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## LATIN AMERICAN ECONOMIC INTEGRATION

JULIA J. ROBERTS\*  
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### ANDEAN COMMON MARKET (ANCOM)

The ANCOM Group began the year under severe strains occasioned by failure to agree on the establishment of industrial development programs and setting a common external tariff, divergences concerning Decision 24, and differences respecting the membership of the Board. The charges seemed deep enough to threaten the future of the organization, but a series of meetings during the first three months of the year produced one definite answer and other compromise solutions which, if not altogether satisfactory, gave ANCOM temporary respite. Specifically, the problem concerning membership on the Board was definitely and satisfactorily solved, and extensions were agreed upon concerning the establishment of industrial development programs and the setting of a common external tariff. With regard to Decision 24 the picture remains unclear. The issue centers on the extent to which the Decision should be modified. Some countries advocate substantial amendment; others believe that any modification should be made through the regulatory process. The future of ANCOM may well rest on the hardness of present positions. If there is no give in the months ahead some countries may find this particular joint venture too inhibiting and not worth the loss of the foreign investment which they consider a necessity for their development.

### CENTRAL AMERICAN COMMON MARKET

The major efforts made with regard to the Common Market in the first six months of 1976 were in the area of reorganization, i.e., in the preliminaries to restructure this joint venture of the five Central American nations. Some dissatisfaction with the results of the joint effort, plus the unfortunate war between Honduras and El Salvador led for a call to re-

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view basic policies, existing institutions and past practices, and ultimately to a draft treaty prepared by SIECA to create the Central American Economic and Social Community. The draft document, as outlined by SIECA, contains specific recommendations to preserve and expand the functioning of the free trade zone, the Central American Import Duties Schedule and the monetary zone. In addition, it suggested major changes in the policies governing industrial development. SIECA's submission was presented to the governments in December, 1974 (7 *Law. Am.* 411, 1975) and resulted in the establishment of a High Level Committee (CAN) to review the draft and to make recommendations to the five governments. CAN completed its work in Spring, 1976 and its submission is now before the governments for evaluation and guidance. It is expected, however, that a new group will be formed to further refine the project commenced by SIECA and already filtered through CAN. That is, the Ministers of Economy, the Foreign Ministers and the presidents of the Central Banks may now be called as a group to review the work already completed. Their task is not an easy one. As the decision-making process approaches the top of the governmental structure, the political factors will surface and demand the prominent attention previously given their economic and technical counterparts.

It would be improper to characterize the Central American integration movement as being static. The integration program is a cooperative scheme to improve and expand the area's economic infrastructure and to give impetus to its industrial development. It had an auspicious start and developed a momentum which insures some positive accomplishments even in the "worst of times." Thus, even in 1975, when world-wide recessionary conditions continued to affect negatively the economic program of the region, the Secretary General of SIECA could point to some forward movement in the integration process (SIECA, *Carta Informativa*, January, 1976). No doubt 1976 will also register some progress, but the question is whether this year's forward movement will result from a new dynamism resulting from the restructuring process, or whether the advances in 1976 will be attributable to the original momentum. If the latter, the clock continues to wind down in a manner contrary to the expectations of the advocates of Central American integration.

#### LAFTA

In September, 1975 the Council of Foreign Ministers became the top decision-making authority of the Association through an amendment to

the Montevideo Treaty (Chapter IX, Arts. 33 to 39). Previously, the Conference of the Contracting Parties consisting of representatives from the eleven member states was the governing body. The duties and responsibilities of the Council are:

- The formulation of general principles leading toward a better implementation of the goals of the Montevideo Treaty and, in particular, a faster growth of the process of development and economic and social integration of the partner countries;
- the review of LAFTA's progress and the approval of basic guidelines for the working programs of other LAFTA bodies;
- the examination and solution of affairs submitted to it by the Conference or the Committee;
- the establishment of basic rules to regulate LAFTA's relations with third countries, regional associations and international organizations;
- the adoption of amendments to the Montevideo Treaty;
- the reform of the Council's and Conference's voting system; and
- the approval of its own rules of procedure.

The Conference will still be the forum for annual tariff negotiations and the center for joint decisions on other important affairs. It will meet regularly at year-end and at extraordinary sessions, if specially convened. The Permanent Executive Committee will also continue to be LAFTA's standing body responsible for supervising the implementation of the Treaty provisions. It meets regularly throughout the year in Montevideo with the participation of Permanent Representatives from each country.

The year 1975, not productive in the overall efforts to revitalize LAFTA, was nevertheless marked by some advances in the Latin American integration process. The measurable progress resulted from sectorial and specialized meetings. With respect to the former a total of 559 businessmen participated in fifteen sectorial meetings, resulting in fifty-eight recommendations. These meetings were wide-ranging and covered a large variety of industrial products. A by-product of the meetings was the drafting of four new complementary agreements, the submission of proposals to expand four existing agreements, and the revision of three agreements submitted in the past. In addition, eleven tariff cuts for inclusion in national lists were proposed. In the specialized meetings area important discussions were held in the tax and finance fields.

