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A MULTINATIONAL INTEGRATION PROJECT

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NAMUCAR: A CASE STUDY OF THE FORMATION OF
A MULTINATIONAL INTEGRATION PROJECT

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PART I

REGIONAL INTEGRATION AND
MULTINATIONAL INTEGRATION
PROJECTS

NAMUCAR: A CASE STUDY OF THE FORMATION OF
A MULTINATIONAL INTEGRATION PROJECT

CHAPTER ONE

INTRODUCTION

This research will focus on the background conditions, and perceptions of those conditions, which led various Caribbean area nations to form the Caribbean Multinational Steamship Company (more commonly referred to by its Spanish initials, NAMUCAR, an acronym for Naviera Multinacional del Caribe, S.A.). The charter of the corporation was signed in San José, Costa Rica, on December 1, 1975. The signatory countries were México, Costa Rica, Venezuela, Nicaragua, Jamaica, and Cuba. Several other countries of the Caribbean Basin area expressed a desire to participate in NAMUCAR.

The announced reasons for the creation of NAMUCAR were to increase trade flows in the Caribbean region by creating a multinational (in the sense of multi-nation) maritime transport company.¹ Additionally, it was felt that NAMUCAR would

¹The term "multinational," as used in this study unless otherwise specified, is defined as relating to, or involving more than two nations. This usage conforms to the Spanish language term for multinational, which refers

foster both economic integration and the autonomous development of the countries of the area by pointing out a new direction for development. The supporting rationale for this mode of reasoning is based on the premise that success in the development of multinational cooperative enterprises, in which voluntary decisions are made by interested countries concerning numbers and types of participants, levels and kinds of participation, financial arrangements, and specific goals or objectives, will gradually establish a base of industrial cooperation projects which may be able to resolve many of the impasses encountered in more complex schemes for wider industrial cooperation. Many of these sorely needed projects have been too large and expensive to be developed by countries individually, but, with a sufficient level of both government and private interest, specific purpose projects are now viewed as being capable of expanding the base of regional cooperation in areas in which more ambitious mechanisms have failed.

A. Organization

This research is divided into three parts, and subdivided into eight chapters. By chapters, it is broken down as follows: Chapter One outlines the organization and aims of the study and focuses on NAMUCAR as a subject for study by integration theorists. Chapter Two examines the literature which contributed to the development of a conceptual

specifically to multi-nation activities or actions. For the more standard usage of the term "multinational enterprise," which refers to global corporations such as GM, IBM, SHELL, or EXXON, the abbreviation ME will be employed in this study.

model employed to guide the research. Chapter Three discusses the conceptual model. Chapter Four analyzes NAMUCAR from the point of view of a system, and focuses on the important variables which affected the formation of the company at this level. Chapter Five shifts the level of analysis to forces which interacted, at the level of analysis of states as sovereign decision-making entities, to influence particular states to participate in the formation process of NAMUCAR. Chapter Six analyzes the effects of the actions of individuals on NAMUCAR, and the overall effect of public opinion on the political and social environment which existed at the time of the formation of NAMUCAR. Chapter Seven is a description of how NAMUCAR was formed, what the company's initial problems were, and how NAMUCAR will attempt to solve the equity versus efficiency problems. Chapter Eight summarizes the research effort.

B. Focus

As mentioned, this study examines the background conditions, and the perception of these conditions by relevant actors, which led various Caribbean area nations to form NAMUCAR. The basic mode of analysis is that of a case study. It has been argued by certain writers that governmental processes, especially those which lead to decisions about public policy and its implementation, are so complex that they tend to resist all forms of analysis except the

case study.² Although no attempt will be made to defend this statement rigorously, it is obvious that case studies are a valuable tool for any in-depth analysis and can offer several advantages over more general modes of analysis. The employment of a case-study approach in this research is designed to facilitate an in-depth analysis of the formation of this particular company.

The decision to focus on NAMUCAR as a valid area of interest for political scientists is one which requires justification. The study does not focus attention on an openly conflictual situation nor on negotiations of an overtly political character. Nor does NAMUCAR represent any exceptionally high level of integration if measured against more broadly conceived integration structures. Rather, the study is concerned with a pattern of limited integration between nation-states. It is, specifically, an attempt to focus on a particular area of international cooperation. The importance of focusing on areas of functional cooperation, as well as on more overtly political topics, has been commented upon by many authors.³ However, although the rationale for

²Joseph La Palombara, Politics Within Nations (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1974), p. 21.

³See, for example, Robert C. Angell, Peace on the March: Transnational Participation (New York: Van Nostrand-Reinhold Co., 1969), or Olav Knudsen, The Politics of International Shipping: Interaction and Conflict in an International Issue Area (Denver, Colo.: University Press, 1972), chapter 2.

this type of general focus may be acceptable to most, it remains for the researcher to attempt to justify the selection of any particular topic.

Any attempt to establish evaluative criteria for the inclusion or rejection of a particular subject matter within a given field of political science, in this case that of international relations, must ultimately be based upon a definition of what is "politics." The process of defining the area of what is political is an historical one, and it has by no means culminated in any rigid set of boundaries which effectively map out an area of things legitimately political.⁴ A broad definition of "politics" defines the concept as a focus on forms of activity in which groups seek a competitive advantage over other groups to influence the allocation of whatever is both scarce and considered valuable by a society.⁵

NAMUCAR is an entity created largely by the super-ordinating authorities of the various countries which form

⁴See Sheldon S. Wolin, Politics and Vision (Boston: Little, Brown and Company, 1960), pp. 8-11.

⁵For a discussion of this revised formulation of Easton, see Helio Jaguaribe, Political Development: A General Theory and a Latin American Case Study (New York: Harper and Row, Publishers, 1973), p. 80. The term "valuables" here, and as subsequently employed, implies more than an allocation of values. It encompasses the allocation of tangible (e.g., goods or services) and intangible (e.g., prestige factors) items of value; in short, the allocation of anything perceived of as having value.

its membership.⁶ The conferences which were convened to discuss the formation of NAMUCAR were interactions of various actors, the majority of whom represented states. These conferences were, in essence, concrete actions of the various superordinating authorities in the Caribbean area to affect the allocation of the envisioned company's "valuables," both real and perceived, among the participants.

In classifying NAMUCAR as an entity belonging to a group of projects which can properly be called "multinational integration projects," several factors must be analyzed. The Institute of Latin American Integration (INTAL), in defining the characteristics of the physical infrastructure of a multinational project, has specified that a project is multinational when:

- (a) the geographical area of at least two countries is necessary for its implementation;
- (b) although implemented in the geographical area of a single country, it concerns or affects another country or countries;
- (c) it does not require a physical installation in a particular country, but two or more countries participate in its operation.⁷

⁶"Politics," when used to refer to one of the macro-functions of a society, implies both an authoritative allocation of valuables and a superordinating authority capable, if necessary, of enforcing its decisions on the members of the society. See Jaguaribe, p. 85.

⁷INTAL, Proyectos Multinacionales de Infraestructura Física, Fórmulas Jurídico-administrativas (Buenos Aires, 1970), as quoted in United Nations Conference on Trade and Development (UNCTAD) Report, Current Problems of Economic Integration: The Role of Multilateral Financial Institutions in Promoting Integration among Developing Countries, p. 16.

Although this definition need not be accepted as rigidly outlining all of the essential properties of a multinational enterprise, it does serve a heuristic function in attempting to exclude a given enterprise from, or include it within, the category "multinational." In the case of NAMUCAR, it is felt that the term "multinational enterprise" is appropriate in that the company fits all of the definitional categories listed above. The assumption that NAMUCAR qualifies to be labeled as an "integration" enterprise will be confirmed by the detailed analysis of the company structure presented in Part III.

The main subject matter discussed at the NAMUCAR conferences was international shipping. That international shipping is a subject worthy of the attention of political scientists, and that discussions of the type described in this research qualify as "political," hardly requires discussion. A defense of the position that certain discussions over shipping are political has been summarized by one scholar in the following manner:

International shipping is regarded as one aspect of the international allocation of values, that is, as one of the many processes whereby certain objects or conditions--those specifically related to shipping activities--become accessible to the inhabitants of different nation-states. . . .

Matters of shipping, then, may be said to become matters of international politics when governments take specific actions in order to improve their country's situation with regard to shipping values.

. . .

The political aspects of shipping, in short, are clearly connected with the efforts of governments

to influence the allocation of values in shipping between nation-states rather than between individual economic operators regardless of their nationality.⁸

Expanding upon this logic, to the extent that the allocation of items which are seen to be "valuable" in the structure and functioning of this shipping company was based on factors other than purely economic considerations, NAMUCAR represents an attempt to arrive at political solutions to what is perceived of as primarily an economic problem affecting the states in the Caribbean region. Consequently, a primary concern of this research is: to what extent were the decisions reached in the formation of NAMUCAR largely the result of political factors, and to what extent did they simply respond to the logical distribution of company functions on economic grounds?

As a potentially legitimate subject for students of integration, the formation of NAMUCAR was widely publicized as the first project of the newly created Sistema Economica Latinoamericana (SELA).⁹ As such, it would qualify as one of the first projects of a type which, it is hoped by many, will revitalize the Latin American integration process.

The Concept of "Integration"

Although definitional problems as to what constitutes integration abound, the term "integration," in this

⁸Knudsen, Politics of International Shipping, p. 21. Emphasis is Knudsen's.

⁹The Latin American Economic System will subsequently be referred to by its Spanish acronym, SELA.

research, represents a relative concept. Thus, it would be more appropriate to speak of countries as being more or less integrated rather than attempting to define the boundaries of what constitutes integration. In this context, political integration has been defined roughly by Philip E. Jacob and Henry Teune as: "A state of mind or disposition to be cohesive, to act together, to be committed to mutual programs, (and it) refers to more than one aspect or dimension of behavior."¹⁰ Seen in this light no attempt will be made here to establish or define "thresholds" or "levels," or to exhaustively identify "indicators" of integration. Rather, an attempt will be made to identify what appears to be a core definition, or lowest common denominator, of what can be accepted as a definition of political integration. For the purposes of this research, "integration" will refer to:

(a) the ideology or set of beliefs which underlies all attempts and efforts to integrate nations for any purposes; and (b) to refer to any political or economic relationship between previously isolated nation-states.¹¹ A more detailed discussion of the term will be undertaken in the following chapter.

¹⁰ Philip E. Jacob and Henry Teune, "The Integrative Process: Guidelines for Analysis of the Bases of Political Community," in The Integration of Political Communities, eds. Philip E. Jacob and James Toscano (New York: J. B. Lippincott Co., 1964), p. 7.

¹¹ This follows Edward S. Milenky, The Politics of Regional Organization in Latin America (New York: Praeger Publishers, 1973), pp. 4-5.

C. Aims of the Study

This study does not purport to be an in-depth analysis of the politics or economics of the Latin American, or more particularly, the Caribbean Basin nations. Rather, it attempts to examine only those political, economic, and social factors which appear relevant to an understanding of how NAMUCAR was formed, why it was formed, and why it was formed when it was. These seemingly relevant political, economic, and social factors will be analyzed to the extent necessary to attempt to show their relationship to, and influence upon, the decision to form this multinational company. The focus will become diachronic to the extent necessary to point out how the historical development of certain of these factors impacted on the particular situation which existed during the period of study. In an attempt to systematize the research effort, an emphasis will be placed on examining background and process conditions which influenced the formation of NAMUCAR on three primary levels: the conditions which interacted to influence the states in the Caribbean area as a system; the effect of these conditions on the states as individual decision-making units; and the effect of these same conditions on individuals in the region, who, in turn, influenced the formation process.¹² A defense of the

¹²For a discussion of background and process conditions, see Charles Pentland, International Theory and European Integration (New York: The Free Press, 1973), chapter 6.

selection of these three levels of analysis follows in Chapters Two and Three.

The decisions made by the seventeen nations which sent representatives to the initial NAMUCAR planning conference, and for many of these nations to continue to assist in the formulation efforts of this company, represents an attempt at "self-help" among an extremely heterogeneous group of nations. In particular, it was the first recent incident of certain countries, e.g., Nicaragua and Cuba, being able to put aside ideological differences to the extent necessary to allow for joint participation in a multinational project. The combination of forces and personalities which made this project possible is the subject of this study. In this regard the study resulted from a desire to answer such broad questions as: Why in particular is NAMUCAR being pursued? How has NAMUCAR evolved? What type of company structure has been created? What functions do the company officers serve and what is their authority? What factors influenced Caribbean Basin area governments in their decision to participate in the formation of NAMUCAR?¹³ What has been the United States' position vis-a-vis the formation of NAMUCAR? Lastly,

¹³The term "Caribbean Basin area" will be utilized as a generic term to encompass all of the countries and territories which have access to the Caribbean. Geographically it encompasses Mexico, Puerto Rico, Cuba, Haiti, the Dominican Republic, the Lesser Antilles, Aruba, Curacao, Trinidad and Tobago, all of the countries of the Central American isthmus including Panama, and the South American countries of Colombia, Venezuela, Guyana, and Surinam.

it would seem that one of the major impediments to integration projects is the need for an "equitable" distribution of benefits within the structure of a multinational integration project. How is NAMUCAR solving this problem?

D. Source Material and Methodology

Most of the source material utilized in this study was gathered from the holdings of Tulane University, the Library of Congress, the Inter-American Development Bank Library, the University of North Carolina, the University of California at Los Angeles, and the University of California at Irvine. Additionally, the author was allowed access to files on NAMUCAR compiled by the Maritime Administration of the Department of Commerce, and similar files in the Ocean Shipping Department, the Central American Affairs Division, and the Intelligence Section of the Department of State.

This information was supplemented by interviews with embassy officials from eleven countries of the Caribbean Basin area in Washington, D.C., and by interviews and periodic contacts over a number of months with various officials in the U.S. Department of State and the Commerce Department. Additional interviews were conducted in New Orleans with consular officials from twelve of the governments interested in NAMUCAR, with representatives from the major Latin American shipping lines such as Flota Gran Colombiana and C. A. Venezolana de Navegación (CAVN), with officials from Delta and

Lykes Steamship lines, and with representatives of Venezuela, Colombia, and Costa Rica who had attended the NAMUCAR feasibility conferences. Additionally, an interview was conducted with the Consul General of México in New Orleans and, in New York, with representatives of Puerto Rican shipping interests in the Caribbean.

The interviews were not structured. Rather, attention was focused on issues relevant to the group represented by each individual. The length of these interviews varied. An attempt was made in each interview to focus on the attitudes of the interviewee towards NAMUCAR and on his perceptions concerning the company's structure, activities, and future prospects. Due to the sensitivity of the positions of many of the persons interviewed, neither direct quotes nor unidentified direct quotes have been utilized. All opinions expressed, unless specifically footnoted, represent the opinions of the author.

Various journals and all available Caribbean Basin newspapers were reviewed for the period March 1974 to March 1976 at each of the above named libraries. Background material for the company structure has been obtained from copies of the official documents of all the NAMUCAR conferences, and from the Final Constitutive Act of the company.

One of the major characteristics of the Latin American situation is the disparity in availability of uniformly reliable data from country to country. Although various

technical missions, international organizations, and individual investigating scholars deserve much credit for the relatively recent and accelerating growth in both quantity and quality of data available for examination and analysis, great caution must be exercised by the researcher in utilizing it, in that it is not uncommon for statistics to vary even from one official document to another. Furthermore, as has been observed by many scholars involved in research focusing on Latin America, a general characteristic of many potentially fruitful areas of study is the lack of pertinent data.

In focusing on the background and formation of a multinational company like NAMUCAR, these problems of availability, reliability, and comparability become particularly acute. For this reason, every attempt has been made to utilize economic data only to point to general characteristics of the situation being described.

CHAPTER TWO

AN OVERVIEW OF INTEGRATION THEORY

A. Introduction

The numerous theoretical constructs employed in the analysis of integration efforts have not resulted in the establishment of any type of generally accepted paradigm. Although there have been various analyses and categorizations of the many approaches to the topic of integration from the perspective of political science, the reader is left, in the end, to make a subjective choice concerning which, if any, is the most heuristic.¹ This choice is further complicated by the largely parallel, but often overlapping, literature on integration that primarily emphasizes the economic aspects of the topic.

In this study, the term "theory" will correspond to a "middle-range" theory in the context of a survey of those

¹See, for example, Joseph Nye, ed., Regional Integration (Boston: Little, Brown and Co., 1968); James E. Dougherty and Robert L. Pfaltgraff, Jr., Contending Theories of International Relations (New York: J. B. Lippincott Company, 1971), chapter 10; and Michael Haas, "International Integration," in International Systems, ed. Michael Haas (New York: Chandler Publishing Co., 1974).

conceptualizations which map out the problem area, and which provide useful labels and categories for organizing data about political organizations or behavior. Based on a discussion of the literature, a matrix will be developed from which middle-range theoretical propositions can be extracted.² These propositions will then be employed to orient the investigation and analysis of this particular case study.

The specific concern of the study is an attempt to raise the level of sophistication of analysis of the type of phenomenon under study by developing a model which can be used for this and, it is hoped, future case studies of this type. The intent is to articulate the relevant factors in this type of study.

B. Integration and Theory

Interest in integration theory is a direct result of the many sovereign and semi-sovereign political units which interact in what appears to be an increasingly interdependent world. Although the desire to increase the level of understanding of the phenomena of integration is widespread, students of integration theory rapidly conclude that any real consensus concerning both definitions and models on a working level, and of the proper interface between integration theory and international relations theory on a broader

²See La Palombara, Politics Within Nations, pp. 58-66.

level, is lacking.³ This may not necessarily be bad since integration is not studied as an end in itself, but rather as a means to assist groups of countries in achieving other ends--social, political, and economic. With this thought in mind, the type and "level" of integration which is best for any group of countries will vary, and this fact will probably continue to impede efforts to formulate an overall framework for the study of integration.

Discussions of integration theory normally begin with an attempt to establish some minimally acceptable definition of the term "integration." As has been pointed out by one scholar, to accommodate even a limited number of theorists in a framework which would encompass the relevant concepts of the major approaches to integration would require "a rather broad working definition of integration."⁴

As previously mentioned, Jacob and Teune view the concept of integration as a relative, rather than as an absolute, term. In this approach to defining the term, a group of countries would establish a set of conditions which are more or less integrated. Pointing to the similarities in the concept of integration when utilized to analyze relations, either between sovereign political units or within a single nation, these scholars see integration as, ultimately,

³See, for example, Pentland, International Theory, introductory section.

⁴Ibid., p. 20.

a state of mind, or a disposition to be cohesive or to act together.⁵ In this definition, integration is seen as basically the same phenomenon from a local level to a global level, and it does not require full agreement by participants at any level. Furthermore, as these scholars suggest, much useful knowledge can be gained by studying both overt and passive agreements for collective actions of various kinds.⁶

Joseph Nye also supports the argument that the term integration has been given a broad range of meanings, even if we restrict ourselves to the literature on regionalism. To arrive at a consensual definition which is at least minimally acceptable, Nye suggests that the focus of attention should be shifted to reflect types of integration rather than levels. In an effort to avoid the confusion which has been engendered by discussions of "level" and "thresholds" of integration, Nye recommends stressing types of integration rather than levels, and treating integration as one of three types: economic, social, or political. Each of these three types could be broken down into more specific sub-types.⁷

⁵Jacob and Teune, "The Integrative Process," p. 10.

⁶Ibid., p. 11.

⁷Joseph Nye, Peace in Parts: Integration and Conflict in Regional Organization (Boston: Little, Brown and Co., 1971), p. 27.

In referring to the proliferation of definitions, Charles Pentland has attempted to analyze what might constitute the "lowest common denominator" among many interpretations and concludes:

All that it seems possible to say is that international political integration is a process whereby a group of people, organized initially into two or more independent nation-states, come to constitute a political whole, which can in some sense be described as a community.⁸

This definition of integration by Pentland, although not sufficiently detailed to be an operational definition, provided the impetus which led this author to an analysis of two important questions, namely-- To what kind of end result is the process of integration likely to lead?; and--What types of conditions contribute to integration?⁹

In general, it can be said that there have been distinguishable foci of interest on the part of theorists of the major approaches to integration theory, and that by searching for these areas of common interests and/or assumptions one may hope to analyze better the strengths and weaknesses of each. From this matrix of points of convergence among the approaches, highlighted areas of contention also emerge.

⁸Pentland, International Theory, p. 21.

⁹Ibid.

C. Integration and Levels of Analysis

A major problem in the development of integration theory has been the confusing number of variables which have been identified by scholars, and the lack of any systematic manner of classifying them. In an attempt to organize the major variables of four major approaches to integration theory, Pentland has critically analyzed these approaches from the point of view of three basic levels of analysis.¹⁰ A beginning level of analysis is that of any group of states, taken as a whole and viewed as a system. At an intermediate level, the states are analyzed as separate entities. The third level of analysis is that of the individual policy maker. Pentland's concern is not so much to synthesize these approaches into any overarching conceptual approach, but rather to point out that they are, in some ways, complementary. In his critical comparative analysis, Pentland's major contribution is to highlight the different variables used at each level, and to point out that differences in levels of focus have contributed to subsequent differences of opinion on specific issues of explanation. According to Pentland, although functionalists, neofunctionalists, pluralists, and federalists theorize and make assumptions (explicitly or implicitly) at each of the three aforementioned levels of analysis, major differences between these

¹⁰Ibid.

approaches are due to the different assumptions that each school makes about the levels of analysis about which it is least concerned.¹¹

For example, Pentland suggests that pluralism, at the highest (or systemic) level of analysis, essentially sees integration as a grouping of states in which international organizations organize and stabilize the interface between state power and systemic aims.¹² Continuing this form of analysis, pluralists, at the systemic level, tend to view integration as a process of mutual regulation of relatively independent units of a larger international system.¹³ Functionalists, at this level, see an eventual erosion of state power with the growth of increasingly more efficient organizations which respond to technological, economic, and human welfare needs. Neofunctionalists posit the evolution of new patterns of decision-making for the system as a whole, and federalists see the eventual system change in terms of a redistribution of legal and political authority, etc. Similar assumptions are made by other groups of theorists.¹⁴

¹¹Ibid., pp. 189-92.

¹²For a discussion of the pluralist and functionalist approaches to integration see Pentland, International Theory, chapters 2 and 3. Basically, the pluralist approach to integration refers to viewing integration as the growth of a community of states, engaged in "a continuous process of sensitive adjustment to each other's actions, supported usually (although not necessarily) by the socio-political behavior and attitudes of their populations." Ibid., p. 29.

¹³Ibid., p. 40.

¹⁴Ibid., chapters 2-5.

At the level of analysis of states as individual sovereign units with a decision-making capacity, Pentland has observed that most approaches to the study of foreign policies of states focus on two main sets of theoretical problems. Referring to these two foci of attention, Pentland states that:

The first of these has to do with the sources of policy and the relative weight of influence on a state's behavior arising in its non-human or non-political environment, in its external political environment, and in its domestic, political and social systems. . . .

The other set of problems has to do with the structures and processes through which foreign policy decisions are formulated and executed.¹⁵

At the previously mentioned systemic level, Pentland recommends analyzing the conditions of a system which is attempting to integrate as to whether or not it is above or below a certain level in each of four dimensions. These four recommended dimensions relate to decision-making ability, ability to perform functional tasks, patterns of social behavior, and political attitudes. In each of these dimensions it would be possible, theoretically, to establish a continuum in which, at the upper limit, indicators would overwhelmingly point to an integrated interdependent state and, at the lower limit, most indicators of interdependence would be non-existent. The important test would be to decide at what point

¹⁵Ibid., p. 225.

along the continuum it could be said that the system becomes integrated.¹⁶

To adjust for the fact that it is not illogical to conclude that a systemic level of integration to any dimension may vary over time, Pentland recommends analyzing background conditions (i.e., long-term state policies, socio-economic and other conditions existing both within the integrating system framework, and from similar forces from outside the integrating system), and process conditions (i.e., the "more immediate and ephemeral factors operating in a process of change.")¹⁷

The third level of analysis described by Pentland is that which relates to the attitudes and behaviors of individuals as political actors. At this level the effects of both national and international leaders, and of individuals in general within a society or system, must be analyzed. A central concern relates to propositions about the "nature, formation, change, and effect of an individual's political attitudes."¹⁸ Additionally, Pentland recommends analyzing

¹⁶Ibid., p. 205. A similar attempt to ascertain the level of political integration by utilizing indicators is suggested by Ake, who suggests establishing a scoring method to rate the following factors: legitimacy, extraconstitutional behavior, political violence, successionist demands, alignment pattern, bureaucratic ethos, and authority. Claude Ake, A Theory of Political Integration (Homewood, Ill.: The Dorsey Press, 1967), chapter 1.

¹⁷Pentland, p. 211.

¹⁸Ibid., p. 243.

the effects of long range forces such as education and socialization, along with the shorter term influences such as international crises, the effects of mass media, or simply the effects of individual leaders' personal aims or goals.¹⁹

A major assumption made by Pentland is that system-change should be considered as the dependent variable in a theory of integration. Once this is accepted, the task is to develop a framework which will encompass some of the more important independent variables which influence system-change, and upon which a theory of integration might be based.

Although viewing integration as a system-change is not a novel idea, as has been previously mentioned, while some writers see the character of this change as an increase in the mutual responsiveness of the units of the system, others focus on changing and autonomy of these units, and others recommend a complete re-structuring of the nation-state system.

Bruce M. Russett, in 1974, focused attention on the necessity of considering the "environment" of politics. He admonishes researchers for focusing, too often, on the ways in which choices are made, rather than rigorously and systematically attempting to explore "what possible choices were in fact available and why those possibilities and not some

¹⁹Ibid., chapter 8.

others were available."²⁰ To arrive at this type of perspective, a researcher must attempt to account for social, economic, and technological factors which influence decision-makers by affecting the entire system in which they must function. Pointing to the confusion which surrounds the role of communication and transaction analysis as related to political integration, this author acknowledges that there are serious questions as to the degree that these analyses can be made rigorously operational but stresses the importance of analysis at all levels, from macroscopic to that of measuring individual attitudes.²¹

James Rosenau also stresses the importance of levels of analysis. Arguing that the modern world is characterized by a blurring of boundaries between national and international systems, he emphasizes the importance of the effects of "linkages" between the various levels of analysis.

Where specialists in national systems are interested in what large groups of people (the citizenry) do either to each other or to the few (officialdom), international specialists concentrate on what the few (nations) do either to each other or to the many (foreign publics.)²²

²⁰ Bruce M. Russett, Power and Community in World Politics (San Francisco: W. H. Freeman and Co., 1974), chapter 18.

²¹ Ibid.

²² James Rosenau, ed., Linkage Politics (New York: The Free Press, 1969), p. 10.

Notwithstanding the difficulty of researching the largely subtle and often hidden processes of influence that act within both national and international systems, Rosenau urges the development of a "linkage theory" that, as a first step, might provide a typological approach to identifying the types of linkages which operate to influence national and international decisions. In general, he points out that national political systems exist in, are shaped by, and are responsive to "the larger international environment in which they exist."²³ In attempting to organize a research effort, he recommends a focus on "issue areas" in order to examine the linkages between an external entity (such as NAMUCAR), the international environment of which it is a part, and the internal political events and forces of the various countries of the region under study.

An advantage of attempting to understand linkages between levels of analysis is that it puts many decision areas into proper focus, in which it can be seen that national forces neither completely determine nor are irrelevant to policy outcomes but, rather, are often somewhere in between.

²³Ibid., p. 2. This general theory stresses that there is a growing interdependence among polities which are also becoming increasingly dependent on their environments. This condition may not necessarily lead to integration, however (p. 47). Rosenau summarizes his posited linkages into 27 forms of linkages which could occur in each of his matrix's 144 different cells. For a listing of 36 possible types of politically significant interactions across state boundaries, see Gerhard Mally, The European Community in Perspective (Toronto: Lexington Books, 1973), chapter 1.

In a similar research effort, J. David Singer focuses attention on significant forces that vie with the nation-state in any area of national policy.²⁴ Although not intended as an all-inclusive typology, he focuses attention on important intra-national entities, ranging from trade unions to religious organizations, and upon extra-national entities which may influence national decisions. Included in this latter categorization are: groups of educators or religious leaders who may appeal to opposite numbers in another nation for support, military-industrial complexes of one nation which may have a direct influence on actions taken by other inter-nation coalitions such as military alliances, and international governmental and non-governmental organizations.

D. Economics, Politics,
and Integration

Although authors differ in many respects in assumptions and emphases when discussing the concepts and problems of integration, practically all agree that both economic and political rationale must be included in any attempt to understand instrumental factors which influence any integration project or process. As succinctly pointed out by Keohane and Nye: "Ultimately, the parameters of economic activity are determined by governmental action or inaction; in that

²⁴ J. David Singer, "The Global System and its Sub-systems: A Developmental View," in J. Rosenau, ed., Linkage Politics.

sense, economic activity always has a political dimension."²⁵ The complicating issue, as discussed by Kahnert et al., is that practically all facets of economic theory have some relevance to an understanding of the phenomenon of economic integration, but a coherent analytical framework has yet to be developed which is capable of assessing the overall effects of integration.²⁶ Although concepts such as trade creation and trade diversion, economies of scale, comparative advantage, and factor mobility are relevant to any discussion of economic integration schemes or projects, they do not completely account for the costs and benefits involved. Therefore, instead of attempting to assess integration efforts in relation to an optimal state of world-wide free trade, they should simply be measured against "the situation that would obtain if the integration effort did not take place."²⁷

Existing theories of economic integration (from an economic perspective) are largely based on such factors as amount and direction of existing trade, expansion of production of the various participants before and after integration,

²⁵ Robert O. Keohane and Joseph S. Nye, "World Politics and the International Economic System," in The Future of the International Economic Order: An Agenda for Research, ed. C. Fred Bergsten (Toronto: Lexington Books, 1973), p. 118.

²⁶ F. Kahnert, P. Richards, E. Stoutjesdick, and P. Thomopoulos, Economic Integration Among Developing Countries (Paris: Development Centre of the Organization for Economic Cooperation and Development, 1972), chapter 1.

²⁷ Ibid., p. 127.

increases in investment opportunities, degree of competitiveness or complementarity of the participating economies, factor mobility, and Jacob Viner's ideas on trade creation or diversion.²⁸ However, in the case of lesser developed countries (such as most of the participant countries in NAMUCAR) an analysis of these factors may well demonstrate that most NAMUCAR countries combine traits which, in theory, would not be greatly altered in an increased welfare sense by the creation of NAMUCAR. Since it appears likely that any effects of NAMUCAR would probably be in the area of trade diversion rather than trade creation, an attempt will be made to explore this area in an effort to establish how these factors were perceived by the various nations that have decided both for and against participation in NAMUCAR.

A central assumption of this study is that NAMUCAR involves the allocation of specific values (or "valuables") among its participating members. Robert T. Brown and Olav Knudsen provide the basis for a tentative listing of the types of values which can be allocated by a shipping line.²⁹ These include: (1) the benefit of having goods

²⁸Trade creation being defined as a shift from a high-cost to a low-cost producer, and trade diversion as a shift in the opposite direction. For the original formulation, see Jacob Viner, The Customs Union Issue (New York: Carnegie Endowment for International Peace, 1950).

²⁹Robert T. Brown, Transportation and the Economic Integration of South America (Washington, D.C.: Brookings Institution, 1966), p. 118; and Knudsen, Politics of International Shipping, chapter 4.

transported between two points at the right time and price; (2) the national registry of the ships themselves; (3) the freight earnings of the ships; (4) the earnings related to land-based facilities; (5) implications for national prestige; and (6) the rates charged for different products. It rapidly becomes manifest that two conflicting rationales may compete over the criteria to be used to allocate the above values in a company like NAMUCAR, composed of both nations and private groups; namely, the economics of shipping may dictate a different allocation of values than would the politics of cooperation.

E. Integration and Pragmatism

A significant percentage of the literature which deals with aspects and facets of integration touches on the problems which have been encountered in the planning, coordination, implementation, and acceptance (or lack thereof) among participants of the benefits and burdens of acting jointly rather than individually. An underlying rationale for participation or non-participation, as posited by many authors, derives from estimates of costs and benefits.³⁰ In specific regional

³⁰In particular, see, United Nations, Conference on Trade and Development, Current Problems of Economic Integration: Fiscal Compensation and the Distribution of Benefits in Economic Groupings of Developing Countries, Report by Peter Robson, 1971; Jack Behrman, Multinational Production Consortia: Lessons from NATO Experience, A Report prepared under contract for the U.S. Department of State, 1971; and Milenky, The Politics of Regional Organization in Latin America: The Latin American Free Trade Association, chapter 4.

projects this also leads to problems of "equity" versus "efficiency." Effective actions to solve the problem of efficiency, in the sense of providing a service which is internationally competitive, and equity, in the sense of establishing compensatory devices to accommodate poorer or less capable members of an integration effort, are seen by many as being one of the core problems of most integration schemes.³¹

In investigating the problems of and proposals for sector integration of automobiles and petrochemicals in Latin America, Jack Behrman has succinctly defined the difficulty as follows:

The objective, of course, would be to gain international levels of efficiency while permitting all countries to participate in acceptable ways and at acceptable levels--"acceptable" in the sense that they agree to participate and seek an efficient operation.³²

In another work, this author elaborates on the concept of equity. "Equity," in the sense that it is sought by countries contemplating participation in regional integration projects, refers to an acceptable distribution of the benefits of an integration scheme, not only in the sense of a redistribution of income to equalize revenue benefits, but also "in terms of the locus of production and of impacts on

³¹See, for example, Jack Behrman, The Role of International Companies in Latin American Integration (New York: Committee for Economic Development, 1972), chapter 4.

³²Ibid., p. 49.

balance of payments, employment and technological transfers."³³
 In this sense "equity" is an extremely complex concept with many facets. Another scholar supports this conclusion in his analysis of problems which have led to the near collapse of trade liberalization negotiations in the Latin American Free Trade Association (LAFTA).

The policies of member states represent calculations of costs and benefits. While states do not make policy so neatly as a division of costs and benefits suggests, they do act on the underlying principle and produce such a division as a net effect.³⁴

Attempting to distribute these costs and benefits within a framework which can remain internationally competitive is thus a crucial issue.

Various authors have identified aspects of the cost-benefit and equity-efficiency problem clusters as being central to the objective of obtaining higher levels of integration in many areas.³⁵ Peter Robson, in a UNCTAD report, documents the concern for equity in all recent integration agreements, and stresses the concept of "balance," which relates to subjective rather than purely objective equalization measures and which is, in essence, simply an attempt to

³³ Ibid., p. 1.

³⁴ Milenky, The Politics of Regional Organizations, p. 37.

³⁵ Ibid.; Christopher Garbacz, Industrial Polarization under Economic Integration in Latin America (The University of Texas at Austin, 1971); Behrman, Multinational Production Consortia; Gunnar Myrdal, The Challenge of World Poverty (New York: Pantheon Books, 1970).

determine what is minimally acceptable to the members of the scheme.³⁶

In this focus, the center of attention is on the political bargaining processes which will influence estimates of costs and benefits, and/or those resolutions which may prove acceptable to all.

Jach Behrman has analyzed co-production schemes in NATO, and has produced some interesting observations.³⁷ In particular, he notes that:

Criteria for determining actual burden and benefits, so relative results can be compared, are not easy to set forth in other than a theoretical scheme. The model would include such things as net additions to: employment, industrial capacity, production runs, technical training, exports, imports, management skills, capital mobilization, relief of depressed areas, stability in exchange rates, government revenue, etc. But not every country will weigh each element similarly; nor are the bases for calculating improvement in each area the same; nor are the real-cost calculations in each country the same for a given level of money-cost improvement--i.e., the same money expenditure will not provide identical real improvement in each country or vice versa.³⁸

An extremely interesting line of inquiry runs throughout the analyses of these projects. Namely, what were the alternatives to participation in the project available to each country, in each case? Specifically, what costs and/or

³⁶Robson, Fiscal Compensation, chapter 3.

³⁷Behrman, Multinational Production Consortia.

³⁸Ibid., pp. 10-11.

benefits would the option of non-participation have entailed for each potential participant, and how did these varying perceptions of costs and benefits affect the different countries when negotiating each proposal?

CHAPTER THREE

RESEARCH DESIGN

A. Introduction

The basic goal of Chapter Two was to highlight some relevant assumptions and themes which appear in literature pertaining to integration processes. On the basis of the preceding discussion, several general propositions concerning integration processes can be developed. These propositions can be utilized to guide a research effort designed to assist in the analysis of a general integration process or of a specific multinational integration project. They are listed as follows:

1. Integration may be viewed as system change.
2. Integration processes can and should be analyzed from various levels. Three suggested levels that occur in most of the literature on integration theory are: that of the system as a whole, of states as sovereign decision-making units, and of individuals as political beings whose actions affect national-level decisions.

3. At each level of analysis, many independent variables can be identified which influence the integrative process.
4. For any particular integration project or process, certain variables will be more influential than others.
5. Any integration process may be analyzed in terms of various dimensions. At a minimum, these dimensions should include: decision-making capabilities; functional aspects of the problem being addressed; patterns of social behavior among the populace of the system's actors; and both general and specific public and elite reactions.
6. Both political and economic facets of any integration project must be examined.
7. Any rational analysis of why countries choose either to participate, or not to participate, in an integration project or scheme must attempt to analyze the costs and benefits which are perceived by each decision-making actor. This analysis of "costs" should also account for the "costs" of non-participation in a project of integration scheme.

The model which will be developed represents no more than a framework for looking at the phenomenon under study. It is not intended to lead directly to hypotheses or theories

of an inclusive sort. It is, rather, an attempt to identify the major forces and linkages which appear essential to an understanding of the formation of a multinational enterprise such as NAMUCAR.

B. The Model

As was pointed out in the preceding section, once one has decided to accept system-change as the dependent variable in an integration effort, two important questions must be answered in any attempt to construct a useful model to study the process. To recapitulate briefly, the first of these questions involves making a decision as to what level or levels of analysis should be incorporated into the study, and the second involves making decisions as to which variables are relevant at each level. The intention of the preceding section was to point out that, although no consensus exists, a beginning step in constructing a model might be to follow Rosenau (1969) and Pentland (1973) and utilize the three main levels of analysis previously mentioned--namely, analyzing effects of independent variables on the system as a system, on individual states as such, and on individuals.¹ This schema would be structured to take into account both background conditions, conditions at the time of formation of the process under study, and process conditions.

¹Rosenau, Linkage Politics; and Pentland, International Theory.

This neofunctional breakdown of conditions into three categories encompass Pentland's "background" and "process" variables, but adds a third dimension, namely processes in the sense of mechanisms or institutions which facilitate interactions among system actors to arrive at, for example, new forms of integration, the signing of a treaty, or the implementation of a multinational project. This follows Nye's description of "process mechanisms," which are, essentially, mechanisms which facilitate or increase the capacity for positive interaction among participants following the creation of a new organization designed to foster some form of integration.²

For clarity, in this research the term "background conditions" will correspond to Pentland's usage of the term, which in turn corresponds to Keohane and Nye's "structure-level" analysis; i.e., having to do with long term, fairly stable, political, economic and social determinants of the environment within which decision makers function.³ The term "conditions at the time of formation" will be utilized to sum up both long term forces and the more "immediate and ephemeral" conditions which correspond to Pentland's "process variables."⁴ Finally, the term "process conditions" will be

²Nye, Peace in Parts, p. 64.

³Keohane and Nye, "World Politics and the International Economic System," p. 163.

⁴Pentland, International Theory, p. 211.

employed to encompass the new organizations which were created to facilitate integrative interactions among system actors.

At each level decisions as to the relevant variables must be made. Following the general format of analyzing economic, social and political variables, certain central areas of interest have emerged. At each of the three levels analyzed other variables could have been selected. The defense of those factors chosen for investigation appears in the chapters that follow. In order to make this project one of manageable proportions, only those influences which were felt to have a significant impact on the formation of this particular company have been explored. It is hoped that no major contributing factors have been overlooked. No attempt has been made to use only empirical data, i.e., normative judgments are part of the study. The underlying intention is to evaluate the political phenomena under study.

PART II

SYSTEM, STATES, INDIVIDUALS
AND NAMUCAR

CHAPTER FOUR

SYSTEMIC CHANGE AND NAMUCAR

A. Introduction

As previously discussed, approaches to the study of integration, at the systemic level, tend to differ substantially in their emphases on the importance of the forces acting at this level. There is, nevertheless, a rather widespread feeling that the nations of the world are becoming increasingly interdependent and, as described by one author, "If nations are horizontally connected through factors of objective interdependence such as defense and trade, each one of them is also linked vertically to the international system per se."¹ These linkages are both complex and multidimensional, but their interlocking influence on individual, group and national actions can no longer be denied. These links or "linkages"² operate to bind states into a set of perceptions of their situations on the one

¹Mally, The European Community, p. 8.

²To follow Rosenau's terminology. See Rosenau, Linkage Politics.

hand, and equally effectively push states towards certain actions (and away from others) on the other hand.

In this chapter, what is being attempted is a focus on the various forces and factors, both institutional and environmental, which have impacted on the region as a whole and which, specifically, influenced the national decision makers to take actions to attempt to establish NAMUCAR. In their essential properties, these forces correspond to what has been described by Rosenau as "environmental outputs." In short, they are impulses which are engendered in the external environment, and are either sustained or terminated within each polity upon which they impact.³

At the systemic level, Pentland postulates that the level of effective integration along the four dimensions of decision-making structures and processes, the performance of functional tasks, patterns of social behavior, and the aggregate patterns of political attitudes in the system, largely encompass the most important dimensions of the process of political integration.⁴

In attempting to gauge levels of integration in the decision-making dimension, the researcher would be trying to analyze what structures are available, both within a region and within countries of that region, to arrive at decisions

³Ibid., p. 9.

⁴Pentland, International Theory, pp. 196-200.

and choices concerning joint solutions to common problems, or for the allocation of "variables" from jointly owned and administered projects. The essential question would be: To what extent can problems which appear to require joint solutions be solved within the system through a "peaceful" decision-making process?

To continue with Pentland's reasoning, in this dimension a totally integrated system would be one of absolute order. A totally unintegrated system would have no ordering mechanism and would tend, at this level, to be anarchistic. The essential problem becomes one of determining at which point in the continuum (if one accepts the analogy) between anarchy and total order, can the system become integrated in the decision-making sense.⁵

In Pentland's functional dimension we are looking at the specific problems which are calling for action on a systemic basis. To quote this author: "The extent to which the system can be called integrated depends on the number of activities in the fields of welfare and security which are organized on a system-wide rather than a local or national basis."⁶ Thus, in a perfectly functionally integrated system all functional tasks for the "common good" would be carried out in the common structures. A core problem in the

⁵Ibid., p. 202.

⁶Ibid., p. 203.

solution of these functional problems is that the demands⁷ which arise from within these functional organizations, and which are found to be incapable of being resolved within the framework of these structures, must be resolved, if at all, by the political decision makers of the system's actors. In the present study, this dimension refers specifically to the level of economic progress of the countries of the region, the state of "shipping" in the Caribbean, and the ability of functional groups such as the Latin American Maritime Association (commonly referred to by its Spanish acronym, ALAMAR) to deal effectively with specific needs.

Analysts studying transaction flows are all concerned with Pentland's third systemic dimension, patterns of social behavior. Although many facets of this dimension are elusive, and perhaps unquantifiable, the essential core concern is "the more or less habitual actions of individuals which, in aggregate, give us pictures of overall patterns of social mobility, communication flows, interaction and political behavior in a system."⁸ Indicators of this sort of data include trade, tourism, mail flows, verbal or written expressions, various forms of travel, and elite interactions.

Pentland's fourth dimension, the attitudinal dimension, is perhaps the simplest to describe but the hardest to

⁷Following David Easton, A Framework for Political Analysis (Englewood Cliffs, N.J.: Prentice-Hall, 1965), chapter 6.

⁸Pentland, International Theory, p. 199.

analyze. Its essence, as he describes it, is a concern "with how the elites and the public perceive the political system and their society, and what emotions they feel towards them."⁹ Basic surveys which have been given as evidence of these attitudes include public statements, mass media, opinion polls, and similar opinion-gathering devices. In both major integration schemes, and for smaller integration projects such as NAMUCAR, there is a circular flow between general attitudes and specific decisions which, though perhaps difficult to measure, must nevertheless be analyzed. In this dimension, the process of integration can be described as a shift in the awareness and the loyalties of individuals to a focus on the system as a whole.

B. Economic, Political, and Social
Background Conditions

As stressed by Gunnar Myrdal and others, a major problem facing the Third World countries in the twentieth century is their lack of ability to meet the challenges of poverty in an effective manner.¹⁰ In this task, these countries now feel that they must do a major portion of the restructuring of their world through initiatives emanating from within their own ranks, or face an ever-deteriorating situation. This feeling of "self-help" and Third World solidarity is no longer new, and it has its genesis in many contributing sources.

⁹ Ibid.

¹⁰ Myrdal, The Challenge of World Poverty.

