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## Latin American Economic Integration

LYDIA A. FERNANDEZ\*

During the last quarter of 1978, efforts were made to revitalize three ailing economic integrative groups. The Caribbean Community (CARICOM), the Latin Free Trade Association (LAFTA), and the Andean Common Market (ANCOM), all received the much needed political support from their member governments to ensure their continued existence. The respective sovereigns now appear serious about making economic integration a workable concept once again.

In this respect, reassessment is the main priority for CARICOM, LAFTA, ANCOM, and the other integrative systems of Latin America. A number of considerations lead to this conclusion. First, economic integration can no longer be simply predicated on the initial premise of reducing the balance of payments by substituting imports in the region. Factors responsible for the general malaise affecting the global economy have equally come to bear upon the nations of this hemisphere. Slow growth, inflation, rising protectionism, monetary instability, and unemployment are problems which limit the range of success of any integrative group. Second, this list of factors suggests not only external, but also internal pressures on the economic integration process, since national goals within the region are in many cases competing ones. While the Latin American and the Caribbean nations are considered to be underdeveloped vis-à-vis the industrialized nations of the world, there exists among them a rift between the more populous, larger producing nations, and the smaller, poorer nations which lack the resources—human and natural—available to their neighbors. Third, the lack of technical assistance, while often overlooked, has proven to be a recurring stumbling block to the implementation of integrative measures; at times, it has also resulted in the failure of the protagonists to fully comprehend the process itself.<sup>1</sup>

The following is a report of recent activities of the various integration systems, viewed in the context of the changing climate and the period of introspection within the economic integration movement as a whole.

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1. Recognition of this deficiency is one of the main themes of a report prepared by integration experts of the Organization of American States (OAS). Accordingly, the OAS Secretariat is expected to channel the organization's Charter commitment to the

## THE ANDEAN COMMON MARKET (ANCOM)

The five Andean heads of state met in August 1978, during the inauguration of Colombian President Turbay Ayala.<sup>2</sup> The meeting was significant, not only for the political support given to ANCOM's integration efforts, but for the decision taken to call an Andean Presidents' Meeting in Cartagena on May 26, 1979, the date of the Andean Pact's tenth anniversary.<sup>3</sup> In addition, a commitment was made to push forward the creation of the Andean Tribunal by the end of 1979.<sup>4</sup> These pronouncements appeared in a document known as the "Bogota Declaration."<sup>5</sup>

Notwithstanding this development, ANCOM's difficulties are unlikely to be easily resolved. Since the Bogota meeting, the Andean Commission failed on a number of occasions to reach agreement on the revision of two of its three sectorial programs. That revision was made necessary by Venezuela's entry into the Pact and Chile's subsequent withdrawal.<sup>6</sup> Failure to reach an early compromise on the metalworking and petrochemical programs can be traced in part to Bolivia's insistence on receiving a larger share of the markets.<sup>7</sup> The metalworking program, Proposal 89, was rejected in its entirety by a unanimous vote of the Pact's members. The Commission was able to approve two Decisions which skirted the central controversy: Decision 129, calling for the incorporation of Venezuela into the metalworking industrial program; and Decision 130, excluding from the petrochemical industrial program the list of products which had been assigned to Chile, while temporarily freezing new production of those items by member countries until an agreement can be reached.<sup>8</sup>

ANCOM's automotive industry<sup>9</sup> continues to be the Pact's success story. It is estimated that by 1985, the regional demand for vehicles will surpass \$10 billion, a market well protected by the common external tariff and other advantages inherent in the automotive secto-

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integration process into this area of technical support. See DEVELOPMENT NEWSLETTER, January 1979, at 4.

2. LATIN AM. POL. REPORT, August 11, 1978, at 245.

3. *Id.*

4. INTEGRACIÓN LATINOAMERICANA, October 1978, at 42; ANDEAN GROUP, October 1978, at 1-2.

5. *Id.*

6. LATIN AM. ECON. REPORT, August 11, 1978, at 242.

7. NOTICIAS, October 9, 1978, at 2.

8. ANDEAN GROUP, October 1978, at 5.

9. For a checklist on the latest developments in the Andean automotive industry program, see LATIN AM. ECON. REPORT, August 11, 1978, at 244.

rial program.<sup>10</sup> Late in October 1978, the Commission met for four days and enacted an auto-parts import scheme. The plan allows for duty-free importation of components from other ANCOM members or third countries; as a trade-off, an equivalent value must be exported outside the subregion. Products that have been allocated to the Pact members under sectorial programs are excluded from this scheme.<sup>11</sup>