LAFTA Bankers' Acceptances will be available in the New York market commencing in June, 1976 under a marketing plan elaborated by LAFTA's Council of Financial and Monetary Policy. The acceptances will provide an additional source of short-term financing for exports; they will be guaranteed by the Central Banks.

### LATIN AMERICAN ECONOMIC SYSTEM (SELA)

The first ministerial level meeting of SELA was held in Caracas January 12-15, 1976; it resulted in a declaration in which the twenty-five Member States reaffirmed their purpose to implement a new international economic order based on the equality and sovereignty of all States. More specifically, the declaration restated the views of the States concerned on sovereignty over natural resources, credit availability, multinationals, technology transfer, and protection of basic products, among others. The guidelines established at Caracas were deemed basic to the preparation of SELA for the Manila meeting of the Group of 77 and the fourth session of the U.N. Committee on Trade and Development.

SELA has authorized a 1976 budget of \$1.9 million to be paid in accordance with the member's economic possibilities. To this end, the countries have been divided into four groups. These were: GROUP ONE—Argentina, Brazil and Mexico; GROUP TWO—Chile, Colombia, Cuba, Peru and Venezuela; GROUP THREE—Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay, the Dominican Republic, Trinidad and Tobago, and Uruguay; GROUP FOUR—Barbados, Grenada, Guyana and Haiti.

Late in April, 1976 Bolivia ratified SELA's Charter making a total of nine ratifications as of the above date. Other nations which have ratified are: Panama, Venezuela, Mexico, Cuba, Guyana, Ecuador, Peru and the Dominican Republic.

### CARIBBEAN COMMUNITY

Two important meetings took place at the end of 1975 and the beginning of 1976 signalling important developments within the Caribbean Community. From 8th to 10th December, 1975, the Second Meeting of Heads of Government of the Caribbean Community (CARICOM) took place in Basseterre, St. Kitts-Nevis-Anguilla. On 23rd and 24th January, 1976, the Seventh Common Market Council of Ministers took place at the CARICOM Secretariat, Georgetown, Guyana.

The Second Meeting of Heads of Government was concerned with several intraregional problems, as well as with community relations in the international area. Among the intraregional problems considered were:

(1) *Aspects of the Current Economic Situation in the Region*

The Conference reviewed the effects of the current economic situation in the region, and agreed on the adoption of a package of measures to counteract the adverse effects of continuing inflation, including the approval, in principle, of the establishment of an expanded Intraregional Clearing Scheme and a Regional "Financial Safety Net". To this end, the Conference decided to set up a Working Party comprising officials from the Central Banks/Monetary Authorities and Ministries of Finance to prepare detailed proposals for submission to the Standing Committee of Ministers of Finance with a view to bringing approved schemes into operations not later than 30th April, 1976.

(2) *Regional Food Plan*

The Conference gave further impetus to the implementation of plans for greater regional self-sufficiency in food production by agreeing, in principle, to the formation of the Caribbean Food Corporation, and to its very early establishment not later than September, 1976. The Conference adopted proposals for a preliminary work programme for the Corporation including the development of a proposed livestock complex relating to milk and dairy products, mutton and lamb, pork, poultry, and hatching eggs.

(3) *Regional Transportation*

The Conference endorsed a five-year investment programme of the West Indies Shipping Corporation for improvement of the Regional Shipping Service. It agreed to the inclusion of Belize in the Service and directed the Standing Committee of Ministers Responsible for Transportation to give priority to the development of small vessel shipping in the Community's programme of work on maritime transportation.

The Conference also approved the terms of reference of the Standing Committee of Ministers Responsible for Transportation in respect to civil aviation.

(4) *Review of Special Programme of Measures for LDCs*

The Conference gave close consideration to the operation of the special programme of measures for the Lesser Developed Countries

(LDCs), and was of the view that a combination of national and regional deficiencies had served to limit the effectiveness of the measures which had specifically been designed for the LDCs.

The Conference therefore adopted proposals for a review of the programme of special measures. In the conduct of this review, the Conference directed the Common Market Council to pay particular attention to the fundamental problems of production and trade faced by the LDCs, particularly to strengthening and expanding the operations of the Caribbean Investment Corporation and other Development institutions in the LDCs.

The Conference further reaffirmed the position of the Board of Governors of the Caribbean Development Bank that the Bank would continue to ensure preferential access by the LDCs to the Bank's Special Development Fund.

(5) *University of the West Indies*

The Conference decided to appoint a Committee to examine and make recommendations on the role, character, functions and orientation of university education in the Commonwealth Caribbean. The Conference outlined a Plan of Work which an envisioned inter-Governmental Committee would follow, appointing the President of the Caribbean Development Bank as Chairperson.