1. International Organizations

Any list of international organizations operating in the Western Hemisphere would be an ever-expanding one in the latter half of this century. Many of these organizations serve specialized functions for the inter-American system, and have little impact on the overall regional integration ideology. Others, such as the U.N. Council on Trade and Development (UNCTAD), the United Nations Economic Commission for Latin America (ECLA), and the Inter-American Development Bank (IADB), have had a measurable impact on both integration processes and on the ideological background which has fomented these processes in the Latin American region. Although an exhaustive study of linkages between each international organization and the regional "integration ideology" is beyond the scope of this study, such linkages do exist and can be demonstrated. For example, in discussing the development of a regional integration ideology and in heightening the awareness of regional transport problems, the impact of ECLA has been particularly important.

ECLA

The United Nations Economic Commission for Latin America (ECLA) was established in 1948 as an organization whose purpose was to promote economic development in the Latin American region. Under the leadership of the Argentinian economist, Dr. Raúl Prebisch, ECLA was instrumental

in developing a conceptual interpretation of the Latin American situation which influenced not only the subsequent generation of Latin American intellectuals, but was also responsible for much of the ideology which prompted the subsequent integration attempts in the Latin American region. Although the Prebisch center-periphery theory, which blames much of the problem of underdevelopment on deterioration in terms of trade, has been attacked and defended by reputable economists, some of its most important contributions were simply to focus attention on two general problems of most Latin American nations, namely, lack of sufficient human and natural resources to become viable independently as nations, and the consequent lack of ability of these nations individually to promote autonomous development.¹¹ As these problems were more exhaustively analyzed, the various regional and sub-regional integration frameworks have tried to adapt their mechanisms to the reality of the Latin American situation in an attempt to aid regional countries in overcoming these problems and to become, either regionally or sub-regionally, autonomous.

In particular, the idea of Central American economic integration is attributable to ECLA and Dr. Prebisch. The major impetus which led to the formation of the Central American Common Market (CACM) has been traced by various

¹¹See Jaguaribe, Political Development, p. 465.

authors directly to this group.¹² As described by one author, "The ECLA secretariat developed the 'integration doctrine' and through tenacity and messianic zeal sold it to the Central American governments."¹³

Some specific objectives of ECLA during this period were to assist the governments of the Caribbean region in improving the transport, information and planning systems, and in the formulation of shipping policies and programs. By the early 1960s, the links between the development of regional transport capabilities and overall social and economic development were being widely discussed. In 1963, ECLA's Committee of the Whole and the Trade Committee recommended that the Secretariat give the highest priority to methods of facilitating the distribution of goods between countries in the area, especially by sea transport.¹⁴

For the Caribbean Basin area in particular, the method of focusing attention on the sub-region's shipping problems, during this period, was to undertake a series of studies within a context of the wider projects for Latin America, with an "emphasis on establishing links between the

¹²See, for example, James D. Cochrane, The Politics of Regional Integration: The Central American Case (Tulane University, 1969), pp. 49-50.

¹³Ibid., p. 49.

¹⁴Resolutions adopted by the Economic Commission for Latin America, the Committee of the Whole and the Trade Committee (1948-1973), Volume 1, Santiago, Chile, E/CN.12/LIB/4. United Nations Economic and Social Council, p. 322.

sub-region (the Caribbean Economic Community) and other countries in the Caribbean Archipelago and in the Caribbean Basin with the Continent."¹⁵

The activities of various organizations such as ECLA continued into the 1970s, and resulted in multiple studies on water transport for Latin America. In particular, the Caribbean Basin area was singled out as an area in which surface water and air transport are vital to both national and sub-regional development.¹⁶ As an example, a short listing of some of the studies undertaken between 1964 and 1974 largely speaks for itself in documenting the concern of ECLA in this area.¹⁷ The studies included the following:

"International Land Transport Services in the Lima-Buenos Aires and Lima-Sao Paulo corridors: Volume I: The Infrastructure"

"(Ditto): Volume II: The Institutional Aspects and Services"

"Improvement of the Information System on Maritime Transport"

"Transport in Latin America"

"International Intermodal Transport: Statement of the Immediate Problems of Latin America and Action Programme for Affected Institutions"

¹⁵United Nations Economic and Social Council, 59th Session, Annual Report, 10 March 1974-6 May 1975, Vol. 2. (E/CEPAL/989/Add.1.), 1975, p. 77.

¹⁶Ibid., p. 73.

¹⁷This list, by no means inclusive, is taken from United Nations Economic Commission for Latin America, Economic and Social Council, 59th Session, Annual Report (10 March - 6 May 1975), Vols. 1 and 2 (E/CEPAL/989/Rev. 1 and Add.i.).

"Ocean Transport in the Caribbean Community"

"Institutional Aspects of International Intermodal Transport: Liability and Insurance in International Intermodal Transport"

"Issues in Ocean Transportation in the Caribbean Community"

"Integrated Maritime Transport Study for the Caribbean Basin: Methodological Note"

"Advisory Mission to Mexico, Brazil, Bolivia, Chile, Ecuador, Cuba, Andean Group and Central American Countries and Panama on Promotion of Tourism"

"Port Planning Parameters of the Caribbean Basin"

"Ship Arrivals Distribution Tables for Port Planning"

"Validity of Poisson Distribution for Predicting Ship Arrivals and Ship Congestion"

"Caribbean Free Trade Association (CARIFTA) Ports and Shipping Statistics"

"A Preliminary Assessment of Operational Effectiveness of Caribbean Ports"

"Ocean Cargo Movements--1971 Eastern Commonwealth Caribbean"

"A Proposed Procedure for the Collection and Processing of Regional Ports and Shipping Statistics"

"Intermodal Transport in the Caribbean Region--1973"

"Comments on Port Study of Bridgetown Harbour, Barbados"

"Ocean-borne Cargo Movements--Turks and Caicos Islands"

"Review of Economic Evaluation of Proposed New Port at Georgetown, Cayman Islands"

"Conclusion of Agreements on Regional Shipping"

"Conclusion of an Agreement on Regional Shipping"

"Conclusion of the Customs Convention on Containers, 1972, and other Related Matters of Interest to Caribbean Community Comptrollers of Customs"

"Montserrat Port Pricing Analysis"

"Establishing and Expansion of Merchant Marines in Developing Countries"

These studies reflect a continuing level of concern among commission members to document the needs and inadequacies of transport in the South American and Caribbean regions, and have alerted other regional organizations and governments to previously unstudied aspects of transport problems in the Latin American region.

Inter-American Development Bank (IDB)

A second organization which has directly fostered a heightened awareness of transportation problems in the Latin American region is the IDB. In addition to publishing reports on general economic trends, social development trends, the external sector, regional economic integration efforts, and the status of available financing for development projects, the IDB has demonstrated a high level of interest in the development of transportation systems in the region.¹⁸ As

¹⁸Inter-American Development Bank, Ports and the Development of Latin America, Address by Felipe Herrera, President of the IDB, before the 57th Annual Meeting of the American Association of Port Authorities in Curacao, November 13, 1968. For a detailed discussion of the Latin American situation and perspective prepared by the IDB, see Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975 (Washington, D.C.: Inter-American Development Bank).

pointed out by Felipe Herrera, then President of the IDB in 1968, this interest in transportation and infrastructure services is essential in Latin America because:

. . . it must be kept in mind that transportation, as well as other infrastructure services, does not constitute an end in itself, but is fundamentally designed to support . . . and in certain cases promote . . . a more efficient and orderly process of economic and social development.¹⁹

To this end, the IDB has functioned to provide financial and technical support to its member countries; it has established the Institute for Latin American Integration to train specialized personnel to engage in research relating to integration projects and programs; it has also established the Pre-Investment Fund for Latin American Integration to promote the study of developmental projects which have a multinational scope and an integrative orientation; and it has provided support for the various Latin American integration and technical organizations and structures.²⁰

A "Heightened Awareness"

The assistance of international organizations in heightening the awareness of regional transportation problems has been particularly noticeable in studies conducted for and about the Caribbean region. A simple glance at a map suffices

¹⁹Ibid., p. 4.

²⁰The IDB News is a monthly publication of the Inter-American Development Bank. A great deal of information concerning IDB activities is available in this free publication.

to point out that, lacking a common land mass, many Caribbean nations must depend on water or air transport. It has long been recognized that the transport system within this sub-region is inadequate to handle the ever-increasing demands which are being placed on it by the attempted modernization and industrialization processes which require increased foreign commerce.²¹

To combat this situation, various regional offices of ECLA and other organizations have been extensively engaged, over the past decade, in studies whose intent is to improve and update the statistical data base and knowledge of the situation of transport limitations and capabilities in the Caribbean Basin area. A complete listing of these studies would be excessive. The overall intent, however, is pointed out in a 1975 ECLA report:

In the Port-of-Spain Office, objectives are to establish a system of data collection on cargo movements in sub-regional and other trade, as a basis for the study of maritime transport problems; to provide recommendations to the Governments for improving and expanding existing shipping services, so as to meet the growing needs of integration and of foreign trade, and to ensure an adequate participation of the sub-region in the carriage of its trade; to assist the Governments and the Caribbean Economic Community in establishing and operating adequate institutional machinery; and to support the region-wide projects, conducted by the substantive Division at ECLA Headquarters, including assistance to Governments in

²¹For an early analysis of the problem see Brown, Transportation and the Economic Integration of South America, and United Nations Department of Economic Affairs, Study of Inter-Latin American Trade: Prepared by the Secretariat of the Economic Commission for Latin America, 1957.

formulating their views as required for international negotiations; and (resources permitting) to assist the Caribbean countries in formulating and implementing an integrated regional approach to tourism with emphasis on linkages to other economic sectors.²²

Many international organizations have contributed to a heightened awareness in the Latin American region of the benefits of integrated actions and of the functional problems of the region which appear to be amenable to solution only by joint actions of those countries affected. It is not the purpose of this section to list all of the relevant organizations operating to influence decisions in this regard, but rather to point out that international agencies can and do act to highlight areas in which coordinated state actions might be desirable through multinational project structures, and often to facilitate these actions.²³ This role has been aptly summarized by Keohane and Nye:

The role of international organizational secretariats on many issues may be to engage in coalition-building with sympathetic elements of national bureaucracies, thereby building collaborative constituencies of officials engaged in solving joint tasks in consistent ways.²⁴

²²United Nations, Annual Report 1975, Vol. 2, p. 74.

²³A particular example of this type of assistance was the technical assistance and detailed studies provided by ECLA to Central American governments concerning the establishment of Fertilizantes Centroamericanos (FERTICA). Various Central American governments subsequently entered into a partnership with México to operate this company.

²⁴Keohane and Nye, "World Politics and the International Economic System," p. 165.

In this sense, a major role of the technocrats and bureaucrats who work for these international agencies is to coordinate, facilitate, and participate (when necessary) in transgovernmental interactions which may result in the creation of autonomous, multinational organizational structures.

Conclusion

Within the broad context of the social and political forces historically at work in fomenting the desire for autonomous development in the Latin American areas, the perceptions engendered by studies conducted by ECLA and other international agencies have, at a minimum, accentuated the felt need among the intellectual, social, and political elites in Latin America to overcome the historical dependency of the region on external support for development.

2. Third World Movement to Influence Trade Relationships

In attempting to expand their trade, both among themselves and with the more developed nations of the world, developing nations are responding to the need for capital, raw and semi-processed materials, and consumer goods which are required for any process of economic development. To pay for these necessary imports, most developing countries have, historically, been forced to rely on an increase in exports to obtain foreign exchange. The ever-growing concern of Third World Countries with both the inherited structure of their

economies and with the composition and direction of their exports is, in essence, a pragmatic response to lessons painfully learned by national economic planners in attempting to change international market forces to the extent necessary to begin a gradual decrease in the gap separating rich nations from poor. As pointed out by Myrdal and others, the stark reality of the Third World situation would indicate that: (1) the underdeveloped countries have been, and continue to be, at the mercy of international forces over which, with few exceptions, they exert only a modicum of control; (2) it has recently become painfully obvious that, even with effective national planning and project implementation, national planners cannot rapidly or effectively change their country's relative position in the world's economic hierarchy of nations unless they can gain some control over the market conditions which are largely dictated by the world's more developed economies; and (3) the historical evolution of the trading position of the vast majority of states in any third world regional grouping is a deteriorating one, and will probably continue to deteriorate unless positive actions can be taken to change trends.²⁵

Since most developing nations rely heavily on imports of various types, their only normal recourse to pay for these imports is to attempt to expand exports. The logic behind

²⁵ Myrdal, The Challenge of World Poverty, pp. 284-85.

attempting to increase trading levels and to influence market forces appears, therefore, simple and direct.²⁶ Basically, as pointed out by Roy Blough and Jack Behrman, there are only three methods by which markets can be expanded for developing countries: (1) by applying appropriate internal economic policies to expand the national market of the country itself; (2) by expanding exports to world markets; or (3) by intra-regional trade through economic integration or other cooperative schemes.²⁷

Most analyses of terms of trade during the latter 1960s and the beginning of the 1970s provided evidence that tended to support the conclusion that the increased export earnings of primary products were not keeping pace with price rises of imported manufactured goods. Faced with national markets which are not sufficiently large to absorb production consistent with economies of scale, many small countries felt that they must attempt to expand exports. In attempting to deal with this reality, developing countries had, essentially,

²⁶This study will not deal with the problems of trade theory per se. For a discussion of the controversies over the theories of international trade see Robert E. Baldwin and J. David Richardson, eds., International Trade and Finance (Boston: Little, Brown and Co., 1974). For a short, but particularly cogent discussion of the relationship between commonly accepted trade theories and the Latin American situation, see Bela Balassa y Ardy Stoutjesdijk, "Integración económica de países en desarrollo," El Trimestre Económico 42(3), No. 167 (Julio-Septiembre, 1975).

²⁷Roy Blough and Jack Behrman, Regional Integration and the Trade of Latin America (New York: Committee for Economic Development, 1968), pp. 14-15.

three courses of action: (1) attempt to expand exports of primary products to offset import price increases; (2) attempt to diversify exports and enlarge markets for these new exported products; or (3) attempt to influence international market forces to encourage both (1) and (2).

By the latter part of 1973 at the General Agreement on Tariffs and Trade (GATT) trade negotiations in Tokyo, the attending Latin American countries had banded together to define a common position with regard to trade negotiations. In December, 1974, the General Assembly of the United Nations approved the Charter of Economic Rights and Duties of States whose basic intention was to promote a "new economic order" in which Third World nations would, by uniting in their demands, receive preferential treatment from the world's more developed economies in an attempt to narrow the gap between rich nations and poor. Following the adoption of this resolution, the Economic and Social Council created the Commission on Transnational Corporations to prepare a code of conduct to enjoin transnational enterprises from practices perceived as injurious to the internal affairs of states.

By early 1975, twenty-four Latin American countries had agreed to eleven general economic and political principles setting forth in broad terms a definable positional framework from which it was hoped a "new dialogue" with the United States would emerge. In May, 1975, the fourth United Nations Conference on Trade and Development was held in Nairobi,

Kenya. In preparation for this meeting, the Group of 77 held regional meetings in Venezuela, Kenya and Indonesia. These meetings were followed in February, 1976, by a ministerial-level meeting in the Philippines. The resulting agreement on objectives, following this latter meeting, was subsequently translated into specific action proposals on all points of the fourth UNCTAD agenda, and these action proposals were buttressed by technical studies. Although no attempt will be made to provide an in-depth analysis of these goals, by 1974 it was apparent that the focus of attention was beginning to center on what later developed into the nine general economic themes of the Fourth UNCTAD: trends in international trade and development; basic commodities; economic cooperation among developing countries; transfer of technology; international and regional financing and availability of funds; production of manufactured and semi-finished goods; institutional matters; and the development of less advanced, developing island countries and landlocked developing countries.²⁸

Conclusion

The past decade has been a testimonial to the increasing concern with which developing nations view the overall world trading environment of which they are a part.

²⁸This list is taken from Comercio Exterior 22, no. 3 (March 1976): 86.

Along with this heightened awareness of the trade problems that they face, these nations have expressed a concomitant desire to alter their situations and are actively engaged in the search for remedies.

3. Latin American Trade

The first half of the 1970s resulted in both gains and losses of real income for the countries of the Latin American region. These gains and losses occurred in the overall trade balance of various countries and in various products within each country's exports. The psychological impact of 1974 price rises affected output in the agricultural, industrial, and manufacturing sectors of most Latin American economies. The felt need to expand production in all sectors was reflected at both regional and global international meetings. By 1975, the economic performances of most of the countries of Latin America were reflecting the full severity of the adverse effects caused by the general recession experienced by the world's industrial leaders in 1974.

In its Annual Report for 1975, the Inter-American Development Bank recorded that the non-oil producing countries of the world experienced a reduction in their economic growth rate from 5.3 percent in 1974 to 1.4 percent in 1975.²⁹ In Latin American, excluding the oil-producing countries'

²⁹Inter-American Development Bank, Economic and Social Progress, p. 80.

improvements in terms of foreign trade, the index of the net terms of trade, in 1970 prices, deteriorated by about 2 percent in 1974.³⁰ The accelerating rates of consumption and of overall demand experienced by most of the countries of the region continued to exceed the growth rate of the gross domestic product.³¹

The overall balance of payments figures for 1970 to 1974, depicted in Table 4-1, show the adverse effects of the developments of 1973 and 1974. As shown by these figures, two of the more industrialized nations of the region, Brazil and Mexico, recorded the largest deficits.

An additional problem experienced by Latin America in the first half of the 1970s was the particularly adverse effects of events on balance of payments experienced in 1974 and into 1975. Although Table 4-2 shows that the merchandise account for the region displayed a positive net balance of \$2,775 million in 1973 and slightly over \$4,230 million in 1974, this picture changes radically if only the non-oil exporting countries are considered. As shown in Table 4-3, a steadily increasing current account deficit was occurring during 1973 and 1974 for the non-oil exporting countries. This deficit, in fact, rose from \$281 million in 1973 to a staggering \$7,923 million in 1974. In particular, México

³⁰Ibid., p. 5.

³¹Exceptions to this situation in the late 1960s and early 1970s are: Brazil, Ecuador, Haiti, Nicaragua, Paraguay, and the Dominican Republic. Ibid., p. 7.

TABLE 4-1

INTRA-ZONAL TRADE OF LAFTA COUNTRIES, 1961-74^a

Countries	1961	1962	1963	1964	1965	1966	1967
<u>Exports</u> (millions of dollars FOB)							
Argentina	112.3	154.6	197.7	235.2	246.6	254.5	283.7
Bolivia	5.5	3.0	3.0	2.2	3.5	7.7	9.9
Brazil	97.2	77.0	80.5	138.4	201.7	187.7	161.2
Colombia	7.4	8.4	7.0	12.8	20.0	31.9	23.1
Chile	37.8	42.5	51.2	56.5	56.4	60.0	84.3
Ecuador	7.5	6.1	8.1	11.3	13.5	13.9	14.5
Mexico	10.9	21.1	31.9	45.7	44.0	64.2	57.2
Paraguay	9.9	10.9	10.7	14.8	17.6	19.9	15.6
Peru	33.0	50.2	52.9	70.9	61.8	60.1	38.9
Uruguay	6.0*	8.2*	15.1*	15.2*	15.9*	26.9*	17.1*
Venezuela	160.8	165.0	125.5	113.4	160.8	149.5	144.7
Total	488.3	547.0	583.6	716.4	841.8	876.3	850.2
<u>Imports</u> (millions of dollars CIF) ^b							
Argentina	196.4	153.2	125.9	201.2	289.4	252.2	253.6
Bolivia	12.2	15.2	9.5	8.9	14.0	15.2	17.6
Brazil	145.6	237.2	261.6	260.2	273.0	238.0	226.5
Colombia	12.1	14.1	22.5	35.1	39.4	57.9	38.1
Chile	101.4	91.1	107.6	135.5	137.5	169.0	185.7
Ecuador	4.2	3.9	17.1	9.4	19.5	11.5	28.9
Mexico	4.5	6.3	11.4	19.4	30.0	34.9	38.6
Paraguay	11.4	7.7	10.1	11.8	13.9	15.1	17.4
Peru	34.9	48.7	65.7	63.8	88.1	100.2	116.1
Uruguay	46.6*	44.6*	40.4*	59.0*	45.1*	57.3*	47.0*
Venezuela	17.1	17.8	26.6	38.1	35.7	35.0	38.7
Total	586.4	639.8	698.4	842.4	985.6	986.3	1,008.2

TABLE 4-1, Continued

Countries	1968	1969	1970	1971	1972	1973	1974
<u>Exports</u> (millions of dollars FOB)							
Argentina	338.1	364.3	365.8	365.5	484.1	796.9	929.3*
Bolivia	13.9	17.5	22.1	41.4	63.3	83.7 ^c	83.7 ^d
Brazil	193.1	254.2	303.0	354.7	407.8	557.4	917.7
Colombia	34.2	54.7	82.1	90.4	107.4	11.7*	192.5*
Chile	91.8	114.1	137.9	135.1	100.5	143.9	409.3*
Ecuador	16.4	15.9	20.1	25.5	37.1	91.6	91.6 ^d
Mexico	62.2	86.7	92.6	117.2	141.1	172.5	264.4*
Paraguay	16.2	18.9	24.7	23.8	20.6	24.0	52.5
Peru	45.2	57.2	63.5	75.9	74.0	87.9	156.4*
Uruguay	18.9*	30.6*	29.2*	4.0*	26.6*	32.3*	138.8*
Venezuela	164.7	167.7	136.7	141.3	157.2	173.2	173.2
Total	994.7	1,182.0	1,277.7	1,414.8	1,619.7	2,275.1	3,442.4*
<u>Imports</u> (millions of dollars CIF) ^b							
Argentina	275.3	365.9	374.3	390.2	373.1	435.8*	789.5
Bolivia	18.9	26.1	27.5	39.6	53.6	58.0 ^c	58.0 ^d
Brazil	276.7	191.4	309.8	309.0	392.2	606.0*	1,007.5
Colombia	48.1	74.1	78.7	94.8	86.7	119.0*	154.3*
Chile	178.0	217.0	188.5	233.8	267.3	294.0*	624.9*
Ecuador	20.5	30.7	34.7	50.5	38.8	57.6	57.6 ^d
Mexico	42.9	51.9	63.9	79.7	119.8	192.9*	290.1*
Paraguay	16.7	18.1	17.1*	20.8*	25.8*	49.7*	86.9*
Peru	96.2	106.5	109.0	108.0	128.4	173.9*	259.5*
Uruguay	42.0*	58.2*	72.4*	75.9*	70.4*	122.2*	145.0*
Venezuela	47.1	61.4	74.5	82.0	99.0	169.2*	217.3*
Total	1,062.4	1,302.0	1,350.4	1,484.3	1,655.1	2,278.3	3,390.6 ^d

SOURCE: LAFTA Secretariat, Comercio Exterior 22 (May 1976): 192.

^a Includes negotiated and non-negotiated products.

^b Argentina up to 1965, values "C" and "F."

^c Estimate.

^d Information not available. Figures for the previous year are used for estimative purposes only.

* Provisional data.

TABLE 4-2

LATIN AMERICA: BALANCE OF PAYMENTS SUMMARIES, 1970-74

	1970	1971	1972	1973	1974
A. Goods, services, and unrequited transfers	-2,843.8	-4,223.6	-4,320.8	-3,044.3	-6,301.7
1. Trade Balance	811.3	-264.4	256.0	2,775.0	4,230.5
Exports (fob)	14,744.1	15,261.2	18,078.3	25,839.6	44,001.3
Imports (fob)	13,909.7	15,508.1	17,825.2	23,037.7	39,738.3
Non-monetary gold	-23.1	-17.5	2.9	-26.9	-32.6
2. Service Balance	-3,921.7	-4,203.0	-4,854.2	-6,190.2	-10,794.5
Freight and Insurance	-954.6	-1,077.1	-1,198.3	-1,393.3	-2,238.9
Other transportation	-188.7	-268.7	-290.3	-531.2	-378.9
Travel	288.9	493.3	613.7	798.4	841.1
Investment income	-2,835.8	-3,144.1	-3,604.1	-4,857.2	-8,506.9
Government, n.i.e.	-59.8	-85.2	-147.3	-134.6	-163.8
Other services	-111.7	-121.2	-228.0	-72.5	-248.4
3. Unrequited Transfers	266.6	243.8	277.4	370.9	262.4
Private	122.5	135.6	156.1	223.8	184.4
Government	144.1	108.2	121.3	147.0	78.0

TABLE 4-2, Continued

	1970	1971	1972	1973	1974
B. Capital Account	3,564.8	4,659.1	6,724.6	8,338.3	12,271.4
1. Non-Monetary Sectors	3,358.1	4,166.6	5,079.9	6,852.8	9,976.1
Private Sector	2,267.9	2,994.8	3,625.9	4,658.5	6,577.7
Direct investment	893.5	1,383.3	1,321.6	1,844.4	1,908.5
Other Private long-term	676.9	1,219.1	2,452.7	2,994.7	4,804.1
Other Private short-term	697.5	392.4	-148.4	-180.6	-134.9
Public Sector	1,090.2	1,171.8	1,454.0	2,194.3	3,398.4
2. Monetary Sectors	206.7	492.5	1,644.6	1,485.5	2,295.2
Deposit money banks	385.2	378.8	1,516.6	1,057.8	2,311.2
Central banks	-178.5	113.7	128.0	427.7	-16.0
C. Allocation of SDR	327.2	273.8	295.5	---	---
D. Reserve and related items increase (-)	-1,320.0	-631.0	-3,383.4	-4,998.0	-4,156.8
E. Errors and omissions	271.8	-78.3	684.1	-246.0	-1,812.9

SOURCE: IMF, Balance of Payments Tapes, Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975, p. 35.

TABLE 4-3

LATIN AMERICA: BALANCE OF PAYMENTS SUMMARIES, 1972-74
(millions of dollars)

	Year	Exports	Imports	Trade	Services	Trans- fers	Current Account	Capital Account Balance	Allo- cation of SDR	Reserves and Related Items	Errors and Omissions
<u>Net oil importers</u>	1972	13,199.7	14,315.7	-1,116.0	-3,072.0	346.8	-3,841.3	6,130.5	242.2	-3,034.8	503.3
	1973	18,655.4	18,936.2	-280.8	-4,021.4	437.1	-3,865.0	7,892.8	--	-4,298.2	270.5
	1974	24,985.7	32,908.5	-7,922.8	-5,182.7	437.6	-12,668.3	12,836.0	--	480.3	-648.2
<u>Net oil exporters^a</u>	1972	4,919.5	3,547.4	1,372.1	-1,782.7	-69.4	-479.5	594.1	53.3	-348.6	180.8
	1973	7,192.5	4,136.7	3,055.8	-2,168.8	-66.2	820.8	445.5	--	-699.8	-566.5
	1974	19,020.3	6,867.0	12,135.3	-5,611.6	-175.1	6,366.7	-564.7	--	-4,637.2	-1,164.7
Total Latin America	1972	18,119.2	17,863.2	256.0	-4,854.2	277.4	-4,320.8	6,724.6	295.5	-3,383.4	684.1
	1973	25,847.9	23,072.9	2,775.0	-6,190.2	370.9	-3,044.3	8,338.3	--	-4,998.0	-296.0
	1974	44,006.0	39,775.5	4,230.5	-10,794.5	262.4	-6,301.7	12,271.4	--	-4,156.8	-1,812.9

SOURCE: IMF, Balance of Payments Tapes, Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975, p. 37.

^aBolivia, Ecuador, Trinidad and Tobago, and Venezuela.

and Brazil recorded their largest deficits ever, with México's current account deficit, for example, more than doubling between 1973 and 1974 to a record \$2,900 million.

Further significant factors during the period in question were the regional trends in services transactions.³² As shown by Table 4-3, approximately 45 percent of the regional deficit experienced in 1974 was foreign debt service registered by non-oil exporting countries. These countries registered a negative service balance of over \$5,000 million in 1974, of which approximately 70 percent represented payments of profits and interest on foreign capital.³³

Of particular concern was the increase reflected in Table 4-2 in freight and insurance rates, which increased by over 24 percent per year between 1970 and 1974. Most of this increase was the result of significant price increases in freight rates and maritime transport costs, all of which are largely controlled by foreign interests.³⁴ It was felt by many Latin Americans that, since much of the deficit in the

³²The services account includes "operations under the categories of freight and insurance on international shipments, transportation other than freight, travel, investment income, transactions in goods and services of central governments, and miscellaneous dealings of different items not classified in the other categories. Investment income is the lead item in the services account because of the size of the deficit, followed by payments of freight and insurance." Ibid., p. 39.

³³Ibid., p. 36.

³⁴This will be discussed in detail subsequently.

freight and insurance category was simply payments made to foreigners for transportation charges, the inadequacy of the region's fleet posed a significant problem which would effectively prohibit the realization of profits for current or future export increases. The general fear was that the major share of any increased export earnings would continue to be garnered by foreign interests through ever-increasing freight rates. The figures of Table 4-4 show the negative balances for service transactions by country for the 1970-74 period. The significant fact is that no country in the region recorded a positive balance.

Direction of Trade

Against this backdrop, it is important to analyze both composition and direction of trade flows. By the beginning of the 1970s it was generally acknowledged by Latin American experts that world trade was increasing, and that Latin American trade with the rest of the world must also increase. As shown by Table 4-5, Latin America experienced a continual growth in exports throughout the first three years of the decade. Two important caveats need to be added, however. Trade with the United States continued to be of overriding importance to most of the countries of the region, and these figures continued to show a large annual deficit for most Latin American countries.³⁵ Second, 1974-75 became a

³⁵ For example, in 1974 38.3 percent of the total exports of Latin America went to the United States. This

TABLE 4-4

SERVICE TRANSACTIONS: FREIGHT AND INSURANCE
BY COUNTRIES, 1970
(millions of dollars)

Country	1970			1972			1973			1974		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
Argentina	36.0	120.0	-84.0	57.5	134.6	-77.1	87.0	153.8	-66.8	169.6	252.5	-82.9
Barbados	--	10.6	-10.6	--	12.8	-12.8	--	15.4	-15.4	--	20.3	-20.3
Bolivia	--	23.8	-23.8	--	29.1	-29.1	--	32.8	-32.8	--	75.0	-75.0
Brazil	95.0	140.0	-45.0	119.4	198.7	-79.3	168.1	244.4	-76.3	275.4	561.6	-286.2
Chile	--	110.0	-110.0	--	141.1	-141.1	--	176.4	-176.4	--	174.4	-174.4
Colombia	43.0	68.0	-25.0	48.9	73.8	-24.9	65.6	97.8	-32.2	63.7	135.9	-72.2
Costa Rica	5.7	27.4	-21.7	8.8	31.7	-22.9	5.4	42.2	-36.8	7.7	65.1	-57.4
Dominican Republic	4.9	34.7	-29.8	6.5	42.2	-35.7	7.3	61.3	-54.0	7.9	134.6	-126.7
Ecuador	--	35.9	-35.9	--	47.8	-47.8	2.3	70.3	-68.0	2.0	114.0	-112.0
El Salvador	--	19.5	-19.5	--	28.8	-28.8	--	33.4	-33.4	--	57.7	-57.7
Guatemala	.9	25.3	-24.4	1.5	34.7	-33.2	2.0	41.7	-39.7	1.4	74.8	-73.4
Haiti	--	8.4	-8.4	--	9.2	-9.2	--	11.4	-11.4	--	17.8	-17.8
Honduras	1.0	19.3	-18.3	1.0	19.5	-18.5	1.4	24.3	-22.9	3.1	33.8	-30.7
Jamaica	4.7	70.6	-65.9	4.9	82.4	-77.5	4.8	89.4	-84.6	5.3	120.5	-115.2
Mexico	--	88.0	-88.0	--	103.1	-103.1	--	190.7	-190.7	--	303.0	-303.0
Nicaragua	4.7	13.0	-8.3	5.6	16.4	-10.8	5.1	21.3	-16.2	n.a.	n.a.	n.a.
Panama	.1	32.1	-32.0	.1	41.5	-41.4	.1	50.5	-50.4	.2	66.1	-65.9
Paraguay	1.2	7.9	-6.7	1.0	7.9	-6.9	1.2	12.4	-11.2	1.4	23.8	-22.4
Peru	24.0	84.0	-60.0	26.1	92.3	-66.2	33.4	87.0	-53.6	56.5	155.1	-98.6
Trinidad and Tobago	--	44.7	-44.7	--	62.2	-62.2	2.4	34.7	-32.3	3.8	41.7	-37.9
Uruguay	.7	29.3	-28.6	3.4	30.8	-27.4	3.5	35.0	-31.5	3.5	60.6	-57.1
Venezuela	7.0	171.0	-164.0	4.3	246.5	-242.2	-32.2	288.5	-256.3	40.9	393.2	-352.3
Latin America	28.9	1,183.5	-954.6	289.0	1,487.3	-1,198.3	421.6	1,814.9	1,393.3	642.6	2,881.5	-2,238.9

SOURCE: IMF, Balance of Payments Tapes, Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975, p. 400.

n.a. = Not available.

TABLE 4-5

LATIN AMERICA: SUMMARY OF MERCHANDISE TRADE STATISTICS, 1970-74
 (Values expressed in millions of current dollars)
 (Indices based on U.S. dollars of 1970)

	1970	1971	1972	1973	1974
EXPORTS (fob)					
<u>Value:</u> ^a					
Total Latin America	14,627	14,956	17,381	25,059	39,667
Non-oil exporting countries	11,078	10,883	13,055	18,743	25,667
Oil exporting countries	3,549	4,073	4,326	6,316	14,386
<u>Quantum index:</u>					
Total Latin America	100	98	103	112	105
Non-oil exporting countries	100	100	107	117	114
Oil exporting countries	100	93	90	95	75
<u>Price index:</u> ^c					
Total Latin America	100	104	115	153	259
Non-oil exporting countries	100	98	110	145	200
Oil exporting countries	100	123	135	188	539
IMPORTS (cif)					
<u>Value:</u> ^a					
Total Latin America	15,247	17,223	19,208	25,090	42,734
Non-oil exporting countries	12,278	13,738	15,545	20,745	35,409
Oil-exporting countries	2,969	3,485	3,663	4,345	7,325

TABLE 4-5, Continued

	1970	1971	1972	1973	1974
<u>Quantum index:</u> ^b					
Total Latin American	100	108	113	127	154
Non-oil exporting countries	100	108	114	130	158
Oil exporting countries	100	112	110	113	137
<u>Price index:</u> ^c					
Total Latin American	100	105	111	130	182
Non-oil exporting countries	100	104	111	130	182
Oil exporting countries	100	105	112	130	180
TRADE BALANCE					
<u>Value:</u>					
Total Latin America	-620	-2,267	-1,827	-31	-3,067
Non-oil exporting countries	-1,200	-2,855	-2,490	-2,002	-10,128
Oil exporting countries	580	588	663	1,971	7,061

SOURCE: Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975, p. 50.

^aData from the IMF, International Financial Statistics, February, 1976.

^bCalculated from the total value and the price index, using the following formula:
$$\frac{\text{Current Value}}{\text{Value in 1970}} \div \text{Current Price Index}$$

^cPrice indices from the Economic Commission for Latin America (ECLA).

pivotal period for many of the region's economies. As summarized by the Inter-American Bank study:

In 1974, the foreign trade of Latin America progressed in an atmosphere of international trade and financial instability, characterized by inflationary pressures, higher fuel prices and a severe economic recession in the industrial countries. The combination of these factors altered the terms of trade in the region, although the impact on the Latin American countries differed according to whether or not they were net oil importers or exporters.³⁶

By 1974, again if only the non-oil exporting countries are examined, the trade deficit of commercial transactions had increased to \$10,128 million, for an increase between 1973 and 1974 of more than 500 percent (Table 4-5). Again Brazil and México registered the largest deficits in absolute terms, but Costa Rica, Haiti, Honduras, Nicaragua, Panama, and the Dominican Republic each experienced deficits in their trade balances which increased from 100 to 400 percent between 1973 and 1974.³⁷

In contrast to the exceedingly bleak picture presented by most trade statistics for the region by the end of 1974, Table 4-6 shows that inter-Latin American trade flow was steadily increasing throughout the 1970-73 period, and that during 1973 it increased by 32 percent. As shown by this

compares to a 1970-73 average of 32.9 percent. Ibid., p. 55.

³⁶Ibid., p. 49.

³⁷Ibid., p. 53.

TABLE 4-6

LAFTA: TOTAL AND INTRA-ZONAL EXPORTS, BY COUNTRY, 1962-74^a
(millions of dollars)

	Annual average 1962-64 ^b			1973 ^c			1974		
	Total	Intra zonal	Intra zonal %	Total	Intra zonal	Intra zonal %	Total	Intra Zonal	Intra zonal %
Argentina ^d	1,330	196	14.7	3,266	797	24.4	3,901	974	25.0
Bolivia ^f	93	3	3.3	257	67	26.1	643	208	32.4
Brazil ^e	1,350	99	7.3	6,199	557	9.0	7,952	918	11.5
Chile ^e	567	50	8.8	944	127	13.5	2,480	409	16.5
Colombia ^e	486	9	1.9	1,084	99	9.1	1,351	193	14.3
Ecuador ^d	125	8	6.4	544	91	16.7	1,044	175	16.8
Mexico ^e	832	33	4.0	2,451	172	7.0	2,850	264	9.3
Paraguay ^e	41	12	29.3	127	24	18.9	170	53	31.2
Peru ^e	583	58	9.9	1,050	88	8.4	1,506	163	11.2
Uruguay ^e	166	13	7.8	322	32	10.0	382	139	36.4
Venezuela ^d	2,678	143	5.3	3,023	142	4.7	14,783	240	1.6
Total		624	7.6	19,267	2,196	11.4	37,062	3,741	10.1
Total, excluding Venezuela							22,279	3,501	15.7

SOURCE: Inter-American Development Bank, Economic and Social Progress in Latin America, Annual Report, 1975, p. 103.

^aBolivia and Venezuela began to negotiate in LAFTA in 1968. To facilitate comparison of the figures, their trade flows with other LAFTA countries prior to 1968 have been taken into account.

^bSource: Repartidos of CEP-LAFTA Nos. 1072-1240.

^cProvisional figures supplied by LAFTA. For Ecuador, Boletín del Banco Central de Ecuador, January-April 1974.

^dFor 1974 estimates prepared by LAFTA.

^eFor 1974 provisional figures supplied by the countries to LAFTA.

^f1962 through 1964, American en Cifras, Inter-American Statistical Institute, OAS, Washington, D.C., 1965 and 1970. For 1974, estimates based on provisional figures supplied by the country.

table, intrazonal trade had reached significant levels for LAFTA members by 1974.³⁸

The relatively low level of trade among developing countries in relation to the total exports of these countries is the result of a number of factors. A general characteristic of most developing countries is the continuing important percentage of total exports constituted by primary products. These products, particularly raw materials and tropical products, are largely traded to the more developed countries of the world. This has resulted from both historical and institutional causes. A lack of such services as shipping, banking, credit markets, insurance, and marketing institutions combine with artificial obstacles such as trade restrictions, existing preferential arrangements with developed countries, and reverse preferences to create a generally unattractive trade situation among developing countries.

The net result of the unequal gains and losses experienced by Latin American countries following the 1974 oil price rises was that non-oil exporting countries suffered varying levels of increasing deficits of balance of payments, while other countries such as Ecuador, Trinidad and Tobago, Bolivia, and Venezuela experienced unaccustomed gains in the

³⁸Much of the trade increase involved products not included in LAFTA-negotiated concessions, however. See Comercio Exterior 22 (May 1976): 192.

foreign exchange received from their overall exports.³⁹ In particular, for Venezuela this situation represented an opportunity to make an important contribution to regional development through credit agreements and financial support for regional projects.

This intra-regional trading imbalance was a sensitive topic for all the smaller and less developed nations in Latin America, and with the adverse effects of the impact of price rises for petroleum which were being felt by 1974, all of the non-oil exporting countries of the region were seriously concerned about the need to both diversify and expand their exports. This felt need was the direct result of the end of the high-price, high-volume period in the world markets for basic commodities which accompanied the recessions experienced in most of the world's countries in 1974.

In spite of the difficulties experienced in attempting to increase their exports to compensate for increasing foreign exchange liabilities, this emphasis on the overall trading situation has led directly to a desire among developing countries to increase participation in the carriage of maritime cargoes, especially of their own trade. Thus, to increase

³⁹As the most significant example, the value received for Venezuelan exports increased 162.5 percent between 1973 and 1974. In each of the above mentioned countries it was over 100 percent. Naciones Unidas Consejo Economico y Social, Comision Economica para America Latina, El Desarrollo Latinoamericano y la Coyuntura Económica Internacional: Reunión del Comité de Expertos Gubernamentales (E/CEPAL/AC.69/2/Add.2) 21 febrero 1975, p. 11.

the participation of developing countries in the carriage of their own trade has become one of the major goals of the international development strategy for the Second United Nations Development Decade.⁴⁰ As will be discussed in the following (shipping) section, this problem was exceptionally acute for the smaller countries of the region which, without sufficient national flag lines to handle their trade, were particularly dependent on contract shipping.

In the Caribbean Basin area in particular the importance of the maritime transport system is paramount. Because of the overwhelming predominance of maritime transport in the trade of all of the countries of this region, the development and improvement of both the intra-regional and extra-regional maritime transport situation is of crucial importance to the economic development of the countries of the region.

Conclusion

A general analysis of the trade statistics for Latin America from 1970 to 1974 points to some obvious conclusions. Primary among these is that there are wide disparities between the net balance of payments positions of the various countries. Secondly, there is a net imbalance of intra-zonal trade in which the major countries (e.g., Mexico, Brazil, Argentina, and Venezuela) predominate. And lastly,

⁴⁰United Nations Conference on Trade and Development, Trade Expansion and Economic Cooperation among Developing Countries: Report of the Committee of Experts, 1966, p. 1.

many Latin American countries are experiencing difficulties in attempting to increase their exports to compensate for their increasing foreign exchange liabilities.

4. Maritime Transport in Latin America

Maritime transport conditions and services play a vital role in the Latin American developmental process, both intra-regionally and with trading partners outside the region. The historical development of the Central and South American economies fostered a transportation structure in which road and rail links generally connected rural areas to only one or two major coastal trading points, from which maritime transport links connected the country to largely extra-regional trading partners. This situation combined in many countries with geographical obstacles, both within and between countries, which further limited the development of rural-urban transport links and trade between countries of the region. The combination of Latin America's historical developmental legacy and the still present geographical obstacles to transport between many sub-regional areas has led directly to the heavy dependence of the region on maritime transport. However, as pointed out in an ECLA study:

All of the governments of the area are keenly aware of their dependence on adequate maritime transport, yet with few exceptions they have been unable to have much influence on the services offered them. They often have had no alternative to accepting what they consider to be inadequate or inequitable shipping terms and technologies introduced and practically

imposed by liner conferences, individual shipping lines, and foreign companies.⁴¹

Since World War II, Latin American nations have been engaged in a process of attempting to expand their maritime carrying capacities, both to reduce the amount of foreign exchange that they spend on freights and for various other reasons, some objective, such as the prestige factor of having a national merchant marine.⁴² This attempt to increase Latin American control over shipping services in the region is a complex and relatively little studied field for research. However, to the extent possible within the limits of this study, several facets of the problem must be highlighted.

Latin American Shipping Policies

Initial attempts to establish a regional position to transport problems were undertaken within the Latin American Free Trade Association (LAFTA) framework. In August of 1960 members of the signatory LAFTA countries convened to study transport problems. At the initial conference, attention was focused on the obstacles to effective transportation in Latin America which could be handled at a regional level; however, as reported by Brown, by the time of the second meeting (in

⁴¹United Nations Economic and Social Council, Economic Commission for Latin America, 16th session, Issues in Ocean Transport in the Caribbean Community (E/CEPAL/1003), 15 April, 1975, p. 2.

⁴²For a history of those early efforts, see United Nations, Study of Inter-Latin American Trade.

1962) to discuss transport problems ". . . attention shifted from a primary concern with transport as an obstacle to economic integration to a search for ways to use the Montevideo Treaty as a basis for developing a Latin American merchant fleet."⁴³ The first resolution of this second meeting established a principle of cargo reservation in which each country, reciprocally with each of its trading partners, would reserve the right to carry 50 percent of the cargo transported to the trading partner. If a country could not, or did not, desire to carry its 50 percent, the country with which it was trading was to be given the first option to carry the merchandise. If neither of the two countries directly involved could carry the traded goods, then preference would be granted to another country of the area.⁴⁴

A further resolution of this meeting called for the establishment of a regional association which would promote intra-zonal commerce. This proposal led to the establishment of a Transport Advisory Commission (TAC), which was established to improve LAFTA maritime services and to promote regional maritime freight conferences which would fix "just and reasonable" rates.⁴⁵ Although TAC encountered severe opposition

⁴³ Brown, Transportation and Economic Integration, p. 108.

⁴⁴ Ibid.

