

10-1-1973

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Recommended Citation

F. Orrego-Vicuña and A. O.C. Tolosa, *Latin American Economic Integration*, 5 U. Miami Inter-Am. L. Rev. 578 (1973)

Available at: <http://repository.law.miami.edu/umialr/vol5/iss3/8>

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LATIN AMERICAN ECONOMIC INTEGRATION

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LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

During the current year, LAFTA must reach important decisions regarding its future and the organization of the instruments governing interchange liberalization. In compliance with the provisions of the resolutions approved during the Twelfth Regular Conference, the period for improving the free trade zone will expire on December 31, 1973. In addition, the periods specified in the authorizations granting advantages not extended to countries at a relatively less advanced stage of development, have also been extended. Further, when the Protocol of Caracas is implemented, the periods applicable to the free trade zone and related instruments will be extended to December 31, 1980.

At the same time, inasmuch as previous measures have merely extended the time periods of existing obligations, a series of studies has been requested with a view to determining the course of action to be followed in the future. Accordingly, the Permanent Executive Committee should consider the desirability of convening a Special Conference during the second half of 1973, to consider three main aspects: a) ratification of the Protocol of Caracas, as yet incomplete, but vital if observance of the periods established in the Treaty of Montevideo are to be regularized; b) results of the application of the Treaty of Montevideo and of the Plan of Action established by Resolution 262 (IX); and c) establishment of the guidelines for collective negotiations to be carried out in order to

achieve optimum compliance with the objectives of the Treaty, and, if expedient, to adapt the latter to a new phase of economic integration. In other words, a decision must be reached on whether the association will continue solely as a free trade zone, or move forward toward the coordination of policies and the establishment of a customs' union.

Moreover, LAFTA's Secretariat must prepare a series of studies on the named Plan of Action, which shall serve as a basis for the decisions to be adopted by the competent organ. The Plan of Action covers all topics of consequence to the Association, not only in the field of trade per se, but also in the area of coordinating policies and certain other aspects. Thus, it has been necessary for LAFTA's Secretariat to request assistance from various international organizations, among them, the United Nations Development Programme, the Economic Commission for Latin America, the Food and Agriculture Organization of the United Nations, the Organization of American States, the Institute of Latin American Integration and the Latin American Center for Monetary Studies.

Recent studies published by LAFTA's Secretariat show an increase in the trade concessions member countries have granted one another, as a result of the last round of negotiations carried out the latter part of 1972. The general concessions covered fifty-one products, of which thirty-five were new products. The countries at a relatively less advanced stage of development received one hundred special concessions, of which sixty-nine were new concessions. The most important item was that of the complementation agreements, which showed six hundred and fifty concessions granted, corresponding to the renegotiation of four agreements in force and three new agreements covering the photographic industry, the electronic and electrical communications industry and the colorants industry.

It is well to point out that the Second Consultative Latin American Conference of Ministers of Electric Power and Petroleum held in Quito in April 1973, recommended to the governments the creation of the Latin American Power Organization (LAPO). The objective of this Organization will be the rational integration, conservation and utilization of the electrical resources of the region. The first consultative meeting was held in Caracas in August 1972.

THE CARTAGENA AGREEMENT

So far, the trade flows of the Andean Group have shown an additional increase in 1973 as a result of significant tariff reductions. At the beginning of the year, duties were lowered on 2,370 items appearing in

the Common Schedule of member countries of the Agreement (NABANDINA); this, in addition to previous reductions which already affected four hundred and eighty Colombian, Chilean and Peruvian items and five hundred and fifty Bolivian and Ecuadorean products. Subregional trade has increased 170% since the Cartagena Agreement was implemented, with an average annual increase of \$30 million. Prior to the Agreement, the annual trade increase amounted to \$3 million.

In line with the above, the organs of the Andean Group have systematically observed their policy of establishing contacts and coordinating mechanisms with third countries or international organizations. Accordingly, a Mixed Andean-Mexican Commission has already been established for the purpose of developing a Plan of Action which will serve to strengthen the commercial and technological ties between the parties. A Subcommittee within the European Economic Community (EEC) has also been created, integrated by representatives of the States which constitute that Community and the Chiefs of Mission of the Andean Group countries accredited before the EEC. The Subcommittee will be charged with the establishment of relations between the two systems of economic integration.

Within the framework of the Andean Group, the process of strengthening the institutions has also continued. Coordination between the Agreement's Board and the Andean Development Corporation is gradually being improved, especially since Venezuela's adherence to the Subregional Agreement. The Andean Corporation, in turn, has proceeded with feasibility studies for the establishment of an Andean Investment Fund, through which, funds for the development of investment projects may be obtained within and without the subregion.