Among areas of concern in the international field, the Conference considered:

(1) *Developments in External Relations*

The Conference considered a number of proposals for improving co-ordination of foreign policy among Member States, and towards the achievement of joint approaches to a number of urgent international issues and decided that these matters should be considered at a meeting of Foreign Ministers scheduled to be held in the early part of 1976.

In this context the Conference gave particular attention to the role of a number of recently established Latin American/Caribbean institutions including Latin American Economic System (SELA), Caribbean Multinational Maritime Transportation Enterprise (NAMUCAR) and Caribbean Development Corporation Committee (CDCC), and to the position of the CARICOM countries at forthcoming international conferences including the Group of 77 in Nairobi and the Non-Aligned Summit in Colombo.

With regard to any external trade and economic agreements which could adversely affect intraregional trade and the complementary development of key sectors of the economies of the Caribbean Common Market, the Conference decided that the practice should be introduced that any Member State entering into such an agreement should consult, wherever possible in advance, with other Member States either directly or through the Secretary General.

(2) *EEC Relations*

The Conference took note of the continuing unsatisfactory situation of CARICOM Part IV Countries in relation to their share of European Development Fund (EDF) aid and passed a resolution expressing its concern, and requesting the U.K. Government to take appropriate steps to ensure that the position of the nonindependent countries in CARICOM be safeguarded.

(3) *Settlement of French Citizens in Cayenne*

The Conference noted with gravest concern, a proposed plan to settle a large number of citizens from Metropolitan France in Cayenne and adopted a resolution deploring "this deliberate effort to recolonise the territory of Cayenne and to strengthen the metropolitan presence in the Caribbean thereby frustrating the processes of self-determination and depriving the people of Cayenne of permanent sovereignty over their natural resources." It further agreed to coordinate "the efforts of Member States to prevent the recolonisation of this sister territory," and to call on the international community to exercise its influence to end this threatening situation.

(4) *Treatment of CARICOM Nationals in U.S. Virgin Islands*

The Committee was informed that the visa requirements imposed on Commonwealth Caribbean nationals entering the U.S. Virgin Islands were causing hardships to those nationals. Many of them who had been living in the U.S. Virgin Islands for years were losing their jobs and being deported. Moreover, they were being deprived of benefits under the Social Security Scheme to which they had been making financial contributions over the years. The Committee noted that the imposition of visa requirements would also seriously affect the traffic between the U.S. Virgin Islands and the Eastern Caribbean thereby posing a grave threat to the viability and survival of LIAT.

The Conference adopted a resolution which recalled "that at a meeting of representatives of Ministries and Departments of Labour of the



English-speaking Caribbean countries held in St. Thomas at the invitation of the Government of the United States Virgin Islands, certain decisions were taken to regularise immigration of nationals of CARICOM countries to the Virgin Islands by instituting screening procedures'; noted with concern "that the Government of the United States has so far failed to take the necessary measures to implement these decisions"; and took account "of the change of policy of the U.S. Government in requiring the possession of visas by nationals of CARICOM countries for travel to the U.S. Virgin Islands." The Conference expressed "grave concern at the treatment of nationals of CARICOM countries residing in the U.S. Virgin Islands"; and called "upon the Government of the United States to revise its policy of requiring visas from nationals of CARICOM countries entering the U.S. Virgin Islands and to examine the question of benefits which nationals ought to enjoy by reason of contributions which they have made to social security schemes in the U.S. Virgin Islands."

(5) *Granting of Independence to Associated States*

The Conference examined the question of the constitutional status of the Associated States in the context of transition to full independence and adopted a resolution supporting the desire of the governments of the West Indies Associated States to terminate the status of association with the United Kingdom and to proceed to full independence, and urging the United Kingdom to give effect to these wishes and to grant, within the shortest possible time, independence to these Associated States.

(6) *Guatemalan Claim to the Territory of Belize*

The Conference reaffirmed its commitment to uphold the right of the Belizean people, and adopted a resolution disapproving of Guatemalan claims, denouncing the threat of force against Belize as an intolerable violation of the peace of the Hemisphere, condemning "any defiance or threatened defiance by Guatemala of the unmistakable will of the community of nations as expressed at the Thirtieth Session of the General Assembly of the United Nations for the independence of Belize as a free, sovereign nation," and "the United Nations to uphold and protect the rights of the people of Belize against any wanton and capricious aggression, military or otherwise, and to take such steps of a multinational character as will provide a guarantee of her security recognised within the United Nations System in order to promote the peace and security of the region and the welfare of citizens of Belize."