⁴⁵ Ibid., p. 107. Also see Enrique Angulo, "Transportation and Intra-Latin American Trade," in Latin American Economic Integration: Experiences and Prospects, ed. Miguel S. Wionczek (New York: Praeger Publishers, 1966).

to its basic proposal-reversing intra-LAFTA cargo for ships from the region, it led to the subsequent establishment of the Latin American Shipowners Association (ALAMAR), which has continued to function in the role of a mediator among Latin interest groups and national interests in an attempt to improve the regional bargaining power in matters of maritime transport.

ALAMAR

La Asociacion Latinoamericana de Armadores (ALAMAR) was created at Vina del Mar, Chile, in June of 1963. From the beginning, a major preoccupation of this organization has been to arrive at a definable regional maritime policy. Following meetings in México (November, 1963), Punta del Este (January, 1964), and Montevideo (April, 1964), ALAMAR had compiled a series of resolutions and principles which were to guide its actions and its research efforts. In the declaration of principles which was approved in 1964, various essential points stand out:

(a) it is agreed to reserve the vessels of the nations affiliated to the ALALC for maritime, river, and lake transport of their merchandise.

(b) it is regarded as being reasonable, initially, to give equal shares of the shipping to the ships of the countries involved in the interchange of trade, and in the case of shipping tonnage of either being insufficient, establishing an order of priorities for the rest of the countries in the zone.

(c) it is lawful to recognize that each contracting party has the right to cede to the other contracting party all on a percentage of the quota of freight to which she has a right.

(d) the countries in the zone, with reciprocal intentions, can allow national lines, that can assure definite transport, to ship specified amounts of the cargo between intermediate ports that lie in the course of their itineraries;

(e) only when the countries of the zone lack the adequate means to transport special cargoes, or if they do not have at their disposition sufficient hold space to serve the commercial zone, can the competent national authorities, within a reasonable time, authorize shipping transport of other countries for the cargoes or for those who do not have hold space; in agreement with the order or priorities already established;

(f) the application of reservation should not imply discrimination of cargo, nor unjustified rejection of shipment, nor discount concessions which constitute destructive or unjust competitive practices which may perturb the participation of other flags of the countries in the zone.⁴⁶

From its inception ALAMAR encountered severe problems in reaching decisions on controversial issues, both because of intra-regional dissension among participants and because of a united front of extra-regional dominated shippers conferences, which opposed any attempt to establish negotiated rates. This opposition to the development of regional merchant marines has neither been monolithic nor one hundred percent successful; however, it has and does continue to exert great pressure whenever the major conferences feel threatened. The net result is that many Latin Americans share sentiments expressed by Enrique Angulo:

In every instance in history when Latin American countries have endeavored to further the development of their national merchant marines through

⁴⁶This list is taken from United Nations Economic Commission for Latin America, El Transporte en América Latina, 1965, p. 183.

preferential treatment policies involving subsidies and exemptions, foreign pressure has unfairly been brought to bear both by private and government sources abroad, acting singly or in concert, and has sought to block the use of protective measures, notwithstanding the fact that preferential practices have been, and are, common to all maritime countries.⁴⁷

Types of Services

A simple classification of the major types of maritime transport could divide services as follows: (1) tankers, (2) bulk carriers, (3) tramps, and (4) liners. A major distinction between tramp services and liner services is regularity. Utilizing tramp service, a shipper generally rents an entire ship for a specific voyage (voyage charter) or for a specific period of time (time charter).⁴⁸ Liner services, on the other hand, are regularly scheduled services which operate on a predetermined fixed route at certain announced intervals, and which charge a fixed rate for transporting commodities, generally based on the weight or volume of the commodity transported. Liner vessels may be either general purpose freighters or combination passenger and cargo ships. They may also differ as to whether or not they are containerized, refrigerated, bulk carriers, etc. The important distinction between liner services and other types of services

⁴⁷ Angulo, "Transportation and Intra-Latin American Trade," p. 186.

⁴⁸ Brown, Transportation and Economic Integration, p. 115. See also Alan Branch, The Elements of Shipping (London: Chapman and Hall, 1975).

resides in the fact that it provides a regular service to small and big shippers alike in a well-established and publicized route of port calls.

Shipping Conferences

Shipping conferences are basically associations of shipowners and ship operators who band together on each major shipping route to establish jointly the freight rates which will be charged to shippers on the route. No definitive lists of criteria utilized for determining price levels for specific commodities exist, and many factors influence the determination of price levels.⁴⁹ Once price levels have been established within the conference, discounts usually can be obtained by shippers who are willing to restrict themselves to utilizing only conference members. These discounts are not available on all routes, but where available commonly range from 5 to 15 percent.⁵⁰

Although shipping conferences have been attacked as cartels, they have been generally accepted, historically, by both shippers and line operators because of the stability and reliability that the resultant liner services provide. In many countries, conferences have been the subject of

⁴⁹In particular see Esra Bennathan and A. A. Walters, The Economics of Ocean Freight Rates (New York: Praeger Publishers, 1969); also R. O. Goss, Studies in Maritime Economics (Cambridge: Cambridge University Press, 1968).

⁵⁰Goss, Studies in Maritime Economics, p. 14.

official investigations, but the consensus of these investigations has been that the conferences, although possibly fostering some undesirable practices, were the only sensible alternative to a chaotic situation which would result from perfectly free and unregulated competition among all shippers.⁵¹

Liner conferences are either "open," in that they permit new members to join without the approval of previous members, or "closed." A "closed" conference generally requires the unanimous consent of existing members.

It would be difficult to ascertain the precise number of conferences operating in Latin America; a minimum of thirty conferences operate in the Caribbean Basin area.⁵² The vast majority of the trade carried by these conferences, however, is to and from extra-regional trading partners. At least four major conferences are the Association of West India Trans-Atlantic Steamship Lines (WITASS), the Leeward and Windward Islands and Guianas Conference, the conference serving the North Caribbean Islands and Jamaica, and the Japan-Latin American Eastbound Freight Conference.

⁵¹Ibid., p. 15. For a fine study of the origins and development of shipping conferences, see B. M. Deakin, Shipping Conferences (Cambridge: University of Cambridge Press, 1973).

⁵²For example, the Association of Latin American Conferences incorporates around nineteen different conferences into its structure. Other conferences operating in the Caribbean Basin area include: The U. S. Atlantic Gulf-Venezuela and Netherlands Antilles Conference; East Coast Colombia Conference; West Coast of South America North Bound

WITASS is undoubtedly the most important conference operating in the Caribbean Basin.⁵³ This conference services all of the Caribbean, the Pacific Coast of México and Panamá. WITASS is comprised of twenty-nine Member Lines and three Affiliated/Associated Members, and has working arrangements with a number of other lines. The conference is structured into four divisions or sections, with different routes and freight tariffs. These sections are: the General Section, which services the Dominican Republic, Jamaica, Haiti, Colombia, and the Pacific coasts of México, Venezuela, and Central America; the island section which services the Windward and Leeward Islands, Barbados, Trinidad and Tobago and Guyana, Guadalupe, Martinique, Surinam and French Guiana; the Méxican section covering the Méxican Gulf Coast; and a Cuban sector (which was dormant as of 1975).⁵⁴ Many of these

Conference; Atlantic and Gulf West Coast of South America Conference; U. S. Atlantic and Gulf-Santo Domingo Conference; Atlantic and Gulf West Coast of Central America Conference; Atlantic and Gulf Panamá Canal Zone, Colon and Panamá City Conference; Leeward and Windward Islands and Guyana Conference; and U. S. Atlantic and Gulf Jamaica Conference. In addition, various other small conferences operate in the region as well as numerous small independents.

⁵³United Nations Economic Commission for Latin America, Ocean Transport in the Caribbean Community, a study prepared by Mr. Jules Dekock (ECLA/POS/75/2) 30 January 1975, p. 59.

⁵⁴Ibid., pp. 59-61. Full member lines include: Armement Deppe S. A., Atlantic Gulf Service A. B., Booker Line Ltd., Cobelfranline, Compagnie General Transatlantique, Compania Anónima Venezolana de Navegación, Compania Transatlantica Espanola S. A., Atks. Det. Oestasiatiske Kompani, Flota Mercante Grancolombiana S. A., Fyffes Group Ltd., The

conference members are home based in the United States and service both coasts of México, Central America, and Northern South America.

As will be discussed in a following section, the vast majority of all extra-regional trade and a significant percentage of intra-regional trade is carried by vessels belonging to one of the various conferences operating in the region. These conferences can and do make decisions that directly affect shippers and are the subject of direct public and private concern in Latin America.

Shippers Councils

In an attempt to counteract the seemingly dominant position of conferences vis a vis shippers, various types of consultation machinery have been established at both national and regional levels for consultations between shippers, ship-owners and shipping conferences for organized collective negotiations. In particular, UNCTAD's committee on shipping has

Geest Line, Hapag-Lloyd A. G., Thos. & Jasper Azioni di Navigazione, Jamaica Banana Producers' Steamship Co., Ltd., Rederiaktiebolaget Nordstjernan (Johnson Line), Koninklijke Nederlandsche Stoomboot-Maatschappij B. V., Marina Mercante Nicaraguense S. A. (MAMENIC Line), Fred Olsen & Co., Ozean/Stinnes Linien, Royal Mail Lines Ltd., The Pacific Steam Navigation Company, Saquenay Shipping Ltd., Sea-Land Service Inc., Seatrain Lines Inc., Transportación Maritima Mexicana, S. A., Vaasa Line Oy. The three affiliated members are: Polish Ocean Lines, Scheepvaart Maatschappij Suriname N. V., and United Fruit Company. Of note is the fact that two major American Lines, Sea-Land Inc. and Seatrain Lines, became full members of WITASS in 1973.

exhaustively investigated the question of establishing machinery for consultation between shippers and shipowners. As summarized in a report of the Secretary General of UNCTAD:

The principle issues that were considered at the second session of the Committee on Shipping were: first, the question of establishing machinery for consultations between shippers and shipowners in countries where such machinery did not as yet exist, in particular in developing countries or regions; secondly, what should be the structures and competence of such machinery in the light of the circumstances peculiar to individual countries; thirdly, to what extent the government should play a part in initiating action for the establishment of such machinery and what should be the role, if any, of government in the structure and working of such machinery; fourthly, the role of UNCTAD in providing substantive support to technical assistance projects dealing with the establishment of consultation machinery sponsored by the appropriate bodies of the United Nations.⁵⁵

Although this report does not make recommendations on the question of principle of whether shippers' associations and consultation machinery should be established, representatives of developing countries were unanimously in favor of establishing such machinery.⁵⁶

In Central America, priority has been given to the establishment of shippers' councils in the majority of the countries of the region.⁵⁷ These councils are intended to

⁵⁵United Nations Conference on Trade and Development, Consultation in Shipping: Establishment of National and Regional Shippers' Bodies, Consultation and Negotiation between Shippers and Shipowners: Report by the Secretary General of UNCTAD, 1967, p. 1.

⁵⁶Ibid., pp. 25-26.

⁵⁷Ibid., p. 119.

function as an organized collective negotiating system between shippers and shipowners. However, to date meaningful negotiating progress has been painfully slow. The reasons for this lack of progress are varied, but include the strong resistance to negotiations of the shipping conferences operating in the region, a lack of adequate representation for the small shippers, and a lack of negotiating capacity within the consultation machinery.⁵⁸ These problems are compounded by the refusal of liner conferences to make adequate information available about their costs. This problem is especially acute in the Caribbean Basin area because the large number and heterogeneity of liner conference members and independent operators render reliable cost determination almost impossible to establish.⁵⁹ The lack of progress in this area is discussed in a 1975 ECLA report:

The Caribbean area is a classical example of the difficulties encountered by developing countries in establishing effective machinery for consultation and negotiation between shippers' organizations and liner conferences. This matter has been the subject of various resolutions by the UNCTAD Conferences and by UNCTAD's Committee on Shipping. It also stands out among the measures required for the achievements of the objectives of the Second Development Decade of the United Nations in the field of ocean transport. More recently, the General Assembly, in its resolutions concerning the Programme of Action on the

⁵⁸ Ibid., chapter 9; also United Nations Economic Commission for Latin America, Issues in Ocean Transport (E/CEPAL/1003), pp. 20-22.

⁵⁹ As previously mentioned, accurate determination of costs to shippers in relation to prices charged for each type of cargo carried is fraught with difficulties at best.

Establishment of a New International Economic Order,* emphasized that all efforts should be made to arrest and reduce the costs of imports to, and exports from, the developing countries, and to ensure the early implementation of the Code of Conduct for Liner Conferences. [*note: Resolution 3202 (S-VI, General Assembly, Sixth Special Session April/May 1974)].⁶⁰

In an attempt to counteract the unilateral control over freight rates enjoyed by shipping conferences in the Caribbean Community (CARICOM) area, the CARICOM secretariat has established a Regional Shipping Council which attempts to induce member governments to regulate practices of the shipping conferences. Little substantive progress had been made by 1975, although at its December 1974 meeting the Regional Shipping Council approved terms of reference for the establishment of shipping councils in the region, which had been proposed by the Standing Committee of Ministers Responsible for Transport of the member countries.⁶¹ However, into 1975 it could be said that the situation among CARICOM members was one in which:

. . . although conditions vary considerably between countries, the prevailing situation is that shippers' councils are lacking, weak, or of dispersed and heterogeneous character. Many producers and trading interests are partly or predominantly foreign owned or directed from overseas. The Caribbean Shipping Association, which has played an important role in the study of shipping problems in the area, is above all an association of shipowners and shipping agencies.⁶²

⁶⁰Ibid., p. 18.

⁶¹Ibid., p. 21.

⁶²Ibid.

5. Issues in Maritime Transport in the Caribbean

In the Caribbean, maritime transport is depended upon for virtually all trade, both within the region and extra-regionally. For the island economies of the Caribbean, the dependence upon maritime transport is unavoidable.

Indeed, little reflection is needed to grasp the almost complete dependence--with the exception of air transport--of the Caribbean Community and its members on shipping, for their trade and integrated development. The thirteen members of the Community, including eleven island countries--with some of them comprising other small islands--and two mainland countries--Belize and Guyana--on the American continent, embrace an approximately two thousand miles long arch of ocean space.⁶³

The geographical realities faced by the Caribbean economies, and until relatively recently by all of the countries of the Caribbean Basin area, have fostered a historical dependence upon maritime transport which, when combined with the economic events of the 1970s, has resulted in an unprecedented level of interest in maritime transport by the affected governments.

In particular, for the larger countries of the Caribbean Basin area (Costa Rica, El Salvador, Guatemala, Haiti, Honduras, México, Nicaragua, Panamá, the Dominican Republic, Barbados, Guyana, Jamaica, and Trinidad and Tobago) the status of terms of trade during the early part of the 1970s was considerably less encouraging than for the Latin American region in general (see Tables 4-7 and 4-8). The overall trading

⁶³Dekock, Ocean Transport, p. 4.

TABLE 4-7

LATIN AMERICA: INDEXES OF THE TERMS OF TRADE AND
PURCHASING POWER OF EXPORTS BY COUNTRY
(Base year: 1963 = 100)

	Unit Value												Purchasing Power of Exports			
	Exports				Imports				Terms of Trade							
	1970	1971	1972	1973	1970	1971	1972	1973	1970	1971	1972	1973	1970	1971	1972	1973
Argentina	108	123	142	212	125	127	135	161	86	97	105	132	105	101	105	138
Bolivia	172	144	149	199	110	112	119	140	156	129	125	142	247	226	237	273
Brazil	120	116	145	199	110	115	123	147	109	101	118	135	178	181	231	301
Colombia	125	113	122	156	108	112	119	140	116	101	103	111	152	137	160	194
Costa Rica	110	104	110	132	104	107	115	133	106	97	96	99	234	222	252	272
Chile	186	148	145	230	108	112	117	140	172	132	124	164	214	159	138	188
Ecuador	119	114	119	160	109	113	120	140	109	101	99	114	136	143	181	280
El Salvador	122	120	131	160	98	99	105	124	124	121	125	129	152	150	170	173
Guatemala	128	124	137	165	103	107	116	140	124	116	118	118	183	172	187	202
Haiti	124	116	119	141	109	112	118	139	114	104	101	101	90	102	89	90
Honduras	110	113	117	139	103	107	114	135	107	106	103	103	201	209	204	217
Mexico	121	120	132	155	111	115	122	144	109	104	108	108	130	130	149	175
Nicaragua	111	110	122	150	99	107	111	133	112	103	110	113	170	166	207	226
Panama	117	124	131	145	103	106	110	127	114	117	119	114	175	184	183	172
Paraguay	115	121	135	194	125	130	137	158	92	93	99	123	128	125	157	200
Peru	162	151	149	194	109	110	120	145	149	137	124	134	179	151	147	143
Dominican Republic	115	120	135	173	105	109	114	135	110	110	118	128	118	131	174	188
Uruguay	108	109	141	205	105	111	117	140	103	98	121	146	135	112	111	138
Venezuela	93	121	144	201	126	133	140	166	74	91	103	121	89	103	110	134
Subtotal ^a	118	122	140	188	112	116	125	149	105	105	112	126	138	135	150	181

TABLE 4-7, continued

	Unit Value												Purchasing Power of Exports			
	Exports				Imports				Terms of Trade							
	1970	1971	1972	1973	1970	1971	1972	1973	1970	1971	1972	1973	1970	1971	1972	1973
Barbados	85	93	113	130	117	119	124	143	73	78	91	91	84	76	85	86
Guyana	93	101	114	123	114	119	124	142	82	85	92	87	112	119	116	102
Jamaica	123	121	126	129	115	119	124	131	107	101	102	98	182	172	151	151
Trinidad & Tobago	87	109	105	116	113	126	133	146	77	87	79	80	115	119	113	108
Latin America ^b	116	121	138	184	112	117	126	148	107	103	110	124	141	134	147	177

SOURCE: ECLA, on the basis of official statistics, taken from Economic Survey of Latin America, 1973, p. 42.

^a Latin America, excluding Cuba and the English-speaking Caribbean countries.

^b Excluding Cuba.

TABLE 4-8

LATIN AMERICA: MAIN EXPORT PRODUCTS, TERMS OF TRADE,
AND PURCHASING POWER OF EXPORTS BY COUNTRY
(percentage variation)

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>Argentina</u>								
4 products	44	51	49	96	26	53	31	31
Maize	9	17						
Beef	15	25 ^b						
Wheat	9	5						
Wool	11	4						
<u>Bolivia</u>								
4 products ^c	87	73	34	16	14	9	15	11
Tin	80	85						
Zinc	2	8						
Copper	--	6						
Lead	5	4						
<u>Brazil</u>								
6 products	73	53	37	66	14	24	30	69
Coffee	53	30						
Iron ore	5	8						
Cotton	8	5						
Suger	5	5						
Beef	--	3						
Cocoa								

TABLE 4-8, Continued

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>Colombia</u>								
4 products ^c	73	70	28	25	8	-4	21	28
Coffee	68	61						
Cotton	2	5						
Bananas	3	2						
Sugar	--	2						
<u>Costa Rica</u>								
4 products	85	67	20	20	3	-7	8	16
Coffee	48	29						
Bananas	27	29						
Beef	5	8						
Cocoa	5	1						
<u>Chile</u>								
2 products	79	78	59	24	32	-5	29	-11
Copper	68	72						
Iron ore	11	6						
<u>Ecuador</u>								
3 products ^c	82	77	34	31	15	5	55	106
Bananas	57	77						
Coffee	12	19						
Cocoa	13	10						

TABLE 4-8, Continued

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>El Salvador</u>								
3 products	73	60	22	36	3	4	2	14
Coffee	49	45						
Cotton	24	11						
Sugar	--	4						
<u>Guatemala</u>								
5 products	73	59	20	29	--	-5	8	10
Coffee	51	34						
Cotton	16	9						
Bananas	6	7						
Beef	--	6						
Sugar	--	3						
<u>Haiti</u>								
2 products	39	45	18	14	--	-11	1	--
Coffee	39	37						
Sugar	--	8						
<u>Honduras</u>								
3 products	60	61	19	26	--	-4	6	8
Bananas	40	47						
Coffee	17	14						
Cotton	3							

TABLE 4-8, Continued

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>Mexico</u>								
4 products	25	25	17	28	--	-1	10	35
Cotton	14	8						
Sugar	6	6						
Coffee	5	6						
Zinc	--	5						
<u>Nicaragua</u>								
4 products	60	59	23	35	3	1	9	33
Cotton	38	21						
Coffee	16	17						
Beef	--	15						
Sugar	6	6						
<u>Panama</u>								
2 products	23	61	11	24	-4	--	-6	-2
Bananas	23	56						
Sugar	--	5						
<u>Paraguay</u>								
3 products	16	39	44	69	24	34	27	56
Beef	--	33 ^b						
Cotton	8	4						
Coffee	8	2						

TABLE 4-8, Continued

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>Peru</u>								
8 products	82	83	30	20	8	-10	-3	-20
Fish meal	19	29						
Copper	16	23						
Iron ore	7	7						
Sugar	12	7						
Cotton	17	5						
Zinc	3	5						
Coffee	5	4						
Lead	3	3						
<u>Dominican Republic</u>								
3 products	68	69	28	50	8	16	8	59
Sugar	52	51						
Coffee	10	11						
Cocoa	6	7						
<u>Uruguay</u>								
2 products	48	48	45	90	21	42	24	2
Beef	13	27						
Wool	35	21						
<u>Venezuela^c</u>								
1 product			40	116	17	64	22	51
Iron ore	4	6						

TABLE 4-8, Continued

Country	Percentages of total exports ^a		Unit value of total exports		Terms of trade		Purchasing power of exports	
	1963	1970-71	1973	1970-73	1973	1970-73	1973	1970-73
<u>Barbados</u>								
1 product Sugar	100	66	15	53	--	25	1	2
<u>Guyana</u>								
3 products	72	75	8	32	-6	6	-12	-9
Bauxite	16	32						
Sugar	43	28						
Alumina	13	15						
<u>Jamaica</u>								
4 products	82	84	2	5	-2	-8	--	-17
Alumina	23	40						
Bauxite	20	27						
Sugar	32	12						
Bananas	7	5						
<u>Trinidad & Tobago</u>								
2 products ^c	9	6	10	33	1	4	-4	-6
Sugar	8	5						
Cocoa	1	1						

SOURCE: ECLA, Economic Survey of Latin America, 1973, pp. 43-45.

^aThis corresponds to the values used in weighting the price index of the main export product of Latin America.

^bIncluding related and semi-processed products.

^cExcluding petroleum products.

status of these countries during 1973 was summed up in a 1975 ECLA report:

In the thirteen countries in this group . . . the terms of trade in 1973 were considerably more unfavorable than in Latin America on average. They deteriorated in three of these countries (Panama, Guyana and Jamaica), remained unchanged in another five (Mexico, Guatemala, Haiti, Honduras and Barbados) and improved in the remaining five (Costa Rica, El Salvador, Nicaragua, the Dominican Republic and Trinidad and Tobago) by between 1 and 3 per cent, except in the Dominican Republic where they improved by 8 per cent. The purchasing power of exports followed a similar pattern.⁶⁴

And, as previously discussed (see Table 4-3), the deficit position of the non-oil producing nations increased in the 1974-75 period.

Shipping Statistics in the Caribbean

A statistical analysis of ocean transport movements in the Caribbean region is fraught with difficulties, not the least of which is the paucity of reliable information concerning numbers, tonnage, characteristics, registry, and ownership of the many types of vessels operating in the area. As pointed out by ECLA Consultant, Jules Dekock, whose study Ocean Transport in the Caribbean Community constitutes the most scholarly and detailed analysis available of ocean transport in the Caribbean, the collection of adequate data on the merchant vessels engaged in regional trade should be

⁶⁴United Nations Economic Commission for Latin America, Economic Survey of Latin America, 1973, p. 46.

given a high priority in the near future to understand more fully the shipping problems of the area.⁶⁵ In the tables that follow, it must be pointed out that the data refer only to those vessels which appear in Lloyd's Register of Shipping. These tables, therefore, do not reflect various (but important) types of intra-regional shipping traffic such as that of small tankers carrying petroleum products (mainly from Trinidad to the Windward and Leeward Islands), or the significant number of small schooner and motor vessel transport services which are available in the region, especially in the Eastern Caribbean area.

This problem is compounded by the lack of any effective system for the collection of required data. Attempting to combat this problem in the Caribbean, the ECLA office and its Regional Advisers in Shipping and Ports have attempted to establish a system of regular reporting of port and shipping statistics by CARICOM members.

However, a review of the results achieved in this connection in the latter part of 1973 showed that the response from governments had been most inadequate, and that the data supplied did not provide

⁶⁵ Emphasizing the relatively low level of attention that has been given to systematic studies of intra-Caribbean maritime transport, Dekock points out that the first detailed statistical study on intra-Caribbean shipping was not available until 1971. See Dekock, Ocean Transport, p. 23, quoting from United Nations Economic Commission for Latin America, Office for the Caribbean, Ocean Cargo Movements--1971--Eastern Commonwealth Caribbean (ECLA/POS 74/2) February, 1974.

a basis for the analysis of shipping and/or port operations.⁶⁶

Statistics linking the CARICOM countries with various other Caribbean Basin countries, such as Cuba, Nicaragua, or Panama, are equally scarce and incomplete. Much of the data in the following tables refers to the year 1971. However, as reported by the ECLA consultant:

It is, however, highly probable that there have been no major changes in volume, structure and direction of the traffic, except perhaps in the case of intra-regional traffic. This latter traffic is generally estimated or supposed to have increased at an annual rate of 7 or 8 per cent.⁶⁷

Extra-regional Shipping

A detailed analysis of the characteristics of the extra-regional shipping situation for each of the seventeen countries that initially contemplated participation in NAMUCAR would constitute a valuable and useful study; however, this is not possible within present limits. A short analysis of major characteristics affecting principal NAMUCAR actors is presented in Chapter Five. What is attempted here is a brief description of the overall situation in the Caribbean Basin area. Although the focus of this research is on the background forces and conditions which led to the formation of NAMUCAR as an attempt to increase intra-regional trade, no attempt is made to minimize the importance of developing

⁶⁶ Dekock, Ocean Transport, p. 10.

⁶⁷ Ibid., p. 12.

extra-regional trade to aid in the overall economic development of the region.⁶⁸ In addition, a basic understanding of maritime transport necessarily involves a discussion, however summary, of the extra-regional trading situation of the countries in question.

Basic ship types operating in the Caribbean Basin include tankers, bulk carriers, specialized carriers for transporting particular bulk products such as bananas or alumina, and cargo liners carrying general cargo. With the partial exception of Venezuela, Colombia, and México, there is an overwhelming predominance of bulk carriers in the outbound trade and of cargo liners in the inward trade of the region. These figures are reflected in Table 4-9, where it can be seen that the vast majority of outbound cargo from the Central American/Caribbean area consists of bulk products. An additional characteristic of the overall situation is that, with the exception of some intra-regional shipping activities, most of the countries of the region have little or no participation in the maritime transport activities which affect their economies.

Table 4-10 is a summary of the distribution of ships' tonnage, by country and type of ship, for the nations

⁶⁸For an excellent discussion of the importance of international trade as a contributing factor to Latin American economic development, and as a vehicle for economic integration, see Romulo A. Ferrero, Report on a Study of the International Trade of Latin America (Inter-American Council for Commerce and Production, 1967).

TABLE 4-9A

CARIBBEAN COMMUNITY
GOODS IMPORTED AND EXPORTED IN
INTERNATIONAL SEA-BORNE SHIPPING, 1971*
(in 1,000 metric tons)

Country	Goods Imported				Goods Exported			
	Total	Crude Petroleum	Petroleum Products	Dry Cargo	Total	Crude Petroleum	Petroleum Products	Dry Cargo
Antigua	195	--	190	5	745	700	10	35
Bahamas	12,395	--	10,195	2,200	13,134	10,800	1,584	750
Barbados	210	--	15	195	704	130	334	240
Belize	110	--	--	110	155	--	62	93
Dominica	45	--	--	45	30	--	8	22
Grenada	24	--	--	24	115	--	21	94
Jamaica	11,319	--	181	11,138	4,478	1,528	450	2,500
Montserrat	4	--	--	4	7	--	3	4
St. Kitts N-A	36	--	--	36	46	--	20	26
St. Lucia	80	--	--	80	95	--	22	73
St. Vincent	48	--	--	48	75	--	10	65
Trinidad & Tobago	19,720	2,594	15,940	1,186	15,664	14,634	43	987
Guyana	3,650	--	--	3,650	890	--	490	400
Total	47,836	2,594	26,521	18,721	36,138	27,792	3,057	5,289

SOURCE: Statistical Yearbook, United Nations, 1973. Extracted from Economic Commission for Latin America, Office for the Caribbean, Ocean Transport in the Caribbean Community, prepared by Mr. Jules Dekock (ECLA/POS 75/2), 30 January 1975, Statistical Tables Appendix, p. 1.

*For some countries the data are provisional or estimates.

TABLE 4-9B

CARIBBEAN BASIN
GOODS IMPORTED AND EXPORTED IN
INTERNATIONAL SEA-BORNE SHIPPING, 1971*
(in 1,000 metric tons)

	Goods Imported				Goods Exported			
	Total	Crude Petroleum	Petroleum Products	Dry Cargo	Total	Crude Petroleum	Petroleum Products	Dry Cargo
<u>Caribbean Community</u>	47,836	2,594	26,521	18,721	36,138	27,792	3,057	5,289
<u>Other Caribbean Islands</u>								
Cayman Islands	--	--	--	--	23	--	16	7
Cuba	6,350	--	--	6,350	11,360	4,600	1,860	4,900
Dominican Republic	3,033	--	--	3,033	1,660	--	901	749
Guadelupe	270	--	--	270	517	--	91	426
Haiti	678	--	--	678	293	--	125	168
Martinique	367	--	67	300	768	392	32	344
Netherlands								
Antilles	36,630	500	33,630	2,500	43,690	41,000	1,740	950
Turks & Caicos								
Islands	4	--	--	4	10	--	2	8
Virgin Islands-U.K.	1	--	--	1	31	--	7	24
Virgin Islands-U.S. ^a	310	--	47	263	19,255	18,600	267	388
Sub-total	47,643	500	33,744	13,399	77,597	64,592	5,041	7,964

TABLE 4-9B, Continued

	Goods Imported				Goods Exported			
	Total	Crude Petroleum	Petroleum Products	Dry Cargo	Total	Crude Petroleum	Petroleum Products	Dry Cargo
<u>Central America and</u>								
<u>Mexico</u>								
Costa Rica	1,259	--	--	1,259	1,120	387	103	630
El Salvador	320	--	--	320	1,091	530	7	554
Guatemala	550	--	--	550	1,411	800	111	500
Honduras	1,759	--	212	1,547	1,072	670	54	348
Nicaragua	430	--	--	430	900	560	40	300
Panama	1,670	--	817	799	4,563	3,904	31	628
Canal Zone	100	--	70	30	4,835	--	4,110	725
Mexico	9,388	--	1,122	8,266	4,818	59	1,897	2,862
Sub-total	15,476	--	2,275	13,201	19,810	6,910	6,353	6,547
<u>Northern South</u>								
<u>America</u>								
Colombia	6,949	3,512	1,608	1,829	1,951	--	10	1,941
Surinam	4,850	--	--	4,850	1,100	--	503	597
Venezuela	193,398	121,024	47,189	25,185	4,255	--	20	4,235
Sub-total	205,197	124,536	48,797	31,864	7,306	--	533	6,773

TABLE 4-9B, Continued

	Goods Imported				Goods Exported			
	Total	Crude Petroleum	Petroleum Products	Dry Cargo	Total	Crude Petroleum	Petroleum Products	Dry Cargo
<u>Summary</u>								
<u>Caribbean Community</u>	47,836	2,594	26,521	18,721	36,138	27,792	3,057	5,289
<u>Other Caribbean Islands</u>	47,643	500	33,744	13,399	77,597	64,592	5,041	7,964
<u>Central America and Mexico</u>	15,476	--	2,275	13,201	19,810	6,910	6,353	6,547
<u>Northern South America</u>	205,197	124,536	48,797	31,864	7,306	--	533	6,773
GRAND TOTAL	316,152	127,630	111,337	77,185	140,851	99,294	14,984	26,573

SOURCE: Statistical Yearbook, United Nations, 1973, taken from Dekock, Ocean Transport, Statistical Tables, Appendix, pp. 3-5.

*For some countries, the data are provisional or estimates.

^aThe data for the Virgin Islands (US) exclude shipments to and from the United States and Puerto Rico. Goods imported and exported in Puerto Rico are included in the U.N. Statistical Yearbook in the data for the United States. However, the Yearbook also publishes statistical data corresponding to the main ports. According to these data, the international traffic of the three main ports of Puerto Rico was as follows in 1971 (in 1,000 metric tons): Goods imported: 3,640; Goods exported: 16,153. Puerto Rico has in addition a sizeable coastwise cabotage traffic with the United States. No breakdown is available on the composition of the international traffic. However, the total international traffic of the two primary petroleum ports was as follows: Goods imported: 2,678; Goods exported: 9,787.

TABLE 4-10

CARIBBEAN BASIN
DISTRIBUTION OF SHIPS' TONNAGE, BY COUNTRY
AND TYPE OF SHIP, AS OF 1 JULY 1973
(in G.R.T. and D.W.T.) *

Flag of Registration	Total Tonnage	Tankers	Bulk Carriers	General Cargo	Container Ships	Other Ships
<u>Caribbean Community</u>	51,911 (47,151)	5,734 (7,592)	--	29,944	--	16,233
<u>Other Caribbean Islands</u>						
Cayman Islands-U.K.	44,419 (66,544)	--	--	43,567	--	--
Cuba	416,305 (544,363)	51,908 (77,805)	--	281,549	--	82,848
Dominican Republic	9,381 (12,650)	674 (1,609)	--	8,470	--	237
Haiti	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Turks & Caicos Islands-U.K.	1,572 (2,160)	--	--	1,323	--	249
Virgin Islands-U.K.	876 (1,025)	--	--	578	--	298
Sub-total	472,553 (626,742)	52,582 (79,414)	--	335,487	--	83,632

TABLE 4-10, Continued

Flag of Registration	Total Tonnage	Tankers	Bulk Carriers	General Cargo	Container Ships	Other Ships
<u>Central America and Mexico^a</u>						
Costa Rica	9,062 (8,690)	--	--	7,091	--	1,971
El Salvador	443 (445)	--	--	--	--	443
Guatemala	8,222 (11,022)	--	--	7,972	--	250
Nicaragua	21,845 (32,054)	4,026 (6,107)	--	17,819	--	--
Mexico	453,024 (630,510)	247,837 (396,318)	32,105 (50,760)	100,011	--	73,071
Sub-total	492,596 (682,731)	251,863 (402,425)	32,105 (50,760)	132,893	--	75,735
<u>Northern South America</u>						
Colombia	223,881 (290,619)	14,392 (21,865)	--	203,252	--	6,237
Venezuela	478,643 (653,565)	292,788 (448,297)	--	119,980	--	65,875
Sub-total	702,524 (944,184)	307,180 (470,162)	--	323,232	--	72,112

TABLE 4-10, Continued

Flag of Registration	Total Tonnage	Tankers	Bulk Carriers	General Cargo	Container Ships	Other
<u>Summary</u>						
<u>Caribbean Community</u>	51,911 (47,151)	5,734 (7,592)	--	29,944	--	16,233
<u>Other Caribbean Islands</u>	472,553 (662,742)	52,582 (79,414)	--	335,487	--	83,632
<u>Central America and Mexico</u>	492,596 (682,731)	251,863 (402,425)	32,105 (50,760)	132,893	--	75,735
<u>Northern South America</u>	702,524 (944,184)	307,180 (470,162)	-- --	323,232	--	72,112
GRAND TOTAL	1,719,584 (2,336,808)	617,359 (959,593)	32,105 (50,760)	821,556	--	247,712

SOURCE: Lloyd's Register of Shipping, Statistical Tables, 1973; Review of Maritime Transport, 1973, Report of the UNCTAD Secretariat (Doc. TD/B/C.4/114), taken from Dekock, Ocean Transport, Statistical Tables Appendix, pp. 33-35.

*Ships of 100 G.R.T. and over. Data of D.W.T. tonnage are shown in parentheses.

^aTonnage registered in Panama and Honduras has been deleted, in view of its characteristic as a "flag of convenience" registration.

of the Caribbean Basin. The items of interest which are immediately discernable from this table are: (1) the predominance of tanker tonnage (for mainly petroleum imports), and (2) the small number of countries in the region which have any significant amount of participation in maritime transport of any variety. These statistics directly relate to the overwhelming importance of bulk cargoes. For example, six products--bauxite fertilizers, molasses, sugar, anhydrous ammonia and bananas--represent 86 percent of the total export traffic of the Eastern Caribbean countries (excluding petroleum and petroleum products) and 96 percent of the total of their extra-regional exports.⁶⁹

An additional salient characteristic of this situation is the fact, as shown in Table 4-11, that the extra-regional maritime trade of all but four countries (México, Colombia, Venezuela, and Cuba) is entirely dominated by foreign ships and shipping conferences, and by bulk carriers which are owned, chartered, or controlled by the region's giant corporations.⁷⁰ In particular, for the members of the Caribbean Community,

. . . the very small shipping tonnage of the Community's members is entirely engaged in the carriage of the intra-regional trade and in the carriage of part of the small intra-Caribbean Basin trade, and even in the case of the Caribbean Basin (excluding

⁶⁹Dekock, Ocean Transport, p. 17.

⁷⁰Ibid., p. 5. Data for Mexico shown in Table 4-10.

TABLE 4-11

PARTICIPATION OF CARRIERS IN THE TRANSPORTATION OF
OCEAN CARGOES IN INTRA-COMMONWEALTH CARIBBEAN
AND INTRA-CARIBBEAN BASIN TRAFFIC, 1971
(in freight tons)

	Bulk Carriers	Trans-ocean regular ship- ping lines	Other trans- ocean lines	Regional ship- ping companies, operating mainly small ships reg- istered in Carib- bean countries	Miscel- laneous Small Ships	Total
<u>A. Eastern Caribbean, including Jamaica</u>						
<u>Origin</u>						
Guyana	69,263	2,959	--	60,483	33,461	166,166
Trinidad & Tobago	--	21,056	--	146,610	90,627	258,293
Barbados	--	1,224	--	10,746	21,152	33,122
Grenada	--	---	---	453	4,704	5,157
St. Vincent	--	--	--	322	4,683	5,005
St. Lucia	--	44	--	591	5,516	6,151
Dominica	--	--	--	442	8,435	8,877
Montserrat	--	--	--	143	167	310
St. Kitts	--	32	--	8,401	314	8,747
Antigua	--	--	794	--	1,031	1,825
Jamaica	--	5,251	4,766	21,308	12,671	43,966
Total	69,263	30,566	5,560	249,499	182,761	537,619

TABLE 4-11, Continued

<u>Destination</u>	Bulk Carriers	Trans-ocean regular shipping lines	Other trans-ocean lines	Regional shipping companies, operating mainly small ships registered in Caribbean countries	Miscellaneous Small Ships	Total
Guyana	--	10,883	--	32,510	34,631	78,024
Trinidad & Tobago	73,663	1,962	--	36,877	37,750	150,252
Barbados	--	522	--	17,656	69,970	88,148
Grenada	--	1,454	--	4,648	34,976	41,078
St. Vincent	--	1,379	--	5,243	35,477	42,099
St. Lucia	--	2,425	--	9,133	36,464	48,022
Dominica	--	748	--	4,825	14,370	19,943
Montserrat	--	--	--	4,303	581	4,884
St. Kitts	--	166	--	6,578	2,214	8,958
Antigua	--	1,742	10,690	--	7,002	19,434
Jamaica	--	12,304	129	21,833	4,414	38,680
Total	73,663	33,585	10,819	143,606	277,849	539,522

B. From Eastern Caribbean Countries (excluding Jamaica)
to Other Caribbean Basin Countries

Origin

Guyana	9,525	252	--	9,963	324	20,064
Trinidad & Tobago	--	7,002	--	22,545	2,748	32,294
Barbados	--	41	--	19	903	963
Grenada	--	--	--	--	109	109

TABLE 4-11, Continued

	Bulk Carriers	Trans-ocean regular ship- ping lines	Other trans- ocean lines	Regular ship- ping companies, operating mainly small ships reg- istered in Carib- bean countries	Miscel- laneous Small Ships	Total
St. Vincent	--	--	--	--	--	--
St. Lucia	--	--	--	--	107	107
Dominica	--	--	--	--	1,386	1,386
Montserrat	--	--	--	--	20	20
St. Kitts	--	--	--	95	70	165
Antigua	--	--	50	--	25	75
Total	9,525	7,295	50	32,621	5,692	55,183

C. To Eastern Caribbean Countries (excluding Jamaica),
From Other Caribbean Basin Countries

Origin

Surinam	--	5,639	--	1,182	891	7,712
Curacao	--	--	--	961	284	1,245
U.S. and British Virgin Islands	--	--	--	78	974	1,052
St. Martin	--	--	--	427	--	427
Guadelupe and Martinique	--	100	--	841	1,666	2,607
Puerto Rico	--	700	--	25,170	3,093	28,963
Dominican Republic	--	--	--	1,053	1,151	2,204

TABLE 4-11, Continued

	Bulk Carriers	Trans-ocean regular ship- ping lines	Other trans- ocean lines	Regional ship- ping companies, operating mainly small ships reg- istered in Carib- bean Countries	Miscel- laneous Small Ships	Total
Venezuela, Colombia and Panama	12,500	63,700	--	20,348	6,764	103,312
Honduras	--	--	--	45,256	--	45,256
Central America, less Honduras	--	--	--	--	--	--
Total	12,500	70,139	--	95,316	14,823	192,778

SOURCE: United Nations Economic Commission for Latin America, Office for the Caribbean, Ocean Cargo Movements, 1971, Eastern Commonwealth Caribbean (Doc. ECLA/POS 74/2), February 1974, taken from Dekock, Ocean Transport, Statistical Tables Appendix, pp. 21-23.

Venezuela, Mexico, and Columbia) countries as a whole, their share on world shipping tonnage is strikingly small, in comparison with their participation in world sea-borne trade.⁷¹

Table 4-12 outlines the participation of CARICOM countries in the transportation of extra-regional traffic to the United States and Canada. A glance at this table shows that this trade is wholly dominated by extra-regional shipping lines. This situation is exactly replicated by an analysis of the maritime trade between these countries and Europe, the Far East, Africa, and South America.⁷² A similar situation exists for most of the other countries in the Caribbean Basin area. With the exception of México, Venezuela, Colombia, and Cuba, no significant amounts of tonnage are transported by shipping companies owned by nations of the sub-region.

Of particular importance to the Caribbean island countries is the relatively heavy concentration of traffic to and from the Bahamas, Jamaica, Trinidad and Tobago, and Guyana, in comparison with the smaller countries of the area (see Table 4-12). Table 4-9 presents similar data for the other major countries. Again the significant figures displayed show the heavy concentration of traffic to and from the more developed countries of the region, such as México, Venezuela, Colombia and Cuba.

⁷¹Ibid., p. 71

⁷²Ibid., Statistical Tables, Appendix, pp. 14-18.