Another noteworthy tendency of the Andean Group has been the creation of specialized organs. Accordingly, a Health Council has been established which will counsel the principal organs of the Agreement on the harmonization and coordination of national health policies. Also, the first meeting of the Ministers of Labor of the Andean Group was held in March 1973, for the purpose of harmonizing labor laws and social security systems, coordinating the systems of professional training and studying the problems inherent to the mobility of workers in the subregion.

In July 1973, the Agreement's Commission met once again. One of the principal aspects analyzed then was the Board's proposal to establish common standards for industrial property. This initiative complements and amplifies the provisions of Decision No. 24 on the treatment of foreign investments.

CENTRAL AMERICAN COMMON MARKET

No great progress has been made in the area of the normalization of the Central American Common Market, which is still suffering from disruption and paralysis resulting from the war between El Salvador and Honduras in 1969. Four years have elapsed since the conflict and so far the Central American countries have been unable to direct the reconstruction of the Common Market through channels which are sound and acceptable to all five countries.

At the Ninth Meeting of Ministers of Economy held in late July 1973, a promising event took place — the establishment of the Committee charged with studying the proposal of the Permanent Secretariat of the General Treaty of Economic Integration (SIECA), for the creation of the Central American Economic Community, (5 *Law. Am.* 371, 1973.) The presence of Honduras in that Committee has brought optimism, although somewhat guarded, to the observers of the Central American process.

On the other hand, the Meeting of Ministers of Economy agreed to continue the granting of fiscal exemptions to four hundred and fifty Central American manufacturing enterprises which were already enjoying this privilege by virtue of previous agreements. Nevertheless, the resolution must be ratified by the respective Congresses.

CARIBBEAN COMMUNITY

EIGHTH HEADS OF GOVERNMENT CONFERENCE

Following are the major portions of the final Communiqué issued at Georgetown, Guyana after the Eighth Conference of Heads of Government of Commonwealth Caribbean Countries.

ESTABLISHMENT OF CARIBBEAN COMMUNITY AND COMMON MARKET

The Eighth Heads of Government Conference, which met in Georgetown from 9th-12th April, 1973, has decided to establish the Caribbean Community (including the Caribbean Common Market.)

The areas of agreement on which this historic decision was taken are embodied in an agreed document entitled "The Georgetown Accord"

which was signed at the conclusion of the Conference. In it, the Commonwealth Caribbean Governments, through their Heads of Delegations to the Eighth Conference, have reaffirmed their common determination to fulfil, within the shortest possible time, the hopes and aspirations of the people of the Caribbean territories for industrial and agricultural development, full employment and improved living standards. The Heads of Delegations recorded their conviction that these goals could most rapidly be attained through deepening the integration process already established within the Caribbean Free Trade Association. Special measures outlined in the Accord aim at providing all Member States, opportunities for sharing equitably in the benefits of regional economic integration. They also stressed the vital necessity of enhancing the bargaining power of the Region in relation to third countries, groups of third countries and extra-regional entities providing goods, services, technical assistance and funds to the countries of the region. The Community Treaty formalizes and strengthens existing areas of functional cooperation.

The Conference was attended by delegations from the following territories: Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis-Anguilla, St. Lucia, St. Vincent and Trinidad and Tobago.

STEPS TO COMMUNITY

The Heads of Governments have agreed on the following steps for the establishment of the Caribbean Community and Common Market. The Caribbean Community (including the Caribbean Common Market) will be established on the basis of an agreed Treaty. As anticipated within the framework of the CARIFTA Agreement, the Caribbean Community (including the Common Market) will supersede the Caribbean Free Trade Association. This will take effect on 1st May, 1974.

The Governments of Barbados, Guyana, Jamaica and Trinidad and Tobago have undertaken to sign and ratify the Community Treaty, subject to and in accordance with their constitutional procedures, so as to enable the Caribbean Community and Caribbean Common Market to be established as between these four countries on 1st August, 1973. The signing ceremony will be held at Chaguaramas, Trinidad and Tobago, on 4th July, 1973, the anniversary of the birth of the late Right Excellent Norman Washington Manley. The Conference chose this date as a tribute to the contribution to Caribbean regionalism made by the Jamaica National Hero.

The Governments of Belize, Dominica, Grenada, St. Kitts-Nevis-Anguilla, St. Lucia and St. Vincent have likewise undertaken to sign and ratify the Treaty, subject to and in accordance with their constitutional procedures, so as to become contracting parties thereto by 1st May, 1974.

