

# Mexico and Latin American integration

*Miguel de la Madrid\**

**F**or the last 35 years, achieving Latin American integration has been the subject of widely differing projects: from the 1956 model proposed by the Economic Commission for Latin America and the Caribbean (ECLA), to the founding of the Rio Group and today's renewed proposals for fostering sub-regional consolidation.

During this period, the most important events relating to integration have been: the Treaty of Montevideo creating the Latin American Free Trade Association (LAFTA) in 1960; the Managua Treaty creating the Central American Common Market also in 1960; the 1969 Cartagena Treaty formulating the Andean Pact whose purpose was to activate and bolster integration; the Latin American Economic System, born in 1975, to foster the creation of a new international economic order and to improve Latin America's position internationally; and the 1980 transformation of LAFTA into ALADI (Latin American Association for Integration) where theoretical bases for integration seem to have been set aside in favor of more practical reasons.

Projected Latin American integration has stumbled time and again over many obstacles that, to date, have prevented its crystallization. Twenty

years after the Montevideo Treaty were not enough to reach LAFTA's original goals. On the contrary, negotiations stagnated. It was not a complete failure, but results were very limited when compared to its goals.

Political pacts alone, or the mere willingness to act, have been insufficient to develop decisive measures designed to take advantage of regional markets. Protectionism has proven stronger than the desire for integration.

The lack of commitment to consolidation, combined with the absence of forums for resolving differences and a disregard for multilateral trade standards (subsidies, anti-dumping, technical norms, and so on), clearly showed a desire for extreme flexibility in applying trade policies to regional exchange. This concern is understandable in the light of Latin America's perception of itself as highly vulnerable to international economic imbalances. This was particularly acute in the nineteen eighties.

Political considerations were added to these economic factors, due to instability in some countries where government policies moved away from democratic principles. All the domestic and foreign factors leading to crisis in the last decade were also present, especially heavy debt, uncertainty in the international raw materials market, diverse monetary exchange policies, credit shortages and even entrepreneurial indifference to the problems posed by integration.

International conditions were largely responsible for discouraging regional efforts toward integration. Constantly rising interest rates provoked large increases in debt payments resulting in considerable loss of income.

Protectionism in industrialized countries diminished Mexico's ability to increase her exports to the world market. Monetary disorder was another destabilizing factor during those years, revealing the inadequacy of the industrialized nations' efforts to attenuate it, given the complexity of international economic relations.

It has been during the last decade, viewing her relations with Latin American as of the highest priority in the context of her international political and economic strategy, that Mexico has given renewed thrust to Latin American integration. Mexico's attitude was reinforced by the reestablishment of democracy in most Latin American countries and by their leaders' renewed faith in integration.

Mexico's Active participation in the 1983 Latin American Economic

*A brief chronology of the most recent events in the process that began with independence from Spain, sheds light on the many differing proposals advanced in interests of achieving integration in Latin America.*

\* Former President of Mexico.

Conference, held in Quito, contributed to the ALADI Ministerial Council's adoption of several measures to reinforce economic and political ties and to strengthen cooperative procedures in the region.

That same year, the Contadora Group was established to prevent war and foster a negotiated peace in Central America, thus creating a joint and active Latin American diplomacy aimed at regional problems and their solutions.

nations and in the interests of achieving a wider and stronger alliance. The final objective would be to create a really politically and economically integrated Latin American Community of Nations.

Three months later, in December 1986, the Rio Group was founded as a first step toward establishing a permanent mechanism for discussion and cooperation to strengthen and regulate consultation procedures between the eight countries on subjects

development of plans and programs aimed at solving regional problems.

From that meeting came the sixty items in the Acapulco Agreement for Peace, Development and Democracy, and the multiple factors involved in Latin American reality were classified and identified. This document noted dangerous economic stagnation in the region, protectionist policies and the malfunctioning of agencies for international cooperation. The importance of cooperation as a means to foster growth in less favored nations was also pointed out.

Commitments made in Acapulco were followed up by the Cartagena de Indias Meeting in February 1988, where an agreement was reached to strengthen Rio Group presence internationally through wider political dialogue with other countries, especially members of the European Community.

The most important and well-received outcome of this meeting was the Economic Cooperation Plan for Central America, which pointed out the region's low standard of living as its main problem and the need to raise it.

All these events, where Mexico played a leading promotional role,

## “Latin American integration has yet to be realized”

In 1984 the Cartagena consensus that grouped the eleven most indebted Latin American countries, presented a common view of the economic crisis, and gave integration prime importance for renewed growth.