The fate of ANCOM's other sectorial programs,<sup>12</sup> which are as yet inchoate, will be decided in 1979. Under ANCOM rules, products on reserve for sectorial programs which are not approved by the end of this year will revert to a tariff-reducing scheme; actual tariff reductions would not take place until the end of 1980 in most cases.<sup>13</sup> In the meantime, the Commission is to remove some 400 products from the sectorial reserve list, although no agreement has been reached in recent meetings.<sup>14</sup> Some of the products removed may be assigned to ANCOM's less developed countries—Bolivia and Ecuador—for production. Bolivia hopes to receive allocations for manganese bioxide, ferrites, automatic oilers, and optical microscopes; Ecuador expects to receive allocations for safety papers, machine packing papers, insulating papers, postal stamping machines, and ticketing machines.<sup>15</sup> These products may be exported without levy to other ANCOM nations.

The Andean Tribunal represents a major initiative on the part of the Andean nations to consolidate the Pact. A meeting of high-level jurists was convened in Lima in mid-September for the purpose of studying Proposal 43 of the Cartagena Agreement Junta (JUNAC); this instrument outlines the functions of the court.<sup>16</sup> The Tribunal is to decide matters concerning interpretation of ANCOM Decisions; compatibility of Commission and Junta acts with the Cartagena Agreement; dispute settlement for noncompliance; and conflicts between local legislation and the Andean codes. While no basic disagreement exists in this area, there is some dissension as to the composition of the court.<sup>17</sup>

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10. BUS. LATIN AM., October 25, 1978, at 337.

11. BUS. LATIN AM., November 15, 1978, at 366-67.

12. Pending sectorial programs include: fertilizers; chemicals; pharmaceuticals; electronics; and steel.

13. BUS. LATIN AM., January 17, 1979, at 19.

14. BUS. LATIN AM., November 15, 1978, at 367.

15. *Id.*

16. INTEGRACIÓN LATINOAMERICANA, October 1978, at 42.

17. BUS. LATIN AM., November 15, 1978, at 368.

Recently completed studies on the Andean Highway System<sup>18</sup> indicate that the Andean Group must seek some \$1,600 million over the next ten years from international finance organizations. Work is to be carried out in several stages, the first of which is estimated to cost \$500 million. The highway will ultimately link all five Andean countries with each other and with the rest of Latin America through the use of three types of axes: a central axis, interregional axes, and complementary axes.<sup>19</sup> The plan calls for construction of new roads, as well as improvement of existing ones.

The Andean Development Corporation (CAF) approved a number of loans in September and December, bringing the total of loans granted in 1978 to a record \$146 million.<sup>20</sup> Ecuador received \$7.2 million for a soluble-coffee plant at Manta, \$2.2 million for African palm plantations and a new palm-oil extraction plant,<sup>21</sup> and funds for a freezer factory;<sup>22</sup> Venezuela received funds for a chemical plant.<sup>23</sup>

At the end of 1978, the newly created Andean Reserve Fund issued its first loan, to Peru, for \$37.5 million. The loan was made—in keeping with the purposes of the fund—to help Peru overcome its balance-of-payments problems.<sup>24</sup>

The figures for trade exchange among the Andean countries are estimated to reach \$725 million for 1978.<sup>25</sup> Recently, the ANCOM Secretariat faulted the European Economic Community (EEC) members for their protectionist policies; as a result of these policies, the EEC's share of exports from the Andean region are on the decline, from 21% in 1970, to 12% in 1977.<sup>26</sup>

#### THE CENTRAL AMERICAN COMMON MARKET (CACM)

Political upheaval continues to deal a severe blow to the Central American Common Market. In the forefront of the turmoil is Nicaragua, torn by civil war and ailing from a battered economy.<sup>27</sup>

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18. The project was approved by Decision 94 of the Cartagena Commission, which became effective in December 1974.

19. ANDEAN GROUP, November 1978, at 6.

20. NOTICIAS, January 15, 1979, at 2.

21. NOTICIAS, November 13, 1978, at 2.

22. NOTICIAS, January 15, 1979, at 2.

23. NOTICIAS, November 13, 1978, at 2.

24. NOTICIAS, January 15, 1979, at 2.

25. NOTICIAS, November 13, 1978, at 2.

26. LATIN AM. ECON. REPORT, January 5, 1979, at 6.

27. LATIN AM. ECON. REPORT, October 20, 1978, at 323.

Border clashes between Nicaragua and Costa Rica have caused the closing of frontiers from time to time. On one occasion, Honduras retaliated against the cutoff of overland trade by closing its frontiers to goods shipped to and from Costa Rica.<sup>28</sup>

Guatemala, another of CACM's principal actors, also suffers from labor unrest, sporadic rioting, and a general dissatisfaction with government economic policies.<sup>29</sup>

