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LATIN AMERICAN ECONOMIC INTEGRATION

GEORGE LOTT*

THE ANDEAN COMMON MARKET (ANCOM)

Following its success in solving the problems facing its sectorial scheme for the automotive industry, ANCOM has spent the past months moving on a wide range of fronts. Action was taken to implement Decision 120, which approved the Andean Automobile Program, and efforts were made to review progress made in other areas during the preceding year. Of particular importance, ANCOM has concentrated its efforts to complete its sectorial development scheme before the end of 1978. At that time the Group's automatic tariff-cutting program is scheduled to begin for products that fail to be incorporated into sectorial plans. Proposals for the chemical and pharmaceutical industries have been issued, along with revisions of the Group's metalworking and electronics industry programs. At the unilateral and bilateral level, several events have occurred which portend an impact upon ANCOM generally. Highlighting just two of these events, a new Foreign Investment Law has been enacted in Venezuela; and Chile, despite its withdrawal from the Pact in October 1976, has made several initiatives to increase trade with its former ANCOM partners.

Sectorial Program Developments

In order to implement its newly approved sectorial scheme for the automobile industry, the Andean Group moved on two fronts. First, the Andean Automotive Committee was formed with the participation of automobile specialists of each of the member countries. This was followed in November 1977, by the first meeting of the Committee, whose objective is to contribute to the development of the Automobile Program, to see that the objectives are complied with and to recommend to the Junta and the Cartagena Agreement Commission the actions they consider necessary in order to put Decision 120 into effect. At the meeting the Junta's Coordinator recommended creating National Commissions, comprised of government bodies and businessmen, to analyze and encourage the progress of the Automobile Program in each Andean Pact country. The Coordinator also noted that the new industrial centers will be inaugurated through the Program and stressed the importance of Motores Andino (MODASA) inaugurated at Trujillo, Peru.¹

Second, it was agreed that Andean countries would immediately begin the standardization of techniques and specifications of the automotive products assigned under Decision 120. Toward this end, the Automotive Committee, at its November meeting, assigned Andean Pact counties the task of making preliminary studies of the different industry sectors. Bolivia was assigned the general legal norms for the dimensions and classification of

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¹. Andean Group, Jan. 1978, at 3.
vehicles established by the Automobile Program. Ecuador was to work on
the system of norms, international units system, adjustment and tolerance,
and preferred numbers. Peru was to work on leaf springs for cars, spoked
wheels, telescopic vehicles, brake fluid, and safety belts and bases.
Venezuela was to study the standardization of batteries, "V" shaped belts,
safetyglass tires for passenger vehicles and wiring. Colombia was requested
to study matters related to nomenclature and terminology, and fire extinguishe
s for cars. The Junta was chosen to study legal norms related to
safety, pollution and road signs.2

These preliminary studies were received by the Automotive Committee
at its second meeting in early 1978. The Committee discussed, among other
points, progress of the Andean countries in the choice of the basic models
which have been assigned to them, progress made with existing agreements
and the promotion of new agreements. The Automobile Program includes a
series of assembly, co-production and complementation agreements aimed
at integrating the Andean automotive industry. Other items on the agenda
included negotiations with the ABRAMEX Group (Argentina, Brazil and
Mexico), installation of a Technical Development and Research Center, and
discussion of a document presented by the Junta on models derived from
A-3 and A-4 categories.3

In related events, Bolivia's National Automotive Industry Commission
is holding talks with representatives of eight motor vehicle companies which
bid in the recent tender. It was also reported that the Bolivian auto industry
will require an investment of between $400 and $500 million, but will create
11,000 new jobs.4 In Ecuador it was announced that the auto industry will
be implemented in 1978 in association with two international companies
with an estimated investment of $400 million.5 In Colombia it was reported
that the Automobile Program will create four large industries for the
manufacture of components and will expand the capacity of existing
foundries. It was also noted that the capital of existing automotive com-
panies has been increased. Colombia's Industrial Development Institute
(IFl) and Renault of France have agreed to triple the capital of the Sociedad
Fabricante de Automotores (SOFASA) from 100 to 300 million pesos. The
Compañía Colombiana Automotriz, in which IFI and Fiat are partners, in-
creased its capital from 140 to 240 million pesos.6 Peru has started up its
diesel engine factory and is moving on its plans to install an auto forge and
foundry in Trujillo. A report by Peru's Ministry of Integration indicates that
the Automobile Program will create 10,000 direct jobs and approximately
100,000 indirect jobs.7 Finally, in Venezuela, the Government signed an
agreement with Fiat to build four-cylinder engines.8

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2. Id. at 7.
4. Id. at 4.
Meanwhile, in an effort to complete its sectorial development scheme before the end of 1978 the Junta has released its development proposals for the chemical and pharmaceutical industries.9 The pharmaceutical program encompasses seventy-six products, of which twenty-two are allocated to individual members on an exclusive production basis. In this respect, the pharmaceutical program resembles the chemical industry program which allocates some forty products on an exclusive production basis.10 Both proposals suggest tariff treatments and duty reduction schedules for assigned and non-assigned products. Within sixty days of the pharmaceutical program's approval (thirty days for the chemical program) duty free access would be granted to imports from Andean countries favored with an allocation. Tariffs on similar products from members not assigned production would remain at the levels of those applied to non-Andean imports until 1987 for Colombia, Peru and Venezuela, and 1992 for Bolivia and Ecuador. After those dates, tariffs would be eliminated completely. Members sharing an allocation would eliminate tariffs on those items when traded between each other from 1978 to 1987. As for non-assigned products, tariffs would generally be abolished in one step at the end of 1978 except for Bolivia and Ecuador who would have until 1988 to eliminate such tariffs. Both proposals impose a common outer tariff (COT) ranging from twenty-five to thirty percent on competing, non-Andean imports of products included in the program. The COT would be in full effect by the end of 1983 in the larger countries and by the end of 1988 in Bolivia and Ecuador. In line with other industrial programs, member countries are not to encourage local production of goods allocated to other members nor permit direct foreign investment for such production.

ANCOM has also issued revisions to its metalworking and electronics industry programs. In both cases, the revisions include a reallocation of goods originally slated for Chile and contain changes in production deadlines and tariff-cutting schedules. However, the latest electronics industry proposal includes the previous one's proviso for the creation of an Andean multinational enterprise to manufacture public telephone exchanges. And, an important modification to the metalworking program which will affect foreign exporters was made in COT levels. The previous rates, which will still apply to products now being manufactured or which will be soon, ranged between forty and eighty percent. These have been reduced an average five percent, and range up to a high of sixty-five percent. Furthermore, all third-country duties must be harmonized between 1981 and 1983.11

Third Meeting of Andean Ministers of Agriculture

The Third Meeting of Andean Ministers of Agriculture was held in Bogota, Colombia on December 5 through 8, 1977, to analyze changes in agricultural production, consumption, demand, imports and exports in the

10. The exclusive production scheme of the chemical and pharmaceutical industries proposals contrasts with the Automotive Program, under which co-production is the general rule. See Bus. Latin Am., Oct. 12, 1977, at 327.
Andean Market during the past five years. Such meetings, within the legal framework of the Cartagena Agreement, evaluate the results of integration in agricultural development and define the policy of the sector through coordination of purposes and objectives which transform the traditional execution of national development plans into an overall community effort.12

During the Third Meeting the ministers made an analysis of the structure of an Andean System of Agricultural Planning which is to be improved progressively in order to prepare an Indicative Subregional Agricultural Plan. In its first stage the Andean Agricultural Planning System is to include efforts towards consolidation of national agricultural plans, the strengthening and adaption of systems and strategy for organizing the sector, unifying methods and systems of agricultural planning and information on the physical, economic and social characteristics prevailing in the Region in order to start coordinating policies.13

At the meeting, a report was given by the head of the Junta’s Agricultural Development Department on progress made in agricultural integration, especially in regard to resolutions adopted at the Second Meeting of Andean Agricultural Ministers in Quito in November 1976.14

(1) Agricultural Planning

A methodological plan has been prepared for the progressive implementation of an Andean agricultural planning system. This will be the main instrument in coordinating national plans under a standard regional policy.