TABLE 4-12

PARTICIPATION OF CARRIERS IN THE TRANSPORTATION OF OCEAN
CARGOES IN THE EXTRA-REGIONAL TRAFFIC OF
EASTERN CARIBBEAN COUNTRIES, 1971
(in freight tons)

<u>Destination</u>	Bulk Carriers	Trans-ocean regular ship- ping lines	Other trans- ocean lines	Regional ship- ping companies, operating mainly small ships reg- istered in Carib- bean Countries	Miscel- laneous Small Ships	Total
<u>A. North America (U.S. and Canada)</u>						
Guyana	31,600 ^a	47,479	2,651	--	--	81,730
Trinidad and Tobago	150,885 ^a	161,891	19,333	--	--	332,109
Barbados	--	66,250	2,639	--	--	68,889
Grenada	--	11,781	255	--	--	12,036
St. Vincent	--	9,153	95	--	--	9,248
St. Lucia	--	11,088	--	--	268	11,356
Dominica	--	9,409	466	--	--	9,875
Montserrat	--	1,309	--	--	--	1,309
St. Kitts-N.A.	--	9,304	--	--	1,346	10,650
Antigua	--	17,318	1,885	--	--	19,203
Total	182,485	344,982	27,324	--	1,614	556,405

TABLE 4-12, Continued

	Bulk Carriers	Trans-ocean regular ship- pin lines	Other trans- ocean lines	Regional ship- ping companies, operating mainly small ships reg- istered in Carib- bean Countries	Miscel- laneous Small Ships	Total
<u>Origin</u>						
Guyana	2,558,615 ^b	12,870	589	--	--	2,572,074
Trinidad and Tobago	342,521 ^c	20,620 ^d	1,123	--	--	364,264
Barbados	28,673 ¹	3,296	1,008	--	--	32,977
Grenada	--	746	--	--	--	746
St. Vincent	--	1,711	--	--	--	1,711
St. Lucia	--	13	--	--	--	13
Dominica	--	375	--	--	--	375
Montserrat	--	3	--	--	--	3
St. Kitts-N.A.	1,060	1,060	--	--	27	2,147
Antigua	--	267	49	--	--	316
Total	2,930,869	40,961	2,769	--	27	2,974,626

B. Europe (U.K. Continent, Mediterranean)Destination

Guyana	--	168,223	--	--	--	168,223
Trinidad & Tobago	8,777	324,727	392	--	--	333,896
Barbados	--	129,885	--	--	--	129,885
Grenada	--	37,300	--	--	--	37,300
St. Vincent	--	20,922	--	--	--	20,922
St. Lucia	--	39,394	--	--	--	39,394

TABLE 4-12, Continued

	Bulk Carriers	Trans-ocean regular ship- ping lines	Other trans- ocean lines	Regional ship- ping companies, operating mainly small ships reg- istered in Carib- bean Countries	Miscel- laneous Small Ships	Total
Dominica	--	24,969	--	--	--	24,969
Montserrat	--	8,911	--	--	--	8,911
St. Kitts-N.A.	--	18,960	--	--	--	18,960
Antigua	--	30,067	--	--	--	30,067
Total	8,777	803,358	392	--	--	812,627
<u>Origin</u>						
Guyana	842,868 ^e	25,095	--	--	--	867,963
Trinidad & Tobago	368,638 ^f	47,898	16	--	--	416,552
Barbados	123,259 ^g	4,075 ^h	--	--	--	127,334
Grenada	--	23,016 ^h	--	--	--	23,016
St. Vincent	--	35,581 ^h	--	--	--	35,581
St. Lucia	--	33,982 ^h	--	--	--	33,982
Dominica	--	37,459 ^h	--	--	--	37,459
Montserrat	--	42	--	--	--	42
St. Kitts-N.A.	26,022 ⁱ	--	--	--	--	26,022
Antigua	10,811 ⁱ	209	--	--	--	11,020
Total	1,371,598	207,357	16	--	--	1,578,971

TABLE 4-12, Continued

	Bulk Carriers	Trans-ocean regular shipping lines	Other trans-ocean lines	Regional shipping companies, operating mainly small ships registered in Caribbean Countries	Miscellaneous Small Ships	Total
<u>C. Far East, Japan, Oceania and Africa</u>						
<u>Destination</u>						
Guyana	--	20,073	--	--	--	20,073
Trinidad	--	128,565	--	--	--	128,565
Barbados	--	24,410	4,079	--	--	28,489
Total	--	173,048	4,079	--	--	177,127
<u>Origin</u>						
Guyana	59,700 ^j	1,547	--	--	--	61,247
Trinidad	16,559 ^k	5,570	--	--	--	22,129
Total	76,259	7,117	--	--	--	83,376

SOURCE: United Nations Economic Commission for Latin America, Ocean Cargo Movements, 1971, Eastern Commonwealth Caribbean (Doc. ECLA/POS 74/2), February 1974, taken from Dekock, Ocean Transport, Statistical Tables Appendix, pp. 24-29.

^aGrain shipments.

^bIncludes 2,453,568 tons of bauxite and 98,700 tons of sugar.

^cIncludes 97,783 tons of molasses (of which 63,933 tons are trans-shipments; and 181,089 tons of anhydrous ammonia).

TABLE 4-12, Continued

Bulk Carriers	Trans-ocean regular shipping lines	Other trans-ocean lines	Regional shipping companies, operating mainly small ships registered in Caribbean Countries	Miscellaneous Small Ships	Total
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^cIncludes 4,495 tons of trans-shipments of break-bulk cargo.

^eIncludes 606,568 tons of bauxite and 233,300 tons of sugar.

^fIncludes 166,652 tons of anhydrous ammonia; 125,872 tons of sugar; 46,546 tons of molasses (of which 9,069 tons are trans-shipments; and 29,568 tons of natural asphalt).

^gIncludes 120,688 tons of sugar.

^hThe great bulk of these shipments are banana shipments.

ⁱThe great bulk of these shipments are sugar shipments.

^jBauxite shipments.

^kAnhydrous ammonia to Africa.

^lIncludes 21,918 tons of molasses.

Intra-regional Shipping

As previously mentioned, an accurate analysis of shipping in the Caribbean Basin area is made difficult by the scarcity of reliable statistics on the types and volumes of cargo transported by the ships operating in the region, and by the inadequacy of available information concerning basic aspects of the shipping services, such as scales of freight charges, handling charges, port dues, etc. Analysis of this situation is further complicated by the order of magnitude differences between the economies of some of the micro-nations of the region when compared to México or Venezuela, and by the great differences in economic, political, social, and cultural factors within each country which influence a country's attitudes and actions towards trade policy. The resultant situation of the Caribbean Basin (taken as a whole) is one in which there is actually no organic system, but rather at best there are several subsystems such as CARICOM or CACM which have attempted to regulate the many unilateral tariffs, customs, harbor regulations, and trade arrangements among certain sub-regional actors to promote intra-group, rather than intra-Caribbean Basin, trade.

Services Available

A variety of shipping enterprises are engaged in the carriage of intra-regional trade in the Caribbean Basin. These services include major shipping conference liners,

regional shipping companies, and numerous independent owners operating various types and sizes of small motor vessels and schooners.

Table 4-11 provides a breakdown of carriers in the transportation of ocean cargoes for nations in the Caribbean Basin area (except México). These figures show the importance of regional shipping companies operating mainly small schooners and motor vessels in the intra-regional traffic of these countries. As will be discussed in Chapter Five, the carriage of intra-regional trade has been of minor importance to the major liner conferences for a variety of reasons, including inadequate port services and facilities, volume, distance, and port capabilities.

Ocean cargo movements within the Caribbean Basin area are unbalanced in terms of which countries predominate and in terms of direction of trade. As shown in Tables 4-13 and 4-14, the ocean cargo movements (excluding petroleum products) of Venezuela, Honduras and Puerto Rico, for example, are relatively important in relation to total trade figures of the region, whereas cargo movements originating from the Caribbean nations to the major countries of the region are much less significant in terms of total tonnage. Additionally, cargo movements originating in the Eastern Caribbean originate mainly in Trinidad and Guyana, and are destined mainly to Puerto Rico, Guadalupe and Martinique, and Venezuela and Colombia. There is a much smaller amount

TABLE 4-13

STRUCTURE OF CARIBBEAN BASIN INTRA-REGIONAL OCEAN CARGO FLOWS--
 FROM EASTERN CARIBBEAN TO OTHER CARIBBEAN BASIN COUNTRIES, 1971
 (in freight tons--excluding petroleum and petroleum products)

<u>Origin</u>	<u>Destination</u>									Total
	Surinam	Curacao & Aruba	Virgin Is. (US & UK)	Guadelupe & Martinique	Puerto Rico	Dominican Republic	Venezuela Columbia Panama	Central America except Honduras	Central America except Honduras	
Guyana (Georgetown)	2,143 ^a	--	440 ^b	6,556 ^b	2,000 ^b	--	8,425 ^c	--	500 ^b	20,064
Trinidad-Tobago (Port of Spain)	1,147 ^d	1,697 ^d	1,149	4,374	16,722 ^d	3,120 ⁱ	2,020 ^d	--	2,065 ^d	32,294 ^h
Barbados (Bridgetown)	78 ^e	107 ^e	314 ^e	60 ^e	--	--	404 ^f	--	--	963
Grenada (St. George's)	--	109 ^e	--	--	--	--	--	--	--	109
St. Vincent (Kingstown)	--	--	--	--	--	--	--	--	--	--
St. Lucia (Castries)	--	--	--	--	37	--	--	--	--	107
Dominican (Roseau)	--	17 ^e	603 ^e	766 ^e	--	--	--	--	--	1,386
Montserrat (Plymouth)	--	--	17 ^e	--	3 ^e	--	--	--	--	20
St. Kitts (Basseterre)	--	--	70 ^e	75 ^b	20 ^b	--	--	--	--	165
Antigua (St. John's)	--	--	75 ^g	--	--	--	--	--	--	75
Total	3,368	1,930	2,663	11,901	18,782	3,120	10,849	--	2,565	55,183

TABLE 4-13, Continued

SOURCE: United Nations, Economic Commission for Latin America, Office for the Caribbean, Ocean Cargo Movements, 1971, Eastern Commonwealth Caribbean (Doc. ECLA/POS/74-2), February 1974, taken from Dekock, Ocean Transport, Statistical Tables Appendix, p. 10.

^aMainly bulk molasses (bulk carriers).

^bMostly general cargo (regional shipping companies).

^cIncludes 7,725 tons calcined bauxite to Venezuela and Columbia (bulk carriers).

^dMainly cement and fertilizers (regional shipping companies) and 5,137 tons of trans-shipments of general cargo to Puerto Rico (transocean regular shipping lines).

^eMostly general cargo (miscellaneous small ships).

^fIncludes 381 tons of cement and/or fertilizers (regional shipping companies).

^gMostly general cargo (transocean shipping lines).

^hIncludes 6,188 tons of trans-shipments, mainly general cargo to Puerto Rico.

ⁱCement and/or Fertilizers.

TABLE 4-14

STRUCTURE OF CARIBBEAN BASIN INTRA-REGIONAL OCEAN CARGO FLOWS--
 FROM CARIBBEAN BASIN COUNTRIES TO EASTERN CARIBBEAN, 1971
 (in freight tons--excluding petroleum & petroleum products)

<u>Origin</u> (Loaded from)	<u>Destination</u> (Unloaded to)				
	Guyana (Georgetown)	Trinidad & Tobago (Port of Spain)	Barbados (Bridgetown)	Grenada (St. George's)	St. Vincent (Kingstown)
Surinam	5,500 ^a	1,267 ^b	625 ^b	--	--
Curacao, Aruba	--	574 ^b	628 ^b	11	--
Virgin Is. (US & UK)	--	78	--	--	--
Guadelupe and Martinique	100 ^d	668 ^c	449 ^c	192 ^b	--
Puerto Rico	700 ^d	--	260 ^c	517 ^b	805 ^c
Dominican Republic	--	--	--	--	--
Venezuela, Colombia and Panama	63,700 ^f	14,076 ^g	14,767 ^h	--	1,692 ^c
Honduras	--	16,508 ⁱ	9,762 ^j	4,161 ^j	3,022 ^j
Central America, except Honduras	--	--	--	--	--
Total	70,000	33,171	26,541	4,881	5,519

TABLE 4-14, Continued

<u>Origin</u> (Loaded from)	<u>Destination</u> (Unloaded to)					Total
	St. Lucia (Castries)	Dominica (Roseau)	Montserrat (Plymouth)	St. Kitts (Basseterre)	Antigua (St. John's)	
Surinam	320 ^c	--	--	--	--	7,712
Curacao, Aruba	--	32 ^c	127 ^{b,k}	300 ^{b,k}	--	1,672
Virgin Is. (US & UK)	37 ^c	93 ^c	--	--	844 ^c	1,052
Guadelupe and Martinique	627 ^b	224 ^c	99 ^b	112 ^c	86 ^c	2,607
Puerto Rico	842 ^c	--	513 ^b	1,671 ^c	23,655 ^e	28,963
Dominican Republic	1,038 ^c	113 ^c	--	1,053 ^b	--	2,204
Venezuela, Colombia and Panama	2,819 ^c	--	3,974 ^b	2,284 ^b	--	103,312
Honduras	4,300 ^j	1,500 ^j	--	1,403 ^j	4,600 ^j	45,256
Central America, except Honduras	--	--	--	--	--	--
Total	9,983	1,962	4,713	6,823	29,185	192,778

SOURCE: United Nations, Economic Commission for Latin America, Office of the Caribbean, Ocean Cargo Movements, 1971, Eastern Commonwealth Caribbean (Doc. ECLA/POS/74-2), February 1974, taken from Dekock, Ocean Transport, p. 11.

^aTimber (transocean regular shipping lines).

^bMostly general cargo (regional shipping lines).

^cMostly general cargo (miscellaneous small ships).

^dAsphalt (regular ocean shipping lines).

^eIncludes 23,443 tons of cement and/or fertilizers (regional shipping lines).

^fOf which 60.4 thousand from Venezuela and 3.3 thousand from Colombia--cement and/or fertilizer (transocean regular shipping lines).

^gIncludes 12,500 tons of sulphur from Colombia (bulk carriers)

^hIncludes 13,099 tons of cement and/or fertilizers (regional shipping companies).

ⁱGeneral cargo and wood (timber) (regional shipping companies).

^jWood (timber) (Regional shipping companies).

^kSt. Martin.

of traffic to Central America, the Dominican Republic and Surinam. Table 4-13 also points out that Venezuela, Colombia, and Panamá have an almost overwhelming predominance in intra-regional trade with the various island economies of the Basin.

As mentioned, Table 4-9 contains figures outlining the distribution between goods loaded (imported) and unloaded (exported) in the Caribbean Basin area. Although no reliable figures are available for the precise distribution of intra-regional shipping traffic between the various carriers operating in the Caribbean Basin area, data available on intra-regional traffic among the Caribbean island economies indicates that, in 1971,

. . . 92 percent of the tonnage was carried by regional shipping companies operating mainly small ships registered in the Caribbean countries, and by miscellaneous small ships. WISCO's traffic amounted to only 56,900 freight tons, or about 12 percent of the total excluding bulk cargoes. Foreign trans-oceanic shipping lines carried approximately eight percent.⁷³

As shown in Tables 4-13 and 4-14, in 1971 there was negligible trade between the smaller island economies of the Caribbean and the larger Central and South American countries of the Caribbean Basin area.⁷⁴

⁷³United Nations Economic Commission for Latin America, Issues in Ocean Transport, p. 26.

⁷⁴This trading situation will be discussed from the point of view of particular countries in Chapter Five.

Vessel Types

In addition to those products transported in the various types of bulk transport vessels and those carried by liners which operate in the area, as shown by Table 4-11, a significant percentage of intra-regional transport is conducted by the regional small-vessel fleet about which very little data is available. The vast majority of these vessels are schooners (ranging in length from 50 to 100 feet). They operate in trade among the various nations of the Basin on fairly regular routes, but without fixed schedules or prices. As described in an ECLA study on these types of operations in the Caribbean:

The administration and commercial organization of the small vessel services is of a simple character, comparable in many ways to that of truckers in road transport. The number of companies or partnerships owning and operating two or three vessels is limited to perhaps five or six. The remainder, together with the schooners, are family or individual affairs. Cargo is generally obtained through a small number of shipping agencies in the various ports, each agency working with a group of owners and operators.⁷⁵

Although these vessels account for a significant percentage of intra-zonal trade, the upper limits of their freight rates have often been determined by the rates charged by a few large companies (such as the West Indies Shipping Corporation) and their profitability has been further reduced by the generally poor state of port facilities and conditions.⁷⁶ In particular:

⁷⁵ Ibid., p. 36.

⁷⁶ Ibid., p. 37. The West Indies Shipping Corporation will be discussed subsequently.

Practially all ports in the Eastern Caribbean, with the exception of lighterage ports, have special schooner and motor vessel wharves that offer only open storage facilities without transit sheds. Loading and unloading operations generally consist of the direct transfer of cargo to and from motor trucks on the wharf. Several of the existing wharves are at present in poor condition. Congestion is frequent.⁷⁷

A further basic problem for both motor vessels and schooner trade is the directional imbalance in the traffic, which has resulted from the lack of sufficient return loads from the smaller to the larger islands in the Caribbean.⁷⁸

6. The Desire to Establish Regional Merchant Marines in Developing Countries

Many factors influence developing countries and developing regions to cause them to wish to explore the potential gains of national and/or regional merchant marines. The overwhelming predominance of developed countries in maritime transport combines with the perceived ever-increasing price rises and associated costs to produce a feeling of helplessness among nations without national merchant marines. Additionally, as stated in a 1968 UNCTAD report:

Over the last twenty years, four factors appear to have led to the emergence of shipping fleets in many previously non-maritime countries: first, the disruption of shipping services during the Second World War; secondly, the balance-of-payments problems in the years following the Second World War which placed a premium on the saving of foreign exchange and gave rise to a great number of bilateral

⁷⁷Ibid., p. 37.

⁷⁸Ibid.

trading arrangements, many of which contained a shipping clause; thirdly, the attainment of independence by colonial territories and the consequent emergence of national consciousness; fourthly, the conscious efforts being made by countries with low per capita income to develop and diversify their economies; this being perhaps the most important factor.⁷⁹

Various other objective and subjective factors are also involved. Among these are the desire to promote and expand exports to diversified areas for defense or prestige purposes, or to avoid a perceived inability to control service schedules or routes. Costs and benefits which result from the establishment of a merchant marine (either a national or regional flag line) must necessarily vary with each country's situation (as will be discussed in Chapter Five); however, what is relevant from the level of analysis of the Caribbean Basin as a system of states is that committees and agencies such as UNCTAD's Committee on Shipping, ALAMAR, ECLA's Committee on Shipping, and CARICOM's Regional Shipping Council have been busily engaged in heightening the awareness of costs and benefits of regional efforts to influence their existing maritime transport situation. The sentiment behind this interest was summed up in paragraph 3 of the Common Measure of Understanding on Shipping Questions, adopted without dissent during the first UNCTAD sessions:

⁷⁹United Nations Conference on Trade and Development, Establishment or Expansion of Merchant Marines in Developing Countries: Report by the Secretariat of UNCTAD, 1968, p. 2.

. . . that the development of merchant marines in developing countries, as well as their participation in Liner Conferences as full members on equitable terms, is to be welcomed. The question of development of merchant marines by developing countries should be decided by such countries on the basis of sound economic criteria.⁸⁰

In their attempt to expand and diversify exports and, simultaneously, to increase the level of regional solidarity and interdependence, the nations of the Caribbean Basin area must necessarily look toward the development of an adequate and efficient regional transportation network. Intra-regional trade remains virtually non-existent between many of the countries of the region. These circumstances have led the ECLA Office of the Caribbean to state, in 1974, that a situation exists in the Caribbean region in which "there have been few established communication links and no tradition of travel between the countries so that the stock of everyday knowledge which populations usually have about neighboring countries barely exists."⁸¹

WISCO

A major influence on all governments in the Caribbean Basin area, when thinking in terms of a multinational shipping company for the region, has been the operation of the

⁸⁰Ibid., p. 1.

⁸¹Widening of the Caribbean Integration Process--Note on Some Institutional Procedures and Aspects (Doc. E/CN.12/976, 20 May 1974, paragraph 2) as quoted in Dekock, Ocean Transport, p. 5.

West Indies Shipping Corporation (WISCO). WISCO was established in 1961 by the West Indies Shipping Corporation Act of the Parliament of the West Indies Federation, and, with the dissolution of the Federation, WISCO was maintained as the regional shipping instrument of CARICOM. Into 1975, overall authority for WISCO was vested in the Regional Shipping Council, whose power included "the appointment of a Board of Management and the approval of the annual budget as well as of the routes, frequencies, fares, and charges for shipping services."⁸²

Although WISCO's charter allows for service to non-participating states within and outside the Caribbean region, its operations have remained confined to a basic "trunk" route linking Barbados, Guyana, Jamaica, and Trinidad and Tobago, and the "through" route linking Antigua, Barbados, Dominica, Grenada, Jamaica, Montserrat, St. Kitts, St. Lucia, St. Vincent, and Trinidad and Tobago. These services have been characterized by the inadequacy of the frequency of service to these ports and the ever-increasing operating deficit of the company.

Between its inception in 1961 and 1974, WISCO had a total operating deficit of approximately U. S. \$8 million (total of annual deficits in current values). In 1974 the deficit approached U. S.

⁸²United Nations Economic Commission for Latin America, Issues in Ocean Transportation, p. 27. In 1976, management of the corporation was transferred to the Standing Committee of Ministers Responsible for Transport.

\$1 million. The real deficit is even larger, considering indirect subsidies driving from WISCO's fiscal advantages and the fact that no accounting was made for depreciation of the ships.⁸³

In short, WISCO has been a heavy burden for all participant countries and the object of increasing criticism for deficiencies in managerial and administrative organization, as well as for its operational inefficiency.

Attempts to establish sub-regional merchant marines in the Caribbean Basin area have met with only mediocre success. NAMUCAR, as briefly mentioned in the introductory section, represents the first attempt to establish a regional merchant marine which would accommodate all of the countries of the Caribbean Basin area. However, as early as 1970, responsible bodies of CARIFTA were conducting feasibility studies for a Caribbean Shipping Corporation. Beset from the outset by problems of deciding which routes to serve, which types of products to carry, what rate structures to employ, and by the necessity of giving priority to the strengthening of the WISCO position, little actual progress was made.⁸⁴ In December 1974, a Working Party of Government Officials recommended to the CARICOM Secretariat that the Caribbean Development Bank, WISCO and CARICOM operate to study the technical feasibility of the corporation.

⁸³Ibid., p. 28. Also see Dekock, Ocean Transport, pp. 23-32.

⁸⁴Ibid., pp. 15-18.

Conclusions

As previously mentioned, in Latin America international trade is of concern to all countries. However, a relatively small group of developed countries own an overwhelming majority of the world's present-day merchant ship tonnage. As pointed out in a 1968 UNCTAD report, they reached this position partly because of the advantages (e.g., the United Kingdom), partly through specialization in shipping during a period when world trade was geometrically expanding and thus providing opportunities for economic advancement in shipping (e.g., Norway), and partly through policies of deliberate assistance to national merchant fleets (e.g., United States).⁸⁵ The resultant situation for most of the countries of the Caribbean Basin area is one in which they have little or no participation in the carriage of their trade.

Prior to the formation of NAMUCAR, no organization had effectively linked the countries of Central America, Venezuela and México to the island economies of the Caribbean in the area of maritime transport. Those regional organizations which were functioning in the Caribbean Basin area at time of the formation of NAMUCAR had produced little significant impact on the overall situation. As stated by ECLA experts in 1975, those organizations which have functioned in the area:

⁸⁵ See Report by the Secretariat of UNCTAD, Establishment or Expansion of Merchant Marines, chapter 1.

. . . thus far have produced little real impact on maritime transport in the Caribbean, except to some extent in intra-regional transport. Apart from freight rates, which have been the subject of several fruitless negotiations, shipping terms and technology in transoceanic transport practically have not been questioned.⁸⁶

7. The Status of Latin American Integration Efforts

Although an in-depth analysis of the various regional and sub-regional integration efforts is not possible within the context of this study, it will be necessary to discuss the status reached by the major Latin American integration attempts by the mid-1970s in order to assess how the shortcomings fostered the drive to create SELA and, almost simultaneously, NAMUCAR.

During the latter 1960s and into the 1970s, the integration processes in Latin America alternately lagged and were revitalized by the formation of the sub-regional groups and then lagged again. By 1974, this process had led to a situation of uneven development of agreements and institutions within the various integration frameworks. A basic reason certain countries undertook the search for more ambitious (usually sub-regional) forms of integration can be found in the major impasses and general stagnation of LAFTA, CACM, and the Andean Community (ANCOM) in certain areas.⁸⁷

⁸⁶ United Nations Economic Commission for Latin America, Issues in Ocean Transportation, p. 2.

⁸⁷ That regional organizations have failed to measurably accelerate the process of economic and social advancement

As pointed out by one scholar, although Latin American countries have generally registered varying degrees of quantitative economic growth (in terms of gross national products), there remain the persistent problems of income inequality, lack of sufficient changes in productive structures, lagging processes of both regional (and in many cases national) industrialization, increasing demographic growth in relation to agricultural output, increasing national debts, and a deteriorating situation for regional participation in world trade.⁸⁸ In short, Latin American integration efforts have appeared to many as not having been able, to date, to improve many basic economic and social problems.

LAFTA

The Latin American Free Trade Association was founded in 1960 by seven Latin American countries as an attempt to increase intra-Latin American trade. The group's membership eventually expanded to eleven.⁸⁹ The initial goals of the

for many sectors of Latin American society had been pointed out by many scholars by the end of the 1960s. See, for example, Robert W. Gregg, ed., International Organization in the Western Hemisphere (Syracuse, N. Y.: Syracuse University Press, 1968). In particular see Inter-American Development Bank, El Proceso de Integración en América Latina, 1968-1971, for a comprehensive review of LAFTA, CACM, CARIFTA, and ANCOM. Also see Ronald Hilton, ed., The Movement Toward Latin American Unity (New York: Praeger Publishers, 1969).

⁸⁸ Gregg, International Organization in the Western Hemisphere, p. 91.

⁸⁹ The initial signatory countries were: Brazil, Argentina, México, Chile, Peru, Paraguay, and Uruguay. These countries were later joined by Columbia, Ecuador, Venezuela, and Bolivia.

association were to achieve free trade on 50 percent of all goods traded in the region by 1969, and 100 percent by 1973. In 1969, a protocol signed in Caracas postponed the goal of freeing intra-zonal trade from 1973 to 1980, and indefinitely postponed the ultimate goal of establishing a common market. The problems which LAFTA has encountered have been widely discussed.⁹⁰

The Latin American market had reached a considerable level of importance by the mid-1970s. As shown in Table 4-1, exports among LAFTA countries totalled over 2.2 billion dollars in 1973. However, by the mid-1970s intra-zonal trade had leveled off. From an initial level of intra-zonal imports of approximately 8 percent of the total zonal imports of 1961, intra-zonal increased to a high of about 13 percent in 1965. By the end of the decade intra-zonal trade had been reduced to a slightly lower level, and intra-zonal imports remained at between 11 and 12 percent throughout most of the 1970s.⁹¹ Exacerbating the problem of inability to increase trade levels were the perceived inequalities of the mechanisms employed to free trade. In general, the larger countries

⁹⁰In particular see Milenky, The Politics of Regional Organization in Latin America. Also Armando Cortes Guzmán, La Estructura Política de la ALALC (México: Universidad Nacional Autónoma de México, 1974) for an incisive analysis of the forces and factors which influence decision-making processes within the LAFTA framework.

⁹¹Banco Nacional de Comercio Exterior, Comercio Exterior 21 (June 1975): 189.

(Brazil, Argentina, and Mexico) were felt to have benefitted disproportionately and at the expense of LAFTA's lesser developed members. Table 4-1 shows that approximately two-thirds of all intra-regional sales were made by these three countries. Additionally, if intra-regional sales of manufactured goods are considered separately, the "Big Three" account for approximately 73 percent of the total zonal exports of manufactured goods.⁹²

At the Council of Ministers of Foreign Affairs level, LAFTA was intended to function as a forum for political debate and for gathering enough political momentum to form a consensus.⁹³ However, the reaction to the overall problem of the perceived concentration of trade benefits in only a small number of the participating countries has been a basic inability of this organization to reach consensus decisions. As the need for equity in the distribution of costs and benefits became more apparent, the basic divergencies between the goals sought by different members also came into focus. Thus, goals such as efficiency and equity of participation were often juxtaposed with conflicting aims, such as an emphasis on reduced unemployment or on providing more consumer goods for the lower income sectors of the economy.

⁹²Ibid., p. 189.

⁹³United Nations Conference on Trade and Development, Current Problems of Economic Integration: The Role of Institutions in Regional Integration among Developing Countries, A Study of Professor Dusan Sidjanski at the request of the UNCTAD Secretariat, 1974, p. 11.

In addition, and superimposed on the overall problem of cost/benefit allocation, was the basic schism which developed between those countries which proposed automatic tariff reductions and programmed industrial development and those which felt that gradual freeing of trade through individual decisions on a product by product basis, in accordance with the original treaty provisions, would lead to a more equitable situation.⁹⁴

In the area of multinational Latin American enterprises, LAFTA has not been effective in its attempts to foster an operative framework within which multinational enterprises could be promoted. In an effort to overcome this problem, Brazil and Argentina presented draft resolutions concerning agreements to establish "multinational Latin American enterprises." Basically these resolutions were an attempt to define what constitutes a multinational Latin American enterprise, who can participate and how, and what kind of special considerations organizations so designated will receive from contracting parties and/or from other Montevideo Treaty member countries.⁹⁵ Further draft proposals presented to the LAFTA Secretariat in 1975 by Argentina and by the Andean group favored fostering industrial

⁹⁴ Milenky, The Politics of Regional Organization in Latin America, chapter 1.

⁹⁵ For a full description of the draft resolutions, see Comercio Exterior 21 (February 1975): 46-49.

complementarity agreements for national enterprises by pairs or other small groups of countries. In essence, these proposals would permit LAFTA members to undertake actions by small groups of countries to define specific problem areas in which joint action could correct trade imbalances without requiring reciprocal concessions by members outside the (smaller) agreement. The intent of the above legislation was to free countries to act in their own interests within the overall framework of the rights and duties agreed upon by the contracting members of the Montevideo Treaty. However, all of these proposals remained dormant throughout 1975.

ANCOM

The Andean Community, formed by the Cartagena Agreement signed in Bogota in 1969, was initially the most dynamic of the regional integration efforts.⁹⁶ Initial members were Bolivia, Chile, Ecuador, Colombia, and Peru. Joined by Venezuela in 1973, ANCOM alleviated what had previously been a major problem--specifically, the inadequate market size of the member countries. The basic aims of the Cartagena Agreement reflect a higher level of political support among the governments of participating countries in an attempt to

⁹⁶ Its current members are Bolivia, Colombia, Ecuador, Peru, and Venezuela; Chile withdrew from ANCOM in October 1976, over policy disputes regarding treatment of foreign capital and tariff levels. For a detailed and scholarly case study of ANCOM see, in particular, David Morawetz, The Andean Group: A Case Study in Economic Interaction Among Developing Countries (Cambridge, Mass.: MIT Press, 1974).

overcome obstacles which plague LAFTA. A fundamental intention of ANCOM is to create more than a customs union. Specific aims include trade liberation, harmonization of economic policies, industrial programming, and preferential treatment for the two lesser developed members, Bolivia and Ecuador. Additionally, ANCOM has sought a common regime for treatment of foreign capital and has established a Central Bank (BANCEPAL) system.

An automatic tariff liberation program was signed in December 1971, which led to a significant drop in tariff levels between the four larger member countries. Bolivia and Ecuador were allowed much faster tariff reductions for entry into the markets of the other four countries, and by 1976 products which were on the original lists from these two latter countries were tariff free. Although application of a common external tariff was scheduled for December 31, 1976, by the mid-1970s it had become obvious that ANCOM members had established targets which were excessively ambitious in relation to the political ability to implement the integration model.⁹⁷

The ANCOM integration model is a highly complex one with practically no precedents in other parts of the world.

⁹⁷Of particular note throughout the 1974-75 period had been Chilean and Bolivian intransigence over the necessity of arriving at a common position on Decision 24, the minimum common external tariff, before they would discuss other issues. Another important issue which has arisen and is causing dissent is the question of level of permissible foreign investment.

It aims not only at freeing trade among member countries, but also at regulating the circulation of certain factors of production and coordinating economic policies. To achieve these latter goals, a significant part of Andean production has been reserved for development by cooperative joint programming agreements.

By 1975, basic policy divergencies were beginning to be felt in ANCOM. Although a rigorous analysis of problems would reveal many underlying causes, a basic division of opinion separated Chile and Colombia into one "group," and Bolivia, Ecuador, Peru, and Venezuela into another. The first pair, Chile and Colombia, wanted to chop sectoral industrial programs that had not been implemented on time, and add these products to the automatic general trade liberation program. The last four countries felt that if this were done ANCOM would cease to be an industrial integration scheme and would simply be another trade liberation scheme like LAFTA. The resultant positions of the two groups can be delineated from statements made during the nineteenth ordinary meeting of the Cartagena Agreement Commission, in December 1975, by representatives of the various countries.

Venezuelan representative:

The Andean Pact to Venezuela means liberation, programming and industrial rationalization; it means common treatment for foreign investment and multinational enterprises; it means the joint planning of our development. We cannot conceive of the Cartagena Agreement in terms of "liberal" guidelines that center on market openings only and weaken the

process of policy harmonization of which Decision 24 is the backbone. And we want to state emphatically that we are not disposed to accept a revision of that Decision that varies any of its essential purposes. It could perhaps be perfected and regulated, but we would under no circumstance participate in actions that tend to weaken it.⁹⁸

Colombian representative:

The importance of the terms fixed within the Cartagena Agreement has been, is and will be fundamental inasmuch as their automatic nature is the characteristic that distinguishes our process from the mechanisms employed in the LAFTA, so frequently criticized by all of us. In this sense, terms are what should force agreements and not as occurs in the LAFTA, where disagreements fix terms.⁹⁹

Bolivian representative:

I am convinced that the main basis of the Cartagena Agreement is to be found in the principle of balanced and harmonious development of member countries; accordingly, its implementation supposes the application of all stipulated mechanisms and achievement of the desired results. The only effective mechanism is the one relating to industrial programming; I believe firmly that the Andean sub-regional agreement is founded on this instrument as an aid to the development of the less developed countries.

This is why my delegation is worried by the propensity of certain member countries to turn the Andean integration agreement into a system similar to the LAFTA's, with eminently mercantile objectives and targets. . . .

In short, we believe that development of the aggregate is the responsibility of all and that it is essential to exhaust the possibilities of programming reservations before incorporating these products into the liberation system. In this regard I wish to say that until the results of this new programming effort

⁹⁸ Comercio Exterior 22 (April 1976): 154.

⁹⁹ Ibid., p. 155.

are assessed, both the liberation program and application of the common external tariff should be suspended for Bolivia until 1985, while industrialization measures that permit us to prepare ourselves coherently for competition within the automatic tariff reduction program are carried out.¹⁰⁰

Peruvian representative:

To establish our position in this debate, we believe that the matter should be dealt with in what is essentially the Cartagena Agreement framework. The national interest of one or more countries should not be permitted to prevail over the subregional interest, not because the national interest is illegitimate, but because the requisite solution should be in accordance with the principle that imbues the whole text of the Cartagena Agreement: to promote the balanced, harmonious development of member countries in an equitable distribution of integration benefits so as to reduce the differences existing between them.¹⁰¹

Thus, throughout 1975 no agreement was reached on a common external tariff.¹⁰²

CACM

Initially one of the most successful sub-regional attempts at integration, by the 1970s the Central American Common Market had entered into a period of stagnation. Although successful in establishing a free trade zone, a common

¹⁰⁰ Ibid.

¹⁰¹ Ibid., p. 156.

¹⁰² This impasse was, eventually, provisionally solved in 1976 by negotiating compromise positions. At the 16th meeting of the Commission in Lima (April 1976) a protocol was accepted which modified the Cartagena Agreement by extending the deadline for both industrial development programs and the common external tariff until December 1977. This was further modified to permit four (vice six) countries to vote affirmatively to establish a sectoral program, and an agreement to

external tariff, and other policies, by the end of the 1960s several major problem areas resisted solution.¹⁰³ For two of the member countries, El Salvador and Honduras, a 1969 war had led to political differences within the framework which obstructed any attempted reorganization. Major problems for other countries in the Caribbean area were serious monetary, fiscal, and balance of payments difficulties. Furthermore, trade distribution and flows were essentially frozen for all products between 1970 and 1975.¹⁰⁴ Essentially, this meant that Guatemala and El Salvador enjoyed a trade surplus, Nicaragua continued to record harmful trade deficits within the region, and Honduras and Costa Rica also continued to suffer negative trade balances, although gradually reducing them. This situation is not expected to change rapidly.

No important alterations in zonal trade patterns are foreseen in the short term; the relative share of Guatemala and El Salvador in total zonal trade (62 percent) has hardly varied since 1965, except that Guatemala has displaced El Salvador

establish maximum and minimum external tariff levels by product to take into account the various monetary and trade policies which affect each country's tariff levels. See Comercio Exterior 22 (July 1976): 259-262.

¹⁰³ For a particularly articulate study of Central American integration, see Cochrane, The Politics of Regional Integration.

¹⁰⁴ Naciones Unidas, El Desarrollo Latinoamericano y La Coyuntura Económica Internacional, Segunda Parte; Las Relaciones Económicas Externas de América Latina y La Coyuntura Internacional (E/CEPAL/AC.69/2/Add.2) 21 de febrero de 1975, see graph p. 248.

as the zone's major supplier as the latter trades with three countries only.¹⁰⁵

The resultant chronic state of crisis which CACM experienced eventually led to the declaration that the provisions of the General Treaty were to be held in abeyance. In November, 1974, CACM's Eighth Summit Committee meeting was held for the purpose of attempting to restructure the organization. At this meeting it was proposed that a customs union be established within which all products could circulate freely, and that a common external tariff be adopted for both imports and exports. In response to the general situation, in December 1974, the Secretariat for Economic Integration of Latin America submitted a draft treaty to create the Central American Economic and Social Community. Responding to the appeal of the Summit Committee of CACM, the new treaty is intended to expand the legal base of CACM, to revitalize its institutional structures, and to distribute the benefits of integration more equitably.¹⁰⁶

Coinciding with the Declaration and Action Plan on the Establishment of a New International Economic Order in the U. N. General Assembly, the Central American initiative to revitalize CACM responded to the belief that Central America must integrate if it hopes to improve its position.¹⁰⁷

¹⁰⁵ Comercio Exterior 21 (June 1975): 191.

¹⁰⁶ Ibid., pp. 224-29.

¹⁰⁷ See Cochrane, The Politics of Regional Integration, chapter 4. For a similar viewpoint in discussing Caribbean

The new treaty will be more comprehensive in terms of trade, customs zones, common positions for bargaining with non-members, and coordinated industrial policies, and it will attempt to associate the new Central American Economic and Social Community (most commonly referred to by its Spanish acronym, CIESCA) with other Latin American integration efforts.

The Central American response to the crisis experienced by CACM resulted from a series of meetings between Presidents of member countries in 1974. At these meetings, specific agreements to establish multinational enterprises in the fields of agriculture, food supplies, energy, and common external policies to solve economic problems were discussed. Declarations following the meetings clearly indicated that the Central American presidents desired to foster both overall integration efforts and specific multinational projects.¹⁰⁸

In December 1974, President Carlos Andres Perez of Venezuela met with the presidents of Guatemala, Costa Rica, El Salvador, Honduras, and Panamá to propose a series of cooperative agreements to assist their governments in financing petroleum purchases, and to establish a fund which would

prospects, see Aaron Segal, The Politics of Caribbean Economic Integration (Puerto Rico: Institute of Caribbean Studies, 1968), chapter 6.

¹⁰⁸ Naciones Unidas, El Desarrollo Latinoamericano y Coyuntura Económica, Tercera Parte; Indicadores del Desarrollo Económico y Social en América Latina (E/CEPAL/AC.69/Add. 3), 12 de febrero 1975.

enable these governments to withhold a percentage of the coffee crop from the market to maintain price levels.¹⁰⁹

Thus, although the CACM treaty measures remained officially in abeyance into 1975, various initiatives were emanating from the Presidents of the Republics themselves, in an attempt to revitalize Central American integration.

CARIFTA and CARICOM

Two organizations, the Caribbean Free Trade Association (CARIFTA) and the Caribbean Community (CARICOM), operate to facilitate trade among the English speaking nations of the Caribbean.¹¹⁰ These organizations have generally met with a greater degree of success in the area of trade liberalization policies than have larger organizations such as LAFTA.

An underlying idea of the CARIFTA structure was that no special qualifications would be required of any nation desiring to become officially connected with the organization. Thus, CARIFTA's convening charter states that any state may consult with the Council of Ministers and, with their approval, participate in the CARIFTA Treaty structure under whatever

¹⁰⁹The specific agreement was to provide an 80 million dollar (U.S.) line of credit to Cafe Suaves Centrales. Venezuela also agreed to purchase 40 million dollars of Central American Economic Integration Bonds, and to loan 60 million dollars to the Central American Integration Bank. See Comercio Exterior 21 (March 1975): 81.

¹¹⁰For analysis of these organizations, in particular see H. Corkran, Patterns of International Cooperation in the Caribbean 1942-1969 (Dallas: SMU Press, 1970); and Segal, Caribbean Economic Integration.

terms are mutually agreeable to the Council and the country.¹¹¹ This flexibility in structure allows governments to undertake negotiations with CARIFTA in attempts to establish mutually beneficial positions. Similarly, the treaty establishing CARICOM lists fourteen countries which automatically qualify for membership (Article 2), allows for the admission of other members if approved by the Conference of the Organization (Article 29), or permits a country to become simply an "associated" member (Article 30) if this arrangement is acceptable to the conference.¹¹² These initial arrangements have allowed for considerable flexibility within the CARIFTA and CARICOM structures. As pointed out in an ECLA study:

There is no doubt that one of the important advantages of being simply an "associated state" of CARIFTA/CARICOM is the permitting of those that have this status to determine, without compromise, the most suitable way of associating with the CARIFTA/CARICOM group. This arrangement also makes it possible to assess the possibilities of business transactions carefully; to decide in which sectors functional cooperation may be useful, and in which fields it would be advisable to coordinate policies. By the same token, the opportunity is created for the rest of the countries to understand and appreciate different points of view, and the past events on which these points of view are based. In summary, what is being developed is a pragmatic solution, conceived of

¹¹¹Article 32, Convenio Constitutivo de la CARIFTA taken from Notas sobre le economía y el desarrollo de America Latina, CEPAL, no. 167, 1 August 1974.

¹¹²Ibid., p. 226.

in the Caribbean itself, to confront the unique situation of the countries of the Caribbean.¹¹³

By 1973, 90 percent of the intrazonal trade among CARIFTA members was completely duty free and a common external tariff had been established and applied to the extra-regional trade of member countries.¹¹⁴ However, although the relative share of intrazonal imports had risen from 4.9 percent in 1968 to 7.2 percent in 1973, it had also become apparent that a free-market-oriented approach to development was favoring the larger countries of the region. For example, the four larger countries (Barbados, Guyana, Jamaica, and Trinidad and Tobago) increased their share of intrazonal imports from 65 percent in 1968 to 74 percent in 1973. Their participation in exports is even more important, accounting for 92 percent of the total in 1973.¹¹⁵

To offset some of these perceived inadequacies, the Treaty of Chaguaramas was signed in 1973 creating the Caribbean Community and Common Market. Although this structure was designed to permit the larger countries to assist the less developed members, interest group motivations within and between member governments have continued to differ. As pointed out by one researcher, the driving force behind Caribbean integration has been, almost exclusively, the

¹¹³ Ibid., p. 227.

¹¹⁴ Comercio Exterior 21 (June 1975): 191.

¹¹⁵ Ibid.

region's governments and technical experts and, although CARIFTA and CARICOM are supported at the top level of the Caribbean governments, "the public, particularly business and labor, may presently see little or no economic advantage to themselves from the new organization."¹¹⁶

Although progress has been made in many directions under the CARIFTA and CARICOM structures, the major complaint has been summed up as follows:

All this progress has been of a rather superficial nature and has contributed little towards transforming the traditional structures and orientation of these economies. If this is true of more developed countries of the region it is even more so of the less developed ones which have either stagnated or declined in many important economic respects.¹¹⁷

8. Obstacles to Latin American Integration

Various problems have surfaced within each of the types of integration frameworks which have been attempted in Latin America. These problems have been the subject of a voluminous literature for each of the major integration efforts. The objective of this section is to describe and

¹¹⁶ U.S. Department of State, The Caribbean Community, Janice Lyon, External Research Program (Washington, D.C.: Government Printing Office, 1974), p. 31. For a critical discussion of the problems of economic regionalism and interest group support see Segal, Caribbean Economic Integration, especially chapter 6.

¹¹⁷ Ramesh Ramsaran, "Commonwealth Caribbean Integration Progress, Problems and Prospects," Inter-American Economic Affairs 28 (Autumn 1974): 42.

appraise some of the major "problem clusters" which have arisen in integration projects and schemes which appear to require an attempt at solution in any future general or specific scheme or project.

The identification of problem areas in integration efforts is ever-expanding. Among participants, size, number, level of economic development, disparity of tariff levels, currency exchange fluctuations, inflation, governmental instability, differences in sizes and specifications for products, lack of direct commercial contacts, etc., may each affect particular projects. No attempt will be made to list exhaustively these types of problems, but considerations which underly agreements on any given level will be examined.

"Level of Power"¹¹⁸

A significant problem which has plagued many integration efforts is the amount and level of power which could or could not be brought to bear on participants in any attempt to reach compromise positions. As a specific example, LAFTA has been generally unable to induce members effectively to accept compromise positions on sensitive topics. Within the LAFTA framework:

. . . successive efforts to award more political weight to decisions regarding the course of the LAFTA integration process, for which the Council of Foreign Ministers was created in 1965 and the Declaration of Presidents of America was issued at Punta del Este in 1967 as a political definition, did not succeed in giving

¹¹⁸For a discussion of this concept and its effect on various integration efforts, see United Nations, The Role of

greater impetus to application of the Montevideo Treaty, nor did it permit a conciliation of criteria.¹¹⁹

Central to this problem cluster is the fact that the knowledge of what is both needed and/or equitable may only be available to a very limited number of persons; generally the group of people directly involved in negotiating sessions for the specific projects. Thus, in cases where purely economic solutions to problems are not readily apparent or are not acceptable to all participants, compromise solutions to issues become political decisions requiring decision makers who combine the requisite level of power with a sufficient degree of knowledge before a compromise solution becomes possible. Although the legal structures and purposes of LAFTA, CACM, ANCOM, and SELA vary greatly, each has found that it is impossible to apply purely economic solutions to political problems.

