification by Nicaragua on 3 May 2013. Consequently ECOALBA ECA entered into force on 8 May 2013.

3. The coordination of economic policies among the Signatory Countries in order to ensure adequate conditions for complementarity, conducting studies that facilitate the identification and assessment of potential common interest spaces for the purpose of formulating the strategies that will determine their inter-regional relations with regard to third-party States, blocs of States, trade areas and international organizations.

4. The promotion of production specialization according to the strengths of each country, without limiting the full development of their production apparatus and allowing for overcoming existing asymmetries among and within the Signatory Countries.

5. The use of mechanisms and instruments of the new financial architecture designed by ALBA-TCP, with special emphasis on the consolidation of Bank of ALBA as an effective instrument to finance grand-national economic and cooperation projects, as well as the Regional Clearance Unitary System (SUCRE), which should grow to cover a minimum of twenty percent (20%) of trade among the Signatory Countries and then continue to increase gradually boosted by the further promotion and encouragement of its use.

Article 1 of the Agreement defines its objective:

*"This Agreement aims to create the necessary conditions for the implementation of ECOALBA-TCP, the creation period of which will cover two (2) years from the entering into force of the Agreement on the Establishment of the ALBA-TCP (ECOALBA-TCP) Economic Space, a period during which the Signatory Countries shall adopt a Regulatory and Programmatic Regime in the field of economic and trade relations."*²⁵

The Alliance thus circumscribes its economic complementation project to the regulatory framework of ALADI under the principles contained in the documents establishing ALADI, including the Treaty of Montevideo of 1980.

5. Productive investment projects

These projects and companies resulted from the V ALBA Summit held in Tintorero, Lara state, Venezuela, on 28 and 29 April 2007, which covered potential areas for joint work such as education, culture, fair trade, financial services, food, health, telecommunications, transport, tourism, mining, industry, energy and environment. A total of 32 projects and companies were agreed at this V Summit.

The First Meeting of the ALBA Technical Commission took place in Caracas in July 2007. Thirteen working groups were established in the areas identified above, resulting in the definition of 32 projects, with 18 of those 32 projects being subsequently ranked and prioritized at the II Council of ALBA Ministers, held in Havana in September 2007.

Prioritized grand-national projects and companies include:

- Bank of ALBA
- A power, oil and gas company
- A company specializing in the production, distribution and marketing of pharmaceuticals
- A telecommunication company
- An agro-food production company
- A food company
- A forestry company

²⁵ ECOALBA-TCP ECA, Article 1.

- An import and export company
- A grand-national cement company
- A port, rail, air and maritime infrastructure project
- Project "ALBA Stores"
- Project "ALBA Centre for the promotion of a more equitable, dignifying and humane application of science, technology and innovation"
- A social tourism project
- A project for a Regulatory Centre devoted to the development of the ALBA Health Registry
- A literacy project
- A project for a comprehensive management of basins, access to water and sewerage
- A project for the development of production centres
- Project "Tourism University of ALBA"

In January 2008, the III Council of ALBA Ministers saw the addition of the Grand-national ALBA Culture Project, as well as the extension of the ALBA Literacy Project to the post-literacy stage in Bolivia and Nicaragua. As concluded by consecutive meetings held in 2008, ensuring funding and designating a Monitoring Coordinator was critical for these projects and companies to move forward.

The Agreement Establishing Bank of ALBA entered into force on 30 August 2009, allowing for the initial release of financing allocations to high impact social projects. Of the 32 original projects, eighteen of which were prioritized, only seven projects and companies are currently being developed, about to be developed or in the process of negotiation:

Participating in the Grand-national Power, Oil and Gas Company are Bolivia, Cuba, Ecuador, Nicaragua and Venezuela. The signing of the document establishing the Company--which consists of thermal energy and hydropower development projects and projects for gas and oil exploitation--is still to occur.

