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LATIN AMERICAN ECONOMIC INTEGRATION

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LATIN AMERICAN FREE TRADE ASSOCIATION (LAFTA)

The meeting of the Standing Executive Committee of LAFTA to reevaluate the integration process established by the Montevideo Treaty terminated on October 3, 1969. The Committee approved a document for presentation to the Ninth Regular Conference of the Contracting Parties of the Treaty, containing a draft protocol modifying the treaty and an action plan for the 1970-1980 period, as well as several draft resolutions.

In accordance with the draft protocol, the treaty modification would involve mainly Articles 6 and 61 pursuant to which the free trade zone was to be established twelve years after the international instrument entered into force, that is by 1973 since the treaty entered into force in 1961. The new date according to the protocol would be 1980, which represents a seven-year extension. Prior to December, 1973, the participating countries are to draw up the basis for transforming the free trade zone into a common market or for renegotiating the mechanism of the free trade zone. Also by 1973 the standards governing the common list are to be determined.

The action plan foresees important advances in the field of free trade and coordination of trade, agricultural, financial, monetary, and fiscal policy. It also foresees concerted action on infrastructure. From a lawyer's standpoint, the action plan contemplates a series of instruments that reveal a tendency toward unification of standards without prejudice to harmonization when necessary. Mention is made of a uniform customs code; bromatology code; common standards for defense against dumping and other disloyal trade practices; common standards for plant and animal health protection; common standards of quality, standardization of packaging and systems of weights and measures. Legal harmonization is suggested for norms relative to industrial property (trademarks and patents, royalties, etc.); multinational enterprises; instru-

ments of monetary, exchange, and fiscal policy; treatment of foreign capital; harmonization of systems of social legislation.

With regard to the institutional aspect, the action plan foresees studies on current institutional structure with a view to adjusting it to the new goals of the Association. Special mention should be made of the problem of the relations of the area as such with the rest of the world, including international organizations. Here the plan, under the title of "common attitudes toward third countries, groups of countries and international organizations", speaks of institutional improvement to adopt these common attitudes in the following terms: "Perfecting of the system of consultation for adoption of common positions toward third countries, groups of countries, and international organizations, foreseen in Resolution 167 (CM-I/III-E) of the Council of Ministers, taking into consideration the agreements of CECLA where pertinent."

Naturally, the results of these efforts will depend on the Ninth Regular Meeting of the Contracting Parties of the Montevideo Treaty, which began October 23 in Caracas, Venezuela. Results of this meeting, perhaps the most important ever held by LAFTA, were not available for inclusion in this issue. The divergent positions held by the Andean Group (Bolivia, Colombia, Chile, Ecuador, and Peru) and the rest of the LAFTA countries make this a highly significant meeting. The conclusions reached will be covered in the next issue.

THE ANDEAN GROUP

On November 6, Bolivia ratified the Andean Pact.

The countries within the Andean Pact signed a Declaration of Lima on November 24 in the Peruvian capital, and designated the persons who will occupy the posts in the principal organs of the subregional agreement under the Treaty of Montevideo. The Committee, a political organ, and the Junta, a technical one, will hold a joint meeting at the headquarters in Lima in January, 1970 for the purpose of coordinating future work.

The principal task confronting the Junta is to prepare a common foreign tariff. This will be a very complex undertaking, even more so among relatively less developed countries, as experience with the Central American Common Market has shown. Thus, the institutional mechanism that will lead the Andean process has begun to function. The tasks facing the organs will test the competence with which they are fully endowed, vis-a-vis the various national interests which they must conciliate and bring together.

CENTRAL AMERICAN COMMON MARKET

Although the El Salvador-Honduras conflict has seriously affected free trade among the Central American Common Market countries, the idea of integration has prevailed. Furthermore, the conflict has pointed up the need for discovering more advanced institutional formulas so that the economic causes of the conflict may be gradually resolved on the basis of a reorganized Common Market that allows for better sharing of the benefits of integration based on the principle of balanced development.

Notwithstanding efforts at the inter-American level by the Thirteenth Meeting of Consultation of Ministers of Foreign Affairs to reestablish normal relations between El Salvador and Honduras, the Central American countries themselves have taken certain initiatives to rebuild and further the integration process.