A significant problem encountered in all integration efforts, whether for the implementation of a general integration framework or for a specific integration project, is the participation or non-participation of critical actors in an integration scheme. For example, ANCOM participants did not constitute a sufficiently large market without Venezuelan participation. Similarly, the rivalry between Argentina and

Institutions in Regional Integration, a study by Professor Dusan Sidjanski, 1974.

¹¹⁹Comercio Exterior 21 (September 1975): 366.

Brazil, although multidimensional and the result of complex causes, has had the corollary effect that neither has lent their full support to the functioning of LAFTA, thus severely hampering negotiations in that organization.¹²⁰

Lawrence Schienman has identified another related problem--the impact of bureaucratic power on integration efforts. For example, in talking about the EEC this author notes:

National administrators are by nature protective and conservative and even those who are firmly committed to the principle of economic integration will vigorously defend the systems and policies for which they are responsible."¹²¹

Similarly, other scholars have pointed out that successful regional integration requires "a partial but significant abdication of national power to multinational authority," and that regional integration aims and goals often appear incompatible with national interests.¹²² Thus, even if a significant level of agreement exists concerning the more technical aspects of a problem, a certain minimum level of political will to compromise must exist and be juxtaposed

¹²⁰ See Milenky, The Politics of Regional Organizations, chapter 4.

¹²¹ Lawrence Schienman, "Economic Regionalism and International Administration: The European Communities Experience," in Robert S. Jordan, ed., International Administration: Its Evolution and Contemporary Applications (New York: Oxford University Press, 1971), p. 209.

¹²² Joseph Grunwald, Miguel S. Wionczek and Martin Cornoy, Latin American Economic Integration and U.S. Policy (Washington, D.C.: The Brookings Institution, 1972), p. 10.

with the political ability to compromise, before the probability of compromise can be said to exist.

"Equity" vs. Efficiency

One of the core problems of whatever may be attempted in the realm of integration efforts between nation states is the problem of equity. This problem has been pointed out by many authors.¹²³ As succinctly discussed by Wionczek:

Whatever form future industrial cooperation takes within the framework of a small regional grouping--the harmonization of industrial development plans, a common investment policy, or joint elaboration of individual industrial projects--the grouping's success will depend on solution of the thorny problems of new industries in a way considered equitable by all participants. . . .
 . . . the concept of equal participation in integration gains has been gradually broadened to compromise four essential aspects of economic integration for development: balance of payments effects, overall growth rates, industrialization, and relative levels of development.¹²⁴

When pursuing the overall objective of obtaining both equity and efficiency within an organizational structure, the problem is to induce countries to participate in a particular project or general scheme and to feel that they have an acceptable level of benefits, while at the same time remaining

¹²³In particular see, Blough and Berhman, Regional Integration and the Trade of Latin America; also Milenky, The Politics of Regional Organization. Additionally, see Berhman, The Role of International Companies, chapter 4.

¹²⁴Miguel S. Wionczek, ed., Economic Cooperation in Latin America, Africa, and Asia (Cambridge, Mass.: MIT Press, 1969), introductory section and p. 15.

as close as possible to an international level of competitiveness.¹²⁵

"Polarization"

The problem of "polarization," simply described, is the growth of industrial poles as industries concentrate in certain areas while, at the same time, many other areas or regions of a country continue to stagnate. At certain levels of economic disparity between regions, leaders in all countries fear the effect of polarization on their countries. Various measures have been adopted by different integration efforts in an attempt to cope with this problem.

An attempt at alleviation of this problem in the CACM structure was the "integration industries" idea. Similarly, ANCOM has attempted to institute sectoral development. In its essence, the problem relates to the fact that the lesser developed members in any grouping fear that their lack of ability to compete advantageously with the more developed members will lead to situations in which the former are limited to developing industries in only the few areas in which they have some advantage in competition, and, consequently, that this production will concentrate in only a few

¹²⁵As posed by Berhman: "The crux of the problem is to find an appropriate trade-off between efficiency (in an economic sense) and equity (in the sense of division of benefits) that still permits worldwide competitiveness." Berhman, The Role of International Companies, p. 5.

geographical "growth poles" while many remaining areas stagnate.¹²⁶

CACM, LAFTA, and ANCOM have attempted to implement measures to combat polarization without notable success. It has become evident that production may have to be controlled if polarization is to be avoided. Additionally, fiscal and monetary arrangements may be necessary to influence the geographical location of project enterprises, or "package deals;" for several projects may have to be negotiated at once to insure a proposal which is acceptable to all participants.

Cost/Benefit Distribution

A consideration of both the costs and the benefits of each of the participants of any integration project is often the sin qua non for success of the project. As previously mentioned, calculations of costs and of benefits vary and are complicated by various factors, including the disparity of aims among participants. Many factors add to the complexity of cost-benefit calculations. Included in this list would be such items as the number of participants, extreme differences in levels of economic development, the priority of economic versus social achievements, and the question of whether or not to establish the previously mentioned "equitable" solution or to attempt to be most efficient. To

¹²⁶ See, in particular, for a discussion of this topic, Garbacz, Industrial Polarization.

complicate any rational calculation of costs and benefits still further, it must be added that an unbalanced flow of trade within an area does not constitute an unequal distribution of benefits per se; a rational estimate of costs and benefits also depends upon the type, quality, and degree of international competitiveness of the products traded.

Furthermore, the acceptable level of costs may also vary from country to country depending upon governmental characteristics such as degree of centrality of decision-making authority within a country, financial positions, and other factors.¹²⁷

Measures to affect the distribution of benefits and costs are required for any integration scheme. As pointed out by Behrman, Robson and others, two essential distributions of benefits must exist within an integration scheme for it to be initially accepted and implemented, and to continue subsequently to operate successfully.¹²⁸ First, measures must be adopted so that potential participants will view the overall profit of joining an integration scheme as greater than that for remaining outside the scheme. Secondly,

¹²⁷ United Nations Conference on Trade and Development, Current Problems of Economic Integration: The Distribution of Benefits and Costs in Integration among Developing Countries (TD/B/394), 1973.

¹²⁸ Behrman, The Role of International Companies; United Nations, Fiscal Compensation and the Distribution of Benefits, by Robson; and Wionczek, Economic Cooperation in Latin America.

the distribution of costs and benefits must attempt to equalize burdens on an "equity" basis to cover the nonquantifiable, but nonetheless real, long-term economic, political, and social objectives of most developing nations. Put succinctly, both types of distributive measures for costs and benefits are necessary:

. . . the first because, without it, some countries would not participate and there would be no integration scheme, and the second, because, in the long view, the problems affecting one member country necessarily affect all the others, and "non quantifiable" distribution would have to solve the most pressing problems of the integration area as a whole, as it would those of relatively less developed countries.¹²⁹

Many different measures have been adopted to effect distribution of costs and benefits in integration schemes. A sample listing, by no means inclusive, would include industrial licensing arrangements, allocation of industrial activities according to specific agreements, development banks, community corporations, transfer taxes, special funds, integration industries schemes,¹³⁰ and fiscal incentives.¹³¹

The frequent lack of reliable statistical data is a problem in calculating costs and benefits. Additionally, many

¹²⁹United Nations, The Distribution of Benefits and Costs, p. 47.

¹³⁰In CACM "integration industries" were defined as those which "require access to the Central and American market in order to operate under reasonably economic and competitive conditions even at minimum capacity," United Nations, The Distribution of Benefits and Costs in Integration, p. 76.

¹³¹For a discussion of measures for distributing benefits and costs, see *ibid.*, chapter 4.

analyses are partial in that they do not encompass all facets of costs and benefits from the point of view of an overall national perspective. Factors which are hard to measure are often left out. Also, at different levels of development, benefits and costs mean different things to different countries; therefore, any analysis of costs and benefits should attempt to account for varying special circumstances, national objectives, and the national resources.

Common services such as NAMUCAR have specific costs and benefits associated with them. From the point of view of each potential participant, some of the costs and benefits of common services are related to:

- (a) the investment policy of the common service;
- (b) the way in which rates, fees and other operational rules and regulations of the common services are established;
- (c) the extent to which the common services offer employment opportunities to nationals of each country;
- (d) the place of procurement chosen by the common service authority for its capital equipment and current purchases;
- (e) the way in which the countries participate in the financing of the common services. The main significance of the common services from the standpoint of the distribution of costs and benefits is to be found in their influence on the location of the economic activity, taking into account in particular the influence of the location of the infrastructure on the potential pattern of development within the region.¹³²

The above description is by no means detailed, but is intended to highlight the fact that any project must attempt

¹³² Ibid., p. 14.

to deal with the distribution of costs and benefits in a manner which will appear "equitable" to participants, while at the same time, being minimally efficient.

9. Multinational Integration Projects

A major goal of most integration frameworks has been to reduce trade barriers between participants in the hope of taking advantage of economies of scale deriving from larger markets, or to stimulate industrial development by diversifying exports between nations whose previous trading levels were relatively low. In support of the overall goal of increased welfare through industrial development, "integration projects" have been discussed within the framework of most of the major integration organizations. The Latin American Institute for Economic and Social Planning has listed three main aspects which distinguish "integration projects." These identifying aspects are: "(a) their multinational character; (b) their contribution to the integration process; and (c) the necessity of a multinational institutional framework for their implementation."¹³³ Due to the previously discussed complexities of measuring costs and benefits and the possible differences in goals of the various participants, the determination

¹³³United Nations Conference on Trade and Development, Current Problems of Economic Integration: The Role of Multilateral Financial Institutions in Promoting Integration among Developing Countries, 1975, p. 16. This definition is qualified, however, to include special projects, e.g. assistance by one country to another.

of whether or not a particular project contributes to integration has become, in practice, extremely difficult. However, in the absence of a consensus, various factors may be analyzed to attempt to identify the boundaries of a category of activities which could be termed "integration projects." Three factors to consider are: "(a) participation of investment capital from different sources; (b) different origins for the various inputs; and (c) the market served, whether for goods or services."¹³⁴ Even with these guidelines, most integration frameworks have been unable to decide upon and implement "integration projects" effectively. The reasons for this lack of success, some of which have been summarily discussed, are complex and multifaceted.

Obstacles in LAFTA and CACM

Examples of benefits sought by LAFTA would be to expand trade, to eliminate the chronic trading deficit within the zone, to make production to scale possible, to avoid political isolation, to create group solidarity, and to increase foreign exchange earnings.¹³⁵ Simple costs to be avoided include the prevention of any further deterioration of trading positions, the safeguarding of existing industry, and the continuance of national policies of import substitution. For

¹³⁴ Ibid.

¹³⁵ Milenky, The Politics of Regional Organization, chapter 4.

the larger and more developed countries of the zone, such as México and Venezuela, typical goals have been to secure their percentage of existing trade in the zone or to expand and diversify that trade, to act as zonal leaders in hemispheric matters, or to reduce balance of payments problems. In attempting to secure desired benefits and to avoid costs, many problems developed. A major problem encountered by LAFTA, and by CACM to a lesser degree, was the disparity of economic levels of development of participating nations.¹³⁶ A second problem previously mentioned was a lack of political "will" in these organizations to reach compromises on sensitive issues. A third was the high price of intra-zonal transport costs in relation to the transport costs of dealing with extra-regional countries.¹³⁷

For LAFTA decision makers the division of states into various groups, some seeking an exclusive emphasis on trade, some desiring direct developmental assistance as the price

¹³⁶ Martin Carnoy, Industrialization in a Latin American Common Market (Washington, D.C.: The Brookings Institution, 1972), p. 18.

¹³⁷ This has been partially disputed by Brown, who examined major trade routes for certain products for several major Latin American countries and concluded that rates charged to Latin American countries were not significantly higher than those charged to other countries (e.g., Britain, Japan, the Netherlands, and the United States) for similar services. However, he acknowledges that higher rates are charged for both the Northern and Southern parts of the continent, especially where short distances and high cargo handling costs enter the picture (e.g., for non-containerized shipments). Brown, Transportation and Economic Integration, chapter 7.

for cooperation, and still others desiring an allocation of development projects according to a project-by-project approach with specific agreement on each project, has proved to be an intractable problem.¹³⁸ The LAFTA framework has been described by Milenky as being characterized by "a series of structures in which largely monolithic national states confront each other for negotiations on a variety of levels of specialization and formality."¹³⁹ Furthermore, this system is one in which "there is little interpenetration between politics at the regional level and politics at the national level, and little or none at the transnational level."¹⁴⁰ The net result, within the LAFTA framework, has been negotiations on a product-by-product basis, and a situation in which expanded exports and consolidation of existing trade were the main benefits sought. Within this negotiating framework, the stimulus of solidarity for mutual assistance for national development goals became a distinctly secondary consideration.

In Central America, obstacles to integration included the lack of an adequate transportation network, the number of sovereign states, the lack of product diversification, the effects of inflation, and differing levels of development.

¹³⁸ Milenky, The Politics of Regional Organization, chapters 4 and 5.

¹³⁹ Ibid., p. 34.

¹⁴⁰ Ibid., p. 35.

Many specific problems arose in the attempted implementation of Central American "integration industries" scheme.¹⁴¹ Not the least of these problems was the fact that the CACM structure lacked adequate measures for the control of foreign capital and investments, or power to regulate the activities of the great international corporations. This lack of ability to protect the market environment created by CACM led to its being dominated by American "super corporations," to the detriment of the original idea of creating Central American counterparts.¹⁴² The pre-emption of Central American markets by these extra-regional giants was not the sole reason for the failure of the integration industries idea, however. From the beginning, the list of industries selected as "integration industries" was not thoroughly planned, nor did it represent an industrial program for the region.¹⁴³ Additional problems included the necessity of obtaining permission from all five member governments for each integration industry scheme.

¹⁴¹See, in particular, Francisco Villagran Kramer, Integración Económica Centroamericana (Guatemala: Universidad de San Carlos de Guatemala, 1967). For the agreement on the Regime for Central American Integration Industries, see Wionczek, ed., Economic Cooperation in Latin America, Africa, and Asia, pp. 120-126. For a particularly cogent discussion of the United States' opposition to the "integrated industries" scheme, see Cochrane, The Politics of Regional Integration, pp. 209-220.

¹⁴²See Jaguaribe, Political Development, pp. 466-467.

¹⁴³United Nations, The Distribution of Benefits and Costs, pp. 75-76. For a thorough discussion of the problem encountered in the attempted promotion of the integrated industries idea, see *ibid.*, p. 75-91.

Finally, CACM officials suffered from a lack of promotional machinery and from the lack of finance capital to promote specific "integration industry" projects.

The inability to implement sorely needed projects within the LAFTA, CACM, and CARICOM frameworks fostered a desire among many pro-integration factions to seek out new, more flexible mechanisms which would be capable of solving pressing problems on a short term and ad hoc basis while at the same time fostering the long term regional development goals. This search culminated, in 1975, in the creation of the Sistema Economica Latinoamericano (SELA) and, almost simultaneously, in the formation of NAMUCAR.

C. The Status of Political Community
among Caribbean Basin Area States at
the Time of Formation of NAMUCAR

This section presents a summary, based on the previous sections, of the overall situation faced by the states which attended the initial NAMUCAR formation conferences in México City, México, and San José, Costa Rica, during 1975. Pentland has suggested that it should be possible to assess the degree of "political community" which exists between any given system of states, at a given point in time, along the four dimensions previously discussed. Recapitulating briefly, these dimensions refer to the structures and processes of decision making, the performance of functional tasks, patterns of

collective social behavior, and collective political attitudes.¹⁴⁴

Pentland further suggests that it ought to be possible to establish at least a rough typology to describe groups of states in relation to where they fall along each dimension. As posited by this author:

It should be evident that there will be a wide variety of possible types of community, according to the extent that the system has become integrated in each dimension. As the basis of a crude typology let us take four ranges of points on each dimension: non-integration (below the threshold); low integration (just above the threshold); medium integration; and high integration (approaching but still well below the theoretical maximum). It should then be possible to describe groups of states according to where they fall along each dimension.¹⁴⁵

In attempting a typology, however crude, it is neither possible nor desirable to avoid the problems encountered in weighing the variables, nor the problems encountered when attempting to estimate the strength of linkages between dimensions. As succinctly put by Pentland:

There is no denying the problems of weighting the variables. This problem arises in many theoretical formulations in political sciences; it is resolved generally by a reliance on a single powerful factor, by ruthless but explicit trimming and simplifying of the model, or by an agnostic falling back on the

¹⁴⁴ See Pentland, Integration Theory, chapter 6. "Political Community," is defined by this author, "as the condition of a system which is integrated above a certain level in each of four dimensions. These four dimensions have to do with decision-making, the performance of functional tasks, patterns of social behavior, and political attitudes," p. 127.

¹⁴⁵ Ibid., p. 209.

presentation of the model as a "conceptual framework." The last alternative, for all its inconclusiveness, has a certain utility for a study in the chaotic state in which integration-theory finds itself.¹⁴⁶

What has been attempted throughout this study, therefore, represents a conscious decision to compromise between simplicity and manageability on one hand and comprehensiveness and sensitivity on the other.¹⁴⁷

It is not prudent to classify the particular grouping of nations of the Caribbean Basin area as a "system" in other than the most generic sense. Therefore, it would be unfair to attempt to analyze Pentland's third and fourth dimensions, "patterns of collective social behavior" and "collective political attitudes," until some of the nation-states of the region have been analyzed in greater detail.

For this reason a summary statement relating to these two dimensions is undertaken at the end of Chapter Six. What is presented here is a brief evaluation of the conditions extant in the "system" under study, at the time of the formation of NAMUCAR, in the "decision-making" and "performance of functional tasks" dimensions.

1. The Decision-Making Dimension

All of the major integration frameworks which have been ratified by and between nation-states of the Caribbean

¹⁴⁶Ibid., p. 208.

¹⁴⁷Ibid.

Basin area have been fundamentally concerned with systemic "decision making" capabilities in a broad sense. This is to say that, although the initial goals of such organizations as CACM, CARICOM, and LAFTA were not necessarily expressions of a desire to approach a "federalist" framework of supra-national organizations which would operate with superordinating authority over member governments, these organizations have all attempted, to a greater or lesser degree, to establish a decision-making forum for political consensus and for the subsequent implementation of systemic decisions.

The status of the major integration frameworks to which nations of the Caribbean Basin area belong has been briefly discussed in an attempt to point out the problems both many and obvious that these organizations have encountered in attempting to solve decision-making problems in general, and in the area of multinational enterprises in particular. In the specific area of concern of this study, i.e., multinational enterprises, the major regional integration frameworks have all, with the partial exception of ANCOM in certain specific areas, been largely ineffectual in arriving at a broad framework within which multinational enterprises and "integration projects" could be decided upon and implemented. Within the frameworks of LAFTA, ANCOM, CARICOM, and CACM, the decision-making ability to implement specific multinational projects had met with only limited success by 1975,

and with no notable success in the area of maritime transport in the Caribbean Basin.¹⁴⁸

On the positive side, particular importance must be given to the interactions and meetings of various Chiefs of State of regional nations. Especially within CACM and CARICOM, and in meetings between the Presidents of Venezuela and México with various Chiefs of State in the region, the subject of multinational cooperation for specific projects has repeatedly arisen--and various multinational projects have actually been implemented.¹⁴⁹ Since for many, but not all, of the nations under study, a decision made by the Chief of State to participate in a particular multinational project usually leads rather directly to national participation, a potential decision-making capability for multinational area nations can be induced to support a particular project.¹⁵⁰

¹⁴⁸ Except for WISCO, see chapter 4, section 5, of this study.

¹⁴⁹ In particular, along with the previously mentioned FERTICA, other examples would include: *Cáfe Suaves Centrales, S. A.*; projects in development such as an aluminum plant to be owned jointly by Trinidad and Tobago, Guyana, and Jamaica; Jamaican and Mexican ownership of a bauxite processing plant; and various proposed hydroelectric companies which will have multinational ownership. Comercio Exterior 22 (Sept. 1975): 364-65.

¹⁵⁰ This statement must necessarily be qualified for certain states. As an example relating specifically to NAMUCAR, Colombian representatives to the NAMUCAR conferences agreed to Colombian participation, but were halted throughout 1975 by the refusal of the Colombian Congress to ratify the Convenio Constitutivo of NAMUCAR.

In the area of maritime transport, there are essentially four roles in which systemic organizations could function to affect conditions. These four roles are:

(1) that of guardian of the national interests of member states and of the systemic interests as a whole; (2) that of initiator of consultations to encourage regional shippers to organize and as a persuader to effect negotiations between shippers and conferences; (3) to provide, in a support capacity, assistance for the operation of shippers' councils and consultation machinery; (4) that of direct participant in consultations as either a shipowner or shipper.¹⁵¹

Although the discussion of the many factors relevant to the maritime transport situation has been necessarily brief, the decision-making capabilities of the nation-states of the Caribbean Basin area, when judged as a system of states prior to the formation of SELA or NAMUCAR, must necessarily be judged as "low" or non-existent with regard to the four specific functions listed above. A general characteristic of the decision-making capabilities of the major regional organizations operating in the Caribbean Basin area has been a lack of central institutions capable of arriving at consensus decisions on political issues or of enforcing regulations which are decided upon.

¹⁵¹These roles were identified for national governments in United Nations, Consultation in Shipping, p. 24.

2. The Functional Dimension

As of 1975, the nations of the Caribbean Basin area had very little direct influence over their intra-regional maritime transport situation. As described in the discussion and tables in Chapter Four, the intra-regional maritime transport situation is one that has developed largely independently of any collective governmental actions, with the partial exception of WISCO. The smaller nations and territories of the region, which have no significant merchant marine tonnage of any variety, are largely limited to national actions affecting their ports and territorial waters. However, as discussed, the ever-increasing need for foreign commerce of all of the countries of the region has largely dictated that the shipping situation remain relatively free to provide essential maritime transport services, regardless of felt inadequacies of service schedules, routes, and freight rates.

As a system, the group of states which has been included under the term "Caribbean Basin area" nations has very few functional decision-making structures and processes in the area of maritime transport, and those that do exist have been largely ineffectual. Although, as has been discussed, many of the international organizations operating in the Latin American area have concerned themselves with highlighting the maritime transport problems faced by the nations of the Caribbean area in general, and have investigated a selected number

of specific problems in great depth, the results of these studies have not resulted in the organization of strong regional shippers' councils, shipping conferences, or of any other organizations within the frameworks of which effective actions can be implemented to regulate maritime rate and services, and to counterbalance the power of extra-regionally owned and controlled shipping lines and conferences.

Although ALAMAR was successful in deciding upon a fairly ambitious program for cargo reservation in support of national flag line carriers, only the major maritime countries of Latin America have been able to implement cargo reservation policies, and then only on some products.¹⁵² For the majority of the nations of the region, which do not have significant merchant marines, there has been no organization which has functioned to represent their interests, nor which was capable of arriving at decisions in which a common position on maritime matters affecting them could be reached. As previously mentioned, incorporation of the diverse interests operating in the Caribbean Basin into a subregional maritime organization poses an almost insurmountable problem due to the heterogeneity of vessel types, owners, and small organizations operating in the intra-regional trade.

WISCO represents the major operational example of multinational decision-making in the specific area of

¹⁵² See United Nations, Study of Inter-Latin American Trade, chapter 6.

intra-regional maritime transport in the Caribbean Basin area; however, as mentioned, WISCO had proved to be a burden to all the participant nations and the object of increasing criticism for deficiencies in managerial and administrative organization.

Although CARICOM had attempted to establish a Caribbean Shipping Corporation to service, at a minimum, member countries, the only significant progress which has been made by 1975 was the suggestion made by a Working Party of Government Officials that CARICOM, WISCO, and the Caribbean Development Bank jointly study the problem.¹⁵³ Thus, as of 1975 the status of functional cooperation among CARICOM governments in the area of maritime transport had been summed up as a situation in which:

Even within the region itself, the CARICOM governments have not been able to resolve satisfactorily the problem of their inter-island sea transport, which is not well organized and lacks equipment appropriate for service in some areas. Nor have the governments squarely faced the problem of whether or how to cooperate in the matter of rationalization and coordination of port development and investments on a regional basis.¹⁵⁴

¹⁵³ See chapter 4, section 7, of this study. Subsequent to the successful inauguration of NAMUCAR, significant progress was made towards the establishment of an intergovernmental shipping company among CARICOM members and, in May 1976, a maritime agreement was signed among CARICOM members to establish a "Caribbean (English-speaking) shipping company." Comercio Exterior 22 (August 1976): 310.

¹⁵⁴ United Nations, Issues in Ocean Transportation, p. 2.

From the broader perspective of cooperation and agreement as to structures in which functional needs can be met, various regional and sub-regional organizations have been developed to aid Caribbean Basin area nations with specific multinational projects. As previously mentioned, ECLA, the IDB, and the Caribbean Development Bank are organizations to which increased countries have always been able to appeal for assistance in the analysis of specific "integration projects." In particular, the Caribbean Cooperation and Development Committee (CCDC) was established, in 1975, as a permanent subsidiary organizations operating within the ECLA framework to promote Caribbean development projects.¹⁵⁵ This organization is specifically designed to be of service to all of the countries in the Caribbean Basin area, and to all territories in this sub-region as soon as they are granted independence.¹⁵⁶ One of its principal objectives, which will be discussed in more detail in the following section, is the promotion of specific multinational enterprises to be owned and operated directly by both national governments and private regional groups.¹⁵⁷

¹⁵⁵ CCDC was established by Resolution Number 358, 16th period of sessions of ECLA held in Puerto Espana in May 1975. See Notas Sobre la Economía y el Desarrollo de América Latina, Servicios Informativos de la CEPAL, No. 204, December 1975.

¹⁵⁶ Ibid., p. 4.

¹⁵⁷ Prologue and Article 4 of the Declaración Constitutiva del Comité de Desarrollo y Cooperación del Caribe, ibid., p. 3.

In summary, although it would be difficult to rate the status, by 1975, of "political community" in the functional dimension of maritime transport in the Caribbean Basin area as other than well below any minimal threshold level of integration, it can be seen that from a broader perspective the outlook was not so bleak. Various organizations were operating in the area which were assisting in attempts to increase the level of functional cooperation, and which were encouraging countries to seek out other problem areas amenable to the application of multinational solutions.

D. SELA, the CCDC, and NAMUCAR:
Process Mechanisms

An intent of this chapter has been to highlight economic, political, and social forces which affected Latin America in general and the Caribbean Basin area specifically, and which influenced the "system" of states in that latter sub-region to take those actions which led to the formation to NAMUCAR. As previously mentioned, these institutional and environmental forces and factors correspond to what Rosenau has labeled "environmental outputs" in that they are impulses which are engendered in the external environment, and which "call for action, either by the system or by each polity upon which they impact."¹⁵⁸ At the systemic level, these "environmental outputs" may be dealt with by the "process mechanisms"

¹⁵⁸ See footnote 3 of chapter 4 of this study.

available to the system. In systemic terms, "process mechanisms" are those institutional arrangements which exist in any system which are capable of functioning to convert demands into outputs.¹⁵⁹ Nineteen hundred seventy-five was the year in which formal negotiations began concerning NAMUCAR. In this same year, two other organizations were being created to serve as "process mechanisms" for regional integration project implementation.

The Latin American Economic System (SELA) was created in Panama in 1975 as a new direction for Latin American integration. Specifically, SELA was intended to help circumvent the ruptures in the various regional integration efforts by creating a permanent framework for the promotion of intra-regional economic and social cooperation, both within the framework of other international organizations and before other countries or blocs. Created under a purposely broad charter as an organization whose fundamental purposes are to "promote intra-regional cooperation" by developing a "permanent system of consultation and coordination" to facilitate the adoption of common positions and strategies, SELA was intended to supplement all existing integration mechanisms with a permanent body dedicated to the resolution of both long-range economic and social problems and shorter-term problems in which it

¹⁵⁹ For a discussion of political systems in terms of demands and outputs, see Easton, A Framework for Political Analysis.

might be possible to interest smaller groups of countries to take action toward joint solutions through specific projects.¹⁶⁰

In this latter regard, fostering the formation of multinational enterprises is a fundamental objective of SELA and, as specifically authorized in the charter, the Permanent Secretariat is charged with initiating and conducting studies to identify and promote projects of interest to two or more member states.¹⁶¹

The organization is to consist of the Latin American Council, the Action Committees for specific projects, and the Permanent Secretariat. With this type of flexible organic structure, SELA is intended to promote several basic aims. As outlined in the Constituting Accord, these aims are:

- (1) to promote regional cooperation for the purpose of achieving integral, self sustained and independent development. . . ;
- (2) to share regional integration processes and coordinate activities among them, or with SELA member states, especially in actions leading to harmonization and convergence, while respecting the commitments assumed within the framework of these processes;
- (3) to promote the formulation and execution of economic and social programs of interest to member states;

¹⁶⁰ Articles 2 and 3, El Convenio de Panamá, which created SELA. El Convenio is reproduced in its entirety in Notas Sobre la Economía y el Desarrollo de América Latina, CEPAL, No. 202, November 1, 1975. SELA is currently composed of twenty-five Latin American member countries. The treaty went into effect in May, 1976, upon ratification by a majority of the signatory countries. See Comercio Exterior 22 (July 1976): 263-64.

¹⁶¹ Article 31, El Convenio de Panamá, *ibid.*

- (4) to act as an agency of consultation and coordination in Latin America, and to formulate common positions and strategies on economic and social matters before third countries, groups of countries, and in international organizations and councils;
- (5) to promote, in the content of SELA's intra-regional cooperation, objective means to insure preferential treatment for the relatively less developed countries and special measures for limited market countries and those whose land-locked condition curbs their development, taking into consideration the economic considerations of each member state.¹⁶²

A major concern of the new organization is to foster the creation of multinational enterprises. Towards this end, Action Committees will be formed either by the Council or by any member country or countries for the purposes of conducting studies, programs, or specific projects for the interested states.¹⁶³ These committees will be funded only by those who are interested in the project, and only those countries which desire to participate in each project will be obligated to comply with the objectives of the particular regional integration scheme.¹⁶⁴ Furthermore, each Action Committee will dissolve upon the commencement of the project, after providing the Permanent Secretariat with a complete record of its activities.¹⁶⁵

¹⁶²Condensed from El Convenio de Panamá as appearing in Comercio Exterior 21 (November 1975): 437.

¹⁶³Ibid., Article 20.

¹⁶⁴Ibid., Articles 22 and 24.

¹⁶⁵Ibid., Articles 20-26.

Of particular importance to the functioning of SELA is the potential role of the Permanent Secretary. With a headquarters in Caracas, Venezuela, the Permanent Secretary heads the permanent administrative body of SELA¹⁶⁶ and will have a term of office of four years. As a type of roving ambassador, the secretary is authorized to initiate and carry out preliminary proposals to identify and promote projects of interest to two or more states on a working level, and to make similar proposals to the Council concerning projects of general regional interest.¹⁶⁷ With this broad mandate, it is felt that the Secretary will have the flexibility to promote the initial studies necessary to overcome national inertia with respect to projects of obvious common interest to any group of states.

In essence these projects are joint ventures among two or more nations, often with private participation, which are designed to operate outside formal integration mechanisms for a common purpose. It is hoped that flexibility in the formation of these types of enterprises will allow a much greater latitude for economic differences between participant members. Although the problems are many, the development of

¹⁶⁶ La Secretaría Permanente.

¹⁶⁷ El Secretario Permanente may be re-elected once, but not for the consecutive four-year period. Additionally, successive Secretarios may not be chosen of the same nationality. Ibid., Article 28. The first Secretario Permanente is former Finance Minister, Jaime Moncayo García.

SELA to promote multinational projects reflects the growing interest of all regional countries in overcoming the structural roadblocks which have developed within more formally structured integration mechanisms in the region.

The Caribbean Cooperation and Development Committee (CCDC) was established in 1975 as a permanent subsidiary organization of ECLA. The primary purpose of the CCDC is to promote development projects in the Caribbean Basin area. A second primary function is to coordinate and harmonize cooperative activities between the island nations of the Caribbean and the member countries of ECLA.¹⁶⁸ In many respects, the CCDC is to function in the Caribbean Basin area in a manner similar to SELA's intended functioning for the Latin American region as a whole, and it has been formed as a response to the acknowledged diversity of cultures and peoples living in the Caribbean Basin area--a diversity which has, as mentioned previously, largely resisted past efforts at coordinated activities in many functional areas.¹⁶⁹

Following the flexible structure for membership utilized by CARICOM, the CCDC is designed to encompass all countries which are "within the action sphere of the ECLA

¹⁶⁸ For the complete list of La Declaración Constitutiva del Comité de Desarrollo y Cooperación del Caribe, see Notas Sobre La Economía y el Desarrollo de América Latina, CEPAL, No. 204 (December 1975).

¹⁶⁹ Ibid., p. 2.

office in Port of Spain (Trinidad), the governments of Cuba, Haiti, and the Dominican Republic, and other countries of the Caribbean as they gain their independence."¹⁷⁰ Within the structure of the CCDC, particular importance has been given to negotiations concerning joint policies in industry, transportation, energy, and other vital areas of concern. To assist in the implementation of specific projects in these and other areas, the technical committee of the CCDC is charged with analyzing the foreign trade situation of the region, and utilizing the experience accumulated by CARICOM and other organizations to foster cooperative mechanisms.¹⁷¹ In particular, the CCDC is responsible for analyzing the possibilities for the creation of multinational enterprises, within the subregion, which would be owned and operated directly by the states of the area or by their nationals.¹⁷² This is exactly the type of framework within which NAMUCAR was formed.

NAMUCAR

On December 1, 1975, representatives from Mexico, Nicaragua, Costa Rica, Venezuela, Jamaica, Cuba, Colombia,

¹⁷⁰Resolution No. 358, 16th Period of Sessions of ECLA, Port of Spain, May 1975, as quoted in *ibid.* Countries in attendance at the first reunion of the CCDC included Barbados, Bahamas, Cuba, Grenada, Guyana, Haiti, Jamaica, the Dominican Republic, Trinidad and Tobago, representatives from various territories desiring independence, and from several other international organizations. See *ibid.*, p. 1.

¹⁷¹La Declaración Constitutiva del Comité de Desarrollo y Cooperación del Caribe, Article 1 and 2.

¹⁷²*Ibid.*, Article 4.

and Panamá met in San José, Costa Rica to sign a charter for the establishment of the Naviera Multinacional del Caribe (NAMUCAR). Capital contributions of \$500,000 per member were made by six of the countries during the ceremony.¹⁷³ The signing ceremony was the culmination of a negotiating process which had begun two years earlier, and during which more than 200 delegates had participated as representatives of seventeen nations. The announced reasons for the creation of NAMUCAR were to improve the intra-regional trade situation in the Caribbean by the creation of a flexible multinational enterprise which would also demonstrate the viability of the pragmatic forces of the newly proposed Latin American Economic System (SELA).

At the initial NAMUCAR conference held in México City, an original draft proposal called for a total capitalization of \$100 million (U. S. dollars). Under the terms of this agreement, two series of stock shares would be issued. These series could be purchased by governments or state corporations, with the initially agreed upon allocation being 60 percent to be subscribed by governments and 40 percent by state corporations and certain other non-national investors. Foreign capital was to be totally excluded. The initial

¹⁷³ Colombia claimed an inability to join in the charter until it had been ratified by the Colombian Congress. Panamá expressed an inability to raise the basic capital.

capitalization was to be \$30 million, and was to be paid within a six-month period from the date of incorporation.

At subsequent meetings in San José, Costa Rica, the plans were modified to reduce the initial assessment to \$500,000 per member. Included among the initial proposals were plans to charter two vessels for a one-year trial period to determine traffic characteristics in the region. It was also tentatively decided to touch the major ports of participants approximately once every twenty days on two main routings.¹⁷⁴

NAMUCAR is legally a corporation. It is not governed by the legislatures of member countries; however, each member country's stock is voted by its representative in accordance with each government's instructions. There are two series of stock. Series A (nationally owned) shares may vote in accordance with a one share-one vote plan. Series B shares will be sold to private enterprises, labor unions, and public or private corporations of the region, but will have controlled voting rights.

The Acta Final de la Conferencia Constitutiva of NAMUCAR gives it the power to prepare, commission, and operate all types of merchant ships; construct, install, and exploit shipyards, docks, repair facilities and wharves,

¹⁷⁴ See Acta Final de la Tercera Reunión Ordinaria de Representantes de los Estados Signatorios del Acuerdo Constitutivo de la Naviera Multinacional del Caribe, NAMUCAR.

acquire through other means and operate all types of merchant ships or other devices.¹⁷⁵

The attitude publicly expressed by the initial signatory countries was eloquently summed up by President Echeverría of México at an initial technical meeting in México on April 14, 1975, as follows:

It was time to put aside fear and inferiority complexes and to create the Caribbean Multinational Steamship Company (NAMUCAR); to do otherwise would be to continue to be in the hands of North Americans, Asiatics, and Europeans.¹⁷⁶

This view was seconded by Ovalle Fernandez, the first Secretary of NAMUCAR who was quoted as saying that NAMUCAR is one of the first concrete actions taken with a view to securing the economic independence of Latin American countries, and that what was at stake was much more than the enterprise itself; rather, it was an entire plan for the integration of Latin America.¹⁷⁷

Service began in March 1976 with the ship "City of Bochum," and rapidly expanded with the addition of two more vessels. During its first three months of operation, NAMUCAR officials reported that the company had already surpassed the cargo transportation figures announced for all of 1976.¹⁷⁸

¹⁷⁵ Acta Final de la Conferencia Constitutiva de La Empresa Naviera Multinacional del Caribe, Article 3.

¹⁷⁶ Quoted from a speech delivered by President Echeverría at an initial technical meeting on April 14, 1975, in México. Reprinted in La Nación, 16 April 1975.

¹⁷⁷ La Nación, 2 December 1975.

¹⁷⁸ See Comercio Exterior 22 (August 1976): 310.

CHAPTER FIVE
NAMUCAR AND NATIONAL
DECISION-MAKING
PROCESSES

When searching for explanatory variables to aid in an understanding of integration processes, attention must necessarily be given to forces, both active and passive, which influence the behavior of individual states. This is so because, in an international system of nation-states whose outstanding characteristic is a decentralization of superordinating authority, governments must be induced to participate voluntarily in any integration process. However, it must be pointed out that at least two caveats need to be added to any assessment of the international system as a purely consensual and voluntaristic one.¹ First, it is generally accepted that nations are linked together through economic, political and social interdependencies. Second, it is also obvious that

¹See Irvin L. White, Decision Making for Space (West Lafayette, Indiana: Purdue University Studies, 1970), pp. 8-9.

some nation-states have more freedom of action in any sphere of international relations than others.² In this regard, when assessing the forces which impinge upon a state's ability to arrive at purely sovereign decisions, Pentland lists three main categories of influences which affect a state's behavior toward its colleagues in an integrating system.³

These categories are:

. . . (a) needs and constraints arising in the general non-political environment of the state's decision makers - that is, from geographical, economic, technological, and cultural sources; (b) influences arising in political systems formally external to the state, including the global and regional international system, the integrating system, and domestic systems of other states; and (c) influences arising in the state's domestic and political system.⁴

However, when analyzing forces which more or less directly influence a state's policy in a given "issue area," no simple distinction can be made to separate the effects of certain forces (e.g., the ideology of certain international organizations such as ECLA) on the system as a whole from their effects on states as individual decision-making units.⁵ This

²Ibid., p. 9.

³See Pentland, International Theory, chapter 7.

⁴Ibid., p. 225.

⁵The term "issue area," utilized here, follows Rosenau's use of this term to refer to "categories of issues which affect a political process in sufficiently similar ways to justify being clustered together." See J. N. Rosenau in "Foreign Policy as an Issue Area," Domestic Sources for Foreign Policy, ed. J. N. Rosenau (New York: Free Press, 1967), p. 15, as quoted in Pentland, P. 220.

is so because the generally felt need for a systemic solution for certain problems pulls a nation toward integration while, at the same time, the forces engendered within a nation by that felt need push national decision-makers into taking specific actions on an issue. It can thus be postulated that the shipping situation in the Central American Basin area affects the system of states in that region through its perceived shortcomings in relation to needs, and that it simultaneously affects individual state actions as national decision-makers attempt to adjust demands and supports to arrive at national policies in regard to shipping. However, although major determinants of national goals have been identified as, for example, the interests of influential groups within a nation, the personalities of important leaders, the power position of the nation and the general climate of the times,⁶ each of these and other factors vary greatly in their importance and in their active effect upon different "issue areas." Furthermore, the complexities of the linkages between the national and the international system requires that both the research foci (i.e., upon political, economic, social, or cultural factors) and the level of analysis (i.e., system, nation, individual) be examined in relation to each specific "issue area" rather than simply as a generalized influence.⁷

⁶Sidney Dell, A Latin American Common Market? (New York: Oxford University Press, 1966), p. 91.

⁷As previously mentioned Mally, for example, lists 36 types of politically significant interactions across

At the level of states as individual and sovereign decision-making entities, this chapter attempts to show how various economic, political, and social factors interacted to cause NAMUCAR to become an "issue area" requiring active interest group elements to mobilize support for their positions vis a vis the formation of NAMUCAR.

A. Geographical Factors

As previously mentioned, the desire to improve transport systems between Latin American nations results directly from the physical obstacles which separate the nations of that region. In few other areas of the world do the geographical barriers and distances pose greater obstacles to intrazonal transport. In particular, for the Caribbean Basin area nations it is not necessary to do more than glance at a map to recognize that great distances and topographical obstacles combine to complicate efficient and cost-effective transport. Furthermore, although Latin America has developed and modernized inland transportation to the point where the region, as a whole, compares not unfavorably with other Third World areas, the problems of maritime transport in sub-regions such as the Caribbean Basin appear to be the most intractable. As briefly discussed, the historical environment in which the

nation-state boundaries. See Mally, The European Community, chapter 1. Rosenau posits 27 forms of linkages which could occur in each of his matrix's 144 different cells. Linkage Politics, p. 51.

peripheral areas of the Latin American coastline have developed was one in which development was largely in response to export possibilities with the world's more developed trading economies. This, as discussed in Chapter Four and as pointed out by Dell, Brown and others, has resulted in the corollary effect of a high cost of transport between many Latin American ports and has seriously impeded the development of area trade, both within the Caribbean Basin and for the region as a whole.⁸

The perceived inadequacy of maritime transport in the Caribbean Basin area has resulted in various types of national responses, from active governmental concern to apathy. However, the inescapable facts of geography dictate that maritime transport will be of fundamental importance for all the nations of this sub-region for the foreseeable future. For this reason, the formation of NAMUCAR could be expected to engender various responses and actions from extra-national, national, and sub-national interest groups and actors.

B. Influences from External Political Systems

1. The Global International System

The importance of the international setting on national decisions, with its favorable or unfavorable active and passive factors, cannot be overemphasized. For example,

⁸ Ibid.; and Robert T. Brown, Transportation and the Economic Integration of South America (Washington, D.C.: Brookings Institution, 1966).

as pointed out by Cochrane, external factors which impacted upon the Central American integration movement include such active factors as the "integration doctrines" of ECLA and other international organizations, public and private sources of funds, and the attitudes of several key foreign governments such as, for example, the United States, Canada, and Great Britain. And there were influential passive factors, such as the geographical location of the members of that region in relation to each other and to the United States, the international economic situation within which the Central American governments existed, and the effect of international organization activities elsewhere in the world, which also impacted upon the Central American integration process.⁹ These major factors simply highlight a host of others whose contributions or impediments combine to make some joint actions feasible and others impossible for particular nation-states. With regard to NAMUCAR, these factors and forces were discussed in Chapter Four.

External National Actors

U.S.A.

Although the relationship of the United States to Latin America in general, and to the nation-states of the

⁹See Cochrane, The Politics of Regional Integration, chapter 8; Nye, Regional Integration.

Caribbean Basin area in particular, has undergone various changes in this century, there has always been a continuing high level of interest within the United States with respect to certain policies and actions of its hemispheric neighbors. This is the result of many factors, such as the region's geographical proximity to the United States and considerations of national security. The level of official U.S. interest has also varied, historically, in relation to such factors as level of development, ideology of government, and physical size and geographic location. It is, however, necessary to look beyond the role of government-as-actor for both many of the sources and for much of the substance of U.S. policies toward the Caribbean Basin area. Even when discussing a particular "issue area," it is very difficult to speak of a United States' position in a broad generic sense, since that position may not be representative of the interests and attitudes of various relevant interest groups and other non-governmental actors. Nevertheless, with respect to the overall development of the Caribbean Basin area, it is not incorrect to state that this development has occurred under political, economic, and social conditions which have been directly influenced, to varying degrees, by the paramountcy of the United States in the hemisphere. This control has not been all inclusive but, rather, has tended to coalesce around certain issues and/or actions.¹⁰ As succinctly put by one

¹⁰For a particularly incisive review of U.S. - Latin American relations see Julio Cotler and Richard R. Fagen,

scholar, the United States' control over Latin America has been relatively all pervasive but not monolithic.