The Seventh Common Market Council of Ministers of the Caribbean Community, considered a number of important developments affecting

the pace of the integration movement including the decision of the Second Conference of Heads of Government (reported *supra*), received the progress of the Action Programme for speeding the development of the Common Market Regime agreed on at the Sixth Meeting of the Council at Montego Bay in July, 1975 (8 *Law. Am.* 165-166, 1976), and also reviewed developments in the international economic area as they affected the Community. In reviewing the decisions taken by the Second Conference of Heads of Governments of CARICOM, the Council took the following action.

(1) Council took particular note of issues related to the problem of inflation in the region and agreed that the studies on these matters which were commissioned by Heads of Government should be assigned to a number of existing Regional Committees. It directed that the Secretariat should coordinate these studies and submit recommendations flowing therefrom for ultimate consideration by Council, and approval of the next meeting of Heads of Government.

(2) Council approved the Work Programme for the CARICOM Secretariat which emphasises, for the next year, work on a Regional Food Plan as approved by the Second Heads of Government Conference in St. Kitts-Nevis-Anguilla, the Maritime Transportation Programme in accordance with the decision of the same Conference, financial measures to reduce the effects of inflation as required by the Heads of Government, the development of Regional Statistics and the development of Regional Health Services.

(3) With respect to the expansion of the Regional Shipping Service, Council noted the decision of the Heads of Government Conference on the inclusion of Belize in the service, and the Multi-million Dollar Investment Programme for the West Indies Shipping Corporation. It further noted proposals for a number of studies to be undertaken by the Secretariat with assistance from the United Nations Development Programme (UNDP), aimed at improving the service with special emphasis on the development of small shipping and the ship repair industry.

(4) Council reviewed, in accordance with the requirements of the CARICOM Treaty, the Special Measures designed to facilitate the development of the LDCs. Council found that although a significant volume of financial and technical resources had been made available to the LDCs through the Caribbean Development Bank and the Caribbean Investment Corporation, for a variety of reasons several of the other measures have not yet taken full effect and the package of measures as a whole has not

yielded the results expected. Council adopted a number of proposals designed at strengthening the special regime for the LDCs with emphasis on those measures which were aimed at dealing with fundamental problems of production of trade in the LDCs.

Council also decided to urge Member Governments to continue holding discussions with the Private Sector with a view to encouraging the Private Sector to take up its contributions to the capital of the Caribbean Investment Corporation. It agreed that the Caribbean Community Secretariat, the East Caribbean Common Market Secretariat, the Caribbean Development Bank and the Caribbean Investment Corporation should, together, examine the operation of the Commonwealth Caribbean Technical Assistance Programme with a view to improving its efficiency and widening its scope.

In its review of the progress of the Action Programme for speeding up the development of the Common Market Regime, the Council received a progress report from the Working Party charged with responsibility for arriving at a formula for the determination of prices for commodities traded under the Agricultural Marketing Protocol and agreed in principle to the recommendations contained in the Report. It directed the Working Party to continue its examination and to submit final recommendations for the review of the Protocol at the next meeting of Council scheduled for April. In the meantime it approved prices for trading in these commodities for the six-month period, November 1975 to April 1976.

Council further agreed on some relaxation of the restrictions of intra-regional trade in meat and meat products from Guyana, and approved prices for intraregional trade in sugar.

During consideration of external economic relations, the Council received reports on the Ministerial Meeting of the ACP Sugar-Producing Countries held in Malawi and of discussions between ACP countries and the EEC in January, 1976.

Council also received a report from the Working Party on Bananas, which emphasised the importance of securing prompt implementation of Protocol 6 of the Lome Convention under which the U.K. market would be secured for Caribbean bananas. Council decided on a strategy for following up the implementation of the Protocol.

Council further reviewed developments focusing on matters such as the adoption of the U.S. Scheme of Generalised System of Preferences, Canada/West Indies Relations, ACP/EEC Relations, the CARICOM/Mex-

ico Joint Commission, the Caribbean Development and Cooperation Committee and the Paris Conference on International Economic Cooperation. Council was particularly concerned that in light of the number and range of international commitments the Region should carefully coordinate its activities in order to ensure that it received maximum returns from its participation in international endeavors. In the course of the discussions, Council expressed concern at the slow progress being made with certain priority UNDP projects, especially some of them designed for the ECCM countries.

During the course of the Meeting opportunity was taken for the signing of the Headquarters Agreement of the Caribbean Community and Common Market by the Minister of Foreign Affairs, on behalf of the Government of Guyana and the Secretary General, on behalf of the Caribbean Community. The Headquarters Agreement sets out the obligations of the Government of Guyana as Host of the Secretariat and the responsibilities of the Secretariat to its staff in the Guyanese community.

A third meeting of note within the Caribbean Region was the Fifteenth Meeting of the Caribbean Meteorological Council on 29th October, 1975. The Council is the Supreme Organ of the Caribbean Meteorological Organization, an Associate Institution under the CARICOM Treaty.