The Grand-national Telecommunications Company (ALBATEL) was established by the Bolivian company ENTEL S.A., the Nicaraguan firm NETEL S.A. and the Venezuelan company TELECOM VENEZUELA C.A. Bank of ALBA provided the initial outlay of funds in 2012. ALBATEL has identified the following proposals as its central axes:

- Proposal on the use of the capabilities of the Simón Bolívar Satellite at an international level, especially in the ALBA countries.
- Project "CDMA 450 MHz for the Republics of Nicaragua and Cuba," which is a planned rural mobile telephony network to provide telephone and Internet services to the most excluded areas.
- Project "Community Telecommunications Centre (CETELCO)," which is intended to provide community telecommunications and broadcasting services as part of the efforts to strengthen the political, economic, social, cultural and productive development of marginal rural and urban areas in the ALBA member countries (with pilot tests to be conducted in Bolivia and Nicaragua).
- Project "Dedicated Network of the ALBA Countries." This telecommunications network is aimed at facilitating intergovernmental communications between the member countries of the Alliance.
- Signing of new contracts for professional services with the Venezuelan telephone company CANTV
- Installation of a ground station in Bolivia for the company ALBATEL to leverage the benefits of the Simón Bolívar Satellite.

The Grand-national ALBA Food Company²⁶ is an initiative supported only by Nicaragua (through the company ALBALINISA) and Venezuela (through the Venezuelan Food Corporation (CVAL)). The Articles of Association of this company were signed on 6 July 2011.

Signed in 2009 by Bolivia, Cuba, Dominica, Nicaragua and Venezuela, the PETROCARIBE/ALBA-TCP Food Security and Sovereignty Agreement is the legal basis for the Grand-national ALBA Food Company, meaning that this Agreement must be ratified before the Company can start to operate. Resources have already been pre-allocated to this Company by Bank of ALBA. However, no projects have been presented to date.

The company Centro Regulador de Medicamentos del ALBA (ALBAMED) will be established by Cuba and Venezuela initially. The signing of the agreement establishing this company is still pending. Bank of ALBA has already allocated resources to be used by ALBAMED.

The ALBA Culture Fund is a fully operational "grand-national" company which is led by Cuba and Venezuela. Supported by Bank of ALBA, it has developed more than 64 cultural projects in the Member Countries of the Alliance, including projects for art creation and dissemination.

The ALBA Literacy and Post-literacy Company is led by Cuba and Venezuela and is now fully operational. It has carried out projects in Nicaragua, Bolivia, Dominica and Venezuela, and has received financial support from Bank of ALBA.

The establishment of the ALBA Forestry Company, to be developed jointly by Nicaragua and Venezuela, is currently in the negotiation process.

As mentioned above, the bilateral relationship with Venezuela is crucial to each and every "grand-national" project and/or company. These are bilateral projects²⁷ involving the participation of Venezuela which are framed or circumscribed within ALBA-TCP. Venezuela participates in all of these companies, followed by Cuba and Nicaragua, both participating in four; Bolivia in three; and Ecuador in one.

²⁶ The Grand-national ALBA FOOD Company is not the same as the ALBA FOOD FUND; the Grand-national Company is an initiative proposed within the framework of ALBA-TCP, while the Fund is an initiative under the auspices of PETROCARIBE and ALBA-TCP.

²⁷ By definition, a Grand-national Company or Project requires the participation of two or more member countries. There are other initiatives that are called "grand-national" and which are framed within ALBA-TCP; for example, during a meeting of the Bolivia-Venezuela Economic Integration Commission held in Barinas, Venezuela on 29 and 30 April 2010, a total of 28 bilateral agreements were signed with a view to strengthening the economic union through the establishment of "grand-national companies" in the areas of energy, agri-food production, mining, manufacturing, science and technology, among others.

6. Financial and monetary mechanisms

Bank of ALBA

The Articles of Association were signed on 26 January 2008 by the representatives of Bolivia, Cuba, Nicaragua and Venezuela. Subsequently St. Vincent and the Grenadines joined as a full member. Headquartered in Caracas, the Bank was assigned the following duties and objectives:

Duties:

- To help fund programmes and projects.
- To promote, establish and manage reimbursable or non-reimbursable funding mechanisms oriented towards promoting economic, social and environmental development.
- To provide resources for technical support, pre-investment studies, research and development, technology transfer and absorption.
- To develop and promote the practice of fair trade in goods and services.

