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Latin American Economic Integration

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There were certain significant developments in the area of Latin American integration from March to November 1979. The most important of these events dealt with the meeting of the Andean Pact presidents in Cartagena, Colombia, in late May 1979 to express their support of the Andean Pact. The Andean nations, in particular, expressed a desire to revive the Latin American Free Trade Association. Nevertheless, particularly in the Andean Pact countries and in the Central American Common Market, the political climate continued to be an important variable due to elections in Bolivia (July 1) and Ecuador (April 29) and a state of insurgency or civil war in El Salvador and Nicaragua.

THE ANDEAN COMMON MARKET (ANCOM)

As had been agreed in a meeting of the ANCOM representatives of the five member countries in Bogotá, Colombia, on August 8, 1978, a meeting of the Presidents of the five countries—Bolivia, Colombia, Ecuador, Peru, and Venezuela—was held on May 26, 1979, in Cartagena, Colombia. This date marked the tenth anniversary of the signature of the Cartagena Agreement. At that meeting, the Presidents of the Member Nations signed the Cartagena Mandate (“El Mandato de Cartagena”) which contained a number of economic and political statements. In addition, their foreign ministers signed a treaty creating an Andean Court; and the highest governing body of the trade group, the Commission, issued five Decisions regarding various problems. Among other things, the Decisions dealt with the sectoral programs of industrial development and the status of Bolivia in the Andean Pact.

The Mandate of Cartagena contains various points referring to both political matters and economic issues.¹ In the political area, the major points included an affirmation that the ANCOM integration process constitutes an historical, political, geopolitical, cultural, eco-

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1. The Cartagena Mandate, May 26, 1979.

conomic, and sociological necessity for the peoples of the Andean Pact countries, and that it is a preliminary and indispensable step in the process of Latin American unity. Moreover, there was an agreement on certain basic criteria to give an orientation to an ANCOM strategy in the future years, to include:

1. The full force and effect of the Andean integration scheme and subregional economic programming;
2. A joint external projection (unified bargaining position) in international economic relations with other countries, integration and cooperation schemes, international organizations and transnational companies;
3. An active participation in the restructuring of the Latin American Free Trade Association (LAFTA);
4. A recommendation of the urgency to implement the treaty creating the Andean Court; and
5. A recognition that the landlocked status of Bolivia has been a factor limiting its participation in the integration process, and that actions must be taken in accordance with the spirit of Andean integration to contribute to satisfy the just aspirations of the Bolivian people.

The economic issues were also of a general nature. The Presidents recognized that the progress of subregional integration created a base to initiate a more active participation of the Andean Group in the international economic system. They pointed out that the industrial programming scheme is a basic instrument of the Cartagena Agreement, as well as a fundamental mechanism for both the equal distribution of its benefits and the harmonious and equal development of the Member Nations. Furthermore, the Presidents noted that the experience with such industrial programs dictates the need for greater pragmatism and flexibility in order to assure the actual execution of the projects in various countries. The Automotive Sectoral Program is considered to be a fundamental element of the system of industrial programming and has preferential significance for its development. It is significant that the Cartagena Mandate indicates that an increase in the active participation of the public and private sector is viewed as necessary in order to strengthen the interrelation between the Member Nations.

On the same day that the Presidents of the Andean Pact countries signed the Mandate of Cartagena, their foreign ministers signed a treaty creating the Andean Pact Court. The treaty enters into force

when all the Member Nations which signed it have deposited their respective instruments of ratification in the Secretariat of the Cartagena Agreement Commission. This time period is, therefore, open-ended and gives no clear date for the countries to approve the Treaty and place its provisions into force.²

The Treaty provides that the Decisions of the Commission of the Cartagena Agreement are obligatory for the Member Nations from the date the Commission approves them. Such Decisions of the Commission will be directly applicable to the Member Nations from the date of their publication in the Official Gazette of the Cartagena Agreement Commission unless a subsequent date is stipulated.

