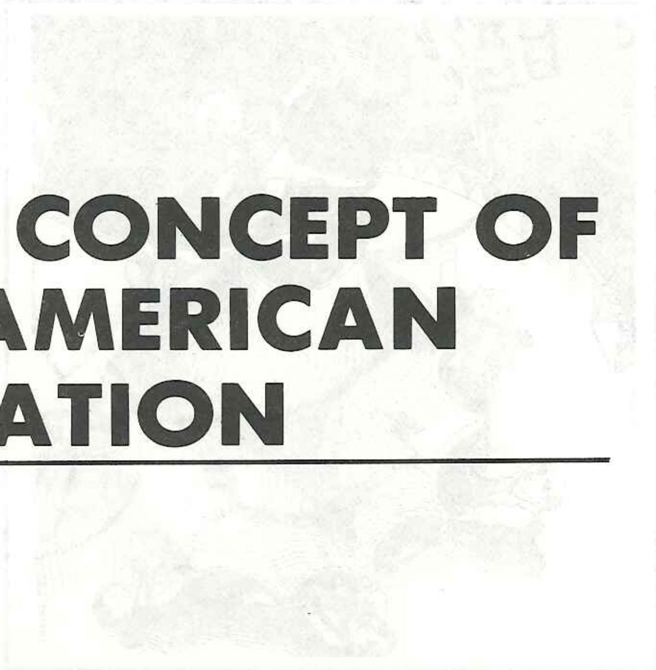
Rosario Green

A NEW CONCEPT OF LATIN AMERICAN INTEGRATION



The subject of Latin American integration has been taken up repeatedly in diverse academic and political fora. The history of regional integrationist movements is quite well-known. For the purposes of this essay, it is sufficient to recall that the idea of integrating national markets —too small individually according to the logic of modern day economy of scale— originated in Western Europe, culminating in the creation of the European Economic Community in 1957. In Latin America, the same idea was first advanced by the United Nation's Economic Commission for Latin America (CEPAL), as a way of revitalizing the import substitution model, then stagnated by the limits of individual Latin American markets, and progessing toward the efficent production of intermediate, durable consumer and capital goods.

The main idea behind integrationism was to broaden national markets, seeking in that way to open the way for rational industrial development. In other words the need for integration grew out of the high costs of industrial technology, and not from issues related to agricultural or mining needs. Thus, the initial measures taken in the integrationist process were to eliminate tariffs and permit free trade between the countries included in each specific project, after first unifying customs nomenclatures and establishing norms for determining the origin of goods and services, dealing with cases of disloyal competition and the occasional use of safeguarding clauses. This first type of integration produced what are called "free trade zones."

Important Precedents

In this context, then, the Montevideo Treaty was signed in February 1960 by Argentina, Brazil, Chile, Mexico, Paraguay, Peru and Uruguay, giving rise to the Latin American Free Trade Association (ALALC). The following year, Colombia and Ecuador signed on, followed by Venezuela in 1966 and Bolivia in 1967.

One of the immediate motivations behind the accord was the sharp drop in inter-Latin American trade in the

Miguel de la Madrid, President of Mexico. (Photo from Novedades archive.)

Alan García, President of Peru. (Photo from Novedades archive.)

second half of the 1950s. At first, the ALALC concentrated its efforts on compensating for the deterioration in the market relations with third countries by actively promoting trade within the region. The Montevideo Treaty also sought the creation of a free trade zone by mid-1973, through gradually eliminating all existing trade barriers among signatory nations. The elimination of trade restrictions was to come about via both multilateral and bilateral negotiations. In the 20-year period from 1961 to 1980, more than 11,200 tariff reductions were negotiated within the ALALC. Nonetheless, the process developed unevenly, and after 1967, its pace dropped off appreciably.

The virtual failure of the ALALC was described by British economist, Sydney Dell in this way: "A large part of the (tariff) reductions was more apparent than real, since in many cases rates were set, which were never applied in practice."[1]

As the ALALC stalled, representatives from Chile, Colombia, Peru, Venezuela and Ecuador met in 1966 and issued the Bogata Declaration, the first step toward the creation of the Andean Pact. In 1969 they, along with other countries, signed an agreement for Andean sub-regional

Director of Institute "Matías Romero" of the Ministry of Foreign Relations.

integration, known as the Cartagena Accord. Its defined purpose was to increase economic growth rates through integration and to design the necessary conditions for changing the ALALC into a common market. By late 1980, its members had assumed a basic commitment to eliminate duties on regional trade and to establish a unified tariff system for trade with third countries. They hoped to accelerate industrialization through "Sectorial Programs of Industrial Cooperation", and they worked to adopt a single set of regulations for foreign and mixed capital enterprises. With the Andean Pact, the volume of subregional exports grew 18 times, to almost 1.4 billion dollars, in the period 1968 to 1980.[2]

But very soon, a series of factors intervened to frustrate the aspirations of this group. Chile, under Augusto Pinochet, took on increasingly irreconcilable positions regarding its participation in the Andean Pact. The military junta threatened, for example, to leave the Cartagena Accord unless the regulations for foreign and mixed capital enterprises were annuled or radically changed. To avoid a collapse, member nations made some concessions, raising export profit limits from 14 percent to 20 percent and classifying investments made by international financial entities as neutral, among other measures. Nonetheless, these concessions proved to be insufficient for Pinochet, and he withdrew Chile from the Andean Pact in October 1976.

This move posed a series of problems for the remaining nations regarding the future of integration. The Andean Pact presidents, meeting in Cartagena to celebrate the Accord's 10th anniversary, issued a joint statement, the Cartagena Mandate, in which they affirmed, "Despite the difficulties confronting the integrationist movement, it is still an indispensable tool for furthering economic sovereignty."[3] But the Pact had already beginning to fall apart.

Other Regional Efforts

Efforts to develop the Central American Common Market (MCCA) were no less important. The Managua Treaty, which established the MCCA in 1960, differed from the ALALC in that it outlined a broader and more detailed program for integration. It set specific, concrete stipulations for foreign trade, including a calendar for rapid liberalization, implementing a unified regional customs nomenclature and protecting the five member nations of the MCCA through common customs rates. The major objectives had been essentially achieved by 1966, just as planned.

But first the "One-Hundred-Hours-War" between El Salvador and Honduras in 1969, and then the conflicts and increasing foreign intervention in the region combined to stall what had been a relatively successful process. Thus, by the beginning of the 1980s, member countries began to propose radical changes in the terms of cooperation, the dissolving of the MCCA and the creation of what they called the Central American Economic and Social Community (CESCA), setting goals for the end of the century. Of course, it is important to emphasize that the problems and prospects for Central American integration are related to the possibilities of peace in the

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