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Latin American Economic Integration

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The first half of 1980 has proven to be very eventful in the area of Latin American integration. The Andean Common Market (ANCOM) and the Caribbean Community (CARICOM), in all out efforts to survive, are moving ahead towards meeting their prescribed goals and objectives. The Latin American Free Trade Association (LAFTA) however, has undergone a radical transformation; it is being replaced by a new organization, the Latin American Integration Association (LAIA). This new organization will focus its effort on continuing those policies which have proven successful under LAFTA, while deemphasizing those policies which have failed under the LAFTA framework. In many of the member countries comprising these groups, however, domestic political considerations may have a negative impact on their ability to contribute to the group's goals. This is especially true in Bolivia and Ecuador, where elections are scheduled for the near future.

THE ANDEAN COMMON MARKET (ANCOM)

The year 1980 promises to be a progressive year for ANCOM because top priority has been given to approving a number of its sectorial development programs. Five sectorial program proposals have been submitted by the Andean Junta to the top-level Commission. The programs which have been submitted include: fertilizers, steel, chemicals, pharmaceuticals, and electronics and telecommunications.¹

Steel and fertilizer industries exist in all five Andean countries, making these proposals likely to be accepted by the Commission. However, national plans in certain countries may have to be revised to eliminate projected excess capacity in the medium term. Even with these necessary adjustments, the sectorial programs will probably still be implemented during 1980.

It is anticipated that some of the other proposals will be more difficult to implement and, therefore, in an attempt to facilitate the process, the Junta has proposed combining the negotiations for certain programs. The Junta's proposal suggests that the chemicals and

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1. *BUS. LATIN AM.*, April 16, 1980, at 123.

pharmaceutical proposals be treated as one, as should the electronics and telecommunication programs.

Another important topic on the 1980 calendar for ANCOM is to try and gain a consensus on origin rules and the common outer tariff (COT), which is to become effective beginning in December 1980.² There is, however, still some disagreement among the countries. Bolivia and Ecuador are demanding special treatment to encourage light assembly industries to locate within their borders. These two nations are also seeking extensive common outer tariff exemptions. This demand runs into direct conflict with the stricter origin rules and higher outer tariffs on certain products sought by the other, larger countries.

The new common outer tariff system was recently discussed at a Commission meeting in Lima. The Junta's proposal (No. 96) assigns to each product traded a range of possible duties within which each member can set the tariff appropriate to its needs. The range for the COT is anywhere from 0% to 100%.³ Any product which appears on a country's exception list is also exempt from COT. These products, however, cannot be used as inputs in intraregional trade. Goods which are on ANCOM's sectorial program lists will still be subject to specific COTs. Most ANCOM members feel the COT levels proposed by the Junta are too low for most of the products and, excessively high for other items.⁴

The recommendations made at the Commission meeting were that Venezuela, Colombia, and Peru should implement the COT over a four-year period. Ecuador and Bolivia would gradually implement the tariff change over a ten-year period.

In an attempt to avoid unfair advantages in regional trade among the Andean countries, the Junta proposed harmonization of certain trade mechanisms.⁵ Examples given were: (1) that non-tariff barriers would eventually be the same as the COT; (2) export incentives on regionally traded goods would be eliminated, including exports to third countries which can still be promoted; and (3) the Junta proposed the elimination of all duty-free public-sector imports which discriminate against Andean producers in favor of third countries. However, duties can still be waived under special circumstances, such as

2. *Id.*

3. *BUS. LATIN AM.*, June 18, 1980, at 193.

4. *Id.*

5. *Id.*

if the item is not produced within the region or if production is insufficient to meet the needs of the Andean countries.