Any optimism that Honduras will once again participate in the Market and that its relations with El Salvador will improve became doubtful with the recent overthrow of Honduras's government of three years. It is speculated that the new extreme right-wing junta of General Paz García may adopt a tougher stance towards El Salvador.<sup>30</sup> The 1969 war with El Salvador, however, was not the only factor which triggered Honduras's inactivity. A primary reason for that country's lack of participation was its singular competitive disadvantage within the region. Honduras's Minister of Economy recently hinted that the time was ripe for re-entry, declaring there had been an improvement in his country's industrial base, pointing to the 1977 GDP growth figure of 7.5%,<sup>31</sup> a figure estimated to reach 8.0% for 1978.<sup>32</sup>

The phase of economic development most visibly and immediately affected by the political situation in the region is the transit of goods through the Central American corridor. El Salvador currently experiences great delays in sending its goods through Honduras,<sup>33</sup> while every other CACM member has the same problem with Nicaragua.<sup>34</sup> One recent plan calls for the establishment of a ferry service between El Salvador and Costa Rica. At present, since El Salvador has no direct access to Honduran highways, it must use a very expensive Nicaraguan ferry which crosses the Gulf of Fonseca in order to transport its goods to the south.<sup>35</sup>

The Market's single most pressing problem is the Nicaraguan economic crisis. With the balance of trade deficit expected to double

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28. LATIN AM. POL. REPORT, November 10, 1978, at 351.

29. LATIN AM. POL. REPORT, October 20, 1978, at 321.

30. LATIN AM. POL. REPORT, August 25, 1978, at 261.

31. *Id.*

32. Miami Herald, January 15, 1979, § A, at 18, col. 2.

33. LATIN AM. ECON. REPORT, January 19, 1979, at 15.

34. LATIN AM. ECON. REPORT, September 22, 1978, at 290.

35. *Id.*

1977's \$56 million figure,<sup>36</sup> and the foreign public debt expected to climb from \$820 million in 1977 to \$916 million in 1978,<sup>37</sup> Nicaragua has begun taking measures which are counterproductive to the Market. These include a tax increase on local industry, as well as the imposition of import duties on goods from the Central American region.<sup>38</sup>

The disarray in the Market reportedly led Guatemala to propose cessation of the 30% surcharge on imports that compete with regionally manufactured goods,<sup>39</sup> but no action was taken on the matter by CACM. In fact, newly enacted Guatemalan Decree No. 59-78 extends the surcharge (which was originally passed as an emergency measure to protect Central America's balance of payments) until November 8, 1983.<sup>40</sup> At a time when Guatemala and Costa Rica have the greatest stake in a revival of the Common Market, it is unlikely that either one of them would act in a manner inconsistent with the desired unity for the organization.

Some developments in the financial sector took place in the latter part of 1978. CACM's Ministers of Economy unanimously authorized an increase in the available capital of the Central American Bank of Economic Integration, increasing the fund from \$60 million to \$200 million.<sup>41</sup> In the meantime, the Bank announced plans to loan a total of \$1 billion to regional industries and governments over the next five years.<sup>42</sup> Early in January 1979, Guatemala's Minister of Finance reported that the five Central American Ministers of Economy would meet in the near future to discuss a common position on petroleum prices and the decline in value of such key regional exports as coffee and cotton.<sup>43</sup> Both the coffee and cotton markets have been adversely affected by a serious labor shortage: a vacuum is being created as a result of wave migrations to the north into Mexico and the United States.<sup>44</sup>

A project in the transport sector which envisions participation in a joint venture by eight small Central American airlines is currently

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36. By comparison, in 1976 Nicaragua had a surplus of \$40 million in its balance of payments. *LATIN AM. ECON. REPORT*, October 20, 1978, at 323.

37. *Id.*

38. *LATIN AM. ECON. REPORT*, August 25, 1978, at 261.

39. *Id.*

40. *NOTICIAS*, December 4, 1978, at 2.

41. *NOTICIAS*, December 25, 1978, at 2.

42. *NOTICIAS*, December 4, 1978, at 2.

43. *LATIN AM. ECON. REPORT*, January 26, 1979, at 25.

44. *LATIN AM. ECON. REPORT*, January 12, 1979, at 13.

under consideration.<sup>45</sup> The aim of the project would be to set up a single airline capable of competing with foreign carriers now serving the region, particularly those from the United States. With deregulation now firmly established in the United States, many more U.S. carriers are seeking new routes to Central America. Eventually, this overzealous activity will lead to fare competition, creating a favorable situation for the host countries seeking to increase their tourist industry. In this regard, Guatemalan President Lucas García expressed his desire to maintain an "open skies" policy.<sup>46</sup> For any joint venture the eight carriers may establish, the impending competitive atmosphere could prove unfortunate and untimely.