(2) Reciprocal technical cooperation within the Andean Group

One hundred and twelve Andean experts worked in the Region in the following areas: Sanitary inspection of coffee; phytosanitary coffee problems; vegetable quarantine and port sanitation; agricultural safety; marketing and storage of food; techniques in the growth of oil producing plants, potatoes, rice, cotton and sugar cane; improved seeds; cattle fodder; and the planning of food and nutrition policies. This project was financed with funds from CIDA, the Canadian International Development Agency.

12. Andean Group, Jan. 1978, at 1. While a six percent automatic reduction of customs duties in products traded among Colombia, Peru and Venezuela was enacted in early 1977, movement toward the elimination of all duties and restrictions on inter-ANCOM imports has slowed. The Cartagena Agreement had provided that as of Dec. 31, 1976, Bolivia and Ecuador would begin the process of custom reductions on the imports from the other three countries at a ten percent annual rate, but the Lima Protocol postponed the start of this process until Dec. 31, 1979, and reduced the initial rate to five percent. As a result of the new provisions of the Lima Protocol, Bolivia, Colombia, Ecuador, Peru and Venezuela will not establish a customs union until Dec. 31, 1988. See El Commercio. (Lima), Feb. 22, 1977, at 10. 13. Id. 14. Andean Group, Feb. 1978, at 3.
(3) Agricultural Statistics

The Andean countries have created a statistics system for information on food availability in order to establish exact trade possibilities within the Andean Group; and to have available the basic information required to plan Andean Agriculture.

(4) Agricultural Integration Projects at an Andean level

The Andean countries have prepared reference terms to undertake joint programs, related with the production of seeds, wheat, maize, sorghum, oil producing plants, meat and milk. The specific integration projects should come into effect as of 1979.

(5) Coffee Rust

An intense program on prevention of coffee rust in the Andean countries has been carried out by technicians. Seminars and joint programs have been undertaken on phytosanitary problems, actions for preventing and fighting rust and the training of seventy experts on vegetable quarantine and port sanitation.

(6) Support for Bolivia

Several steps have been taken to give priority to agricultural development projects for Bolivia in accordance with Andean Pact plans to give preferential treatment to relatively lesser developed countries.

The Bolivian Government has received proposals for projects related to production, certification and marketing of seeds; creation of funds for livestock; establishment of a plan to develop fruit growing and specific programs on tropical vegetables and fodder. Bolivia has also requested that studies be made to establish a sucrochemistry industry in Bolivia and the infrastructure for the marketing of meat.

(7) Marketing of food products

Steps have been taken for establishing an adequate marketing infrastructure within the Andean region, backed by the Interamerican Development Bank, and with the active cooperation of state and private agricultural marketing companies. A network of commercial information has also been created.

(8) Other Matters

The Andean countries' action plan includes institutionalizing the Meetings of the Ministers of Agriculture within the framework of the Cartagena Agreement; the strengthening of national organizations for agricultural integration; development of the Junta's Agricultural Department; Andean food and tropical wood projects; training of personnel in animal health and veterinary science; cooperation in applied agricultural research; exchange of seeds
and vegetable matter. There are also plans to hold a seminar on agrarian reform in the Andean Countries.

The meeting concluded with the ministers resolving, among other things:

(1) To institutionalize the Meeting of Andean Ministers of Agriculture within the framework of the Cartagena Agreement;

(2) to commission the Cartagena Junta, the Pact's technical body, to prepare an Annual Report on the situation and prospects of agriculture in the Andean countries;

(3) to approve the participation of the five Andean countries in studies related to specific integration projects for wheat and seeds, as well as the agroindustrial analysis of wheat, beef, milk, sorghum and oilseeds;

(4) to start an Andean Agricultural Planning System to guide the integration process, the coordination of national development plans for agriculture, and the preparation of a medium-term subregional indicative plan;

(5) to approve the joint program for the prevention, eradication and control of coffee rust. The project is to be financed by the Andean Countries plus funds the Junta can obtain from international bodies;

(6) to recommend closer relations with SELA, the economic system for Latin America, in order to exchange information and experience and coordinate activities, especially in the agricultural and food sectors;

(7) to request the FAO, in support of the suggestion presented by the Minister of Agriculture and Breeding of Venezuela, to prepare a World Yearbook on Vegetable Sanitation, specifying the distribution and degree of plagues and sicknesses which affect plants and the procedures used for their control; and

(8) to establish criteria for deciding on the contributions to be made by the Andean countries to finance the joint agricultural projects at a regional level.15

Planning Council

An important meeting of the planning organizations of the Andean Group countries took place in La Paz, Bolivia, from October 31 to November 4, 1977. The agenda presented for analysis four fundamental matters. The first related to the incidence of the integration process in each of the Andean Group countries. The second subject included in the agenda concerned the pronouncement of the countries with respect to the evaluation report submitted by the Junta of the Cartagena Agreement in July 1977. One other subject considered related to the presentation by the national

15. Id. at 4.
planning organizations of informative documents covering the manner in which they conceive social development in each of the member countries of the Andean Group, and the social areas where joint action has top priority. Finally, an action plan for the Andean Group for the 1978-1980 period was discussed.\textsuperscript{16} The Planning Council also discussed the effectiveness of measures established by the Andean Group to benefit Bolivia and Ecuador-two of the relatively less developed countries within the Pact.\textsuperscript{17} Specifically, these measures (Decisions 28 and 29) assign to Bolivia and Ecuador lists of products for special tariff-protected production and tariff reduction. Another decision, Decision 119, contains a special program in support of Bolivia aimed at development of a more solid industry within the framework of a group of joint actions which will allow Bolivia to benefit from Andean integration.\textsuperscript{18}

The conclusion arrived at was that the measures had not been sufficiently effective to help narrow the gap which separates these countries from the other members of the Pact. Regional planners have, therefore, asked the Junta, the Pact's technical body, to analyze the problems facing these countries more thoroughly and recommend the additional measures required to make preferential treatment more effective.