The Treaty creates an Andean Court located in Quito, Ecuador. The Court will be composed of five judges who must be nationals of the Member Nations. The judges will serve for a period of six years and may be reelected once. The Court has the power to nullify those Decisions of the Commission and the Resolutions of the Junta which have been given in violation of the norms which make up the juridical order of the Cartagena Agreement. The Member Nations may only bring an action of nullity as to the Decisions which were not approved with their affirmative vote. On the other hand, natural or juridical persons will be able to bring an action of nullity against the Decisions of the Commission or the Resolutions of the Junta which are applicable to them and prejudice them. If the Court declares totally or partially null the Decision or Resolution in question, it will indicate the effects which its sentence will have. In addition to actions to annul Decisions or Resolutions, both the Junta of the Cartagena Agreement and the Member Nations may bring actions to the Andean Court against a Member Nation resulting from a lack of compliance with the Cartagena Agreement's legal order.

In addition to the Mandate of Cartagena and the establishment of the Andean Court, the Commission of the Cartagena Agreement passed five Decisions at the end of May 1979. Several of the Decisions were designed to give the Andean Pact time to develop its stalled sectoral programs. Decisions 139-143 included provisions for the integral development projects foreseen in the Mandate of Cartagena, intersectoral programs of industrial development, and collective measures to aid Bolivia.³

2. Andean Court Treaty, May 26, 1979.

3. See generally Decisions 139-143 of the Commission of the Cartagena Agreement.

The all important Automotive Sectoral Program was affected because the time period to define the basic models in the categories of vehicles to be assigned to Colombia, Peru, and Venezuela was extended to October 31, 1979. The deadline for the agreement to all sectoral programs of industrial development was extended to December 31, 1980. It is in the automotive sectoral program area that certain progress has been made. Ecuador has enlisted Volkswagen and General Motors; however, the program will still require considerable negotiations between the countries and the automotive companies. General Motors has taken the initiative to consolidate an ANCOM base; it brought the Chrysler operation to Venezuela and Colombia, and agreed to make trucks in Ecuador and engines in Venezuela.⁴

The agricultural sector is recognized as an area of prime importance within the strategy for regional development. There are several factors accounting for this recognition: 1) 42.6% of the working population are involved in agriculture, although it comprises only 16.7% of the gross national product; 2) it is important for a developing country to reach self-sufficiency in food production; and 3) agricultural activity generates foreign exchange through exports, but due to insufficient domestic food production, imports become a necessary means for feeding the Andean population.

Certain sectors of agricultural activity have reached a high level of technical ability which is competitive internationally. On the other hand, the technical ability found in other sectors is insufficient. In addition, there are quality control and marketing problems. The numerous Resolutions approved in the meeting of the Ministers of Agriculture and the work done by the Junta as the technical communal body in the Andean integrating process show a decided willingness to increase the advances made jointly in the agricultural sector. Such interest is due to the importance of the strategic significance of this area of production within the member countries of the Agreement of Cartagena.⁵

Ambassadors of the European Economic Community (EEC) having diplomatic missions in Peru visited the Junta headquarters and announced that the Community will contribute more than \$6 million to the Junta of the Cartagena Agreement during 1979. These contributions will go to integration projects in rural zones, to the

4. *BUS. LATIN AM.*, April 18, 1979, at 121-22.

5. *ANDEAN GROUP*, July 1979, at 5.

development of technological projects for the food sector and tropical forestry resources, and to the design and execution of actions for the establishment of technical standards. The Junta and the Community showed interest in creating an atmosphere conducive to increased commercial relations.⁶

Dr. Sebastián Alegrett, President of the Cartagena Agreement Commission, announced an agreement to undertake the joint integrated development of the metalworking sector. Decision 146, which contains the Andean Group's new Industrial Program has, therefore, been approved. The new metalworking program, which includes Venezuela, is projecting a demand for metalworking products of \$1,300 million.⁷

In order to assure adequate application of the new program, Decision 146 contains important rules. One of the main innovations in Decision 146 is related to complementation or specialization agreements. These agreements are designed to allow Andean countries, which share assignments or which have an exclusive assignment to negotiate with other Andean countries in order to make the projects viable, to achieve a higher level of efficiency and obtain complete use of the opportunities derived from the program, both nationally and regionally. Emphasis was placed on the need to link the integration theory and the rules in order to develop projects which will generate jobs, production, and trade. Furthermore, the Andean countries are committed to joint actions to cooperate with Bolivia in an integral metalworking project for the manufacture of machine tools which have been assigned to it. The joint actions to be undertaken by the Andean countries include "collective measures to promote and finance the projects, to search for and negotiate technology, joint marketing, the possibility of establishing a multinational company, and the promotion of complementation and coproduction agreements as well as cooperation agreements to organize production and the regional market."⁸

In the administrative area, a new governing Junta of the Andean Pact was installed on June 1, 1979. The members are José de la Puente of Peru, Pedro Félix Carmona of Venezuela, and Washington Herrera of Ecuador. They replace Luis Barandiarán Pagador of Peru, Jesús Alberto Fernández of Venezuela, and Rafael García Velasco of Ecuador. All of the new members of the Junta are economists.