Bolivia and Ecuador are unhappy with the compensatory provisions. They would like more items exempted from COT. The larger countries, Peru, Colombia, and Venezuela, believe that to grant Bolivia and Ecuador this concession would give them an unfair competitive advantage. This issue is not as of yet resolved, and will probably be the main topic of discussion at the next ANCOM meeting scheduled for August.⁶

A bilateral trade agreement was reached between ANCOM and the United States early this year. This agreement sets precedent because for the first time ANCOM, acting as a bloc, has granted trade concessions on specific items to a non-Andean country.⁷ Under the pact, the ANCOM countries will consolidate import duties on six products imported from the United States. These products are: vegetable protein, circuit breakers above 1,000 volts, voltage regulators above 260 volts and 30 amps, laboratory glassware and electrical cable harnesses for vehicles. The United States, in turn will establish preferential tariffs on ten products, including: dehydrated bananas, animal food, crepe paper, elevators, shapes for hats, banana flour, tonka beans, certain industrial machinery and insulated electrical conductors.⁸

THE LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

An all out attempt by the Contracting Parties of LAFTA to save the association has been to no avail. The Ministers of the Conference of the Contracting Parties passed Resolution 381 (XLX) in a final effort to save LAFTA. The Resolution recommended the restructuring of LAFTA and a reaffirmation of its ultimate objective: the economic and social development of the Contracting Parties, with special consideration to the needs of the Less Developed Countries within LAFTA who are attempting to raise their peoples' standard of living while contributing to a new scheme of cooperation among the developing countries.

LAFTA however, will never have the opportunity to implement this Resolution. A new organization, the Latin American Integration Association (LAIA) will replace LAFTA before the year is over. LAIA

6. *Id.* at 194.

7. *BUS. LATIN AM.*, January 23, 1980, at 30.

8. *Id.*

will downplay the free trade area concept embodied in LAFTA's system of regional concessions, and, instead, favor bilateral or multilateral agreements.⁹ All agreements existing under LAFTA's framework will be renegotiated.

LAIA will have three major mechanisms to further its integration efforts. The first and foremost is the so-called partial agreements, which may be entered into by two or more countries covering either individual industries or numerous sectors. This new approach is in reality very similar to the complementation agreements,¹⁰ which now exist under LAFTA and have proven to be the most successful of all LAFTA's programs.

LAIA's other mechanisms will focus on region-wide integration. One establishes a margin of preference for all LAFTA-sourced goods vis-a-vis third-country's imports. Regional goods are expected to be placed at a small advantage, which will serve as a starting point for future negotiations on a more liberal margin. Another mechanism provides for regional agreements encompassing all members of the association. As of the present, these agreements have not taken any form.¹¹

LAIA's framework grants special treatment to each country depending on their comparative economic development. Bolivia, Ecuador, and Paraguay have been designated as the least developed members. Peru, Chile, Colombia, Uruguay, and Venezuela are at the intermediate level. Mexico, Argentina, and Brazil are considered the most economically advanced of the group. The three least developed countries are the only ones which will receive special treatment under the treaty. When negotiating agreements among members, each country is asked to take into account the other country's classification.¹²

In older news concerning LAFTA, Olivetti, the Italian manufacturer of business machines, is reducing its Argentine operation in response to a new Argentine tariff and exchange rate policy which makes imports cheap and local manufactured goods expensive. This action by the Italian company will break up a nine-year-old com-

9. BUS. LATIN AM., July 9, 1980, at 217.

10. Complementation Agreements—Those agreements whereby each country who is a party to the agreement is dependent upon the other country(s) fulfillment of their aspect of the agreement.

11. *Supra* note 9, at 218.

12. *Id.*

plementation agreement which Olivetti helped pioneer under the LAFTA umbrella.¹³

Olivetti's reorganization will upset the current regional integration scheme based on the LAFTA office machinery complementation agreements among Argentina, Brazil, and Mexico.¹⁴ It will most likely end the office machinery trade pacts currently between Argentina and Brazil. This will undoubtedly occur because Olivetti will cease to import from Argentina. Argentine officials, will in all likelihood, react by restricting imports of Brazilian typewriters, claiming lack of reciprocity.