#### LATIN AMERICAN ECONOMIC SYSTEM (SELA)

More than three years after its inception, SELA has emerged as a relatively dynamic integration movement, despite the fact that its ambitious membership<sup>47</sup> indicated the creation of another sluggish institutional giant. The organization's success is due, in part, to its mode of operation. Projects are administered by action committees<sup>48</sup> composed only of member countries having a common interest in a particular venture. As a result of this setup, the problem of obtaining a consensus among the twenty-six nations is avoided. Moreover, while fragmentation has led to success on one front, aggregation has proven beneficial on another: SELA's homogenous representation has thrust it into a leading role as institutional spokesperson for Latin economic policy in the international sphere.<sup>49</sup>

In recent months, SELA has been actively promoting a program for the creation of a series of multinational corporations under the organization's ambit.

Early in October 1978, the Fertilizer Action Committee<sup>50</sup> met in Mexico City and took official steps to set up the first of these corpora-

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45. Participants include Aviateca of Guatemala, Taca and Aesa of El Salvador, Sahsa and Tan of Honduras, Lanica of Nicaragua, Lacs of Costa Rica, and Copa of Panama. *LATIN AM. ECON. REPORT*, September 29, 1978, at 302.

46. *Id.*

47. SELA membership now comprises twenty-six Latin American nations, Surinam being the latest addition as of June 1978. See *Latin American Economic Integration*, 10 *LAW. AM.* 1007 (1978).

48. For a list of the eight action committees currently in operation, see *COMERCIO EXTERIOR DE MEXICO*, October 1978, at 432.

49. Members of the Committee include Bolivia, Costa Rica, Cuba, El Salvador, Guatemala, Guyana, Mexico, Panama, Peru, Trinidad and Tobago, and Venezuela.

50. *INTEGRACIÓN LATINOAMERICANA*, November 1978, at 45.



tions, a Latin American Multinational Enterprise for the Commercialization of Fertilizers (MULTIFERT). Although formalization of the agreement will not be completed until March 1979 (the appointed deadline for ratification), a set of articles of incorporation have been prepared by SELA in anticipation of the measure's execution.<sup>51</sup>

MULTIFERT's primary objective is to eliminate regional dependency on imported fertilizers or fertilizer raw material; it plans to accomplish this objective through the coordination of production and consumption needs of the enterprise's subscribing members. Projections for the first year of its buy/sell operation estimate MULTIFERT will handle a volume of over \$330 million, an amount expected to double by 1985.<sup>52</sup> In addition, by handling the greater part of the Latin American world demand for fertilizers, MULTIFERT will be able to attain a stronger bargaining position with international suppliers.

At the same meeting in Mexico City, the eleven members of the Fertilizer Action Committee also considered a proposal for another multinational enterprise designed to provide technical assistance for the production and use of fertilizers. The creation of such an enterprise, however, will not be forthcoming for at least two years because of the current levels of regional production.<sup>53</sup>

In the meantime, plans for a third multinational corporation were discussed at a conference held in Lima, which was attended by fourteen Latin American nations. This particular enterprise will be set up to coordinate craft exports in an effort to corner a larger share of the world market. Statistics show that the industrialized nations spend \$1 billion yearly on imported craft articles, while Latin American countries provide only 10% of that total.<sup>54</sup>

Consultations for the creation of the proposed Latin American Technological Information Network (RITLA) began in August 1978, when a high-level SELA Mission toured ten regional countries to discuss the project with authorities.<sup>55</sup> The Mission's principal objectives include evaluating national infrastructures and collecting suggestions from member countries for the future operation of RITLA. SELA envisions the network as a mechanism for gathering technological information from within Latin America and ensuring its diffusion

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51. INTEGRACIÓN LATINOAMERICANA, October 1978, at 39.

52. *Id.*

53. *Id.*

54. NOTICIAS, October 30, 1978, at 2.

55. COMERCIO EXTERIOR DE MEXICO, October 1978, at 434.

and transfer throughout the region.<sup>56</sup> Presumably, the levels of imported technology will decline when RITLA is in full operation.<sup>57</sup>

At its members' request, SELA prepared, during the latter part of 1978, a document espousing a code of conduct for transnational companies.<sup>58</sup> The code was presented to the Group of 77, which adopted it as a Third World negotiating document with the developed nations, within the framework of the United Nations.<sup>59</sup> Unanimity among the underdeveloped countries is not surprising in this instance. The controversy with the industrialized states rages not over the provisions of the code, but over their effect: the former seek to enforce them, while the latter view the provisions only as a set of voluntary guidelines.<sup>60</sup>

#### THE LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

A mixed outlook dominates any discussion about LAFTA's future. At present, the extent of the organization's activity is reflected in a limited number of tariff cuts in complementation agreements, and an even fewer number of national list concessions, granted at LAFTA's Annual Conference held November 6-24, 1978. A resolution passed by the delegates at the conference, which lays the groundwork for reform, has nevertheless given rise to some optimism.