Because of the pluralistic character of the American society and the multilinear relationship existing among its sub-systems and their integrating social groups, the American hegemony over the Latin American countries tends to be very broad, all pervasive, internally co-opted by several domestic groups, but not externally unified, except in moments of crisis or over issues concerning very relevant strategic issues.¹¹

The apparent contradictions in policy which can arise as a result of the structure of government and interest groups within the United States have become accentuated by the economic and political uncertainties of the 1970s. These contradictions have been particularly reflected in the area of regional cooperation for the development of joint industrial projects and enterprises. As a beginning to this discussion, it should be stated that the United States' attitude toward multinational enterprises (MEs) is not comprehensive. This situation has been described by Behrman:

Despite the fact that it presides over companies that control more international business than any other country, the United States Government does not have an overall policy towards international business as such. It has policies towards the international trade, technology transfers, capital movements, taxation of foreign income, anticompetitive actions abroad - that is, to specific acts of business. But it has no official policies towards any

eds., Latin America and the United States: The Changing Political Realities (Stanford: Stanford University Press, 1974); also see Jaguaribe, Political Development.

¹¹Jaguaribe, Political Development, p. 378.

particular form of business and none as to whether the ME form is desirable or not - except that "no policy" is itself a policy.¹²

In areas such as the Caribbean Basin, where the United States is confronted by an ever-growing number of multinational projects and enterprises, this ambiguity has resulted in a situation which often does not appear amenable to a simple U.S. government policy. On the one hand the United States must accede to the growing sense of urgency among regional countries to act jointly to solve pressing problems while, on the other, it must be responsive to powerful private and public interests.¹³

In the particular area of transport and trade, the ambiguity of the United States' position is often evidenced. For example, at the sixteenth session of ECLA's Commission in 1975, the Secretariat introduced various items relating to transport and transport facilitation.¹⁴ In particular, discussions were conducted concerning the UNCTAD's Code of Conduct for Liner Conferences and concerning the establishment

¹²Jack N. Behrman, Conflicting Constraints on the Multinational Enterprise: Potential for Resolution (New York: Council of the Americas and Fund for Multinational Management Education, 1974), p. 1. In this context, ME is used to refer to a multinational enterprise such as General Motors, IBM, or Shell.

¹³For a defense of the position that the U.S. has no policy towards the Caribbean as a region, See Segal, The Politics of Caribbean Economic Integration, chapter 1.

¹⁴See United Nations, Economic Commission for Latin America, Annual Report, 1974-1975.

of a Caribbean multinational merchant fleet. These discussions resulted in a resolution on transport, tourism, and telecommunications which was approved by the Commission.¹⁵ However, the United States delegation could not support this resolution. As quoted in an ECLA report:

The United States delegation expressed regret at being unable to support that resolution because of language implying the exclusion of some member States from some ECLA activities. It said, however, that the United States supported the objectives underlying the resolution, namely those of improving and facilitating transport in Latin America, and proposed to co-operate with ECLA and its member States to that end. Moreover, although it supported the Latin American countries' desire to increase their share of maritime transport, it felt that the test did not make sufficiently clear the advantages of wide competition.¹⁶

This ambiguity in U.S. support for Central American integration has been noted by various scholars. In particular, Cochrane observes that although the general attitude of the United States government toward Central American economic integration is one of support and approval, it has been strongly and publicly opposed to the "integration industries" idea from the beginning.¹⁷

¹⁵Approved by the Commission as Section B of Resolution 356 (XVI) on ECLA and multinational and regional cooperation. See *Ibid.*, Part III.

¹⁶*Ibid.*, p. 144. This ambiguity between expressed general support for regional development and concrete U.S. actions has been further exemplified by the provisions of the United States 1974 Trade Act, which caused great consternation among some Latin American governments.

¹⁷See Cochrane, The Politics of Regional Integration, pp. 203-214.

MARAD and the FMC

The two federal government agencies which deal with matters affecting the United States flag shipping industry are the Maritime Administration (MARAD) and the Federal Maritime Commission (FMC). MARAD, as an agency of the Department of Commerce, is concerned with assisting and promoting a strong American flag fleet. To this end, it is charged with promoting the use of U.S. flag services and administering the government's financial programs for U.S. shipbuilding and ship operating companies. The FMC is an independent agency which was established to regulate U.S. shipping and shipping laws. It also monitors shipping agreements, both among and between conferences and independents, that relate to the foreign and domestic maritime trade of the United States. Additionally, the FMC investigates all alleged violations of U.S. shipping statutes.

As the primary governmental agencies responsible for monitoring and regulating U.S. maritime interests, MARAD and the FMC are critical foci of attention in an analysis of the United State's position vis-a-vis a particular foreign shipping company or conference.¹⁸ In the particular case of NAMUCAR, the position of these agencies was relatively clear. Since all proposals regarding the operational routes to be

¹⁸For a summary of the history and functioning of the FMC see Goss, Studies in Maritime Economics, chapter 2.

serviced by NAMUCAR were specifically designed to have NAMUCAR function as an intra-Caribbean steamship company, the FMC was not officially concerned with the formation of the company. In this regard, it is important to note that this agency of the U.S. government will take action only when it can be shown that U.S. interests have been unfairly damaged. For these reasons, complaints concerning the formation of NAMUCAR did not result in any official U.S. actions. However, of particular concern, during 1975, to both the United States government and to various Caribbean governments was the outcome of a complaint filed on July 1, 1975 by Delta Steamship Lines, Inc., against the Flota Mercante, Gran Centroamericana (FLOMERCA) steamship line, concerning Guatemalan governmental decree No. 41-71. This decree, in essence, required shipment on Guatemalan flag or associated lines of all imports destined to Guatemalan individuals and firms which are exempt from paying import duties by virtue of Guatemalan law. Specifically, Delta charged that Decree 41-71 created conditions unfavorable to U.S. shipping interests engaged in the foreign trade of the United States.¹⁹

¹⁹Delta's suit alleged that Guatemala was in violation of section 19 (1) (b) of the U.S. Merchant Marine Act of 1920. (46 U.S.C. SS 876 (1) (b)). Decree 41-71 states that shipment on other than Guatemalan or associated lines would necessitate the imposition of a fine up to 50 percent of the freight rate for the shipment. Waivers could be granted through specific agreements with FLOMERCA. For details see Latin American Economic Report, 2 July 1976.

Throughout 1975 the FMC was involved in the investigation of Delta's complaint. On December 4, 1975, the FMC finally adopted a regulation under the authority of Section 19 of the Merchant Marine Act of 1920. This regulation would allow the FMC to assess an equalization fee of 50 percent of the ocean-freight cost of all cargoes exonerated under Decree 41-71 which are destined for Guatemala on Guatemalan and associated line vessels traveling from the United States. Additionally, the FMC requested that the State Department negotiate with the Guatemalan government to have 41-71 withdrawn in its entirety, prior to the institution of formal commission action. These actions were of concern to participants in the NAMUCAR formation conferences in that, as will be discussed in Chapter Seven, many participants at these conferences felt that NAMUCAR would have to resort to some form of cargo reservation to succeed.

The formation of NAMUCAR did not directly involve the export control, antitrust or balance of payments problems of the U.S. government - thus it avoided the three problem areas to which the U.S. government was most likely to react.²⁰ This combined with the fact that there is no definable U.S. maritime transport policy towards the Caribbean as a region which is distinct from regional policies in general. The overall situation, for the Caribbean island economies, has

²⁰See Behrman, The Role of International Companies, p. 13.

been described by Segal: "The economic problems of the Caribbean, unless they have political implications threatening U. S. security, have been considered secondary."²¹ Policies, such as they are, are primarily concerned with U. S. security interests, U. S. investments and citizens' interests, and the avoidance of unnecessary offense to regional governments or European allies.²²

Officially, the U. S. governmental position with regard to Latin American integration was summed up by Henry Kissinger in 1976 as follows:

We are eager to assist these integration movements and others that may arise in the future We welcome SELA and will support its efforts as its members may deem appropriate.²³

Other Extra-Regional Foreign Governments

For the island economies of the Caribbean Basin, and for certain other countries in the sub-region (e.g., British Honduras and Guyana) strong economic and political links have existed with their respective mother countries. These links have resulted in both competition for aid and for preferential commercial arrangements between the small island economies

²¹Segal, The Politics of Caribbean Economic Integration, p. 17.

²²Ibid., pp. 17-18.

²³Quoted from a speech delivered by Secretary of State Henry A. Kissinger speaking in Macuto, Venezuela, on February 17, 1976, as extracted from a report prepared by Mark B. Sindelar, Latin American Economic Integration, U. S. Department of State, 1976, p. 52.

and non-Caribbean powers, and have resulted in most economic integration attempts for this sub-region being, historically, between the Caribbean Islands and non-Caribbean nations.²⁴ Only with the weakening of ties to the respective mother countries have regionally oriented schemes such as CARIFTA and CARICOM become more important.

In the particular area of concern of this study, i.e., intra-regional maritime transport in the Caribbean Basin, clear governmental policies do not exist for potentially interested countries such as the Netherlands, Japan, or Great Britain. And, as will be discussed, the private maritime interests from these countries which operate in the intra-regional maritime transport trade have not been capable of engendering any significant governmental actions by these governments.

With regard to the Central American isthmus, the overall role of extra-regional governments in relation to economic integration efforts has been summarized by Cochrane.

The only foreign government that has played a crucial role in the Central American integration movement is the United States government. As a practical matter it is the only government that is in a position to play a crucial role.²⁵

²⁴This has been called the "predominant theme in Caribbean history" by William G. Demas, The Economics of Development in Small Countries with Special Reference to the Caribbean (Montreal: McGill University Press, 1965); and Segal, The Politics of Caribbean Economic Integration, p. 5.

²⁵Cochrane, The Politics of Regional Integration, p. 203.

Interest Groups

Numerous regional and extra-regional interest groups were interested in either fostering or opposing the formation of NAMUCAR. The creation of this multinational steamship company necessarily implied different benefits or dangers to many types of interests. However, as pointed out by Cochrane, it is not sufficient for an interest group to merely perceive how its interest will be effected, nor is the fundamental concern simply whether certain interest groups approve or disapprove of an integration project or scheme. Rather, what is fundamentally important is whether or not these affected groups

. . . actively support or actively oppose integration. Expressed in question form: Do groups act to give effect to their attitudes? Two additional questions follow from this one. What actions do they take? What is the effect of the actions? ²⁶

In this light, it can be seen that far fewer groups than were potentially affected by the formation of NAMUCAR were able to demonstrate their concern effectively. Some, however, could and did voice their concern regarding the formation of this company. It is important, however, not to magnify the role of interest groups in many of the countries of the sub-region. Although powerful interest groups do exist in some countries, their role is not always congruent with that of the "western-styled" interest groups of nations such as the United States.

²⁶Ibid., p. 87.

Additionally, no definitive statements about the role and importance of many interest groups in relation to the formation of NAMUCAR can be made, simply because of the lack of concrete data concerning the activities and attitudes, vis-a-vis NAMUCAR, of potentially relevant groups in the numerous Caribbean Basin area countries. Consequently, many of the conclusions drawn about these groups must necessarily be speculative.

When discussing the position of interest groups in general towards sub-regional integration, Cochrane notes that:

Probably the majority of the economically and politically active population in Central America either supports or at least tolerates integration. There is no visible opposition to specific actions.²⁷

This scholar cautions, however, that interest groups in general play a less important role in the political processes of most of the Central American nations, realizing that the presentation of a group's position on a particular issue may not necessarily be the most effective means of influencing government actions with regard to a particular public policy.²⁸

²⁷ Ibid., p. 106.

²⁸ Ibid., p. 91. In particular Cochrane utilizes Central American labor unions as an example of interest groups which focus their attention only on items having a direct impact upon them. These groups "rarely express opinions on governmental policies outside their immediate area of interest." p. 105.

Interest Groups in Favor of NAMUCAR

Within the region, the announced plans to form a multi-national shipping company received widespread (if relatively passive) support from most organized interest groups. Although scholars studying both Central American and Caribbean integration processes have noted that the major sub-regional integration efforts have often not been able to mobilize effective support among various economic groups in the relevant population,²⁹ the formation of NAMUCAR was perceived by most groups (e.g., business, labor, agriculture) as being potentially capable of benefitting their sectors. Among national interest groups, concern over the formation of NAMUCAR varied from a relatively high level of interest evidenced by groups of industrialists in the major CARICOM countries, to relative apathy among trade unions and trade union confederations in the region. In no country of the region did interest group activity manifest itself by an active campaign in support of NAMUCAR but, as will be discussed, newspapers and press coverage of the formation process was almost universally favorable. It can be postulated that by inaction most organized interest groups in the sub-region aided in the governmental decisions to form NAMUCAR. However, it would not be appropriate to say that acceptance

²⁹ See for example Ibid., chapter 4; and Segal, The Politics of Caribbean Economic Integration.

of the formation of NAMUCAR signifies any significant change in these interest groups' attitude toward more broadly conceived integration schemes.³⁰

Groups Opposed to the Formation of NAMUCAR

The major organized regional opposition to NAMUCAR was La Asociación Centroamericana de Armadores (ACAMAR). This regional association of shipowners was chiefly concerned with special treatment which NAMUCAR might be given by member countries. With its main office in Nicaragua, ACAMAR is composed of the following Central American enterprises: Armadora Marítima Guatemalteca; Flota Mercante Gran Centroamericana and Líneas Marítimas of Guatemala; Armadora Salvadoreña of El Salvador; Marítima Mundial; Marina Mercante Nicaraguense and El Porvenir of Nicaragua; and Pancosta de Navegación of Costa Rica. Although this group voiced its concern on several occasions with regard to the formation of NAMUCAR, it took no official actions until the Costa Rican government announced its intention to grant NAMUCAR special treatment in the form of preferential cargo reservations.³¹

³⁰For an in-depth analysis of interest groups in Central America, see Kramer, Integración Económica Centroamericana. Also Cochrane. For a similar analysis of these groups in the CARICOM countries see Segal, The Politics of Caribbean Economic Integration; and Seminario de Integración Social Guatemalteca, Aspectos Sociales y Políticos de la Integración Centroamericana (Guatemala: Jose de Pineda Ibarra, 1970.)

³¹The initial declaration was that Costa Rica would grant NAMUCAR special preference for Cargo reservation on 80 percent of Costa Rican cargo. Although amplifying details

In response to Costa Rica's announcement, ACAMAR called a special meeting in Antigua, Guatemala to protest this proposal. In a prepared statement, ACAMAR officials stated that the preferential treatment contemplated by the Costa Rican government constitutes:

. . . a very evident discriminatory situation against the Costa Rican companies which do not enjoy these privileges
 . . . this would transcend the Costa Rican situation and affect Central American shipping; this, in turn, may cause conflict among the countries of the area.³²

In this regard, the organization was concerned that its members would not receive similar privileges and it formally petitioned the Costa Rican government to consider its objections.³³ Nevertheless, on January 10, 1976, Costa Rica enacted the law establishing NAMUCAR, and included the cargo reservation paragraph.

Major regional shipping companies such as the Flota Mercante Gran Colombiana (FMC), Venezuela's CAVN, and

were not given, various U.S. flag lines (in particular Delta) were also concerned about this special treatment. In response to the protest engendered, Costa Rica clarified its original statement to state that the 80 percent cargo reservation clause would only apply to Costa Rica's 40 percent reservation (under the UNCTAD 40-40-20 cargo reservation principles) and only on those routes served by NAMUCAR. A secondary complaint of ACAMAR was that México and Venezuela had agreed to provide diesel fuel to NAMUCAR vessels at the same preferential prices available to their national line vessels. The Costa Rican law establishing NAMUCAR went into effect, with the 80 percent clause intact, on January 10, 1976, by publication in the official gazette.

³²La República (San José, Costa Rica) 2 December 1975.

³³Ibid.

extra-regional shippers such as Sea-Land and Delta, could also be expected to have been potentially in opposition to the formation of NAMUCAR.³⁴ However, as discussed in Chapter Four, the formation of a shipping company to handle intra-Caribbean traffic would not, with very few exceptions, interfere with current operations of any major regional shipping company. Shippers whose interests would be most directly affected by the operations of NAMUCAR were the various independent operators who lacked, as discussed in Chapter Four, any effective leverage to counteract the formation of NAMUCAR. Furthermore, most interest groups in countries without national lines were essentially in a position in which they had very little to lose from the formation of NAMUCAR. And most of the regional countries with significant national lines, e.g., México, Cuba, Venezuela, and Colombia, as will be discussed, were interested in the formation of NAMUCAR for various reasons.

Among the eight countries most deeply involved and interested in the formation of NAMUCAR, adverse interest group activity was most pronounced in Colombia. In particular Colombian coffee growers, who are major owners of the Flota Gran Colombiana, were opposed to the formation of

³⁴ Although the Flota Gran Colombiana is technically a multinational shipping company, it is dominated by Colombia (80 percent ownership) and operates essentially in the same manner as if it were a private profit-oriented company. See United Nations, El Transporte en América Latina, pp. 144-160.

NAMUCAR. Although the FLOTA's current routes and activities were not in conflict with those projected for NAMUCAR, the Colombian coffee growers' representatives were quoted as stating that the FLOTA was better qualified to carry out shipping services in the Caribbean than was NAMUCAR.³⁵

Additional opposition was voiced in Colombia by two groups. The first of these was a consumer advocate group which feared that, since export beef prices were more advantageous than local prices, too much beef would be exported. Another source of opposition came from a private company, NAVENAL, which feared a loss of income gained by its ships transiting to and from several Caribbean ports. In response to this complaint, the Colombian government granted NAVENAL access to river trade for Colombian rivers on which it had not previously had a license to operate.

The major U. S. shipping interests operating in the Caribbean Basin area are Delta Steamship Company, Sea-Land, and Lykes Bros. Steamship Company. Although these companies have watched the formation process of NAMUCAR with interest, their basic activities are not as intra-Caribbean shippers. Furthermore, NAMUCAR was not scheduled to operate container services, and this was felt to limit any possible conflict of

³⁵This opposition was relatively quiescent during 1975, but became more vocal in 1976 after Colombia became identified as one of the eight countries which signed NAMUCAR's Acuerdo Constitutivo in October, 1975.

interest with the operations of these lines in the sub-region. Since these lines were not involved in hauling any significant percentage of trade between Latin American countries, no excessive concern was evidenced with regard to NAMUCAR's operations at the initially planned level and scope on the intra-Caribbean Basin routes. However, of concern to these companies would be any type of bilateral or multilateral cargo reservation techniques employed to ensure NAMUCAR vessels a percentage of trade which would not be made available to them on an "equal access" basis if desired.

A typical example of an interest group hostile to the formation of NAMUCAR is the group of private interests which was attempting to establish a national shipping line in El Salvador during 1975. Similarly, the Dominican Republic promulgated new maritime legislation in 1974 to stimulate the creation of a privately owned merchant fleet. To each of these groups, NAMUCAR represented a potential competitor. In Guatemala, the Flota Mercante Gran Centroamericana, as one of three Guatemalan flag lines, was also opposed to the formation of NAMUCAR. Two relatively new and small Guatemalan shipping lines, Armagua and Maritime Lines, also protested the rescision of Decree 41-71. They were reportedly joined by vigorous protests from opposition Congressmen, FLOMERCA and other nationalist groups, but could not influence the Guatemalan Congress to reverse its decision to repeal the law.³⁶

³⁶See Latin American Economic Report, 2 July, 1976, p. 102.

Although these groups may be posited to have been successful in avoiding the participation of El Salvador, Guatemala and the Dominican Republic in NAMUCAR, these countries continued to attend the NAMUCAR planning conferences and, with little doubt, would have joined in the scheme had the "power holders" in these countries perceived it to be in their interest to do so. In the case of Colombia, serious attention was given to not joining NAMUCAR, and most of this indecision must be credited to the influence of interest groups in opposition to NAMUCAR, since NAMUCAR received official governmental support throughout 1975.

As the major intergovernmental shipping company operating in the Caribbean Basin area, WISCO was a potentially adverse interest group. However, early in 1975 representatives at the NAMUCAR conferences agreed that the services of the two companies should be complementary. Representatives from Jamaica requested that each company consider the possibility of appointing the other as its agent in the parts of the Caribbean in which it did not have current operations. Under this plan, WISCO would appoint NAMUCAR as its agent in the ports serviced by NAMUCAR, and NAMUCAR would similarly designate WISCO as its agent in the CARICOM area. It was further proposed that the Kingston trans-shipment port could provide the common port between the two lines. A general agreement on this proposal was reached in February, 1976, thus averting what might have been a conflict of interest.

Among other potentially opposed maritime interests operating in the Caribbean, there was no perceptible degree of concern evidenced over the formation of NAMUCAR. In particular, there was no predicted conflict of interest between NAMUCAR and the Puerto Rican Maritime Shipping Authority (PRMSA), whose activities and routes are different from those which were projected for NAMUCAR, and whose vessels were dedicated almost exclusively to containerized traffic and trade.³⁷

C. Influences within the Domestic Systems of States

As previously discussed, various factors influence nation-states in their selection and pursuit of national goals. These factors range from exogenous forces such as the climate of the times (viz., the push to industrialize and improve living standards) to the force of "nationalism" as an influence on national decision-makers.³⁸ An additional factor which must be considered is that of chance, or the specific mix of forces and factors at a given moment in history which

³⁷See Caribbean Economic Survey (Atlanta, Ga.: Federal Reserve Bank of Atlanta, March/April 1975).

³⁸The concept of "nationalism" is used here generically to refer to the heightened sense of awareness of a country's populace with regard to the position of the country vis-a-vis other countries in the international setting. For a cogent discussion of the force of "nationalism" in Latin America, see Robert J. Alexander in "Nationalism, Latin America's Predominant Ideology," Politics in Transnational Societies: The Challenge of Change in Asia, Africa, and Latin America, ed. Harvey G. Kebschull (New York: Appleton-Century-Crofts, 1968).

influences a national decision or policy choice. As aptly summed up by Dell:

Even if we know the "national character," the most influential groups within a nation, the personality of the leaders, the power position of the nation, and the climate of the times, we are still a long way from being able to predict with any accuracy exactly what the international goals of any nation will be. Obviously, there are other factors at work. We can call them 'chance factors' or 'historical accident,' but whatever we call them the simple truth is that we do not know what they are. 'Chance' is merely a blanket term for factors that have not yet been identified.³⁹

Furthermore, as previously mentioned, various types of linkages between external factors and national decision-making processes often respond to the demands of groups within the system, the attitudes and perceptions of the decision-makers are also influenced by external events. Thus, in Latin America:

. . . the methods of collecting data, problem identification and diagnosis, and the programs and policies adopted often derive from experience in other countries. They are transmitted by a local intelligentsia that has worked and studied abroad, through international agencies such as the Economic Commission for Latin America, or through the technical advisors from foreign countries.⁴⁰

Leaders, therefore, may respond to internal crises by analyzing international experience for guidance or direction.

The decisions which were eventually arrived at, with regard to NAMUCAR, by national decision-makers were the

³⁹Dell, A Latin American Common Market?, p. 91.

⁴⁰See Rosenau, ed., Linkage Politics, p. 83.

end-product of various relevant forces and factors perceived by each government. The specific importance and mix of these forces and factors varied from country to country; however, significant among these influences are the following.

1. Governmental Decision-Making Styles

As discussed by Nye, Cochrane, Jaguaribe and others, the prevalent governmental decision-making style in Latin America is deeply imbedded with a character which is decidedly political. This is not to say that economic factors do not influence decisions but, rather, that most decisions arrived at within the decision-making frameworks of Latin American governments are characterized by strong conflicts of political interests and ideologies.

With the perceived increase in the complexity of problems in the Caribbean Basin area, more attention is beginning to focus upon how states react to the tensions and dilemmas of development. To contain growing internal pressures, national decision-makers have been forced to become more actively involved in defining national problems and in taking specific actions to alleviate these problems. Of particular importance in this regard is the "politicization" of economic issues.⁴¹

⁴¹Robert O. Keohane and Joseph S. Nye in "World Politics and the International Economic System," The Future of the International Economic Order, ed. C. Fred Bergsten, p.121.

The level and degree of political intervention necessary to reach decisions in different Caribbean Basin area nations varies radically between different governmental types. However, in all cases it can be posited that decisions reached among the prominent groups and persons who control the state machinery result in deliberate state actions or inactions.⁴² For example, the decisions of Presidents Echeverría of México, Andrés Pérez of Venezuela, and Daniel Oduber of Costa Rica to form NAMUCAR directly influenced the delegations from these countries in their actions during the formation conferences. Additionally, the fact that NAMUCAR was repeatedly labeled as the first multinational integration project within the SELA framework had the immediate effect of adding political ramifications to the nature of the issue, and fostered support among various pro-integration factions and high-level politicians in the region. Similarly, when NAMUCAR received the endorsement and support of Fidel Castro, Cuban participation was assured. Venezuela, México, Costa Rica, and Cuba are thus examples of countries in which the problem was solved because support for NAMUCAR existed at the highest level. It can also be hypothesized that the lack of a sufficient political interest among pro-NAMUCAR forces in such

⁴²For a particularly cogent discussion of the effects of political institutions and attitudes on transportation modes see Hampton K. Snell in "Transportation Integration: A Variety of Problems," The Movement Toward Latin American Unity, ed. Hilton, chapter 24.

countries as the Dominican Republic and Guatemala resulted in the non-participation of these countries in NAMUCAR, regardless of the economic justifications for these latter countries to participate in the company.

As an economic issue becomes "politicized," governments react differently. Colombia is an example of a country whose President was strongly in favor of Colombian participation in NAMUCAR but whose other interest groups, in conjunction with the lack of approbatory actions by the Colombian Congress, obstructed that country's participation in NAMUCAR throughout 1976.⁴³

2. Economics: NAMUCAR in Relation to Perceived Economic Gains and Losses

The desire to establish national-flag merchant marines by and for developing countries responds to many impulses, both economic and political. It may be that in some situations the political motivations for establishing a national or regional shipping line would grossly predominate over purely economic reasons. However, regardless of the mixture of impulses which push for the creation of a merchant marine, certain economic facts relating to the running of any ocean transport activity must be analyzed and accepted. It is therefore important to highlight the nature of the alternatives in the

⁴³In particular, the Flota Mercante Gran Colombiana was opposed to Colombian participation in NAMUCAR. The flota subsequently expanded its operations in the Caribbean in 1976.

light of certain economic considerations. It is against this background that other sections of this study examine the broader political and social forces which interacted with the economic calculations, and which led to the establishment of NAMUCAR by certain nations.

There are many facets of the problem of the efficiency of regional transportation planning which cause the issue to be clouded at best.⁴⁴ Although no inclusive listing of the value judgments which accompany economic rationale will be attempted, a short discussion of some of the less quantifiable aspects of the economic problems of regional planning for maritime transport would highlight the overall problem.

To begin with, debate can be readily engendered concerning the economic rationale for transportation planning in general. This debate would have to focus on such basic issues as whether or not, and to what degree, small maritime transport firms constitute a competitive market structure in the region. Even where competitive markets do not or cannot exist, to what extent should a government subsidize firms and provide scarce funds for particular maritime projects instead of others; or, in the area of maritime transport, assume responsibility for losses which will be suffered by

⁴⁴Not the least of these problems is the lack of reliable economic statistics on shipping in general, which greatly inhibits an accurate forecasting of profits or losses. See Goss, Studies in Maritime Economics.

small maritime firms and individual operators already trading in the region? In dealing with active government intervention to develop maritime transport, and collaterally with the development of ports to handle this transport, the social problem of congestion and the parallel problem of "polarization" arise.⁴⁵ Of an even more amorphous content are the long and short term effects on the environment or, as previously mentioned, the lack of ability to quantitatively or qualitatively differentiate between many of the costs and benefits of the project decided upon, in this case maritime transport, versus the costs and benefits of other projects in different areas of the economy, e.g., a hospital or a school.

Another problem cluster which appears to be the lynchpin issue around which many decisions are made and issues raised is that of equity versus efficiency. Although this problem will be discussed in greater detail in relation to the formation process of NAMUCAR specifically, it should be noted here that the "gut issue," i.e., the most equitable course of action to take in a country or a region (benefitting

⁴⁵"Polarization" is defined as the tendency of an industry or area to attract subsidiary economic activities to itself, creating "poles" of growth within a country or region, while less economically favorable areas stagnate. See Chapter Four of this study. Here, the discussion is limited to developing countries simply because, with very few exceptions, they lack sufficient assets to be able to do everything at once, and so must often choose between programs which appear to be equally beneficial to the country, but which will favor one sector over another.

the many who are non-powerful, non-vocal, and often non-participants) versus the most efficient course of action (which often only benefits a few) must underlie every decision made concerning a government's intervention in its own economy, or the specific actions of a group of developing countries in attempting to develop their region.

There is no a priori number of merchant ships nor a "right" percentage of national trade which should be nationally owned or carried by national ships. As pointed out by UNCTAD researchers:

The right size for the merchant fleet of any country can only be determined in relation to the whole structure of its economy, its trade and to the aims which it is pursuing in its economic growth. The most general aim is to maximize the rate of increase of real income per capita. For some countries the rate of income growth may be increased by entering the field of merchant shipping; for others, establishment of a merchant marine could reduce the rate of income growth as the opportunity to make other investments is lost.⁴⁶

Thus, a purely economic analysis of costs and benefits would not be possible unless the impact of many factors, such as the effect of the shipping industry on the economy as a whole, its contributions in support of other national enterprises, or its effects on more broadly conceived social gains, such as lower costs on products due to a decrease in freight rates, could be measured. Additionally, in discussing whether or not a regional merchant shipping company like NAMUCAR is

⁴⁶United Nations, Establishment or Expansion of Merchant Marines in Developing Countries, p. 2.

economically viable, calculations of the economic profitability of the company itself may tend to cloud its overall impact. In this sense, even if NAMUCAR loses money does it contribute to the overall economic growth, provide additional jobs in the region, foster incentives to improve regional ports, or otherwise benefit the region?

Further complicating the appraisal of economic profitability of investment in shipping industries is the problem of accurately forecasting costs and earnings.⁴⁷ Factors such as repair costs, discount rates (i.e., future cost increases) depreciation, taxes, size and predicted future growth of the market, level of freight rates and load factors must all be accurately predicted. For a new entrant into the shipping industry, the problem of accurately predicting costs and profits increases when developing routes to previously unserved areas. New entrants often have no established trading connections with shippers and little or no

⁴⁷In particular see *Ibid.*, chapter 3. R. Goss argues persuasively that there exists a definite lack of economic statistics in shipping. Many items of necessary data are not available for comparisons; e.g., time series on costs, overhead costs, value added, freight rates, etc. Furthermore, Goss comes to the conclusion that, on the whole, profits realized in shipping are not large. Deakin (Shipping Conferences) has conducted an extensive study on the history and development of shipping companies with particular emphasis on U. K. shipowning firms, and comes to much the same conclusion about the lack of data on how prices are determined. His study also shows from published data that the average annual return on capital employed (1958 to 1968) by U. K. liners was 2.5 percent; and only 5.8 percent for liners in the Europe - Australia conferences. p. 183.

operational experience, and competition can be expected from the conferences or tramp services which are currently operating in the area.

However, notwithstanding the complexities involved in a rational calculation of costs and benefits, any multinational integration project involves some type of estimate of both costs and benefits by potential participants. The estimates may vary from sophisticated analyses of the specific and tangible results expected from the enterprise, to little more than a "gut feeling" held by representatives from the various countries concerning the expected costs and benefits of a particular project. Some of the most obvious of the perceived costs and benefits expected by particular countries through NAMUCAR's operations can be simply described.

Venezuela

Venezuela has become a major political and economic force in the Caribbean Basin area, and could be expected to view the formation of NAMUCAR as a favorable development. In the particular area of maritime transport, Venezuela accounts for a large percentage of world cargo movements, and is understandably interested in expanding and diversifying its merchant fleet.⁴⁸ Participation in the formation and

⁴⁸In the area of maritime transport, the Venezuelan government plans to more than double the size of its merchant fleet in the next few years. In this regard, Venezuela has reportedly placed orders for ten conventional, general-cargo vessels to be added to the CAVN vessel inventory. President

ownership of NAMUCAR is consistent with Venezuelan aims to widen its markets for national industries and to seek new markets for a more diversified range of exports. NAMUCAR represented no significant financial burden to the Venezuelan government, and it could be expected that Venezuelan participation would increase economic and commercial ties between itself and the other potential NAMUCAR countries. Additionally, participation in NAMUCAR represented a chance to invest surplus oil revenues in a project which could be expected, at a minimum, to be viewed as an example of regional "self-help." The 1974-1975 period was an active one for Venezuela in terms of increased interest in, and in agreements and plans for, the Caribbean Basin area. Along with the major national arrangements between Jamaica and Venezuela for bauxite, alumina and oil, Venezuelan private companies have been increasingly interested in operations in the Caribbean Basin area with CARICOM members.⁴⁹

México

As one of the most dynamic and diversified nations in the Caribbean Basin area, México could logically expect an

Perez has, furthermore, repeatedly stated that Venezuela is firm in its intentions to develop a fleet of around twenty five medium sized tankers by 1985. Details for these major maritime development plans were being finalized in 1975. See Latin American Economic Report, 14 February 1975.

⁴⁹For details see Latin American Economic Report, 17 October 1975. Private initiatives included the establishment of cement plants in Jamaica, and increased business and developmental activities between Venezuela, Jamaica, and Trinidad in particular.

increased potential for exports to member nations of NAMUCAR. Throughout 1974 and 1975 México had increasingly shown signs of desiring to increase ties to various countries in the Caribbean area. These overtures included the establishment of new trading patterns with Cuba dealing with sugar, fertilizers, oil, petrochemicals and steel, and an agreement under which Cuba would supply México with nickel. México also increased its Cuban trade in oil and began providing technical expertise in various areas.⁵⁰ Another significant example of this increased interest was the establishment of JAVAMEX, a multinational alumina complex established by Jamaica, México, Venezuela and a U. S. company.⁵¹ México and Jamaica also formed a bulk transport shipping company, called Sea Jamaica, to transport Jamaican bauxite exports to Mexican gulf ports.⁵²

In the area of maritime transport, Mexican merchant marine requirements have far outpaced the country's ability to construct or acquire vessels. A study conducted by the Mexican Institute of Foreign Trade indicates that 1,535 vessels of all types are needed to handle México's needs.⁵³ The IMCE report further states that expansion is planned for all

⁵⁰See Latin American Economic Report, 29 August, 1975.

⁵¹The Jamaican Government reportedly holds 51 percent of the shares, México - 29 percent, Venezuela - 10 percent and a U. S. company (reportedly Kaiser Aluminum) 10 percent. See Latin American Economic Report, 17 October 1975.

⁵²Ibid.

⁵³Journal of Commerce, 5 April 1975.

of México's shipping lines. In particular, Transportación Marítima Mexicana plans to acquire fourteen additional vessels to handle increased trade on its routes.⁵⁴

Cuba

Having re-established diplomatic relations with Venezuela in 1975, Cuba was anxious to cement regional ties with that country and to establish trade with the various countries of the region. In large measure, this commercial interest is reciprocated by almost all of the more developed Latin American economies.⁵⁵ Cuba enjoys a high per capita national product by Latin American standards and is an increasingly important regional importer. And, as mentioned, in 1975 Cuba signed an important economic cooperation treaty with México covering various products. Additionally, both countries plan to benefit from an increased tourist trade.⁵⁶ In general, Cuba was actively engaged in fostering ties, especially with Venezuela and México, and NAMUCAR appeared to be a logical vehicle for this.

In the area of maritime transport, Cuba reportedly has the fourth largest merchant fleet in Latin America.⁵⁷

⁵⁴Ibid.

⁵⁵Interest in commercial relations with Cuba is not limited to Latin America. The United Kingdom, France, West Germany, and Japan are also particularly interested. See Latin American Economic Report, 18 June 1975.

⁵⁶For reported details, see Latin American Economic Report, 29 August 1975.

⁵⁷Latin American Economic Report, 17 October 1975.

Fidel Castro has repeatedly emphasized the importance of a merchant fleet to Cuba's development, and Cuba has begun construction of its own shipyards.

Colombia

In response to a perceived need to revitalize and expand the export sector following the economic crisis experienced in 1974, President López Michaelson declared that a major Colombian goal in 1975 was to make non-traditional exports the main driving force for accelerated economic development.⁵⁸ Colombia was particularly interested in expanding its trade with the Caribbean Basin area. However, Colombia's intentions with regard to NAMUCAR were uncertain in that, throughout 1975, Colombia was negotiating with Japan Lines for the purchase of six ships for La Flota Gran Colombiana. These ships were expressly desired to expand the Flota's activities in the Caribbean Basin area. On June 4, 1975, the Colombian Minister of Economic Development announced that an agreement had been reached with Japan Lines, and that the six ships would begin service from Cartagena and Barranquilla to the Caribbean Basin area ports.⁵⁹ In an attempt to enter Caribbean markets, Colombia also announced plans to invite Caribbean buyers to Colombia to visit various industrial and manufacturing sites, and to follow this overture with a

⁵⁸ Latin American Economic Report, 7 February 1975.

⁵⁹ El Tiempo (México) 4 June 1975.

floating exposition on the Colombian ship "Gloria," which would visit Jamaica, Trinidad and Tobago, Guyana, Barbados, Antigua, Belize, the Dominican Republic, St. Kitts-Nevis-Anguilla, Santa Lucia and San Vicente.⁶⁰

Jamaica

The formation of NAMUCAR received enthusiastic support from Jamaica from the beginning for several reasons. Primary among these is Jamaica's geographical location in what is virtually the "crossroads" of Caribbean traffic. Additionally, as will be discussed, all of the major routes discussed for NAMUCAR's operations included Jamaica as a port call. A major transformation of the port three miles west of old Kingston has been undertaken to facilitate container transshipment, and will result in Jamaica also being the logical transshipment point for much of the extra-regional trade to and from the sub-region's lesser developed ports. In addition to this interest as a primary port for projected NAMUCAR operations, Jamaica was openly desirous of expanding her trade ties with other regional countries and NAMUCAR was expected to facilitate this desire.

Panama

To Panamá the formation of NAMUCAR represented both costs and benefits. In particular Panamá was concerned that

⁶⁰ El Tiempo (México) 5 June 1975.

its merchant marine activities should not be harmed, and that NAMUCAR should not evolve into a monopoly position among member countries.⁶¹ However, of perceived political benefit to Panamá is the attempt to identify with regional plans and projects whenever possible in hopes of regional support for Panamá's position on the Canal issue. As will be discussed in Chapter Eight, this dichotomous position was reflected by Panamá's delegates at the formation conferences.

Others

To the Central American countries, NAMUCAR also represented both benefits and costs. Countries such as Costa Rica, having no national flag line and desiring to increase its exports of products such as light industry goods and foodstuffs to the region, felt that it had very little to lose by joining NAMUCAR. President Oduber of Costa Rica essentially summed up the hopes of those Central American interests that were in favor of NAMUCAR, when speaking of his own country: "Costa Rica will not be able to accomplish its social and economic changes if it cannot count on the possibility of selling its products in the Caribbean."⁶²

Some countries, such as El Salvador and Guatemala, feared the effects of NAMUCAR on the development of their own

⁶¹This fear primarily centered on concern for the revenue garnered annually by Panamá as one of the world's primary flag of convenience countries.

⁶²La Prensa Gráfica (San Salvador) 27 May 1975.

national flag lines. Additionally, the smaller countries feared that the facilitation of trade by NAMUCAR's activities would have a detrimental effect on their balance of payments and on their economic development plans in other areas.

For the micro-economies of the Caribbean there are a paucity of economic alternatives available for development. As pointed out by scholars studying this region, the Caribbean nations must continue to seek associations and support abroad, and must act jointly in order to develop.⁶³ However, all changes in the sub-region are resisted by various historical groups and forces. The changes which are occurring in the Caribbean as a whole juxtapose national desires for identity and self assertion with the growth of desires for regional schemes and projects.

Within the Caribbean Basin proper, NAMUCAR could also be viewed as having many of the same drawbacks as the original CARIFTA structure; namely, its formation would largely be a facilitation of marketing arrangements for those islands with a sufficient industrial base to take advantage of new markets.⁶⁴ In the case of the British Caribbean, this

⁶³ See in particular, Robert Crassweller, The Caribbean Community (London: Pall Mall Press, 1972).

⁶⁴ See Ramsaran, "Commonwealth Caribbean Integration," for a discussion of the perceived drawbacks of CARIFTA from the perspective of its smaller members. The feeling that the lesser countries would not benefit proportionately in NAMUCAR is not unassociated with their feelings of dissatisfaction with CARICOM, the most ambitious integration scheme with which they have been associated. For a discussion of this latter dissatisfaction see *Ibid.*

facilitation could be expected to favor the four larger nations.⁶⁵ Among the major non-British island economies in the Caribbean (e.g., Cuba, the Dominican Republic and Haiti) it could be expected to favor Cuba. Thus, with regard to the formation of NAMUCAR, a general fear among the smaller and less developed island economies was that NAMUCAR's activities would be dominated by the regional giants, of primary benefit to them, and that the company would not be responsive to the needs of the smaller islands.

In contrast to what may be a bleak picture of benefits in economic terms, the lesser developed members of a multinational enterprise such as NAMUCAR may benefit by being incorporated in regional activities, gain knowledge and expertise in the financing and operation of this type of enterprise, and build common ties with more powerful regional nations. Additionally, a multinational shipping enterprise might stimulate specialized production for export in certain local industries by increasing the effective size of the market for any particular product and make economies of scale possible. However, the net future effect of joining NAMUCAR was difficult if not impossible to predict for the micro-nations of the sub-region.

Summary

Although the foregoing discussion is by no means detailed, it was intended simply to highlight some of the more

⁶⁵Specifically - Jamaica, Trinidad, Barbados and Guyana.

obvious of the perceived benefits and burdens which could result from the formation of NAMUCAR. An in-depth analysis of the costs and benefits which would result from the formation of NAMUCAR was not possible for the governments of the Caribbean Basin area prior to actual commencement of operations. This was so because of the complexities of a rational economic analysis of trade flows and cargo costs, and the lack of relevant data concerning intra-Caribbean Basin shipping and trade. There was also a lack of knowledge of the corollary "backwash" and/or "spread" effects that the formation of NAMUCAR might engender in different nations.⁶⁶

Additionally, there were acute problems of forecasting both costs and earnings for a company intending to establish a new trade route for indeterminate products, on an uncertain number of vessels, and without a firm determination of port calls. The economic analyses which were conducted will be discussed in the following section.

3. Differing Levels of Cost/Benefit Analysis⁶⁷

Varying degrees of sophistication are employed in attempting to assess accurately, and to allocate, costs and

⁶⁶See Myrdal, The Challenge of World Poverty, chapter 9.

⁶⁷The term "level of cost/benefit analysis" is used here to refer to a complex issue; specifically, to the degree of sophistication of an economic feasibility study, and to the degree of credibility given to the study by actors who

benefits within the frameworks of integration schemes and projects. For any particular project the degree of attention given to available economic analyses will also vary from country to country. Complicating a rational estimate of costs and benefits still further is the fact that relevant information concerning a particular enterprise must be made available to persons who combine the requisite level of technical expertise with a modicum of political decision-making capability before compromise positions can normally be reached on sensitive issues. Furthermore, as previously mentioned, an "acceptable" level of costs can also be expected to vary from country to country depending on such factors as the centrality of decision-making authority, financial position, and other national economic, political and social characteristics. For these reasons, a discussion of the costs and benefits associated with NAMUCAR must also take into account the great differences in levels of sophistication of the analyses that were conducted, the varying levels of importance which were attached to its formation, and the varying amount of credibility assigned to the main NAMUCAR study conducted by Mexicana.

The original three-volume feasibility study for NAMUCAR was produced by Transportación Marítima Mexicana (TMM).

combine a sufficient level of decision-making capabilities with the modicum of technical knowledge required to evaluate the study.

The study demonstrated that NAMUCAR would be financially remunerative during the first year of operations. However, reactions to this study varied from country to country, and even among persons openly in support of NAMUCAR, most reactions became more pessimistic as negotiations became more detailed.⁶⁸

Estimates of NAMUCAR's economic viability varied radically. In December, 1975, the Mexican Assistant Secretary of the Navy, Vice Admiral Ricardo Chazaro, stated that countries which planned to participate in NAMUCAR would save 25 billion pesos annually by not being forced to use ships of other nations for transporting their merchandise.⁶⁹ Similarly a NAMUCAR representative, Felipe Hernández Sánchez, was quoted in April, 1976, as predicting that participating countries would save from 6 to 8 percent of their ocean-shipment costs by using NAMUCAR's ships. For countries such as Venezuela and Mexico, this could total up to an estimated annual savings of \$20-25 million (U. S.).⁷⁰

⁶⁸The final estimate of profits and expenses for NAMUCAR's initial year of operations, on the basis of eight circuit trips, was a negative balance which would total an estimated U. S. \$39,315.00 for one ship, or \$157,200.00 for four ships. Acta Final de la Tercera Reunion.