THE CARIBBEAN COMMUNITY (CARICOM)

The last of the meetings held in 1979 by the member nations of CARICOM instilled new life into the integration movement. CARICOM's Secretary General, Dr. Kurleigh King, told those gathered in Saint Lucia that CARICOM was far from dead.¹⁵ This same message was reiterated by CARICOM's newly appointed Deputy Secretary General, Mr. Roderick G. Reinford. Mr. Reinford, upon accepting his appointment in February, stated that he believed in the integration movement, and that CARICOM would be able to achieve much of its potential, and would indeed ultimately succeed in attaining its goals and objectives.¹⁶

The two day meeting, held at the end of 1979, covered most areas of activity in the Common Market and Community. The two most important areas were those dealing with Article 28 of the Common Market Annex of the Treaty of Chaguaramas and a review of the special measures for the Less Developed Countries of the Region.¹⁷

Article 28 allows a country which is facing severe balance-of-payment deficits to apply quantitative restrictions on imports from its Common Market partners. The Council decided to keep the balance-of-payments situation of all the nations under constant review. The Council will now be forwarding suggestions to Member Countries designed to minimize any deleterious effects on inter-regional trade. Special consideration will be given Less Developed

13. BUS. LATIN AM., February 6, 1980, at 46.

14. *Id.* at 47.

15. Caribbean Community Secretariat Press Release, No. 58, December 11, 1979.

16. Caribbean Community Secretariat Press Release, No. 7, February 8, 1980.

17. *Supra* note 15.

Countries on matters pertaining to trade restrictions. A new committee has been established to work with the special needs and problems of the LDCs.

A Ten-Point Message on Health to the people of the Caribbean Community was issued at the start of 1980, its major theme being "Health For All By The Year 2000." In addition to this health message, the CARICOM Secretary took part in a series of regional health meetings in January.

CARICOM is promising major advances for women in 1980. CARICOM women, through their governments and respective organizations, met in the Conference Room at the Secretariat of CARICOM. The promotion of income generating activity was a major priority item discussed at the meeting and targeted for immediate implementation. Financial assistance will be sought to meet this activity.

A second area discussed was the steps which must be taken to accelerate the establishment of national governmental machinery to deal with women's affairs, and, at the regional level, to take steps towards establishing a division within the CARICOM Secretariat responsible for Women's Affairs in the region.

The Fifth Meeting of the Standing Committee of Ministers Responsible for Foreign Affairs was held at Castries, Saint Lucia, in February. Many issues were on the agenda. The most important was the impact of oil prices on the economies of the CARICOM members, and proposed strategies for dealing with the problem. Other topics discussed at the meeting were the preservation of the CARICOM relationship, mechanisms for the coordination of foreign policy, the Belize question, and recent developments in Southern Africa, the Middle East and Latin America.¹⁸ The major outcome of all the discussions surrounding the important issues was one of coordination and cooperation of policies and programs among the CARICOM members when dealing with these topics. The Committee affirmed its belief that to combat these areas, unity must first be achieved among the CARICOM member nations.¹⁹

The CARICOM Council of Ministers held its sixteenth Meeting at Georgetown, Guyana, commencing on March 6, 1980. The Committee decided that a Group of Caribbean Experts should be invited to prepare a study outlining a strategy for the Caribbean integration

18. Caribbean Community Secretariat Press Release, No. 8, February 11, 1980.

19. *Id.*

movement for the 1980's. This study will be presented at the meeting of the Council in September 1980. The members of the Group of Experts are: Arthur Brown, Edwin Carrington, Silbourne Clarke, William Demas, Arthur Lewis, Vaughan Lewis, Alister McIntyre, Shirdath Ramphal, and Charles Skeete. All are West Indians, strongly committed to West Indian unity and Caribbean Integration.²⁰

The Group of Experts held their First Meeting in Barbados on May 22 and 23, 1980. The Group identified the crucial issues in national development and regional cooperation and integration. The Group decided that the views of the governments of the Member States on various aspects of cooperation and integration would be sought. It also decided to obtain the views of regional non-government organizations, as well as other sections of public opinion in the area. The next meeting of the Group is set to be held at Georgetown, Guyana in July 1980.²¹

The Standing Committee of Ministers Responsible for Labour of the Caribbean Community was held at St. Kitts-Nevis-Anguilla, May 14-15, 1980. The Member States present were: Antigua, Barbados, Dominica, Guyana, Grenada, St. Kitt-Nevis-Anguilla, Saint Lucia, and Trinidad and Tobago. Also present were observers from Surinam, and the International Labour Organization (ILO). The Committee reviewed the progress achieved in formalizing the relationship between ILO and CARICOM, and agreed that action should be taken towards that end.