Industry complementation pacts are seen by many as a source of energy for renewing the beleaguered association.<sup>61</sup> To date, twenty-five pacts have been signed,<sup>62</sup> which contain over 3,000 duty reductions for zonal products.<sup>63</sup> The figures belie the reality, since studies indicate that in the past, only about a third of the concessions negotiated within LAFTA have been effectively used by its members.<sup>64</sup> As a matter of practicality, it is usually the big producers, Argentina, Mexico, and Brazil, which chiefly benefit from the pref-

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56. *Id.* at 435.

57. LATIN AM. ECON. REPORT, September 15, 1978, at 282.

58. COMERCIO EXTERIOR DE MEXICO, August 1978, at 349.

59. *Id.*

60. See LATIN AM. ECON. REPORT, November 17, 1978, at 357.

61. BUS. LATIN AM., October 18, 1978, at 331.

62. In mid-1978, Argentina and Mexico entered into Complementation Agreement No. 25, covering lamps and illuminating fixtures; Mexico subscribed to Complementation Agreement No. 1, covering data processing equipment; and Argentina, Chile, Uruguay, and Venezuela proposed a new agreement on preserved fruits and vegetables. *Id.* at 331-32; INTEGRACIÓN LATINOAMERICANA, August 1978, at 43.

63. LAFTA NEWSLETTER, No. 46, January-February 1978, at 6.

64. See Notas y Comentarios, ALALC: *Problemas y Perspectivas*, INTEGRACIÓN LATINOAMERICANA, November 1978, at 30, 33.

erential tariff treatment in both complementation agreements and national lists. In addition, reductions may prove insignificant, since in the case of many negotiated products, LAFTA nations have lowered their third-country duties to such an extent as to render minimal the difference between LAFTA and non-LAFTA duties.<sup>65</sup>

LAFTA's future viability is also affected by the fact that it has noticeably become a five-member organization, as none of the Andean Pact members have participated in any agreements since 1971.<sup>66</sup> LAFTA faces an even more endemic problem in that the freeing of trade barriers alone is insufficient for generating or stimulating commercial exchange.<sup>67</sup> Thus, all factors point to an imperative need for redefinition and reassessment.

In response to these considerations, the LAFTA delegates agreed that it would be useless to extend the free-trade deadline beyond the 1980 date without making the necessary structural changes. Accordingly, they passed a resolution calling for the Permanent Executive Committee to study the subregion's integration mechanisms. The Committee is to report its findings to the LAFTA foreign ministers, who are scheduled to meet no later than July 1980, and who are expected to make some hard decisions. The timely passage of the resolution shows a willingness on the part of LAFTA's plenipotentiaries to revive the organization, and in a larger sense, reaffirms their belief in the economic integration movement.<sup>68</sup>

Other action taken at the Eighteenth Annual Conference included the granting of three national list concessions by Argentina, one by Mexico, and two by Uruguay, the latter withdrawing, however, four concessions already on the list.<sup>69</sup>

In the complementation pacts area, six were enlarged: office equipment (No. 10) added one new product; pharmaceuticals (No. 15) added 21 new items; petrochemicals (No. 16) added 5; chemicals (No. 21) added 14; electrical generating, transmitting, and distribution equipment (No. 23) added 2; and electronics and electrical communications equipment (No. 24) added 64. Complementation Agreement No. 20, covering dyes and pigments, extended 45 tariff concessions for one year through 1979, and Uruguay joined Complementation Agreement No. 18, which covers photographic equipment.<sup>70</sup>

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65. BUS. LATIN AM., December 27, 1978, at 410.

66. BUS. LATIN AM., October 18, 1978, at 334.

67. See *Notas y Comentarios*, *supra* note 64, at 31.

68. BUS. LATIN AM., December 27, 1978, at 409.

69. *Id.* at 410.