\textit{Andean Foreign Trade}

The fourth meeting of Andean Group export promotion directors was held in Bogota, Colombia, on November 14, 1977. The meeting analyzed the problems of the external sector and recommended joint action which ANCOM members should take to expand and diversify exports with a goal of setting up the first Andean plan for export promotion. It was noted that the Andean Group's trade with foreign countries has increased to almost $30,000 million a year, one of the highest among the developing nations. The head of ANCOM's Economic Policy Department stressed that Andean integration requires the adaptation of traditional economic policies, especially in regard to competition without tariff barriers or import restrictions among member countries. However, it was pointed out that a significant number of products have been reserved for Andean industrial development programs and there are numerous products on the countries' lists of exceptions, apart from the fact that the Pact's minimum external common tariff also includes tariff exceptions.\textsuperscript{19} Nevertheless, trade between Andean countries in 1976 was valued at $880 million - a rise of thirteen percent over the figures for 1975.\textsuperscript{20} In a similar vein, it was noted that since the Cartagena Agreement was created in 1969 the Andean Group's trade with the Latin American Free Trade Association (LAFTA) has grown from $400 million to $1,500 million, a bigger increase than reached by other LAFTA countries. When the Cartagena Agreement started, total exports of the five countries did not reach $100 million.\textsuperscript{21}

\textsuperscript{16} Andean Group, Dec. 1977, at 1.
\textsuperscript{17} Andean Group, Feb. 1978, at 6.
\textsuperscript{18} See also Comercio Exterior de México, Feb. 1977, at 65.
\textsuperscript{19} Andean Group, Jan. 1978, at 4.
\textsuperscript{20} 12 Bank London & S. Am. Rev. 16.
\textsuperscript{21} Andean Group, Jan. 1978, at 5.
New Venezuelan Foreign Investment Law

While occurring outside the context of ANCOM, several unilateral and bilateral actions were taken over the past few months which portend a significant impact upon the organization. On December 15, 1977, the Venezuelan government finally moved on the long awaited new foreign investment law, details of which were unveiled in October. The new decree (No. 2442) was issued in a special edition of the Official Gazette despite the fact that the bill had originally been signed by President Carlos Andres Pérez on November 15, 1977. This lead to speculation that some of the changes originally proposed had been retracted. However, a comparison of the final decree with the draft proposal, and a seminar conducted by the Venezuelan American Chamber of Commerce with the Superintendency of Foreign Investments (SIEX) to resolve any question of interpretation of the final text, shows that few modifications were made, and that the general content of the new law is favorable to foreign investors. Decree 2442 now stands as Venezuela's definitive position on foreign investment. It replaces Decree 63 of April 1974, which harmonized the country's foreign investment rules with those set forth by ANCOM in Decision 24.22

Among the more important changes, Chapter Three (Regimen of Foreign Direct Investments) incorporates the recent Andean Decision 103, thus allowing national companies (more than eighty percent locally-owned) to convert to mixed status (fifty-one to eighty percent locally-owned) through capital increases. Also, foreign investors will be allowed to acquire, without prior authorization, shares from other foreign investors in national, mixed or majority foreign-owned firms that issue stock on the capital market. Such purchases must be registered with SIEX. Chapters Five and Six (Reinvestment of Profits, and Profit Distribution and Remittance) incorporate Andean Decision 103 raising dividend remittance and reinvestment ceilings to seven and twenty percent, respectively. Chapter Six also puts to rest questions about the use of "limbo" profits - earnings companies legally may not remit or reinvest. It is provided that affiliates may apply surplus profits to portfolio investments, put them in trust or use them for local operating activities - all in the name of their foreign shareholders. Income earned by any of these mechanisms may be remitted without prior SIEX approval and will not count toward the profit remittance ceiling. The June 20, 1977 effective date for the new reinvestment and profit ceilings remains the same.

Finally, Chapter Ten (Foreign and Domestic Credits) makes certain clarifications in the area of credit operations. It is provided that principal and interest payments on 180-day credit agreements drawn up with affiliated firms or foreign banks will be allowed without prior SIEX approval, provided that they adhere to the terms of the originally authorized agreement and SIEX is notified within thirty days after the remittance. There continues the previous requirement that interest rates between affiliates can-

not exceed by three percentage points the rates for prime securities in the
country of the currency of the debt.\textsuperscript{23}

\textit{Chile moves to increase trade}

Despite its withdrawal from the Andean Pact, Chile has moved to in-
crease trade with its former ANCOM partners. Between January and
August of 1977, Chilean exports to the Andean Pact countries rose to $95.6
million from $89.9 million for the same period in 1976. Meanwhile, imports
from Andean Pact countries increased from $140.5 million to $173.7
million,\textsuperscript{24} with Venezuela supplying five percent and Ecuador four percent
of Chile’s import needs for the first nine months of 1977.\textsuperscript{25}

In bilateral actions a Chilean-Peruvian Entrepreneurial Commission
was proposed by Chile, with Chile and Peru agreeing to establish credit lines
of $20 million between their respective central banks to encourage an in-
creased exchange of capital and consumer goods.\textsuperscript{26} In trade talks with
Colombia, the two countries agreed to set up chambers of commerce. Chile
also offered to establish a $10 million credit line to cover capital and durable
goods exports to Colombia, particularly agricultural machinery and non-
electrical power-generating equipment.\textsuperscript{27} Similarly, Chile offered Uruguay
a $5 million and Brazil a $10 million credit line, thus bringing Chile’s total
offers of credit lines to other Latin American countries in 1977 to $57
million.\textsuperscript{28}

\textit{Brazil and Venezuela discuss possibility of increased trade}

In November 1977, President Carlos Andrés Pérez, of Venezuela, made
the first official visit ever by a Venezuelan Chief of State to Brazil.\textsuperscript{29} During
the visit several bilateral agreements were signed and discussions relating to
greater economic cooperation and bilateral trade relations between the
countries were held.\textsuperscript{30} In discussions with Ernesto Geisel, President of
Brazil, President Pérez hinted that significant economic agreements could
result from the meeting, provided they were compatible with Venezuela’s
position within the Andean Group.\textsuperscript{31}

The two Presidents also discussed the importance of establishing closer
cooperation between LAFTA and ANCOM.\textsuperscript{32} While Venezuela is a mem-
ber of both trade groups, Brazil is a member of LAFTA only. President
Pérez has stated that the Andean Pact “is not an end in itself but a step
toward LAFTA” which will help make that organization an economic
mechanism similar to the European Economic Community (EEC).\textsuperscript{33}

\begin{thebibliography}{99}
\item 25. 12 Bank London & S. Am. Rev. 28.
\item 28. \textit{Id.} at 38; 12 Bank London & S. Am. Rev. 28.
\item 29. \textit{See Bus. Latin Am., Dec. 21, 1977, at 401.}
\item 30. 11 Bank London & S. Am. Rev. 676.
\item 32. The Times of the Americas, Dec. 7, 1977, at 1, col 1.
\item 33. \textit{Id.}
\end{thebibliography}
This sentiment was echoed in early 1978 when Peru and Argentina signed an agreement to increase technological and commercial exchange, particularly in the automobile and petrochemical industries. In a statement made by Argentina's Under Secretary of International Economic Negotiations it was noted that:

[Argentina and Peru] have always struggled for the development of this region, a development which is already taking place. . . . At this point we are on the threshold of a fortunate agreement of interests between the Andean Pact and the other nations of the Latin American Free Trade Association — LAFTA — even though ignorant people say that they are different, without realizing that the Andean Pact is a subregional agreement.34

**CAF secures $50 million development loan**

Finally, a report issued in December 1977 by the Andean Development Corporation (CAF), the financial arm of the Andean Pact, showed that the organization has undertaken 221 development projects, valued at $300 million in its seven-year existence.35 Meanwhile, in order to finance further sub-regional projects, CAF has received a credit of $50 million from nineteen international banks. The credit agreement was signed in Washington and ambassadors from the Andean nations, officers of banking entities and CAF were present.36

**LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)**

LAFTA, originally conceived as a first step toward more complete forms of economic integration made little headway at its 1977 annual conference in terms of advancing the cause of intraregional economic integration. The only positive step taken by LAFTA in the determination of broad integrative policy was preparation for the convening of the Foreign Ministers Council — the association's top decision-making body. However, no date was set for the meeting and, although the imperative need to revitalize the organization has once again been pointed out, no action in this direction was taken.37 Despite this, late 1977 and early 1978, were marked by some advances in the integration process, primarily the result of sectorial and specialized meetings. Also, progress was seen at the bilateral level.

