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LATIN AMERICAN ECONOMIC INTEGRATION

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LAFTA

The Standing Executive Committee of the Latin American Free Trade Association held a series of special meetings in Montevideo, Uruguay, during July and August, for the purpose of examining the progress of the integration process. During these meetings each member country expressed its views regarding the integration movement, evaluated the achievements of the Association and proposed measures for the improvement of its activities and operations. The meeting approved a document, subsequently submitted to member governments for their consideration, containing a number of measures designed to revitalize the Association.

In late September a second series of meetings will be held to receive the governments' opinions with regard to the new measures and later to put into effect those which are accepted.

The secretariat of LAFTA has prepared several important studies for these meetings, the most noteworthy being papers dealing with harmonization of fiscal regimes, functioning of the reciprocal compensation and credit system, the industrial property system, convergence of LAFTA and the Central American Common Market, and compliance with Resolution 100 (IV) on the coordination of economic policies. The Executive Secretary of the Association has also published a study containing his points of view on the progress of the Association.

At the conclusion of its first meeting in Montevideo on April 19, 1969, the LAFTA Committee on Tax Policy declared the necessity for a gradual harmonization of the different taxation systems of the member countries.

SUBREGIONAL INTEGRATION AGREEMENT

A long process of preliminary negotiations, which began with the signing of the Declaration of Bogota in August 1966, was finally terminated last May 26 with the signing of the Subregional Integration Agreement by Bolivia, Colombia, Chile, Ecuador and Peru. The agreement

was signed in Bogota at the close of the second session of the VI Meeting of the Mixed committee which took place in Cartagena, Colombia. Venezuela abstained from signing the agreement due to disagreement with certain proposals contained therein.

The agreement outlines a far-reaching subregional integration process including the general, automatic lowering of tariffs on trade, a common external tariff, coordination of investments, a common regime for the treatment of foreign capital and other important proposals to insure the establishment of a subregional common market. The Andean Development Corporation will cooperate with the subregional integration process. Recent conversations between the presidents of Colombia and Venezuela have opened the way for Venezuela's gradual adherence to the Subregional Agreement.

COMPATIBILITY OF THE SUBREGIONAL AGREEMENT

The Standing Executive Committee of the Latin American Free Trade Association declared on July 9 (Res. 179) that the Subregional Integration Agreement is compatible with the Montevideo Treaty. The resolution was approved unanimously. A declaration of compatibility is a necessary prerequisite for the entry into force of subregional agreements concluded within the framework of LAFTA since they constitute an exception to the most-favored-nation clause which is the basis of the LAFTA system.

Approval by the signatory governments is the final step for the Subregional Agreement to enter into force, and Colombia has already manifested that approval through an executive decree dated August 25. The decree also provides that the Colombian Institute of External Commerce will be the local organ to maintain contact with the pertinent entities created by the Subregional Agreement. It is hoped that other approvals will be forthcoming in the near future.

NEW COMPLEMENTARITY AGREEMENT

A new complementarity agreement has been signed within the framework of LAFTA, bringing to eight the number of such agreements. This new complementarity agreement deals with the glass industry and the parties involved are Argentina and Mexico. Complementarity agreements involve a special program which free certain products covered by the agreement. They may also include other mechanisms such as a common external tariff and coordination of investments. These agreements are governed by the Montevideo Treaty and Resolution 99 of the LAFTA Conference and constitute an exception to the most-favored-nation clause.

MULTINATIONAL ENTERPRISES

The Institute for Latin American Integration (INTAL), a dependency of the Inter-American Development Bank located in Buenos Aires, has been studying multinational enterprises in Latin America during the past year. The study is now beginning to produce some benefits. The first phase, involving the determination of the types of manufactured goods exported by each Latin American country to other Latin American markets, has been completed. The data relative to the LAFTA region has already been published, and information on Central America and the Caribbean region will be in print soon. The next step will be to identify exporters and the legal system that governs them.

LATIN AMERICAN PARLIAMENT

The Latin American Parliament, during its Fourth Regular Assembly held at Bogota, August 4-7, gave extensive consideration to the subject of Latin American economic integration.

Special mention should be made of the important and timely draft Multilateral Treaty of Latin American Integration considered by the Parliament prior to submission to the executive powers of the continent as a model international instrument capable of coordinating the integration movement. The draft was prepared by professors Horacio Godoy and Alberto Rioseco of the Latin American School of Social Sciences (FLACSO) and was presented for consideration by the Third Regular Assembly of the Latin American Parliament held at Brasilia in 1968. The bases of the draft were accepted by the Assembly in Bogota and were turned over to the Technical Department of Latin American Integration for more careful examination. The latter will meet in Caracas, Venezuela from December 1 to 7, under the auspices of the Venezuelan Congress, to consider the draft, with technical advice to be provided by various experts on Latin American Integration including Doctors Horacio Godoy of Argentina, Rodrigo Carazo of Costa Rica, Jorge Valencia Jaramillo of Colombia, and Salvador Lluch of Chile.

URUPABOL

Perhaps not well known outside of Latin American integration circles is the fact that Bolivia, Paraguay and Uruguay are joined in a tripartite group to promote their own economic integration within LAFTA. The group, with the name of URUPABOL, coordinates its activities through a Permanent Joint Commission whose executive secretariat is located in Asuncion.

URUPABOL aims to increment commercial relations between the three countries and to enhance the position of the member countries within the overall Latin American integration movement. Important resolutions have been adopted by the Permanent Joint Committee to meet the above general objectives.

URUPABOL dates from 1963 and other official sessions have been held in 1965, 1966 and 1969. At the last session, important resolutions covering the subjects of the port of Montevideo, access to the sea for land-locked countries and river transportation, among others, were adopted for submission to the respective governments.

SPECIAL CENTRAL AMERICAN FUND

The five central banks in Central America have signed a protocol establishing a special fund for the Central American Bank for Economic Integration (CABEI). The \$40 million fund is in the nature of a stand-by credit and will assist CABEI's financial transactions in the world's monetary markets.

CENTRAL AMERICAN COMMON MARKET

The conflict between Honduras and El Salvador has affected the functioning and progress of the CACM. The cessation of commercial traffic between the two countries—hopefully temporary—has placed an added strain on the organization which began with such great aspirations in 1960. It is hoped that the impressive achievements of the past nine years will overcome the setbacks arising from the conflict between the two neighboring Central American republics.