The declared intention of the Governments of Antigua and Montserrat to give urgent consideration to the signing of the Accord and thereupon to assume the undertakings and obligations of a Less Developed Country under it was welcomed by all signatory Governments. A team of Ministers from the More Developed Countries accompanied by the Secretary-General of the Regional Secretariat, will visit Montserrat on 3rd and 4th May, 1973, for the purpose of working out special development measures for that territory.

To mark this far-reaching advance in the Regional Movement, it has been decided by Heads of Governments that, beginning next year, 1974, the first Monday in July will be designated Caribbean Day. It was suggested that consideration be given to having this day declared a Public Holiday throughout the Region and that special Caribbean Community Honours might be awarded each year on that day.

SOME ECONOMIC INTEGRATION INSTRUMENTS

The Caribbean Investment Corporation

As provided for in the Accord, the Heads of Governments agreed to sign an Agreement at the conclusion of the Conference which establishes, on 1st June, 1973, the Caribbean Investment Corporation. The Corporation will be required to proceed expeditiously with supporting programmes of investment in the Less Developed Countries based on an agreed list of industries.

Harmonization of Fiscal Incentives to Industry

An Agreement on the Harmonization of Fiscal Incentives to Industry among the CARIFTA countries was also considered at the same time. This Agreement pays special attention to the needs of the Less Developed Countries by, *inter alia*, allowing them to grant a greater maximum number of years tax holidays than the More Developed Countries as well as providing that the More Developed Countries will refrain from granting income tax holidays to an agreed list of industries suitable for location in the Less Developed Countries.

Intra-Regional Double Taxation Agreement

It was also agreed that a Double Taxation Agreement between the More Developed and the Less Developed Countries would be brought into effect on 1st June, 1973 in order to encourage a greater flow of investment capital within the Region, paying special attention to the development needs of the Less Developed Countries.

Rationalization of Agriculture

Another measure provided for in the Accord is the working out of a scheme for the Rationalization of Agriculture in the Region, to be introduced by 1st July, 1975 and which will contain special provisions for the benefit of the Less Developed Countries.

Regional Perspective Plan

Immediate steps will also be taken to commence the technical work on a Regional Perspective Plan designed to make the fullest use of the Region's resources. It will aim at achieving specific development targets in all countries of the Region, including the Less Developed Countries.

Regional Cooperation in Price Control

The Heads of Governments in considering other aspects of Regional Economic Cooperation gave attention to the problem of rising prices in the countries of the Region and to measures of price control. It was agreed that Governments would exchange information at regular intervals on the prices of imported goods. Such information would relate to a selection of commodities that influence the cost of living and the prices of machinery and equipment. Consideration was also given to other measures, including possible economies from bulk purchase on a joint basis by countries of the Region.

Regional Commission on Standards, Quality and Prices

Heads of Governments also decided to establish no later than 1st May, 1974, under the *Caribbean Common Market*, arrangements for a Commission on standards, quality and prices of goods with a view to safeguarding the interest of consumers in all countries of the Region.

EXTERNAL RELATIONS

Relations with the EEC

The Heads of Governments considered the question of relations between the CARIFTA countries and the enlarged European Economic Community and re-affirmed the decision of the Seventh Heads of Government Conference that the CARIFTA countries should seek to achieve a group relationship with the EEC, without prejudice to the right of the non-independent countries to choose their own form of relationship with the EEC.

Relations with Canada

The Heads of Governments decided to seek an early opportunity for discussions with Canada on the West Indies/Canada Agreement of 1925.

Relations with Cuba

The four independent Commonwealth Caribbean Countries agreed to send a Joint Trade Mission to Cuba in May 1973 to discuss opportunities for mutual trade.

Relations with Japan

The four independent countries also considered the possibility of future joint approaches to the establishment of Diplomatic Missions abroad. In this connection it was noted that Jamaica intended to establish a Diplomatic Mission in Tokyo this year and the possibility of this Mission serving the needs of the Region was also considered.

Action Programme for Economic Cooperation

The Conference considered this matter and agreed to support the request of the Guyana Government and the Commonwealth Caribbean Regional Secretariat for assistance by ECLA in the formulation of an inter-regional project which would seek to implement the provisions of the Action Programme for Economic Cooperation in the fields of Trade, Industry and Transport.

FUNCTIONAL COOPERATION

Institute of International Relations with U.W.I. St. Augustine

The Heads of Governments agreed that Commonwealth Caribbean Governments should participate in the management of the Institute as provided for in its Constitution. The Heads of Governments of Barbados, Guyana and Jamaica signified the intention of their Governments to participate in the Institute. The Conference noted that the Government of Trinidad and Tobago pledged continuing support for the Institute.

