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LATIN AMERICAN ECONOMIC INTEGRATION

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LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

Nothing of importance has been happening in LAFTA owing to what appears to be a state of inactivity in the Association in recent months. It would be unfair, however, to interpret this as a criticism in view of the enormous difficulties that must be surmounted in seeking more advanced formulas for the integration of countries at such varied levels of economic development. Nevertheless, mention should be made of the progress achieved to date in freeing intraregional trade even though it has not satisfied all expectations.

The Montevideo Treaty, in a very broad interpretation by the parties concerned, has permitted a group of countries within the Association to form a subregional group, known as the Andean Group (Cartagena Agreement), which today represents the most dynamic integration process in Latin America. It is precisely the vigor of this subregional group which the influential Mexican magazine *Comercio Exterior* cites in proposing the formation within the LAFTA framework of another subregional group, made up of Mexico and the countries of the Central American Common Market.

In its June 1971 issue, *Comercio Exterior* analyzes Mexico's bilateral trade experience with the Central American Common Market countries and decidedly supports the idea of institutionalizing a new subregional group, although recognizing that this would require detailed studies and, especially, negotiations between the governments. The purpose of the subgroup would be to guarantee the common interests between Mexico and the Central America nations and serve as a dynamic element of the general Latin American integration process. The new group would be open to Panama and to the Caribbean countries not yet formally incorporated in the Latin American processes.

This idea, of course, merits further exploration, and demonstrates once again what has been repeated here so many times: that one of the principal characteristics of Latin American integration is the constant search for its own formulas, as distinguished from the European Economic Community, which was able, from the initial treaty, to start with advanced institutional formulas. From the juridical point of view, this characteristic underscores the need for study centers to approach this problem with a creative spirit rather than by imitating the experience of institutions that have met with some degree of success in circumstances that differ greatly from those of Latin America.

CARTAGENA AGREEMENT

The Committee on the Cartagena Agreement took an important political step in its Decision No. 42, in which the countries of the Andean Group formally declared their willingness to begin negotiations with Venezuela toward that country's inclusion in the Agreement whenever it considers it opportune. Although the decision set no date, its importance lies in the fact that Venezuela must now take the initiative and, further, the parties to the Agreement have shown their interest in including Venezuela.

At this writing, the Government of Venezuela has announced its intention to negotiate the terms of its entry. Various Venezuelan industrial and commercial interests, however, are not yet convinced of the desirability of subscribing to the Agreement. It should be noted that in accordance with Article 109 of the Andean Pact, it may not be signed with reservations.

Another noteworthy institutional development is the signing of a memorandum in September 1971 in Lima, Peru, seat of the Cartagena Agreement Board, between the Board coordinator and the assistant secretary general of SIECA to develop stronger ties between both subregional agencies. In addition to providing for the interchange of information, the document expresses the desire to seek forms of technical cooperation, including visits by experts of both institutions for the purpose of sharing the experience of both processes, plus other forms of cooperation that subsequent studies may indicate advisable. A high-level employee of each agency will be in charge of coordinating such cooperation.

CENTRAL AMERICAN COMMON MARKET

The Central American economic integration process continues to suffer from the disruptive effects of the armed conflict between El Salvador and Honduras of two and one-half years ago. Nonetheless, the integration process as such has not disappeared in the area but rather, until

the promised juridico-economic restructuring of the Common Market favored by all five countries occurs, has adopted transitional formulas that do not lack a certain degree of dynamism.

There are two provisional arrangements by which the Common Market countries try to maintain the volume of free trade in accordance with levels achieved prior to the conflict, when the General Treaty was in full force. Although the abnormal status of the Common Market is not the most propitious for free trade, the provisional arrangements enable all the countries to test juridical institutional formulas, which in themselves are an improvement over past formulas and a basis for future restructuring.

On the one hand, one juridical and institutional situation prevails for all the Central American countries, with the exception of Honduras, under the rule of the executive decisions of the Committee to Normalize the Central American Common Market. This Committee exercises the authority which the General Treaty entrusted to the Economic Council and the Executive Council, plus the fact that by express agreement of all the governments its decisions are taken by a simple majority and are compulsory for all governments, including those which may have voted against any specific decision. This institutional advance has not gone unnoticed in the area. The Federation of Industrial Chambers and Associations of Central America (FECAICA) mentioned it in very precise terms on the occasion of the Third Meeting of the Committee, requesting a future institution representative of community interests.

"We consider" — stated the Federation — "that the Normalizing Committee fulfills three elements of great importance and progress in the integration scheme: first, the singular vote; second, majority decisions; and third, it is composed of government representatives and competent persons familiar with the problems of economic integration. The foregoing may serve as a precedent for the constitution of a community organism such as the one proposed."

On the other hand, another juridical and institutional situation prevails for all the countries, excepting El Salvador. This situation is based on the (informal) Agreement of Managua of August 25, 1971, which laid down the basis for reestablishment of normal commercial relations between Honduras and Guatemala, Nicaragua and Costa Rica. The purpose of the Agreement is to reestablish free trade within the territories of the four signatory countries, and it grants Honduras more favorable treatment in view of its relatively disadvantageous situation with respect to the benefits of integration. The Agreement, which has a duration of three years unless the Common Market is restructured prior to the end of

that period, makes no specific reference to the General Treaty but does state that pertinent regional economic integration provisions must be taken into consideration and that problems must be solved in accordance therewith through the use of regional mechanisms and instruments.

In both provisional schemes the Permanent Secretariat of the General Treaty for Central American Economic Integration (SIECA) plays a role whose importance should not be overlooked. In the first scheme, it continues to exercise the authority granted by the Treaty since the parties thereto consider it to still be in force. In the second scheme, it carried out similar services although the Managua Agreement does not mention the Treaty.

The foregoing reveals that the integration process in the Central American Isthmus has not disappeared as result of the conflict between El Salvador and Honduras, and rather that the crisis allows the countries to try new juridical and institutional formulas in the hope of making future progress.

It is unfortunate that the resolutions of the Normalizing Committee and the other documentation do not receive greater publicity in this interesting trial period of Central American integration. In the presentation referred to above, the Federation of Industrial Chambers and Associations pointed out this fact in the following terms: "It is not logical for an entity of public law with compulsory regulatory authority, not to officially make its decisions public. The Federation reiterates its recommendation that the Committee publicize its resolutions in the official journals of the member countries."

Almost the only source of information on the current Central American process is the SIECA Information Bulletin which, though very useful, does not suffice. A thorough analysis of the juridical advances in the area will be possible only when researchers have first-hand material available to them.

As for relations between El Salvador and Honduras, the bilateral working group met in San José, Costa Rica, for the fifth time and achieved some progress toward normalizing relations between the two countries. This interdiction remains as the greatest obstacle to integration.