70. *Id.*

A total of 22 new concessions were granted, while 69 others were renegotiated at the conference. These include a series of concessions given to Bolivia by Brazil, which will permit the former to export to the latter, free of any duty, various grades of lumber, including, among others, mahogany, cedar, and jacaranda, as well as railroad cross-ties and laminated wood. In addition, Argentina lifted a number of tariff duties on minerals imported from Bolivia; the list includes tin sulphurs and oxides, copper, iron, and other tin by-products.<sup>71</sup>

Trade advantages in the form of non-extensive concessions were received by Ecuador, Paraguay, and Uruguay, which rank among LAFTA's least developed nations: Ecuador received 13 new tariff reductions from Brazil and renegotiated 5 others with Argentina; Paraguay received 13 such reductions from Chile; and Uruguay led the others with 60 concessions, although most were renegotiated reductions.<sup>72</sup>

Once again, the conference extended for a one year period the temporary origin rules for products imported under LAFTA's tariff-cutting program. Next year's conference is scheduled to take place in Montevideo on November 12, 1979.<sup>73</sup>

#### THE AMAZON PACT

While no new developments have occurred since the ratification of the Amazon Cooperation Treaty on July 3, 1978, the region continues to suffer from mismanagement.

The Brazilian Government has exhibited no coherent policy with respect to the region in recent months, and there is no indication that the new government of General João Baptista Figueredo, which has been in power since March 1979, will bring any new solutions to the problems of the Amazon Basin. As a result of past government policies, the area has become a "hunting ground for economic groups, both Brazilian and transnational."<sup>74</sup> Large tracts of land have been wastefully cleared in order to set up factories, sprawling cattle ranches, and agricultural enterprises. Mismanagement has also meant that the peasants have not been getting their fair share; they have often received fraudulent titles to land and are generally neglected in favor of speculators.

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71. INTEGRACIÓN LATINOAMERICANA, October 1978, at 41.

72. BUS. LATIN AM., December 27, 1978, at 410.

73. *Id.*

74. LATIN AM. ECON. REPORT, January 12, 1978, at 11.

A new development plan was drawn up in Brasilia which called for the leasing of vast areas to forestry companies which would extract valuable timber and purportedly replace it with the same native species. An uproar was raised by ecologists and others, who have apparently forced the government to retreat, with no indication of what policy it would ultimately adopt.

One scientific study published recently gives additional cause for concern: Satellite photographs show that in Mato Grosso and Pará, located along the Araguaia River, 4.4 million hectares out of a total area of 55 million hectares of tropical forest have been cleared.<sup>75</sup> If the present rate of clearing continues, experts predict there will be disastrous consequences to the region, as brush invasion and soil erosion take over what was once a fertile area.

To the West, the signing of the Amazon Pact and a new administration has led Colombia to seriously look to the Amazon Basin once again for its economic development. In contrast to Brazil, Colombia *does* have a development plan, albeit a modest one. Colombia's plan calls for a total investment of \$55 million over a period of three years: 50% of this figure is assigned to the transport sector; 12% to education; 11% to water supply and sewage; 9% to energy; 6% to health; and 4.5% to agriculture.<sup>76</sup>

#### THE CARIBBEAN COMMUNITY (CARICOM)

Following the results of the Twelfth Meeting of the Council of Ministers, efforts to revitalize the integration process in the region still continue. Commerce officials from CARICOM member countries met shortly after the Council<sup>77</sup> and agreed upon a revision of the pricing formula for intraregionally sold sugar, which resulted in a 30% reduction over the prior rate.<sup>78</sup> Appreciable reductions were also obtained in the prices for oil, copra, and commodities covered by the Agricultural Marketing Protocol.<sup>79</sup> It was hoped that these measures would help alleviate the imbalance in regional trade accounts which is at the root of CARICOM's threatened demise.

The momentum achieved at the Council's Twelfth Meeting was exhibited in other CARICOM activity. The Nineteenth Meeting of Officials on the Agricultural Marketing Protocol, held October 4-5,

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75. *Id.*

76. LATIN AM. ECON. REPORT, September 22, 1978, at 291.

77. INTEGRACIÓN LATINOAMERICANA, August 1978, at 49.

78. *Id.*; BUS. LATIN AM., December 13, 1978, at 398.

79. BUS. LATIN AM., December 13, 1978, at 398.

1978, was attended by nine of the twelve CARICOM member countries.<sup>80</sup> Serious attempts to coordinate commerce in the agricultural sector developed during the session. As a starting point, it was recognized that the inadequacy of the shipping infrastructure in the Caribbean nations was one of the principal obstacles to intraregional trade.<sup>81</sup> The participants exhorted CARICOM to undertake a study of measures for the expansion of shipping facilities, which would ultimately result in the normal development of trade within the region.<sup>82</sup> In addition, recommendations on the general operation of the Agricultural Marketing Protocol were made for the Thirteenth Meeting of the CARICOM Council of Ministers.<sup>83</sup>

The CARICOM Secretariat, in conjunction with the United Nations Multi-Sectoral Regional Planning Project, sponsored a Conference in Trinidad for the formulation of a "Common Agricultural Policy." The Conference, held November 6-11, 1978, focused on developing "guidelines and measures for harmoni[z]ing national approaches to agriculture into a more systemati[z]ed pattern of production and marketing."<sup>84</sup>

