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LATIN AMERICAN ECONOMIC INTEGRATION

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LAFTA

At mid-1970 it is clear that the decade just begun will make very serious demands upon the countries within LAFTA since this is the year to begin the work of perfecting the various integration processes in the Latin American region. This is the initial step in the long-range task proposed in the 1967 Declaration of Presidents at Punta del Este, Uruguay to achieve a Latin American Common Market within a 15-year period ending in 1985. The conviction that the difficulties to be surmounted are enormous—not new by any means—has been confirmed. Yet, in retrospect, the past decade shows that the Montevideo Treaty has been an effective frame of reference in which the idea of integration has been manifested, both in economic deeds as well as in juridical formulas. In the economic sphere, trade among LAFTA member countries was expanded in more than 11,000 products, a 99% increase; exports have been diversified to the benefit of increased trade in industrial products; new agreements have been signed for industrial complementarity as well as for multilateral settlement of payments covering maritime transport, passenger traffic, and multilateral cooperation in balance of payments problems.

In the juridical sphere, the most noteworthy achievement has been the signing of the Andean Subregional Agreement resulting from the desire of a group of countries to accelerate the integration process. The flexibility of the Montevideo Treaty made possible this formula of accommodation of interests among countries with very diverse economic structures and levels of development, so typically characteristic of the South American process.

Looking ahead. The success of the initial efforts appear to make it necessary to adapt juridical concepts and institutions to the requirements of the most ambitious goals formulated as long-range objectives of the integration process. In view of the obvious obligations and difficulties, the principal task assumed by the Executive Council of the Association for

the entire year 1970 is to determine priorities within the work plan laid down by Resolution 262 of the IX Conference of the Contracting Parties.

In its first stage, the work plan consists of studies on trade, industrial and agricultural policy and on fiscal, monetary, financial and infrastructural matters.

From the viewpoint of institutional development, the decision to reach a common approach with respect to third countries by 1973 is worthy of note.

Meanwhile, a LAFTA delegation, composed of 14 members of the Executive Council and three officials of the Secretariat, traveled to Europe to discuss common trade with authorities of the European Free Trade Association and the European Economic Community. In addition, a special delegation of the European Economic Community visited the Executive Council in April 1970 and general discussions were held.

The governors of the Inter-American Development Bank who represent signatory countries of the Montevideo Treaty also visited the Executive Council. Emphasis was placed on the importance of creating a financial corporation for Latin American exports as a subsidiary of the Bank and continuing efforts to do away with tied loans by organizations or governments of industrialized countries.

In addition, several sectorial meetings within the framework of the Treaty, especially with respect to the provisions of Articles 16 and 17, have been held and others are scheduled for the rest of 1970. In this connection, the Fifth Meeting of the Advisory Commission on Management Affairs held in April recommended, among other things, that urgency be given to the studies being made by the Secretariat of the Executive Council on measures for accelerating integration, especially with respect to a common tariff, proposed tariff exemptions, and the actual exemption of articles included in the first section of the common list. As to industrial integration, the Sixth Latin American Congress of industrialists (Lima, April 1970) had recommended, among other things, that Article 16 (a) of the Montevideo Treaty be regulated in order to facilitate the coordination in the economic sectors therein provided for.

To sum up, integration within the framework of the Montevideo Treaty is continuing its difficult pace without any spectacular achievements of an institutional or economic nature although it continues to seek an accommodation of very diverse public and private interests with different levels of development under pragmatic economic formulas which,

CENTRAL AMERICAN COMMON MARKET

The political problems raised by the armed conflict of July 1969 between El Salvador and Honduras — the so-called hundred-hour war — continue to act as the principal factor in hampering the normal development of Central American integration and its progress toward the next complex step, which is establishment of a customs union and gradually putting it into operation. Nevertheless, on that same political level, in the year July 1969 to June 1970 notable advances were made within the framework of the Thirteenth Meeting of Consultation of Ministers of Foreign Affairs of the inter-American system, which not only managed to isolate the conflict, achieve a cease-fire, and effect the return of occupied territories, but also laid the basis for a plan capable of securing a lasting peace on the frontier of the two countries, the scene of the conflict.

In fact, on the basis of the work of the Special Committee (composed of seven ambassadors on the Permanent Council of the Organization of American States), the Ministers of Foreign Affairs of the five Central American countries adopted, in San José, Costa Rica, on June 4, 1970, a plan for the establishment of a security zone for peaceful purposes along the frontier between El Salvador and Honduras. The plan consists essentially of the creation of a demilitarized zone under the supervision of military observers from other American countries designated by the Organization of American States. The implementation of this plan, which is already under way, will make it possible for the two countries to resume bilateral talks that will, in turn, promote the development of the Common for this very reason, might cause some confusion from a formal juridical perspective. Therefore, the job of the legal profession, both academic and in practice, is to systematize the juridical principles and norms of the process, not on the basis of an ideal juridical model but rather in accord with the socio-economic needs involved in the idea of the integrated development of countries which, to a greater or lesser degree, share the characteristics of relatively less developed areas as compared with the industrialized sectors of the world.

CARTAGENA AGREEMENT

In accordance with the Andean Subregional Integration Agreement — also known as the Cartagena Agreement — as well as with the Latin American Free Trade Association, efforts are being made to set work priorities in furtherance of economic integration. A meeting of the Commission of the Andean Group was held in Lima, Peru, April 9-14, 1970,

at which time the twelfth decision was adopted, approving the minimum common export tariff for products included in the first section of the common list. It was also decided to advance to October 20 of this year the presentation of proposals on the work program, originally scheduled for November 20.

Among others, the following suggestions on the work program of the Group were made by the representatives:

1. To include the automotive industry in the chapter on industrial programming;
2. To include the naval construction industry in that same chapter;
3. To consider land transportation in the chapter on infrastructure;
4. To include the integration of border areas in that same chapter;
5. To hold separate meetings for the pharmaceutical and the chemical industries.

Market on a more advanced juridical basis. Thus, the inter-American action supplements the Central American regional efforts in pursuit of peace and economic progress.

Meanwhile, in the Central American area the institutions of the Common Market have continued their work in the economic and juridical fields to the extent possible.

On June 19 and 20 the Ninth Regular Assembly of Governors of the Central American Bank for Economic Integration was held, with governors representing all five countries attending. A call for capital was approved, in the sum of 7.5 million Central American pesos, in United States dollar equivalents, payable in equal shares by each country in its national currency.

The Central American Monetary Board met June 11-13. At this, its XXXVII Special Meeting, the form of operation of the Central American Monetary Stabilization Fund was analyzed and the possibility was discussed of subscribing to a 10 million dollar loan from the Agency for International Development (AID) to assist in the operation of that fund.

As a matter of direct interest to the lawyer, it should be noted that the Legal Section of the Permanent Secretariat of the General Treaty for Central American Integration (SIECA) is reviewing two proposals for uniform Central American legislation: the Central American Convention on Commercial Documents (*titulos y valores*) and the Convention on Companies and Juridical Persons (*sociedades mercantiles*). Both projects are of special importance in the formation of a Central American capital

market. As soon as SIECA completes its study, it will discuss the proposals with the Central American Institute of Comparative Law and then present them for approval by the Executive Council and the Economic Council.

SIECA is also at work on common maritime and port and harbor legislation for the member countries of the Common Market. In addition, SIECA officials are consulting the public and private sectors in the five countries on the conditions for application of the Central American Convention on Fiscal Incentives to Industrial Development, in effect since March 1969.