⁶⁹Excelsior (Costa Rica) 10 December 1975.

⁷⁰This estimate is based on 1974 figures. See Table 4-4 of this study. Also in May, 1975 President Oduber of Costa Rica stated that NAMUCAR "ought to produce more than 500 million dollars annually for member countries through transport charges." La Prensa Gráfica, 27 May 1975.

More pessimistically, in January, 1976, the President of NAMUCAR, Senor Ignacio Ovalle Fernández, stated that although the company originally desired to purchase its own ships it would not be financially prudent to do so at the outset. Ovalle also stated that he could not say exactly how much member countries would save by shipping cargo with NAMUCAR, but felt that all member countries would register a net benefit. Furthermore, he stated that NAMUCAR was not expected to make a profit in the first year of operations, since administrative costs might well exceed earnings.⁷¹

Finally, in December, 1975, President Echeverría of México was quoted as stating that it might take NAMUCAR several years to become profitable, but that its real value was as a vehicle for regional integration.⁷²

To add to the confusion concerning the economic feasibility of NAMUCAR, various countries which were invited to attend the initial planning conferences did not receive any advance copies of the study, and arrived at the conference without any prior preparation.⁷³ The representatives from Trinidad reported that they only had a few days notice of the intention to hold a preliminary formation conference for

⁷¹The Kingston Daily Gleaner (Jamaica) 31 June 1976.

⁷²La Nación (México) 14 December 1975.

⁷³Guatemala, Colombia, Trinidad and Honduras complained of not receiving the study, and of insufficient advance notification of the conference to prepare their own studies.

NAMUCAR before the conference convened. Similarly the Colombian Delegation, at the Third Reunion of NAMUCAR which was convened in San Jose, Cost Rica on October 27, 1975, noted that its government had not received the NAMUCAR feasibility study before the meeting and therefore could not give it the requisite study.⁷⁴ However, in response to the criticisms which had been engendered by the procedures for the preparation and distribution of the feasibility study, the Mexican Subsecretary of Foreign Relations, Ruben González Sosa, displayed very little concern. When asked, in May 1975, if some countries of the region were reluctant to join NAMUCAR, the Mexican Subsecretary stated that he felt that some nations were trying to hold back the formation of NAMUCAR, but added that despite these tactics there was a definite and decided will to form this company among various Caribbean nations.⁷⁵ He was further quoted:

One is, at times, surprised by the fact that some members of delegations still feel the need for feasibility studies
 . . . These studies are not necessary, in that the urgent requirement for a multinational steamship company to serve the pressing needs of the region is obvious.⁷⁶

Later that same month, in response to this charge, a Guatemalan official stated that Guatemala was aware that NAMUCAR's

⁷⁴Acta Final de la Tercera Reunión de NAMUCAR, p. 4.

⁷⁵La Prensa Gráfica (San Salvador) 28 May 1975.

⁷⁶Ibid.

basic aim was to promote regional development, and that it was not a project thought out solely in terms of costs and benefits; however, Guatemala would require a study of the costs and benefits involved to see if the investment funds would be fully justified.⁷⁷

As an intermediate position between Mexico's proclaimed desire to form the company as an aid to regional integration and Guatemala's need to wait until a realistic cost and benefit study was conducted, a Panamá City newspaper, in June, 1975, reported that Panamá contemplated becoming a member of NAMUCAR, but that the formation of the company had not engendered much public response in that country, nor was much importance attached to it.⁷⁸

A further element to be considered in relation to the level of cost/benefit analysis conducted by potential NAMUCAR participants is that the delegates who participated in the conferences represented different agencies within their respective governments. It therefore becomes important to investigate exactly what or whose national interest these delegates represented. Delegates who attended the NAMUCAR planning conferences represented both government and business interests. Further complicating this issue is the fact that

⁷⁷Vicecanciller Alfredo Obiols Gómez quoted in El Imparcial (Guatemala) 22 May 1975.

⁷⁸Article by Ramon H. Jurado. "Como Funcionará la Naviera Multinacional del Caribe," El Panamá América, 8 July 1975.

the position of the representatives in relation to the actual national decision-making process in each country varied for each country represented.⁷⁹ For these reasons, any analysis of costs and benefits for a particular country as they relate to the formation of NAMUCAR should not be considered identical to the costs and benefits perceived by the various relevant elements of a country's power structure. This, according to Janka, also means that economic cost and benefit calculations cannot be separated from calculations of political costs and benefits since the two types of cost/benefit calculation are inexorably interwoven for each important social group within a nation's governmental structure.⁸⁰

The importance of the foregoing discussion of the level of cost/benefit analysis cannot be overemphasized. In particular, the micro-nations of the Caribbean are characterized by a lack of sufficient local revenue to support many development-oriented projects or schemes simultaneously. They must, therefore, attempt to differentiate between costs and

⁷⁹For example, the heads of the delegations for the six countries which did sign the constituting document for NAMUCAR were:

The Cuban Minister of the Merchant Marine, Joel Chaveco; The Secretary of the Presidency of México, Ignacio Ovalle; the Minister of Housing of Nicaragua, General Gustavo Montial, the Director of the Merchant Marine of Venezuela, Rear Admiral Ernesto Reyes; the Minister of Public Works and Communications of Jamaica, Eric Bell; and the Chancellor of Costa Rica, Gonzalo Facío.

⁸⁰See Helmut Janka, "Distribución de Costos y Beneficios en Sistemas de Integración." Revista de la Integración 17 (February 1975): 47.

benefits at a very different level than is required of decision-makers from an economy the size of Venezuela or México. The problem of joint multinational enterprises, however, is that an "equity versus efficiency" trade-off is often difficult to arrive at, given the desire of the economically stronger nations generally to favor an economically efficient operation over one whose principal effects would be to distribute benefits more equitably among the poorer members of the project.

Summary

The amount and quality of information available to potential member countries of NAMUCAR varied greatly. The basic feasibility study consisted of three volumes produced under the auspices of TMM. Along with the problems encountered because of the unavailability of trade statistics and shipping data were the political implications which were attached to the economic rationale for NAMUCAR developed in the feasibility document. For these reasons, the degree of confidence placed in the document varied greatly among area nations. A further relevant factor was that participation in NAMUCAR represented great differences in degree of financial burden to different potential member countries; this latter consideration also affected the perceptions of relevant political interest groups within each country.

4. Support of Essential Countries

A significant problem which major integration frameworks encounter is the need for the participation of "critical" actors. A determination of which countries' participation is "critical" to the success of a multinational enterprise is difficult to make in most instances. However, it can be reasoned that the lack of support of essential nations in a multinational integration project will seriously hamper its viability and probability of successful operation.

The formation of NAMUCAR received support from several regional countries which may be posited as being "essential" to the success of a multinational maritime transport company in the Caribbean Basin. Deutsch, et al., Russett and others have emphasized that regional integration schemes greatly benefit if they enjoy the support of a powerful "core area."⁸¹ As described by Russett:

The value of a core area may stem much less from its potential coercive power than from the likely willingness of its political leaders to accept for their country a disproportionate share of the burdens of providing the collective good.⁸²

In the case of multinational integration projects, this group of political leaders in favor of the project will often constitute the primary motivating agents.

⁸¹See Russett, Power and Community in World Politics, p. 360.

⁸²Ibid., p. 361.

From the beginning, the idea of NAMUCAR received support from high ranking officials in México, Venezuela, Cuba, Costa Rica and Colombia. To a great extent this support was engendered and maintained by statements and actions of the Chiefs of State of these regional economic leaders; however, the importance of support of these particular countries also resides in the fact, as discussed in Chapter Four, that they own and operate an overwhelming percentage of regional shipping tonnage.⁸³ In a purely technical sense, it can therefore be postulated that these countries possessed both the adequate technical ability and practical experience to provide personnel and expertise for the establishment of an intra-Caribbean Basin steamship company. This combines with the fact that the linking of the Mexican, Venezuelan, Colombian and Cuban economies provided, at least superficially, an economically defensible minimal route for NAMUCAR ships. Added to the objective reasons for desiring, at a minimum, the cooperation of the regional economic and maritime transport leaders, the support of these four countries for NAMUCAR contributed significantly to the degree of seriousness with which other countries viewed the proposal.

As a negative force, Mexico and Venezuela are also potentially capable of hindering integration projects in the

⁸³Table 4-10 clearly shows the predominance of these four countries in shipping tonnage, especially in general cargo tonnage.

Latin American region. Thus, along with Venezuela, México's attitude towards Caribbean Basin area integration projects can be posited as being capable of either seriously impeding such efforts or of materially adding to political and economic prospects for their success.

A discussion of the formation process and of the actual cost and benefit distributions within the NAMUCAR framework follows in Chapter Seven. It is the purpose of this section simply to highlight the fact that leaders of five "critical" nations in the sub-region contributed to the level of seriousness with which the proposal to form NAMUCAR was viewed by other prospective member nations, and to state that they provided a central impetus to the technical aspects of forming this company.

5. Participation Versus Non-Participation

When analyzing the forces and factors which influenced the formation of NAMUCAR, it is of particular interest to discuss what benefits or costs the option of non-participation might entail for countries of the sub-region. As was the case with the estimates of costs and benefits of joining, no definitive judgments can be made as to the costs and benefits of non-participation; however, several facets of the problem should be considered.

Once it is accepted that economic concepts such as trade creation or diversion, balance of payments, factor

mobility, and comparative advantage do not encompass all of the perceived benefits and burdens of an integration project, an essential question which should be analyzed is: What situation would obtain for a given nation or group of nations if the integration effort or any particular integration project did not become a reality?⁸⁴ In this regard, an estimate of the costs involved in non-participation is of importance to each nation contemplating participation in a multinational enterprise. Attention should also be given to the "environment" of politics; specifically, why some choices instead of others are made, among those in fact available to the decision-maker.⁸⁵

Chapter Four attempted to focus on the role of political, economic, and social factors which interacted in the Caribbean Basin area to create the maritime transport situation faced by the nation-states of this sub-region. Given that many of the smaller and less developed countries of this sub-region were not capable of forming and operating national merchant marines of any significant tonnage, what options did they have when confronted with a proposal such as NAMUCAR? Also with regard to participation versus non-participation, Milenky has pointed out that capacity to participate, in the sense of being able to contribute the requisite resources and

⁸⁴ See Kahnert, et al., Economic Integration, p. 127.

⁸⁵ See Russett, Power and Community in World Politics, p. 33.

to absorb the costs and benefits, is of fundamental importance in any integration scheme.⁸⁶ NAMUCAR represented vastly different levels of economic costs in relation to GNP, population, diversification of exports, or almost any other national data category for the micro-economies of the Caribbean as opposed to México or Venezuela.

Along with perceived economic benefits and costs relating directly to NAMUCAR, various other types of "incentives to join" existed. Examples of these "incentives to join" included the following: first, NAMUCAR included in its potential membership the main promoters of regional integration, México and Venezuela, whose friendship is now being cultivated by many of the sub-region's nations for economic reasons; secondly, the formation of NAMUCAR represented a first project for testing the propositions underlying the creation of SELA, which was also strongly supported by both Venezuela and México. Not only was this an incentive to ensure support by these two countries, but it engendered support among pro-integration groups in all countries. Lastly, for the Commonwealth Caribbean, an additional factor tending to make NAMUCAR an attractive regional organization is the general desire of many of these countries to solidify and diversify relationships with Latin America. This is

⁸⁶Milenky, The Politics of Regional Organization in Latin America, p. 187.

particularly true of Trinidad and Tobago, which has identified itself with the Latin American group in the United Nations on many issues and, at the same time, sees the need for a restructuring and diversification of its trade links.⁸⁷ This is not intended to imply that European or United States assistance is not also desired, but it is a response to the acknowledged reluctance of most developed nations to enter into more redistributive trade arrangements.⁸⁸

Participation in NAMUCAR also represented the opportunity, or the necessity, of economic relations with Cuba for member countries. This forced association with Cuba presented a very different perspective to each of the nations of the sub-region. As previously mentioned, México and Venezuela are among those countries actively seeking trade and other ties with Cuba. For Nicaragua, participation in NAMUCAR would represent the first economic or political contact between the two countries in more than a decade. Among other countries, reactions also varied. The government of the Bahamas, for example, has often stated that it had no desire to further relations with Cuba; while Prime Minister Manley of Jamaica is openly desirous of Cuban support and trade.

⁸⁷ See Roy Preiswerk, "The Relevance of Latin America to the Foreign Policy of Commonwealth Caribbean States," in The Caribbean Economies, ed. Vincent R. McDonald (New York: MSS Information Corporation, 1972).

⁸⁸ *Ibid.*, p. 12.

For the largest three nations interested in NAMUCAR, México, Venezuela, and Colombia, the option of non-participation in NAMUCAR would not significantly alter national plans to develop merchant marines capable of trading in the Caribbean Basin area. However, for these three countries NAMUCAR represented a vehicle through which initial trade links could be established with various area governments. Similarly for nations such as Cuba, Jamaica, and Trinidad non-participation in NAMUCAR would simply involve an increased emphasis on the development of national merchant marines or of regional lines such as WISCO, to expand trade links in the Caribbean Basin. For the micro-nations of the sub-region, however, non-participation in NAMUCAR represented a different scale and type of costs.

Because of their small size and limited resources, the island economies of the Caribbean must necessarily rely upon the export of a few specialized products and the import of a wide variety of desired goods which cannot be produced locally. Additionally, to pay for the ever increasing costs of imports, the revenue gained from exports must also increase. This implies either searching for a broader market for the goods produced for export or increasing the specialization and international competitiveness of these products to increase sales.⁸⁹ The dilemma which is faced by the

⁸⁹As previously mentioned, it is not the intent of this study to delve into the complexities of the interaction between foreign trade, economic growth and structural change.

nations of the Caribbean has been aptly summed up by one scholar:

The Caribbean nations have a continuing need for association and support abroad. Their heritage and psychological tradition; their economic, political, and social circumstances; their geographical limitations; and their stage of development - all point inescapably to the likelihood of their soon developing even a modest self-sufficiency. Recent experience confirms this generalization, regardless of the forms of social organization that prevail: Cuba, the largest and most advanced of the Caribbean states, employing for more than a decade all the techniques of complete social planning and totalitarian coercion has rejected external association with the United States only to find itself equally or more dependent upon a Russian connection.⁹⁰

For these reasons, and for lack of ability to build national flag lines, many of the micro-nations of the Caribbean Basin must weigh non-participation in a project such as NAMUCAR from a far different perspective than do the major countries of the sub-region. However, it is again important to view the issue of participation versus non-participation from the viewpoint of national decision-makers who must deal with political realities along with economic ones. In this regard, a major stumbling block to participation by various of the sub-regional nations in integration frameworks and projects has been succinctly summed up by one Caribbean scholar:

The assumption here is simply that all the economies of the Caribbean must export to survive. This begs the question, what and to whom?

⁹⁰ Robert Crassweller, The Caribbean Community (London: Pall Mall Press, 1972), p. 429.

The truth of the matter, and this had yet to be faced squarely, is that regional economic strategies are subsidiary to national political considerations. The present state of inter-country relations is such that survival of the politician at home depends not on his regional standing, or even on the progress of the region, which to the voter at home is something of an abstraction, but to the visible achievements in his constituency and in his country. In this situation, regional strategies tend to be easily repudiated in the interest of political expediency even when there is no long term conflict with national objectives.⁹¹

⁹¹Ramsaran, "Commonwealth Caribbean Integration,"
p. 48.

CHAPTER SIX

INDIVIDUALS AND NAMUCAR

At the level of analysis of the individual, an attempt is made to analyze both the social context of decision-making, i.e., the attitudes, desires and preferences of the common man within a society or within a region, and the same attitudes, desires and preferences of individuals who are politically relevant to action or inaction on the "issue area" under study. It is clear that public reaction will not be uniform with regard to any particular topic; however, it does appear possible to search out a "tenor" of the time on most issues among those who are aware of an "issue area" and of proposed actions with regard to the "issue area." As put by Pentland, the task of a political scientist at the level of analysis which relates to "the attitudes and behaviors of individuals as political actors, is to investigate whether or not, and to what extent, do the personalities, attitudes, images and behavior of individual leaders or the 'man in the street' really affect, a process of integration? To what extent, in turn, does the process affect them?"¹ With regard to

¹Pentland, International Theory, pp. 241-242.

attitudes concerning a single multinational integration project such as NAMUCAR, the central core of concern would appear to remain the same. Specifically, a central concern is "about the nature, formation, change and effects of individuals' political attitudes" with respect to the "issue area" under study.²

Many scholars have been actively engaged, at various levels of rigour, with transaction flow analyses of both formal and informal methods of communication. The types of communications which have been analyzed run the gamut from Charles A. McClelland's mapping of actual physical and verbal actions of one government toward another to Robert Angell's analysis of transnational participation; such as participation in the world social system by national elites, travel, mail, news coverage and other less quantifiable transaction flows.³ What is at the core of these analyses is a desire to measure the effect upon integration processes of exchanges of ideas, persons or commodities.

For many of the categories of interest to transaction flow analysts, data is not available to warrant conclusive statements concerning the effect of the transaction flows created by NAMUCAR; and the analysis, to be complete, would

²Ibid., p. 243.

³Charles A. McClelland, Theory and the International System (New York: Macmillan, 1966); and Angell, Peace on the March.

have to investigate the effect in both directions: the effect of the formation process of NAMUCAR on the 'common man' and/or on the relevant political actors in the sub-region, and their effect upon the process of formation. This would require both a massive research effort, utilizing sophisticated sampling techniques, and a core of other essential information which is simply not available. What this chapter attempts, therefore, is simply to utilize that data which is available to discuss the formation process of NAMUCAR as it affected, and was affected by, factors and forces at this level of analysis.

A. The Effects of Common Attitudes
and Behavior

Regional Desire to Reduce Dependency

The Latin American desire to reduce the perceived dependency on the more advanced countries of the world in general, and the United States in particular, is the result of both objective and subjective perceptions. This desire has manifested itself in many forms, from demonstrations outside U. S. embassies in Latin America to formal denunciations of the United States and other developed nations' policies in international forums.

The psychological impact of centuries of perceived inequalities and injustices has been eloquently discussed by many Latin American 'pensadores' such as Lastarria, Alberdi,

Sarmiento, and Zea.⁴ These men have differed radically in their proposed solutions to what they perceive of as the Latin American problem, but all have exhibited a general core of concern over the cumulative result, at a societal and at a regional level, of the psychological feelings of individuals towards what could be termed "the Latin American heritage."⁵ Although an indepth discussion of this topic is not within the scope of this research, the net effect of individual feelings of either dependency or superiority can be argued to be an important, directly-contributing factor to specific actions taken at a societal or regional level.⁶ And as has been pointed out by one scholar, a plausible model of the world community is that of "a normatively ranked hierarchy of nations in which a major preoccupation of its members is to raise, or maintain, their existing position."⁷ According to this theory, nations tend to view themselves as being somewhere on a hierarchical world scale with regard to such things as economic well-being, justice, power, etc. Thus, aspirations and desires to increase national prestige can be

⁴For a fine discussion of the work of José Victorino Lastarria, Juan Bautista Alberdi, Domingo F. Sarmiento and other Latin American 'pensadores' see Leopoldo Zea, The Latin American Mind (Norman: The University of Oklahoma Press, 1963).

⁵See Ibid., chapter 6.

⁶Ibid., introductory section.

⁷R. P. Dore, "The Prestige Factor in International Affairs," International Affairs 51 (April 1975): 190-207.

postulated to have an effect on national policies.⁸ For example, Wionczek reports that for developing countries the desire to industrialize represents much more than simply the preferred way for a country to alleviate its economic and social problems; "it is a status symbol."⁹ It is precisely for this reason that the problem of the distribution of benefits and costs has proven so intractable in CACM's experience with the regime for integration industries and ANCOM's sector development schemes.¹⁰ Following this logic, countries should be analyzed as viewing any multinational scheme from various points of view; and the economic rationale represents only one facet of the possible attractions of any particular project.

Countries in the Central American basin area view their individual situations as being relatively vulnerable and without adequate bargaining power with respect to the more powerful nations and trading blocks of the world. These countries are developing ideologically and have experienced the same felt needs as have other Latin American countries. The continuing appeal of integration results directly from the felt need to change production structures and levels of

⁸See Everett E. Hagen, The Economics of Development (Homewood, Illinois: Irwin, 1968).

⁹Wionczek, ed., Economic Cooperation in Latin America, Africa, and Asia, p. 14.

¹⁰See Cochrane, The Politics of Regional Integration, pp. 158-161, and Behrman, The Role of International Companies, chapter 4.

well-being in these countries. This situation, for Latin America in general, has been described by Glade:

By the end of the fifties, technicians in many of the major countries had seized with alacrity on the concept of regional economic integration as a deus ex machina, which, by transcending the narrow markets of individual economies would enable the growth of the industrial sector to continue
 . . . The essential logic of the Latin American economic integration, therefore, was initially pinned to expectations that such a step would open up new horizons in industrial development, options which had been foreclosed in the previous era of separate national development.¹¹

The effects of the international economic crisis experienced by most of the countries of the region during the latter part of 1973 and into 1974 exacerbated these feelings of vulnerability. A corollary effect of the rise in oil prices, which was experienced by all non-oil producing nations in the Latin American region, was to focus an increasing amount of attention on alternative ways to spur the developmental process.

A specific solution to the need to rationalize the division of labor in Latin America has been the attempt to coordinate investments between affected governments to arrive at joint solutions to common problems. This, from the beginning, was the public appeal of NAMUCAR.

Perceptions of NAMUCAR

The most effective way to determine whether or not a common attitude existed for the particular "issue area" under

¹¹William P. Glade, The Latin American Economies (New York: American Book Co., 1969), p. 373.

study would be to conduct a properly controlled and administered survey in each of the countries of the sub-region. However, lacking the results of this type of survey, it can be argued that mass media publications represent a relatively good source for determining the viewpoints of those who are politically relevant, and for those of the major critical interests which are openly opposed to any newsworthy project.¹²

With regard to the formation process of NAMUCAR, the major sources utilized for determining both the views of those personages who were politically relevant to the process and of the 'common man' were newspapers, magazines and journals. It is not argued that the positions of all critical groups will appear in the mass media, that the proclamations of political actors represent their true feelings on an issue or their active support of it, or that a lack of criticism indicates a high level of consensus among a populace on a given issue. However, it is suggested that mass media publications are an important indicator of the positions of political actors and of a 'national tenor' on an issue, assuming that the issue is considered important.

Newspaper coverage of NAMUCAR was extremely sporadic throughout 1975. The number of times that it was mentioned

¹²See James Calvin Billick, "Costa Rican Perspectives and the Central American Common Market: A Case Study in International Integration" (Ph.D. dissertation, University of Pittsburgh, 1969), chapter 3.

by the press of different countries also varied greatly. Most articles roughly coincided with NAMUCAR planning conference dates, and press coverage was the most extensive in the eight countries which eventually announced themselves as initial members.¹³ However, a core of thirty newspapers and magazines from twelve countries were examined, in conjunction with this research, for the period November, 1974 to March, 1976.¹⁴ A total of fifty-nine articles were found which specifically mentioned the formation of NAMUCAR. Of these articles, thirty-six were positive in tenor, nineteen appeared to be neutral, and four articles contained quotes or opinions which indicated that NAMUCAR would have some type of adverse effect upon some type of group or interest.¹⁵ Of the persons mentioned in these articles who were quoted by name, only three appeared to be against the formation of the company.

The results of this unsophisticated survey indicate that the creation of NAMUCAR generated no significant amount of adverse reaction which appeared publicly in the mass media of countries interested in the formation of the company.

¹³These countries were México, Costa Rica, Venezuela, Nicaragua, Jamaica, Cuba, Panamá, and Colombia.

¹⁴For a list of these publications and their respective source countries, see the bibliography section of this study.

¹⁵An article was considered to be "positive" in tone if NAMUCAR was praised, and to be neutral regarding the formation of NAMUCAR if no mention was made, in any part of the article, of any possible adverse effects which the company might have.

The results of this unsophisticated survey indicate that the creation of NAMUCAR generated no significant amount of adverse reaction which appeared publicly in the mass media of countries interested in the formation of the company. Although this survey can provide no conclusive proof of a lack of opposition to NAMUCAR, it supports the proposition that, with a few significant exceptions, the public reaction to its formation was, at a minimum, not openly critical.

B. NAMUCAR and Individuals

As mentioned above, this chapter deals with propositions concerning the formation and effect of attitudes towards integration in general, and the formation of a multinational company in particular. To the extent that the formation of NAMUCAR constituted an "issue area" for relevant individual political actors, it is important to analyze the effect of the actions and attitudes of these individuals on the formation of the company.

The influence of individuals upon the integration processes of Latin America cannot be overemphasized. The formation of NAMUCAR was assisted by the personal efforts of the Chiefs of State of five of the six countries which formed its initial membership. It is not, however, unusual to find that the major proponents of NAMUCAR were the national leaders of the various countries involved in the formation process. The opposite case would be more unexpected. As noted by one

scholar: "A small group of political leaders constitutes the primary agent of integration among most of the developing countries."¹⁶ With regard to the formation of NAMUCAR, as will be discussed, this was particularly true.

The initial creative force of NAMUCAR was President Echeverriá of México.¹⁷ A first step in its promotion was his three week trip to South America in July, 1974, to promote economic cooperation in general, and to attempt to generate specific agreements to support México's foreign policy aims. A primary effect of this trip has been described by one scholar as follows:

In the process of extracting abstract commitments to the Charter (of Economic Rights and Duties of States) and of securing some bilateral cooperative agreements with Costa Rica, Ecuador, Peru, Argentina, Brazil and Venezuela, President Echeverriá became the most visible spokesman for the region's dependent nations.¹⁸

Among the principal topics discussed during this trip was the need for multinational integration projects to provide effective solutions for particular problems facing the sub-region.

President Echeverriá's public attitude toward NAMUCAR was summed up at an initial technical meeting in México on

¹⁶Lynn K. Mytelka, "The Saliency of Gains in Third World Integrative Systems." World Politics 25 (June 1973): 240.

¹⁷The original idea for a Caribbean multinational steamship company is attributable to ECLA in 1971. However, the idea had lain dormant until personally adopted by President Echeverriá in 1974.

¹⁸Guy E. Poitras, "México's 'New' Foreign Policy," Inter-American Economic Affairs 28 (Winter 1974): 71.

14 April, 1975, when he said, . . . "It was time to put aside fear and inferiority complexes and create the Caribbean Multinational Steamship Company;" even though it might be "modest with a few ships," to do otherwise would be to "continue to be in the hands of North Americans, Asiatics, and Europeans."¹⁹ This theme of regional solidarity continued to dominate Echeverría's statements regarding the formation of NAMUCAR throughout 1975. In recognition of President Echeverría's interest and efforts on behalf of NAMUCAR, Ignacio Ovalle Fernández, secretary of the presidency of México, was named the first president of the company's Council of Administration.

At NAMUCAR's inauguration ceremony, Alvaro Fernández Escalante, the company's first acting secretary, praised México's role in the formation process as follows:

Today, an integrationist flag is unveiled which has been shouldered by México, the government of President Echeverría itself, which has hoisted it in every sector and against all winds. The proof of this is the fact that today this flag is waving in the Caribbean, as the first step which consolidates integration, as NAMUCAR is born today, as a union of interests which will provide ships to unify our countries.²⁰

Another strong supporter of regional integration projects has been President Carlos Andrés Pérez of Venezuela.

¹⁹Quoted from a speech given by President Echeverría at the initial technical meeting for NAMUCAR, held in Tlatelolco México, on 14 April 1975.

²⁰La Nación (México) 2 December 1975.

In December of 1974, the presidents of the five Central American countries and of Panamá met in Ciudad Guayana at the invitation of President Pérez. Among the topics discussed were both general Venezuelan aims and specific proposals to improve economic and financial cooperation in Central America. Concrete proposals discussed at this meeting resulted directly in Venezuelan financial assistance and in plans for joint projects and bilateral agreements for various areas of industrial and technical cooperation. One of the topics discussed was the need for joint transportation planning.²¹ Interviewed in Lima, Peru during a visit in December 1975, President Pérez stated that he viewed Latin American integration as "a historic necessity." He further stated that, in spite of the difficulties encountered in large scale integration efforts, what Latin American governments could do was

. . . to start by doing something. For example we can start by putting together Latin American multinational enterprises and putting into effect a series of other initiatives which will contribute to developing an awareness.²²

From the beginning, President Pérez supported the idea of NAMUCAR. His basic sentiments concerning this

²¹For the complete text of the Declaración de Guayana see Revista de Economía Latinoamericana 10 (April-September 1974): 161-164.

²²Interview given to La Prensa Latina and appearing in Granma Weekly Review (Cuba) 22 December 1975.

enterprise were summed up on May 21, 1976. Speaking at the first special assembly of stockholders of NAMUCAR in Caracas, Venezuela, he stated that the fundamental idea behind NAMUCAR was that it was a step toward defense of the sovereignty and independence of the Caribbean region. He further emphasized that the formation of NAMUCAR signified that member countries are not hostile to any nation of the region, but that the creation of this shipping organization was intended to provide "communications and guarantees for the normal and just development of our trade."²³

The attitude of the Venezuelan President also reflected a willingness to assume additional burdens within the NAMUCAR framework. In the Caracas meeting he expressed the conviction that:

. . . we will have all the companies of the Caribbean area in the company within a few months . . .
 . . . Further, I believe that we, the zone's more developed countries, should provide the economic means so that the region's smaller and newer nations can purchase stock in the company.²⁴

Cuban support for NAMUCAR was also readily obtained. Upon his return from a promotional trip to Cuba, the Head of the Costa Rican Export Promotion Center, Enríque González Sosa, stated that Castro, as well as Cuban diplomats and port authorities, were highly pleased with the efforts which were being

²³Quoted from a speech delivered by President Pérez on 21 May, 1976 to NAMUCAR stockholders in Caracas, Venezuela.

²⁴Comercio Exterior 22 (August 1976): 310.

made to establish a state-owned regional shipping fleet. Castro was quoted by González Sosa as saying that this effort would assist in creating the close commercial ties that should by nature exist between the countries of the Caribbean but which, for a number of years and a variety of reasons, have not been achieved.²⁵ Cuban statements concerning NAMUCAR were often political. The public attitude was that: "Cuba gives its complete and determined support to the establishment of the shipping enterprise, because this will mean a hard blow to the monopoly traditionally exercised by the transnational companies."²⁶

Statements by other important regional personages were no less dramatic when referring to the formation of NAMUCAR. Interviewed upon his arrival for talks with President Echeverría in México City on 14 September, 1976, Jamaican Prime Minister Michael Manley stated that defense of sovereignty is the best strategy which the Caribbean nations can employ to oppose the "boycott" which the United States was allegedly preparing against NAMUCAR.²⁷ In the same interview Prime Minister Manley stressed Jamaican intentions to foster relationships with Cuba.

Another personal supporter of NAMUCAR was President Daniel Oduber of Costa Rica. Throughout the formation

²⁵ Excélsior (México) 4 March 1975.

²⁶ El Tiempo (México) 7 June 1975.

²⁷ The Daily Gleaner (Jamaica) 15 September 1976.

process, President Oduber's comments were in continual praise of the idea of NAMUCAR, and were also highly optimistic concerning the economic feasibility of the company. The tenor of these statements is reflected by Oduber's statement to the delegates at the NAMUCAR inauguration ceremony in San José, Costa Rica:

Four centuries ago, the sea emerged as a bond; however, other countries benefitted from its wealth. The greatest victory was won when seventeen countries with different languages, religions and political systems came to realize that a common denominator unites us: the exploitation of its riches by our countries.²⁸

Other typical statements made by relevant officials concerning the formation of NAMUCAR include the following:

The company that we are trying to form is the only way to break the vicious circle within which the Caribbean countries have been living, with regard to trade.²⁹

What is at stake today as this multinational enterprise is created is much more than the enterprise itself; it is an entire plan for the integration of Latin America, the initiation of a pathway, an idea, concerning the possibilities of collaboration.³⁰

The support for NAMUCAR which was engendered among the five major sub-regional Heads of State was part of a more general desire for regional unity. For President Echeverría,

²⁸ La República (San José, Costa Rica) 2 December 1975.

²⁹ González Facío, Chancellor of Costa Rica, quoted in La Prensa Gráfica (San Salvador) 27 May 1975.

³⁰ Ignacio Ovalle Fernández, President of the Council of Administration of NAMUCAR, quoted in La Nación (México) 3 December 1975.

NAMUCAR represented but one example of the Mexican President's repeatedly announced desire to establish ties of all kinds with regional neighbors. However, the significance of Echeverría's personal actions in promoting NAMUCAR is that it ceased to be a general idea and became, rather, a specific proposal to which other countries had to agree or disagree. In this sense, Echeverría was acting in the role of Etzioni's "who" as the particular force which began the multinational decision-making process which resulted in NAMUCAR.³¹

The same appears to be true of Venezuelan support for NAMUCAR: it is part of a much broader program of intra-regional economic interactions. As stated by Carlos Andrés Pérez:

It is known that Venezuela has established various programs of cooperation with Central America, with the Caribbean and with various countries of the South American continent. We have committed funds totalling more than 2,700 million dollars in those programs

But we well know that isolated initiatives are not enough, and for this reason we are beginning also to search for a broader framework of cooperation for international development.³²

Summary

Although the results of this type of examination of mass media publications are not conclusive, they do allow

³¹Amitai Etzioni, Political Unification: A Comparative Study of Leaders and Forces (New York: Holt, Rinehart & Winston, 1965), p. 70.

³²Venezuela Now, 15 November 1975.

for a modest hypothesis concerning NAMUCAR: that it engendered no radical widespread opposition among the various intra-regional interests that was reflected publicly. No sophisticated analysis of the effects of transaction flows on the formation of NAMUCAR was possible; however, it cannot be said that the conferences, newspaper articles, presidential exchanges, and other factors were insignificant to the formation process. Rather, the sum total of these interactions provided the background from which NAMUCAR evolved.

The lack of public support for NAMUCAR among organized interest groups should not be viewed as uncommon. As previously mentioned, lack of public support for economic integration in general has also been noted by scholars. Commenting upon the lack of statements in support of economic integration among Central American industrial and commercial organized interest groups, Cochrane has noted that these groups are aggregates and that they represent differing, and perhaps conflicting, interests and attitudes. As described by this author:

Some members of a group may be willing to make the changes in equipment and techniques required to sell and compete in the regional market while others may be reluctant to do so. Thus, it is often difficult if not impossible for a group to agree upon a statement of policy or expression of an attitude.³³

The importance of individuals to the formation process of NAMUCAR is hard to overestimate. The original idea was

³³Cochrane, The Politics of Regional Integration, p. 91.

personally adopted by President Echeverría of México, and support for the project was enlisted by direct contacts at the level of Chiefs of State. The four prominent Chiefs of State most deeply involved in personally supporting the idea were Luí's Echeverría, Carlos Andrés Pérez, Daniel Oduber, and Fidel Castro.

C. The Status of Political Community
among Caribbean Basin Area States
at the Time of Formation
of NAMUCAR

Recapitulating briefly, a basic proposition which was developed in Chapter Three was that any integration process may be analyzed in terms of various dimensions. At a minimum these dimensions should include: decision-making capabilities; functional aspects of the problem being addressed; patterns of social behavior among the populace of a system's actors; and both general and specific public and elite reactions and emotions with regard to their general situation and to the process under consideration. A discussion of conditions relating to the decision-making and functional dimensions which were extant at the time of the formation of NAMUCAR was undertaken in Chapter Four. To complete an analysis of the status of political community which existed at the time of formation of NAMUCAR for the "system" of states in the Caribbean Basin area along the lines suggested by Pentland, two other dimensions must be examined. The first of these two latter dimensions relates to patterns

of social behavior. As previously mentioned these are transaction flow categories which, in aggregate, provide a picture of overall patterns of communication flows, interactions and political behavior in a system.³⁴ The fourth dimension analyzed, the attitudinal dimension, relates to "the aggregate patterns of political attitudes in the system," and is concerned with how leaders and masses view their political systems and their societies. It is also concerned with the economic and political hierarchy which is felt to exist between nations.³⁵

An analysis of patterns of social behavior, as a form of transaction flow analysis, is concerned with the broadest ranges of social, economic, political, and cultural interchanges and interactions. Suggested categories for this type of analysis run the gamut from mail flows, telephone communications, visits by relatives, friends or businessmen, trade data, and elite interactions, to government pronouncements and concrete actions vis-a-vis specific integration proposals. No attempt has been made in this research to analyze systematically these numerous categories, nor is it possible to do so for the "system" of states under study. Nor is a sophisticated analysis of the attitudinal dimension possible. The socio-psychological concern of this dimension

³⁴See Pentland, International Theory, pp. 198-199.

³⁵Ibid., p. 199.

relates to very complex, and often subjective, observations concerning public and elite attitudes and emotions vis-a-vis integration in general and NAMUCAR in particular. However, an in-depth analysis of either of these dimensions would constitute a valuable study in itself. This and the following section constitute, therefore, simply a summary of findings in relation to these two important dimensions.

1. The Behavioral Dimension

Various significant indicators of social, political, and economic interactions existed for the nation-states in the Caribbean Basin area during the period under study; but few of these interactions were truly systemic in nature for the nations of this sub-region as a 'system' of states. They did, however, provide the matrix of interactions which made NAMUCAR a viable possibility.

International forums such as the United States General Assembly, UNCTAD and ECLA, and organizations such as the IDB, LAFTA, CACM, CARIFTA and ANCOM, are all facilitators of various types of social interactions among representatives from often previously non-interacting nation-states. As a simple example of links which can be developed by these organizations, it was pointed out in Chapter Four that the activities of various organizations such as ECLA, which resulted in multiple studies on the water transportation problems in the Caribbean Basin area, at a minimum heightened

the awareness of these problems among relevant personages and sectors of societies. Results of this heightened awareness include the increased emphasis on ocean transportation regulations, codes of conduct for liner conferences, and similar legislation by international organizations. As a similar example, the decision to seek collective positions with regard to a regional energy plan resulted in the establishment of the Latin American Energy Organization.³⁶ This organization, and others such as the associations created to arrive at common positions for commodity sales of sugar, silver and bananas, represent both efforts to increase regional solidarity in specific areas and examples of forums for interactions between nations. These efforts directly affect the level of interaction and communication between the nations involved.³⁷ Along with the concrete proposals and recommendations which these organizations produce, delegates become knowledgeable of "common ground" in national positions on basic issue areas, which can lead to subsequent specific joint initiatives in these areas.

In the area of trade and trade negotiations, both UNCTAD and the Group of 77 provided forums for the interchange

³⁶Plans for the establishment of OLADE were undertaken in November, 1974, and by February, 1975, the organization charter had been ratified by fourteen countries. Comércio Exterior 21 (May 1975): 154-157.

³⁷Associations for all of these commodities were formed during 1974 or 1975.

of ideas, concepts and proposals among Latin American nations, including many of the nations from the Caribbean Basin area. Negotiations concerning trade and maritime transport in 1975 led directly to a perceived need for concrete actions and specific proposals to alter the trading situations of regional countries.

Functional organizations such as ALAMAR also provided opportunities to become conversant with problems such as the opposition to cargo reservation clauses and the need for a rationalization of shipping laws and procedures among regional nations. In the Caribbean Basin, WISCO provided a direct example of multinational cooperation in a specific functional area, and served to highlight problems and benefits of this type of multinational enterprise to its member countries. Other specific forms of interaction relevant to the transport situation in the Caribbean Basin during the period under study would include CARICOM's desire to establish a regional merchant marine, and the Central American proposals and meetings concerning the rationalization, expansion and improvement programs for Central American ports.³⁸

The above notwithstanding, to attempt even a crude typology of the status of political community among the 'system' of states of the Caribbean Basin area with regard

³⁸For details concerning Proyecto Transmar, see Carta Informativa (SIECA) March and July, 1975.

to the behavioral dimension is a difficult task. A transaction flow analysis of many categories and types of transactions between specific countries, i.e., such as among the CACM of CARICOM members, Méxican-Venezuelan interactions, etc., would reveal a significant level of interactions of many types. However, analysis of these types of transaction flows between other countries in the sub-region would often show many types of transactions to be non-existent. For the nation-states of the Caribbean Basin area, the most significant forms of interactions relating to problems of sub-regional maritime transport would appear to be the interactions within the international and regional forums which are dealing with the principles involved in, and the recommended solutions to, the broad problems of maritime transport faced by Third World countries in general. This general focus is only intermittently complemented by interactions of certain national leaders attempting to solve specific functional problems in this sub-region.

The seventeen nations of the Caribbean Basin area do not exhibit many characteristics of a system, with regard to patterns of collective social behavior, at any of the three levels of analysis of this study. Although SELA and NAMUCAR represent the emergence of new structures for elite interactions among all of the countries of this sub-region, there remain the very real background differences, differences in

current economic levels of development, and ideological differences which separate national populations and leaders. Perhaps the most complex problem for this particular grouping of nation-states is the chasm caused by the vast ideological differences which separate some national governments from others. These differences have effectively precluded any but the most rudimentary forms of interactions between certain governments. Elite interactions increasingly occur, but national priorities and problems dominate efforts to find regional solutions. For the states in the Caribbean Basin area, NAMUCAR represents a pioneer proposal. The seventeen nations which attended the first NAMUCAR planning conference represented the first attempt of the 'system' of states in this sub-region to act as such in a functional sense.

2. The Attitudinal Dimension

The fourth dimension employed to summarize the status of political community among the states of the Caribbean Basin area is an attitudinal dimension. Sources for determining aggregate attitudes towards integration in general or toward specific integration projects in particular would include speeches, governmental policies, public opinion surveys, mass media commentaries, and in-depth interviews.³⁹ As is

³⁹See Pentland, International Theory, p. 199.

the case with the other three dimensions previously discussed, no definitive statements can be made with regard to this dimension for each of the nations of the Caribbean Basin area. However, the discussions of Chapters Four, Five and Six all relate to a concern, at each of the three levels analyzed, with the perceived need for beneficial integration structures among both leaders, relevant societal groups, and many ordinary citizens. It is precisely the dichotomy between the relatively common desire to achieve social and economic gains through beneficial integrative structures and the perceived inability to realize these gains within currently existing structural frameworks, which led to the creation of SELA and NAMUCAR. From its inception the "integration ideology" which has prompted the various regional and sub-regional integration frameworks has had an appeal which has transcended these frameworks. This appeal lies in the desire to compensate for the perceived obstacles caused by Latin American geographical and historical legacies which affect policies, economics and culture in the region. However, when viewed in the context of a "shift of loyalties" from a national level to a regional level, it is apparent that the "system" of states of the Caribbean Basin area is well below any threshold level of integration, even given a broad conceptualization of the term.

PART III

THE FORMATION OF NAMUCAR

CHAPTER SEVEN

NAMUCAR: A MULTINATIONAL INTEGRATION PROJECT

Naviera Multinacional del Caribe, S. A. came into being on December 1, 1975. On that date delegates from six countries formally committed their governments to forming this company. The inauguration ceremony represented the culmination of a process of multinational interactions and agreements. The general forces and factors which supported or impeded this formation process have been the subject of the preceding chapters. What is attempted in this chapter is an analysis of specific details concerning the formation process. These details largely relate to specific actions of actors involved in the actual formation process. The activity which preceded each of the formation conferences was embodied, at these conferences, in the development of a specific company form. This company structure, in turn, represented an allocation of costs and benefits.

As previously discussed, the formation of NAMUCAR was a "political" process to the extent that the representatives of the various nations were attempting to allocate the

company's "valuables," both real and perceived, among nation-states rather than among individual economic operators.¹ Furthermore, to the extent that the allocation of the company's "valuables" was based on other than purely economic considerations, the formation of the company can be said to represent an attempt to arrive at a political solution for what was considered to be primarily an economic problem; specifically, that the lack of sufficient and reliable maritime transport services in the Caribbean Basin area impeded beneficial trade which would otherwise be occurring. The central core of concern of this chapter, therefore, is the formation process, the company structure which resulted from that process, and the allocation of costs and benefits which the company's structure represents.

A. The Formation Process

In February, 1975, the undersecretary of the Méxican Navy, Vice Admiral Ricardo Chazaro Lara, undertook the first official promotional tour of regional governments related specifically to the formation of NAMUCAR. Over a period of several weeks, the Méxican delegation visited the Dominican Republic, Honduras, Guatemala, El Salvador, Cuba, Barbados, Jamaica, Costa Rica, Haiti, Guyana and Grenada. The first official statements concerning the results of this mission

¹Knudsen, The Politics of International Shipping, p. 21.

appeared in March, 1975, when Chazaro Lara stated that many of the countries visited demonstrated a "profound interest" in joining the venture.² The immediate result of this mission was the calling of the first of the NAMUCAR formation conferences, to be held in México City during the month of April, 1975.