Budget of Manpower Survey

The Heads of Governments approved of the budget for a Manpower Survey of the entire Region. The Survey, which would be conducted by a Technical Committee, is intended to provide a firm basis for determining the expansion of University and general post-secondary facilities, through the assessment of the requirements for trained manpower at the professional, administrative, managerial and sub-professional levels in both the public and private sectors.

Emergency Relief in the Eastern Caribbean

The Heads of Governments agreed that a Regional Conference should be held in July 1973 to discuss and formulate an overall plan for "Search and Rescue Operations".

West Indies Student Centre in London

The Heads of Governments in considering the question of the funding of the Centre decided that the High Commissioners of Commonwealth Caribbean Governments and the Commissioner of the Associated States in London should be asked to examine and report on the management, operations and facilities of the Centre and the purpose served.

Training in Banking

The Heads of Governments decided that training at the middle and lower levels of banking might be examined by a meeting of Managers of nationally owned and controlled banking institutions and Regional Monetary Authorities with a view to coordinating training and making such training available to personnel from all territories. With regard to training at higher management levels, it was agreed that the regional

Universities (U.W.I. and U.G.) should be invited to cooperate with Managers of nationally owned and controlled banking institutions and Monetary Authorities in examining the possibility of providing facilities for such training in the first instance by short courses.

UNESCO Mass Communications Project

The Heads of Government strongly endorsed a proposed project designed to raise the level of mass communications development in the Less Developed Countries of the Leeward and Windward Islands. The project, which will cost approximately US\$1.3 million — to be met by the UNDP — will upgrade and expand mass communication facilities in the interest of overall national development and will provide for the training of personnel in those countries.

THE BAHAMAS

The Heads of Governments strongly welcomed the forthcoming achievement, in July, of Independence by the Commonwealth of the Bahamas and looked forward to its participation in the Caribbean Community.

COLONIALISM AND APARTHEID

The Heads of Governments took note of the Conference taking place in Oslo on Colonialism and Apartheid in Southern Africa under the joint auspices of the United Nations and the Organization of African Unity and passed a resolution expressing their support for the purposes of the Conference and their commitment to the achievement of its objectives.

MUTUAL ASSISTANCE AGAINST EXTERNAL AGGRESSION

On the motion of the Barbados Delegation, the following Resolution was adopted by the Delegation of the four independent countries:

“The Governments of the independent Commonwealth Caribbean States, conscious of the commitment of their Governments to the establishment of the Caribbean Community and mindful that the political independence and territorial integrity of Member States are essential prerequisites of the achievement of the economic objectives of the Community gave attention to the need for a regime of mutual assistance against

external aggression directed against any Member of the Community. They referred to the Standing Committee of Foreign Ministers to be established under the Community Treaty the preparation of such a scheme of mutual assistance designed to secure the political independence and territorial integrity of Member States of the Community and the safety and well-being of their peoples.”

The Delegates of Belize, Dominica, Grenada, St. Kitts/Nevis/Anguilla, Montserrat, St. Lucia and St. Vincent wished to be identified with the spirit expressed in this Resolution.

HEADS OF GOVERNMENT CONFERENCE

On July 4, 1973, a Conference of Heads of Government of Barbados, Jamaica, Guyana, and Trinidad and Tobago was held at the Convention Centre, Chaguaramas, Trinidad. The Conference was convened primarily for the purpose of the signing of the Treaty establishing the Caribbean Community. Three documents were signed by the Prime Ministers of Barbados, Jamaica, Guyana, and Trinidad and Tobago —

The Treaty Establishing the Caribbean Community (Treaty of Chaguaramas);

The Agreement for the Implementation of the Common External Tariff; and

The Final Act of the Conference.

TREATY OF CHAGUARAMAS

In accordance with Article 23 of the Treaty of Chaguaramas, establishing the Caribbean Community, which was signed at Chaguaramas on the 4th July, 1973, the Governments of Barbados, Guyana, Jamaica and Trinidad and Tobago have all deposited their Instruments of Ratification with the Secretariat. The requirement for ratification having been complied with by the four Governments, the Caribbean Community and Common Market comes into effect on the agreed date — 1st August, 1973. Moreover, in accordance with the provisions of the Treaty of Chaguaramas itself and the Agreement Establishing the Common External Tariff, also signed at Chaguaramas on 4th July, 1973, the Common External Tariff of the Caribbean Common Market also comes into effect on 1st August, 1973, all four Governments having effected the necessary amendments to

their domestic Customs legislation. Also in accordance with the Treaty of Chaguaramas, as of 1st August, 1973, the Commonwealth Caribbean Regional Secretariat, located in Georgetown, Guyana, will be known as the Caribbean Community Secretariat. The Secretariat is making arrangements to publish the final official versions of the following documents:

The Treaty of Chaguaramas Establishing the Caribbean Community

The Agreement for the Harmonization of Fiscal Incentives to Industry

The Agreement for the Avoidance of Double Taxation

The Agreement Establishing the Caribbean Investment Corporation, and

The Plan and Schedule of the Common External Tariff and the Caribbean Common Market.