Objectives:

- Economic development
- Scientific and technical development of peoples
- Development of production capacities
- Protection of natural resources
- Social development in terms of health, education, housing, welfare, community development and social economy
- Orientation towards promoting and strengthening participatory democracy
- Reduction of social exclusion
- Eradication of gender and ethnic discrimination
- Member countries infrastructure expansion and interconnection

In August 2012,²⁸ the Cuban Government announced the creation of a pool of economic projects for which it presented eight proposals to Bank of ALBA, including a project for the production of copper and aluminium cables and refractory materials. Cuba has no copper or other raw materials required, and so the project aims to develop economic complementarity with Bolivia and Venezuela, both of which do have these resources which could be processed using Cuban technology. Another important project refers to the production of refractory materials, potentially providing inputs for the Cuban metal and steel production industry.

Bank of ALBA has served as a major source of funding for operational “grand-national” projects and companies. As noted above, the Bank has financial resources available for the financing of these enterprises.

As a result of the X Political Council--held on 28 February 2013--it was agreed to conduct an assessment of the policies defined for the implementation of the Bank’s actions aimed at the approval of social and productive projects. Also agreed was to undertake an assessment of the projects that have been funded in terms of economic and social development and efficiency, thus establishing a projection of the Bank’s work.

²⁸ For more information, visit <http://www.bancodelalba.org/nuestro-banco.html>.

ALBA Caribe Fund

The ALBA Caribe Fund is a good example of how the ALBA-PETROCARIBE relationship in terms of the existing bilateral projects in this important area makes easier to combine and coordinate efforts for the achievement of their objectives. At the I PETROCARIBE Summit, organised in Puerto La Cruz, Venezuela, in 2005, the Heads of State and Government agreed that:

*"PETROCARIBE will have a Fund to finance social and economic programmes with contributions coming from financial and non-financial instruments, as well as contributions from the financed portion of the oil bill and from savings resulting from direct trade which may be agreed upon."*²⁹

The Fund uses resources from the oil bill to finance social projects according to the plans and projects presented by each individual country, focusing on projects that have an impact on areas such as drinking water; housing and habitat; social infrastructure, ecology and environmental cleanup, productive sectors, and humanitarian aid and public safety.

Between 2006 and 2012 the Fund has supported several important projects, including the following:

- Antigua and Barbuda: Improvement and expansion of the International Airport, and improvements in Antigua's drinking water sanitation service.
- Belize: Rural education projects; rural water system, street paving and drainage systems; and a project aimed at increasing food production towards self-sufficiency and export promotion.
- Dominica: Housing projects; construction of the maritime defence; programmes on the development of the Caribbean Territory; poultry, fish and pork projects; sewerage; remodelling of the Melville Hall Airport; and programmes on the construction of service stations to supply fuel to fishermen and removal of scrap metal.
- Grenada: Landscaping of the Simón Bolívar Village Community.
- Guyana: Construction of a Centre for the Homeless.
- Haiti: Construction of social interest housing; purchasing of waste trucks; and electrical power projects and projects for the strengthening of the health programme. Assistance to this country intensified in the aftermath of the 2010 earthquake.
- Nicaragua: Environmental cleanup works; improvements in aqueducts, stoves and gas cylinders; roads and housing; provision of equipment for health facilities; and installation of power generation plants.
- St. Kitts-Nevis: Housing construction and expansion.
- Saint Vincent and the Grenadines: Sports and fishing infrastructure; housing, rural roads and aqueducts.

²⁹ PETROCARIBE. "Acuerdo de Cooperación Energética" - Energy Cooperation Agreement (2005).

IV. SOCIAL PROGRAMMES

After reviewing the objectives and the development of the various “grand-national” projects and companies supported by Bank of ALBA and ALBA Caribe Fund, it is clear that the Alliance has had a major social impact on its Signatory Countries.

Literacy programmes have played a key role in the progress made by the Alliance, as have the strengthening of the health sector and the reinforcement of food security and sovereignty, all stressing the social nature of this integration process.

The IV Meeting of the ALBA Social Policy Council, held in Cuba in May 2013, saw the signing of several agreements in areas such as health, sports, education and culture, including the implementation of an English version of the literacy method “*Yo sí puedo*” (Sure I can) in Dominica, the evaluation of proposals for joint purchases of medicines in an effort to reduce costs, and the continuation and strengthening of the Grand-national ALBA Culture Project.