The Contadora Support Group, founded in 1985, allowed the hemisphere to capitalize on wide-spread Latin American legal and diplomatic experience to establish new courses of international action.

Worried by delays in plans for integration, representatives of the ALADI nations met in Acapulco in 1986. On this occasion agreements were reached to broaden the Regional Preferential Tariffs Program; strengthen the Regional Agreements List of Markets to be Opened; negotiate the Limited Agreements for Growth and Recovery of Inter-regional Trade and create a Program for Multilateral Elimination of Non-Tariff Restrictions. The results of this meeting renewed the will to carry out Latin American integration.

In order to strengthen these commitments, in September 1986 Mexico presented its government's policy to the UN Latin American Group in New York, aimed at contributing to integration among the Latin American

of common interest. This meeting defined, among its basic objectives, the strengthening of regional cooperation and integration by stimulating existing processes and exploring new fields.

There was much activity in the process of regional integration in 1987. The Rio Group met in Argentina, Brazil, Uruguay and Mexico. The last meeting, held in Acapulco at the presidential level, was the most important of the four due to the



Acapulco Agreement for Peace, Development and Democracy.

were landmarks in the process of Latin American integration. In keeping with this strategy, Mexico endeavored to strengthen trade relations and further the arduous process of integration.

From within ALADI, Mexico strove to recover and encourage international trade levels with member countries, devoting special efforts to widening and utilizing regional mechanisms for integration.

In addition, through its Program for the Rationalization of Protection, then being put into operation, Mexico fully complied with the ALADI Ministerial Meeting resolution approved in March 1987, for elimination by March 1988 of most non-tariff barriers on inter-regional trade.

As an ALADI member, Mexico endorsed a wide range of treaties with Contracting Parties throughout the nineteen eighties. Among the most important were those granting 10% to 22% regional tariff preference to member countries, based on development levels. Mexico also signed treaties with the association's economically less developed nations granting duty exemption on certain

the five Central American nations and Panama, granting unilateral tariff concessions without compensation. This type of agreement was signed with Cuba as well.

In these cases, Mexico showed that the Latin American spirit of her international policy, particularly in trade relations, was not limited to the scope of ALADI.

A solid example of Mexican cooperation within the ALADI

interdependence and regional grouping.

New subregional initiatives and revitalized older integration projects, such as the Andean and Central American ones, established guidelines for new relations with nations in the area, recently expressed in the Free Trade Agreement with Chile, in broadening Central American agreements and in initiatives with Colombia and Venezuela.

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### *“Heavy debt and other factors produced crises in Latin America during the last decade”*


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framework, producing short-term results, was an agreement signed with Argentina in 1987 to lay an oil pipeline from Loma de la Lata to Buenos Aires. It was a civil engineering project carried out by Mexican entrepreneurs that met local specifications and strengthened trade with Argentina, as part of the project was paid for in various agricultural and industrial products.

Favorable conditions are presently developing for revitalizing the original integration projects. A large number of regional economies are currently being adjusted and trade barriers are being removed. Under these circumstances, it is not unrealistic to propose serious commitments to accelerate programs of convergence.

Faced by the world's economic and political changes, Latin America has the opportunity to participate in the challenge and to transform itself into a dynamic zone of rapid growth capable of creating its own competitive advantages.

However, it is each nation's responsibility to further its economic restructuring, and to strengthen alliances within the region and with the more developed countries.

In short, Latin American integration must be revitalized with effective new measures of cooperation that afford the region a significant presence on the international scene especially in the process of change now underway. What is accomplished will help to define Latin America's role in the multi-polar scheme of the next century 

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### *“The Contadora Group and the Cartagena Agreement were established to foster peace and economic unity in Latin America”*

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products without compensation.

Furthermore, Mexico signed the ten Bilateral Agreements called limited scope agreements with each ALADI member country, granting and receiving tariff and non-tariff preferences.

Mexico also signed eighteen Limited Scope Agreements, of a sector nature, based on Article 25 of the Treaty which authorizes ALADI members to enter into this type of agreement with other Latin American countries. Pacts were also signed with

Another example of Mexico's spirit of Latin American cooperation was its support, by prompt yearly renewal, of the San Jose agreements to supply oil at preferential prices and under terms of credit to Central American countries.

Mexico has always favored initiatives designed to further integration, since it has long foreseen the profound worldwide economic changes now characterized by globalization, multi-polarity,