6. ANDEAN GROUP, August 1979, at 2, 7.

7. See BUS. LATIN AM., August 29, 1979, at 273-75.

8. ANDEAN GROUP, September 1979, at 1, 2-3.

De la Puente is also a lawyer and the ex-Minister of Foreign Relations of Peru, Carmona has been involved as a director of SELA and will serve as the Coordinator until May 31, 1980, and Washington Herrera is a diplomat.

THE CENTRAL AMERICAN COMMON MARKET (CACM)

Little development has taken place in CACM in 1979 due to the turmoil in Nicaragua and El Salvador. A common Central American tariff became effective on June 30, 1979. This tariff was concluded in a meeting of the economic ministers of the CACM members on September 1, 1978. On a national level, Guatemala has passed a new industrial decentralization law which provides attractive tax incentives varying on firm location.⁹

THE LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

The Cartagena Mandate's pronouncement in favor of a revitalization of LAFTA is significant. During 1979, LAFTA's Permanent Executive Committee (PEC) studied the effectiveness of LAFTA integration. In a late March 1979 session in Montevideo, the machine tool manufacturers commenced the sectoral meetings for 1979. Eleven delegates from Brazil and Argentina attended. A complementation agreement in this area was proposed which included seventy-three (73) tariff concessions on thirty (30) products. The products range from grinding machines for saws to hydraulic presses and circular and hydraulic saws.¹⁰ There were also meetings in April 1979 of the representatives of the confectionary and electronics and electoral communication sectors. Meetings were held in June in Montevideo, Uruguay, to commence the PEC's evaluation of LAFTA.

THE CARIBBEAN COMMUNITY (CARICOM)

The recent political changes in Grenada and other parts of the Caribbean have indirectly given a boost to CARICOM. The leaders of a number of the member states appear more interested in exchanging views, and at least on a bilateral level, CARICOM may yet survive.¹¹

The ministers of Finance of the Caribbean Community ended the Fifth Meeting of their Standing Committee in Antigua on November 8, 1979, Dickenson Bay, Antigua. The meeting was under the

9. BUS. LATIN AM., May 23, 1979, at 168.

10. BUS. LATIN AM., May 9, 1979, at 147.

11. LATIN AM. ECON. REPORT, June 8, 1979, at 170.

Chairmanship of Antigua's Minister of Finance, Hon. John St. Luce, and was preceded by a two-day meeting of government officials, and a meeting of a working party on a Unit of Account for the Common External Tariff of the Caribbean Common Market. The Ministers were able to conclude their deliberations in one day, resulting in agreement on a wide number of issues which were originally to be discussed in a two-day Agenda.

The Agenda called for a review of the CARICOM Multilateral Clearing Facility (CMCF), discussions on a successor arrangement to the CARICOM Interim Balance-of-Payments Mutual Support Facility, in particular, the possibility of the establishment of a regional stabilization fund, and also, discussions on the development of CARICOM Travellers' Cheques. Other topics before the Ministers related to regional cooperation for the development and supervision of the insurance industry in the Region, a common policy on inflation and consumption, the removal of legal impediments to the financial participation of CARICOM Member Countries in regional enterprises, and the adoption of a new unit of account for the Common External Tariff of the Caribbean Common Market.

In reviewing the CARICOM Multilateral Clearing Facility, the Ministers expressed general satisfaction with the operation of this mechanism, which was created in 1977 to minimize the use of hard currency in payments between Member States of the Community. They felt that it was providing a useful function and considered it a model for international payment arrangements. The Ministers noted that the CMCF Board contemplated the publication of a pamphlet explaining the origin of the Facility, and agreed that a public information program should be initiated in view of the need for greater public awareness and understanding of the Facility.