When the Council met again on November 30, 1978 for its Thirteenth Meeting,<sup>85</sup> progress was stalled on another front. The CARICOM Ministers acknowledged that implementation of the restructured Common External Tariff would not take place until "sometime" in 1979;<sup>86</sup> they also agreed to postpone implementation of the New Origin System until April 1, 1979.<sup>87</sup> This action was prompted by the realization that ratification by all member countries could not be obtained before the January 1, 1979 target date adopted at the previous meeting. While the Council does not anticipate any difficulties in the ratification of these two instruments,<sup>88</sup> some commentators have observed that Trinidad may withhold approval until it achieves a more equitable position in regional trade.<sup>89</sup>

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80. Caribbean Community Secretariat Press Release, No. 30, October 5, 1978.

81. INTEGRACIÓN LATINOAMERICANA, November 1978, at 44.

82. *Id.*

83. Caribbean Community Secretariat Press Release, No. 30, October 5, 1978.

84. Caribbean Community Secretariat Press Release, No. 37, November 2, 1978.

85. Caribbean Community Secretariat Press Release, No. 42, November 30, 1978.

86. A conflicting and possibly more realistic evaluation, appearing in the CARICOM BULLETIN, predicts full adoption by all member-states by 1985. See 1 CARICOM BULLETIN 7 (1978).

87. Caribbean Community Secretariat Press Release, No. 43, December 1, 1978.

88. *Id.*

89. See BUS. LATIN AM., December 13, 1978, at 398.

It has been reported, although not officially announced, that the new restructured external tariff only comprises administrative changes which are aimed at securing a more uniform application of the tariff.<sup>90</sup> By way of contrast, the new rules of origin contain fundamental changes in the criteria for determining the degree of local content. Preferential treatment is to be determined in connection with the type of manufacturing or processing operations,<sup>91</sup> rather than through the value-added formula, which proved to be too much of an inflexible tool in the past. Where value added is still a criteria, factory price will be determinative and not the markup formula currently in use.<sup>92</sup>

In other areas, the Council considered standards and metrication proposals for region-wide adoption on a voluntary basis. The latter specifically address: the care labelling of textiles; the labelling of all products manufactured from textiles; general principles of labelling of goods; the labelling of pre-packaged goods; and a Metric Practice Guide embodying conversion factors and procedures.<sup>93</sup>

In anticipation of expanded intraregional trade, the Caribbean Multilateral Clearing Facility was increased to \$80 million, a sum expected to adequately finance intraregional payments. The Ministers also decided to have the Secretariat review the Agricultural Marketing Protocol and prepare a draft schedule which takes into account the submissions of member states. Finally, the Council agreed upon a draft of the new Canada/CARICOM Agreement which is to replace the Canada/West Indies Agreement of 1925.<sup>94</sup>

A number of regional meetings and workshops concerned with the integration movement were also held under the auspices of CARICOM during the past few months. These include: the Inaugural Meeting of CARICOM Harbour Masters and the Second Meeting of the Working Party on Maritime Training, both held in September 1978;<sup>95</sup> a Museum Workshop, a Meeting of the Advisory Committee for the Regional Drug Testing Laboratory, a Workshop on Environmental Health Strategy, and the Fourth Meeting of the Customs

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90. *Id.*

91. As a basis for classification, the Customs Cooperation Council Nomenclature (CCCN) was conveniently adopted. 1 CARICOM BULLETIN 18 (1978).

92. BUS. LATIN AM., December 13, 1978, at 398.

93. Caribbean Community Secretariat Press Release, No. 43, December 1, 1978.

94. *Id.*

95. Caribbean Community Secretariat Press Release, No. 28, September 26, 1978.

Committee, all held in October 1978;<sup>96</sup> and, a series of meetings dealing with air and sea transportation matters held in December 1978.<sup>97</sup>

Elsewhere, CARICOM has been an active participant in a management committee set up by the Caribbean Group for Cooperation in Economic Development to prepare a Technical Cooperation Plan for the region.<sup>98</sup> The committee itself is an arm of the newly formed Caribbean Development Financing Mechanism (CDFM). Other Committee members include representatives from the United Nations Development Program (UNDP), the Caribbean Development Bank (CDB), the Inter-American Development Bank (IDB), and the World Bank.<sup>99</sup> An initial estimate of the Plan's financing cost is placed at \$25 million, distributed as follows: agriculture-\$3 million; industry-\$3 million; transportation and maritime research-\$4 million; air transportation-\$3 million; services-\$4 million; and preparation and implementation of projects-\$8 million.<sup>100</sup>

