



Sistema Económico
Latinoamericano y del Caribe

Latin American and Caribbean
Economic System

Sistema Econômico
Latino-Americano e do Caribe

Système Economique
Latinoaméricain et Caribéen



Conclusions and Recommendations

Intra-Regional Relations

Regional Meeting: Analyses and Proposals for Strengthening the Regional Financial Architecture and Monetary and Financial Cooperation in Latin America and the Caribbean
Caracas, Venezuela
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1. Participants in the Regional Meeting: "Analyses and Proposals for Strengthening the Regional Financial Architecture and Monetary and Financial Cooperation in Latin America and the Caribbean", held on 27 and 28 February 2012 at SELA headquarters, took note with special interest of the document prepared by the Permanent Secretariat of SELA entitled "*Status of the reform of the international monetary and financial architecture and the progresses towards a regional monetary and financial architecture for Latin America and the Caribbean*", considering it a timely and relevant contribution to the important process of consultation and dialogue held on these issues by the Member States at the regional level.
2. It was considered necessary to have a Latin American and Caribbean vision on the global crisis, on the reforms of the monetary and financial system implemented at the global level, on the measures being undertaken to deal with the crisis, and on its impact at the regional level. Such a vision was equally felt necessary in relation to the identification of public policy options and regional cooperation measures in order to make progress consistent with the serious and urgent situation, its challenges and opportunities, and to ensure that they serve to support the regional development process.
3. The current international context is uncertain and there is every indication that the global economy is about to enter a deep slowdown and a weak growth scenario in the next few years, particularly in the United States and in the Euro Zone countries.
4. Recent experiences at the international level show that the definition and coordination of policies to face the crisis cannot be carried out unilaterally by individual countries or groups of countries. It is necessary to ensure an open and transparent process to address the structural problems of the current system as objectively as possible, to overcome the huge differences persisting as regards approaches, and innovate in identifying solutions with a positive impact for the whole international community. In this effort, the outstanding performance of the countries of the region that are members of the G-20 is noteworthy.
5. In Latin America and the Caribbean uncertainty prevails, but there is also a clear awareness at the highest political level of the urgent need to create the conditions to encourage the development of the region by means of consultation, cooperation and integration, with the purpose, *inter alia*, of preventing the spread of the crisis, turning it into opportunities instead. Particularly, the Caracas Declaration and the Caracas Action Plan 2012 of the Community of Latin American and Caribbean States (CELAC) highlight the importance of making progress with these concrete objectives in the area of finance.
6. The region has taken positive and important steps in the area of financial cooperation, both under pre-existing schemes and innovative mechanisms, which are intended not only at responding directly to the needs and potentials of participating countries, but also at becoming options to be considered within the broader context of the region as a whole. Pre-existing schemes include the Inter-American Development Bank (IDB), CAF-Development Bank of Latin America, the Latin American Reserve Fund, and the Agreement on Reciprocal Payments and Credits of ALADI. The new mechanisms include the Bank of the South, the Regional Unitary Clearance System (SUCRE), the Local Currency Payment System between

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Argentina and Brazil (SML) and the Bank of ALBA. All of them represent valuable contributions which have a very important role to play. Significant progress can already be seen; for instance, the growing volume of transactions in local currencies covered under the SUCRE. The work carried out and the experience garnered by the region have brought about lots of benefits, while highlighting the need to build on what already exists, to maintain excellence and credibility, as well as a permanent effort of adaptation in line with the reality of the region. In this context, a recommendation was made to promote efforts towards a permanent follow-up that allows for better understanding the needs and capacity of timely response.

7. There is also a search for comprehensive solutions that combine the financial needs of regional production, the use of local currency for trade exchanges (SML and ALADI Agreement) or one accounting unit (SUCRE), and liquidity guarantees (the Fund of the South, under consideration by UNASUR).
8. The tasks of the South American Council of Economy and Finance of UNASUR are really very relevant, particularly those of the Working Group for Financial Integration, where various technical groups are reviewing options as regards the most crucial issues, such as reserves, payment systems and trade. Such efforts should result in important decisions to guide the region's actions in the near future.
9. In this context, participants were very interested in the proposals made by SELA to create a Regional Contingency Fund, a Regional Development Bank and a Regional Monetary Space as priority elements in order to make progress towards a regional monetary and financial architecture, as well as the comments made by other participating regional institutions as regards these broad fields of action. Special attention was also paid to those considerations stemming from the analysis of international experiences in the area of reserve funds, with the understanding that there is a variety of options and that all of those mechanisms are useful and necessary, and that the crisis raises the need to innovate and paves the way for regional efforts to define the new international monetary and financial architecture – an opportunity that must be seized.
10. In this connection, emphasis was made on the need to outline policies and mechanisms to attract the huge international reserves (US\$ 760 billion) that the countries of the region have placed in international capital markets, which are subject to high risks, not only for the sake of safeguarding, but also to ensure that they are invested in meeting the development needs of the region.
11. A suggestion was made that it was advisable to ensure financial cooperation for convergence of policies, particularly in the area of foreign exchange. To this end, a difference should be made between those objectives that can be accomplished through regional cooperation – such as a common accounting unit, a basket of regional currencies, or the issue of regional bonds – and those that should be achieved through global multilateral regulations, so as to successfully face speculative attacks on stock markets or currencies.
12. Participants noted that, ultimately, the development of the region depends on its ability to invest in its own production capacities. In this regard, they considered that the priority attached to savings and investment can be inverted, and that it is the duty of the State to ensure that it is done so and that it focuses on production and employment, because the banking sector is not fully complying with its role of facilitating productive investment. To a great extent, the actions being undertaken to mitigate the impact of external shocks – regardless of how important they are – do not contribute to generate growth.

13. Emphasis was made on the complexity of the problem and its solutions, which must comprehend three inter-related pillars (a Development Bank, a Contingency Reserve Fund and a Monetary Space), and must be innovative in channelling flows of funds into the productive economy, so as to adjust it to the region's social reality and the opportunities offered by a sustainable management of its natural resources, while respecting differences. This is all urgent, in view of the risks posed by the crisis.
14. In general, participants considered that technical mechanisms are well defined and that the region should already move towards political decisions and adopt them under the appropriate conditions, while rescuing cooperation as a paradigm within a context that elucidates the conflict between real and financial economy, taking into account different economic and commercial forms generated by growth factors.
15. The opportunity of holding a forum for debate and exchange of experiences on these issues, with a broad coverage of Latin American and Caribbean States and without external interference, was considered to be very important. SELA was requested to continue monitoring and analyzing these issues for the benefit of the process of dialogue and consultation of the region in this area, in line with the activities to be developed by the CELAC in this field.
16. In order to avoid the creation of new institutions and the duplication of efforts and resources, some delegations made a recommendation for the Permanent Secretary of SELA to become the Technical Secretary of the CELAC.
17. In the same vein, some delegations recommended that SELA should act as the Technical Secretariat of the CELAC in its productive and economic-commercial dimensions.
18. These conclusions and recommendations should be forwarded to the Pro Tempore Presidency of CELAC, along with the recommendation of ensuring the technical sustainability of the decisions to be adopted as well as their dissemination among civil society.
19. The delegations thanked the Permanent Secretariat of SELA for conducting the meeting, as well as the Rethinking Bretton Woods Project (Center of Concern), and the international, regional and subregional organizations that participated in the event for their relevant contributions.