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LATIN AMERICAN ECONOMIC INTEGRATION

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ANDEAN GROUP NEGOTIATIONS

The subregional integration agreement provided for in the Declaration of Bogota, signed on August 16, 1966, by the Presidents of Colombia, Chile, and Venezuela, and the personal representatives of the Presidents of Ecuador and Peru, made considerable progress in its structural phase during 1968. This subregional agreement, to which Bolivia has adhered, seeks to accelerate the integration process among the Andean countries within the framework and objectives of LAFTA. The bases for the agreement were approved by the Second Meeting of the Council of Ministers of LAFTA, held in Asuncion, Paraguay, August 28 - September 2, 1967.

The subregional Committee of Experts held two important rounds of negotiations during 1968, both in Bogota. The first January 9 - March 29, drew the first draft agreement; reactions to this draft were varied. The President of Colombia, in a letter of April 4 to the presidents of other countries of the Andean Group, proposed acceleration of the integration timetable as set forth in the draft. Representatives of the private sector, however, particularly the Venezuelan Federation of Chambers and Associations of Commerce and Production (FEDECAMARAS), proposed the reconsideration of the draft and postponement of the adoption of a compromise agreement. The Committee of Experts held a second round of negotiations to consider the conflicting views, June 3 - July 4, and during this period met with the Business Consultative Committee of the Andean Group. These negotiations resulted in a second draft agreement.

The Sixth Meeting of the Mixed Commission of the Subregional Agreement held its first session in Cartagena, Colombia, July 29 - August 9, 1968 and a draft was drawn up which eliminated nearly all points of disagreement. There is hope that the Subregional Agreement will be signed in La Paz, Bolivia early in 1969, and that it will enter into force once the competent organs of LAFTA proclaim its compatibility with the bases approved in 1967.

ANDEAN DEVELOPMENT CORPORATION

On February 7, 1968, during the Fifth Meeting of the Mixed Commission of the Subregional Agreement, the plenipotentiaries of the Andean Group signed a basic agreement creating the Andean Development Corporation. This agreement, an important supplementary instrument in the subregional integration process, seeks to accelerate integration. With the dual objectives of regional specialization and equitable distribution of investments within the area, the Corporation will seek capitalization of opportunities and existing resources through the establishment of new enterprises of production or services, and the enlargement, modernization, or conversion of existing enterprises. The Corporation, based in Caracas, will have a capital of \$100 million. Its institutional structure is novel, and includes features of an international organization and of a private entity, particularly those of a corporation. Its activities may be underwritten by governments, by public agencies, and by individuals. The agreement will enter into force when ratified by three signatory countries. Colombia, Chile, and Peru are well on the way toward ratification.

RIVER PLATE BASIN PROJECT

Notable progress was made in 1968 on the integrated development of the River Plate Basin. The attempt to combine efforts for the joint utilization of the fluvial system of the Basin has the support of Argentina, Bolivia, Brazil, Paraguay, and Uruguay. A significant event was the Second Meeting of Foreign Ministers of the countries of the Basin held in Santa Cruz de la Sierra, Bolivia, May 18 - 20, 1968 following the first ministerial meeting at Buenos Aires in February, 1967. Governmental observers from the Netherlands and Peru, and observers from the IDB, ECLA, CIAP, OAS, and the United Nations Development Program attended the second meeting.

At Santa Cruz, the Foreign Ministers agreed to meet periodically to formulate policy and to make the necessary studies to carry out various specific projects presented by the governments; ordered the Intergovernmental Coordinating Committee to (1) prepare a draft treaty to guarantee the institutionalization of the River Plate Basin program, and (2) explore potential cooperative ventures with pertinent international entities; approved the statutes of the Coordinating Committee (the organ to promote and coordinate multinational activity for the better utilization of the River Plate Basin resources).

SECOND COMMON SCHEDULE OF LAFTA

The second round of negotiations to make up the Common Schedule of LAFTA continued active during the year. This round corresponds to the second three-year period of activity by LAFTA, and its objective is to include in the Common Schedule products which, in terms of the aggregate value of the trade among the contracting parties, shall constitute no less than 50% of that trade. The first round of negotiations in 1964 included products totalling 25% of the trade referred to above. The products to be included in this Schedule should be totally freed by the end of the transitional period in 1973.

The current round of negotiations began during the Seventh Regular Conference (Montevideo, October 23 - December 5, 1967), and continued during the Seventh Special Session of the Conference, held in Montevideo starting on July 16, 1968. The major difficulty encountered in this round of negotiations has been disagreement as to the inclusion of wheat and petroleum. LAFTA's Council on Agricultural Policy has proposed a series of standards to regulate trade in agricultural products effective in 1973. If the Conference approves these standards, it will be possible to include agricultural products in the Common Schedule in the future, thus achieving the 50% goal called for by the Montevideo Treaty.