Upon consideration of a successor arrangement to the CARICOM Balance-of-Payments Mutual Support Interim Facility, the Ministers agreed on the need for a permanent balance of payments support facility for the Region. They opted for the creation of a regional stabilization fund, and have asked the experts who have been examining matters in this connection to undertake further studies to identify the size and quality of an optimal fund for the Region.

The Ministers also endorsed measures adopted by the Caribbean Multilateral Clearing Facility's Board of Directors relating to the development of CARICOM Travellers' Cheques during 1980. In addition, they agreed that the New Unit of Account for the determination of specific rates under the Common External Tariff of the Caribbean

Common Market should be the U.S. dollar and subsequently decided the valuation of the Unit. As a result of the different types of legislative requirements for the financial participation of member States in regional enterprises, the Ministers also suggested the convening of a Meeting of CARICOM Attorneys-General to consider the possibilities of removing these legal impediments.

Finally, the Ministers decided on a definite time frame for a Meeting in 1980, bearing in mind that although there is provision for an annual meeting, their last conference was more than three years ago.¹²

The First Meeting of Officials of the Joint Trade and Economic Committee, established under the Canada/CARICOM Agreement, convened in Ottawa, Canada, on November 21 and 22, 1979. The two-day Meeting was attended by officials of the Canadian Government and CARICOM Member States, the Caribbean Community (CARICOM) Secretariat, and two regional associate institutions, the Caribbean Development Bank and the East Caribbean Common Market Secretariat. The Joint Trade and Economic Committee considered modalities for developing trade and economic relations between Canada and the CARICOM Member States, as well as opportunities for technical, financial, agricultural, and transportation cooperation as provided for under the Agreement, which was signed in Kingston, Jamaica, in January 1979.¹³

The government of Saint Lucia hosted a series of Ministerial Meetings in its capital city of Castries during the first two weeks of December 1979. The several important economic and administrative issues of the Caribbean Community upon which the Ministers focused their attention included trade, customs, and commercial policy matters, the establishment of a Restricted Postal Union in the Caribbean, the 1980 Census, and a review of special measures for the Less Developed Countries (LDCs) of the Community. The latter is a mechanism created to provide opportunities for the LDCs to derive benefits from both agricultural and industrial development. The CARICOM Treaty provides for an annual review of these measures, and if necessary, for the adoption and implementation of new measures in favor of the LDCs.¹⁴

12. Caribbean Community Secretariat Press Release, No. 53, November 8, 1979.

13. Caribbean Community Secretariat Press Release, No. 54, November 15, 1979.

14. Caribbean Community Secretariat Press Release, No. 55, November 20, 1979.

ECONOMIC AND POLITICAL OUTLOOK FOR LATIN AMERICA

The issuance of the Mandate of Cartagena and the creation of an Andean Court on the tenth anniversary of the Andean Pact could be a turning point for that trade group. Nevertheless, questions remain concerning the future of the sectoral programs, the progress of the trade liberalization program, and the role of the foreign investor in ANCOM in the next decade. The future of LAFTA and the other trade groups, CARICOM and CACM, remains unclear.

In the political area, a new Venezuelan president, Luis Herrera Campins of the COPEI party, took office in March, as did General Figuerado of Brazil. Their policies on integration remain to be enunciated. The left of center candidate for President in Ecuador, Dr. Jaime Roldos, won over sixty-two (62) percent of the vote in Ecuador's April 29 elections.¹⁵ Bolivia's interim president, Walter Guevara Arze, was elected by Congress in August 1979 after popular elections failed to give any candidate a majority vote. Guevara's main task will be to prepare the country for new elections in May 1980, but Bolivia's economic problems will present him with other, more immediate challenges.¹⁶ Peru expects to hold elections in early 1980 in order to place a civilian in the Presidency by July 28, 1980. At the present time, a Constitutional Assembly is finishing a new constitution for Peru, and most of its provisions will be in force for the next government.

Continued increases in raw materials prices will help many of the Central and South American countries in 1980, except for those which are oil importers. Inflation continues to be a problem for Argentina, Peru, and Uruguay. The political climates in the countries will also continue to be important. The resolution of the problems in Nicaragua and El Salvador is crucial for the political development of Central America. In the case of Nicaragua, it appears that all the Latin American countries are in favor of the change in government; the ANCOM countries have taken a joint stand in this regard.

15. *LATIN AM. POL. REPORT*, May 4, 1979, at 130.

16. *BUS. LATIN AM.*, August 22, 1979, at 265.