Also noteworthy are the following achievements in the social area:³⁰

- Literacy: By 2000, 84% of the Alliance population was literate; by 2011, 98% was literate. A total 3,501,488 people have been taught to read and write following the literacy method “*Yo sí puedo*” (Sure I can).
- Net primary schooling rate of 94%.
- A total of 2,295,046 citizens of the Alliance have been operated under the programme “*Misión Milagro*”, improving and recovering their visual ability.
- The infant mortality rate has declined by 21% between 2008 and 2011.
- The living conditions of more than 10,000,000 people in the countries of the Alliance have improved.
- 89% of the population has access to drinking water through pipes and 96% have access to the electricity grid.
- 84% of the population has access to mobile telecommunication services and 42% have access to the Internet.
- 1,285,087 people with disabilities have been served under the various programmes of the Alliance.
- 3,249 surgical procedures have been carried out on children from the countries of the Alliance at the Venezuelan Children’s Cardiology Hospital.
- 1,098 young students from the countries of the Alliance are pursuing higher education studies at the Latin American School of Medicine (ELAM).

³⁰ Figures from the 2011 ALBA-TCP Annual Report as prepared by the Executive Secretariat of ALBA-TCP.

1. ALBA Food Fund

Mandated by the V Special Extraordinary Summit of PETROCARIBE (Maracaibo, Venezuela, July 2008), the ALBA Food Fund has played an important role in the social area since its inception in 2008. It was ratified at the Ministerial Declaration of Tegucigalpa for Agriculture and Rural Development of the PETROCARIBE Member Countries (Honduras, 2008) and had a great boost with the signing of the Agreement on Food Security and Sovereignty of the PETROCARIBE and ALBA Member Countries (Caracas, 3 February 2009).

This Fund has supported various initiatives mainly in the areas of irrigation and agriculture supporting infrastructure, agricultural inputs, research, rehabilitation of agro-industrial infrastructure, and holistic projects. It has funded projects such as the following:

- Honduras: Special Fund of Seeds; Genetic Development Centre.
- Suriname: Smoked fish processing plant.
- Guyana: Improvement of the cooling chain for the dairy sector.
- Jamaica: Investment in the recovery of agricultural production.
- Saint Vincent and the Grenadines: Development of an irrigation system; strengthening of product storing and processing.
- Nicaragua: Rice production and rehabilitation of agricultural infrastructure.
- Belize: Integrated system of livestock production; Tilapia breeding centre; agricultural machinery; grain irrigation and cultivation infrastructure.
- Saint Kitts and Nevis: Food production.

2. Cooperation with Haiti

Cooperation of the countries of the Alliance with the Republic of Haiti has become a significant social concern, as reflected by the establishment of the *“Fund for Cooperation with Haiti”*.³¹

The *“ALBA-Haiti Bolívar, Petion, Martí Tripartite Agreement,”* signed in April 2007, laid the foundations for a new cooperation model based on the principles of solidarity, complementarity, reciprocity and sustainability.

In this context, one of the most prominent projects is called *“Strengthening the Health Programme in Haiti,”* which includes the construction of several Integral Diagnosis Centres (CDIs) in each and every department of the country.

The Cuban Medical Brigade has served in 23 community referral hospitals, sixteen of which has been fully built and currently operate at full capacity, while the remaining hospitals has all the necessary equipment and include members from the Cuban Medical Brigade. In the aftermath of the earthquake, Venezuela deployed the Humanitarian Mission *“ALBA Venezolana para Haiti”*, which was composed by the Simón Bolívar Humanitarian Task Force (Civil Protection), Battalion 51 (Science and Consciousness Doctors), and the Simón Bolívar International Humanitarian Assistance Brigade.

The countries of the Alliance were already cooperating with Haiti before the earthquake, meaning that their assistance did not come only as a direct result of the earthquake, but

³¹ The Republic of Argentina signed a *“Statement of Commitment”* with the ALBA-TCP countries in 2012, the purpose of which is defined in its Article 1 as follows: The Republic of Argentina will conduct technical assistance, education, training and technology transfer activities through the Ministry of Agriculture, Livestock and Fisheries' technology office under the control of the National Institute of Agricultural Technology (INTA) and the Ministry of Industry's technical body under the control of the National Institute of Industrial Technology (INTI) in accordance with a programme to be developed jointly by Argentina and the countries of the Alliance.

their solidarity with this country did intensify in the aftermath of such an unfortunate event affecting the Haitian people.