NEW AGREEMENT ON COMPLEMENTARITY

On July 25, 1968, Bolivia, Colombia, Chile, and Peru signed an important Agreement on Complementarity regarding petrochemical products within the LAFTA framework. LAFTA's Executive Committee proclaimed its compatibility with the Montevideo Treaty in Resolution 154 on August 29. The Agreement, *inter alia*, provides for an automatic reduction of tariffs, a common external tariff, coordination of investments, localization of industries, and a system of multinational enterprises. The Administrative Council provided for in the Agreement would reach its decisions by a two-thirds vote. This is the sixth agreement on complementarity signed within LAFTA.

LAFTA-CACM COORDINATING COMMITTEE

The LAFTA-Central American Common Market Coordinating Committee, provided for in the Declaration of Presidents to accelerate the merger of the two Latin American integration processes, held its first meeting in Port-of-Spain, Trinidad, October 14 - 18, 1968. The agreement establishing the Coordinating Committee was signed in Asuncion, Para-

guay, on September 2, 1967, by the Foreign Ministers of the countries participating in the two integration efforts. At its first meeting, the Committee adopted its internal regulations, considered measures to implement the merger, and dealt with the possibilities for subregional agreements, broadening of agreements on complementarity, Latin American customs preferences, Latin American stand-still, and the respective systems of payment.

CARIFTA

In February, 1968 the Agreement on the Caribbean Free Trade Association (CARIFTA) was drawn up in an attempt to create a free trade area in the Caribbean. Geographically this area consists primarily of those islands outlining the Caribbean Sea (Greater Antilles, Lesser Antilles, Windward and Leeward Islands) and Guyana. Initially, on May 1, 1968 only four of the nations concerned signed the agreement; Antigua, Barbados, Guyana, and Trinidad and Tobago. After some hesitation, Jamaica joined on June 27, 1968. The smaller islands of the Eastern Caribbean joined as a unit on July 1, 1968 only after having established their own Eastern Caribbean Common Market which has much closer ties than does CARIFTA.

The substance of the Agreement provides that tariffs and non-tariff barriers to trade between the member countries will be abolished on almost all goods. The duties on these goods will be phased out in a maximum of five years for the more developed countries of Barbados, Guyana, Jamaica, and Trinidad and Tobago, and ten years for the less developed countries. To be exempted from such tariffs, goods must qualify under one of three basic tests: (1) goods wholly produced within CARIFTA countries, (2) those containing at least 50% local materials, (3) those which have undergone local processes as determined by the Council. The Agreement specifies that supervision and formulation of policy will be entrusted to the Council which is made up of one voting member from each participating country.

Certain nations in the Caribbean area have become victims of declining economic growth at home and increasingly hostile export markets abroad. These problems were significantly compounded by the lack of economic and political unity in this area in the past. CARIFTA is a major step in the right direction. This is so because it will increase the area's export bargaining power abroad and decrease imports by encouraging more inter-regional trade.

JOINT CIAP-CEC MEETING

On July 25 and 26, 1968, a joint meeting of the Central American Economic Council (CEC), and the Inter-American Committee on the Alliance for Progress (CIAP) was held in Guatemala City. Important conclusions were reached on the subjects of international financing and trade, regional integration organs, national plans, international lending agencies, integration agencies, and other matters. Various leading agencies, such as AID, IDB, IBRD, and the Monetary Fund, made presentations on the possibilities of cooperation with the Central American integration entities.

THE INTER-AMERICAN INSTITUTE

The Inter-American Institute of International Legal Studies continues its activities. In June and July, 1968 the Third Session of the Program of Postgraduate Studies on Legal and Institutional Problems of Central American integration was held in Tegucigalpa, Honduras, with the cooperation of the Central American Institute of Comparative Law. This program was planned to afford law school graduates and practicing attorneys, as well as national and Central American officials an opportunity to acquire background and knowledge of the legal and institutional problems of the Central American integration process. The fourth session, to be held this summer at the Law School of the University of Leon, Nicaragua, is currently in preparation. The program has had notable impact both within the academic world and the official sector. The Inter-American Institute is intensifying its efforts in the area of research and publications in order to further the program's objectives. For example, it has published a new edition of *Instruments Relating to the Economic Integration of Latin America*; also, a systematic presentation of the new legal order being generated by a subregional integration process, entitled *Derecho Comunitario Centroamericano*. The latter has been recommended for use as a textbook by the deans of law schools in Central America and Panama. On Latin American integration as a whole, the Inter-American Institute has in press a book entitled *El Derecho de la Integración Latinoamericana* which covers, also in an interdisciplinary fashion, the legal order of LAFTA and the legal order emerging from the Subregional Agreement of the Andean Group, in addition to Central American community law.