**New Treaty Proposed**

The issue of reorganization was again passed over by LAFTA at its 1977 Annual Conference despite a recent plea by the Argentinian representative that LAFTA recognize and act upon the situation as it currently exists. At the end of September, the Argentinian representative declared an

36. 11 Bank London & S. Am. Rev. 593.
“imperative need” for a new treaty which would embody five fundamental points:

(1) An indication of the major mechanism of economic interconnection between the poles of integration;

(2) the Latin American Economic System should provide the institutional framework for the interconnection negotiations at the microeconomic level, while LAFTA itself would provide the framework at the macroeconomic level;

(3) the inclusion, for the negotiation of tariff reductions between poles, of a reciprocally-based most favored nation clause;

(4) the adaptation of commitments in questions of integration to different levels of development; and,

(5) an obligatory character to the commitments emerging from the agreements signed between the poles of integration.\(^{38}\)

**New complementation agreements formed**

Two new complementation agreements were concluded, at the annual conference and a half dozen existing agreements enlarged or extended. The two new complementation agreements were in the electrical-generation and communication equipment sectors. The accord on electrical-generation, transmission and distribution equipment was signed by Argentina and Mexico and calls for thirty mutual tariff concessions on fifteen products. The other accord, also signed by Argentina and Mexico, on communication equipment, encompasses twelve products and twenty-three tariff concessions. Brazil was initially invited to join them, but its participation was vetoed because it refused to lift the 100 percent prior-import-deposit requirement on the products in the agreement. The signing of these accords brings the number of complementation agreements approved by LAFTA member countries in the eighteen years of the organization’s existence to twenty-four.\(^{39}\)

**Other Developments**

Reports by international financial organizations estimate that, as of September 1977, Venezuela has committed a total of $3.86 billion to its various programs of financial cooperation. Most of that money has been allocated to multilateral type programs, and to a lesser degree, to bilateral type programs, to economic integration and to the acquisition of bonds. In bilateral agreements Venezuela has promised to allocate or lend money to Bolivia, Costa Rica, Honduras, Peru, Jamaica, the Dominican Republic, Cuba and Portugal. The magnitude of the sums disbursed by Venezuela contrasts markedly with the amounts disbursed by other, more highly developed, countries for similar purposes. In the case of Venezuela that aid

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is about 3.4 percent of its gross territorial product, while the main industrialized nations allocate less than one percent of their gross territorial product to aid for other countries.\textsuperscript{40}

The cooperation agreement signed by Argentina and Ecuador in April 1977, has been enacted into law by Ecuador. Under the agreement, Argentina and Ecuador agreed to take the necessary steps to create programs of cooperation and economic complementation in the activities included within the framework of the accord. These areas include trade, industry, energy, steel, agriculture, cattle raising, forestry, mining, fishing, food, metallurgy, automobiles, cellulose and paper, transportation, physical infrastructure, communications and finance. Also, a special Argentine-Ecuadorean Economic and Technical Coordination Commission is charged with studying the application of this agreement and the accords that could emerge from its observance.\textsuperscript{41}

LAFTA countries were given a break from the Brazilian-Colombian initiative to support world coffee prices when, on November 12, 1977, the Brazilian Coffee Institute announced a thirty-seven percent discount on coffee sales to member countries through December 31.\textsuperscript{42} In a statement issued January 12, 1978, Camilio Calazanos, President of the Brazilian Coffee Institute, said that coffee prices in the world market are firming up, apparently, as a result of the Brazilian-Colombian initiative.\textsuperscript{43}

Paraguay and Argentina have signed agreements to establish a free port at Rosario, Paraguay and a free zone at Puerto Ybicuy, which would promote Paraguayan-Argentine industrial investments. Both countries have also agreed to facilitate Paraguayan exports of timber to Argentina and to reduce documentation for Paraguayan tourists wishing to enter Argentina.\textsuperscript{44}

Colombia and Venezuela are to sign a new trade agreement valued at $80 million dollars a year whereby Colombia will export 200,000 head of cattle to Venezuela between 1978 and 1980. The previous three-year agreement, which ended in 1977, was for 210,000 head of cattle.\textsuperscript{45}

**LATIN AMERICAN ECONOMIC SYSTEM (SELA)**

SELA celebrated the second anniversary of the signing of the Panama Agreement amid a flurry of activity reflecting the hope that it will aid regional cooperation and bring about a greater degree of coordination of the positions of the member countries in the international economic field.

*Paris conference*

In September 1977, the Permanent Secretariat of SELA published a report critical of the results of the Conference on International Economic

\textsuperscript{40} Trans. Latin Am., Dec. 12, 1977, at 71.
\textsuperscript{42} Latin Am. Index, Nov. 1-15, 1977 at 82.
\textsuperscript{43} Latin Am. Index, Jan. 1-15, 1978, at 3.
\textsuperscript{44} 12 Bank London & S. Am. Rev. 35.
\textsuperscript{45} Id. at 43.
Cooperation which was held in July 1977 in Paris. The report highlighted the need to coordinate regional participation in international forums and organizations in order to strengthen the negotiating posture of the Third World vis-à-vis the industrial West. The report also emphasized the failure of the industrialized nations who had attended the meeting to live up to their political declarations and indicated that such action cast serious doubts on the prospects for a constructive North-South dialogue. As a result, the decision of SELA to seek “new and genuinely Latin American forms of cooperation and solidarity” has been reinforced. Jaime Moncayo, Permanent Secretary of SELA, explained:

SELA is a clear response from Latin America to the grave problems which have confronted, and continue to confront the world economy. These problems emphasize the need for each region to rely on its own efforts as the most appropriate path to follow in order to achieve the objectives specifically set out in the Panama Agreement.  

One such new form of cooperation and solidarity mentioned by Moncayo is Latin American multinational companies. Moncayo distinguished these multinational companies from transnational companies, defining the latter as “the result of a model designed for the maximization of profit and the more intensive use of capital and technology” compared with the former which is the result of a determination to cooperate on the part of the Latin American nations with an orientation towards “the basic necessities of the peoples of Latin America.” Indeed, a study prepared by the Institute for Latin American Integration (INTAL) notes that companies headquartered in Latin America sometimes have certain advantages over transnational firms; for example, the former can more easily adapt their technologies to the markets of the region. Also, integration schemes usually include preferential tariffs only for goods and services which originate in Latin America, an added advantage Latin companies have over transnational companies which export to the region. Finally, the amortization policies regarding research and development expenses of transnational enterprises as well as their programs for launching products in developing countries often prevent their Latin American subsidiaries from introducing innovations or models more appropriate for the region.