The preparatory conference to establish general procedures and objectives which would lead to the eventual formation of NAMUCAR was held in México City from 10 to 14 April, 1975. This initial meeting was attended by more than two hundred delegates from seventeen countries of the Caribbean Basin area.³ At this conference a permanent coordination committee was established to prepare and promulgate reports for interested governments. The initial division of labor in the formation process of the company entailed a decision to commission delegates from four countries (México, Cuba, Venezuela, and Colombia) to form a Permanent Commission of Technical Coordination to prepare a basic document to be used as the basis for resolutions. The report of the preliminary conference prepared by the permanent coordination committee was utilized as a basis for the discussions held in San José, Costa Rica, from 26 to 28 May, 1975, at which time the

²La Nación (México) 25 March 1975.

³These figures are estimates. No official lists of attendees were published.

Declaration of Principles, the general plan for the company structure, and the international legal status of the company were formally decided upon.⁴

The basic decision to participate in NAMUCAR was made at the May, San José conference. This conference was, in essence, a series of working conferences in which the various interested delegations presented propositions and suggested amendments. A General Commission was established, consisting of delegates from all interested nations. All proposals were analyzed by an appropriate "technical" committee, with a view towards having them incorporated in the initial proposal to be presented to the General Commission. The members of the General Commission made the final decision on all subjects presented to them for analysis.⁵ The first working day of the conference, May 27th, was concluded by a unanimous vote in favor of the text of the Declaration of Principles and of the statutes of the company. Additionally, a series of "temporary" agreements received a "unanimous" vote. Important among these temporary agreements was the decision to choose San José, Costa Rica as the provisional headquarters of the company for the following six months.⁶

⁴Acta Final de la Conferencia Constitutiva de la Empresa Multinacional del Caribe, 28 May, 1975, San José, Costa Rica, p. 2.

⁵Ibid., p. 3.

⁶Ibid., Titulo IX, Disposiciones Transitorias, section 1.

The following day, May 28th, was devoted to a series of final working conferences followed by a unanimous approval vote on the Constitutive Accord, which was signed by representatives from eight countries.

In June, 1975, another conference was convened in San José to deal with the actual details of the company's operation among the eight participant nations. At this conference, three working groups were designated to investigate specific problems in their respective areas. These groups were designated as: (1) legal; (2) technical; and (3) financial working groups. Each working group was charged with the investigation and discussion of specific problems. Major decisions were required for such items as: determining a headquarters location; routes; types of cargoes to be carried; acquisition of vessels; registry of vessels; port facility requirements; personnel matters; initial capitalization; etc. Each of these items, as well as others, had many ramifications for potential members. For example, in arriving at a decision concerning which "flag" NAMUCAR vessels should carry, members of the working groups were to consider such factors as the economic and social conditions of member countries, cargo reservation laws, port congestion problems, and whether or not the vessels should be registered in one, some, or all of the member countries. The final decisions which were arrived at by these committees, therefore, represented the outcome of an "equity-versus-efficiency" type of discussion.

Non-Participants

A short historical sketch of participants in the NAMUCAR planning conferences would show that the four initial planners were Costa Rica, Cuba, México, and Venezuela. As noted, seventeen nations subsequently attended the initial planning conference in México City; however, Barbados, Grenada and Haiti decided upon no further participation, and El Salvador, Honduras and Guatemala decided to participate as observers. Puerto Rico also attended several NAMUCAR meetings as an "invited guest," since, not being an independent country, it did not qualify as an "observer status" nation. Aruba, Curacao and Surinam declined to attend as "observers."⁷

The decision of a country not to participate in NAMUCAR was often the result of an inability to resolve internal conflicts, rather than a lack of interest in the company. The internal conflicts were more visible for some states than for others. Two examples illustrate this point.

As previously mentioned, at the inauguration ceremony only six of the original eight member countries actually signed the document. Colombian representatives explained that their inability to sign the constituting document was because congressional approval had not been obtained to become a participant in the enterprise. Panamanian representatives explained that Panamá's inability to sign the final document

⁷See Latin American Economic Report, 14 March, 1975.

was due to an inability to obtain the initial \$500,000 funding required for participation.⁸

In the case of Panamá, an early decision was made to send representatives from the Ministry of Commerce; however, a dispute over the basic desirability of joining NAMUCAR developed between this Ministry and the Ministry of Finance, and a compromise solution was arrived at by sending representatives from the Ministry of Housing. This solution, in turn, was opposed by certain officials working for the Panamanian Port Authority. For Panamá, the net result of the composition of the delegation which was finally decided upon was that a majority of those sent to the meeting in San José in May, 1975, were opposed to joining NAMUCAR. Although the Head of the Panamanian delegation, Roberto Brenes, signed the initial Declaration of Principles and Constituting Accord as a participant of NAMUCAR, Panama subsequently failed to join the company at the inauguration ceremony in December, 1975, due to the announced reason of an inability to raise the necessary funds.

Guatemala is also an example of a relatively open split between different government ministries concerning NAMUCAR. When queried in May, 1975, concerning apparent contradictions between the attitudes and policies of the Ministry of the Economy and the Ministry of Foreign Relations

⁸El Imparcial (Guatemala) 2 December 1975.

with regard to specific multinational projects, the Vice Minister of the Economy, Manuel Villacorta Escobar, stated that the Ministry of the Economy had been very enthusiastic about such projects as NAMUCAR and SELA but that these proposals were coldly received by the Ministry of Foreign Relations, to the point where the Guatemalan government's attitude towards SELA had changed from a position of open support to one of "sympathy" for SELA's objectives, but with no concrete intentions of joining.⁹ The division of support for NAMUCAR was relatively open among the Guatemalan delegates, and Guatemala finally decided not to become an official participant.

Distribution of Costs and Benefits

As previously discussed, measures to affect the distribution of costs and benefits are required for any multinational integration project. Of primary importance in this regard is a perceived distribution of benefits and costs within the company structure which will induce potential participants to join in the project rather than to remain outside the scheme. Thus, multinational integration projects must accommodate the complexities of cost/benefit calculations and take into account many non-quantifiable, but nonetheless real, economic, political, and social objectives of developing

⁹El Imparcial (Guatemala) 27 May 1975.

nations. However, this combines with the equally pressing necessity for all multinational projects to be at least minimally defensible in economic terms. This is true for infrastructure projects as well as other types. As pointed out in an IDB report: "Infrastructure projects must have their economic justification; the fact that they are on the frontier or are otherwise multinational does not in itself constitute a higher priority."¹⁰

The company structure was developed during the course of 1974 and 1975 in the NAMUCAR planning conferences represents a conscious series of decisions, among those six nations which ultimately formed NAMUCAR, concerning such items as procedures, financing, routes, and company administration. For some of the countries involved, these conferences were the first attempts at multinational enterprises with other governments.

As discussed in Chapter Two, various specific values (or "valuables") may be posited to exist for owners and customers of a multinational steamship company such as NAMUCAR. Although not an inclusive typology, these "valuables" would include: (1) the benefit of having goods transported between specific points at a given rate and price; (2) the service

¹⁰ Paul V. Rosenstein-Rodan, "Multinational Investment in the Framework of Latin American Integration," in IDB, Multinational Investment; Public and Private, in the Economic Development and Integration of Latin America (Bogotá, 1968).

function, i.e., how often are services offered to each participant; (3) the national registry of the ships themselves; (4) the freight earnings of the ships; (5) the earnings related to land-based facilities; (6) the implications for national prestige; and (7) the rates charged for different products.¹¹ In addition to the above NAMUCAR represents a distribution of less identifiable and less quantifiable costs and benefits such as how fees, rates and other operational rules are established, the effect on employment opportunities for nationals of each country, and the source and level of financing required for participation.¹²

For most NAMUCAR participants, of primary importance was the determination of exactly how the company's "valuables" would be distributed (by what process) and in accordance with what procedures (by whom). As pointed out by Knudsen, it is important to analyze the formation process of this type of company by asking several questions such as: In the case of NAMUCAR, who determines where (i.e., upon which countries) the "valuables" (e.g., headquarters location, flag, freight income, frequency of services, etc.) fall? What are the governmental influences and actions which affect this distribution? What are the actions of the governmental participants

¹¹Knudsen, The Politics of International Shipping, p. 110.

¹²Ibid., chapters 3 and 4; and Brown, Transportation and the Economic Integration of South America, chapter 7.

who directly participate in the formation process to affect the distribution of "valuables?"¹³

There can be, however, no definitive statements made concerning the allocation of categories of costs or benefits to many countries for all of the reasons previously discussed in Chapter Two and Four and because, simply, what one country regarded as a cost might well have been regarded by another as a benefit, or vice versa.¹⁴ However, a short discussion of the company's "valuables" will illustrate how many of these costs and benefits were, in fact, allocated.

The Decision-Making Process

An early and important distribution of a "valuable" in relation to the formation of NAMUCAR occurred with the establishment of the Permanent Commission on Technical Coordination. The Permanent Commission was composed of delegates from México, Cuba, Venezuela, and Colombia, and had the corollary effect of giving these four countries a major voice early in the formation process. This Commission served throughout the formation process as the major functional group for transposing basic ideas and concepts into a written document which could be used as the basis for the discussions and votes which would be conducted at the conference sessions.

¹³Knudsen, The Politics of International Shipping, chapter 2.

¹⁴See United Nations, The Distribution of Benefits and Costs in Integration, p. 34.

In fact, the work of the Commission resulted in what was, essentially, the final company structure agreed upon.

In the afternoon of the first day of the conference (May 26th) a General Commission was established, consisting of delegates from all interested countries, as the plenary body for final conference decisions. All decisions made by this body were considered to represent the will of the conference; however, since the final decision on all of the specific articles of the basic document had to be made by all delegates by the afternoon of May 28th, very little time was available for delegates who were not familiar with the company structure proposed by the Permanent Commission to make a decision on specific items or to recommend modifications of the company structure.¹⁵ The second working day of the conference culminated in a "unanimous" vote by the members of the General Commission on the text of the Declaration of Principles and the company's statutes. Various "temporary" agreements were also decided upon during the course of this one day, including the important decision to locate the company in Costa Rica for the initial six months of operations.

To carry on the work of the conference, two commissions were created by the General Commission of the San José

¹⁵As previously noted, this resulted in several protests from delegates. See footnote 73 of Chapter Five of this study.

conference. The first of these was labeled the Coordinating Commission, and its function was to continue with the requisite preparations for the formal inauguration of the Company in Costa Rica. The second, called the Technical Commission, was empowered to study the technical aspects (routes, flag, schedules, etc.) of actually establishing this mercantile company. This latter commission was composed of representatives from Venezuela, México, Cuba, Jamaica, and Panamá; five of the six countries which subsequently became the initial members of NAMUCAR.

Major "issue areas" for the delegates at the San José conference in May were items such as the headquarters location, routes, registry of NAMUCAR vessels, and the company "flag country." However, no decision could be reached during this conference concerning any of these specific details. Rather, they were turned over to the Technical Commission for further study. The final decisions on these issues were reached in October, 1975, in San José, by the representatives of the eight nations which had signed the May accord.¹⁶

Financial Costs and Benefits

Capitalization plans for NAMUCAR underwent considerable changes during the course of the formation process. According to the Secretary to the Presidency of México, Hugo Cervántes del Río, the initially planned level of

¹⁶See Acta Final de la Tercera Reunion.

capitalization was to be \$30 million (U. S.).¹⁷ However, by the time of the May planning conference in San José, the level of contemplated initial financing had undergone a considerable reduction. The final amount authorized prior to NAMUCAR's inauguration was the equivalent of only ten million dollars (U. S.), to be fully subscribed and paid by members; with the remaining ninety million dollars to be considered as "authorized" capital if required.¹⁸ The total contribution per member nation, \$3,750,000.00, is to be paid in full by December, 1979.¹⁹ The initial paid-in contributions of member countries totaled only \$3 million (U. S.) at the inauguration ceremony in December.

As previously discussed, the financial burden which NAMUCAR represented varied radically among potential participants, and a determination of the financial benefits to potential members was an extremely complex task. For example, a report of the secretariat of UNCTAD entitled Establishment or Expansion of Merchant Marines in Developing Countries states that a general figure for the capital output ratio of a liner shipping company is around seven to one.²⁰

¹⁷ El Tiempo (México) 19 May 1975.

¹⁸ Article 160, Acta Final de la Tercera Reunion.

¹⁹ Ibid.

²⁰ United Nations, Establishment or Expansion of Merchant Marines in Developing Countries, p. 5. This is to say that an investment of \$7 million could be expected to produce an increase to the annual income stream of about \$1 million per year for the number of years that the company can be expected to operate.

However, in a situation in which factors such as routes, rates, vessels' types and sizes, and cargo data are unavailable, this figure would appear to lose all relevance. Further complicating any estimate of financial costs or benefits was the inability of the delegates to arrive at a final determination of numerous specific details of company operation such as: what percentage of expenditures such as port charges, tug services, crew wages, etc., will be paid for in foreign currencies? How many vessels would be acquired, and what routes would they serve? What percentage of crew manning would be nationals of each participant? Where would the repairs to NAMUCAR's vessels be conducted? Where would supplies be purchased?

Although no financing was made available to participants to induce participation in the company, the major proponents of NAMUCAR were not unaware of the problem. In an attempt to be more flexible in terms of payment, the announcement was made, in May, 1975, that initial contributions to NAMUCAR could be either in currency or an equivalent value to the initial contribution in vessels which could be used by the company.²¹ The attitude expressed by Mexican Secretary of the Presidency, Cervántes del Río was "it will not, therefore, be difficult to make the contribution."²²

²¹Hugo Cervántes del Río quoted in El Tiempo (México) 19 May 1975.

²²Ibid.

Location of NAMUCAR Planning Conferences

In response to the fact that the initial impetus came from President Echeverría, the first NAMUCAR planning conference was held in México City in April, 1975. The convening of this conference represented the first step in the process which led to the formation of this multinational company. Costa Rica offered to host further NAMUCAR conferences, and all subsequent conferences were held in that country. As a country desirous of hosting the headquarters of NAMUCAR permanently, Costa Rica benefitted from its offer in that it was selected as the "temporary" host country for the first six months of NAMUCAR's operations, and subsequently became NAMUCAR's headquarters country.²³

Company Flag

The question of which flag NAMUCAR vessels would fly was one of the major issues of concern to delegates at the formation conferences. The suggestions which were offered ranged from utilizing the flag of a member state whose maritime laws would most benefit the NAMUCAR vessels to flying the flag of the country selected as the headquarters location. At the first Costa Rican conference in May, no decision was reached concerning this important issue. Upon the conclusion of the conference, the problem was turned over to the Technical Commission for further study. This committee was

²³Article 20, Acta Final de la Tercera Reunion.

instructed to consider both social and economic conditions and related maritime laws and legislation in arriving at a decision. The guidelines offered the committee were to analyze the situation which would obtain if NAMUCAR vessels were registered in: (1) the headquarters country; (2) all or any particular combination of countries; (3) only those countries offering major advantages.

The final decision to register NAMUCAR vessels in Panamá was reached by the eight participating countries at the company's third ordinary reunion conference in October, 1975.²⁴ As the potential participant nation offering the most direct advantages to a mercantile company, this decision represented, at a minimum, the most economically defensible choice.

Headquarters Location

Another issue of primary interest to delegates was the determination of the headquarters location for NAMUCAR. Again, as was the case regarding the other major issue - NAMUCAR's flag - no decision could be reached during the May conference in San José. Delegates from various countries, including Venezuela, Panamá, and Jamaica, indicated their country's interest in being designated as the host country for NAMUCAR's headquarters. The decision as to what country

²⁴Article 30, Ibid.

would be the most appropriate was also turned over to the Technical Commission for further study. The Commission was directed to consider the overall results to NAMUCAR and to member nations if the headquarters location were placed in any one country instead of another. They were also directed to consider the consequences to particular countries if the headquarters location was not assigned to these countries.

The decision to designate San José, Costa Rica as the permanent headquarters location was formalized by the Final Act of the Third Session in San José in October, 1975.²⁵

Acquisition of Vessels

The acquisition of vessels for NAMUCAR was a problem which directly related to the company's level of capitalization. At the initial NAMUCAR meeting in México City, plans called for an original capitalization of \$30 million (U. S.). This money was to be utilized to purchase a small fleet of ships, each having a capacity of around 6,000 D.W.T.²⁶ It rapidly became apparent, however, that these plans would have to be scaled down if the formula of relatively equal contributions by member states was to be observed. As previously mentioned, a more modest proposal for capitalization was

²⁵Article 20, Ibid.

²⁶D.W.T. - dead weight tons.

finally adopted for NAMUCAR at subsequent meetings. The finally approved plan was for a capitalization of \$500,000 (U. S.) per member to purchase two, or at most three, vessels to begin operations. It was also decided that these vessels would be in the 2,000 to 3,000 D.W.T. capacity range.

From the point of view of financial costs to the participants, the finally adopted level of funding was well below the initial desires of President Echeverría. This did, however, result in a reduced cost/reduced risk situation for participants.

Although NAMUCAR officials reportedly made numerous offers and bids to various organizations with ships for sale, no decisions were made concerning the purchase or rental of any vessel until after the Company was officially inaugurated in December, 1975.

Cargo Reservation

The proposed cargo reservations for NAMUCAR vessels by several members would represent both a benefit to participants and costs to those countries which have flag lines which would not receive similar treatment, should cargo reservation clauses become generalized for NAMUCAR members.²⁷

Similarly the Méxican and Venezuelan decisions to supply

²⁷As previously mentioned, Costa Rica was the only country that actually took steps to implement a cargo reservation preference for NAMUCAR; however, México, Venezuela and other countries discussed the possibility.

NAMUCAR vessels with fuel at the same low rates granted to their national flag lines represented a de facto discrimination against various regional carriers.

Without doubt, the company's desire was to induce member nations to grant it some type of cargo preference. In this regard, member states were urged: "to endeavor, by whatever means possible, to adopt concrete policies which would stimulate trade and win cargo orders for the company."²⁸ However, every effort was made throughout the planning process for NAMUCAR to allay fears that it would compete with national flag lines. Numerous statements were made by NAMUCAR proponents and officials stating that the company would not compete with national flag lines, but, "on the contrary, it would engender more coordination, and seek to strengthen its ties with them."²⁹

Routes

Of primary interest to many of the delegates at the NAMUCAR planning conferences were the proposed routes for the new company. Many suggested port calls were discussed during each conference, and five basic routes were considered to be potentially viable for initial operations. Of special concern to the small island nations was that NAMUCAR vessels

²⁸Article 70, Acta Final de la Tercera Reunion.

²⁹Hugo Cervántes del Río quoted in El Tiempo (México, D.F.) 19 May 1975.

be of small tonnage and shallow draft to allow them to enter various shallow draft ports in the sub-region.

Initial proposals included a basic truck route to be serviced by four ships operating in opposite directions, and a subsidiary route to be serviced by two other NAMUCAR vessels. Under this plan, the basic route was to cover México, Venezuela, Nicaragua, Costa Rica, Panamá, Colombia, the Dominican Republic, Jamaica, and Cuba. The eastern route was to operate in the Eastern Caribbean, to and from Jamaica to the Windward and Leeward Islands and Trinidad, and to several South and Central American ports. However, as the planning for NAMUCAR progressed, it became apparent that six ships would not initially be available for the company to commence operations, and plans were scaled down to routes which could be serviced by only two vessels. One of the primary routes discussed at this reduced scale of operations would service Venezuela, Colombia, the Antilles, Haiti, and Jamaica. Another major route discussed included a circuit between Costa Rica, Cuba, Jamaica, México and Venezuela. It was finally decided to consider operations on a basic route serving México, Cuba, Jamaica, Panamá, Venezuela, Costa Rica, and Nicaragua.³⁰

³⁰The ports to be serviced by this initial route were: Vera Cruz, La Habana, Kingston, Bahía de las Minas (Panamá), La Guaira, Puerto Limon, and Bluefields.

As was the case with the flag and headquarters issues, no final decision was made concerning the routes that NAMUCAR would serve prior to the company's inauguration in December.³¹

With the possible exception of the eastern route through the Antilles, no serious discussion was undertaken concerning regular service to the small ports for integration-ist, rather than economic, reasons. The basic operating guidelines established in October, 1975, for NAMUCAR's operations clearly stated that: "in order to enter any port along the routes which may be established, a quantity of cargo must exist, whose freightage earnings would reasonably cover the operational expenses in the port."³²

Types and Rates of Cargo

The issue of rates was largely a dormant one during the formation conferences. Although all delegates were interested in the NAMUCAR rate structures, specific details were impossible to arrive at until the vessel acquisition and route issues had been decided. Various statements were made by proponents of NAMUCAR, and subsequently by NAMUCAR officials, to the effect that its vessels would offer a

³¹Operations actually began on the route: Blue Fields, Puerto Limon, Bahía de las Minas (Panamá), Puerto Cabello, La Guaira, Kingston, La Habana, and Veracruz.

³²Article 80, Acta Final de la Tercera Reunion.

savings to shippers over those rates currently charged, but no details were available concerning concrete savings for specific cargo types. When queried concerning the effect which NAMUCAR's operations would have in the region, the normal response was that it would seek to cooperate with, and to fortify, regional lines, and that its basic rationale was as follows: "We are looking for a way to defend ourselves from the developed countries, which have taken advantage of the lack of these services in our countries."³³

Nevertheless, as pointed out by Knudsen, Goss and others, the rate issue may well be one of the most difficult to resolve in the framework of a multinational mercantile company, since it is virtually impossible to devise a rational and economically defensible rate strategy which is satisfactory to all.³⁴

"Temporary Arrangements"

Various types of "temporary arrangements" were included in the Final Constitutive Act of NAMUCAR which had a direct impact on the distribution of costs and benefits. As previously mentioned, the decision to establish a temporary

³³Hugo Cervántes del Río, quoted in El Tiempo (México, D.F.) 19 May 1975.

³⁴See, for example, Knudsen, The Politics of International Shipping, chapter 3, for a discussion of factors complicating an objective determination of rates. Sample considerations include the degree of loadability, methods of containerization, bulk/weight ratios, and/or value of cargoes.

headquarters for the company in San José, Costa Rica represents the distribution of a benefit. Other benefits which were distributed included the six month "grace" period granted to each interested government before a final commitment of funds was required.³⁵

An additional type of distribution of benefits occurred when Guatemala, El Salvador, Trinidad and Tobago, and the Dominican Republic agreed to become "associate" members to the May agreement after a clause was included in the company accord which guaranteed that these countries could enter NAMUCAR in the future "under the same conditions as its present members."³⁶ In essence, this clause assured these nations of the ability to profit from NAMUCAR's operations if the company proved successful, but not risk the initial liabilities of the eight countries committed to full participation.

C. The Company Structure

The Final Report of the Constitutive Conference of the Caribbean Multinational Steamship Company establishes NAMUCAR on the basis of the seven following principles:

- (1) that participant countries consider NAMUCAR to be an instrument of economic and social development for the region;

³⁵ Titulo IX, Acta Final de la Tercera Reunion.

³⁶ Ibid.

- (2) that stable maritime communications should be an instrument in establishing bonds to unite the nations of the Caribbean Basin area;
- (3) that a maritime transport service between Caribbean Basin area nations, operating with the criterion of service and efficiency, will foster the integrative process among the nations of this region;
- (4) that the autonomous development of our countries demands that we utilize our own transport;
- (5) that the creation of multinational organizations will strengthen the negotiating capacity of the Third World and it will demonstrate the new attitude with which our peoples will fight against underdevelopment;
- (6) that leadership through deeds is necessary for the peoples of the Third World in order to find appropriate formulae for development; and
- (7) that economic relations between countries must be governed, along with other principles, by mutual and equal benefits, equality of rights, non-intervention, international cooperation for development, and on the understanding that all nations have the right to trade internationally and to utilize other forms of economic cooperation which are independent of whatever differences may exist between the political, economic and social systems of nations.³⁷

NAMUCAR is legally established as a mercantile company with the same legal rights and obligations as any legal mercantile entity operating from the country of its flag. It will be governed by all pertinent legislation of the countries in which it establishes headquarters or agencies, and by international and private maritime law. The company is empowered to establish branches or offices in any country in which it desires to do so.³⁸

³⁷ Acta Final de la Conferencia Constitutiva de la Empresa Multinacional del Caribe, pp. 6-7.

³⁸ Título 1.

The announced basic company aim is to provide an efficient maritime transport service for the nations of the Caribbean Basin area in the Caribbean. However, it is anticipated that company ships will eventually be able to carry out special voyages to destinations outside the Caribbean region if special cargo shipments are desired for import and/or export goods to or from the share holding countries of the company, should these countries so desire.

NAMUCAR is authorized to outfit and operate all types of merchant ships.³⁹ The company may also construct, acquire and operate dockyards, dry-docks, and repair facilities, and it may hire or utilize all types of merchant ships to conduct its business. As a legal entity, NAMUCAR is also authorized to enter into contracts or partnerships with other companies, and to acquire shares of stock in these companies.

In accordance with Article 6, NAMUCAR's capital shall be the equivalent of \$100 million (U. S.) at the legally current rate of exchange of the host country. This capital stock will include the equivalent of \$10 million (U. S.) as capital fully subscribed and paid for, with the remaining \$90 million (U. S.) to remain as authorized capital until needed. An initial authorization of one hundred thousand shares, with the nominal value of one thousand dollars (U. S.) per share, has been established. With regard to the 90,000 unissued

³⁹ Ibid.

shares, these may be subscribed and paid for in whatever form and/or quantities the General Assembly of Shareholders agrees upon.⁴⁰

There are two series of stock shares, Series A and Series B.⁴¹ Series A shares may only be subscribed to by authorized governments or organizations or companies which are owned and operated by national governments. The initial allocation of Series A is 60,000 shares.

Series B consists of 40,000 shares which will be subscribed to certain authorized non-governmental bodies under the condition that these bodies maintain the right to exercise the representation of such shares. The ownership of Series B shares can be transferred to private companies, trade unions or other national groups, with the restriction that these eligible purchasers do not have foreign ownership participation; however, voting rights for these shares must remain with the authorized organizations to which they were first issued. Additionally, no member state can alter its percentage of shares of each series from the following formula: sixty percent of the shares owned by any state must be Series A, and forty percent must be Series B. Transfers

⁴⁰ Ibid., Título II, Article 6, as modified by Article 160, Acta Final de la Tercera Reunion Ordinaria de Representantes de los Estados Signatarios del Acuerdo Constitutivo de la Naviera Multinacional del Caribe, NAMUCAR of October 27, 1975.

⁴¹ Ibid., Título II.

of ownership of Series B shares must be communicated to NAMUCAR's Administrative Council within fifteen days following the transfer of the capital for the shares. Series A shares are not transferable.

In accordance with Articles 11 and 13, the shareholders will contribute to the company capital in equal part initially, and the company will only recognize one owner-vote per share. The Administrative Council reserves the right to increase or decrease the capital after receiving permission to do so from the Extraordinary General Assembly of Stockholders.

The General Assembly⁴²

The general Assembly of Shareholders is the supreme decision-making organ of NAMUCAR. Decisions arrived at by the Assembly will be obligatory for all shareholders on all matters which are within the competence of the company's charter. Ordinary meetings of the Assembly will be held, at a minimum, annually for the purpose of discussing administrative reports, the company's financial position and any other pertinent business. For suggested changes to the company structure, capitalization, membership or other items of a major policy nature, special meetings of the Assembly will be convened.

⁴²Ibid., Titulo III.

For ordinary meetings of the Assembly, representatives holding 51 percent of the company's stock must be present for the meeting to be considered legally constituted. Decisions will be considered as binding when reached by a majority vote of those present. If, however, a decision is of such significance as to warrant the convening of a special session of the Assembly, representatives holding at least 75 percent of the company's stock must be present. Again, at these meetings votes will be by majority (51 percent) rule. If these majorities cannot be achieved in the first meeting, a second meeting time and place will be decided upon by those present, and decisions relating to ordinary agenda items can be implemented by a majority vote or whatever proportion of capital is represented at the second meeting. However, no decisions can be made regarding items discussed in special sessions of the Assembly without at least 51 percent of the company capital being represented.

The representatives who vote Series A shares at Assembly meetings must either be ministers or sub-ministers of the government which they represent, or eminent civil servants who represent those governmental bodies which are eligible to buy Series A shares. Additionally, these representatives must be persons other than the members of the Administrative Council who have been assigned by each country. All shareholders listed in the Official Company Book of Shareholders will be notified at least two weeks prior to

the anticipated date of any meeting by letter, and a simultaneous public announcement will be placed in the newspaper of the host country which has the largest circulation within that country.

The President and Secretary, at all meetings, will be the same persons who hold these positions on the company's Administrative Council, or their representatives. A majority vote will be taken at each meeting to appoint two census takers who will determine the exact number of shares represented at the meeting. Voting will be oral or in writing, and be open or secret, depending upon the sensitivity of the issue being voted upon.

The Administrative Council⁴³

NAMUCAR's operations are overseen by an Administrative Council composed of Councillors and Assistant Councillors from each member country. Each Councillor will be nominated, paid and replaced by whatever body appoints him. The Council is presided over by a President and three Vice Presidents, elected for two year terms of office. Additionally, a Secretary and a Treasurer has been elected for two-year terms of office. The Council holds meetings as necessary, and requires participation by two thirds of the Councillors for a quorum.

⁴³Ibid., Título IV.

The most important specific powers and duties of the Administrative Council are the following: (1) to represent the company in all legal transactions or litigations; (2) to approve the annual company budget; (3) to approve the financial and special reports of the General Manager; (4) to approve the establishment of branch offices of the company; (5) to promulgate company regulations; (6) to regulate company structure and the functions of personnel at various levels; and (7) to nominate and to dismiss the General Manager or any other company personnel.

The Vigilance Council⁴⁴

An important part of NAMUCAR's structure is the Vigilance Council. This council, which is composed of two delegates elected by the Assembly for one-year terms of duty, is designed as a "guarantee" for member countries that NAMUCAR will, in fact, operate in consonance with the company's statutes, with decisions of the Assembly, and with the directives of the Administrative Council. The Council is specifically empowered to fulfill the following functions: (1) to oversee all company transactions; (2) to report any irregularities noted; (3) to assist government bodies which desire to conduct inspections of the company; (4) to monitor the company's books; (5) to inspect company property; and (6) to call a special session of the Assembly if deemed necessary.

⁴⁴Ibid., Titulo V.

The General Manager⁴⁵

Actual direction of NAMUCAR's operations, within the limitations of the Convening Statutes and with the agreement of the Administrative Council, is handled by the General Manager. The specific functions of the General Manager include: (1) the direction and management of the company; (2) the formulation and presentation to the Administrative Council of work plans and estimates of expenses and earnings; (3) the formulation and presentation of monthly financial statements to the Council; (4) nomination, promotion, movement, and removal or dismissal of personnel of the company; (5) acting within the guidelines established by the Council as the head and legal representative of the company for any business transactions, litigations, or reclamations.

General Arrangements⁴⁶

Various other items in the company structure deserve comment. For example, should differences arise between the company management and the shareholders, or between the shareholders themselves, concerning interpretation of the Constituting Statutes, how the company policy and procedures are carried out, or in response to legal claims arising from disputes among member states, these differences will be submitted

⁴⁵ Ibid., Título XI.

⁴⁶ Ibid, Título IX.

to an arbitration board when other conciliatory methods have failed. Should arbitration become necessary, each interested party will appoint one arbitrator and these, by majority vote, will appoint an additional arbitrator. In the case of a two party dispute in which the two selected arbitrators cannot decide upon a third, a third arbitrator will be appointed by the National Chamber of Commerce of a third member country which will be chosen by lot. The results of the arbitration will be binding, and without subsequent appeal.

A final item of interest was a six month "grace" period granted to each signatory country to allow governments this period to resolve internal problems and to receive appropriate congressional or other requisite approval before being finally committed to the company. During this period, the Commission was also appointed to function as a carry-over group dedicated to resolving legal, technical, and financial problems that the company might face. In this sense, the approach represents a "two-step" commitment among nations in which participating governments may decide upon general principles and objectives as a first step in the formation process and, once this commitment has been made by those countries actually desiring to participate in the enterprise, delay the final decision to participate until specific details have been worked out and formal governmental approval obtained.

CHAPTER EIGHT

CONCLUSION

The foregoing chapters all represent an attempt to investigate the various research questions posed in Chapter One. To recapitulate briefly, these questions related to a desire to investigate: why NAMUCAR was being pursued; how it evolved; what company structure emerged from the formation conferences; what would be the authority of these institutions; what nations, groups, and personalities influenced the formation process; and how was NAMUCAR attempting to solve the problems of equity and efficiency.

What this chapter attempts is an articulation of some conclusions and modest hypotheses concerning NAMUCAR as a multinational integration project. Much of what follows is simply a discussion of possible pitfalls and problems which NAMUCAR's operations could encounter in the future, and a summary discussion of some of the strengths and weaknesses which developed in the Company structure during the formation process. Whether or not NAMUCAR will provide a company structure which is both flexible and efficient may well influence the decisions to form similar companies in other

areas in which multinational cooperation is felt capable of solving mutual, functional, sub-regional problems.

NAMUCAR, as a multinational integration project, does not correspond to the functionalist model, in that "politics" was involved in the formation process from the beginning. Nor is NAMUCAR an example of a surrender of state sovereignty in this functional area. Although political actors provided the motor forces for the convening of the conferences, and the conferences themselves represent examples of "political" bargaining, the end-product was a company in which only the interested participated, and over which national governments do not exercise direct control. This largely follows the emphasis of such scholars as Deutsch, Haas, and Cochrane who emphasize the importance of a voluntaristic model for integration.¹ However, as mentioned NAMUCAR has already inspired several similarly structured projects in a process, at this level, which resembles E. Haas' concept of "spillover," but which may also be posited to conform to Cochrane's observation that relevant pro-integration groups will continue with any model or plan in which they can see tangible and material benefits of an economic nature.²

¹See Chapter Two of this study.

²See Cochrane, The Politics of Regional Shipping, p. 153. Specific examples of similar projects would include FERTICA and the (English speaking) Caribbean Multinational Steamship Company. The high level of interest in NAMUCAR has also fostered general discussions in other Latin American groups, such as the Latin American Foreign Trade Promotion

The basic unit involved in the functioning of NAMUCAR is the nation-state. This statement, however, must also be qualified, as discussed in previous chapters, to account for the fact that national actions or inactions are not the result of a monolithic decision-making entity but, rather, represent the net result of political activities of various groups and personages which have an impact upon the decision-making process for each nation. It is therefore very difficult to forecast future national actions with regard to a company like NAMUCAR. The decision to participate in its formation has been viewed by some nations as an attempt at "self-help" and by others, with a more skeptical outlook, as an attempt by the major powers of the region, particularly Venezuela and Mexico, both to increase their influence and to improve their trading position in the Caribbean Basin area at the expense of the smaller participant members.

Of particular note is that, although certain of the nations of the region are in a position to pressure other governments into joining NAMUCAR, no attempt has been made to do so. In attempting to answer Etzioni's question

Agencies, which have met to discuss other possibilities for similar multinational enterprise structures. See Comercio Exterior 22 (August 1976): 310. Trinidad and Tobago, Barbados, Guyana, and Jamaica have also begun initiatives to establish multinational joint ventures for the production of cement, fertilizers, textiles, and steel. See Comercio Exterior 22 (October 1976): 403-404. Within the SELA framework, a prime Action Committee objective is the creation of Latin American multinational enterprises for fertilizer production.

"who is guiding the unification, using what kind of power, and to what effect,"³ what was attempted in the preceding chapters was to show that forces pushing for the creation of a maritime transport company in the Caribbean Basin area existed at all three of the basic levels of analysis, but that the specific motor forces for the creation of this particular multinational company were certain Heads of State of "critical" nations within the sub-region.

The analysis of the intra-Caribbean Basin maritime transport situation in Chapter Four would indicate that, in this functional area, the nation states which formed NAMUCAR share few identifiable "background conditions" which would allow one to predict their participation in the company. In particular, the withdrawal of Guatemala, Honduras, and El Salvador has been especially lamented by NAMUCAR participants. As previously mentioned, these Central American countries, with the support of UNCTAD, have been deeply engaged in an attempted rationalization and modernization of the Central American port system.⁴ It was hoped by NAMUCAR supporters that the company would serve as an additional incentive to joint and rapid development of this port system.

³See Etzioni, Political Unification, p. 92.

⁴These plans also call for the construction of five new port facilities. See Latin American Economic Report, 16 June 1975.

NAMUCAR began shipping operations in March, 1976. Within months of the initiation of services the company was showing an unexpected profit.⁵ The company began operations with one ship, "The City of Bochum," but shortly thereafter rented two additional vessels. The initial success of operations was widely discussed and publicized, and NAMUCAR stockholders increased their efforts to interest other sub-regional countries to invest in the company.⁶

The first president of the Council of the company is the secretary of the presidency of México, Ignacio Ovalle Fernández. The position of general manager of the company has been given to Fernando Lozada of Venezuela. Trinidad and Tobago joined the company in August, 1976. Although a member of WISCO, no conflict of interest was predicted in that NAMUCAR did not intend to compete with existing regional lines. Shortly after joining NAMUCAR, a Tobago woman was appointed as commercial manager of the company.⁷

Although the current routes for NAMUCAR vessels have not engendered any major conflict of interests with the principal U. S. flag lines, there is certainly both U. S.

⁵The final predicted deficit for the first year of company operations was up to \$1 million. However, after four months of operations, company officials reported a favorable balance of \$30,000. Latin American Economic Report, 17 August 1976.

⁶See Comercio Exterior 22 (August 1976): 310.

⁷See Comercio Exterior 22 (October 1976): 404.

governmental and private interest in whether or not the company will be granted some type of cargo reservation by participating countries, and whether its operations will expand to include ports in other than member countries, or outside the sub-region. The position adopted by major U. S. shipping lines operating in the Caribbean Basin area (e.g., Delta, Sea-Land, Lykes) was one of "live and let live" toward the formation of NAMUCAR. In this regard, these companies felt that their major interests were not as intra-Caribbean Basin shippers and, as long as NAMUCAR operations do not impinge on their current percentages of cargo carried to and from the Caribbean ports from which they operate, no major opposition should be expected. However, if NAMUCAR operations expand in scope to include ports in non-member countries, and utilize cargo reservation techniques which are seen as diverting commercial shipments away from U. S. owned carriers, the President of the United States is empowered to take appropriate actions to obtain the elimination of these restrictions to free trade.⁸

In May, 1976, Guatemala and Costa Rica gave full support to the UNCTAD code of conduct for Liner Shipping which specifies that 40 percent of the total cargo carried between two countries will be carried by the national shipping lines of each country, with the remaining 20 percent

⁸Under Section 301 of the 1974 Trade Act.

being taken up by "cross traders."⁹ This doctrine, if it becomes generalized among NAMUCAR participants, could create potential problems between the company and other national flag lines. To add to the uncertainty regarding possible cargo reservation techniques being employed to assist NAMUCAR's operations, no final determination of types or quantities of cargo has been available to assist in predicting possible areas of conflict of interest. When asked what cargo NAMUCAR expected to carry in January, 1976, its President, Ovalle Fernández, simply stated that the corporation would not be too rigid concerning the types of cargoes carried, and that it would largely depend upon the types of cargo to be shipped at the various ports of call.¹⁰

An important motivating force behind the creation of NAMUCAR was the desire of important Heads of State (viz., Presidents Echeverría, Oduber, Pérez, and Prime Minister Castro) to establish such a company. In this regard their approach to this matter appeared to be one of simply trying to estimate reasonably the "costs" involved, and then search for ways (namely by fostering multinational participation) of raising the required capital. As pointed out in Chapter Four, the intra-Caribbean Basin shipping situation has largely defied attempts at accurate data collection and it is one in

⁹ See Latin American Economic Report 2 July 1976.

¹⁰ The Daily Gleaner (Kingston, Jamaica) 31 January 1976.

which very little is known about actual cargoes, routes, and potential profitability. Furthermore, many of the countries of the Caribbean Basin area have competitive economies and non-existent trade relations, so that an accurate prediction of the future costs and benefits of a facilitation of trade between them was virtually impossible to make.

The economic surveys which were conducted concerning NAMUCAR varied radically in their assumptions and estimates of profitability. Many countries made no surveys and other countries received the surveys which were available only shortly before the decision had to be made to join in the formation of the company. Additionally, among the delegates at the formation conferences very little credibility was given to the positive earning levels predicted by the Mexican feasibility study. Even President Echeverría stated that he estimated that NAMUCAR might require "several years" of operations before becoming economically profitable.

Against this backdrop, the hypothesis that NAMUCAR was seen as being of "political" benefit to the overall integration process, rather than an immediate economic asset, becomes more plausible. The strong support evidenced by Echeverría, Castro, Oduber, and Pérez was a support given in spite of the economic rationale for the formation of the company, rather than because of the firm and proven economic profitability of such an enterprise. Therefore, from the perspective of the main national proponents of NAMUCAR, it

can be postulated that they approached the formation of NAMUCAR from the point of view of a concepto de gastos. This is to say that the principal proponents of NAMUCAR, President Echeverría of México and President Carlos Andrés Pérez of Venezuela appear to have focused their attention primarily on what the costs would be, and then set about "drumming up" interest to raise the needed capital. Several facts support this hypothesis. First, the original idea of NAMUCAR was developed and supported before the results of the TMM feasibility study were available, and, although the results of the original study were positive, neither President Echeverría nor President Pérez slackened their support when subsequent analyses began to make it look like NAMUCAR would require several years of operation at least, before becoming economically viable.

As previously discussed, a core problem which arises in specific integration efforts aimed at resolving functional problems through joint ownership and operation of multinational enterprises is the problem of attempting to achieve at least the minimum level of competitive economic efficiency while distributing the benefits of the enterprise in a manner which will appear to all to be at least minimally equitable. However, any attempt to identify accurately and/or to quantify overall costs and benefits of any integration project must take into account the fact that differing programs or projects for economic cooperation involve different types of

benefits and costs which in turn affect different countries and governments differently. This, as discussed, is the result of objective factors such as level of development, size, balance of payments positions, etc., and to more subjective factors such as the priority ordering of national goals.¹¹

A major conclusion of this study is that no systematic decisions were made for many of the "valuables" which were allocated. Although countries were thinking in terms of costs and benefits, many went unnoticed and many others remained still to be determined when the company was officially inaugurated in December, 1975. It would, however, also appear true that, because of the complexities involved in establishing a multinational mercantile company of this type and given the lack of reliable information concerning many of the matters involved in a rational calculation of costs and benefits, no rational economic decision could have been made. Certainly this was the case for NAMUCAR, since essential elements of information such as a firm determination of number of vessels, routes, cargoes, company personnel levels and origins, etc., were not firmly established early in the planning cycle.

NAMUCAR would appear to face many of the problems of more broadly conceived integrated schemes. There is great

¹¹See United Nations, The Distribution of Benefits and Costs in Integration, chapter 2.

disparity in the size and levels of development of participating units. There is no firm economic basis for predicting a net gain to each of the participants resulting from the facilitation of trade made possible by NAMUCAR's operations. There are vast differences in the political ideologies of the representatives designated to carry out the decision-making and operational functions of NAMUCAR, and between the countries which are represented by these delegates and company officials. NAMUCAR will still be required to face the difficulties posed by the "equity versus efficiency" complex of problems which are part and parcel of any current multinational integration scheme, and it must continue to respond to the various interest groups and forces, both within and between nations, which influenced the formation process.

On the positive side, NAMUCAR enjoys the support of the two most powerful nations in the sub-region, México and Venezuela. There is the additional benefit to be gained from the current de facto low levels of official and non-official U.S. interest toward both Latin America in general, and the Caribbean Basin area in particular. It would also appear that NAMUCAR is but one example of a willingness to suffer moderate costs for projects and organizations in which regional countries appear to be engaged in a struggle against the large corporate enterprises of the United States and European companies operating in the area. This is especially true

with regard to the control of modes of transportation, which are seen as being increasingly important to many Latin American nations. This desire not to be caught "short" in the event of international emergencies or crises is particularly acute with regard to maritime transport capabilities for all of the nations of the Caribbean Basin area.

NAMUCAR appears also to be an example of the willingness of nations of the Caribbean Basin area to search for joint solutions to common problems, but not at any price. This tends to support the hypothesis that the nations of this sub-region are responding to felt needs, but are not willing to assume excessive costs to alleviate these needs. This attitude reflects a concern with trade-offs, and a focus on bargaining power rather than upon coercion. Many values of various types are involved in multinational discussions on joint problems, and many of these values are very subjective. Even the concept of equity does not represent any fixed set of criteria to different nations.

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