MEXICO-CARIFTA

In June, 1973, a Mexican delegation met with officials of the CARIFTA Secretariat for preliminary discussions which could result in closer economic and cultural relations with the countries of the Commonwealth Caribbean regional grouping. Head of the Mexican Delegation was Ambassador Mario Espinosa de los Reyes, Director in Chief for Economic International Relations of Mexico's Foreign Relations Ministry.

STATISTICIANS CONFERENCE

At a one-day conference of Commonwealth Caribbean Statisticians held at the Headquarters of the Commonwealth Caribbean Regional Secretariat on Wednesday, 25th April, 1973 it was agreed to recommend to the forthcoming Meeting of the CARIFTA Council of Ministers the establishment of a permanent committee of statisticians to replace the three-year old Statistical Co-ordinating and Advisory Committee (SCOAC). The new Committee will be called the Statistical Committee of the Commonwealth Caribbean and, like its predecessor advisory committee SCOAC, will assist the Regional Secretariat in providing technical advice with regard to the Statistical Services within the Caribbean Community.

SURINAM-CARIBBEAN COMMUNITY

The Government of Surinam on 9 May, 1973 was accorded Liaison Status with the Council of Ministers of the Caribbean Free Trade Association.

MONTSERRAT-CARIBBEAN COMMUNITY

Following the decision of the Eights Conference of Heads of Government of Commonwealth Caribbean Countries held in Guyana in April, 1973, that a Team of Ministers from the four More Developed Countries accompanied by the Secretary-General of the Commonwealth Caribbean Regional Secretariat should visit Montserrat for the purpose of working out special development measures for Montserrat in the context of the Caribbean Community and Common Market, a Mission from Barbados, Guyana, Jamaica and Trinidad and Tobago held two days of talks on 10th and 11th May, 1973, with a Montserrat Delegation.

The discussions were very frank and ended with the Ministers drawing up specific proposals concerning development measures for Montserrat for consideration by their respective Governments.

RELATIONS WITH THE EUROPEAN ECONOMIC COMMUNITY

On 3rd and 5th July, 1973, the Fourteenth of the CARIFTA Council of Ministers was held at the Hilton Hotel, Port of Spain, Trinidad at which all speakers stressed the significance of the Meeting.

The Hon. Robert Ouko, Minister of Common Market and Economic Affairs of the East African Community also addressed the Meeting. Dr. Ouko looked forward to close collaboration between CARIFTA/CARICOM and the East African Community not only in the forthcoming negotiations with the EEC but also in other areas of activity. He stressed that the need for unity was impelling in both Africa and the Caribbean.

The main item on the Agenda of the Meeting was the forthcoming negotiations between CARIFTA and the enlarged European Economic Community. The group approach of the CARIFTA/CARICOM countries to the negotiations with the EEC was once more re-affirmed and, based on a Decision of the Eighth Heads of Government Conference, the CARIFTA/CARICOM Negotiating Team was discussed in further detail.

Final decisions were also taken with respect to the establishment of a CARIFTA/CARICOM diplomatic presence in Brussels.

The Council enunciated two principles as essential and fundamental aspects of any future relationship between CARIFTA/CARICOM and the enlarged European Economic Community designed to secure continuing outlets for products of vital interest to the Region:

- i) Reverse Preferences should not be granted by the Region to the EEC; and
- ii) Development aid for the Region, particularly for the Less Developed Countries, should be provided by the EEC.

Some of the Ministers attending the Council Meeting also took the opportunity of signing three regional Agreements of particular importance to the Less Developed Countries:

The Agreement on the Avoidance of Intra-regional Double Taxation;

The Agreement for the Harmonisation of Fiscal Incentives to Industry; and

The Agreement establishing the Caribbean Investment Corporation.

The Council decided that the Secretary-General should take immediate steps to arrange for the raising of the private sector's contribution (40% of the total) to the equity capital of the Caribbean Investment Corporation.

The Council, acting on an application from the Government of the Netherlands Antilles, also decided to offer Liaison Status with the CARIFTA Council to the Government of this country.