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F. V. Garcia Amador
University of Miami School of Law

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LATIN AMERICAN ECONOMIC INTEGRATION

F. V. GARCIA-AMADOR

*Director, Department of Legal Affairs
Organization of American States*

LATIN AMERICAN FREE TRADE ASSOCIATION

The last quarter 1970 saw no important events relating to economic or juridical decisions affecting the Latin American Free Trade Association (LAFTA). In the year 1970, 17 industrial meetings, in which more than 700 businessmen from 11 countries participated, were held on the sectoral program. These meetings produced new proposals for industrial complementation and 1,500 tariff concessions.

The Tenth Meeting of the Contracting Parties of the Montevideo Treaty took place in October-November, 1970. This meeting examined the free trade program from the viewpoints of development of intrazonal trade, application of the principle of reciprocity, evaluation of the implementation of Article 5 of the Treaty, and of other matters relating to free trade. It has become evident that one of the principal tasks facing LAFTA is to take maximum advantage of the 11,000 tariff reductions negotiated in past years, a task which in itself is not a simple one and which is further complicated by the special problems of the relatively less developed countries. Nevertheless, the consolidation of previous achievements is in itself a forward step in a process that involves countries with very different levels of economic development.

THE ANDEAN GROUP (AGREEMENT OF CARTAGENA)

Perhaps the most interesting event in the process of Latin American integration has been the approval by the Committee of the Cartagena Agreement of the draft Agreement on common treatment for foreign capital. The five governments participating in this subregional pact within the framework of LAFTA were to come to a decision in December, 1970 in order to produce a definitive instrument by January, 1971 and to put it into effect. It is important to note that the draft attempts to embody

in juridical standards, an economic concept as to the specific ways in which foreign capital can participate in the development of the subregion which differs from others in the LAFTA framework, for example, in the case of Brazil or Argentina. The varying economic and political conditions in the countries, along with their different levels of development, make it difficult to channel in orderly fashion the people's desire for progress, and at the same time achieve integrated economic development among various states through a single, valid *erga omnes* concept, as can be done in the Europe of the Common Market. This peculiarity of the Latin American process must be recalled in any juridical thinking that believes the rule of law should be the road to be followed by Latin America toward a quantitative and qualitative development capable of satisfying the deep, human aspirations underlying the problems of underdevelopment.

The three basic ideas contained in the draft Agreement are the following:

1. Limitation, control, and direction of foreign investments in order to adapt them to the development plans of the countries which receive them;
2. Reservation of some basic industries for national or regional capital;
3. Progressive return or re-adaptation of some industries controlled by foreign capital to control by national capital through their transformation into mixed capital enterprises over a period of 10 to 20 years depending on an evaluation of national conditions. Because they are relatively less developed countries in the subregion, Ecuador and Bolivia have longer-range terms.

The draft Agreement takes into account the policy to be formulated on the application of these principles, and on the reinvestment and re-exportation of capital, the remission of profits, national and international credit, technology, and patents.

As for guarantees to foreign enterprises, the draft provides that such enterprises may be expropriated only in case of public utility, and by payment of adequate compensation in accordance with the laws of each country.

With respect to the creation of multinational enterprises, the draft recognizes that a common concept and policy has not as yet been laid down, and therefore refers the problem to ad hoc treatment to be determined by the countries. Actually, the Committee of the Cartagena Agree-

ment has already considered the matter and has passed a resolution to prepare, by March, 1971, a complete program for the petrochemical industry on a multinational basis with preferential treatment for Bolivia and Ecuador.

While the signatories of the Cartagena Agreement have begun to discuss and decide fundamental policies for the purpose of achieving an integrated development of their national economies, Venezuela has not yet decided whether or not to request admission as a member of the sub-regional group. A form of association is being considered as an alternative to full membership.

CENTRAL AMERICAN COMMON MARKET

Despite repeated efforts in the economic sphere (several informal meetings of Ministers of Economic Affairs), the countries of the Central American Common Market have not yet been able to find a formula satisfactory to all of them for establishing a *modus operandi* for the Common Market so that its basic gains may be preserved until an economic or political structure is developed from which new advances can be made. Efforts are now under way in the political sphere through informal meetings of the Central American Foreign Ministers.

It is clear, that along with the differences in the economic positions taken by the countries toward their problems in the Common Market, there are differences, those derived from the conflict between El Salvador and Honduras, which, though settled in the sense that the border has been pacified, still present unresolved aspects. Hopes for a lasting peace between El Salvador and Honduras, an essential prerequisite for the continued progress of the Central American Common Market, are now placed in the success that may be attained in the bilateral talks that those two countries are holding from time to time in San José, Costa Rica, under the chairmanship of former Secretary General of the Organization of American States José A. Mora as Moderator.

The bilateral group has very recently decided to maintain a permanent secretariat in the capital of Costa Rica and to hold meetings at least twice a month. Thus, until diplomatic relations are restored, the two countries will be able to maintain the dialogue needed to tackle the problems that beset not only them but the other members of the Common Market.