Attended by a representative of the Embassy of the Republic of Haiti in Venezuela, an Emergency Meeting of the ALBA-TCP Political Council was held in Caracas on 25 January 2010. A Plan for Solidarity Contribution of the ALBA Countries to the Reconstruction Effort in Haiti was signed at this Meeting.

The resulting Declaration stated that the Meeting was intended mainly to coordinate--at a higher level--the steadfast support and solidarity of the ALBA-TCP countries to the people of Haiti. The Member Countries of the Alliance outlined a plan for specific actions to be implemented in the medium and long terms, comprising 8 items (or strategic lines): health; financial support; energy; agricultural and food initiatives; education; migration; reconstruction and security; and transportation and logistics.

As a result of the XI Summit of ALBA-TCP, held in Caracas on 5 February 2012, it was agreed to hold a meeting between Haiti and Venezuela in order to review cooperation. Specific projects were presented at the scheduled meeting in the areas of housing, reconstruction of physical structure, health, education, sports, agriculture and improvements to the National Identification Service.

It should be noted that for the areas of education, agriculture and housing, a tripartite cooperation mechanism was proposed to allow for the participation of actors from third-party countries with whom successful experiences have been developed previously, as was the case with the cooperation agreement with the Republic of Argentina for the provision of agricultural machinery.

V. POTENTIAL FOR COMPLEMENTARITY WITH EXISTING INTEGRATION SCHEMES IN THE REGION

1. Regional context

Complementarity and convergence³² are two concepts that have been continuously present in the different summits and meetings in which the issue of regional integration has been part of the agenda.

A large number of studies on this important issue have been conducted in the region. ALADI, ECLAC, the IDB and SELA have all made significant contributions in this regard which have added important elements to the debate.

As evidenced by political declarations and high level statements, consensus has been developed on the need for greater complementarity and convergence. Nevertheless, it is still an aspiration requiring clarification of some important aspects such as which modalities and procedures should be used to achieve it, what mechanisms to implement, and how and to what extent the extensive network of existing integration agreements can be coordinated.

Another important consideration is that the desired greater convergence and complementarity must not necessarily be brought about from within the existing integration processes, because there is a number of bilateral agreements that can serve as a basis and be supplemented by headway made in the multilateral area.

³² Convergence refers to the process by which the arrangements between the countries of the region are based on increasingly similar (harmonized) rules and regulations, or otherwise based on equivalent rules.

In this regard, a study entitled "*La integración en busca de un modelo: los problemas de convergencia en América Latina y el Caribe*," conducted by ECLAC, raises the following concern:

*"The proliferation of agreements in the region may be creating some issues inadvertently. There are at least three types of problems arising from the multiplicity of agreements and rules: i) excessive bureaucracy and confusion in the implementation of rules and procedures, adversely affecting the appeal of these instruments to the private sector; (ii) different rules – with different degrees of quality – which could become non-tariff barriers; and (iii) problems of compliance with rules and procedures."*³³

Adding to such coexistence of multiple agreements are those that each country has reached individually with extra regional partners³⁴ and the impact they have in various aspects, especially in terms of trade flows, standards adopted and commitments assumed.

2. ALBA – TCP

The first point to consider in addressing the potential complementarity of the Alliance with other existing processes would be to answer the question of whether that possibility should be assessed before or after the members of the Alliance can consolidate their participation in the various mechanisms adopted, i.e. Bank of ALBA, SUCRE, and "grand-national" projects and companies.

It is advisable to strengthen and deepen the Alliance by consolidating its projects and moving towards greater coordination and internal cohesion before exploring opportunities for complementarity and convergence with other existing mechanisms. Similarly, the legal status of the Alliance is an element that should be considered.