SELA is not singular in its support of Latin American multinational companies; the Interamerican Development Bank (IDB) has called them useful and necessary tools for accelerating economic integration and development in Latin America. At a conference on joint enterprises and investment in Latin America, the Bank’s Executive Director noted that while Latin American multinational companies do not replace the need to attract external capital, they do broaden the knowledge of Latin American coun-

48. Id.
tries and contribute to the transfer of appropriate technology to their developmental levels, to their employment needs, and to the size of their markets, as well as strengthening the negotiating power of Latin America vis-à-vis transnational enterprises.\(^{50}\)

*Maritime and Freshwater Production Committee*

On October 17, 1977, the Maritime and Freshwater Products Action Committee was officially installed in Lima. This is considered one of the most important multinational projects to have been undertaken by Latin American countries. The plenipotentiary representatives of the member countries signed the organization's constitutive charter and approved proposed action, for which a number of multinational bodies and enterprises will be created.\(^{51}\)

As outlined by SELA, the objectives of the Action Committee will be the rational exploitation of fisheries resources; a significant rise in the supply of foods of high nutritional value to the most needy sectors of the population; the promotion of fisheries products consumption; the diversification and development of fisheries; exports; the conservation of the seas and of marine resources. It is hoped that these objectives can be achieved with the aim of (1) structuring a policy of regional cooperation with regard to the fisheries sector, within the framework of Latin American integration; and (2) of generating jobs and improving incomes through improved socioeconomic development of the region's communities which are linked to the fishing industry.\(^{52}\)

The Action Committee will be concerned with four basic areas: The exploitation and industrialization of fisheries resources; aquaculture; technological and technical cooperation between states; and research into fisheries resources. In the area of exploitation and industrialization of fisheries resources, the primary objective is seen to be multilateral action with regard to projects of region-wide interest, and the creation of incentives for industrialization. Measures proposed include the establishment of Latin American multinational cooperative enterprises; systems of association with companies from third countries; the renting of boats; fishing regulations; and industrial projects. In the field of research of fisheries resources, the promotion of joint research projects is sought in order to make the economic exploitation of these resources feasible, as well as to ensure their proper conservation. Possible Pacific Ocean projects are seen in research of lobster resources on the continental shelf from Mexico to Colombia, and needle fish resources in the southeast Pacific. As far as aquaculture is concerned, help would be given for the setting up of reproduction banks both in the seas and in the rivers and lakes of the region, with special interest accorded to the Orinoco, Paraná and Amazon Basins.\(^{53}\)

\(^{50}\) Id.


\(^{52}\) Comercio Exterior de México, Nov. 1977, at 452.

\(^{53}\) Id.
Agricultural, cattle and industrial experts meet

In October 1977, SELA sponsored a meeting attended by agricultural, cattle and industrial experts from the Andean Pact, the Latin American Free Trade Association (LAFTA), the Central American Economic Integration Secretariat (SIECA), The Andean Development Corporation (CAF), the Latin American Association of Development of Financing Institutions (ALIDE) and the Latin American Economic Commission (CEPAL).

Upon opening the meeting, Doctor Rafael Garcia Velasco, a member of the Junta of the Cartagena Agreement, stressed that the meeting sought to "examine at technical level the work plans of our institutions in the agricultural, cattle and industrial fields, with the purpose of identifying the possibility of carrying out joint actions and programs of reciprocal collaboration in such sectors." Among other things, it was pointed out that the Cartagena Agreement does not aspire to constitute a self-sufficient group or an autarchy.

Doctor Jaime Moncayo, Executive Secretary of SELA, declared that the meeting represented the opening of a constructive dialogue which was a necessary step towards the establishment of further areas of cooperation between the participating organizations.

The principal conclusion arrived at during the meeting was that measures leading to a selective, but institutional articulation of the mechanisms for industrial integration between the different existing integrative schemes must be developed. It was agreed that these mechanisms would approach industrial questions from a sectoral perspective. In the industrial area, it was established that joint efforts might be made in fields such as technological cooperation, research and services, thus eliminating redundancy. In the agricultural area, the experts agreed to meet annually to perfect the terms of cooperation between the integrative bodies. The possibility was also discussed of setting up a Latin American system of personnel training for the agricultural and foodstuffs sectors, as well as a system aimed at raising the level of capitalization in these branches of the economy. It was agreed to hold a Latin American meeting at the end of 1978 concerning the diffusion of knowledge in rural areas, and the creation of rural extension services at the integration body level.

Economists meet

Economists met in Caracas in Fall 1977 to study multilateral measures designed to improve financial cooperation, commercial credit foreign trade promotion and the commercialization of regional products. The conference concluded that in order to achieve the objectives outlined three specific bodies needed to be established:

57. Id.
58. Id. at 498.
(1) In the area of financial cooperation, an institution should be created to link the compensation and payments mechanisms that already exist between the integration organizations such as LAFTA, the Central American Common Market and the Caribbean Common Market. This institution would, furthermore, provide financial resources to raise the purchasing power for particular products and would concern itself with the concentration of reserves and the establishing of Latin American monetary instruments;

(2) regarding commercial credit and the promotion of foreign trade, the establishing of a Latin American commercial institution was proposed, which would provide credits, establish an insurance system and, at the same time, would act as a trade documentation and information center; and,

(3) finally, concerning the commercialization of regional products, it was recommended that Latin American foreign trade holding companies should be set up. These holding companies would buy, concentrate, warehouse and transport nontraditional regional products.

CENTRAL AMERICAN COMMON MARKET (CACM)

Clearly, the most significant event relating to CACM which occurred in the last several months was the decision by Honduras and El Salvador to mediate the differences which have existed between the two Central American republics since their armed conflict in 1969. Meanwhile, the enthusiasm aroused by the proposed draft of the Central American Economic and Social Community treaty has gradually turned into disillusionment as time passes without any movement toward ratification by CACM heads of state.

In a ceremony occurring on November 22, 1977, the "Soccer War" between Honduras and El Salvador drew to a close when the Ministers of Foreign Affairs, Roberto Palmas (Honduras) and Alvaro Ernesto Martínez (El Salvador) exchanged instruments of ratification before the Secretary General of the Organization of the American States (OAS), Alejandro Orfila, agreeing to submit to mediation all matters stemming from their eight year old dispute.  

Growing out of this agreement, deliberations began in February 1978, with Peruvian mediator Jose Luis Bustamente y Rivera in an effort to harmonize the positions of Honduras and El Salvador, and to re-establish diplomatic and trade relations between the two CACM partners. Upon his arrival in Callao, Peru, former Honduran Foreign Minister Cesar Bate announced hopes to put an end to the differences between Peru and Honduras through a "treaty drafted by the two parties."  

59. The 1969 conflict is referred to as the "Soccer War," since it was triggered by a riot, following a heated soccer match between teams from Honduras and El Salvador. See Latin Am. Index, Nov. 16-30, 1977, at 88.


During a press conference Batre said that "Honduras has always shown its willingness to make a settlement by using all the peaceful means provided by international law." The former Foreign Minister added that Honduras favors a comprehensive treaty covering diplomatic and consular relations, free transit, border issues, the Central American Common Market, claims and differences, human rights and families. Batre said that during the first thirty days, the two countries will submit to the mediator a joint report on agreements already reached. After sixty days they will present their viewpoints on the topics to be discussed. The mediator will then have ninety days in which to conduct whatever investigations he may deem necessary. "Once this is done he will proceed," Batre said, "together with the interested parties to draft the general treaty which will cover all topics. We hope the differences will be settled."

Although it is too early to tell, the mediation agreement by Honduras and El Salvador — both members of CACM — could provide the impetus which is sorely needed to renew the drive to rejuvinate Central American economic integration. A draft treaty has been prepared by SIECA to create the Central American and Social Community and contains specific recommendations to preserve and expand the functioning of the free trade zone, the Central American Import Duties Schedule and the monetary zone. In addition, it suggests major changes in the policies governing industrial development. The draft treaty was presented to the governments of the five Central American nations making up CACM in December 1974 and resulted in the establishment of a High Level Committee (CAN) to review the draft and to make recommendations to the five governments. CAN completed its work in Spring 1976 and, on March 23, 1976, the treaty was given to CACM's respective Heads of State for evaluation. Since that time, however, no definitive action has been taken. Nevertheless, at a meeting held in November 1977 by the rulers of the CACM countries, General Laugerud, of Guatemala, expressed his concern over the Group's inactivity saying that a formula must be found to reactivate its integration process.

Meanwhile, on March 9, 1978, the Inter-American Development Bank announced an $18 million loan to the Central Bank for Economic Integration to support industrialization projects in the five nation common market area.

