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**LATIN AMERICAN
ECONOMIC INTEGRATION**

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The twenty-second period of regular sessions of the Conference of the Contracting Parties to the Treaty of Montevideo closed on December 12, 1972. During that period, twenty-four Resolutions were approved and many of the negotiations which the Treaty specifies are to be carried out annually were complied with.

Among the Resolutions approved, the following should be noted: Resolution 304(XII) urging the Parties which have not done so as yet, to ratify the Caracas Protocol to the Montevideo Treaty, subscribed December 12, 1969, which extends to December 31, 1980, the time limit stipulated in Art. 2 of the Treaty to bring the Free Trade Area into full operation. The Whereases emphasize the difficult legal problem facing the Association should the agreement not be ratified for, in such case, the obligation set forth in Art. 2 — bringing the Free Trade Area into full operation within not more than twelve years from the date of the Treaty's entry into force — would be in effect. Resolution 305(XII) complements Resolution 304(XII) in that it stipulates that "the terms of the provisions in force in the Association in connection with the completion of the Free Trade Area referred to in Art. 2 of the Treaty, shall be in force until December 31, 1973, should the Protocol of Caracas not be ratified by the contracting Parties before that date." Three countries have not ratified the Protocol, which will only enter into force once all the countries concerned have done so.

The significance of the ratification of the Caracas Protocol should not be overlooked in view of the far-reaching juridical and political repercussions resulting from non-ratification. If the Protocol is not ratified by December 31, 1973, Art. 61 of the Treaty will become operative. This article provides that "on the expiration of the twelve-year term starting on the date of entry into force of the present Treaty, the contracting Parties shall proceed to study the results of the Treaty's implementation and shall initiate the necessary collective negotiations with a view to fulfilling more effectively the purposes of the Treaty and, if desirable, to adapting it to a new stage of economic integration." If the Free Trade Area is not brought into full operation and if the term for so doing is not extended, the evaluation of the Treaty will raise problems of a dual nature: political, within the organization itself, and, as regards the rest of the world an apparent lack of flexibility to adapt to integration needs. On the other hand, from a juridical point of view, ensuing negotiations would lack the clear and solid legal basis necessary to face the many problems still unsolved in connection with trade liberalization, sectoral aspects, effectiveness and accomplishments of the Agreement of Cartagena, etc. All Governments represented in the Association are hopeful that the Protocol will be ratified before December 31, 1973.

Other resolutions approved refer to problems inherent to the regular administration of the Association, some of them modifying previous resolutions. By Resolution 319(XII) the Parties approved the work plan of the Permanent Executive Committee for 1973. This plan covers important topics such as the liberalization and coordination of trade policies, and industrial, agriculture and cattle raising, statistical and economic matters.

With regard to the negotiations, various NABALALC topics were discussed as well as some of the pending problems and future exchange prospects, and certain aspects of the sectoral negotiations.

SUBREGIONAL INTEGRATION AGREEMENT

As regards the Agreement of Cartagena, the most relevant event of the last quarter has been Venezuela's adherence to the Agreement. It should be remembered, that by Decision 35 the Commission of the Agreement of Cartagena established a joint working group of experts of the signatory Governments to the Agreement and of the Government of

Venezuela, to study the conditions and position of that country relative to its possible entry to the so-called Andean Group or Sub-regional Agreement.

On January 14, 1972, the Group's task came to an end and the Government of Venezuela took the necessary steps to initiate the appropriate official negotiations. These negotiations extended throughout 1972 and ended on February 15, 1973. A definite understanding was reached on the subjects discussed during that period.

The negotiations climaxed with the signing of the Final Act, which contains the *Consensus of Lima*. The latter sets forth the agreements reached and consists of two documents, i.e., Ancillary Instrument to the Agreement of Cartagena for the Adherence of Venezuela, and Conditions for the Adherence of Venezuela to the Agreement of Cartagena. Because of the potential readjustment problems, both documents constitute two important juridical instruments, not only to the Andean Group itself but to the broader ALALC as well.

Ancillary Instrument to the Agreement of Cartagena for the Adherence of Venezuela

Art. 109 of the Agreement of Cartagena provides that it may not be signed with reservations, and that it shall remain open to adherence by the other Contracting Parties of the Montevideo Treaty. Further, that the conditions of adherence shall be defined by the Commission, bearing in mind that acceptance of new members must conform to the goals of the Agreement. Thus, in twelve articles, the ancillary document establishes certain standards on adjustment to special circumstances in the application of the Agreement, so that Venezuela may be able to enter as a full member of the Andean Group.