The Committee discussed and made decisions or recommendations in the following areas of labor policy: (1) training of labor administration officials, towards which end the Committee endorsed proposals establishing training programs for senior and junior level personnel; (2) harmonization of labor legislation, for which the Committee concluded that a study of labor legislation in the LDCs must be conducted before attempting any standardization; and (3) emigration and recruitment of workers, where the Committee agreed that the CARICOM Member Governments should protect emigrant workers recruited under contract.²²

The Commodities Working Party of CARICOM has been concerned with the potential development of an unfavorable situation, regarding ACP sugar, should the European Commission fail to im-

20. Caribbean Community Secretariat Press Release, No. 17, April 22, 1980.

21. Caribbean Community Secretariat Press Release, No. 25, May 23, 1980.

22. Caribbean Community Secretariat Press Release, No. 23, May 16, 1980.

plement a quota reduction for United Kingdom (UK) beet sugar and also fail to provide arrangements for the export of the surplus of beet sugar overhanging the UK market. To combat this problem, the Party, at its last meeting held at the end of May, recommended that the CARICOM Council of Ministers give immediate consideration to acting so as to ensure the market outlets in the European Economic Community for ACP sugar are retained for the full quantity covered by the sugar protocol.²³

It appears as if a Meeting of Ministers of Information of the Caribbean Community will become a reality in the near future. Topics to be discussed, should such a meeting take place, will be directed at improving regional collaboration in information and enhancing the flow of information as it relates to the Caribbean.²⁴

ECONOMIC AND POLITICAL OUTLOOK FOR LATIN AMERICA

Questions left unanswered in 1979, concerning the future of the trade groups, notably ANCOM, LAFTA and CARICOM, are being strongly and affirmatively dealt with in 1980. Each group is reinstating efforts aimed towards complete Latin American economic integration.

ANCOM is forging ahead with the improvement and upgrading of its sectorial programs. The bilateral treaty entered into with the United States will enhance the prospects of survival of these programs. CARICOM's highest officials have repeatedly expressed their belief that CARICOM will indeed achieve many of its goals and objectives during 1980. After taking on a new name and framework, LAFTA has shown its readiness to play a major role towards the completion of economic integration in Latin America.

The move is towards democracy in the area of Latin American politics. Argentina's political plans call for a civilian government to assume power in the mid-1980's. Chile will also move toward a civilian government, but not until the early 1990's. Brazil's transition should be virtually completed by 1985. Uruguay will initiate a similar transition sometime during this year and Peru's move to a civilian government will soon be completed. Ecuador and Bolivia have already accomplished the transition. Bolivian officials, despite special problems, have stated that the general election for the presidency will take place as scheduled, on June 29th, 1980. The election, the

23. Caribbean Community Secretariat Press Release, No. 26, May 26, 1980.

24. Caribbean Community Secretariat Press Release, No. 29, June 13, 1980.

third in three years, is featuring many candidates, but will probably boil down to a race among three; Hernan Siles Zuazo, the President since 1978, Paz Estenssoro, a centrist candidate, and Hugo Banzer, the former President under the 1971-1978 military government.²⁵

Costa Rica and Peru are both faced with economic woes; inflation and unemployment are rampant. This, along with the political instability throughout Latin America, may have a strong and lasting effect on both countries.

25. *Supra* note 3, at 194. A coup d'etat took place in Bolivia on July 17, 1980, shortly after the election. A military regime, headed by General Luis Garcia Meza, was installed and currently rules the country.