In a related sector, IDB announced a loan of \$12 million to the Caribbean Development Bank, early in the last quarter of 1978. The fund, together with \$4 million from CDB, is earmarked to finance the granting of medium- and long-term credits by CDB in the fields of industry, agriculture, tourism, infrastructure, and regional integration in the territories of its member countries. A special emphasis is being placed on the less-developed countries.<sup>101</sup>

CARICOM appointed a new Secretary-General, Dr. Kurleigh Dennis King, a Barbadian, who prior to accepting this post was Director of the Industry Division at the Caribbean Development Bank. Dr. King assumed his duties as Secretary-General on November 1, 1978.<sup>102</sup>

#### ECONOMIC OUTLOOK

Rising world protectionism and uncontrolled inflation threaten Latin America's rate of economic growth for 1979. Limited access to foreign markets could result in a cutback in Latin American export

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96. Caribbean Community Secretariat Press Release, No. 31, October 9, 1978.

97. Caribbean Community Secretariat Press Release, No. 46, December 19, 1978.

98. INTEGRACIÓN LATINOAMERICANA, October 1978, at 47.

99. COMERCIO EXTERIOR DE MEXICO, August 1978, at 347.

100. INTEGRACIÓN LATINOAMERICANA, October 1978, at 48.

101. IDB NEWS, July 1978, at 3.

102. Caribbean Community Secretariat Press Release, No. 36, November 1, 1978.



production and growth expansion, thereby aggravating the balance of payments situation. A slow-down in the current rate of growth could also affect unemployment rates over a long-term period.<sup>103</sup>

Another factor affecting economic growth is the close linkage between Latin American currencies and the U.S. dollar. The latter's decline in money markets renders Latin exports more competitively attractive, although protectionist policies tend to neutralize this advantage.<sup>104</sup> Moreover, the dollar's weakness signals higher world interest rates, a situation which is particularly injurious to developing nations.<sup>105</sup>

In spite of these adverse developments, Latin America does have some good prospects for 1979. U.S. private capital investment in the region is expected to increase by 28% over the 1977 figures, according to a U.S. Department of Commerce study. This figure compares to the 16% total increase in worldwide capital outlays by U.S. investment in developing nations.<sup>106</sup> In the public sector, U.S. government policy is likely to concentrate on support for the Caribbean region, which is viewed by the administration as the next important frontier because of its geographical proximity to the continental United States.<sup>107</sup> Washington has already pledged over \$120 million to the Caribbean Development Facility and will probably make available more funds as the year progresses.<sup>108</sup> Mexico is also targeted as an area of high priority because of U.S. interest in its crude oil production. U.S. policy towards the remaining nations of the continent will continue to be colored by the human rights and trade issues.

In the area of commodities, the United States has given its support to a common fund for stabilizing certain commodity prices, as proposed by the United Nations Commission for Trade and Development (UNCTAD). The products covered by the fund include some of the most vital export commodities of Latin America: coffee, sugar, cocoa, tin, rubber, and hard fibers. The Administration has also given its backing to the International Sugar Agreement. If the accord is ratified by Congress, it will help stabilize sugar prices at a rate higher than present.<sup>109</sup>

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103. BUS. LATIN AM., January 10, 1979, at 10.

104. Miami Herald, January 15, 1979, § A, at 1, col. 4.

105. See *id.* at cols. 4-5.

106. BUS. LATIN AM., December 20, 1978, at 401.

107. BUS. LATIN AM., January 3, 1979, at 6.

108. *Id.* at 7.

109. *Id.*

Of the Latin American nations, Mexico has the most promising economic outlook, with an expected growth rate of 7% bolstered by its 40 billion barrels of proven oil reserves. Under the leadership of a government which favors business, Mexico now offers one of the best prospects for foreign investment in Latin America.<sup>110</sup> Brazil will continue to attract outside investment because of its pattern of steady economic growth; it will concentrate on improving its balance of payments and controlling inflation, rather than on accelerating its rate of growth, which now stands at a 5-6% rate.<sup>111</sup> Low productivity, high inflation, and political uncertainty will be the factors dominating the Argentine economy. Some economists predict an increase in economic growth in Argentina, simply because the economy cannot reach lower levels.<sup>112</sup> The nations of the Andean region will maintain a growth rate slightly lower or higher than 6%. Chile's investment climate remains the most open and attractive of all, except that opportunities are restricted by the size of the market. The countries of Central America have the dimmest outlook,<sup>113</sup> as they face political turmoil, rampant inflation, and poor economic growth, compounded by the recent hike in oil prices.<sup>114</sup>

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110. *Id.* at 6.

111. *Id.*

112. Miami Herald, January 15, 1979, § A, at 18, col. 4.

113. See notes 27-38 *supra* and accompanying text.

114. NOTICIAS, January 22, 1979, at 2.