Conditions for the Adherence of Venezuela

By virtue of Art. 109 of the Agreement and through Decision No. 70, the Commission established the conditions for adherence. The Decision consists of thirty-eight articles divided into nine chapters dealing with the liberalization program, common external tariffs, NABANDINA, metal/mechanic sectoral program and other aspects including some of the treatment of foreign capital, established in Decision 24.

CENTRAL AMERICAN COMMON MARKET

The first meeting on the rebuilding and improvement of the Central American Common Market, convened by the General Secretariat of the Treaty for Central American Economic Integration, was held in Guatemala City on December 1-2, 1972, with five Central American countries officially attending. Among those present were the Ministers of Economy and Finance; the Presidents of the Central Banks; representatives of the Executive Secretariat of the Central American Monetary Council, the Central American Bank for Economic Integration, the Central American Institute of Industrial Technology and Research, and the Central American Institute of Public Administration. The presence of the five countries at the meeting marks a forward step towards the elimination of the difficulties arising from the 1969 conflict between El Salvador and Honduras.

A high-level committee, integrated by a representative from each Government, for the improvement and rebuilding of the Common Market was created at the meeting. The main task of the Committee will be to study the proposals submitted by the Permanent Secretariat to the Treaty for the establishment of the Central American Economic Community (3 *Law. Am.* 127, 1972). SIECA, the Permanent Secretariat of the Treaty, was designated Technical Secretariat of the Committee. One of the main subjects to be considered by the new organism, already at work, will be the revision of the juridical and institutional instruments of the Common Market. It is too early as yet to determine just how far the Governments of the Central American Isthmus desire to go on the matter of the powers of the institutions of the Common Market. Meanwhile, the consensus of governmental representatives is that only a bold outlook and strong political action can pull the Common Market out of its present state of inertia and lead it towards true economic unification, a necessary requirement to the economic progress not only of each country, but of the entire area as well.

CARIBBEAN FREE TRADE ASSOCIATION (CARIFTA)

Three meetings of great significance to the establishment of the Caribbean Community and Common Market were held in Antigua, February 18-26, 1973. All three meetings were attended by officials of Member Countries of CARIFTA, the East Caribbean Common Market (ECCM) Secretariat and the Commonwealth Caribbean Regional (CARIFTA) Secretariat.

The First meeting, held on Sunday, 18th February, was called for the purpose of the drawing up of Intra-Regional Agreements for the Avoidance of Double Taxation (with tax-sparing provisions) principally as a means of encouraging the flow of private capital from the MDC's to the LDC's, particularly in the form of joint ventures, involving manufacturers from both the MDC's and LDC's. A Draft Agreement on Intra-Regional Double Taxation was drawn up at this meeting for Ministerial consideration.

The second meeting, held on Monday, 19th February, was called to finalize at official level outstanding technical issues in the Scheme for Harmonization of Fiscal Incentives to Industry which provides, among other things, for a longer maximum number of years of tax holiday to industries set up in the LDC's than to those established in the MDC's. The meeting was able to resolve all outstanding issues and its recommendations will be submitted for Ministerial consideration.

The third meeting, held from 20th to 26th February, dealt with the construction of a Common External Tariff and Protective Policy for the countries of the Region. In relation to the Common External Tariff, the main task of the meeting, as mandated by the Twelfth CARIFTA Council Meeting held in December, 1972, was to work out for Ministerial consideration a Common External Tariff for the CARIFTA countries, using as a basis the ECCM Common External Tariff, the Belize National Tariff and the Draft CARIFTA Common External Tariff prepared between 1970 and 1972 by officials of Member Governments, the ECCM Secretariat and the Commonwealth Caribbean Regional (CARIFTA) Secretariat. This meeting was able to complete its task within the allotted seven days and was able, among other things, to construct for Ministerial consideration a revised draft CARIFTA Common External Tariff.

MEETING OF ATTORNEYS-GENERAL

The Attorneys-General of Commonwealth Caribbean Countries met at the Commonwealth Caribbean Regional Secretariat in Georgetown from 9th to 12th March, to consider the Draft Treaty establishing the Caribbean Community and Common Market later this year. The meeting considered the proposals put up by the Working Group which held four meetings earlier this year.

HEADS OF GOVERNMENT CONFERENCE

The Eighth Conference of Commonwealth Caribbean Heads of Government is scheduled to be held in Georgetown, Guyana from 9th to 11th April, 1973. The Conference, at which all Commonwealth Caribbean Governments and the Commonwealth of the Bahamas are expected to participate, will pursue *follow-up action on matters referred to it by the Seventh Heads of Government Conference held in Chaguaramas, Trinidad, in October 1972, with specific reference to the establishment of the Caribbean Community and Common Market.* The Conference will be preceded by the Thirteenth Meeting of the CARIFTA Council of Ministers, also to be held in Guyana.