First, Common Market members, through their permanent representatives on the Executive Council of the General Treaty of Economic Integration have held several bilateral meetings. These meetings have helped solve problems of free trade and to renew, to some extent, the traffic that existed prior to the conflict. The continued interruption of trade between El Salvador and Honduras is naturally a most serious problem. The interruption in the free transit of the products of each of the two countries on a section of the Pan American Highway is being partially solved by El Salvador through maritime transportation in the Gulf of Fonseca.

Second, although the organs of the General Treaty have not yet met, the Permanent Secretariat of the Treaty (SIECA) has continued its labors. SIECA also participated in the joint meeting held at its headquarters by the Central American Bank for Economic Integration, the Central American Institute for Industrial Research and Technology (ICAITI), and the Central American Monetary Council in an effort to coordinate their activities in favor of economic integration.

Third, the cooperating institutions have continued their work and met with the five Central American countries. The Central American Bank for Economic Integration met on September 17, 1969, at its headquarters in Tegucigalpa, Honduras, and the five Central American Directors were present. The XXXIII Special Meeting of the Central American Monetary Council, at San Jose, Costa Rica, October 30-31, 1969, was attended by delegates of the central banks of the five Common Market members and representatives of SIECA. On October 1, during the XXIV Meeting of the International Monetary Fund Board of Gover-

nors in Washington, D. C., the five Central American central banks signed an agreement establishing the Central American Monetary Stabilization Fund. The agreement systematizes in its thirty nine articles Common Market monetary and exchange cooperation. This voluntary agreement among the central banks was signed without prejudice to a subsequent convention between the states to provide firmer juridical bases for this cooperation, both within the Common Market and in its relations with the rest of the world.

For the purpose of finding permanent solutions to the problem of pacifying Central America and providing criteria to consolidate and improve economic integration, the Ministers of Foreign Affairs of the five Common Market nations met in Managua, Nicaragua, on December 3-4, 1969. A joint declaration was issued reiterating the decision to perfect the legal and institutional system governing the Central American community. The Foreign Ministers also agreed to create a bilateral working group to take up the problems of a gradual and progressive reestablishment of normal relations between the two countries. The group is to be composed of representatives of El Salvador and Honduras under the presidency of a moderator representing the Secretary General of the Organization of American States.

On the problem of the Common Market, the Ministers decided to establish an Ad Hoc Committee for the reorganization of the Central American institutional system. The committee is composed of two representatives, a jurist and an economist, from each Central American country. Among its major objectives is an analysis of the present institutional system and presentation of bases for its reorganization.

The Foreign Ministers also charged the Ad Hoc Committee with drafting a new ODECA charter and signing, if necessary, new legal instruments to foster greater advances in integration and create a more effective system for solving conflicts.

The Ad Hoc Committee will be headquartered in Guatemala and may establish subcommittees to handle different problems. The secretariats of ODECA and SIECA will coordinate their efforts to provide technical and administrative services. It is noteworthy that the Ad Hoc Committee will receive cooperation from Central American specialized agencies and may request technical cooperation from international bodies.

In summary, the El Salvador-Honduras conflict has brought new demands for greater economic, institutional, and legal progress in Central American integration. The Common Market member governments have recognized this and begun to act. Legal and institutional aspects, along

with economic ones, have now attained a high level of importance. This development should not be overlooked.

CARIFTA

In October of 1969 a delegation from the CARIFTA Council headed by the Minister of Trade in Jamaica journeyed to Brussels, Belgium, headquarters of the EEC, and held discussions with ministers of the EEC Council, the Secretary General and members of the EEC Secretariat, on the question of an association with the EEC of the CARIFTA territories. Three existing forms of association were considered i.e. the Youande Convention, the *sui generis* agreement with some East African countries and the bilateral treaty concluded with Nigeria.

The full council of CARIFTA was expected to meet late in 1969 to discuss the report of the delegation but due to the unfortunate death of the Governor General of Guyana the meeting was postponed to early January, 1970.

Also early in October a University lecturer, economist Alistair McIntyre, Director of the Institute of Social and Economic Research, University of the West Indies, and a member of the Technical Advisory Group of CARIFTA studied, in the countries concerned, the functioning of the three forms of association mentioned above. Mr. McIntyre is expected to advise the CARIFTA Council of his findings at the meeting in January.