**CARIBBEAN COMMUNITY (CARICOM)**

*Rift among CARICOM members widens*

In the Caribbean, 1978 began with CARICOM facing a serious crisis, the result of measures adopted by several CARICOM members to limit imports in an attempt to resolve serious balance of payments problems.

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62. Id.
63. 8 Law. Am. 474, 475.
64. Comercio Exterior de México, Nov. 1977, at 457.
Nevertheless, the Secretariat hosted a series of regional meetings in January and action on other fronts make the prospects for new Caribbean development projects generally positive.

A severe blow was dealt the cause of Caribbean economic integration when, in late 1977, Trinidad and Tobago’s Prime Minister Eric Williams declared that the country had failed in its efforts to foster regional development projects and was now looking towards Latin America:

We have accepted the obvious facts of life in the Caribbean, proceeded with our own food and agriculture corporation and our own aluminum smelter on our own resources, making it clear that we leave the door open for Caribbean Community countries to join us later if they choose. Having failed signally with the Caribbean, we have turned to South America.\(^6\(^7\)

Williams was referring to growing cooperation with Brazil, with which country Trinidad and Tobago is now exploring the possibilities for joint efforts in steel production and energy.\(^6\(^8\)

The statement was apparently the result of the deteriorating relations between Trinidad and the governments of Jamaica and Guyana brought on by balance-of-payments difficulties that Jamaica and Guyana are experiencing.\(^6\(^9\) In Guyana, flood and drought conditions, combined to slash export crops and bauxite mining by $122 million, resulting in a $143 million current accounts deficit for 1976.\(^7\(^0\)) This was followed in 1977 with a $160-200 million trade deficit due, in large part, to a labor strike in Guyana’s sugar industry.\(^7\(^1\)) Predictions are that Guyana’s balance of trade will continue in the red throughout 1978.\(^7\(^2\)) Because of these payment imbalances Guyana, early in 1977, notified the CARICOM Council of Ministers that it was limiting CARICOM imports, citing Article 18 of the Annex to the CARICOM Treaty, which permits members to take such action when faced with balance-of-payments difficulties.\(^7\(^3\)) Jamaica, on the other hand, has never invoked this article, thereby sidestepping prescribed obligations to abolish the import curbs within eighteen months and to keep the CARICOM Council apprised of its balance-of-payments situation.\(^7\(^4\)) Regardless, the governments of both countries placed import ceilings of one billion Guyanese dollars and 600 million Jamaican dollars for 1977, announcing that preference would be given to the purchase of essential commodities, such as oil, food, raw materials, medicines and equipment. This meant the elimination of an appreciable portion of these countries’ imports from CARICOM fellow members, especially consumer goods, clothing, prepared fruits and building materials.\(^7\(^5\)

\(^{67}\) The Times of the Americas. Jan. 4, 1978. at 12, col. 5.

\(^{68}\) Id.


\(^{71}\) Id.


\(^{73}\) Bus. Latin Am.. Nov. 23, 1977. at 376.

\(^{74}\) Id.

\(^{75}\) Comercio Exterior de México. April 1977. at 148.
In retaliation for the Jamaican and Guyanan import curbs the government of Trinidad and Tobago imposed, in late 1977, its own quantitative restrictions on the import of items from those countries. Trinidad based its action on Article 29 of the Annex under which a CARICOM member may impose quantitative restrictions on intraregional imports if its industries are jeopardized by an influx of regional goods. The list of controlled items issued by Trinidad comprises twenty-three articles including cosmetics, gums and glues, refrigerators and freezers, metal cans, confectionaries, plastic insulated electric cables, television receivers, paper towels and tissue, iron and steel products, plastics, paints, garments and food preparations. An influx of these goods into Trinidad's prospering market was said to be harming the country's local industry. However, the lesser developed countries of CARICOM are exempted from the restrictions.\(^{76}\)

The Trinidad government was under heavy industry pressure to take retaliatory actions against Jamaica and Guyana. At the same time that Trinidad imports were being restricted, Jamaica and Guyana were failing to pay for their purchases from Trinidad. At the close of 1977 no significant reduction had been reported in the TT$3.2 million debt owed to private Trinidad exporters by Jamaica. In the case of Guyana, payments are so far in arrears that the Trinidad Manufacturer's Association has stopped shipments to Guyana until payments are forthcoming. Also, Guyana's request for a G$120 million loan was rejected by Trinidad.\(^{77}\)

Series of regional meetings hosted by CARICOM Secretariat

The CARICOM Secretariat was host to a series of meetings and discussions at its headquarters in Georgetown, Guyana, in January 1978, signalling the on-going nature of developments within the Caribbean Community. The first meeting was that of the Working Party on Commodities held on January 16. Opening simultaneously was the Ninth Meeting of the Working Party on the Harmonization of Company Law throughout the Region. The Fourth Meeting of the Review Committee on Oils and Fats was held on January 23 and 24 and was followed on January 25 by a Ministerial Meeting, of the Seventh Caribbean Common Market Conference on Oils and Fats. Attending the Conference were Ministers and Officials of CARICOM Member Territories and Regional Agencies and Institutions as well as Senior officials of the Caribbean Community Secretariat.\(^{78}\)

Also, on January 27, informal discussions were held with representatives of the United States Agency for Inter-American Development (USAID). Mr. Wheeler, Director, Office for Caribbean Affairs, outlined USAID activities in the Region, emphasizing the areas of interest in support of the integration movement, and, in particular, the Regional Food Plan. Other areas in which the USAID could extend assistance to the CARICOM

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effort were explored, including the strengthening of the capabilities of the Secretariat. 79

Other developments

The Second Caribbean Conference on Trade Investment and Development was held in Miami on January 19, 1978. The purpose of the Conference was to provide businessmen with an opportunity to get answers from Caribbean government leaders to questions relating to investment potentials and development prospects in the area. Addressing the Conference, Robert Slighton, Vice President of Chase Manhattan Bank, forecast higher prices for Caribbean exports such as sugar and bauxite, and also predicted an oil price increase probably "around 10 percent" sometime this coming summer. 80

Meanwhile, several actions were taken in late 1977 and early 1978 which lend an optimistic note to the prospects of increased Caribbean development in the near future. The Central American Bank for Economic Integration will allocate $420 million for development over the next three years: $164 million for infrastructure; $103 million for industry; $82 million for housing and $71 million for agriculture and livestock. 81 Also, the Inter-American Development Bank (IDB) has approved a half million dollar loan and a million dollar grant to the Caribbean Development Bank (CDB) to help finance a $1.8 million program of pre-investment studies to be carried out by the CDB in the Caribbean. This is the first operation since the IDB amended its agreement in January of 1977 to allow the CDB to use its resources for the benefit of the Caribbean countries which are not members of the IDB. 82

Elsewhere, it has been reported that the Caribbean Group for Cooperation in Economic Development was established in the spring of 1978. 83 The purpose of the Group is to increase external aid flows to the area over the next five years in order to expand employment opportunities for the 15 million inhabitants of the Caribbean countries and to accelerate national and regional economic growth. The Group will also coordinate external assistance to the region and review national and regional activities related to economic development. The Group will consist of the Caribbean countries, other World Bank member countries, and international agencies interested in making substantial contributions to economic development in the area. The needs of the territories concerned run into many billions of dollars and a loan consortium by Trinidad and Tobago last July 1977, the forerunner of the present Caribbean Group initiative, envisaged a sum of $800 billion; no specific figure has yet been agreed upon. 84 The Group has been empowered

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82. 11 Bank London & S. Am. Rev. 593.
to set up subgroups to aid individual countries whose needs are acute, but it will be done only at the request of the country concerned and with the agreement of the Group's major donors.  