A second aspect is that a possible complementarity of the Alliance with the other integration processes in the region could only be possible after a full recognition and an in-depth analysis of the diversity of mechanisms in which the Alliance members participate at the regional level, namely:

- Association of Caribbean States: Antigua and Barbuda, Cuba, Dominica, Saint Vincent and the Grenadines, and Venezuela
- ALADI: Bolivia, Cuba, Ecuador, Nicaragua and Venezuela
- Andean Community: Bolivia and Ecuador
- Free Trade Agreement between the United States, Central America and the Dominican Republic (CAFTA-DR): Nicaragua
- CARICOM: Antigua and Barbuda, Dominica, and Saint Vincent and the Grenadines
- Organization of Eastern Caribbean States (OECS): Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines
- CELAC: All members of ALBA-TCP
- UNASUR: Bolivia, Ecuador, and Venezuela
- MERCOSUR: Bolivia,³⁵ Ecuador and Venezuela

³³ SAEZ, Sebastián (2008) "*La integración en busca de un modelo: los problemas de convergencia en América Latina y el Caribe*". International Trade Series No. 88. ECLAC.

³⁴ The United States and China are two major driving forces for the economies of the region, and trade relations with these two countries are growing broader and stronger. Also, the European Union, Southeast Asia and Canada have been strengthening their trade relations with LAC countries through the negotiation and signing of various agreements.

³⁵ In the process of accession to MERCOSUR.

Note that the Member States the Alliance are all participating concurrently in the nine previously mentioned regional and subregional integration schemes, which allows us to infer that if the members of the Alliance should at the same time participate individually in other schemes, points of convergence could be identified in order to facilitate the coordination and cooperation of the Alliance as a whole with other mechanisms, based on the individual experience of each one of its members.

Examples of actions to help identify such points of convergence might include:

- Learning about the experience of Nicaragua from its concurrent participation in a Free Trade Agreement with the United States and in ALBA-TCP.
- Determining how the entry of Venezuela into MERCOSUR may impact trade flows within the Alliance and the ability of the Alliance to eventually negotiate with other countries or integration schemes.
- Assessing how the experiences of Bolivia, Ecuador and Venezuela in UNASUR and MERCOSUR might serve as a stepping stone towards the establishment of an eventual geo-political axis: ALBA-TCP - MERCOSUR - UNASUR - PETROCARIBE.
- Studying how financial mechanisms implemented in the Caribbean (East Caribbean dollar) have impacted the development of trade between the OECS member countries and how this initiative might be complemented by SUCRE.
- Analyzing trade commitments between Mexico and Central America.
- Considering schemes for a closer relationship between Mexico and MERCOSUR.

Below are some specific initial steps that can be taken to help identify opportunities for complementarity and convergence of the Alliance with the existing integration processes in the region:

- To conduct a thorough analysis of the principles and commitments of the Alliance and those of each of the other integration schemes in which its member countries participate. This would help determine the points of convergence, thus facilitating the assessment of headway made and the identification of potential areas in which to work together.
- To study the different existing financial instruments (Bank of ALBA, SUCRE, Bank of the South, Development Bank of the Caribbean, CAF-development bank of Latin America) in order to help determine which areas offer opportunities to develop joint projects or to establish coordinated funding sources.
- To identify the constraints imposed on each member country of the Alliance by their participation in other integration processes, thus learning about the existing commitments and their impact on the strengthening of the Alliance itself and on the potential relationships of the Alliance with other processes.
- To assess the signing of ECOALBA ECA and its filing with ALADI in an eventual ALBA-TCP coordination or convergence process with other integration mechanisms.

- To cooperate in implementing social policies jointly with other integration processes based on the broad and successful experience of the Alliance in this important area.
- To explore areas in which the Alliance can work together with other mechanisms, taking as a reference schemes such as that developed with the Republic of Argentina to cooperate with Haiti.

A third aspect refers to the potential expansion of SUCRE to third-party countries, thus promoting complementarity with other mechanisms or countries.

In addition, the eventual incorporation of trade in services to the SUCRE system would create new opportunities for commercial exchanges among the countries of the Alliance, particularly in tourism.

Finally, it should be noted that the assumption by Venezuela of the Pro Tempore Presidency of MERCOSUR in July 2013 could provide a suitable space to promote the development of a coordination mechanism between MERCOSUR and ALBA-TCP, as well as exploring opportunities for cooperation and assessing other alternatives such as the potential incorporation of the remaining members of MERCOSUR into SUCRE.

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