Finally, the United Kingdom is studying an ambitious transport and marketing project which would aid the Caribbean nations to realize their export potential. The project would involve the formation of a Caribbean export promotion agency and could cost between £20-30 million.

**AMAZON PACT**

Progress has been steady over the past few months toward the ultimate formation of an Amazon Pact. Venezuelan President Carols Andrés Pérez gave his endorsement to the Brazilian initiative to create a multilateral organization in the Amazon river basin during his three-day state visit to Brazil on November 16 through 19, 1977. Bolivia pledged its full support to the Brazilian proposal in April 1977, while Peru, in bilateral agreements with Brazil, agreed to the creation of bilateral commissions for the development of the amazon region and river navigation.

On November 28, 1977, a meeting was held in Brasilia which was attended by representatives of Bolivia, Brazil, Peru, Ecuador, Colombia, Venezuela, Guyana and Surinam—all countries sharing the Amazon valley. Commenting on the meeting, Brazilian officials said that the groundwork was laid for an Amazon Pact and that a treaty could be signed sometime in 1978.

The Brazilian project for Amazon integration was officially proposed in February 1977. The project aims at creating a supranational group for the valley's physical integration, united by a pact similar to that signed by the Plate River basin nations. Under this Pact, Amazon region countries would undertake joint action, each of them retaining their sovereignty over their respective territory and resources. Toward this end, Amazon basin countries would sign a treaty embracing all aspects of a program of development and subregional economic complementarity.

According to the Jornal do Brasil, the Amazon Pact would begin to operate on a relatively small scale, limited initially to the development of joint activities in such areas as hydrology, navigation, meteorology, viability studies relating to economic projects, irrigation, reforestation, agricultural exploration, livestock production, fishing, road building, combined river, highway and railroad transport systems, social welfare projects and medical care. These objectives resemble those of the Plate River Basin Treaty;

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85. *Id.*

86. *Id.*


89. Comercio Exterior de México, Feb. 1977, at 68.


similiarly, the project calls for the creation of a permanent council to study projects and an annual meeting of Foreign Ministers.93

As the largest and richest basin in the world, the potential of the Amazon River valley is vast. Data provided by the Agence Latino-Americaine d'Information indicates that the Brazilian proposal was set forth shortly after some 5,000 km. of road, joining the Atlantic ports of Joao Pessoa and Recife was completed. The trans-Amazonian highway, running East-West, has reached the Pacific coast, and the 1,500 km. North-South stretch (Santarem-Cuiaba) links the Guianas with Matto Grosso and the Plate River basin. These vast infrastructure works are the foundation for Brazil's effort at socio-economic integration, starting from the Sao Paulo-Belo Horizonte-Rio de Janeiro triangle and incorporating the country's richly productive northeast region. From another angle, the trans-Amazonian highway places Brazil's armed forces within easy reach of vital points along the country's borders with some of its ten neighbors.94

However, the formation of a multinational organization responds to more than obvious geopolitical interests: the Amazonian region contains natural resources of incalculable value and eighty-one percent of Brazil's entire fresh water supply.95 The Foreign Ministry of Brazil, in stressing the need to integrate the region, issued a report which emphasised the existence of large resources of minerals and hydroelectric energy in Brazil, oil in Peru and Ecuador, coal in Colombia and gas in Bolivia.96 According to the study, the greatest resource possibilities in Brazil are aluminum in Trombetas, iron and gold in Caracas, and the large amounts of hydroelectric energy which can be derived from the Xingu, Tocantins rivers and in the Tapajos. Brazil wants to sign an agreement to supply Bolivia with natural gas in exchange for the establishment of a large development zone in Bolivian territory. From the Brazilian point of view, a pact with Peru would be promising as Peru has copper and zinc which Brazil could exchange for wheat and soy beans and because it may also use Peruvian oil for the Brazilian refinery at Manaus. Also, the discovery of oil in Ecuador created conditions for commercial complementation with Brazil in exchange for industrial goods and services. The possibilities of exploiting Colombian coal on a large scale also interests Brazil, which is trying to eliminate the so-called metallurgical coal which is supplied in large part by Great Britain. As for Venezuela, the study views it as the "international emerging power, capable of projecting itself on the world scene on the basis of oil and political stability."

However, the fact that five Amazon basin countries are already members of the Andean Pact, of which Brazil is not a member, has created speculations that Brazil, with its proposal, may be trying to create a new subregional group in which to participate, be heard and have a vote.97 Undoubtedly, an Amazon Pact would have an important impact on other in-

93. Id.
94. Id.
95. Id.
97. Id.
tegration organizations despite the fact that the political and economic integration announced by the Jornal do Brasil for the Amazonian countries would require other formal instruments, more far-reaching than those currently set forth. The Rio de Janeiro daily, in fact, emphasizes that the establishment of a coordinating agency for the Amazonian region is in line with one of Brazil's strategic objectives and suggests that Brazilian hegemony in the Amazon basin is long overdue in as much as the area is essential to the country's expansion toward the Pacific and the Caribbean. Indeed, one of the principal objections to Amazon development has been the suspicion among other Basin countries that Brazil may harbor expansionist pretensions in the area. At the November 28, 1977 meeting in Brasília, disagreements arose over Brazil's use of the phrase "physical integration" of the Amazon. Peru and Bolivia, among others, argued that "complementary economic efforts" was a more apt description.

RIVER PLATE BASIN GROUP

Established at a time when LAFTA was making slow progress towards economic integration, the River Plate Basin Treaty has recently been viewed as possibly the best integrative scheme for the rest of the region. Signed in 1969 by Argentina, Bolivia, Brazil, Paraguay and Uruguay, the Treaty aims at developing, through infrastructure projects, the natural resources of the area, with the hope that physical integration will bring about integration in other economic activities and facilitate the establishment of an economic union. Free from any kind of rigid guidelines or timetables for implementation of its projects, the Treaty signatories have managed to develop a scheme of integration in an area in which bilateral agreements are the rule and multilateral ones the exception.

The most ambitious infrastructure projects carried out in the River Plate Basin are in the field of hydroelectricity. Along this line, discussions began on March 14, 1977, in Asunció, Paraguay, between Argentina, Brazil and Paraguay to formulate a plan for joint development of the hydropotential of the upper Paraná River. Three dams are included in the tripartite plan: Itaipú, a Paraguayan-Brazilian project; and Corpus and Yacyreta, downstream, which are Paraguayan-Argentinean efforts. There has been intense controversy over the Corpus and Itaipú projects, with Brazil claiming that Argentine plans to raise the Corpus dam beyond a height of 100 meters could adversely affect the generating capacity of the Itaipú dam upstream while Argentina argues that Brazil must agree to release sufficient water from the Itaipú dam to keep Corpus functioning at
maximum capacity.\textsuperscript{107} Itaipú, with a rated capacity of 12.6 million kilowatts, will be the world’s largest hydroelectric project when it is completed in 1989.\textsuperscript{108} An earlier controversy surrounding Itaipú was settled on November 11, 1977, with the announcement of a dual cycle system for electric power generated by the dam—sixty cycles for power going to Brazil and fifty cycles for Paraguay.\textsuperscript{109}

It has been reported that the Brazilian government is willing to reduce the height of Itaipú’s water drop to allow the Corpus plant to raise its height without any technical changes in the specifications of the turbines, generators and accessory equipment which have already been chosen and which were bought in March. In view of this decision, Argentina will reportedly attend the Asunción meeting with a concrete and reasonable proposal for the solution of the problem. Brazilian officials are convinced that a solution to the Itaipú-Corpus controversy will be found at Asunción, thus overcoming the main bone of contention in recent years in the diplomatic relations between Argentina and Brazil.\textsuperscript{110}

In June 1976 the Plate River Basin Development Financing Fund was established by the signatories of the Plate Treaty.\textsuperscript{111} The purpose of the Fund, which is headquartered in Sucre, Bolivia, is to create an agency able to provide financial aid, cooperation and assistance for the study of projects related to the integral development of the Basin. Besides using its own financial services, the Fund is also empowered to obtain foreign capital from other international agencies. The Fund has an initial capital of $20 million; Argentina and Brazil subscribed $6.7 million each, and Bolivia, Paraguay and Uruguay $2.2 million each. Foreign ministers and ministers of economy of the five Basin countries met in Asunción, Paraguay, December 5 through 8, 1977, in order to discuss financing for the Fund.\textsuperscript{112}

The main economic agreements now in operation are those signed between each of the smaller Treaty countries and Argentina or Brazil.\textsuperscript{113} A large part of Uruguayan territory will be integrated with the Brazilian economy through a project calling for the full use of the Laguna Mirín, the River Yaguarón dam, and the bridges linking both countries in the North.\textsuperscript{114} Referring to the utilization of the Laguna Mirín and the River Yaguarón dam, Uruguay’s ambassador to Brazil stated, in late October 1977, that “[The] treaty encourages the thought that we are not far away from the materialization of efforts which will bring great benefits for the northeast region of our country.” The ambassador also expressed his hope that the balance of payments, generally tilted against Uruguay, will be leveled off.\textsuperscript{115}

\textsuperscript{108} Id.
\textsuperscript{109} Id.
\textsuperscript{110} The Times of the Americas, Jan. 4, 1978, at 7, col. 2.
\textsuperscript{112} Latin Am. Index, Dec. 1-15, 1977, at 89.
\textsuperscript{113} See 11 Bank London & S. Am. Rev. 646.
\textsuperscript{114} Id.
\textsuperscript{115} Trans. Latin Am., Nov. 25, 1977, at 45.
Latin America and Uruguay have also greatly strengthened their links regarding trade. As of October 31, 1977, Uruguayan exports worth U.S. $10,087,000 had been authorized, within the framework of the Uruguayan-Argentine Economic Cooperation Agreement. This figure exceeds the authorizations granted during the comparable period last year by $50,000. Also, the number of products exported increased from 138 as of October 1976, to 158 as of October 1977. Thus, there are thirty-seven new products which had never been previously exported under the agreement.\(^{116}\)

**MULTINATIONAL DEVELOPMENTS**

*Birth of the Latin American Export Bank*

The Latin American Export Bank (BLADEX) was officially established on September 18, 1977 in Cartagena, Colombia, when its statutes were signed by the representatives of the central banks of Argentina, Bolivia, Brazil, Colombia, Costa Rica, Chile, Dominican Republic, Ecuador, Haiti, Jamaica, Mexico, Panama, Paraguay and Venezuela. This new financial institution began functioning in May, 1978. It was also announced that El Salvador, Guatemala, Honduras, Nicaragua, Peru and Uruguay will become members in the near future. In all, twenty Latin American countries will constitute the BLADEX membership since no participation by Barbados, Cuba, Guyana, Surinam or Trinidad and Tobago is foreseen. BLADEX will have an opening capital of $100 million; $20 million paid-in and $80 million subscribed. This opening capital will be established by equal contributions from member governments, regional banks and international banks.\(^ {117}\)

According to Panama's Minister of Planning, BLADEX was created for the purpose of granting loans to exporters and rediscounting paper to finance the sale of nontraditional products, preferentially local labor-intensive manufactures, although raw materials are not excluded. It was also noted that official Latin American finance institutions have made capital commitments of $7.8 million. Apart from this, a group of international banks will subscribe at least $6.7 million, and the private Latin American banking sector a similar amount. Thus, the Bank will start out with a minimum subscribed capital of $20 million. Among the international banks making capital commitments are Citibank, Chase Manhattan, First Bank of Chicago, Royal Bank of Canada, Toronto Dominion Bank, Banque Nationale de Paris, Daichi Kangyo and Banco Exterior de España. Given the importance of the new Bank to the promotion of Latin American exports, technical assistance has been offered by the World Bank and the Interamerican Development Bank. Latin American exports exceed $20 billion annually, of which $8 billion are accounted for by industrial goods.\(^ {118}\)


\(^{118}\) Id.; Comercio Exterior de México, Jul. 1977, at 277.
The Bank’s headquarters will be in Panama City in order to take advantage of the important regional financial market that has been built up in Panama, where eighty banks from twenty-one countries, with deposits totaling more than $10 billion, are established. This is expected to facilitate foreign trade operations, which, in this case, would be adequately financed to protect exporting countries from economic dislocations. The selection of Panama as the site for BLADEX is also expected to improve Panama’s international banking status.\(^{119}\)

**First Meeting of New Arab-Latin Bank Held**

The first general meeting of the Banco Arabe Latinoamericano was held in Lima, Peru, on October 5, 1977. The paid-up capital of the new bank is $25 million, with a subscribed capital of $100 million. Sixty percent of this capital is provided by Arab banks established in Abu Dhabi, Egypt, France, Kuwait, Libya, Saudi Arabia and Spain. The balance is provided by Latin American banks, with banks from Argentina, Brazil, Chile, Colombia and Peru providing 6.66 percent each, and those from Bolivia, Costa Rica, Ecuador, Haiti and Uruguay sharing 6.7 percent between them. The basic purpose of the new bank is to mobilize capital in Arab markets for investment in Latin America. The Bank’s headquarters will be located in Lima, Peru, and branch offices and affiliated agencies may be established in other countries. The bank will engage in all types of banking, including financial collaboration with governments and financial entities, public agencies and private companies throughout Latin America.\(^{120}\)

**Colombian-Venezuelan Agro-industrial Company**

On March 30, 1977, Colombia and Venezuela formalized the constitution of Agroindustrias Zulia-Urena, Compañía Anónima (AZURCA), the first company for either nation in the Tachira and Zulia valleys frontier zone. The company’s most important goals are to increase the cultivation of sugar cane and to insure its industrial processing. Its headquarters will be in Urena, Venezuela. Projections indicate that currently foreseen operations will require an initial investment of $53 million. AZURCA’s initial capital amounts to one million dollars; ten percent of the capital is provided by the Andean Development Corporation (CAF) and the remaining ninety percent, in equal parts, by Colombia and Venezuela. Contributions by CAF and Colombia and Venezuela are expected to reach an eventual total of $35 million.\(^{121}\)

**Venezuelan-Bolivian Food Production Enterprise**

Venezuelan-Bolivian negotiations concluded, in October 1977, in an agreement to set up the first mixed enterprise between the two countries, with the aim of producing food products. The conclusions of the meeting


\(^{121}\) Comercio Exterior de México, Dec. 1977, at 499.
were made public by the Bolivian Ministry of Industry and Commerce, which summed them up in the following four points:

(1) The first mixed enterprise with Venezuela has been set up for the production of food items, based on the comparative advantages which Bolivia offers in the agro-industrial sector;

(2) private entrepreneurs from both countries involved in the manufacture of motor vehicle components agreed to the exchange of parts and pieces for the production of final goods;

(3) similarly, the bases have been formalized for the creation of mixed enterprises and for industrial complementation in the metal-working field; and,

(4) in other sectors, there has been a wide-ranging exchange of information, which will serve as a basis for other projects within the framework of the Cartagena Agreement.122